GHW

GHW International

(Incorporated in the Cayman Islands with limited liability)

Stock Code : 9933

2024
ANNUAL REPORT

CONTENTS

CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors:

Yin Yanbin (Chairman and Chief Executive Officer)
Zhuang Zhaohui
Chen Zhaohui
Zhou Chunnian
Chen Hua
Diao Cheng

Independent Non-executive Directors:

Sun Hongbin
Wang Guangji
Zheng Qing

AUDIT COMMITTEE

Zheng Qing (Chairlady)
Wang Guangji
Sun Hongbin

REMUNERATION COMMITTEE

Zheng Qing (Chairlady)
Zhuang Zhaohui
Sun Hongbin

NOMINATION COMMITTEE

Yin Yanbin (Chairman)
Zheng Qing
Sun Hongbin

RISK MANAGEMENT COMMITTEE

Chen Zhaohui (Chairman)
Zhou Chunnian
Chen Hua

AUTHORISED REPRESENTATIVES

Yin Yanbin
Wu Wing Hou

COMPANY SECRETARY

Wu Wing Hou

REGISTERED OFFICE

Cricket Square
Hutchins Drive
P.O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

PRINCIPAL PLACE OF BUSINESS IN THE PEOPLE'S REPUBLIC OF CHINA

6th Building
Xincheng Science Park
No. 69 Aoti Street
Nanjing
People's Republic of China

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Room 4301, 43/F
Tower One, Times Square
1 Matheson Street
Causeway Bay
Hong Kong

CORPORATE INFORMATION

PRINCIPAL SHARE REGISTRARS AND TRANSFER OFFICE IN THE CAYMAN ISLANDS

Conyers Trust Company (Cayman) Limited
Cricket Square
Hutchins Drive
P.O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

BRANCH SHARE REGISTRAR AND TRANSFER OFFICE IN HONG KONG

MUFG Corporate Markets Pty Limited
Suite 1601, 16/F, Central Tower
28 Queen's Road Central
Hong Kong

LEGAL ADVISER

Loeb & Loeb LLP

PRINCIPAL BANKERS

Shanghai Pudong Development Bank (Nanjing Branch)
Bank of Nanjing
Industrial and Commercial Bank of China
(Nanjing City Xuanwu Sub-branch)
Bank of Communications
(Tai'an City Xiangyang Sub-branch)

AUDITORS

ZHONGHUI ANDA CPA Limited
Certified Public Accountants
Registered Public Interest Entity Auditors
23/F, Tower 2, Enterprise Square Five
38 Wang Chiu Road, Kowloon Bay
Kowloon, Hong Kong

COMPANY'S WEBSITE

www.goldenhighway.com

STOCK CODE

9933

FINANCIAL SUMMARY

RESULTS

	Year ended 31 December				
	2024 **RMB'000**	2023 RMB'000	2022 RMB'000	2021 RMB'000	2020 RMB'000
Revenue	**3,861,966**	3,217,669	3,378,707	2,833,268	2,103,882
Gross profit	**391,024**	336,980	657,900	476,115	273,270
Profit (loss) before taxation	**12,573**	(6,786)	308,028	146,048	(6,642)
Taxation	**339**	9,510	(33,401)	(15,335)	1,467
Profit (loss) for the year	**12,912**	2,724	274,627	130,713	(5,175)

ASSET AND LIABILITIES

	As at 31 December				
	2024 **RMB'000**	2023 RMB'000	2022 RMB'000	2021 RMB'000	2020 RMB'000
Total assets	**2,046,547**	1,742,362	1,678,633	1,367,318	1,021,749
Total liabilities	**(1,424,971)**	(1,160,945)	(1,076,013)	(1,028,239)	(816,254)
Net assets	**621,576**	581,417	602,620	339,079	205,495

The summary of the consolidated results of GHW International (the "**Company**") and its subsidiaries (collectively referred to as the "**Group**") for each of the years ended 31 December 2020, 2021, 2022, 2023 and 2024 and the consolidated assets and liabilities of the Group as at 31 December 2020, 2021, 2022, 2023 and 2024 have been extracted from this annual report and the annual reports for the years ended 31 December 2020, 2021, 2022 and 2023.

The summary above does not form part of the audited consolidated financial statements.

CHAIRMAN'S STATEMENT

YANBIN YIN

Founder, Chairman of the Board, CEO

Dear shareholders,

On behalf of the board (the "**Board**") of directors (the "**Director(s)**") of the Company, I am pleased to present to you the annual results and the audited consolidated financial statements of the Group for the year ended 31 December 2024.

FINANCIAL RESULTS

During the financial year under review, 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 last year. Our gross profit was approximately RMB391.0 million for the year ended 31 December 2024, representing an increase of 16.0% when comparing to approximately RMB337.0 million for the year ended 31 December 2023. We recorded a profit of approximately RMB12.9 million for the year ended 31 December 2024, representing a significant surge of 374.0% compared to a profit of approximately RMB2.7 million for the year ended 31 December 2023.

During the current year, the Group actively pursued strategic expansion by broadening its business scope with introduction of three new segments. This initiative was aimed at better addressing market demands and industry trends, fostering coordinated development across various business lines, and establishing a solid foundation for sustainable growth. As at the date of this report, we have seven principal business segments, which include: (i) Methylamine Industry Series, (ii) Applied Chemicals Series, (iii) Advanced Materials Intermediates Series, (iv) Green Products, (v) Pharmaceutical intermediates and Active Pharmaceutical ingredients ("**APIs**"), (vi) Iodine Derivatives and Supporting products, and (vii) Happy Elephant Planet, Advanced Medical and Health Products. By expanding our business segments, we are creating a more comprehensive business layout that effectively addresses the increasingly diverse demands of the market. This strategic initiative has driven robust growth of the Group. Despite facing weak demand in the traditional chemicals market throughout the year and a

CHAIRMAN'S STATEMENT

sluggish recovery in the real estate sector of the downstream construction industry, we have consistently solidified our industry-leading position and enhanced our core competitiveness by leveraging our strengths in technological research and development ("**R&D**") as well as industrial chain integration. We are also actively exploring international markets, optimising our global supply chain system and improving operational efficiency. In 2023, our upstream methylamine facility has commenced operations, which supports choline chloride production, enabling us to rapidly capture a larger market share. In terms of cardanol products, we successfully expanded into new markets and adjusted our sales strategy to significantly boost both sales volume and gross profit. Additionally, through a strategic procurement and expansion plan, we recorded a marked increase in our gross profit and enhanced profitability, particularly in our Methylamine Industry Series, Green Products, and Iodine Derivatives and Supporting Products segments, where:

– The Methylamine Industry Series is the Group's main revenue contributor, accounting for approximately 35.2% of the Group's total revenue (2023: 33.0%). The segment revenue for the year ended 31 December 2024 was approximately RMB1,359.1 million, increased by 28.2% compared with last year. The growth was attributed to the commencement of operations at our upstream methylamine facility supporting choline chloride production in the middle of 2023, which expanded our production capacity and boosted sales of choline chloride, betaine and methylamine. Although domestic production capacity for methylamine in China outstripped demand, resulting in price decline, we successfully navigated the intense market competition by leveraging our competitive advantages to capture a greater market share, leading to a notable increase in sales.

– In response to growing societal emphasis on environmental protection and sustainable development, we expanded into the Green Products in 2024, primarily focusing on the production of cardanol, a natural product extracted from cashew shell oil which is widely used in coatings, resins, pharmaceuticals and other fields. For the year ended 31 December 2024, segment revenue grew by 53.7% to approximately RMB200.4 million, which was mainly attributable to our proactive exploration of new geographical markets, particularly the development of European customers, along with strategic adjustments to our sales approach to target regions with higher gross margins. As a result, gross profit for the segment surged by 97.2% to approximately RMB33.5 million.

– For the Iodine Derivatives and Supporting Products, global iodine market prices remained high, with supply in iodine tightening throughout the year which led to increase in market prices. In addition, we revised our sales arrangement with some existing customers. Instead of providing iodine sub-processing services, our customers purchased iodine derivatives from us directly, which contributed to the increase in revenue generated from Iodine Derivatives and Supporting Products. For the year ended 31 December 2024, revenue generated from Iodine Derivatives and Supporting Products was approximately RMB991.9 million, representing an increase of 39.6% as compared to 2023 which accounts for 25.7% of the Group's overall revenue.

The net profit attributable to owners of the Company for the year ended 31 December 2024 amounted to approximately RMB12.8 million (2023: RMB2.7 million), resulting in a basic earnings per share of the Company for the year ended 31 December 2024 of RMB1.4 cents (2023: RMB0.3 cents). The increase in profit was mainly attributable to the gross profit generated by the Applied Chemicals Series, Advanced Materials Intermediates Series, Green Products and Iodine Derivatives and Supporting Products.

CHAIRMAN'S STATEMENT

BUSINESS OVERVIEW

We are an applied chemical intermediates provider in the integrated chemical services market (i.e. a complete supply chain to provide customers with a full spectrum of services ranging from pre-sales consulting services, sales of chemical products to after-sales technical support), which primarily engages in the production and sales of our 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 R&D on production processes, customisation of products, manufacturing of quality chemical products, sourcing of wide-ranging chemicals manufactured by third party manufacturers, efficient and safe logistics services and after-sales services.

Throughout the year, we proactively adjusted our sales strategies, optimised production capacity and actively expanded our customer base to address evolving market demands and challenges, with the overarching objective of enhancing operational efficiency and reducing costs. The commencement of our production line for trimethylamine, a major raw material for production of choline chloride, has expanded our production scale and significantly enhanced our market share and sales to customers of choline chloride and betaine. This manufacturing expansion has allowed us to successfully navigate a highly competitive market environment, and establish a solid foundation for future development in our choline chloride business.

Furthermore, our strengthened collaboration with existing customers has led to a consistent increase in order volumes, while simultaneously attracting a diverse range of new clients, thereby substantially boosting our overall sales figures. We have also actively pursued new business opportunities through the launch of Nanjing Happyelephant, our venture dedicated to advanced medical and health products with a primary focus on the sale of nutritional supplements acquired from third-party manufacturers. To effectively penetrate the supplement market, we organised a series of sports events designed to promote our brand and drive sales of related products. Complementing these initiatives, we have secured an exclusive distribution agreement with a manufacturer of medical optical lenses, granting us an exclusive right to distribute their customised optical lenses.

We are committed to becoming a global leader in supplying applied chemical intermediates, particularly in methylamine-related products, including choline chloride, betaine, and other methylamine series products and their derivatives. To continuously enhance our production capabilities, we have secured a guarantee for the potential acquisition of land in Manzhuang Town, Daiyue District, Tai'an City, Shandong Province, the People's Republic of China (the "**PRC**"). This site will be specifically reserved for producing methylamine downstream products, including electronic chemicals, pharmaceutical intermediates, and new energy chemicals as well as workshops for iodine derivatives and a R&D center with supporting utilities and facilities.

FUTURE PROSPECTS

In 2025, the structural adjustments in the industry's supply and demand dynamics are expected to deepen further, leading to a more stable balance between supply and demand. Coordinated macroeconomic policies from major economies, coupled with the resurgence of industrial cycles, are poised to stimulate a gradual rebound in terminal market demand, injecting fresh momentum into industry growth. From a cost perspective, the raw materials market is projected to benefit from enhanced supply chain efficiencies and optimised inventory management, contributing to sustained price stability. As supply-demand imbalances in the upstream segments of the industrial chain gradually alleviate, the product pricing structure is also anticipated to undergo certain degree of normalization. In response to these market trends, we remain committed to refining our business layout, enhancing production capacity, and proactively expanding our customer base to optimize operational efficiency.

CHAIRMAN'S STATEMENT

In September 2023, the Group made a RMB10,000,000 deposit for the potential acquisition of a land parcel located in Manzhuang Town, Daiyue District, Tai'an City, Shandong Province, PRC. Upon acquisition, this land will serve as the primary site for producing downstream methylamine products, encompassing electronic chemicals, pharmaceutical intermediates, and new energy chemicals, alongside dedicated production workshops for downstream iodine products. In addition, a state-of-the-art R&D center, along with essential public and auxiliary facilities, will be established. Upon completion of the said production facilities, it is expected that the production capacity will reach 120,000 tonnes, significantly expanding the Group's business scale and bolstering its overall performance.

The Directors firmly believe that fortifying employee benefits and enhancing liquidity are pivotal to our Group's long-term sustainable development. On 12 August 2024, the Group finalised a capital increase transaction with five subscribers, who are limited partnerships formed by employees of the Group. Upon completion, the five subscribers held a total of 8.05% effective interest in the registered capital of Taian Havay Group Co., Ltd, a subsidiary of the Group. With the ultimate beneficiaries of the subscribers being the Group's employees, this initiative is designed to bolster employee loyalty, foster long-term growth, and improve the liquidity of Taian Havay Group Co., Ltd. As of 31 December 2024, the net proceeds from the capital increase transaction was approximately RMB36.4 million, which is primarily allocated for the repayment of existing debt. Moreover, on 10 December 2024, the Group successfully completed a placing of shares, generating net proceeds amounting to approximately RMB22.2 million. These proceeds are earmarked primarily for working capital purposes, to optimise liquidity and ensure seamless daily operations, thereby facilitating sustainable development and creating enduring value and returns for the shareholders of our Company (the "**Shareholders**").

APPRECIATION

The Board would like to extend its sincere thanks to the Shareholders, business partners and customers for their utmost support to us. We would also like to take this opportunity to thank all management members and staff for their hard work and dedication throughout the year.

Yin Yanbin
Chairman and Chief Executive Officer
31 March 2025

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 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 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 report, 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.

MANAGEMENT DISCUSSION AND ANALYSIS

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.

MANAGEMENT DISCUSSION AND ANALYSIS

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.

MANAGEMENT DISCUSSION AND ANALYSIS

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	**3,861,966**	**100.0%**	3,217,669	100.0%

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

MANAGEMENT DISCUSSION AND ANALYSIS

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.

MANAGEMENT DISCUSSION AND ANALYSIS

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	**3,861,966**	**100.0%**	3,217,669	100.0%

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 Gross profit		2023 Gross profit	
	RMB'000	margin %	RMB'000	margin %
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	**391,024**	**10.1%**	336,980	10.5%

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.

MANAGEMENT DISCUSSION AND ANALYSIS

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 origanising 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 flucation 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.

MANAGEMENT DISCUSSION AND ANALYSIS

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 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 report 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 of Hong Kong Limited (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:

	Planned use of net proceeds as stated in the announcement dated 10 December 2024 (HK$'000)	Actual use of proceeds up to 31 December 2024 (HK$'000)	Unutilised net proceeds up to 31 December 2024 (HK$'000)
General working capital	**24,311**	**24,311**	**–**

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.

MANAGEMENT DISCUSSION AND ANALYSIS

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).

MANAGEMENT DISCUSSION AND ANALYSIS

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 report, 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.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

EXECUTIVE DIRECTORS

Mr. Yin Yanbin, aged 57, is the founder of our Group, our executive Director, the chairman of our Board and the nomination committee (the "**Nomination Committee**") and the chief executive officer of our Company. Mr. Yin is also a director of each of GOHI Int'L Limited ("**GOHI Int'L**"), GHW Holdings Limited ("**GHW Holdings**"), Nanjing Goldenhighway International Supply Chain Management Company Limited* (南京金海威國際供應鏈管理有限公司) ("**GHW International SCM**"), Nanjing Goldenhighway New Materials Co., Ltd.*(南京金海威新材料有限公司) ("**GHW Chemicals**"), Golden Highway International (Hong Kong) Limited ("**GHW International (HK)**"), Goldray International Enterprises Co., Limited ("**Goldray International**"), Havay Industry Inc. ("**Havay Industry**"), GHW USA LLC ("**GHW USA**"), Taian Havay Group Co., Ltd.* (泰安漢威集團有限公司) ("**Havay Group**"), Jiangsu Xinnuo Pharmaceutical Trading Co., Ltd.*(江蘇省信諾醫藥對外貿易有限公司) ("**Xinnuo Pharmaceutical**"), Nanjing Happyelephant Health Technology Co., Ltd (南京格格象健康科技有限公司) ("**Nanjing Happyelephant**"), Taian Yueda Logistics Co., Ltd.* (泰安岳達物流有限公司) ("**Taian Yueda**"), Most Victory Holdings Limited ("**Most Victory**"), Goldenhighway Holdings Pte.ltd. ("**GHW PTE**"), GHW International (Malaysia) Sdn. Bhd. ("**GHW Malaysia**") and Taian Havay Pharm Co.,Ltd (泰安漢威藥業有限公司) ("**Havay Pharm**") (registered and appointed on 21 March 2024), the chairman, general manager and legal representative of GHW International SCM, the general manager and legal representative of GHW Chemicals and Xinnuo Pharmaceutical, the chairman and legal representative of Nanjing Happyelephant, the legal representative of Havay Group, Taian Yueda, Golden Highway Mexico, S.de R.L. de C.V. ("**Golden Highway Mexico**") and Havay Pharm, all of which are our subsidiaries. Mr. Yin is primarily responsible for strategic planning of our Group and overseeing the management and business performance, asset management, financial positions and human resources of our Group. Mr. Yin has over 24 years of experience in the applied chemical products industry. Mr. Yin received a college diploma in machinery manufacturing process and equipment from Jiangsu Radio and Television University* (江蘇廣播電視大學) in the PRC in July 1989 and further obtained a bachelor's degree in business management from China Pharmaceutical University* (中國藥科大學) in the PRC in July 2001.

Mr. Zhuang Zhaohui, aged 56, is our executive Director. He is also a member of the remuneration committee (the "**Remuneration Committee**"). Mr. Zhuang joined our Group in February 2001. Mr. Zhuang is also a director of each of GHW International SCM, Nuovomondo Chemicals Private Limited ("**Nuovomondo Chemicals**") and GHW Malaysia, all of which are our subsidiaries. Mr. Zhuang is primarily responsible for managing, supervising and coordinating the sales strategies and business operations of our Group. Mr. Zhuang has over 24 years of experience in the applied chemical products industry. Mr. Zhuang received a college diploma in foreign trade from Nanjing Audit College* (南京審計學院) (currently known as Nanjing Audit University* (南京審計大學)) in the PRC in July 1989 and further obtained an executive master of business administration from Shanghai Jiaotong University* (上海交通大學) in the PRC in June 2012.

Mr. Chen Zhaohui, aged 56, is our executive Director. He is also the chairman of the risk management committee (the "**Risk Management Committee**"). Mr. Chen joined our Group in July 1997. Mr. Chen is also a director of each of GHW International SCM and Nanjing Hanshang Weisou Electronic Technology Co., Ltd.* (南京瀚商微搜電子科技有限公司) ("**Hanshang Weisou**"), and the chairman and legal representative of Hanshang Weisou, all of which are our subsidiaries. Mr. Chen is primarily responsible for managing the capital and finance management, administration and information technology of our Group. Mr. Chen has over 24 years of experience in the applied chemical products industry. Mr. Chen completed his secondary education, specialising in industrial business management in the PRC in July 1987.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Mr. Zhou Chunnian, aged 53, is our executive Director. He is also a member of the Risk Management Committee. Mr. Zhou joined our Group in January 1996. Mr. Zhou is also a director of GHW International SCM, and a director and the legal representative of GHW International (Côte D' Ivoire) ("**GHW Côte D' Ivoire**") (registered and appointed on 27 March 2024), all of which are our subsidiaries. Mr. Zhou is primarily responsible for managing, supervising and coordinating the sales and business operations as well as capital management of our Group. Mr. Zhou has over 24 years of experience in the applied chemical products industry. Mr. Zhou received a bachelor's degree in chemical processing of coal from Dalian University of Technology* (大連理工大學) in the PRC in July 1994 and further obtained an executive master of business administration from Shanghai Jiaotong University* (上海交通大學) in the PRC in December 2012.

Mr. Chen Hua, aged 52, is our executive Director. He is also a member of the Risk Management Committee. Mr. Chen joined our Group in July 1995. Mr. Chen is also a director of GHW International SCM, a subsidiary of our Company. Mr. Chen is primarily responsible for formulating and monitoring the implementation of sales strategies of our Group. Mr. Chen has over 24 years of experience in the applied chemical products industry. Mr. Chen received a bachelor's degree in polymer chemistry and physics studies from University of Science and Technology of China* (中國科學技術大學) in the PRC in July 1995. Mr. Chen further obtained an executive master of business administration from Shanghai Jiaotong University* (上海交通大學) in the PRC in June 2012.

Mr. Diao Cheng, aged 57, is our executive Director. Mr. Diao joined our Group as an integrated human resources manager of Hanhe Enterprises in April 1998. Mr. Diao is the deputy chief executive officer of our Group and is mainly responsible for managing strategic development of our Group and operations management of overseas subsidiaries. Mr. Diao is also a director and a general manager of Hanshang Weisou, a subsidiary of our Company. Mr. Diao received a college diploma in management engineering (finance management) from Nanjing University of Aeronautics and Astronautics* (南京航空航天大學) in the PRC in June 1994, a bachelor's degree in human resources management from Nanjing University of Science and Technology* (南京理工大學) in July 2005 and an executive master of business administration degree from Nanjing University in June 2015.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Sun Hongbin, aged 58, is our Independent Non-executive Director. He is also a member of each of the audit committee (the "**Audit Committee**"), the Remuneration Committee and the Nomination Committee. Mr. Sun holds various positions in China Pharmaceutical University* (中國藥科大學). He is currently a professor, director of the Jiangsu Key Laboratory of Drug Discovery for Metabolic Disease* (江蘇省代謝性疾病藥物重點實驗室), and an associate director of the State Key Laboratory of Natural Medicines* (天然藥物活性組分與藥效國家重點實驗室), of China Pharmaceutical University* (中國藥科大學). Mr. Sun is also a distinguished professor of the Ministry of Education of the PRC's "Changjiang Scholars Program" and the deputy director of the Pharmaceutical Chemistry Committee of the Chinese Pharmaceutical Association. Mr. Sun is currently the director of Jiangsu Vcare Pharmatech Co., Ltd* (江蘇威凱爾醫藥科技有限公司), a company which specialises in pharmaceutical research development. Mr. Sun obtained a bachelor's degree in chemistry from Jilin University in the PRC in 1989 and received a doctor's degree in science from China Pharmaceutical University* (中國藥科大學) in the PRC in July 1995.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Mr. Wang Guangji, aged 71, is our Independent Non-executive Director. He is also a member of the Audit Committee. Mr. Wang is currently the chairman of the academic committee of the China Pharmaceutical University* (中國藥科大學), an independent director of Jiangsu Nhwa Pharmaceutical Co., LTD* (江蘇恩華藥業股份有限公司) (resigned on 30 December 2024), a company listed on the Shenzhen Stock Exchange (stock code: 002262), Frontier Biotechnologies Inc.* (前沿生物藥業 (南京) 股份有限公司) (resigned on 28 December 2024), a company listed on the Shanghai Stock Exchange (stock code: 688221), and Jiangsu Aidea Pharmaceutical Co.,Ltd.* (江蘇艾迪藥業股份有限公司) (resigned on 4 January 2025), a company listed on the Shanghai Stock Exchange (stock code: 688488), respectively, and a director of Sichuan Kelun Pharmaceutical Company Limited* (四川科倫藥業股份有限公司), a company listed on the Shenzhen Stock Exchange (stock code: 002422), and Jiangsu Lianhuan Pharmaceutical Co.,Ltd.* (江蘇聯環藥業股份有限公司) (resigned on 16 November 2024) a company listed on the Shanghai Stock Exchange (stock code: 600513), respectively. Mr. Wang obtained a bachelor's degree in pharmacy from the China Pharmaceutical University* (中國藥科大學) in January 1977 and further obtained a doctor of pharmacy from the University of Otago in New Zealand in June 1993. He was appointed as an academician of Chinese Academy of Engineering in 2013.

Ms. Zheng Qing, aged 57, is our Independent Non-executive Director. She is also the chairlady of each of the Audit Committee and the Remuneration Committee, and a member of the Nomination Committee. Ms. Zheng has over 20 years of experience in the financial management industry. Ms. Zheng was the financial controller of Nanjing region of Fullshare Holdings Limited (豐盛控股有限公司) ("**Fullshare Holdings**", stock code: 607) from June 2015 to December 2022, and she has been redesignated as the financial consultant of Fullshare Holdings since January 2023. Since December 2016, Ms. Zheng has been an executive director of China High Speed Transmission Equipment Group Co., Ltd (中國高速傳動設備集團有限公司), a company listed on the Stock Exchange (stock code: 658). Ms. Zheng received a college diploma in economic management, majoring in foreign trade, from Nanjing Audit College* (南京審計學院) (currently known as Nanjing Audit University (南京審計大學)) in the PRC in July 1989. She completed the Economic Management courses in Nanjing University* (南京大學) in the PRC in June 1993 through self-study. She received a bachelor's degree in applied accounting from Oxford Brookes University in the United Kingdom in January 2005 through long distance learning, and further obtained a master degree in business administration from the Chinese University of Hong Kong in Hong Kong in November 2012. Ms. Zheng has been a member and a fellow of the Association of Chartered Certified Accountants since April 2002 and April 2007, respectively.

SENIOR MANAGEMENT

Mr. Wu Wing Hou, aged 37, is our chief financial officer and company secretary. Mr. Wu is also the legal representative and director of New Material (Vietnam) Co. Ltd and GHW Holdings Limited, all of which are our subsidiaries. Mr. Wu is primarily responsible for overseeing the overall financial position and accounting matters of our Group. Mr. Wu received a bachelor's degree in business administration, majoring in accounting and finance, from the University of Hong Kong in December 2009. Mr. Wu was admitted as a member of the Hong Kong Institute of Certified Public Accountants in September 2013.

Ms. Jiang Hong, aged 55, joined our Group as an accounting personnel of Xinnuo Pharmaceutical in March 1998. Ms. Jiang is the deputy chief financial officer of our Group and is mainly responsible for managing the financial and general operations of our Group. Ms. Jiang has over 24 years of experience in financial management and accounting. Ms. Jiang received a college diploma in industrial accounting from Nanjing Radio and Television University* (南京廣播電視大學) in the PRC in June 1990.

REPORT OF THE DIRECTORS

The Directors present this report together with the audited consolidated financial statements of the Group for the year ended 31 December 2024.

INITIAL PUBLIC OFFERING

The Company was incorporated as an exempted company with limited liability in the Cayman Islands on 25 April 2018. The Company listed its shares ("**Share(s)**") on the Main Board of the Stock Exchange on 21 January 2020. The Company issued 250,000,000 Shares at an offer price of HK$0.51 per Share.

The listing of and the permission to deal in the Shares on the Main Board of The Stock Exchange commenced on 21 January 2020.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The principal activities of the Company's principal subsidiaries are set out in note 42 to the consolidated financial statements.

BUSINESS REVIEW

A fair business review of the Group as well as discussion and analysis of the Group's performance during the year and the material factors underlying its financial performance and financial position is set out in the sections headed "Chairman's Statement" and "Management Discussion and Analysis" on pages 5 to 8 and pages 9 to 25 respectively of this annual report.

PRINCIPAL RISKS AND UNCERTAINTIES

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. The risk management policies and practices of the Group are stated in note 40 to the consolidated financial statements in this annual report.

ENVIRONMENTAL POLICIES AND PERFORMANCE

The Group has actively participated in sustainability and social responsibility and recognises its responsibility to protect the environment from its business activities. The Group endeavours to comply with the laws and regulations regarding environmental protection and adopt effective measures to achieve efficient use of resources, energy saving and waste reduction.

COMPLIANCE WITH THE RELEVANT LAWS AND REGULATIONS

As far as the Board is aware, there was no material breach of or non-compliance with the applicable laws and regulations by the Group that has a significant impact on the business and operation of the Group during the year ended 31 December 2024.

FINANCIAL RESULTS

The consolidated results of the Group for the year ended 31 December 2024 and the consolidated financial position of the Group as at that date are set out in the consolidated financial statements on pages 86 to 88 of this annual report.

REPORT OF THE DIRECTORS

DIVIDEND

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

RESERVES

Details of the movements in the reserves of the Company and of the Group during the year ended 31 December 2024 are set out in note 43 to the financial statements and in the consolidated statement of change in equity, respectively in this annual report.

DISTRIBUTABLE RESERVES

As at 31 December 2024, the Company's reserves available for distribution to our Shareholders was approximately RMB103.8 million (2023: RMB83.4 million), as determined under IFRS Accounting Standards and in accordance with the Companies Act of the Cayman Islands. The amount includes the Company's share premium, capital reserve, retained profits or accumulated losses which may be distributable provided that immediately following the date on which the dividend is proposed to be distributed, if any, the Company will be in a position to pay off its debts as and when they fall due in the ordinary course of business.

FINANCIAL SUMMARY

A summary of the results and assets and liabilities of the Group for the last five financial years is set out on page 4 of this annual report. This summary does not form part of the audited consoldiated financial statements for the year ended 31 December 2024.

PROPERTY, PLANT AND EQUIPMENT

Details of the movements in the property, plant and equipment of the Group are set out in note 14 to the consolidated financial statements.

SHARE CAPITAL

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 report shall have the same meanings as those defined in the announcements. On 10 December 2024, the Group successfully completed the Placing, generating net proceeds of approximately RMB22.2 million. A total 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, have been successfully placed by the Placing Agent at the Placing Price of HK$2.6 per Placing Share pursuant to the terms and conditions of the Placing Agreement to not less than six Placees.

Other than as disclsoed above, there were no other movements in the Company's share capital during the year ended 31 December 2024 and up to the date of this report. Details of the share capital of the Company for the year ended 31 December 2024 are set out in note 33 to the consolidated financial statements.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's articles of association (the "**Articles**") and there is no restriction against such rights under the laws of the Cayman Islands.

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 (as defined below), funded by the Company's internal resources.

Save as disclosed above and in Note 34 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.

TAX RELIEF

The Company is not aware of any relief from taxation available to Shareholders by reason of their holdings in the Shares of the Company.

DONATIONS

The Group made nil charitable donations (2023: nil) for the year ended 31 December 2024.

MAJOR CUSTOMERS AND SUPPLIERS

For the year ended 31 December 2024, sales to the Group's largest customer and five largest customers accounted for approximately 2.1% (2023: 2.8%) and 8.5% (2023: 8.2%) respectively of the total revenue of the Group for the year. Purchases from the Group's largest supplier and five largest suppliers, which comprise third-party manufacturers, accounted for approximately 6.8% (2023: 7.2%) and 28.0% (2023: 27.6%) respectively of the total purchases of the Group for the year ended 31 December 2024.

To the best knowledge of the Directors, none of the Directors, any of their close associates (within the meaning of the Rules (the "**Listing Rules**") Governing the Listing of Securities on the Stock Exchange) or any Shareholders who or which owns more than 5% of the Company's issued share capital had any beneficial interest in any of the Group's five largest customers or suppliers during the year ended 31 December 2024.

RELATIONSHIP WITH EMPLOYEES, SUPPLIERS, CUSTOMERS AND OTHER STAKEHOLDERS

The Group understands the importance of maintaining a good relationship with its employees, suppliers and customers to meet its immediate and long-term goals. The Group maintains a good relationship with its employees, suppliers and customers. During the year ended 31 December 2024, there were no material and significant disputes between the Group and its employees, suppliers and/or customers.

REPORT OF THE DIRECTORS

DIRECTORS

The Directors during the year ended 31 December 2024 and up to the date of this annual report are:

Executive Directors

Yin Yanbin (Chairman and Chief Executive Officer)
Zhuang Zhaohui
Chen Zhaohui
Zhou Chunnian
Chen Hua
Diao Cheng

Independent Non-executive Directors

Sun Hongbin
Wang Guangji
Zheng Qing

Pursuant to paragraph 84(1) of the Articles, at each annual general meeting one-third of the Directors for the time being (or, if their number is not a multiple of three (3), the number nearest to but not less than one-third) shall retire from office by rotation provided that every Director shall be subject to retirement at an annual general meeting at least once every three years.

At the forthcoming annual general meeting of the Company (the "**AGM**"), Mr. Chen Zhaohui, Mr. Chen Hua and Ms. Zheng Qing will retire from office by rotation and, being eligible, offer themselves for election at the AGM.

BIOGRAPHIES OF DIRECTORS

Biographical details of the Directors are set out on pages 26 to 28 of this annual report.

INDEPENDENCE OF INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has received an annual confirmation of independence in accordance with Rule 3.13 of the Listing Rules from each of Mr. Sun Hongbin, Mr. Wang Guangji and Ms. Zheng Qing, being the current Independent Non-executive Directors, and as at the date of this annual report, the Company still considers them to be independent.

DIRECTORS' SERVICE CONTRACTS

Each Director has entered into a letter of appointment with the Company for a term of 3 years commencing from his/her date of appointment which term will continue, and such letter of appointment may be terminated by either party by serving not less than three-months' prior written notice for the case of executive Directors and one-month's prior written notice for the case of Independent Non-executive Directors, respectively, to the other party. Each Director will be re-elected at the AGM in accordance with the Articles.

Save as disclosed above, no Director proposed for re-election at the AGM has a service contract with the Company which is not determinable by the Company within one year without payment of compensation, other than statutory compensation.

DIRECTORS' REMUNERATION

Details of the Directors' remuneration for the year ended 31 December 2024 are set out in note 11 to the consolidated financial statements.

REMUNERATION POLICY

The Directors' remuneration including the Directors' fees is subject to the Shareholders' approval at general meeting. Other emoluments are recommended by the Remuneration Committee for the Board's approval, having regard to the operating results of the Group, individual performance and comparable market statistics.

CONTRACTS OF SIGNIFICANCE

Save as disclosed in the section headed "Related Party Transactions/Exempted Continuing Connected Transactions" on page 33 of this annual report and notes 8, 11, 23 and 37 to the consolidated financial statements, no Director nor a connected entity of a Director had a material interest, either directly or indirectly, in any transactions, arrangements or contracts of significance to the business of the Group to which the Company's holding company or any of the Company's subsidiaries was a party during or at the end of the year ended 31 December 2024, and no contract of significance to which the Company or any of its subsidiaries was a party and in which the Controlling Shareholders (as defined below) or an entity connected with the Controlling Shareholders (as defined below) had a material interest, either directly or indirectly, subsisted during or at the end of 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.

RELATED PARTY TRANSACTIONS/EXEMPTED CONTINUING CONNECTED TRANSACTIONS

Details of the related party transactions of the Group are set out in notes 8, 11, 23 and 37 to the consolidated financial statements.

During the year, the Group had the following continuing connected transactions which are exempted from the reporting, announcement or independent shareholders' approval requirements under Rule 14A.90 of the Listing Rules and are included herein for information only.

On 10 March 2024, an agreement was entered into between Nanjing Hanhe Enterprises Co., Ltd. ("**Hanhe Enterprises**"), an indirectly-owned subsidiary of Mr. Yin Yanbin ("**Mr. Yin**"), as lender and the Group as borrower, pursuant to which Hanhe Enterprises had agreed to provide a loan facility to the Group in the aggregate amount of RMB38,300,000 at interest rate of 4% per annum and with a term of 18 months or less from the respective loan advance dates. On 1 July 2024, a supplemental agreement was entered into between Hanhe Enterprises and the Group, pursuant to which the interest rate was adjusted from 4% to 3.5% per annum with effect from 1 July 2024. On 31 December 2024, another extension agreement was entered into between both parties, pursuant to which the due dates of the existing loans were extended to 2026. On 23 July 2024, an agreement was entered into between both parties, pursuant to which Hanhe Enterprises had agreed to provide a loan facility to Havay Group in the aggregate amount of RMB24,500,000 at interest rate of 3.5% per annum and with a term of 18 months or less from the respective loan advance dates. As at 31 December 2024 the outstanding loan from Hanhe Enterprises amounting to approximately RMB27,250,000 (2023: RMB27,000,000). Detailed terms of the loan facilities were disclosed in note 23 of the consolidated financial statements.

REPORT OF THE DIRECTORS

On 1 March 2022, a loan agreement was entered into between Nanjing Jinhan Tianxia Sports Culture Development Company Limited ("**Jinhan Tianxia**"), an indirectly-owned subsidiary of Mr. Yin, as lender and the Group as borrower, pursuant to which Jinhan Tianxia had agreed to provide loans to the Group in the aggregate amount of RMB54,600,000 at an interest rate of 1.8% per annum with a term of less than 2 years. On 15 April 2022, a supplemental agreement was entered into between Jinhan Tianxia and the Group, pursuant to which the interest rate was adjusted from 1.8% to 4% per annum with effect from 15 April 2022. On 15 June 2023, a supplemental agreement was entered into between both parties, pursuant to which the existing loans can be redrawn upon repayment with a term of 1 year. On 31 December 2023, another extension agreement was entered into between both parties, pursuant to which the due dates of the loans were extended to 2025. On 31 December 2024, another extension agreement was entered into between both parties, pursuant to which the due dates of the loans were extended to 2026. On 7 August 2024, an agreement was entered into between both parties, pursuant to which Jinhan Tianxia had agreed to provide a loan facility to Havay Group in the aggregate amount of RMB40,000,000 at interest rate of 4% per annum and with a term of 18 months or less from the respective loan advance dates. As at 31 December 2024, the outstanding loan from Jinhan Tianxia amounted to RMB53,800,000 (2023: RMB54,600,000). Detailed terms of the loan facilities were disclosed in note 23 of the consolidated financial statements.

As at the dates of the above principal loan agreements, Mr. Yin held approximately 55.31% of the issued share capital of the Company in aggregate and is a Controlling Shareholder (as defined below) and is therefore a connected person of the Company. Accordingly, the above principal loan agreements constitute connected transactions of the Company under Chapter 14A of the Listing Rules.

The above principal loan agreements had been reviewed by the Independent Non-executive Directors who have confirmed that the transactions were entered into: (a) in the ordinary and usual course of business of the Group; (b) either on normal commercial terms or, if there are not sufficient comparable transactions to judge whether they are on normal commercial terms, on terms no less favourable to the Group than terms available to or from (as appropriate) independent third parties; and (c) in accordance with the relevant agreements governing such transactions on terms that are fair and reasonable and in the interests of Shareholders as a whole. Accordingly, the above principal loan agreements are fully exempted from the shareholders' approval, annual review and all disclosure requirements under Rule 14A.90 of the Listing Rules.

Save in the notes to the consolidated financial statements and as disclosed above, the Group has not entered into any connected transaction or continuing connected transaction during the year which should be disclosed pursuant to the requirements under the Listing Rules.

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the year.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES AND DEBENTURES OF THE COMPANY

As at 31 December 2024, the interests and short positions of the Directors or chief executive of the Company or their respective associates in the Shares, underlying Shares and debentures of the Company or any of its associated corporation (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (the "**SFO**")) which were required, to be recorded in the register required to be kept by the Company under Section 352 of the SFO or as otherwise to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix C3 to the Listing Rules (the "**Model Code**") were as follows:

(i) Positions in the Shares

Name	Capacity/Nature of Interests	Number of Shares held		Approximate Shareholding Percentage	
		Long Position	Short Position	Long Position	Short Position
Mr. Yin (Note)	Interest in a controlled corporation	553,141,500	Nil	54.79%	Nil

Note:

Among these Shares, (a) 375,000,000 Shares are held by Commonwealth B, which is owned as to 80% by Commonwealth Yanbin Limited ("**Commonwealth Yanbin**") which is in turn wholly owned by Mr. Yin; and (b) 178,141,500 Shares are held by Commonwealth Happy Elephant, which is owned as to approximately 98.26% by Commonwealth YYB Limited ("**Commonwealth YYB**") which is in turn wholly owned by Mr. Yin. By virtue of the SFO, Mr. Yin is deemed to be interested in the 375,000,000 Shares held by Commonwealth B and the 178,141,500 Shares held by Commonwealth Happy Elephant.

Save as disclosed above, as at 31 December 2024, none of the Directors or chief executive of the Company or their respective associates had any interests or short positions in the Shares, underlying Shares and debentures of the Company or any of its associated corporation (within the meaning of Part XV of the SFO) which were required, to be recorded in the register required to be kept by the Company under Section 352 of the SFO or as otherwise to be notified to the Company and the Stock Exchange pursuant to the Model Code.

REPORT OF THE DIRECTORS

Reference is made to the announcements of the Company dated 16 October 2024, 24 October 2024, 6 November 2024 and 28 February 2025. Capitalised terms used in this report shall have the same meanings as defined in the announcements unless the context requires otherwise. The Company is given to understand that both the liquidation and the distribution of Commonwealth GHW had been completed in February 2025. Upon completion of the liquidation and the distribution, the following Directors had interests or short positions in the Shares, underlying Shares and debentures of the Company or any of its associated corporation (within the meaning of Part XV of the SFO) which were required, to be recorded in the register required to be kept by the Company under Section 352 of the SFO or as otherwise to be notified to the Company and the Stock Exchange pursuant to the Model Code:

Name	Capacity/Nature of Interests	Number of Shares held		Approximate Shareholding Percentage	
		Long Position	Short Position	Long Position	Short Position
Chen Zhaohui	Beneficial Owner	52,536,750	Nil	5.20%	Nil
Zhuang Zhaohui	Beneficial Owner	31,509,000	Nil	3.12%	Nil
Zhou Chunnian	Beneficial Owner	12,323,250	Nil	1.22%	Nil
Chen Hua	Beneficial Owner	8,215,500	Nil	0.81%	Nil
Diao Cheng	Beneficial Owner	1,232,250	Nil	0.12%	Nil

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed above, at no time during the year or up to the date of this report were there any rights to acquire benefits by means of the acquisition of Shares in or debentures of the Company granted to any of the Directors or their respective spouse or minor children, or were any such rights exercised by them; or was the Company, its holding company or any of its subsidiaries a party to any arrangement to enable the Directors to acquire such rights in any other body corporate.

SHARE OPTION SCHEME

The Company adopted a share option scheme on 16 December 2019 (the "**Share Option Scheme**") which became effective on 21 January 2020. The purpose of the Share Option Scheme is to enable the Group to grant options to selected participants as incentives or rewards for their contribution to the Group. The Directors consider the Share Option Scheme, with its broadened basis of participation, will enable the Group to reward the employees, the Directors and other selected participants for their contributions to the Group. Eligible persons of the Share Option Scheme, amongst others, include any employee (whether full-time or part-time, including any executive Director but excluding any Non-executive Director) of the Group, any Non-executive Director (including Independent Non-executive Directors) of the Group, any supplier, any customer, any person or entity that provides research, development or other technological support to the Group, any Shareholder of any member of the Group, any adviser (professional or otherwise) or consultant to the Group and any other group or classes of participants who have contributed or may contribute by way of joint venture, business alliance or other business arrangement and growth of the Group. The Share Option Scheme will be valid and effective for a period of ten years from 21 January 2020. Please refer to the Company's prospectus dated 31 December 2019 (the "**Prospectus**") for details of the Share Option Scheme.

As at 31 December 2024, no Share options were granted, cancelled, lapsed or forfeited under the Share Option Scheme and there were no outstanding Share options under the Share Option Scheme as at 31 December 2024.

At the beginning and the end of the year ended 31 December 2024, the total number of share options that can be granted under the Share Option Scheme was 100,000,000 and 100,950,000 respectively, which represented approximately 10% and 10% of the issued share capital of the Company at such dates respectively.

SHARE AWARD PLAN

On 1 March 2023, the Company adopted a share award plan (the "**Share Award Plan**"). Details of which were disclosed in the announcement dated 1 March 2023 (the "**Announcement**"). The purposes of the 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 vesting date in respect of any award shall be not less than 12 months from the grant date. The aggregate maximum number of Shares (the "**Plan Mandate Limit**") (i) to be purchased by the trustee by applying the group contribution; and (ii) to be issued under any other share option schemes adopted or to be adopted by the Company from time to time, shall not exceed 10% of the total number of issued Shares as at the adoption date or the relevant date of approval of the refreshment of the Plan Mandate Limit. The aggregate maximum number of Shares (the "**Service Provider Sub-limit**") to be purchased by the trustee by applying the group contribution for the awards to be awarded to all service providers pursuant to the Share Award Plan shall not exceed 10% of the total number of issued Shares as at the adoption date or the relevant date of approval of the refreshment of the Service Provider Sub-limit. The maximum entitlement of each Eligible Participant shall not exceed 1% of the issued Shares at the Adoption Date (i.e. 10,000,000 Shares). The number of awards available for grant as of 1 January 2024 and 31 December 2024 are 50,900,000 Shares and 65,180,000 Shares, respectively.

The Share Award Plan shall be valid and effective for a period of 10 years commencing from the adoption date but may be terminated earlier as determined by the Board or the Remuneration Committee, provided that such termination shall not affect any subsisting rights of any selected participant.

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. Details of the transaction can be referred 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. Details of the transaction can be referred 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. Details of the transaction can be referred to the announcements of the Company dated 21 January 2025.

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

EQUITY-LINKED AGREEMENTS

For the year, save for the Share Option Scheme previously mentioned, the Company has not entered into any equity-linked agreements, and there did not subsist any equity-linked agreement entered into by the Company as at 31 December 2024.

REPORT OF THE DIRECTORS

COMPLIANCE OF THE DEED OF NON-COMPETITION

As disclosed in the Prospectus, Mr. Yin and Ms. Wu Hailing ("**Ms. Wu**"), the spouse of Mr. Yin, Ms. Wang Wei, Mr. Pan Bing, Commonwealth B, Commonwealth Yanbin, Commonwealth Violet Limited, Commonwealth YYB, Commonwealth Happy Elephant, HMZ Holdings Ltd and HappyBean Holdings Limited (collectively, the "**Controlling Shareholders**") entered into with and in favour of the Company a deed of non-competition (the "**Deed of Non-competition**") on 19 December 2019. Pursuant to the Deed of Non-competition, each of the Controlling Shareholders has confirmed that none of them is engaged in, or interested in, any business (other than the Group) which, directly or indirectly, competes or may compete with our business. To protect the Group from any potential competition, each of the Controlling Shareholders has unconditionally and irrevocably undertaken in favour of the Company and the Group, on a joint and several basis, that at any time during the Relevant Period (as defined below), each of them shall, and shall procure that their respective close associates and/or companies controlled by them (other than the Group) shall:

(a) not, directly or indirectly, be interested or involved or engaged in or carry on or be concerned with or acquire or hold any right or interest (in each case whether as a shareholder, partner, agent or otherwise and whether for profit, reward or otherwise) in any business, or is about to be engaged in any business which competes or is likely to compete directly or indirectly with the business currently and from time to time engaged by the Group in the PRC and any other country or jurisdiction to which the Group provides such products and/or services and/or in which any member of the Group carries on business mentioned above currently and from time to time (the "**Restricted Activity**");

(b) not solicit any existing employee or then existing employee of the Group for employment by it/him or its/his close associates (excluding the Group);

(c) not, without the consent from the Company, make use of any information pertaining to the business of the Group which may have come to its/his/her knowledge in its/his/her capacity as the Controlling Shareholder or otherwise for any purpose of engaging, investing or participating in any Restricted Activity;

(d) not, either on its/his/her own or in conjunction with any body corporate, partnership, joint venture or other contractual agreement, whether directly or indirectly, whether for profit or not, carry on, participate in, hold, engage in, acquire or operate, or provide any form of assistance to any person, firm or company (except members of the Group) to conduct any Restricted Activity;

(e) not, either on its/his/her own or in conjunction with any body corporate, partnership, joint venture or other contractual agreement, whether directly or indirectly, whether for profit or not, solicit or endeavour to entice away from or discourage from dealing with the Group any person who was at any time during the period of one year preceding the date of the Deed of Non-competition a manufacturer for or supplier or subcontractor, customer or client of the Group;

(f) if there is any project or new business opportunity (the "**Business Opportunity**") that relates to the Restricted Activity and is offered or becomes aware to the Controlling Shareholders, they shall (i) promptly refer such project or new business opportunity to the Group in writing for consideration and provide such information as is reasonably required in order to enable the Group to come to an informed assessment of such opportunity, (ii) use its/his/her best endeavours to procure such opportunity offered to the Group on terms no less favourable than the terms on which such opportunity is offered to such Controlling Shareholder and/or its/his close associates, and (iii) with regard to any project or new business opportunity which shall have been rejected by the Group and the principal terms of which the Controlling Shareholders and/or any of his/its close associates and/or entities or companies controlled by him/it/her invest or participate shall be no more favourable than those made available to the Company;

(g) not invest or participate in or carry on any project or business opportunity of the Restricted Activity; and

(h) procure its/his/her close associates (excluding the Group) not to invest or participate in or carry on any project or business opportunity of the Restricted Activity.

The above undertakings under the Deed of Non-competition do not apply to:

(a) the holding of, or interests in, the shares of any members of the Group; and

(b) the holding of, or interests in, the shares of a company other than a member of the Group whose shares are listed on a recognised stock exchange provided that the total number of the shares held by the relevant Controlling Shareholder and/or its/his close associates does not exceed 5% of the issued shares of that class of the company in question, and such Controlling Shareholder and its/his/her respective close associates, whether acting singly or jointly, would not participate in or be otherwise involved in the management of the company in question.

Each of the Controlling Shareholders has further unconditionally and irrevocably undertaken to the Company and the Group:

(a) to allow the Directors, their respective representatives and the auditors to have sufficient access to the records of each of the Controlling Shareholders and their respective close associates to ensure compliance with the terms and conditions of the Deed of Non-competition;

(b) to provide to the Group and the Directors (including the Independent Non-executive Directors) from time to time all information necessary for the annual review by the Independent Non-executive Directors with regard to compliance with the terms of the Deed of Non-competition by the Controlling Shareholders; and

(c) to make an annual declaration as to full compliance with the terms of the Deed of Non-competition and a consent to disclose such letter in the annual report.

The obligations of the Controlling Shareholders under the Deed of Non-competition will remain in effect during the period (the "**Relevant Period**") from the date (the "**Listing Date**") of successful listing (the "**Listing**") until the earlier of the date on which:

(a) the Controlling Shareholders, together with their close associates, whether individually or taken together, cease to be interested directly or indirectly in 30% (or such other amount as may from time to time be specified in the Listing Rules as being the threshold for determining controlling shareholder) or more of the issued share capital of the Company; or

(b) the Shares cease to be listed and traded on the Stock Exchange.

The Directors believe the 30% threshold is justifiable as it is equivalent to the thresholds applied under the Listing Rules and the Codes on Takeovers and Mergers and Share Buybacks issued by the SFC (the "**Takeovers Code**") for the concept of "control".

For details of the Non-Competition Deed, please refer to the section headed "Relationship with Controlling Shareholders - Deed of Non-Competition" in the Prospectus.

The Company has received confirmations from the Controlling Shareholders confirming their compliance with the Deed of Non-Competition for disclosure in this annual report during the year ended 31 December 2024. The Independent Non-executive Directors have also reviewed the compliance and enforcement status of the Deed of Non-competition, and are of the view that the Controlling Shareholders have abided by the undertakings contained in the Deed of Non-competition during the year ended 31 December 2024.

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As at 31 December 2024, so far as is known to the Directors or chief executive of the Company, the following persons (other than Directors or chief executive of the Company), who had interests or short positions in the Shares and the underlying Shares which were recorded in the register required to be kept under Section 336 of the SFO were as follows.

Positions in the Shares

Name	Capacity/Nature of Interests	Number of Shares held		Approximate Shareholding Percentage	
		Long Position	Short Position	Long Position	Short Position
Commonwealth B	Beneficial owner	375,000,000	Nil	37.15%	Nil
Commonwealth Yanbin	Interest in controlled corporation (Note 1)	375,000,000	Nil	37.15%	Nil
Commonwealth Happy Elephant	Beneficial owner	178,141,500	Nil	17.65%	Nil
Commonwealth YYB	Interest in controlled corporation (Note 2)	178,141,500	Nil	17.65%	Nil
Ms. Wu	Interest of spouse (Note 3)	553,141,500	Nil	54.79%	Nil
Commonwealth GHW Limited ("**Commonwealth GHW**")	Beneficial owner (Note 4)	186,058,500	Nil	18.43%	Nil
Endless Reward Limited	Beneficial owner (Note 5)	65,180,000	Nil	6.46%	Nil
SP Global Trust Limited	Trustee of a trust (Note 5)	65,180,000	Nil	6.46%	Nil

Notes:

1. Commonwealth B is owned as to 80% by Commonwealth Yanbin which is in turn wholly-owned by Mr. Yin. By virtue of the SFO, each of Commonwealth Yanbin and Mr. Yin is deemed to be interested in the Shares held by Commonwealth B.

2. Commonwealth Happy Elephant is owned as to approximately 98.26% by Commonwealth YYB which is in turn wholly owned by Mr. Yin. By virtue of the SFO, each of Commonwealth YYB and Mr. Yin is deemed to be interested in the Shares held by Commonwealth Happy Elephant.

3. Ms. Wu is the spouse of Mr. Yin and is deemed to be interested in the Shares which Mr. Yin is interested in under the SFO.

4. Reference is made to the announcements of the Company dated 16 October 2024, 24 October 2024, 6 November 2024 and 28 February 2025. Capitalised terms used in this report shall have the same meanings as defined in the announcements unless the context requires otherwise. The Company is given to understand that both the Liquidation and the Distribution of Commonwealth GHW had been completed in February 2025. Upon completion of the Liquidation and the Distribution, the Shares held by Commonwealth GHW were distributed to its shareholders and Commonwealth GHW ceased to have any interest in the Shares.

5. Endless Reward Limited is wholly-owned by SP Global Trust Limited, which is the trustee of GHW International Employee Incentive Trust.

Save as disclosed above, as at 31 December 2024, no person, other than the Directors and Chief Executive of the Company, whose interests are set out in the section headed "Directors' and Chief Executive's Interests and Short Positions in Shares and Underlying Shares and Debentures of the Company" above, had registered an interest or short position in the Shares or underlying Shares that was required to be recorded pursuant to Section 336 of the SFO.

SUBSEQUENT EVENTS

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. Details of the transaction can be referred 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. Details of the transaction can be referred to the announcements of the Company dated 21 January 2025.

Reference is made to the announcements of the Company dated 16 October 2024, 24 October 2024, 6 November 2024 and 28 February 2025 in relation to, among other things, the application for liquidation of Commonwealth GHW and distribution of its Shares. Capitalised terms used in this announcement shall have the same meanings as defined in the announcements unless the context requires otherwise. The Company is given to understand that both the Liquidation and the Distribution of Commonwealth GHW had been completed in February 2025. Immediately after the completion of Liquidation and Distribution, 272,323,000 Shares, representing approximately 26.98% of the total issued share capital of the Company, is in the hands of the public (within the meaning under the Listing Rules). Accordingly, the Minimum Prescribed Percentage as prescribed under Rule 8.08(1)(a) of the Listing Rules is restored.

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

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors, the Company has maintained the prescribed public float under the Listing Rules as at the date of this annual report.

PERMITTED INDEMNITY PROVISIONS

Pursuant to code provision (the "**Code Provisions**") C.1.8 of the Corporate Governance Code (the "**CG Code**") set out under Appendix C1 to the Listing Rules and subject to the provisions of the Companies Ordinance (Chapter 622 of the Laws of Hong Kong) (the "**Companies Ordinance**"), the Company has arranged for appropriate insurance cover for directors' and officers' liabilities in respect of any losses or liabilities incurred, or any legal actions brought against the Directors and management of the Group which may arise out of corporate activities. The permitted indemnity provision is in force for the benefit of the Directors as required by section 470 of the Companies Ordinance.

CLOSURE OF REGISTER OF MEMBERS

For the purpose of determining the identity of the Shareholders entitled to attend and vote at the AGM 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).

CORPORATE GOVERNANCE

The principal corporate governance practices as adopted by the Company are set out in the Corporate Governance Report on pages 43 to 57 of this annual report.

REPORT OF THE DIRECTORS

AUDIT COMMITTEE AND REVIEW OF CONSOLIDATED FINANCIAL STATEMENTS

The Company established 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, internal control and risk management systems, including, among others, material risks relating to environmental, social and governance ("**ESG**"), 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, including, among others, material risks relating to environmental, social and governance, of the Group 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.

AUDITOR

With effect from 20 October 2023, Deloitte Touche Tohmatsu resigned as auditor of the Company and ZHONGHUI ANDA CPA Limited was appointed as the auditor of the Company. Such appointment has been ratified and approved by the Shareholders at the annual general meeting of the Company convened and held on 22 May 2024.

ZHONGHUI ANDA CPA Limited will retire and a resolution for their re-appointment as auditor of the Company will be proposed at the AGM.

By order of the Board
Yin Yanbin
Chairman and Chief Executive Officer
Hong Kong, 31 March 2025

The English translation of Chinese names or words in this report, where indicated by "*", are included for information purpose only, and should not be regarded as the official English translation of such Chinese names or words.

CORPORATE GOVERNANCE REPORT

CORPORATE GOVERNANCE PRACTICES

The Company has adopted the Code Provisions as set out in 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" of this corporate governance report. 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.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code as set forth in Appendix C3 to the Listing Rules as its own code of conduct regarding the dealings in securities of the Company by the Directors and employees 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.

DIRECTORS AND OFFICERS LIABILITY INSURANCE

Promoting good corporate governance and managing enterprisewide risk is a priority of the Company. The Company is convinced that corporate governance and directors and officers liability insurance (the "**D&O Insurance**") complement each other. The Company has arranged appropriate D&O Insurance coverage on Directors' and officers' liabilities in respect of legal actions against the Directors and senior management arising from corporate activities. The D&O Insurance will be reviewed and renewed annually.

BOARD OF DIRECTORS

The Board

The Board, led by the Chairman of the Board, is responsible for leadership and control of the Company and overseeing the Group's businesses, strategic decisions and performance. The Board has delegated to the management of the Company the authority and responsibility for the day-to-day management and operation of the Group. In addition, the Board has established Board committees and has delegated to these Board committees various responsibilities as set out in their respective terms of reference.

The Board reserved its decision for all major matters of the Company, including approving and monitoring all policy matters, overall strategies and budgets, risk management and internal control systems, material transactions (in particular those that may involve conflict of interests), financial information, appointment of Directors and other significant financial and operational matters. Daily management and administration functions were delegated to the management. The Board has delegated various responsibilities to the management of the Company. These responsibilities include implementing decisions of the Board, directing and co-ordinating day-to-day operation and management of the Company in accordance with the management strategies and plans approved by the Board, formulating and monitoring the operation and production plans and budgets, and supervising and monitoring the internal control systems.

All Directors shall ensure that they carry out duties in good faith, in compliance with applicable laws and regulations, and in the interest of the Company and the Shareholders at all times.

CORPORATE GOVERNANCE REPORT

The Company held five Board meetings, one AGM and one extraordinary general meetings ("**EGM**") throughout the year. During the year, the Chairman held a meeting with the independent non-executive Directors without the presence of other Directors.

At least 14 days' notice for all regular Board meetings will be given to all Directors and they must be given the opportunity to include items or businesses for discussion in the agenda. For all other Board meetings, reasonable notice will be given. Relevant agenda and accompanying Board papers will be sent to all Directors at least 3 days in advance of every regular Board meeting.

Board Composition

During the year ended 31 December 2024 and up to the date of this annual report, the composition of the Board as at the date of this report is as follows:

Executive Directors
Yin Yanbin (Chairman and Chief Executive Officer)
Zhuang Zhaohui
Chen Zhaohui
Zhou Chunnian
Chen Hua
Diao Cheng

Independent Non-executive Directors
Sun Hongbin
Wang Guangji
Zheng Qing

An updated list of Directors identifying their roles and functions has been published on the websites of the Company and the Stock Exchange, and the independent non-executive Directors have been identified in all corporate communications that disclose the names of Directors.

Relationship

There was no financial, business, family or other material relationship among the Directors. The biographical details of the Directors are set out in the section of "Biographical Details of Directors and Senior Management" of this annual report.

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 was the Chairman of the Board and also the Chief Executive Officer of the Company responsible for overseeing the operations of the Group during the 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 measures are being taken should suitable circumstances arise.

Directors' Attendance Record

During the year ended 31 December 2024, five board meetings, one AGM and one extraordinary general meeting ("**EGM**") were held and the individual attendance record of each of the Directors is set out in the following table:

	Attendance/ Number of Board Meetings	Attendance/ Number of AGM	Attendance/ Number of EGM
Executive Directors			
Yin Yanbin (Chairman and Chief Executive Officer)	4/4	1/1	1/1
Zhuang Zhaohui	4/4	1/1	1/1
Chen Zhaohui	4/4	1/1	1/1
Zhou Chunnian	4/4	1/1	1/1
Chen Hua	4/4	1/1	1/1
Diao Cheng	4/4	1/1	1/1
Independent Non-executive Directors			
Sun Hongbin	4/4	1/1	1/1
Wang Guangji	4/4	1/1	1/1
Zheng Qing	4/4	1/1	1/1

Regular Board meetings are scheduled at approximately quarterly intervals. Minutes of the Board meetings and the meetings of the Board committees are recorded in sufficient details. Originals of such minutes, being kept by the Company Secretary, are open for inspection at any reasonable time on reasonable notice by any Director. Directors may have access to the senior management and the Company Secretary at all time and, upon reasonable request, obtain independent professional advice under appropriate circumstances as and when necessary at the Company's expense, ensuring that Board procedures and all applicable rules and regulations are followed. If a Director has a conflict of interest in a matter to be considered by the Board which the Board has determined to be material, the matter must be dealt with by a physical Board meeting with the independent non-executive Directors present at the meeting rather than by written resolutions.

The Board is responsible for maintaining an on-going dialogue with Shareholders and in particular, using annual general meetings or other general meetings to communicate with them and encourage their participation.

Appropriate insurance cover has been arranged by the Company in respect of relevant actions against the Directors.

The Board is of the view that the following mechanisms adopted by the Company are effective in ensuring that independent views and inputs are available to the Board:

- The Board is represented by sufficient number of non-executive Directors which meets the requirement of the Listing Rules.
- In assessing suitability of the Director candidates, the Board will consider their profiles, including their character, experience, qualifications and time commitment; the Board will also consider to the Board's overall composition and skill matrix as well as the Company's diversity policy.
- The Board will review each Director's time commitment to the Company's business annually.
- The Board will assess non-executive Directors' independence upon appointment and annually.
- Directors are required to abstain from voting in matters in which he has material interest.
- The Audit Committee, the Nomination Committee and the Remuneration Committee are authorised by the Board to obtain outside legal or other independent professional advice as necessary to assist the respective committee.

The quality of deliberations at meetings of the Board are reviewed during the annual evaluation of the Board's performance.

INDEPENDENT NON-EXECUTIVE DIRECTORS

During the year ended 31 December 2024, the Board had complied with the requirement as set out in the Listing Rules regarding appointment of at least three independent non-executive Directors, representing one-third of the Board, one of which, namely Ms. Zheng Qing, shall have appropriate professional qualifications or accounting or related financial management expertise. Independent non-executive Directors play an important role through their independent judgments and advice, which is of great influence to the decision of the Board.

Each independent non-executive Director signed a letter of appointment with the Company for a term of three years since their respective dates of appointment unless terminated by not less than one month's notice in writing or as may be agreed between the independent non-executive Director and the Company. The Company has received an annual confirmation of independence from each of the three independent non-executive Directors pursuant to Rule 3.13 of the Listing Rules. The Company considers that all the independent non-executive Directors are independent.

Appointment and Re-election of Directors

Each Director has entered into a letter of appointment with the Company with an initial term of three years commencing from the date of appointment and is subject to the re-appointment in accordance with the Articles. The letter of appointment for each executive Director can be terminated by not less than three months' notice in writing or as may be agreed between the executive Director and the Company.

In accordance with the Articles, the Directors appointed to fill a casual vacancy on the Board shall be subject to re-election by Shareholders at the first general meeting after their appointments and any Directors appointed by the Board as an addition to the existing Board shall then be eligible for re-election at the next following annual general meeting. Every Director (including those appointed for a specific term) shall be subject to retirement by rotation at least once every three years and are eligible for re-election at annual general meetings of the Company. At each annual general meeting, one-third of the directors for the time being, or, if their number is not three or a multiple of three, then the number nearest but not less than one-third, shall retire from office by rotation and shall be eligible for re-election.

At the forthcoming AGM, Mr. Chen Zhaohui, Mr. Chen Hua and Ms. Zheng Qing will retire from office by rotation and, being eligible, offer themselves for re-election at the AGM. The Company's circular, sent together with this annual report, contains detailed information of the above recommended persons as required by the Listing Rules.

Continuous Professional Development

Each newly appointed Director will receive formal, comprehensive and tailored induction on the first occasion of his/her appointment to ensure appropriate understanding of the business and operations of the Company and full awareness of director's responsibilities and obligations under the Listing Rules and relevant statutory requirements. Such induction shall be supplemented by visits to the Company's key plant sites and meetings with senior management of the Company.

Pursuant to Code Provision C.1.4 of the CG Code, the Directors should participate in appropriate continuous professional development to develop and refresh their knowledge and skills to ensure that their contribution to the Board remains informed and relevant. Internally-facilitated briefings for Directors will be arranged and reading materials on relevant topics will be issued to Directors where appropriate. All Directors are encouraged to attend relevant training courses at the Company's expenses. According to the records of the Company, in 2024, all Directors attended training sessions on duties and obligations of directors of companies listed on the Stock Exchange, covering topics on connected transactions and corporate governance. The Company also provided periodic legal updates and developments on the Listing Rules, the Companies Ordinance, news updates from the Stock Exchange and Securities & Futures Commission of Hong Kong and other relevant legal and regulatory requirements to all Directors, as well as regular updates on the Company's performance, position and prospects to enable the Board as a whole and each Director to discharge their duties.

According to the confirmation/records provided by the Directors, all the Directors have participated in the continuous professional developments in the following manners during the year ended 31 December 2024:

	Attending or participating in seminars/in-house briefing or reading materials relevant to the Company's business/ director's duties
Executive Directors	
Yin Yanbin (Chairman and Chief Executive Officer)	√
Zhuang Zhaohui	√
Chen Zhaohui	√
Zhou Chunnian	√
Chen Hua	√
Diao Cheng	√
Independent Non-executive Directors	
Sun Hongbin	√
Wang Guangji	√
Zheng Qing	√

BOARD COMMITTEES

The Board has established four committees, namely, the Audit Committee, the Nomination Committee, the Remuneration Committee and the Risk Management Committee, to handle particular responsibilities of the Board and the Company's affairs. All Board committees of the Company are established with defined written terms of reference which have been uploaded to the website of the Stock Exchange and that of the Company, and are provided with sufficient resources to discharge their duties.

Audit Committee

The Audit Committee was established on 16 December 2019 with specific written terms of reference which is available on the websites of the Stock Exchange and the Company. As at the date of this report, the Audit Committee consists of three independent non-executive Directors, namely Ms. Zheng Qing (chairlady), Mr. Sun Hongbin and Mr. Wang Guangji. The primary duties of the audit committee include reviewing and supervising the Company's financial reporting processes, internal control and risk management systems, including, among others, material risks relating to environmental, social and governance, nominating and monitoring external auditors and providing advice and comments to the Directors.

The Audit Committee schedules to hold at least two meetings a year. During the year, the Audit Committee convened three meetings and the individual attendance record of each of the members is set out in the following table:

	Attendance/ Number of Audit Committee Meetings
Members	
Zheng Qing (Chairlady of the Audit Committee)	3/3
Sun Hongbin	3/3
Wang Guangji	3/3

This annual report has been reviewed by the Audit Committee.

Nomination Committee

The Nomination Committee was established on 16 December 2019 with specific written terms of reference which is available on the websites of the Stock Exchange and the Company.

As at the date of this report, the Nomination Committee consists of one Executive Director, namely Mr. Yin Yanbin (as chairman) and two independent non-executive Directors, namely Ms. Zheng Qing and Mr. Sun Hongbin. The primary duties of the nomination committee include reviewing the structure, size, composition and diversity (including but not limited to gender, age, cultural and educational background, professional experience, skills, knowledge and independence) of the Board; making recommendations on any proposed changes to the Directors and senior management to complement the Company's corporate strategy; identifying individuals suitably qualified to become Board members; making recommendations to the Board on appointment or re-appointment of the Directors; in identifying suitable individuals, considering individuals on merit and against the objective criteria, with due regard for the benefits of diversity on the Board; reviewing the board diversity policy, as appropriate; and assessing the independence of the independent Non-executive Directors.

The Nomination Committee may obtain independent professional advice to perform its responsibilities, where necessary, at the Company's expense.

The Nomination Committee schedules to hold at least two meetings a year. During the year, the Nomination Committee convened two meetings and the individual attendance record of each of the members is set out in the following table:

	Attendance/ Number of Nomination Committee Meetings
Members	
Yin Yanbin (Chairman of the Nomination Committee)	2/2
Zheng Qing	2/2
Sun Hongbin	2/2

Nomination Policy

The Company adopted the nomination policy (the "**Nomination Policy**"). The Nomination Policy aims at setting out the process for the nomination of a candidate for the Company's directorship, the process and criteria to be adopted by the Nomination Committee in selecting and recommending a candidate for directorship in the Company as well as the subsequent procedures for considering and (if thought fit) approving the nomination by the Board and (as appropriate) the Shareholders, in order to facilitate the constitution of the Board with a balance of skills, knowledge, ability, experience and diversity of perspectives that is appropriate to the requirements of the Company's business operations and environment as well as the industry in which the Company operates. The Nomination Policy supplements the terms of reference of the Nomination Committee.

The Nomination Committee shall conduct the following processes (coupled with the following criteria) with a view to assessing and evaluating whether such candidate is suitably qualified to be appointed as a Director before making recommendations to the Board:

1. to assess such candidate's qualifications, professional and educational background, skills, knowledge, ability, experience and expertise and also potential time commitment and attention to perform director's duties, with reference to the corresponding professional knowledge and industry experience which may be relevant to the Company and also the potential contributions that such candidate could bring to the Board;

2. in addition and without prejudice to paragraph 1 above, to assess such candidate's personal ethics, character, integrity and reputation which would be important to the overall business culture of the Company;

3. with reference to the Board Diversity Policy (as adopted and amended by the Board from time to time), to take into account the then current structure, size and composition of the Board and the Company's corporate strategy, with due regard to the benefits of the appropriate diversity of perspectives within the Board as well as a strong independent element on the Board;

4. to consider Board succession planning considerations and the long-term needs of the Company;

5. in case of a candidate for an independent non-executive Director, to assess: (i) the independence of such candidate with reference to, among other things, the independence criteria as set out in Rule 3.13 of Listing Rules; and (ii) the requirements relating to independent non-executive directors set out in Code Provision B.3.4 of Appendix C1 to the Listing Rules; and

6. to consider any other factors and matters as the Nomination Committee may consider appropriate.

As to the re-appointment of a Director, the Nomination Committee will, mutatis mutandis, apply the above processes (coupled with the above criteria) and (in the case of an independent non-executive Director) assess whether such Director has remained independent in the context of the Listing Rules and should be re-elected at the next general meeting of the Company.

The entire Board is ultimately responsible for the selection and appointment or recommendation (as the case may be) of candidates for the Company's directorship, and accordingly, shall consider the recommendations from the Nomination Committee and make a decision.

In view of the foregoing, the nomination procedures to select and recommend candidates for the Company's directorship could be summarised as follows:

1. The chairman of the Nomination Committee will, upon receipt of a nomination from the nominating Director or the company secretary of the Company (as the case may be), convene a meeting of the Nomination Committee to consider the same in accordance with its terms of reference.

2. For filling a casual vacancy to the Board, the Nomination Committee will conduct the relevant selection process (coupled with the relevant selection criteria) against the nominated candidate and make recommendations to the Board for consideration, and the Board will then make a decision as to whether the nominated candidate shall be eligible to be appointed as a Director.

3. For proposing a candidate to stand for election as the Director at a general meeting of the Company:

   (a) the Nomination Committee will make nominations to the Board for consideration, and the Board will then make recommendations to the Shareholders for consideration; and

   (b) in accordance with Rule 13.70 of the Listing Rules, the Company shall issue an announcement or supplementary circular setting out the information required by the Listing Rules not less than 10 business days prior to the date of the general meeting. For more details, as mentioned above, please see the procedures for a Shareholder to propose a person for election as a Director (as amended from time to time) which are accessible on the Company's website.

4. For re-appointing a Director:

   (a) subject to (b) below, the Nomination Committee will conduct the relevant selection process (coupled with the relevant selection criteria) against the Director proposed to be re-appointed and make recommendations to the Board for consideration, and the Board will then make a decision as to whether the Director shall be eligible to be re-appointed as a Director; and

   (b) if the Director proposed to be re-appointed or re-elected due to retirement by rotation under the Company's bye-laws is an independent non-executive Director who has served the Board for more than 9 years, the Nomination Committee shall also assess whether the Director has remained independent in the context of the Listing Rules and should be re-elected at the next general meeting of the Company and make recommendations to the Board for consideration. The Board will then make a decision as to whether the Director has remained independent in the context of the Listing Rules, and if so, recommend the proposed re-appointment/re-election of the Director to the Shareholders for consideration at the next general meeting of the Company.

Board Diversity Policy

The Company continuously seeks to enhance the effectiveness of the Board and to maintain a high standard of corporate governance and recognises and embraces the benefits of diversity in the composition of the Board.

In December 2019, the Company has adopted a board diversity policy (the "**Board Diversity Policy**") for compliance with the Code Provision of the Listing Rules concerning the diversity of Board members. The Company recognises and embraces the benefits of diversity in Board members. A truly diverse Board will include and make good use of differences in the skills, regional and industry experience, background, race, gender and other qualities of Directors. These differences will be taken into account in determining the optimum composition of the Board. All Board appointments will be based on merit while taking into account diversity including gender diversity.

As at the date of this report, the Board comprises nine Directors, one of them is female. Three of them are independent non-executive Directors, thereby promoting critical review and control of the management process.

The Nomination Committee will continue to review the Board Diversity Policy from time to time to ensure its continued effectiveness.

Workforce diversity

As at 31 December 2024, the Group had a total workforce of 1,120 employees, of which 72.9% (816) are males, and 27.1% (304) are females.

While we believe our future employee recruitment should predominantly be merit-based and do not consider it appropriate to set any target gender ratio for our workforce, we recognize and embrace the benefits of having a diverse workforce, and will continue to enhance the diversity of our workforce, subject to availability of suitable candidates.

Remuneration Committee

The Remuneration Committee was established on 16 December 2019 and revised and adopted on 3 January 2023 with specific written terms of reference which is available on the websites of the Stock Exchange and the Company. As at the date of this report, the Remuneration Committee consists of two independent non-executive Directors, namely Ms. Zheng Qing (as chairlady) and Mr. Sun Hongbin and one executive Director, namely Mr. Zhuang Zhaohui. The primary duties of the Remuneration Committee include evaluating the performance of executive Directors and senior management and determining their remuneration packages and making recommendations on the remuneration of non-executive Directors.

The Remuneration Committee has adopted the operation model where it performs an advisory role to the Board, with the Board retaining the final authority to approve the remuneration packages of individual Executive Directors and management of the Company.

The Remuneration Committee is also responsible to review and/or approve matters relating to share schemes under Chapter 17 of the Listing Rules.

During the process of consideration, no individual Director will be involved in decisions relating to his/her own remuneration.

The Remuneration Committee may obtain independent professional advice to perform its responsibilities, where necessary, at the Company's expense.

CORPORATE GOVERNANCE REPORT

The Remuneration Committee schedules to hold at least two meetings a year. During the year, the Remuneration Committee convened three meetings and the individual attendance record of each of the members is set out in the following table:

	Attendance/ Number of Remuneration Committee Meetings
Members	
Zheng Qing (Chairlady of the Remuneration Committee)	3/3
Zhuang Zhaohui	3/3
Sun Hongbin	3/3

Risk Management Committee

The Risk Management Committee was established on 16 December 2019 with specific written terms of reference which is available on the websites of the Stock Exchange and the Company. As at the date of this report, the Risk Management Committee consists of three executive Directors, namely Mr. Chen Zhaohui (as chairman), Mr. Zhou Chunnian and Mr. Chen Hua. The primary duties of the Risk Management Committee include monitoring the Company's exposure to sanctions law risks and its implementation of the related internal control procedures.

The Risk Management Committee schedules to hold at least two meetings a year. During the year, the Risk Management Committee convened two meetings and the individual attendance record of each of the members is set out in the following table:

	Attendance/ Number of Risk Management Committee Meetings
Members	
Chen Zhaohui (Chairman of the Risk Management Committee)	2/2
Zhou Chunnian	2/2
Chen Hua	2/2

Remuneration of the Senior Management

Pursuant to Code Provision E.1.5 of the CG code, the remuneration of the Senior Management by band for the year ended 31 December 2024, is set out as below:

	No. of person	
Band of remuneration (HK$)	**2024**	2023
HK$1,000,000 and below	**6**	6
HK$1,000,001 to HK$1,500,000	**2**	1
HK$1,500,001 to HK$2,000,000	**nil**	1

Further details of the remuneration of Directors and the five highest paid employees as required to be disclosed pursuant to Appendix D2 to the Listing Rules are set out in note 11 to the consolidated financial statements.

Accountability and Audit

Financial Reporting

Financial results of the Group are announced in a timely manner in accordance with all statutory requirements, particularly the timeframe stipulated in Rule 13.49(1) and (6) of the Listing Rules.

All Directors acknowledge their responsibility for preparing the consolidated financial statements of the Group for the year ended 31 December 2024. Currently, the Company's external auditor is ZHONGHUI ANDA CPA Limited (the "**Auditor**").

The Directors' responsibilities in preparing the consolidated financial statements and the Auditor's responsibilities are set out in the Independent Auditor's Report on pages 83 to 85 of this annual report.

The Board is also responsible for presenting a balanced and clear assessment of the Group's performance and prospects. Management of the Company provides all relevant information to the Board, giving its members sufficient explanation and information that it needs to discharge its responsibilities.

Auditor's Remuneration

The fees paid or payable to the Auditor of the Company for the year ended 31 December 2024 are set out as follows:

	Fees paid/payable RMB'000
Audit service	1,644

ANTI-CORRUPTION AND WHISTLE-BLOWING PROCEDURES

The Group maintains and effectively implements a comprehensive system of internal control and stringent policies for anti-corruption, and is committed to preventing and monitoring any malpractices or unethical practice.

The Group is in compliance with all applicable anti-bribery and corruption laws including the Prevention of Bribery Ordinance (Chapter 201 of the Laws of Hong Kong) in Hong Kong as well as all the relevant anticorruption laws in Singapore. The Group has also applied the Corporate Governance Code as the basis in formulating the internal rules and regulations for integrity discipline and clean administration. The Group will adhere to its corporate ethics and uphold its reputation to prevent corruption.

To prevent corruptive practices and raise employees' awareness regarding such matter, the expectations and appropriate procedures of engaging third parties, and standards relating to anti-bribery and anti-corruption are set out in the anti-corruption and bribery policy of the Group.

Employees, who are found breaching the Group's code and policies will be investigated and may be subject to warning, suspension, termination of contract, dismissal and disciplinary discharge.

In addition, a whistleblowing policy has been established to provide employees with guidance and channels for the reporting of fraud, corruption, bribery, criminal offences, conflict of interest, harassment, workplace bullying and other non-compliances with the laws, regulations and internal controls or other forms of misconducts without fear of adverse consequences.

The policy provides a set of transparent and confidential procedures for dealing with the concerns raised by each employee and is fully supported by management and approved by the Board.

Suspected non-compliance issues may be reported to the chairman of the Audit Committee, the assistant to chairman of the Company, immediate supervisor or the head of department who is also required to notify any concerns to the Audit Committee on a timely basis. According to this policy, the identities of employees who reported in good faith will be kept confidentially and protected by the Group without any form of retaliation, harassment or victimization.

Anti-corruption training material had been circulated among all Directors and employees of the Group in accordance with the applicable laws of the relevant jurisdictions to enhance their knowledge and awareness on such issue.

RISK MANAGEMENT AND INTERNAL CONTROLS

A sound and effective risk management and internal control system is important to safeguard the Shareholders' investment and the Group's assets. The Board acknowledges its responsibility for the risk management and internal control systems of the Group and reviewing their effectiveness. Such systems are designed to manage, rather than eliminate, the risk associated in failing to achieve certain business objectives, and can only provide reasonable but not absolute assurance against material misstatement or loss.

The Company has established the internal audit function to perform annual financial review, which generally carries out the analysis and independent appraisal of the adequacy and effectiveness of the Company's risk management and internal control systems.

The Audit Committee assists the Board in leading the management to oversee the formation, implementation and monitoring of the risk management and internal control systems.

The "top-down approach" and the "bottom-up approach" were adopted by the Group in order to measure the risks faced by the Group. The internal processes of risk assessment and measurement involve the participation of management in assessing the risk exposure such as identifying the risks and their impact. The Board, as supported by the Audit Committee, has reviewed and assessed the effectiveness of the risk management and internal control systems by reviewing the reports prepared by the internal audit function and the internal audit findings at each regularly scheduled meeting and considered that the risk management and internal control systems of the Group are effective and adequate for the year ended 31 December 2024.

In detail, the procedures used to identify, evaluate and manage major risks by the Group are summarised as follows:

Risk Identification

– Identifies risks that may potentially affect the Group's business and operations.

Risk Assessment

– Assesses the risks identified by using the assessment criteria developed by the management, including the materiality of impact on the business and the likelihood of occurrence.

Risk Response

– Determines the risk management strategies and internal control procedures to prevent, avoid or mitigate the significant risks.

Risk Monitoring and Reporting

– Performs ongoing and periodic monitoring of the risks and ensures that appropriate internal control procedures are in place;

– Revises the risk management strategies and internal control procedures in case of any significant change of situation; and

– Reports the results of risk monitoring to the management and the Board regularly.

The Board considered that major risks of the Group were managed within the acceptable level and the management will continue to monitor the residual risks and report to the Board on an ongoing basis.

The Board, through the Audit Committee, has conducted a review of the effectiveness of the risk management and internal control systems of the Group for the year ended 31 December 2024, including financial, operational and compliance controls and risk management function.

The management shall report to the Board as soon as practicable for any event which may constitute inside information, and the Board shall decide to make relevant disclosure in a timely manner, if required.

Delegation by the Board

In general, the Board oversees the Group's strategic development and determines the objectives, strategies and policies of the Group. The Board also monitors and controls operating and financial performance and sets appropriate policies for risk management in pursuit of the Group's strategic objectives. The Board delegates the implementation of strategies and day-to-day operation of the Group to the management.

COMPANY SECRETARY

Mr. Wu Wing Hou was appointed as the Company Secretary of the Company with effect from 14 December 2018. During the year ended 31 December 2024, Mr. Wu Wing Hou has complied with the relevant professional training requirement under Rule 3.29 of the Listing Rules.

INVESTOR RELATIONS

Communication with Shareholders

The Board recognises the importance of maintaining a clear, timely and effective communication with the Shareholders and investors of the Company. The Board also recognises 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.

In respect of each matter to be considered at the annual general meetings and extraordinary general meetings, including the re-election of Directors, a separate resolution will be proposed by the Chairman of the Board. Voting at general meetings of the Company is conducted by way of poll in accordance with the Listing Rules. The poll results will be announced at general meetings and published on the websites of the Stock Exchange and the Company, respectively. In addition, the Company regularly meets with institutional investors, financial analysts and financial media, and promptly releases information related to any significant progress of the Company, so as to promote the development of the Company through mutual and efficient communications.

The Shareholders may at any time send enquiries and requests for publicly available information and provide comments and suggestions to the Company. Such enquiries, requests, comments and suggestions can be sent by email to ghw@goldenhighway.com or to the Company Secretary by mail to the Company's address as shown in the "Contact Us" section of the Company's website.

For enquiries about their shareholdings in the Company, the Shareholders can direct the same to 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 or by email to hkenquiries@cm.mpms.mufg.com, who has been appointed by the Company to handle the Shareholders' share registration and related matters.

During the year ended 31 December 2024, an annual general meeting of the Company was held on 22 May 2024 and an extraordinary general meeting was held on 15 July 2024.

Members of the Board and chairpersons of various Board committees will attend the forthcoming annual general meeting of the Company to be held on Tuesday, 27 May 2025 at 5:00 p.m. (the "**AGM**") to answer questions raised by the Shareholders. Pursuant to Code Provision F.2.2, the Company will invite representatives of the auditor to attend the AGM to answer Shareholders' questions about the conduct of the audit, the preparation and content of the auditor's report, the accounting policies and the auditor's independence.

The Board has reviewed the implementation and effectiveness of the Shareholders Communication Policy. Having considered the multiple channels of communication and engagement in place, it is satisfied that the Shareholders Communication Policy was effective during the year ended 31 December 2024.

CORPORATE GOVERNANCE REPORT

SHAREHOLDERS' RIGHTS

As one of the measures to safeguard Shareholders' interests and rights, separate resolutions are proposed at Shareholders' meetings on each substantial issue, including the election of individual Directors, for Shareholders' consideration and voting. Besides, various rights of Shareholders, including the right to propose resolutions, are contained in the Articles.

The summary of certain rights of the Shareholders are disclosed below:

Procedures for Convening Extraordinary General Meetings and Putting Forward Proposals at General Meetings

Each general meeting other than an annual general meeting shall be called an extraordinary general meeting. General meetings may be held in any part of the world as may be determined by the Board. According to Article 58 of the Articles, any one or more members holding at the date of deposit of the requisition not less than one-tenth of the paid up capital of the Company carrying the right of voting at general meetings of the Company shall at all times have the right, by written requisition to the Board or the Secretary of the Company, to require an extraordinary general meeting to be called by the Board for the transaction of any business specified in such requisition; and such meeting shall be held within two (2) months after the deposit of such requisition. If within twenty-one (21) days of such deposit the Board fails to proceed to convene such meeting the requisitionist(s) himself (themselves) may do so in the same manner, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed to the requisitionist(s) by the Company.

Any requisition to convene an extraordinary general meeting or proposal to be put forward at the general meeting can be addressed to the Secretary of the Company at the Company's principal place of business in Hong Kong at Room 4301, 43/F, Tower One, Times Square, 1 Matheson Street, Causeway Bay, Hong Kong. The requisitionist(s) must state in their request(s) the objects of the extraordinary general meeting to be convened, and such request must be signed by all the requisitionist(s). Upon receipt, the Company will verify the particulars of requisitionist(s) and if the request is in order, the Company will convene the extraordinary general meeting in accordance with the Articles.

Procedures for Shareholders to Propose a Person for Election as a Director

The Articles are published on the websites of the Company and the Stock Exchange and the "procedures for shareholders to propose a person for election as a director of the Company" are published on the website of the Company.

Procedures for Directing Shareholders' Enquiries to the Board and Company's Contact Details

Shareholders and other stakeholders may send their enquiries, concerns and requisitions to the Board by addressing them to the Company Secretary at the Company's principal place of business in Hong Kong at Room 4301, 43/F, Tower One, Times Square, 1 Matheson Street, Causeway Bay, Hong Kong.

Shareholders may also make enquiries with the Board at the general meetings of the Company.

DIVIDEND POLICY

The Board has approved and adopted a dividend policy (the "**Dividend Policy**"). It is the policy of the Board in declaring or recommending a payment of dividends, to allow shareholders to participate in the Company's profits and for the Company to retain adequate reserves for future growth.

The Board shall consider the following factors before declaring or recommending any dividend:

(i) financial results;

(ii) cash flow situation;

(iii) business conditions and strategies;

(iv) future operations and earnings:

(v) capital requirements and expenditure plans;

(vi) interests of shareholders;

(vii) any restrictions on payment of dividends; and

(viii) any other factors that the Board may consider relevant.

Depending on the factors set out above, dividends may be proposed and/or declared by the Board for a financial year or period as follows:

- interim dividend;
- final dividend;
- special dividend; and
- any distribution of net profits that the Board may deem appropriate.

The payment of dividend is also subject to applicable laws and regulations and the Company's Articles.

Whilst the Dividend Policy reflects the Board's current views on the financial and cash-flow position of the Group, such Dividend Policy will continue to be reviewed from time to time and there can be no assurance that dividends will be recommended or declared in any particular amount for any given period. The declaration of or recommendation of declaration of dividends is subject to the absolute discretion of the Board. Even if the Board decides to recommend and declare dividends, the form, frequency and amount will depend upon the operations and earnings, capital requirements and surplus, general financial condition, contractual restrictions and other factors of and affecting the Group.

CONSTITUTIONAL DOCUMENTS

During the year ended 31 December 2024, there was no change in the Company's constitutional documents. The Memorandum and Articles of Association of the Company are available on the Company's website and on the website of the Stock Exchange.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

CORPORATE PROFILE

We are an applied chemical intermediates provider in the integrated chemical services market, which primarily engage in the production and sales of our chemicals and sales of chemicals produced by third party manufacturers. We have an operating history of over 20 years since 1995 by Mr. Yin, the founder of our Group, the Chairman and Chief Executive Officer, to engage in selling applied chemical intermediates produced by third party manufacturers.

We began to manufacture our own branded products of methylamine industry series products such as choline chloride, pharmaceutical intermediates such as iodine derivatives and applied chemicals series products such as polymer polyether in 2004, 2008 and 2012, respectively. Currently, we have one production plant in the PRC which is strategically located in Tai'an, Shandong Province. Our production plant in Binh Duong Province, Vietnam also commenced production in 2016.

ABOUT THIS REPORT

Our Group hereby publishes its Environment, Social and Governance (ESG) Report ("**ESG Report**") and presents its sustainability performance. The report content aims to increase the transparency of the Group's sustainability strategy, and describe how the Group has achieved steady growth in its performance, by blending in essential elements for sustainable development such as safety and environmental protection through its creativity and professionalism.

REPORTING STANDARD AND SCOPE

This report has been prepared in accordance with the Environment, Social and Governance Reporting Guide set out in Appendix C2 of the Listing Rules prescribed by the Stock Exchange. The report covers the Group's activities from 1 January 2024 to 31 December 2024. The scope of the report includes the Group's environmental and social performance. For environment aspects, the scope of the ESG Report mainly covers our operations in production plants, as stated below, which represents the most significant impact on the Group's environmental performance. Information on corporate governance will be separately presented in the annual report in accordance with Appendix C1 of the Listing Rules.

For a full list of material ESG aspects, respective key performance indicators ("**KPI(s)**") and their reference within this report, please refer to the Environmental, Social And Governance Reporting Guide Index on page 63 to 65.

Throughout the report, we adopted the reporting principles of materiality, quantitative, balance and consistency, as described below:

Reporting Principles	Description
Materiality	We made a consensus on the material topics through internal discussion and participation of key stakeholders. The outcome is summarised in the section – Materiality Assessment
Quantitative	To ensure that the effectiveness of our ESG policies and management systems can be evaluated and validated, we presented our ESG performance with the aid of environmental and social KPIs using robust methodologies, with reference to the ESG Reporting Guide
Balance	All environmental and social KPIs were computed and presented with reference to the ESG Reporting Guide and robust methodologies were adopted as illustrated in the respective sections of the ESG Report. Data comparisons over years have been provided to provide an unbiased comparison of our ESG performance from time to time.
Consistency	The Report has been prepared based on the same methodologies, standard and reporting scope as compared to previous year.

THE BOARD'S OVERSIGHT OF ESG ISSUES

The Group has developed its environmental protection and social sustainability strategies, and designated teams are established within each business unit of the Group to manage ESG issues. The Board has the ultimate responsibility of ensuing the development and effectiveness of the Group's ESG policies and measures, while Mr. Wu Wing Hou, chief financial officer and company secretary of the Company, would report to the Board with regards to the ESG management.

The Audit Committee provides oversight of the Group's internal control, including, among others, material risks relating to ESG, of the Group and risk management.

For more details on our corporate governance structure, roles and responsibilities, please refer to our Corporate Governance Report on pages 43 to 57 of this Annual Report.

STAKEHOLDER COMMUNICATION

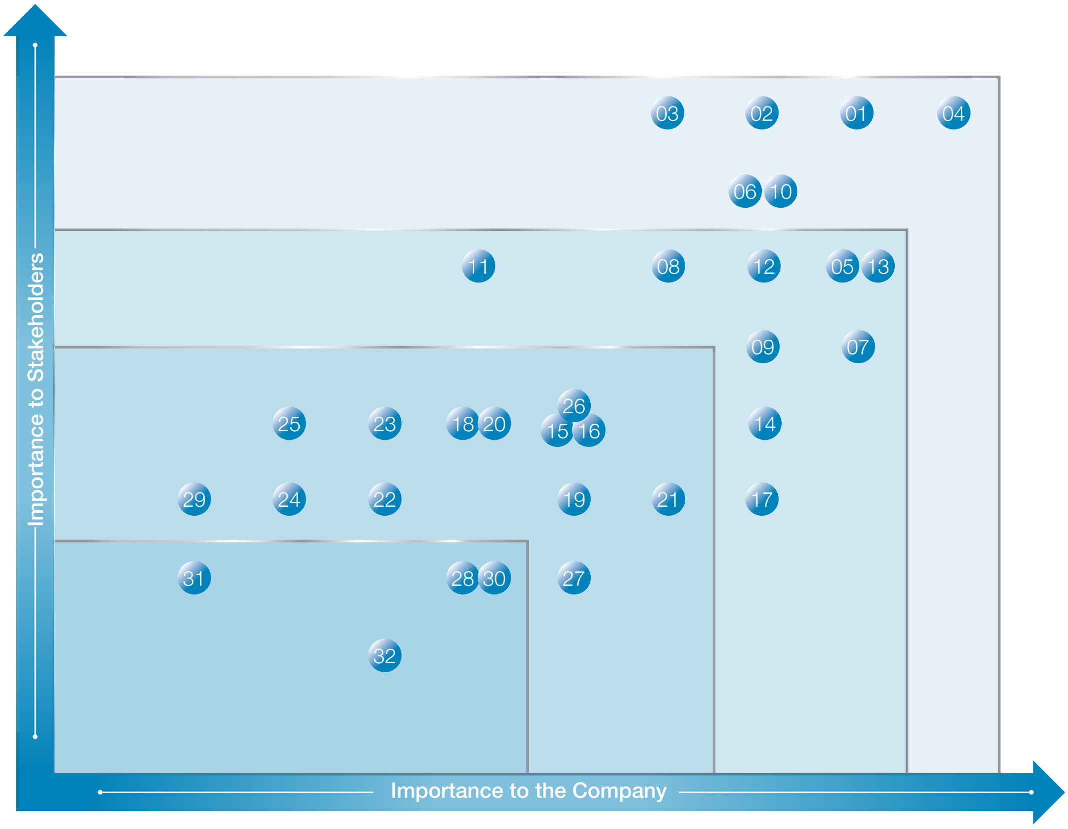
The Group places great emphasis on the valuable opinions of all stakeholders regarding the operations and believes that their feedbacks will help the Group to continuously improve the quality of its products and services, which in turn optimizes its corporate management. The Group maintains transparent communication with its stakeholders the direction and progress of its sustainable development through a range of diversified communication channels, so that the Group can understand and consider the opinions of all parties when formulating development plans. The communication channels and discussion sections between the Group and its stakeholders are as follows:

Stakeholder	Communication Channel	Related Topic	Achievement in the year
Government Authority	• Attending government meeting • Reporting to relevant authorities actively • Accepting supervision	• Operation compliance • Environmental emission compliance • Legitimacy of our products	• Complying with relevant laws and regulations • Meeting relevant environmental regulations and requirements
Investor/ Shareholder	• General Meeting • Disclosing listing information • Activities such as public announcements	• Corporate governance • Business operation • Information disclosure	• Complying with relevant rules and regulations to release public announcements and information
Customer	• Customer complaint mechanism • Customer satisfaction assessment • E-communication	• Customer satisfaction • Product quality and safety	• General customer satisfaction
Employee	• Regular and irregular interviews with employees • Employee trainings • Employee activities	• Training and development • Remuneration and benefits • Occupational health and safety	• Organizing introductory training, regular training and safety training • Providing mark-to-market remuneration package
Supplier	• Supplier meeting • Telephone inquiry • On-site inspection	• Communication with suppliers • Product quality risk management	• Visiting suppliers and holding supplier meeting
Media	• Press conference • Email communication • Telephone interview	• Information disclosure	• Complying with relevant rules and regulations to release public announcements and information
Community	• Participating community activities • Social donation	• Environment protection • Social contribution	• Collaborating with governments at all levels to prevent and control the epidemic

The Group had reviewed ESG disclosures of industry peers to identify common disclosure practices and communicated with stakeholders to rank the importance of different ESG issues. A designated team then analysed and developed a prioritised list of ESG issues of varying materiality levels for disclosure.

MATERIALITY ASSESSMENT

The management and employees who are responsible for the key functions of the Group have participated in preparing this report, assisted the Group in reviewing its operation, identifying key environmental, social and governance issues and assessing the importance of these issues to our businesses and stakeholders. Through internal discussion, we identified material environmental, social and governance issues to collect the information from relevant departments and business units of the Group.



01 Investment in safety production
02 Good performance
03 Incidence rate of occupational disease
04 Compliant operation
05 High-quality products
06 Safeguarding customer's rights and interests
07 Scientic and technological innovation of products
08 Control over the pollutants emission
09 Occupational health and safety training
10 Measures for occupational health and safety
11 Climate change mitigation
12 Corporate governance
13 Safety production accident
14 Customer service quality
15 Regulating employees
16 ESG governance
17 Improving the effciency of energy resources
18 Anti-corruption
19 Safeguarding employees' rights and interests
20 Disposal of substandard products
21 Green procurement
22 Supplier HSE management system audit
23 Environmental and social risk management of supply chain
24 Precise poverty alleviation
25 Fighting the COVID-19
26 Fair procurement
27 Employee training and development
28 Care for and assistance to employees
29 Employee volunteer activities
30 Equal employment
31 Charitable donations
32 Environment and biodiversity protection

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Key concerns from stakeholders	Our responses	Targets	Achievement
Compliant operation	We conduct environmental impact assessment and evaluation on construction completion in strict accordance with relevant laws and regulations in various aspects including technology formation, construction and installation process as well as production management.	Ensure there is no administrative penalty at our production plants	Annual administrative penalty at our production plants: Nil
Investment in safety production	We access the necessity of upgrade of our safety production equipment and protocol from time to time. We establish safety and environmental protection department to draw up and inspect regulations for safety production, arrange regular safety education and training for employees, revise and record the emergency plan for accidents.	Our management analysed the annual investment in safety production and reviewed the sufficiency of the upgrades of safety production equipment and protocol annually	Annual investment in safety production at Tai'an and Vietnam production plant: RMB8 million (2023: RMB10 million)
High-quality products	During the procurement process, we request the supplier to provide a quality control report indicating the quality of the raw materials. Our procurement team will review the quality control report the ensure the raw material's quality is up to standard. We have our internal research and development team to study advanced production technology and purchase more advanced equipment in order to enhance our production with less impurities and higher quality. We also conduct our internal testing finished products to uphold our product quality.	Ensure the product qualification rate over 99% Limit the sales return rate to less than 1%	Product qualification rate: 99.4% (2023: 99.4%) Sales return rate: 0.4% (2023:0.4%) We obtained a renewed certificate of CNAS laboratory accreditation on 19 December 2024 for our test center in the production plant in Tai'an, Shandong Province, which is valid until 19 June 2028.
Safety production accident	We had carried out sufficient education programs on safety production and strengthened our supervision of safety production to avoid major accidents in production process.	Limit the annual number of major injuries to less than 5 times. Limit the annual number of minor injuries to less than 20 times.	Annual number of major injuries: 2 (2023: 2). Annual number of minor injuries: 7 (2023: 7).

CONTACT DETAILS

If you have any comments or suggestions upon this report, please contact us through following ways:

Address: 6th Building, Xincheng Science Park, No. 69 Aoti Street, Nanjing, PRC
Tel: (86) 025 8473 4356
(852) 3590 8200
Email: ghw@goldenhighway.com

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORTING GUIDE INDEX

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During the year ended 31 December 2024, the Group confirmed that appropriate and effective management policies and internal control systems for environmental, social and governance issues are in place and confirmed the information disclosed in the ESG Report meets the ESG Reporting Guide.

A. ENVIRONMENT

A1. Emissions

General disclosure and key performance indicators ("KPI")

We have been, and intend to continue to be, committed to observing environmental protection and safety regulations in all of our business activities to ensure our operations are in compliance with the relevant regulations. According to the PRC environmental laws and regulations, chemical manufacturers in the PRC must comply with environmental laws and regulations stipulated by the state and the local environmental protection authorities. According to the Vietnamese law on environmental protection, enterprises need to prepare and submit reports on assessment of environmental impact or environmental protection plan to the competent authority. During our production processes, sewage, waste gas and solid waste are regularly discharged. Our operations are therefore subject to numerous national and provincial environmental laws and regulations governing the discharge of waste water, waste gas emission and hazardous chemicals.

In order to comply with the relevant laws and regulations in the PRC and Vietnam, we have established the safety and environmental protection department (consisting of 42 staff members as at 31 December 2024) which is in charge of the preparation and implementation of our environmental, health and safety policies in our daily operations. The environmental, health and safety policies cover various aspects of our operations, including production, storage and transportation of our products and raw materials, repair of our equipment, prevention of pollution, training and protection of employees' health.

Our environmental policies focus on ensuring that our production emission control, treatment of waste water are in compliance with the relevant regulations and policies of national and local governments. In addition, we have installed waste treatment facilities on our production plants to handle our discharges from the manufacturing process.

During the year ended 31 December 2024 and up to the date of this report, we had produced the following waste materials, which have been dealt with through the implementation of corresponding environmental measures:

GHG

Greenhouse gas ("GHG") emissions	2024	2023
Direct GHG emission (tCO2e)	**40,636.9**	18,652.8
Indirect GHG emission (tCO2e)	**134,636.0**	124,461.3
Total GHG mission (tCO2e)	**175,272.9**	143,114.1
Direct GHG Emission Intensity (direct GHG emission/M' RMB revenue derived from sales of self-manufactured chemicals)	**13.9**	8.5
Indirect GHG Emission Intensity (indirect GHG emission/M' RMB revenue derived from sales of self-manufactured chemicals)	**46.0**	56.7
GHG Emission Intensity (total GHG emission/M' RMB revenue derived from sales of self-manufactured chemicals)	**59.9**	65.2

The scope of the above GHG statistics includes data from Tai'an and Vietnam production plants.

The majority of the Group's energy consumption includes the electricity in all premises, the natural gas, biomass moulding fuel, fuel oil and steam in our production plants. During the year ended 31 December 2024, diesel fuel for logistics and transportation, soda ash consumed in the production processes and GHG emitted from sewage treatment process are also included in calculation of our direct and indirect GHG emissions. The use of natural gas, biomass moulding fuel, fuel oil, diesel fuel for logistics and transportation, soda ash consumed in the production processes, self-generated steam and GHG emitted from sewage treatment process contributes to direct GHG emissions, while the use of electricity and purchase of steam contributes to indirect GHG emissions. In the face of global warming caused by GHG, the Group advocates energy conservation and emission reduction. Employees must work with the energy system within operations to use energy efficiently.

We have adopted (1) GB/T 32150-2015 version of general guideline of the greenhouse gas emissions accounting and reporting for industrial enterprises issued by General Administration of Quality Supervision, Inspection and Quarantine of the PRC and Market Regulation and the Standardization Administration of the PRC; and (2) technical guideline for environmental impact assessment on greenhouse gas emissions from chemical industry construction projects in Shandong Province issued by the Department of Ecological Environment of Shandong Province to calculate the GHG emissions data. During the year ended 31 December 2024, the direct GHG emission have increased by 63.5% owing to the increase in production quantity of our self-manufactured products, especially methylamine. The production of methylamine consumed over 50% of steam used for the entire Tai'an production plant. Besides, the decrease in selling prices of our self-manufactured products, such as choline chloride and betaine, also led to a significant increase in Direct GHG Emission Intensity. On the other hand, the indirect GHG emission have reduced by 18.9%. During the year ended 31 December 2024, more self-generated steam was used in the production instead of purchase of steam due to the lower cost, which led to a decrease in the indirect GHG emission.

Waste gas

Waste gas	**2024**	2023
NOx emissions (tonnes)	**16.7**	12.3
NOx emissions intensity (NOx emissions/M' RMB revenue derived from sales of self-manufactured chemicals)	**0.0057**	0.0056
SOx emissions (tonnes)	**4.4**	3.5
SOx emissions intensity (SOx emissions/M' RMB revenue derived from sales of self-manufactured chemicals)	**0.0015**	0.0016
PM emissions (tonnes)	**3.5**	2.8
PM emissions intensity (PM emissions/M' RMB revenue derived from sales of self-manufactured chemicals)	**0.0012**	0.0013

The scope of the above waste gas statistics includes data from Tai'an and Vietnam production plants.

Waste gas is generated during the production process. We have adopted the following measures to minimise the impact of the waste gas on the environment.

- Tail gas in storage tank or measuring tank of certain chemicals, including trimethylamine, hydrochloric acid, ethylene oxide and the waste gas generated from the decarboxylated cashew nut shell liquid, is permitted to be emitted only after absorption, combustion or purification in the absorption tower;
- Certain gas generated during production are collected or purified to ensure its concentration and emission rate meets the relevant emission standard of air pollutants;
- Pipes and equipment are tightly welded and more trainings are provided to the staff who are responsible for operating the equipment to perform annual leakage detection and repair on the pipes and equipment in order to minimise fugitive emission; and
- The LDAR management system is utilised at our production plants to detect and repair any possible gas leakage so as to minimise emission of volatile gases.

During the year ended 31 December 2024, the NOx, SOx and PM emissions had increased by 35.8%, 25.7% and 25.0%, respectively, as compared to the same period in the last year owing to the increase in production volume of different products. We have established quarterly inspection and repairment of pipes in order to ensure that all leakage points were fixed in a short period of time. This effectively reduced emission of waste gas. Besides, closed pipeline system was adopted in the transportation of waste materials and waste water in order to reduce the leakage and volatilization of pollutants. We also replaced waste gas absorption filters to enhance waste gas absorption efficiency. We have replaced two boilers of Tai'an plant with unsatisfactory combustion performance and low heat efficiency with new Low-nitrogen combustion models. We have added a set of dual dielectric low-temperature plasma exhaust gas treatment system (雙介質低溫等離子廢氣處理系統) in our Vietnam production plant, which is a promising and effective technical method for air pollution control in the world due to its efficient decomposition of pollutant molecules and high energy efficiency. We will continue to explore feasible emissions reduction measures to constantly reduce impacts on the environment.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Waste water

Waste water	2024	2023
Wastewater quantity (m^3)	**770,801**	653,869

The scope of the above waste water statistics includes data from Tai'an and Vietnam production plants.

During the year ended 31 December 2024, the waste water quantity has increased as compared to the same period in the last year. It was mainly due to the increase in production volume of methylamine, as methylamine production presented a larger circulating water consumption than that in production of other products such as choline chloride and betaine. During the year ended 31 December 2024, the production volume of methylamine has increased by approximately 50,000 tonnes as compared to the same period in the last year, which led to approximately 80,000 tonnes increase in water consumption. During the year, we continued to adopt condensation water recycling method to reduce water consumption.

To reduce the effect of water pollution, we have installed sewage treatment facilities at our production plants to treat all sewage generated during the production process of our products until its quality reaches the national standard and the relevant standard specified by the sewage treatment company which handles treated sewage for further treatment and discharge.

In addition, we have constructed four reservoirs with capacity of more than 7,759 cubic meters to minimize discharge of sewage in the event of accidents.

We will continue to enhance measures in condensation water retrieve system to reduce the discharge of waste water and municipal water consumption. In addition, the circulating water system is replaced by soft water to reduce the waste discharge of circulating water and frequency replacement.

Solid waste

Solid waste	2024	2023
Hazardous waste produced (tonnes)	**1,086.7**	450.8
Hazardous waste recycled (tonnes) (note)	**1,070.1**	436.1
Hazardous waste recycled percentage	**98.5%***	96.7%*
Non-hazardous waste produced (tonnes)	**174.8**	171.7
Non-hazardous waste recycled (tonnes) (note)	**174.8**	171.7
Non-hazardous waste percentage	**100%**	100%

Note: According to relevant state regulations, hazardous wastes were transferred to and properly disposed by qualified organizations which are independent third party to the Group, whereas non-hazardous wastes were transferred to and properly disposed by councils of respective cities.

* As at 31 December 2023, we stored 14.7 tonnes of hazardous waste in the warehouse and expected to transfer and dispose by qualified organizations in April 2024. Upon disposal, the hazardous waste recycled percentage was 100%.

* As at 31 December 2024, we stored 16.6 tonnes of hazardous waste in the warehouse, which are transferred and disposed by qualified organizations in the first quarter of 2025. Upon disposal, the hazardous waste recycled percentage is 100%.

The scope of the above solid waste statistics includes data from Tai'an and Vietnam production plants.

We generated solid waste during our production processes. Some of them are potentially hazardous, including waste activated carbon, cashew nut oil sludge, sodium nitrate, waste packaging, rectification residue, waste catalyst, high polymer impurities, elimination mother liquor, waste molecular sieve, waste engine oil and sludge at the sewage treatment facilities. We have engaged qualified hazardous waste treatment companies to dispose such waste. In the course of production, we also generate sodium chloride as a by-product, which are sold to an industrial salt manufacturer in Tai'an, Shandong Province, the PRC. Other domestic wastes are collected and disposed by our environmental hygiene government departments. Non-hazardous domestic wastes are collected and disposed of by our environmental protection department.

During the year ended 31 December 2024, the hazardous waste has increased as compared to the same period in the last year owing to owing to the increase of production volume of our self-manufactured products, methyl iodide, iodopropynyl butylcarbamate ("**IPBC**") and iodate in particular, which generated much more amount of hazardous waste than that in production of other products such as methylamine. On the other hand, the slight increase in the non-hazardous waste was mainly attributable to the increase in employees in our production plant in Tai'an and Vietnam.

During the year ended 31 December 2024, the Group was not aware of any non-compliance with the applicable PRC environmental laws and regulations with regard to environmental protection. All of our products meet the relevant environmental requirements under the PRC laws and we were not subject to any fines or legal action involving material non-compliance with any relevant environmental regulation, nor were we aware of any threatened or pending action by any environmental regulatory authority during the year ended 31 December 2024. We have passed the inspection for the completion of environmental protection for our production plants as required by the applicable PRC laws and regulations.

We have also developed a series of internal policies and programs for environmental risk prevention to ensure compliance with the requirements of the applicable national, industrial and local standards, laws, regulations and policies. Such policies include report on the emission level of gas pollutants, waste water and solid waste to our environmental protection department and evaluation of such emission levels on a regular basis. If there is any deviation from the applicable emission standard, we will investigate the cause and rectify accordingly. Our discharge of waste water and solid waste and emission of gas pollutant is also monitored by the local environmental monitoring centre. During the year ended 31 December 2024, the discharge of each key pollutant remained within its respective prescribed regulatory limits.

We have obtained the certificate of GB/T24001-2016 idt ISO14001:2015 on 6 March 2017 for our environmental management system in the production of feed additives (including betaine and choline chloride), mixed feed additives and chemical products (including sodium periodate, diethyl sulfate, potassium iodide and sodium iodide) in our production plant in Tai'an, Shandong Province, which is valid until 4 May 2026.

Our environmental compliance expenses incurred for the year ended 31 December 2024 were approximately RMB5.7 million (2023: RMB6.0 million). With increasingly fierce market competition, waste disposal corporations reduce unit price resulting in a significant reduction in expense.

In view of our measures to the waste materials as detailed above, our Directors believe that our business operations do not have a material adverse impact on the environment.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

A2. Use of Resources

General disclosure and KPI

Energy consumption

Energy consumption	2024	2023
Electricity (MWh)	**90,462.0**	68,412.1
Coal, biomass moulding fuel and fuel oil (tonnes)	**6,297.0**	4,982.0
Coal, biomass moulding fuel and fuel oil (MWh)	**29,290.0**	23,173.4
Natural Gas ('000 m^3)	**18,927.0**	7,782.9
Natural Gas (MWh)	**176,065.3**	72,399.3
Steam (tonnes)	**281,298.7**	283,620.2
Steam (MWh)	**217,266.5**	219,059.5
Total Energy Consumption (MWh)	**513,083.8**	383,044.3
Energy Intensity (total energy consumption/M' RMB revenue derived from sales of self-manufactured chemicals)	**175.2**	174.5

The scope of the above energy consumption statistics includes data of external purchases from Tai'an and Vietnam production plants. The majority of the Group's energy consumption includes the electricity in all premises, the natural gas, biomass moulding fuel, fuel oil and steam in the production plants.

In terms of electricity consumption, employees must follow the electricity management guidelines to avoid wastage, which are summarized as follows:

- Centralize production approach on major power-consuming equipment to reduce electricity consumption of each unit;
- Gradually switch to high efficiency and energy-saving facilities in operation areas;
- Carry out regular patrols and maintenance to ensure equipment's proper operation;
- Turn off idling machines;
- Report electricity consumption to the environmental audit team by the end of each month; and
- Encourage all departments to provide new energy-saving suggestions.

Moreover, we have elected to use model S18 energy-saving transformer, and transformer room and power room were designed to be proximate to substation to reduce line loss. Meanwhile, concentrated power factor compensation method was adopted to reduce reactive loss, resulting in the power factor after compensation of whole plant being more than 0.95.

To avoid the potential increase of electricity consumption by machines due to deterioration, the Group actively promote the use of high efficiency motors. During the year ended 31 December 2019, the Group has replaced model Y and YZ motors with more energy-efficient model Y and YXZ motors in the Tai'an and Vietnam production plants, resulting in a reduction of approximately 1-3% of energy consumption, compared to the original models.

Variable frequency drive system was used in electrical equipment with high power and load variation for increasing energy utilization rate, resulting in a reduction of approximately 8% of energy, compared to the original system.

The combination of time control and light control is the way we adopted to adjust the lighting of lighting devices, resulting in a reduction in invalid runtime.

During the year ended 31 December 2024, the energy consumption have increased by 33.9% as compared to the same period of the last year owing to the increase of (i) production volume of our self-manufactured products such as, choline chloride; and (ii) expand production of methylamine associated with high steam consumption.

The energy intensity increased by approximately 0.4% as compared to last year mainly due to the increase in energy consumption mentioned above, which is partially offset by the increase in sales of our self-manufactured products during the current year. We will optimize process route and unit operation, promote process equipment and adopt energy saving transformer and high efficiency motor to reduce energy consumption.

Water consumption

Water consumption	2024	2023
Water Consumption (m^3)	**981,236**	730,851
Water Intensity (water consumption/M' RMB revenue derived from sales of self-manufactured chemicals)	**335.1**	332.9

The scope of the above water consumption statistics includes data from Tai'an and Vietnam production plants. The majority of the Group's water consumption includes the water supplement on evaporation in the circulating water system and the water consumed during the production process in the production plants. There were a significant increase in water consumption in the current year owing to the increase in production volume of methylamine associated with high water consumption. During the year ended 31 December 2024, the production volume of methylamine has increased by 50,000 tons as compared to the same period in the last year, which led to around 250,000 cubic metres increase in water intake quantity.

The Group consumes a considerable amount of water during production and recognizes water as an important natural resource and hence, establishes water using guidelines for all premises to follow in order to efficiently utilize water resources. These include:

- Perform regular maintenance inspection to ensure that the machines do not drip;
- Notify maintenance department to repair immediately in case of discovered damage and leakage;
- Collect cleaning water used on-site to treat in the wastewater treating facility;
- Report water consumption and wastewater amount to the environmental audit team each month; and
- Encourage employees to actively participate in water-saving activities to increase water reduction awareness.

The main water source is the local governments. We have not encountered any issue in sourcing water.

The water intensity increased by approximately 0.7% as compared to the same period in the last year mainly due to the increase in water consumption mentioned above, which is partially offset by the increase in sales of our self-manufactured products during the current year.

Packaging materials

Packaging material	2024	2023
Total Packaging Material (tonnes)	**4,035.8**	2,956.8
Amount of Recycled and Reused Package Material (tonnes)	**767.1**	635.5
Recycled and Reused Percentage	**19.0%**	21.5%

The scope of the above packaging materials statistics includes data from Tai'an and Vietnam production plants.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

The Group takes safety and environmental friendliness concerns into consideration when selecting packaging materials in order to focus on environmental protection while ensuring product safety. The packaging materials used in the Group's production plants are mainly paper material, plastic, wood and iron. The Group purchases reusable packaging materials for short-distance transportation of products within premises to avoid wasting resources and reduce waste generation. When packing products, in addition to following customers' and industrial requirements, the Group also ensures that the materials are durable. This measure not only prevents any leakage of but also ensures that the quality of our products will not be affected due to expiry during storage or hoarding.

During the year ended 31 December 2024, the total packaging material used had increased by 36.5% as compared to last year owing to the increase in production quantity of our self-manufactured products, especially choline chloride and betaine.

During the year ended 31 December 2024, new barrels are used to store choline chloride liquid instead of recycling barrels, the recycled and reused package material percentage reduced by approximately 2.5 percentage point.

A3. Environment and Natural Resources

General disclosure and KPI

Environmental impact management

The Group pursues the best practices in the environmental protection and focuses on the impact of the Group's businesses to the environment and natural resources. In addition to complying with relevant environmental laws and regulations as well as properly preserving the natural environment, the Group has integrated the concept of environmental protection into its internal management and daily operations, with the aim of achieving environmental sustainability.

The Group strives to promote environmental protection and make effective use of resources. It continuously monitor business operations that may incur any potential impact to the environment, and minimises such impact to the environment through promoting green office and operating environment by adopting four basic principles which are reduce, reuse, recycle and replacement. Where applicable, we adopt green purchasing strategies and the most practical technologies to protect our natural resources.

Noise pollution

The effective measures to strengthen fixed infrastructure, increase shock absorbers, install eliminate noise filters and isolate noise source equipments were adopted in Tai'an and Vietnam production plants to successfully prevent the noise pollution.

Outdoor lightings

The Group introduces light emitting diode high efficiency lighting products in Tai'an and Vietnam production plants to replace traditional low efficiency light source such as metal halide lamp, sunlight dysprosium lamp and high pressure sodium lamp, to save the power for lighting and establish high quality and effective lighting environment.

Landscape and natural habitat

All areas except buildings and roads in Tai'an and Vietnam production plants are lined with green plants. We consistently emphasize on greening construction of the production plant. The total green areas of the two production plants were 26,128 square meters and 660 square meters, respectively.

A4. Climate Change

General disclosure

Climate-related impact management

Response to climate change has become a global consensus. The Chinese Government has put forward the climate action goals of "striving to peak carbon dioxide emissions before 2030 and achieve carbon neutrality before 2060". While making important contributions to economic development, the Group has always adhered to the standard requirements of high efficiency of resource utilization and clean production process, constantly innovates and breaks through environmental governance technologies, and is committed to building a green and low-carbon enterprise.

The Group attaches great importance to greenhouse gas emissions during production and operation, and actively responds to climate change. We adhere to the policy of energy conservation and emission reduction throughout every link of production and operation, strengthen energy management, continuously upgrade high-efficiency and energy-saving equipment, and gradually eliminate high energy-consuming equipment; continue to optimize processes, improve equipment operating flexibility, improve reaction operating conditions, and reduce the energy consumption of the process; meanwhile, we also continue to promote the construction of digital factories, to achieve equipment asset management, energy consumption management, environmental optimization, process optimization and other efficient management. In terms of process optimization, we vigorously develop pollution-free electrolysis process to realize green production of potassium iodate successfully, and sharply reduced steam energy consumption and utilization of other chemical raw and auxiliary materials.

In the future, we will actively respond to national policies on climate change, give full play to the Group's comprehensive advantages in hydrogen energy manufacturing and development, and build an industrial chain of environmental protection and green economy, to assist in mitigating climate change, and achieve the carbon peak goal earlier.

B. SOCIETY

B1. Employment

General disclosure

Employee benefits and equal opportunities policies

Employees are regarded as the Group's largest and most valuable assets and the core of competitive advantage. They provide the driving force for continuous innovation to the Group.

During the year ended 31 December 2024, the Group has fully complied with relevant rules and regulations in the PRC, including the Company Law of the PRC, the Civil Code of of the PRC, the Labor Contract Law of the PRC and the Regulations on Labor Inspection and Security, as well as the statutory requirements in Vietnam, including the Labour Code of 2012, which regulates the labour contract, internal labour regulations, occupational health and safety expatriates and statutory insurance.

The Group is committed to maintaining a diverse workforce that includes age, gender, family status, sexual orientation, disability, ethnicity, religion and equal opportunities.

The Group's "Employee Handbook" contains policies in regards to recruitment, promotion, discipline, working hours and leave. The human resources department has been responsible for ensuring all employees have fully understood the contents of the handbook.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

The management regularly reviews the Group's remuneration and benefits policies in reference to the market standards and is committed to safeguarding the rights and interests of the staff. Remuneration and benefits have been adjusted on an annual basis or on special occasions in accordance with the employees' individual performance, contribution and market conditions.

	Number of employees		% of employees	
Employee category	**2024**	2023	**2024**	2023
Gender				
Male	**816**	800	**72.9%**	72.9%
Female	**304**	298	**27.1%**	27.1%
Position				
Senior Management	**8**	8	**0.7%**	0.7%
Management	**91**	91	**8.1%**	8.3%
Staff	**1,021**	999	**91.2%**	91.0%
Age				
18-30 years old	**287**	297	**25.6%**	27.0%
31-50 years old	**707**	697	**63.1%**	63.5%
51 years old or above	**126**	104	**11.3%**	9.5%
Location				
Shandong	**770**	771	**68.8%**	70.2%
Nanjing	**141**	139	**12.6%**	12.7%
Ho Chi Minh	**163**	143	**14.5%**	13.0%
Others	**46**	45	**4.1%**	4.1%
Total staff	**1,120**	1,098	**100.0%**	100.0%

Turnover rate	**2024**	2023
Senior Management	**0%**	0%
Management	**0%**	1.1%
Staff	**17.4%**	19.3%
The Group overall employee turnover rate	**16.1%**	17.7%

Note: Independent Non-executive Directors are not included in the statistics of the above tables.

During the year ended 31 December 2024, the overall employee turnover rate of the Group had decreased by approximately 1.6 percentage point as compared to the previous year. In order to ensure that daily operations are not affected by staff turnover, the human resources department is responsible to identify the reasons for employee turnover and maintain the turnover rate to avoid operational disruption.

During the year ended 31 December 2024, the Group was not aware of any material non-compliance with laws and regulations relating to employment and labour practices.

B2. Health and Safety

General disclosure

Occupational health and safety

The Group has always placed emphasis on occupational safety and has set up an occupational health and safety management system to provide a safe working environment for employees.

During the year ended 31 December 2024, the Group has complied with relevant rules and regulations in the PRC, including the Work Safety Law of the PRC and Occupational Disease Prevention and Control Law of the PRC, as well as the statutory requirements in Vietnam, including the Labour Code of 2012, which regulates the labour contract, internal labour regulations, occupational health and safety expatriates and statutory insurance.

We have implemented adequate safety measures across all premises in accordance with local fire and obtained a renewed certificate of GB/T45001-2020 idt ISO 45001:2018 on 3 April 2024 for occupation health safety management system in the production of feed additives, mixed feed additives and chemical products in our Tai'an production plant, which is valid until 5 April 2027, providing employees with a safe and secure workplace.

We have implemented a system of occupational health and safety measures. All of our production plants and employees are required to adhere to the principles of safety measures outlined by the safety protection department.

We have established a team of 49 employees as at 31 December 2024, to oversee safety management, among whom 42 have obtained the necessary qualification certificates issued by the relevant authorities, and are responsible for the management of production safety. We have also set up a system to ensure safe production. Under the system, we have defined clearly the responsibilities of each of the members in the team and the rules and procedures required for ensuring safety in our operations.

In order to maintain our production safety, the safety protection department conducts production safety checks regularly and investigation of any accidents during the production processes and keeps proper record of the production safety checks. In addition, regular safety production trainings are provided to our employees to keep them abreast of the Group's safety production guidelines and the measures taken during emergency.

In addition, we have implemented safety infrastructure and safety measures to ensure safety of our employees and properties, to prevent or minimise community exposure to hazardous materials, and to avoid exacerbation of natural hazards. We have also obtained a renewed certificate of compliance with FAMI-QS Code on 8 July 2020 for our feed safety management system with good manufacturing practice in our Tai'an production plant, which is valid until 7 July 2026 and a renewed certificate of ISO22000:2018 on 08 April 2025 for our feed safety management system in the production of feed additives and mixed feed additives in our Tai'an production plant, which is valid until 21 April 2028.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

During the year ended 31 December 2024, the Group was not aware of any non-compliance with the health and safety laws and regulations.

During the year ended 31 December 2024, we did not have any major accidents, claims or complaints relating to work safety which had materially and adversely affected our operations (2022 and 2023: nil and nil). The number of lost days due to work injury was 379 days (2022 and 2023: 282 days and 648 days). The cause of lost days was mainly due to (i) a traffic accident occurred in the way to the delivery destination, which is not under the control of our Company and leading to 111 working days lost; (ii) an employee suffered the fracture due to a fall in the workshop, which resulted in 115 working days lost, and (iii) minor accidents during the manufacturing operation. Our safety management team will continue to ensure safe production and improve our rules and procedures to ensure safety in our operations.

In respect of the safety protection matters, our expense incurred for the year ended 31 December 2024 was approximately RMB8.3 million (2023: RMB10.1 million). The decrease in amount was due to the fact that the production plant in Tai'an has shifted to high-quality development, featuring mechanization, automation and intelligent growth. Meanwhile, informatisation construction has been basically completed resulted in cost reduction in security consulting and standardization fees. We will continue to ensure our compliance with the applicable safety protection matters in the future.

Furthermore, amid the COVID-19 pandemic, the Company has surveyed immediately, formulated plans and has elaborated and implemented various prevention and control measures to actively heed to the government's calls. Office staff had worked remotely from home and online with the functions of online contract signature, order inquiry and logistics tracking provided by the application of GHW e-commerce system (金海威電商APP系統) upon full cooperation with government authorities to prevent and control the pandemic. The start of the new work model has ensured the procurement, sales and supply of important materials and raw materials even under the circumstances of a more severe situation and no personnel on the job. We strictly checked the staff's travel schedule, registered their daily health condition, disinfected office area and delivered epidemic prevention materials after return to the office. In addition, we started getting vaccines for our staffs. The Company will continue to strictly comply with the nation's various instructions, actively implement internal prevention and control, and fully cooperate with corresponding authorities to uphold our hygiene standard and minimise the impact to our business operations.

The company understands that employees are the most valuable asset of a company and work to improve employees' health & fitness in a supportive environment. The company has established a spacious and bright gym and equipped with various advanced aerobic equipment, as treadmills, spinning bikes and elliptical machines, to enhance employees' cardio-respiratory function. The gym is also equipped with weight training equipment, including dumbbells, barbells and more, used for strength training and muscle building. Meanwhile, the company hired a team of professional fitness coaches to provide personalized fitness guidance and establish a scientifically training plan for employees. Moreover, the team coach regularly hold activities such as lectures and training courses to enhance employees' health awareness and fitness skills.

B3. Development and Training

General disclosure

Staff development and training

Employees are regarded as the Group's largest and most valuable assets and an essential part of maintaining a competitive advantage. The Group provides its staff with training courses for upgrading skills and development as needed.

The Group encourages and supports employees to participate in personal and professional training to fulfill the needs of emerging technologies and new equipment. The Group also encourages the culture of sharing of knowledge and experience.

The Group has made good use of its internal resources to organise various forms of training for employees in its offices in the PRC and Vietnam, including management, customer service and financial knowledge.

Our human resources department is responsible for organising and implementing the training plan for the employees of our Group. The training plan shall be designed with reference to the development of the Group and the employees' seniority. Specifically, we provide trainings including workplace safety, technology updates, management skills, corporate strategy planning, industry analysis, corporate loyalty, communication skills and technical skills. Trainings are conducted internally and externally and provided to new employees and current employees.

Overall training	2024	2023
Topics	**1. Workplace and product safety 2. Production technology 3. Management effectiveness and enhancement 4. Rescue training 5. OA system operation 6. Occupational health training**	1. Workplace safety 2. Production technology 3. Management effectiveness and enhancement 4. Financial updates 5. Internal Control Management 6. Laws and Regulations
Total hours of topics	**15,883.0**	11,778.0

Number of employees attended trainings/Average training hours by employee category/percentage of employees trained	2024	2023
Gender		
Male	**515/15/63.1%**	471/12/58.9%
Female	**140/11/46.1%**	126/7/42.3%
Position		
Senior Management	**8/18/100%**	8/18/100%
Management	**41/25/45.1%**	31/38/34.1%
Staff	**606/24/59.4%**	558/19/55.9%

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

B4. Labour Standards

General disclosure

Prevention of child labor or forced labor

The Group strictly prohibits employing any child labor or forced labor in its operations. The Group has established a well-defined recruitment process which examines the background of candidates and a formal reporting procedure for handling any exception. During the recruitment process, the age of the applicant is verified against the identity documents of the applicant. In addition, the Group conducts regular reviews and inspections to prevent any child labor or forced labor in operation.

The Group encourages employees to get off work on time to ensure adequate resting time. According to the "Employee handbook", employees could work overtime only on a voluntary basis. If any forced labor behavior is discovered, the management would intervene to cease the infringement actions, and make reasonable compensation to the relevant employee. During the year ended 31 December 2024, the Group was not aware of any child labor or forced labor cases.

In the meantime, the Group also avoids engaging suppliers which are already known to be employing child labor or forced labor in their operations. The Group has complied with the Abolition of Forced Labor Convention with respect to Employment of Workers, the Labor Law of the PRC on the Employment of Adolescents under the Age of 16 and their Legal Rights and Interests and Provisions on Prohibition of Child Labor in the PRC.

During the year ended 31 December 2024, the Group complied with all the laws and regulations relating to the prevention of child labor or forced labor. The Group was not aware of any material non-compliance with laws and regulations relating to employment and labour practices.

B5. Supply Chain Management

General disclosure

Environmental and social risk management of supply chain

The Group has established and implemented relevant policies for supplier management. In order to strengthen the selection of suppliers, the Group welcomes qualified, competent and high-quality suppliers to join. The Group's procurement department has specially formulated this policy in order to standardise the supplier management and improve the operational standard.

The Group's procurement department is also responsible for organising the supplier evaluation work in two ways which include the ongoing project evaluation and the annual assessment. The evaluation results will serve as the basis of supplier management. Suppliers need to react quickly to the assessment result, and take effective measures to improve the services provided within prescribed period. The Group has the rights to terminate the cooperation with service providers who violate the rules or do not meet the targets.

To ensure the quality of raw materials and chemicals produced by third party, each of our potential suppliers has to pass our assessment before they are included in our list of approved suppliers. We select the suppliers based on various factors, including but not limited to their market reputation, scale, quality, pricing of products and their business relationship with us. Our procurement department conducts background checks of the potential suppliers before any sales transactions and evaluates the existing suppliers annually based on various factors such as, quality and stability of the supply of raw materials, payment terms, delivery timeliness, quality of customer services. The assessment results will be used as a benchmark for the continuation or termination of cooperation in the future.

During the year ended 31 December 2024, we obtained raw materials and chemicals produced by third party from suppliers based in various regions and countries, including but not limited to the PRC, Japan, South Korea, Thailand, India, Singapore, Europe, Chile and the United States for our production and sales of polyurethane materials, animal nutrition chemicals, fine chemicals and pharmaceutical products and intermediates and supplements. Our major suppliers are chemicals manufacturers. As at the date of this report, we have established the business relationship with some of our five largest suppliers for more than five years. We are generally granted credit terms of up to approximately 90 days. We closely monitor the quality of the raw materials and chemicals produced by our suppliers. All raw materials and chemicals produced by our suppliers have to comply with the incoming quality control requirements.

The Group maintains close liaison with its suppliers to monitor their performance to ensure that it is consistent with their service commitment.

To strengthen the performance of responsibilities of site constructors for our new production plant, the Group carries out safety, environmental protection and epidemic prevention work during construction; provides safety education and training to the builders, supervises the management of construction materials, improves the control of construction machinery; take effective measures, such as hanging the slogans related to civilized construction, enclosure protection, dust control and suppression and occupational health and epidemic prevention.

The Group clearly puts forward the requirements for environmental protection and energy saving in the bidding, procurement and acceptance of the supplier's products or services; continuously optimises and improves the production plants and processes in terms of environmental protection and energy saving, at the same time, the Group regularly monitors the procurement and use of energy-saving and environmental protection equipment in the new construction and expansion projects of the users, to ensure that energy conservation and environmental protection measures are implemented.

Suppliers geographical distribution	Number of suppliers		% of suppliers	
	2024	2023	**2024**	2023
The PRC	**683**	731	**88.7%**	91.8%
Vietnam	**59**	44	**7.7%**	5.5%
Asia (other than the PRC and Vietnam)	**19**	15	**2.5%**	1.9%
Others	**9**	6	**1.1%**	0.8%

B6. Product Responsibility

General disclosure

Product Responsibility

We believe that strict quality control is essential for us to maintain sustainable growth in the chemicals industry. Accordingly, we have implemented a quality control system for each stage in the production processes of polyurethane materials, animal nutrition chemicals, fine chemicals and pharmaceutical intermediates. It is our policy to purchase raw materials from qualified and reputable suppliers. We have the quality control guidelines and conduct quality checks from supply of raw materials and chemicals produced by third parties to manufacturing and finished products testing to ensure that the quality of our products meet our customers' expectations.

As at 31 December 2024, our quality control department, which consists of 42 employees in mainland China (with an average of approximately 10 years of experience in implementing quality control measures, 24 of whom have obtained certification in quality control of chemicals and/or chemical safety and 4 of whom are currently practicing as pharmacists in the mainland of China) and 8 employees in Vietnam, who are responsible for overseeing and maintaining the quality control of our production processes and the chemicals produced by third party manufacturers including pharmaceutical products. We also provide regular internal and external training programmes to our quality control personnel in order to standardise our quality control procedures.

Our quality management and control systems generally cover the following and we obtained a renewed certificate of GB/T 19001-2016 idt ISO 9001:2015 on 8 April 2025 for quality management system in the prodcution of feed additives, mixed feed additives and chemial products in our Tai'an production plant, which is valid until 21 April 2028:

- Incoming quality control: When raw materials and chemicals produced by third party manufacturers are delivered to our warehouses, our quality control personnel will perform sample testing to ensure that the quality of the raw materials and chemicals produced by third party manufacturers meet our chemical quality requirements and specifications before they are accepted. If the sampled raw materials do not meet our standards, we either return any sub-standard raw materials and chemicals produced by third parties to our suppliers or (in the case of minor deviation from our standards), use such raw materials under the strict control and supervision of the quality control department.

- In-process quality control: We conduct quality inspections throughout the key production stages to ensure that our work-in-progress comply with the required standard. Unqualified work-in-progress are not allowed to enter the next phase of production and will be reported to our production department so that any reworking procedures can be carried out to rectify any quality issues.

- Outgoing quality control: We have established testing guidelines setting out the testing procedures and requirements for each batch of our finished products to ensure their specifications comply with the national and industry standards before dispatching to our customers. These testing guidelines are reviewed and updated from time to time. Our testing procedures include checking the physical appearance and that other chemical indicators are satisfied.

To facilitate close monitoring of our operations and ensure consistency of quality, we hold monthly quality review meetings where, under the overall supervision of our quality control department, various departments are required to prepare detailed reports on relevant issues and concerns discovered during their regular quality checks.

We value our customers' feedback on product quality as we believe this will help us further improve our products and sustain long-term business relationship with our customers. We have designated a sales representative for each customer to make sure that we obtain and handle our customers' feedback in a timely manner. All customer complaints are handled by our quality control department in accordance with the internal customer complaints handling procedures, which involve discussion with the relevant departments and follow up with the customer directly in order to resolve any quality issues in a timely and effective manner.

During the year ended 31 December 2024, we did not receive any complaints or dissatisfaction with the products and services according to the customers' feedback on product quality.

We have received several certifications in connection with our quality management system, food safety management system, feed safety management system, environmental management system and laboratory accreditation in relation to our production.

Product warranty

We generally give customers warranty terms in relation to product quality of up to seven days from the date of delivery of our products. We have adopted an internal policy to handle the claims or complaints from customers for defects of our products. Upon receipt of any claims or complaints from our customers within this period, we make internal investigations to understand the matter in this regard. If we find that we are responsible for the defects, we will acknowledge the issue promptly by offering sales compensation such as exchanging the products, providing discount or price reduction in subsequent sales. The amount and nature of compensation are determined on a case-by-case basis. In the event that our products are damaged during the delivery and transportation process, we claim against our insurers for any losses incurred due to such product damages according to our arrangements with these insurers. For the year ended 31 December 2024, we claimed approximately RMB69,800 (2023: RMB1,975,000) against our insurers for product damages resulted from the delivery and transportation process which contributed to our sales compensation for defective products.

During the year ended 31 December 2024, we did not experience any material disputes with our customers, any material claim relating to our product liability or return of goods in relation to the quality of our products that had a material and adverse impact on our business, and did not record any large-scale product recall due to quality defects.

Protecting Intellectual Property Rights

The Group's day-to-day operations involve the use of the intellectual property owned by customers, suppliers or the Group itself. Therefore, the protection of intellectual property rights is an extremely important task for the Group. When the Group engages with its customers or suppliers, it will include the protection of intellectual property in the contractual terms. The Group's legal department also reviews all the contracts in operation and ensure that the contractual terms protect both parties' intellectual property rights. The Group also requires technical professionals to sign strict confidentiality agreements. Confidential information of our customers is only accessible to employees who are responsible for the corresponding project.

During the year ended 31 December 2024, the Group complied with relevant laws and regulations governing the confidentiality of data and intellectual property, including but not limited to Patent Law of the PRC, Trademark Law of the PRC and Copyright Law of the PRC.

During the year ended 31 December 2024, the Group was not aware of any non-compliance with relevant laws and regulations relating to product responsibility.

Safeguarding Customer Privacy

The Group respects the privacy of each stakeholder. When negotiating with suppliers, customers or partners, the Group signs a confidentiality agreement to safeguard the interests of all parties. In addition, the Group also requires all employees to collect only the necessary personal or commercial information from customers and carefully process the information to ensure that the information is not leaked.

During the year ended 31 December 2024, the Group was not aware of any leaking of customer information.

B7. Anti-Corruption

General disclosure

Prevention of corruption and fraud

Preventive measures, enforcement and monitoring

The Group has implemented the relevant policies and stipulated in the "Employee Handbook", strengthening its internal control mechanism, anti-corruption and anti-bribery work so as to achieve the business philosophy of "abiding by the law, integrity and quality service".

Reporting mechanism

The mechanism includes the establishment of an inspection team and the establishment of a channel for evaluation and reporting. It is strictly forbidden to use the business opportunities or powers to obtain personal interests or benefits. If there is a conflict of interest, it needs to be reported to the management of the Group on a timely basis. The Group also encourages employees and all persons with whom the Group does business, including customers and suppliers, to report the suspected wrongdoing within the Group voluntarily.

The Group has complied with major relevant laws and regulations including the Corruption Ordinance of the PRC.

During the year ended 31 December 2024, the Group was not aware of any non-compliance with relevant laws and regulations relating to anti-corruption.

B8. Community Investment

General disclosure

Contributions to society

As a responsible company, the Group actively strives to become a positive force in the community and maintains close communication and interaction with the community to contribute to community development.

The Group enhances the quality of life of community through arts, culture and entertainment using on demand systems and activities. Following the development of culture, the community can gain a deeper understanding of history and culture and cultivate higher appreciation of the present and future cultural activities and to a greater level of enjoyment.

The Group will also actively encourage employees to contribute their time and skills to community volunteer works to benefit local communities by giving them opportunities to learn more about social and environmental issues and enhance the corporate value of the Group.

As a moral and responsible enterprise, the Group will consider from time to time to make donations to charities when the Group records after-tax profits and has sufficient funds.

During the year ended 31 December 2024, the Group hasn't funded (2023: Nil) to the Community Chest and charity parties in the PRC.

INDEPENDENT AUDITOR'S REPORT

中汇
ZHONGHUI

TO THE SHAREHOLDERS OF GHW INTERNATIONAL
(incorporated in the Cayman Islands with limited liability)

OPINION

We have audited the consolidated financial statements of GHW International (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 86 to 148, which comprise the consolidated statement of financial position as at 31 December 2024, consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including material accounting policy information.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2024, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with IFRS Accounting Standards issued by the International Accounting Standards Board (the "IASB") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the Hong Kong Institute of Certified Public Accountants ("the HKICPA"). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants (the "Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

INDEPENDENT AUDITOR'S REPORT

KEY AUDIT MATTERS

Key audit matter is the matter that, in our professional judgment, was of most significance in our audit of the consolidated financial statements of the current period. This matter was addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on this matter.

Key audit matter	How our audit addressed the key audit matter
Impairment of trade receivables	
As at 31 December 2024, the Group has trade receivables amounting to RMB286,452,000, net of allowance amounting to RMB5,417,000. Management judgement and estimations are required to assess and determine the recoverability of trade receivables and adequacy of allowance made using the expected credit losses ("ECL") model under IFRS 9 *Financial Instruments*. These judgements include estimating and evaluating expected future receipts from customers based on the Group's historical default rates taking into consideration forward-looking information that is reasonable, supportable and available without undue costs or effort. At every reporting date, the historical observed default rates are reassessed and changes in the forward-looking information are considered. The key assumptions and estimation on allowance for ECL and the Group's credit risk management are disclosed in notes 4 and 40 to the consolidated financial statements, and further information related to trade receivables is provided in note 19 to the consolidated financial statements.	Our procedures in relation to the impairment assessment on trade receivables included: • Obtaining an understanding of the process of management's assessment and monitoring of credit risks, and determination of allowance for ECL; • Evaluating the model used by management in determining the allowance for ECL; • Testing the integrity of information used by management to develop the internal credit rating, including trade receivables aging analysis as at 31 December 2024, on a sample basis, by comparing individual items in the analysis with the relevant sales invoices and other supporting documents; • Challenging management's basis and judgement in determining allowance for ECL on trade receivables as at 31 December 2024, including their identification of credit-impaired trade receivables that are assessed individually, the reasonableness of management's grouping of the remaining trade debtors into different categories in the internal credit rating, and the basis of estimated loss rates applied in each category in the internal credit rating (with reference to historical default rates and forward-looking information); and • Obtaining confirmations and evidences of subsequent settlements on a sample basis for trade receivable balances.

OTHER INFORMATION

The directors are responsible for the other information. The other information comprises all the information in the Company's annual report, but does not include the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with IFRS Accounting Standards issued by the IASB and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. We report our opinion solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

A further description of our responsibilities for the audit of the consolidated financial statements is located at the HKICPA's website at:

https://www.hkicpa.org.hk/en/Standards-setting/Standards/Our-views/auditre

This description forms part of our auditor's report.

ZHONGHUI ANDA CPA Limited
Certified Public Accountants

Lee Chi Sum
Audit Engagement Director
Practising Certificate Number P08391
Hong Kong, 31 March 2025

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	5	**3,861,966**	3,217,669
Cost of sales		**(3,470,942)**	(2,880,689)
Gross profit		**391,024**	336,980
Other income	6	**28,019**	21,351
Other gains and losses	7	**(7,088)**	2,663
Impairment losses (recognised)/reversal under expected credit loss model, net of reversal		**(249)**	4,058
Selling and distribution expenses		**(172,556)**	(132,815)
Administrative expenses		**(137,807)**	(123,508)
Research and development expenses		**(48,864)**	(75,241)
Finance costs	8	**(39,906)**	(39,207)
Share of results of associates		**—**	(1,067)
Profit/(loss) before taxation	9	**12,573**	(6,786)
Taxation	10	**339**	9,510
Profit for the year		**12,912**	2,724
Other comprehensive (expense)/income			
Items that may be reclassified subsequently to profit or loss:			
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)
Other comprehensive expense for the year, net of income tax		**(7,207)**	(906)
Total comprehensive income for the year		**5,705**	1,818
Profit for the year attributable to:			
– Owners of the Company		**12,753**	2,724
– Non-controlling interests		**159**	—
		12,912	2,724
Total comprehensive income attributable to:			
– Owners of the Company		**5,546**	1,818
– Non-controlling interests		**159**	—
		5,705	1,818
Earnings per share for profit attributable to the owner of the Company			
– Basic (RMB per share)	13	**0.014**	0.003
– Diluted (RMB per share)	13	**N/A**	N/A

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2024

	Notes	2024 RMB'000	2023 RMB'000
Non-current assets			
Property, plant and equipment	14	**813,295**	779,251
Right-of-use assets	15	**74,699**	50,299
Interest in associates	16	**1,744**	—
Rental deposits		**1,082**	829
Deferred tax assets	17	**7,084**	5,499
Loan receivable	22	**17,266**	16,664
Deposits for acquisition of land use right		**10,000**	—
		925,170	852,542
Current assets			
Inventories	18	**414,619**	340,115
Trade receivables	19	**286,452**	223,973
Bill receivables at fair value through other comprehensive income	20	**127,229**	100,848
Other receivables and prepayments	22	**142,723**	109,701
Tax recoverable		**696**	1,467
Financial asset at fair value through profit or loss	24	**274**	448
Derivative financial instruments	24	**22**	—
Amount due from an associate	25	**12,956**	5,471
Amount due from a non-controlling shareholder	26	**1,000**	—
Restricted bank deposits	27	**33,945**	30,404
Cash and cash equivalents	27	**101,461**	77,393
		1,121,377	889,820
Current liabilities			
Trade and bill payables	28	**404,024**	274,965
Other payables and accrued charges	29	**99,912**	105,328
Lease liabilities	30	**4,366**	4,774
Contract liabilities	31	**33,550**	25,581
Tax liabilities		**2,069**	1,923
Borrowings	32	**705,211**	471,909
		1,249,132	884,480
Net current (liabilities)/assets		**(127,755)**	5,340
Total assets less current liabilities		**797,415**	857,882

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2024

	Notes	2024 RMB'000	2023 RMB'000
Non-current liabilities			
Other payables	29	—	8,128
Borrowings	32	65,939	158,148
Loans from related companies	23	81,050	81,600
Lease liabilities	30	5,786	1,890
Deferred tax liabilities	17	23,064	26,699
		175,839	276,465
Net assets		621,576	581,417
Capital and reserves			
Share capital	33	8,930	8,844
Reserves		576,852	572,573
Equity attributable to owners of the Company		585,782	581,417
Non-controlling interests		35,794	—
Total equity		621,576	581,417

The consolidated financial statements on pages 86 to 148 were approved and authorised for issue by the Board of Directors on 31 March 2025 and signed on its behalf by:

YIN YANBIN
Director

CHEN ZHAOHUI
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2024

	Attributable to owners of the Company											
	Share capital RMB'000	Share premium RMB'000	Capital reserve RMB'000 (Note a)	Safety reserve RMB'000 (Note b)	Translation reserve RMB'000	Statutory reserve RMB'000 (Note c)	FVTOCI reserve RMB'000	Treasury reserve RMB'000	Retained earnings RMB'000	Subtotal RMB'000	Non-controlling interest RMB'000	Total RMB'000
At 1 January 2023	8,844	78,219	58,363	1,709	(9,129)	95,495	(266)	–	369,385	602,620	–	602,620
Profit for the year	–	–	–	–	–	–	–	–	2,724	2,724	–	2,724
Other comprehensive expense for the year	–	–	–	–	(878)	–	(28)	–	–	(906)	–	(906)
Total comprehensive (expense) income for the year	–	–	–	–	(878)	–	(28)	–	2,724	1,818	–	1,818
Repurchase of share (note 34(b))	–	–	–	–	–	–	–	(23,021)	–	(23,021)	–	(23,021)
Appropriation	–	–	–	–	–	984	–	–	(984)	–	–	–
At 31 December 2023	8,844	78,219	58,363	1,709	(10,007)	96,479	(294)	(23,021)	371,125	581,417	–	581,417
At 1 January 2024	**8,844**	**78,219**	**58,363**	**1,709**	**(10,007)**	**96,479**	**(294)**	**(23,021)**	**371,125**	**581,417**	**–**	**581,417**
Profit for the year	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**12,753**	**12,753**	**159**	**12,912**
Other comprehensive (expense)/ income for the year	**–**	**–**	**–**	**–**	**(7,253)**	**–**	**46**	**–**	**–**	**(7,207)**	**–**	**(7,207)**
Total comprehensive (expense) income for the year	**–**	**–**	**–**	**–**	**(7,253)**	**–**	**46**	**–**	**12,753**	**5,546**	**159**	**5,705**
Issue of shares (note 33)	**86**	**22,142**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**22,228**	**–**	**22,228**
Capital injection into a subsidiary from non-controlling interest (note d)	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**802**	**802**	**35,635**	**36,437**
Repurchase of share (note 34(b))	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(24,211)**	**–**	**(24,211)**	**–**	**(24,211)**
Appropriation	**–**	**–**	**–**	**–**	**–**	**1,126**	**–**	**–**	**(1,126)**	**–**	**–**	**–**
At 31 December 2024	**8,930**	**100,361**	**58,363**	**1,709**	**(17,260)**	**97,605**	**(248)**	**(47,232)**	**383,554**	**585,782**	**35,794**	**621,576**

Note a: Capital reserve represented (i) the capital injection from owners of Nanjing Goldenhighway International Supply Chain Management Company Limited (南京金海威國際供應鏈管理有限公司) ("GHW International SCM"), a subsidiary of GHW International (the "Company"), in excess of nominal value of share capital amounting to RMB26,071,000 prior to reorganisation; (ii) contribution from shareholders net of capital gain tax related to reorganization amounting to RMB28,336,000; (iii) acquisition of additional interest in Taian Havay Group Co., Ltd., (泰安漢威集團有限公司) ("Havay group") a subsidiary of the Company, related to reorganisation amounting to RMB1,717,000; (iv) deemed contribution from a shareholder in relation to a waiver of amount due to a shareholder amounting to RMB444,000; (v) effect of re-denominating the par value of the Company's shares amounting to RMB60,000; and (vi) deemed contribution from a shareholder in relation to loans from a related company controlled by Mr. Yin Yanbin amounting to RMB1,735,000.

Note b: Pursuant to the relevant regulation in the People's Republic of China (the "PRC"), a subsidiary of the Company in the mainland of China (together with its subsidiaries collectively referred as the "Group") is required to provide for safety reserve based on annual sales amount. The reserve can be used for improvements of safety storage and production process, and eligible to be transferred to retained earnings upon utilisation.

Note c: As stipulated by the relevant laws in the mainland of China, the mainland of China subsidiaries are required to maintain a statutory reserve fund. The minimum transfer to statutory reserve is 10% of profit after tax of the mainland of China subsidiaries according to the mainland of China subsidiaries' statutory financial statements. No appropriation is required if the balance of the statutory reserve has reached 50% of the registered capital of the mainland of China subsidiaries.

Note d: On 12 August 2024, all the conditions precedent under the capital increase agreement entered into on 10 May 2024 among GHW International SCM and Tai'an Taiying Caijian Equity Investment Fund Partnership (Limited Partnership) (泰安市泰鷹財建股權投資基金合夥企業 (有限合夥)) (the "Existing Shareholders"), Tai'an Jinwei Ruokun Investment Partnership (Limited Partnership) (泰安市金威若鯤投資合夥企業 (有限合夥)), Tai'an Jinwei Ruopeng Investment Partnership (Limited Partnership) (泰安市金威若鵬投資合夥企業 (有限合夥)), Tai'an Jinweitai Investment Partnership (Limited Partnership) (泰安市金威泰投資合夥企業 (有限合夥)), Nanjing Weijinhe Investment Partnership (Limited Partnership) (南京市威金合投資合夥企業 (有限合夥)) and Nanjing Jinwei Yongzheng Investment Partnership (Limited Partnership) (南京市金威永正投資合夥企業 (有限合夥)) (the "Subscribers") and Havay Group (the "Target Company") (the "Capital Increase Agreement") had been fulfilled and the completion of the Capital Increase Agreement (the "Completion") took place on the same date. Upon the Completion, GHW International SCM, 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 Target Company, respectively. The Target Company is no longer wholly-owned by the Company but has become a non-wholly owned subsidiary of the Company. Details of the transaction can be referred to the announcements of the Company dated 10 May 2024, 21 June 2024 and 12 August 2024.

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2024

	2024 RMB'000	2023 RMB'000
Operating activities		
Profit/(loss) before taxation	12,573	(6,786)
Adjustments for:		
Finance costs	39,906	39,207
Bank interest income	(1,644)	(1,716)
Dividends from financial assets at FVTPL	(2)	(2)
Fair value changes on derivative financial instruments	—	248
Fair value changes on financial assets at FVTPL	175	38
Interest income on loan receivable	(602)	(600)
Depreciation of property, plant and equipment and right-of-use assets	16,333	13,875
Provision/(reversal) of write-down of inventories	1,695	(3,308)
Provision/(reversal) of impairment losses under expected credit loss model	249	(4,058)
Loss/(gains) on disposals of plant and equipment	1,229	(719)
Share of results of associates	—	1,067
Gains on termination of lease contracts	(28)	(63)
Net foreign exchange losses	99	23
Operating cash flows before working capital changes	69,983	37,206
(Increase)/decrease in inventories	(9,444)	77,981
Increase in trade receivables	(62,619)	(492,346)
(Increase)/decrease in bill receivables at FVTOCI	(26,327)	485,693
Increase in other receivables and prepayments	(33,131)	(24,718)
Increase in trade and bill payables	129,059	18,999
(Decrease)/increase in other payables and accrued charges	(9,762)	15,367
Increase in contract liabilities	7,969	733
(Increase)/decrease in derivative financial instruments	(22)	31
Cash generated from operations	65,706	118,946
Income taxes (paid)/refund	(4,670)	1,124
Net cash generated from operating activities	61,036	120,070

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2024

	2024 RMB'000	2023 RMB'000
Investing activities		
Purchases of property, plant and equipment	(124,439)	(139,878)
Placements of restricted bank deposits	(33,945)	(30,404)
Payments for right-of-use assets	(22,176)	—
Payments on deposits for acquisition of land use right	(10,000)	—
Advance to an associate	(7,988)	(15,848)
Acquisition of interest in associates	(1,744)	(580)
Payments for rental deposits	(253)	(186)
Withdrawal of restricted bank deposits	30,404	33,935
Proceeds on disposals of property, plant and equipment	9,479	1,150
Interest received	1,644	1,716
Repayment from an associate	503	10,030
Purchase of financial asset at FVTPL	—	(476)
Withdrawal of financial asset at FVTPL	—	108
Net cash used in investing activities	(158,515)	(140,433)
Financing activities		
New borrowings raised	674,375	495,812
Loans from related companies	107,100	84,600
Capital injection into a subsidiary from non-contraling interest	35,437	—
Proceeds from issue of shares	22,228	—
Repayments of borrowings	(533,006)	(450,415)
Repayments to related companies	(111,641)	(84,750)
Interest paid	(37,018)	(38,299)
Payments on repurchase of shares	(24,211)	(23,021)
Repayments of lease liabilities	(6,282)	(5,106)
Proceeds from underecognised discounted bills	—	16,209
Net cash generated from/(used in) financing activities	126,982	(4,970)
Net increase/(decrease) in cash and cash equivalents	29,503	(25,333)
Cash and cash equivalents at the beginning of the year	77,393	103,183
Effect of foreign exchange rate changes	(5,435)	(457)
Cash and cash equivalents at the end of the year	101,461	77,393

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2024

1. GENERAL

The Company 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 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 and Ms. Wu Hailing, the spouse of Mr. Yin Yanbin. 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 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. Details of the subsidiaries are disclosed in note 42.

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

2. ADOPTION 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 International Accounting Standards Board (the "IASB") that are relevant to its operations and effective for its accounting year beginning on 1 January 2024. IFRS Accounting Standards comprise International Financial Reporting Standards ("IFRS"); International Accounting Standards ("IAS"); and Interpretations. 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 financial statements of the Company and its subsidiaries (the "Group").

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION

3.1 Basis of preparation of consolidated financial statements

In preparing these consolidated financial statements, the directors of the Company have given careful consideration to the future liquidity of the Group in light of the Group's net current liabilities position of approximately RMB127,755,000 as at 31 December 2024, the outstanding borrowings and payables due for repayment against the expected future net cash inflows from operations, cash and cash equivalents and the existing banking facilities of the Group.

The Group has prepared a cash flow projection based on management's judgments and estimations of key inputs and market conditions, including revenue and expenditure growth of the business, working capital needs and, the continuing renewal of the banking facilities. The management's assessment included consideration of potential downside risk factors, working capital sensitivities and have identified mitigating actions that could be taken to further reduce cash expenditure or increase banking facilities if necessary.

The directors of the Company consider that, after taking into account the cash and cash equivalents, existing banking facilities and cash flows to be generated from operations, that the Group will have sufficient funds to meet its financial obligations for at least the next twelve months from the date of approval of these consolidated financial statements. Accordingly, these consolidated financial statements have been prepared on a going concern basis.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

3.1 Basis of preparation of consolidated financial statements *(Continued)*

The consolidated financial statements have been prepared in accordance with IFRS Accounting Standards issued by 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 applicable disclosures required by the 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, as explained in the accounting policies set out below.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of IFRS 2 "Share-based payment", leasing transactions that are accounted for in accordance with IFRS 16 "Leases" ("IFRS 16"), and measurements that have some similarities to fair value but are not fair value, such as net realisable value in IAS 2 "Inventories" or value in use in IAS 36 "Impairment of Assets".

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

— Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;

— Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and

— Level 3 inputs are unobservable inputs for the asset or liability.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

3.2 Material accounting policy information

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company and its subsidiaries. Control is achieved when the Company:

— has power over the investee;

— is exposed, or has rights, to variable returns from its involvement with the investee; and

— has the ability to use its power to affect its returns.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Group gains control until the date when the Group ceases to control the subsidiary.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with the Group's accounting policies.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

Non-controlling interests in subsidiaries are presented separately from the Group's equity therein, which represent present ownership interests entitling their holders to a proportionate share of net assets of the relevant subsidiaries upon liquidation.

Changes in the Group's interests in existing subsidiaries

Changes in the Group's interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's relevant components of equity and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries, including re-attribution of relevant reserves between the Group and the non-controlling interests according to the Group's and the non-controlling interests' proportionate interests.

Any difference between the amount by which the non-controlling interests are adjusted, and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

3.2 Material accounting policy information *(Continued)*

Revenue from contracts with customers

The Group recognises revenue when (or as) a performance obligation is satisfied, i.e. when "control" of the goods or services underlying the particular performance obligation is transferred to the customer.

A performance obligation represents a good or service (or a bundle of goods or services) that is distinct or a series of distinct goods or services that are substantially the same.

Control is transferred over time and revenue is recognised over time by reference to the progress towards complete satisfaction of the relevant performance obligation if one of the following criteria is met:

— the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs;

— the Group's performance creates or enhances an asset that the customer controls as the Group performs; or

— the Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

Otherwise, revenue is recognised at a point in time when the customer obtains control of the distinct good or service.

A contract liability represents the Group's obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer.

The Group's revenue primarily arises from manufacture and sale of chemical related products and medicine, which is recognised at a point in time when the control of goods has transferred, i.e. when the goods have been delivered to customers.

Investments in associates

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

The results and assets and liabilities of an associate are incorporated in these consolidated financial statements using the equity method of accounting. The financial statements of an associate used for equity accounting purposes are prepared using uniform accounting policies as those of the Group for like transactions and events in similar circumstances. Under the equity method, an investment in an associate is initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the associate. Changes in net assets of the associate other than profit or loss and other comprehensive income are not accounted for unless such changes resulted in changes in ownership interest held by the Group. When the Group's share of losses of an associate exceeds the Group's interest in that associate (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate), the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2024

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

3.2 Material accounting policy information *(Continued)*

Investments in associates *(Continued)*

An investment in an associate is accounted for using the equity method from the date on which the investee becomes an associate. On acquisition of the investment in an associate, any excess of the cost of the investment over the Group's share of the net fair value of the identifiable assets and liabilities of the investee is recognised as goodwill, which is included within the carrying amount of the investment. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of the investment, after reassessment, is recognised immediately in profit or loss in the period in which the investment is acquired.

The Group assesses whether there is an objective evidence that the interest in an associate may be impaired. When any objective evidence exists, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with IAS 36 as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs of disposal) with its carrying amount. Any impairment loss recognised is not allocated to any asset, including goodwill, that forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with IAS 36 to the extent that the recoverable amount of the investment subsequently increases.

When the Group ceases to have significant influence over an associate, it is accounted for as a disposal of the entire interest in the investee with a resulting gain or loss being recognised in profit or loss. When the Group retains an interest in the former associate and the retained interest is a financial asset within the scope of IFRS 9 "Financial Instruments" ("IFRS 9"), the Group measures the retained interest at fair value at that date and the fair value is regarded as its fair value on initial recognition. The difference between the carrying amount of the associate and the fair value of any retained interest and any proceeds from disposing of the relevant interest in the associate is included in the determination of the gain or loss on disposal of the associate. In addition, the Group accounts for all amounts previously recognised in other comprehensive income in relation to that associate on the same basis as would be required if that associate had directly disposed of the related assets or liabilities. Therefore, if a gain or loss previously recognised in other comprehensive income by that associate would be reclassified to profit or loss on the disposal of the related assets or liabilities, the Group reclassifies the gain or loss from equity to profit or loss (as a reclassification adjustment) upon disposal/partial disposal of the relevant associate.

When a group entity transacts with an associate of the Group, profits and losses resulting from the transactions with the associate are recognised in the consolidated financial statements only to the extent of interests in the associate that are not related to the Group.

The Group applies IFRS 9, including the impairment requirements, to long-term interests in an associate to which the equity method is not applied and which form part of the net investment in the investee. Furthermore, in applying IFRS 9 to long-term interests, the Group does not take into account adjustments to their carrying amount required by IAS 28 "Investments in Associates and Joint Ventures" ("IAS 28") (i.e. adjustments to the carrying amount of long-term interests arising from the allocation of losses of the investee or assessment of impairment in accordance with IAS 28).

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

3.2 Material accounting policy information *(Continued)*

Leases

The Group assesses whether a contract is or contains a lease based on the definition under IFRS16 at inception of the contract. Such contract will not be reassessed unless the terms and conditions of the contract are subsequently changed.

The Group as a lessee

Allocation of consideration to components of a contract

For a contract that contains a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

The Group applies practical expedient not to separate non-lease components from lease component, and instead account for the lease component and any associated non-lease components as a single lease component.

Right-of-use assets

The cost of right-of-use assets includes:

— the amount of the initial measurement of the lease liability;

— any lease payments made at or before the commencement date, less any lease incentives received;

— any initial direct costs incurred by the Group; and

— an estimate of costs to be incurred by the Group in dismantling and removing the underlying assets, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease.

Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities.

Right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term.

The Group presents right-of-use assets as a separate line item on the consolidated statement of financial position.

Refundable rental deposits

Refundable rental deposits paid are accounted under IFRS 9 and initially measured at fair value. Adjustments to fair value at initial recognition are considered as additional lease payments and included in the cost of right-of-use assets.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2024

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

3.2 Material accounting policy information *(Continued)*

Leases *(Continued)*

Lease liabilities

At the commencement date of a lease, the Group recognises and measures the lease liability at the present value of lease payments that are unpaid at that date. In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable.

The lease payments include:

— fixed payments (including in-substance fixed payments) less any lease incentives receivable;

— variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;

— amounts expected to be payable by the Group under residual value guarantees;

— the exercise price of a purchase option if the Group is reasonably certain to exercise the option; and

— payments of penalties for terminating a lease, if the lease term reflects the Group exercising an option to terminate the lease.

After the commencement date, lease liabilities are adjusted by interest accretion and lease payments.

The Group remeasures lease liabilities (and makes a corresponding adjustment to the related right-of-use assets) when the lease term has changed, in which case the related lease liability is remeasured by discounting the revised lease payments using a revised discount rate at the date of reassessment.

The Group presents lease liabilities as a separate line item on the consolidated statement of financial position.

Lease modifications

The Group accounts for a lease modification as a separate lease if:

— the modification increases the scope of the lease by adding the right to use one or more underlying assets; and

— the consideration for the leases increases by an amount commensurate with the stand-alone price for the increase in scope and any appropriate adjustments to that stand-alone price to reflect the circumstances of the particular contract.

For a lease modification that is not accounted for as a separate lease, the Group remeasures the lease liability based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

The Group accounts for the remeasurement of lease liabilities by making corresponding adjustments to the relevant right-of-use assets.

When the modified contract contains one or more additional lease components, the Group allocates the consideration in the modified contract to each lease component on the basis of the relative stand-alone price of the lease component. The associated non-lease components are included in the respective lease components.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

3.2 Material accounting policy information *(Continued)*

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recognised at the rates of exchanges prevailing on the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are recognised in profit or loss in the period in which they arise.

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's operations are translated into the presentation currency of the Group (i.e. RMB) using exchange rates prevailing at the end of each reporting period. Income and expenses items are translated at the average exchange rates for the period, unless exchange rates fluctuate significantly during that period, in which case the exchange rates at the date of transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity under the heading of translation reserve.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction, or production of qualifying assets which, are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets until such time as the assets are substantially ready for their intended use or sale.

Any specific borrowing that remain outstanding after the related asset is ready for its intended use or sale is included in the general borrowing pool for calculation of capitalisation rate on general borrowings. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

Government grants

Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

Government grants are recognised in profit or loss on a systematic basis over the periods in which the Group recognises as expenses the related costs for which the grants are intended to compensate.

Government grants related to income that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable. Such grants are presented under "other income".

The benefit of a government loan at a below-market rate of interest is treated as a government grant, measured as the difference between proceeds received and the fair value of the loan based on prevailing market interest rates.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

3.2 Material accounting policy information *(Continued)*

Employee benefits

Retirement benefit costs

Payments to the defined contribution retirement benefit plan, Hong Kong's Mandatory Provident Fund Scheme and the state-managed retirement benefit schemes are recognised as an expense when employees have rendered service entitling them to the contributions.

Termination benefits

A liability for a termination benefit is recognised at the earlier of when the Group entity can no longer withdraw the offer of the termination benefit and when it recognises any related restructuring costs.

Short-term employee benefits

Short-term employee benefits are recognised at the undiscounted amount of the benefits expected to be paid as and when employees rendered the services. All short-term employee benefits are recognised as an expense unless another IFRS requires or permits the inclusion of the benefit in the cost of an asset.

A liability is recognised for benefits accruing to employees (such as wages and salaries, annual leave) after deducting any amount already paid.

Taxation

Income tax expense represents the sum of current and deferred income tax expense.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit/(loss) before tax because of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit and at the time of the transaction does not give rise to equal taxable and deductible temporary difference.

The carrying amount of deferred tax assets is reviewed at the end of the reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised, based on tax rate (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

3.2 Material accounting policy information *(Continued)*

Taxation *(Continued)*

For the purposes of measuring deferred tax for leasing transactions in which the Group recognises the right-of-use assets and the related lease liabilities, the Group first determines whether the tax deductions are attributable to the right-of-use assets or the lease liabilities.

For leasing transactions in which the tax deductions are attributable to the lease liabilities, the Group applies IAS 12 "Income Taxes" requirements to the lease liabilities and the related assets separately. The Group recognises a deferred tax asset related to lease liabilities to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilised and a deferred tax liability for all taxable temporary differences.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied to the same taxable entity by the same taxation authority.

Current and deferred tax is recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

Property, plant and equipment

Property, plant and equipment are tangible assets that are held for use in the production or supply of goods or services, or for administrative purposes other than properties under construction as described below. Property, plant and equipment are stated in the consolidated statement of financial position at cost less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

Properties in the course of construction for production, supply or administrative purposes are carried at cost, less any recognised impairment loss. Costs include any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management, including costs of testing whether the related assets is functioning properly and, for qualifying assets, borrowing costs capitalised in accordance with the Group's accounting policy. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

Depreciation is recognised so as to write off the cost of assets other than construction in progress less their residual values over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for a prospective basis.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2024

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

3.2 Material accounting policy information *(Continued)*

Research and development expenses

Expenditure on research activities is recognised as an expense in the period in which it is incurred.

An internally-generated intangible asset arising from development activities (or from the development phase of an internal project) is recognised if, and only if, all of the following have been demonstrated:

— the technical feasibility of completing the intangible asset so that it will be available for use or sale;

— the intention to complete the intangible asset and use or sell it;

— the ability to use or sell the intangible asset;

— how the intangible asset will generate probable future economic benefits;

— the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and

— the ability to measure reliably the expenditure attributable to the intangible asset during its development.

The amount initially recognised for internally-generated intangible asset is the sum of the expenditure incurred from the date when the intangible asset first meets the recognition criteria listed above. Where no internally-generated intangible asset can be recognised, development expenditure is recognised in profit or loss in the period in which it is incurred.

Subsequent to initial recognition, internally-generated intangible assets are reported at cost less accumulated amortisation and accumulated impairment losses (if any), on the same basis as intangible assets that are acquired separately.

Impairment on property, plant and equipment and right-of-use assets

At the end of the reporting period, the Group reviews the carrying amounts of its property, plant and equipment and right-of-use assets to determine whether there is any indication that these assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the relevant asset is estimated in order to determine the extent of the impairment loss (if any).

The recoverable amount of property, plant and equipment and right-of-use assets are estimated individually. When it is not possible to estimate the recoverable amount individually, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

In testing a cash-generating unit for impairment, corporate assets are allocated to the relevant cash-generating unit when a reasonable and consistent basis of allocation can be established, or otherwise they are allocated to the smallest group of cash generating units for which a reasonable and consistent allocation basis can be established. The recoverable amount is determined for the cash-generating unit or group of cash-generating units to which the corporate asset belongs, and is compared with the carrying amount of the relevant cash-generating unit or group of cash-generating units.

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset (or a cash-generating unit) for which the estimates of future cash flows have not been adjusted.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

3.2 Material accounting policy information *(Continued)*

Impairment on property, plant and equipment and right-of-use assets *(Continued)*

If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or a cash-generating unit) is reduced to its recoverable amount. For corporate assets or portion of corporate assets which cannot be allocated on a reasonable and consistent basis to a cash-generating unit, the Group compares the carrying amount of a group of cash-generating units, including the carrying amounts of the corporate assets or portion of corporate assets allocated to that group of cash-generating units, with the recoverable amount of the group of cash-generating units. In allocating the impairment loss, the impairment loss is allocated first to reduce the carrying amount of any goodwill (if applicable) and then to the other assets on a pro-rata basis based on the carrying amount of each asset in the unit or the group of cash-generating units. The carrying amount of an asset is not reduced below the highest of its fair value less costs of disposal (if measurable), its value in use (if determinable) and zero. The amount of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other assets of the unit or the group of cash-generating units. An impairment loss is recognised immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit or a group of cash-generating units) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or a cash-generating unit or a group of cash-generating units) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

Cash and cash equivalents

Cash and cash equivalents presented on the consolidated statement of financial position include:

(a) cash, which comprise of cash on hand and demand deposits, excluding bank balances that are subject to regulatory restrictions that result in such balances no longer meeting the definition of cash; and

(b) cash equivalents, which comprises of short-term (generally with original maturity of three months or less), highly liquid in investments that are readily convertible to a know amount of cash and which are subject to an insignificant risk of changes in value. Cash equivalents are held for the purpose of meeting short-term cash commitments rather than for investment or other purposes.

For the purpose of the consolidated statement of cash flows, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts which are repayable on demand and form an integral part of the Group's cash management. Such overdrafts are presented as short-term borrowings in the consolidated statement of financial position.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost of inventories are determined on the weighted average method. Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale. Costs necessary to make the sale include incremental costs directly attributable to the sale and non-incremental costs which the Group must incur to make the sale.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2024

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

3.2 Material accounting policy information *(Continued)*

Financial instruments

Financial assets and financial liabilities are recognised when a group entity becomes a party to the contractual provisions of the instrument. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

Financial assets and financial liabilities are initially measured at fair value except for trade receivables arising from contracts with customer which are initially measured in accordance with IFRS 15 "Revenue from Contracts with Customers" ("IFRS 15"). Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets or financial liabilities at fair value through profit or loss ("FVTPL") are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at FVTPL are recognised immediately in profit or loss.

The effective interest method is a method of calculating the amortised cost of a financial assets or financial liability and of allocating interest income and interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts and payments (including all fees or points paid or received that form an integral part of the effective interest rate, transaction costs and other premium or discounts) through the expected life of the financial assets or financial liability, or, where appropriate, a shorter period to the net carrying amount on initial recognition.

Financial assets

Classification and subsequent measurement of financial assets

Financial assets that meet the following conditions are subsequently measured at amortised cost:

— the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and

— the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets that meet the following conditions are subsequently measured at fair value through other comprehensive income ("FVTOCI"):

— the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling the financial assets; and

— the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

All other financial assets are subsequently measured at FVTPL.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

3.2 Material accounting policy information *(Continued)*

Financial instruments *(Continued)*

Financial assets *(Continued)*

Classification and subsequent measurement of financial assets (Continued)

(i) Amortised cost and interest income

Interest income is recognised using the effective interest method for financial assets measured subsequently at amortised cost. Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired. For financial assets that have subsequently become credit-impaired, interest income is recognised by applying the effective interest rate to the amortised cost of the financial asset from the next reporting period. If the credit risk on the credit-impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognised by applying the effective interest rate to the gross carrying amount of the financial asset from the beginning of the reporting period following the determination that the asset is no longer credit- impaired.

(ii) Debt instruments classified as at FVTOCI

Subsequent changes in the carrying amounts for receivables classified as at FVTOCI as a result of interest income calculated using the effective interest method are recognised in profit or loss. All other changes in the carrying amount of these receivables are recognised in other comprehensive income ("OCI") and accumulated under the heading of FVTOCI reserve. Impairment allowances are recognised in profit or loss with corresponding adjustment to OCI without reducing the carrying amounts of these receivables. When these debt instruments are derecognised, the cumulative gains or losses previously recognised in OCI are reclassified to profit or loss.

(iii) Financial assets at FVTPL

Financial assets that do not meet the criteria for being measured at amortised cost or FVTOCI or designated as FVTOCI are measured at FVTPL.

Financial assets at FVTPL are measured at fair value at the end of each reporting period, with any fair value gains or losses recognised in profit or loss. The net gain or loss recognised in profit or loss includes any dividend or interest earned on the financial asset and is included in the "other gains and losses" line item.

Impairment of financial assets and other items subject to impairment assessment under IFRS 9

The Group performs impairment assessment under expected credit loss ("ECL") model on financial assets (including trade receivables, bill receivables at FVTOCI, rental deposits, loan receivable, other receivables, amount due from an associate, amount due from a related party, amount due from a non-controlling shareholder, restricted bank deposits and cash and cash equivalents), which is subject to impairment assessment under IFRS 9. The amount of ECL is updated at the reporting date to reflect changes in credit risk since initial recognition.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

3.2 Material accounting policy information *(Continued)*

Financial instruments *(Continued)*

Lifetime ECL represents the ECL that will result from all possible default events over the expected life of the relevant instrument. In contrast, twelve-month ECL ("12m ECL") represents the portion of lifetime ECL that is expected to result from default events that are possible within twelve months after the reporting date. Assessment are done based on the Group's historical credit loss experience, adjusted for factors that are specific to debtors, general economic conditions and an assessment of both the current condition at the reporting date as well as the forecast of future conditions.

The Group always recognises lifetime ECL for trade receivables.

For all other instruments, the Group measures the loss allowance equal to 12m ECL, unless when there has been a significant increase in credit risk since initial recognition, in which case the Group recognises lifetime ECL. The assessment of whether lifetime ECL should be recognised is based on significant increases in the likelihood or risk of a default occurring since initial recognition.

(i) Significant increase in credit risk

In assessing whether the credit risk on a financial instrument has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly since initial recognition:

— an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;

— significant deterioration in external market indicators of credit risk, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor;

— existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;

— an actual or expected significant deterioration in the operating results of the debtor;

— an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

3.2 Material accounting policy information *(Continued)*

Financial instruments *(Continued)*

(i) Significant increase in credit risk *(Continued)*

Despite the aforegoing, the Group assumes that the credit risk on a debt instrument has not increased significantly since initial recognition if the debt instrument is determined to have low credit risk at the reporting date. A debt instrument is determined to have low credit risk if (i) it has a low risk of default, (ii) the borrower has a strong capacity to meet its contractual cash flow obligations in the near term and (iii) adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfill its contractual cash flow obligations. The Group considers a debt to have low credit risk when it has an internal or external credit rating of 'investment grade' as per globally understood definition.

The Group regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

(ii) Definition of default

The Group considers the following as constituting an event of default for internal credit risk management purposes as historical experience indicates that receivables that meet either of the following criteria are generally not recoverable.

— when there is a breach of financial covenants by the counterparty; or

— information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full (without taking into account any collaterals held by the Group).

Irrespective of the above analysis, the Group considers that default has occurred when a financial asset is more than 90 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

(iii) Credit-impaired financial assets

A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

(a) significant financial difficulty of the issuer or the borrower;

(b) a breach of contract, such as a default or past due event;

(c) the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider; or

(d) it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2024

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

3.2 Material accounting policy information *(Continued)*

Financial instruments *(Continued)*

(iv) Write-off policy

The Group writes off a financial asset when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery, e.g.when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings, or in the case of trade receivables, when the amounts are over five years past due, whichever occurs sooner. Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate. A write-off constitutes a derecognition event. Any subsequent recoveries are recognised in profit or loss.

(v) Measurement and recognition of ECL

The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data and forward-looking information. Estimation of ECL reflects an unbiased and probability-weighted amount that is determined with the respective risks of default occurring as the weights.

Generally, the ECL is the difference between all contractual cash flows that are due to the Group in accordance with the contract and the cash flows that the Group expects to receive, discounted at the effective interest rate determined at initial recognition. For a lease receivable, the cash flows used for determining the ECL is consistent with the cash flows used in measuring the lease receivable in accordance with IFRS 16.

Lifetime ECL for certain trade receivables are considered on a collective basis taking into consideration past due information and relevant credit information such as forward looking macroeconomic information.

For collective assessment, the Group takes into consideration the following characteristics when formulating the grouping:

— Past-due status;

— Nature, size and industry of debtors; and

— External credit ratings where available.

The grouping is regularly reviewed by management to ensure the constituents of each group continue to share similar credit risk characteristics.

Interest income is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit-impaired, in which case interest income is calculated based on amortised cost of the financial asset.

Except for bill receivables that are measured at FVTOCI, the Group recognises an impairment loss in profit or loss for all financial instruments by adjusting their carrying amount, with the exception of trade receivables and other receivables where the corresponding adjustment is recognised through a loss allowance account. For bill receivables that are measured at FVTOCI, the loss allowance is recognised in OCI and accumulated in the FVTOCI reserve without reducing the carrying amount of these receivables. Such amount represents the changes in the FVTOCI reserve in relation to accumulated loss allowance.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

3.2 Material accounting policy information *(Continued)*

Financial instruments *(Continued)*

Foreign exchange gains and losses

The carrying amount of financial assets that are denominated in a foreign currency is determined in that foreign currency and translated at the spot rate at the end of each reporting period. Specifically:

— For financial assets measured at amortised cost that are not part of a designated hedging relationship, exchange differences are recognised in profit or loss in the 'Other gains and losses' line item as part of the net foreign exchange gains/(losses);

— For debt instruments measured at FVTOCI that are not part of a designated hedging relationship, exchange differences on the amortised cost of the debt instrument are recognised in profit or loss in the 'Other gains and losses' line item (note 7) as part of the net foreign exchange gains/(losses). As the foreign currency element recognised in profit or loss is the same as if it was measured at amortised cost, the residual foreign currency element based on the translation of the carrying amount (at fair value) is recognised in other comprehensive income in the fair value through other comprehensive income/revaluation reserve;

— For financial assets measured at FVTPL that are not part of a designated hedging relationship, exchange differences are recognised in profit or loss in the 'Other gains and losses' line item as part of the gain/(loss) from changes in fair value of financial assets;

— For equity instruments measured at FVTOCI, exchange differences are recognised in other comprehensive income in the fair value through other comprehensive income/revaluation reserve.

Derecognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another party. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

On derecognition of bill receivables classified as at FVTOCI, the cumulative gain or loss previously accumulated in the FVTOCI reserve is reclassified to profit or loss.

Financial liabilities and equity instruments

Classification as debt or equity

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Company are recognised at the proceeds received, net of direct issue costs.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

3.2 Material accounting policy information *(Continued)*

Financial instruments *(Continued)*

Financial liabilities and equity instruments *(Continued)*

Financial liabilities

All financial liabilities are subsequently measured at amortised cost using the effective interest method.

Financial liabilities at amortised cost

Financial liabilities including borrowings, trade and bill payables, other payables and loans from related companies are subsequently measured at amortised cost using the effective interest method.

Foreign exchange gains and losses

For financial liabilities that are denominated in a foreign currency and are measured at amortised cost at the end of each reporting period, the foreign exchange gains and losses are determined based on the amortised cost of the instruments. These foreign exchange gains and losses are recognised in the 'Other gains and losses' line item in profit or loss as part of net foreign exchange gains/(losses) for financial liabilities that are not part of a designated hedging relationship. For those which are designated as a hedging instrument for a hedge of foreign currency risk, foreign exchange gains and losses are recognised in other comprehensive income and accumulated in a separate component of equity.

The fair value of financial liabilities denominated in a foreign currency is determined in that foreign currency and translated at the spot rate at the end of the reporting period. For financial liabilities that are measured as at FVTPL, the foreign exchange component forms part of the fair value gains or losses and is recognised in profit or loss for financial liabilities that are not part of a designated hedging relationship.

Derecognition of financial liabilities

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable, is recognised in profit or loss.

Derivative financial instruments

Derivatives are initially recognised at fair value at the date when derivative contracts are entered into and are subsequently remeasured to their fair value at the end of the reporting period. The resulting gain or loss is recognised in profit or loss.

A derivative is presented as a non-current asset or a non-current liability if the remaining maturity of the instrument is more than 12 months and it is not due to be realised or settled within 12 months. Other derivatives are presented as current assets or current liabilities.

Offsetting a financial asset and a financial liability

A financial asset and a financial liability are offset and the net amount presented in the consolidated statement of financial position when, and only when, the Group currently has a legally enforceable right to set off the recognised amounts; and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

4. KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in note 3, management of the Group is required to make estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and underlying assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period that have a significant risk of causing a material adjustment to the carrying amounts of assets within the next financial year.

Estimated impairment of trade receivables

The Group recognises lifetime ECL for trade receivables, using internal credit rating based on the Group's historical default rates, as groupings of various debtors that have similar loss patterns. These judgements and estimations include estimating and evaluating expected future receipts from customers based on historical observed default rates over the expected life of the debtors and adjusted for forward-looking information that is available without undue cost or effort. The grouping is regularly reviewed by management to ensure relevant information about specific debtors is updated. At every reporting date, the historical observed default rates are reassessed and changes in the forwardlooking information are considered. In addition, trade receivables with credit-impaired are assessed for ECL individually. As at 31 December 2024, the carrying amount of trade receivables is RMB286,452,000 (2023: RMB223,973,000), net of allowance for credit losses of RMB5,417,000 (2023: RMB5,264,000). The provision of ECL is sensitive to changes in estimates. The information about the ECL and the Group's trade receivables are disclosed in note 19.

5. REVENUE AND SEGMENT INFORMATION

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

	2024 **RMB'000**	2023 RMB'000
Types of goods		
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	**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
	3,861,966	3,217,669
Timing of revenue recognition		
A point in time	**3,861,966**	3,217,669

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2024

5. REVENUE AND SEGMENT INFORMATION *(Continued)*

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 of the Company, 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, interest in associates and financial instruments) As at 31 December	
	2024 RMB'000	2023 RMB'000	**2024 RMB'000**	2023 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
	3,861,966	3,217,669	**897,994**	829,550

Information about major customers

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

6. OTHER INCOME

	2024 RMB'000	2023 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
	28,019	21,351

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 amounted to approximately RMB15,217,000 for the year (2023: RMB11,386,000).

7. OTHER GAINS AND LOSSES

	2024 RMB'000	2023 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 FVTPL	**(175)**	(38)
Fair value changes on derivative financial instruments-commodity derivative contracts (note)	**—**	(248)
Others	**1,740**	1,326
	(7,088)	2,663

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

8. FINANCE COSTS

	2024 RMB'000	2023 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
	39,906	39,207

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9. PROFIT/(LOSS) BEFORE TAXATION

	2024 RMB'000	2023 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
Total depreciation	83,088	69,523
Capitalised as cost of inventories manufactured	(66,755)	(55,648)
	16,333	13,875
Directors' remuneration (note 11)	4,344	4,460
Other staff costs		
Salaries and other benefits	119,879	113,202
Retirement benefits	17,313	18,116
Total staff costs	141,536	135,778
Research and development costs recognised as an expense	48,864	75,241
Recognised/(reversal of) write-down of inventories, net of reversal (note)	1,695	(3,308)

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.

10. 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.

10. TAXATION *(Continued)*

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 (note 17)	**(5,802)**	(11,368)
Total	**(339)**	(9,510)

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

	2024 RMB'000	2023 RMB'000
Profit/(loss) before taxation	**12,573**	(6,786)
Tax at PRC enterprise income tax rate of 25%	**3,143**	(1,697)
Tax effect of expenses not deductible for tax purpose	**3,615**	1,892
Tax effect of income not taxable for tax purpose	**(69)**	(54)
Tax effect of tax losses not recognised	**1,314**	662
Utilisation of tax losses previously not recognised	**(699)**	(772)
Additional deduction of research and development expenses (note)	**(5,733)**	(8,707)
Effect of different tax rates of subsidiaries operating in other jurisdictions	**230**	319
Income tax at concessionary rates	**(4,024)**	(1,373)
Tax effect of deductible temporary differences not recognised	**—**	201
Utilisation of deductible temporary differences previously not recognised	**(1)**	(8)
Under provision in prior years	**1,885**	27
Taxation for the year	**(339)**	(9,510)

As at 31 December 2024, the carrying amount of unrecognised deductible temporary differences was RMB37,566,000 (2023: RMB50,599,000), while tax losses not recognised was RMB33,317,000 (2023: RMB33,177,000). In the opinion of the directors of the Company, no deferred tax assets are recognised due to the unpredictability of future profit streams. Such unrecognised losses for the Group entities will expire in various years up to and including 2025 to 2029. As at 31 December 2024, the Group had unused tax losses of RMB123,145,000 (2023: RMB123,005,000).

Note:

Pursuant to Announcement No.13 of the State Administration of Taxation in 2021, From 1 January 2021, with respect to the research and development ("R&D") expenditures actually incurred by manufacturing enterprise in the course of its R&D activities, an extra 100% of the amount of R&D expenses actually incurred is deductible before tax payment when the said expenses are not converted into intangible asset and included in the current profits and losses.

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11. DIRECTORS', CHIEF EXECUTIVE OFFICER'S AND EMPLOYEES' EMOLUMENTS

(a) Directors' and chief executive officer's emoluments

Name	Position	Date of appointment as the directors of the Company
Mr. Yin Yanbin	Executive director and chief executive officer	25 April 2018
Mr. Zhuang Zhaohui	Executive diector	25 April 2018
Mr. Chen Zhaohui	Executive diector	25 April 2018
Mr. Zhou Chunnian	Executive diector	25 April 2018
Mr. Chen Hua	Executive diector	25 April 2018
Mr. Diao Cheng	Executive diector	26 May 2021
Ms. Zheng Qing	Independent non-executive director	16 December 2019
Mr. Sun Hongbin	Independent non-executive director	16 December 2019
Mr. Wang Guangji	Independent non-executive director	16 December 2019

Details of the emoluments paid or payable to the directors of the Company for their service rendered are as follows:

	Directors' fee RMB'000	Salaries and other benefits RMB'000	Discretionary bonus RMB'000 (note)	Retirement benefits RMB'000	Total RMB'000
For the year ended 31 December 2024					
Executive directors					
Mr. Yin Yanbin	–	1,102	100	106	1,308
Mr. Zhuang Zhaohui	–	575	70	79	724
Mr. Chen Zhaohui	–	507	60	79	646
Mr. Zhou Chunnian	–	433	50	79	562
Mr. Chen Hua	–	394	40	79	513
Mr. Diao Cheng	–	195	29	79	303
Sub-total	–	3,206	349	501	4,056
Independent non-executive directors					
Ms. Zheng Qing	96	–	–	–	96
Mr. Sun Hongbin	96	–	–	–	96
Mr. Wang Guangji	96	–	–	–	96
Sub-total	288	–	–	–	288
Total					4,344

11. DIRECTORS', CHIEF EXECUTIVE OFFICER'S AND EMPLOYEES' EMOLUMENTS *(Continued)*

(a) Directors' and chief executive officer's emoluments *(Continued)*

	Directors' fee RMB'000	Salaries and other benefits RMB'000	Discretionary bonus RMB'000 (note)	Retirement benefits RMB'000	Total RMB'000
For the year ended 31 December 2023					
Executive directors					
Mr. Yin Yanbin	–	984	300	104	1,388
Mr. Zhuang Zhaohui	–	597	80	80	757
Mr. Chen Zhaohui	–	506	60	80	646
Mr. Zhou Chunnian	–	434	60	80	574
Mr. Chen Hua	–	394	30	80	504
Mr. Diao Cheng	–	193	30	80	303
Sub-total	–	3,108	560	504	4,172
Independent non-executive directors					
Ms. Zheng Qing	96	–	–	–	96
Mr. Sun Hongbin	96	–	–	–	96
Mr. Wang Guangji	96	–	–	–	96
Sub-total	288	–	–	–	288
Total					4,460

Note: The discretionary bonuses are determined with reference to the Group's and individual performance.

The executive directors' emoluments shown above were for their services in connection with the management of the affairs of the Company and the Group.

The independent non-executive directors' emoluments shown above were for their services as directors of the Company.

During both years, no remuneration was paid by the Group to the directors and the chief executive officer of the Company as an inducement to join or upon joining the Group or as compensation for loss of office. None of the directors of the Company has waived any remuneration during both years.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2024

11. DIRECTORS', CHIEF EXECUTIVE OFFICER'S AND EMPLOYEES' EMOLUMENTS

(Continued)

(b) Employees' emoluments

Four (2023: four) of the highest paid individuals' were directors of the Company and their emoluments were disclosed in (a) above. The emoluments of the remaining highest paid individual during the year, which were individually more than Hong Kong dollars ("HK$") 1,000,000, were as follows:

	2024 RMB'000	2023 RMB'000
Salaries and other benefits	**1,290**	1,289
Retirement benefits	**16**	16
	1,306	1,305

The emoluments of the five highest paid individuals are within the following bands:

	2024	2023
Less than HK$1,000,000	**3**	3
HK$1,000,001 to HK$1,500,000	**2**	1
HK$1,500,001 to HK$2,000,000	**–**	1

During both years, no emoluments were paid by the Group to the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office.

12. 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.

13. EARNING 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 RMB'000	2023 RMB'000
Earnings:		
Earnings for the purposes of calculating basic and diluted earnings per share attributable to owners of the Company	**12,753**	2,724

	2024 '000	2023 '000
Number of shares:		
Weighted average number of ordinary shares for the purpose of calculating basic and diluted earnings per share (notes)	**943,975**	974,759

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. Details of the repurchase of share are set out in note 34(b).

(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 33.

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

14. PROPERTY, PLANT AND EQUIPMENT

	Plant and machinery RMB'000	Buildings, properties and structures RMB'000	Leasehold improvements RMB'000	Office equipment RMB'000	Moter vehicles RMB'000	Construction in progress RMB'000	Total RMB'000
COST							
At 1 January 2023	387,752	219,367	5,251	9,625	24,209	196,665	842,869
Additions	4,700	8,534	3,722	2,695	4,660	129,118	153,429
Transfers	185,497	17,428	–	126	767	(203,818)	–
Disposals	(10,780)	(18)	–	(347)	(941)	–	(12,086)
Exchange adjustment	(426)	133	–	(2)	(25)	(428)	(748)
At 31 December 2023	566,743	245,444	8,973	12,097	28,670	121,537	983,464
Additions	17,006	–	921	1,114	1,124	101,595	121,760
Transfers	79,929	8,858	5,969	2,259	1,025	(98,040)	–
Disposals	(13,618)	–	–	(410)	(1,293)	–	(15,321)
Exchange adjustment	(1,149)	(102)	(2)	(25)	(79)	(680)	(2,037)
At 31 December 2024	**648,911**	**254,200**	**15,861**	**15,035**	**29,447**	**124,412**	**1,087,866**
DEPRECIATION AND IMPAIRMENT							
At 1 January 2023	(101,162)	(28,032)	(4,731)	(5,715)	(12,906)	–	(152,546)
Provided for the year	(47,008)	(10,782)	(632)	(1,551)	(3,546)	–	(63,519)
Eliminated on disposals	10,492	7	–	331	825	–	11,655
Exchange adjustment	196	(19)	–	2	18	–	197
At 31 December 2023	(137,482)	(38,826)	(5,363)	(6,933)	(15,609)	–	(204,213)
Provided for the year	(56,504)	(11,999)	(1,556)	(2,043)	(3,533)	–	(75,635)
Eliminated on disposals	3,020	–	–	369	1,224	–	4,613
Exchange adjustment	511	74	2	19	58	–	664
At 31 December 2024	**(190,455)**	**(50,751)**	**(6,917)**	**(8,588)**	**(17,860)**	**–**	**(274,571)**
CARRYING AMOUNTS							
At 31 December 2024	458,456	203,449	8,944	6,447	11,587	124,412	813,295
At 31 December 2023	**429,261**	**206,618**	**3,610**	**5,164**	**13,061**	**121,537**	**779,251**

As at 31 December 2024, the Group's buildings, properties and structures with net book value of RMB18,093,000, RMB376,000 and RMB7,798,000 (2023: RMB19,156,000, RMB454,000 and RMB8,250,000) were located in Vietnam, Ukraine and Hong Kong, respectively. The remaining buildings, properties and structures were located in the PRC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2024

14. PROPERTY, PLANT AND EQUIPMENT *(Continued)*

The above items of property, plant and equipment, except for construction in progress, are depreciated after taking into account the estimated residual value on a straight-line basis at the following rates per annum:

Plant and machinery	9.50%
Buildings, properties and structures	Shorter of lease terms or useful lives
Leasehold improvements	Shorter of lease terms or useful lives
Office equipment	10.0% to 20.0%
Motor vehicles	16.7% to 23.8%

As at 31 December 2024, the Group has pledged buildings, plant and machinery and motor vehicles with a total net book value of RMB330,280,000 (2023: RMB355,340,000) to secure general banking and other facilities granted to the Group.

15. RIGHT-OF-USE ASSETS

	Leasehold lands RMB'000	Buildings RMB'000	Total RMB'000
As at 31 December 2024 Carrying amount	**64,414**	**10,285**	**74,699**
As at 31 December 2023 Carrying amount	43,377	6,922	50,299
For the year ended 31 December 2024 Depreciation charge	**(1,008)**	**(6,445)**	**(7,453)**
For the year ended 31 December 2023 Depreciation charge	(1,010)	(4,994)	(6,004)

	2024 RMB'000	2023 RMB'000
Total cash outflow for leases	**28,789**	5,476
Additions to right of use assets	**32,888**	4,497

As at 31 December 2024, the Group has pledged leasehold land with a net book value of RMB64,414,000 (2023: RMB43,377,000) to secure general banking facilities granted to the Group.

For both years, the Group leases various offices, warehouses and parking spaces for its operations. Lease contracts are entered into for fixed term of 2 months to 120 months. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. In determining the lease term and assessing the length of the non-cancellable period, the Group applies the definition of a contract and determines the period for which the contract is enforceable.

16. INTEREST IN ASSOCIATES

	2024 RMB'000	2023 RMB'000
Cost of unlisted investment in associates	2,811	1,067
Share of post-acquisition loss and other comprehensive expenses	(1,067)	(1,067)
	1,744	—

Detail of the Group's associate at the end of the reporting period is as follow:

Name of entity	Place of incorporation	Principal place of business	Portion of ownership interest held by the Group		Principal activities
			2024	2023	
Silver Nile Global Investments Corporation Limited*	Hong Kong	Hong Kong	34%	34%	Investment holding and provision of general administration consulting of supporting services
Silver Nile Global Investments Limited*	Hong Kong	Hong Kong	34%	34%	Provision of financial services and services rendering of investment dealing
Gmma Company Limited#	Vietnam	Vietnam	49%	N/A	Organise sports events

* The associates were acquired by the Group from an independent third party during the year ended 31 December 2023.

\# The associate was acquired by the Group from independent third parties during the year ended 31 December 2024.

The above associates are accounted for using the equity method in these consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2024

16. INTEREST IN ASSOCIATES *(Continued)*

Information of associates that is not material

	2024 RMB'000	2023 RMB'000
The Group's share of loss for the year	—	1,067
The Group's share of total comprehensive expense for the year	—	1,067
Aggregate carrying amount of the Group's interest in the associates	1,744	—
The unrecognised share of loss of associates for the year	175	2,252

17. DEFERRED TAXATION

For the purpose of presentation in the consolidated statement of financial position, certain deferred tax assets and liabilities have been offset. The following is the analysis of the deferred tax balances for financial reporting purposes:

	2024 RMB'000	2023 RMB'000
Deferred tax assets	7,084	5,499
Deferred tax liabilities	(23,064)	(26,699)
	(15,980)	(21,200)

The followings are the major deferred tax liability and assets recognised and movement thereon during the current and prior year:

	Accelerated tax depreciation RMB'000	ECL provision RMB'000	Tax losses RMB'000	Fair value adjustment on bill receivables at FVTOCI RMB'000	Total RMB'000
At 1 January 2023	(33,448)	829	—	61	(32,558)
Charge to profit or loss	4,259	(309)	7,418	—	11,368
Credit to other comprehensive income	—	—	—	(9)	(9)
Exchange adjustment	—	—	(1)	—	(1)
At 1 January 2024	(29,189)	520	7,417	52	(21,200)
Credit to profit or loss	5,390	141	271	—	5,802
Charge to other comprehensive income	—	—	—	(8)	(8)
Exchange adjustment	—	—	(574)	—	(574)
At 31 December 2024	(23,799)	661	7,114	44	(15,980)

Under the EIT Law of PRC, withholding tax is imposed on dividends declared in respect of profits earned by PRC subsidiaries from 1 January 2008 onwards. Deferred taxation has not been provided for in the consolidated financial statements in respect of temporary differences attributable to retained earnings of the PRC subsidiaries amounting to RMB411 million (2023: RMB408 million) as the Group is able to control the timing of the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future.

18. INVENTORIES

	2024 RMB'000	2023 RMB'000
Raw materials and consumables	**133,358**	97,534
Work in progress	**52,550**	56,182
Finished goods	**228,711**	186,399
	414,619	340,115

Included in the above figures are finished goods of RMB14,213,000 (2023: RMB11,630,000) which have been pledged as security for borrowings.

19. TRADE RECEIVABLES

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

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 RMB'000	2023 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
	286,452	223,973

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.

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19. TRADE RECEIVABLES *(Continued)*

The Group applied internal credit rating for its customers. The Group's internal credit risk grading assessment comprises the following categories:

Internal credit rating	Description	Trade receivables
Group A	The counter party has a low risk of default based on historical repayment records and has a good reputation	Lifetime ECL - not credit-impaired
Group B	The counter party usually settles in full after due day with a higher risk of default	Lifetime ECL - not credit-impaired
Group C	There is evidence indicating the asset is credit-impaired	Lifetime ECL - credit-impaired
Group D	There is evidence indicating that the debtor is in severe financial difficulty and the Group has no realistic prospect of recovery	Amount is written off

The following table provides information about the exposure to credit risk for trade receivables which are assessed based on a collective basis within lifetime ECL (not credit-impaired). As at 31 December 2024, the debtors with credit-impaired amounted to RMB545,000 (2023: RMB731,000) are assessed individually, and the rest of debtors amounted to RMB291,324,000 (2023: RMB228,506,000) are assessed grouped by internal credit rating.

Gross carrying amount

Internal credit rating	Average loss rate		Trade receivables As at 31 December	
	2024	2023	**2024**	2023
Group A	**0.77%**	1.12%	**270,578**	205,500
Group B	**13.43%**	9.73%	**20,746**	23,006
			291,324	228,506

The estimated loss rates are estimated on historical observed default rates over the expected life of the debtors and are adjusted for forward-looking information that is available without undue cost or effort.

As at 31 December 2024, included in the Group's trade receivables balance within Group A and B are debtors with aggregate carrying amount of RMB47,642,000 (2023: RMB25,761,000) which are past due as at the reporting date. Out of the past due balances, RMB2,039,000 (2023: RMB4,575,000) has been past due 90 days or more and is not considered as in default. In the opinion of the directors of the Company, the trade receivables within Group A and B at the end of the reporting period which have been past due over 90 days are not considered as in default by considering the historical and expected subsequent repayment from the trade debtors.

19. TRADE RECEIVABLES *(Continued)*

Gross carrying amount *(Continued)*

Movement in the allowance for impairment of trade receivables:

	Lifetime ECL (not credit impairmented) RMB'000	Lifetime ECL (credit impairmented) RMB'000
As at 1 January 2023	8,808	508
Changes due to financial instruments recognised as at 1 January 2023:		
- Transfer to credit-impaired	(159)	159
- Impairment losses recognised	—	486
- Impairment losses reversed (note)	(4,921)	(306)
- Amounts written off as uncollectible	—	(116)
New financial assets originated	805	—
As at 31 December 2023	4,533	731
Changes due to financial instruments recognised as at 1 January 2024:		
- Transfer to credit-impaired	(128)	128
- Impairment losses recognised	—	243
- Impairment losses reversed (note)	(4,535)	(611)
- Amounts written off as uncollectible		
New financial assets originated	5,043	—
Exchange realignment	(41)	54
As at 31 December 2024	**4,872**	**545**

Note: The reversal of loss allowance are mainly due to settlement in full by trade debtors with a gross carrying amount of RMB228,324,000 (2023: RMB228,159,000).

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:

	2024 RMB'000	2023 RMB'000
Denominated in United States dollars ("U.S.$")	**54,262**	42,327

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2024

20. BILL RECEIVABLES AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	2024 RMB'000	2023 RMB'000
Bill receivables at fair value through other comprehensive income	127,229	100,848

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:

	2024 RMB'000	2023 RMB'000
0-180 days	127,229	100,848

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.

21. TRANSFERS OF FINANCIAL ASSETS

As at 31 December 2024 and 2023, the Group has discounted bank issued bill receivables to banks or transferred bank issued bill receivables to its suppliers to settle its payables through endorsing the bank issued bills to its suppliers. The Group has limited exposure in respect of the settlement obligation of these bank issued bill receivables under the relevant PRC rules and regulations should the issuing bank failed to settle the bills on maturity date. The Group considered the risk of non-settlement by the issuing banks with good credit quality on maturity is insignificant. In the opinion of the directors of the Company, the Group transferred and did not retain substantially all the risks and rewards of ownership of this part of bank issued bills. Accordingly, the Group has derecognised this part of bank issued bill receivables and the payables to the suppliers in their entirety.

As at 31 December 2024, the Group's maximum exposure to loss, which is the same as the amount payables by the Group to banks or the suppliers in respect of the discounted bank issued bills and endorsed bank issued bills, should the issuing banks fail to settle the bills on maturity, amounted to RMB229,993,000 and RMB309,878,000 (2023: RMB229,387,000 and RMB148,777,000), respectively.

For the part of transferred bank issued bills that were not derecognised as the Group has not transferred the significant risks and rewards relating to these receivables, the Group continued to recognise the remaining part of bank issued bills and respective liability. These financial assets are recognised as bill receivables at FVTOCI in the consolidated financial statements. As at 31 December 2024, the carrying amounts of these transferred bank issued bills were RMB102,385,000 (2023: RMB86,012,000), which were the same as the carrying amounts of associated liabilities.

All the bank issued bill receivables discounted to banks or endorsed to suppliers of the Group have a maturity date of less than one year from the end of the reporting period.

22. OTHER RECEIVABLES AND PREPAYMENTS

	2024 RMB'000	2023 RMB'000
Prepayments for materials	67,940	45,184
PRC & Vietnam value added tax recoverable	43,291	25,954
Loan receivable (note)	17,266	16,664
Deferred and prepaid expenses	16,307	12,891
Prepaid advisory fee for an associate	3,712	10,075
Deposits paid to suppliers	3,348	2,621
Advance to staff	893	1,108
Other receivables	7,232	11,868
	159,989	126,365
Presented as:		
Non-current assets	17,266	16,664
Current assets	142,723	109,701
	159,989	126,365

Note: Loan receivable represents an unsecured 5-year term loan advanced to an independent third party in principal amount of RMB15,000,000. The loan receivable carries at fixed interest rate of 4% per annum and is repayable in 2026.

The following table shows the movement in lifetime ECL that has been recognised for other receivables.

	Lifetime ECL-Credit impaired RMB'000
At 1 January 2023 and 31 December 2023	—
Impairment losses recognised	109
Write-offs	(109)
At 31 December 2024	—

The carrying amount of other receivables amounted to RMB15,000 (2023: RMB15,000) have been pledged as security for the Group's borrowing.

23. LOANS FROM RELATED COMPANIES

	2024 RMB'000	2023 RMB'000
Nanjing Hanhe Enterprises Co., Ltd.	27,250	27,000
Nanjing Jinhan Tianxia Sports Culture Development Company Limited	53,800	54,600
	81,050	81,600
Presented as:		
Non-current liabilities	81,050	81,600

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FOR THE YEAR ENDED 31 DECEMBER 2024

23. LOANS FROM RELATED COMPANIES *(Continued)*

On 10 March 2024, an agreement was entered into between Nanjing Hanhe Enterprises Co., Ltd. ("Hanhe Enterprises"), an indirectly-owned subsidiary of Mr. Yin, as lender and the Group as borrower, pursuant to which Hanhe Enterprises had agreed to provide a loan facility to the Group in the aggregate amount of RMB38,300,000 at interest rate of 4% per annum and with a term of 18 months or less from the respective loan advance dates. On 1 July 2024, a supplemental agreement was entered into between Hanhe Enterprises and the Group, pursuant to which the interest rate was adjusted from 4% to 3.5% per annum with effect from 1 July 2024. On 31 December 2024, another extension agreement was entered into between both parties, pursuant to which the due dates of the existing loans were extended to 2026. On 23 July 2024, an agreement was entered into between both parties, pursuant to which Hanhe Enterprises had agreed to provide a loan facility to Havay Group in the aggregate amount of RMB24,500,000 at interest rate of 3.5% per annum and with a term of 18 months or less from the respective loan advance dates. As at 31 December 2024 the outstanding loan from Hanhe Enterprises amounting to approximately RMB27,250,000 (2023: RMB27,000,000).

On 1 March 2022, a loan agreement was entered into between Nanjing Jinhan Tianxia Sports Culture Development Company Limited ("Jinhan Tianxia"), an indirectly-owned subsidiary of Mr. Yin, as lender and the Group as borrower, pursuant to which Jinhan Tianxia had agreed to provide loans to the Group in the aggregate amount of RMB54,600,000 at an interest rate of 1.8% per annum with a term of less than 2 years. On 15 April 2022, a supplemental agreement was entered into between Jinhan Tianxia and the Group, pursuant to which the interest rate was adjusted from 1.8% to 4% per annum with effect from 15 April 2022. On 15 June 2023, a supplemental agreement was entered into between both parties, pursuant to which the existing loans can be redrawn upon repayment with a term of 1 year. On 31 December 2023, another extension agreement was entered into between both parties, pursuant to which the due dates of the loans were extended to 2025. On 31 December 2024, another extension agreement was entered into between both parties, pursuant to which the due dates of the loans were extended to 2026. On 7 August 2024, an agreement was entered into between both parties, pursuant to which Jinhan Tianxia had agreed to provide a loan facility to Havay Group in the aggregate amount of RMB40,000,000 at interest rate of 4% per annum and with a term of 18 months or less from the respective loan advance dates. As at 31 December 2024, the outstanding loan from Jinhan Tianxia amounted to RMB53,800,000 (2023: RMB54,600,000).

24. FINANCIAL ASSET AT FAIR VALUE THROUGH PROFIT OR LOSS/DERIVATIVE FINANCIAL INSTRUMENTS

	2024 RMB'000	2023 RMB'000
Financial asset at FVTPL:		
Listed equity investments	**274**	448
Derivative financial instruments:		
Commodity derivative contracts (note)	**22**	—

Note: Commodity derivative contracts entered into by the Group for the purpose of reducing its exposure to commodity price risk in the operation, are not accounted for under hedge accounting.

25. AMOUNT DUE FROM AN ASSOCIATE

The amount due from an associate is non-trade in nature, unsecured, interest-free and repayable on demand.

26. AMOUNT DUE FROM A NON-CONTROLLING SHAREHOLDER

The amount due from a non-controlling shareholder is non-trade in nature, unsecured, interest-free and repayable on demand.

27. CASH AND CASH EQUIVALENTS AND RESTRICTED BANK DEPOSITS

Cash and cash equivalents include demand deposits and short term deposits for the purpose of meeting the Group's short term cash commitments, which carry interest at market rates range from 0.00% to 20.54% (2023: 0.00% to 10.00%) per annum.

Restricted bank deposits represent the deposits pledged to banks for securing short-term banking facilities granted to the Group and are therefore classified as current assets. The restricted bank deposits carry interest at market rates which range from 0.00% to 7.10% (2023: 0.00% to 6.85%) per annum.

The Group's cash and cash equivalents and restricted bank deposits that were denominated in foreign currencies other than the functional currencies of the relevant group entities are set out below:

	2024 RMB'000	2023 RMB'000
U.S.$	**33,419**	21,816
Others	**17,184**	567
	50,603	22,383

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28. TRADE AND BILL PAYABLES

	2024 RMB'000	2023 RMB'000
Trade payables	**363,403**	270,143
Bill payables (note)	**40,621**	4,822
	404,024	274,965

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:

	2024 RMB'000	2023 RMB'000
0-180 days	**40,621**	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:

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

28. TRADE AND BILL PAYABLES *(Continued)*

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:

	2024 **RMB'000**	2023 RMB'000
U.S.$	**86,949**	35,050
Others	**3,175**	2,690
	90,124	37,740

29. OTHER PAYABLES AND ACCRUED CHARGES

	2024 **RMB'000**	2023 RMB'000
Payables for property, plant and equipment	**32,923**	43,729
Payables for freight charge and storage fee	**34,133**	24,108
Accrued salaries and welfare expenses	**13,015**	14,569
PRC value-added tax payable and other tax payables	**8,451**	5,349
Interest payable	**435**	1,538
Others	**10,955**	24,163
	99,912	113,456

The total is analysed for reporting purpose as:

	2024 **RMB'000**	2023 RMB'000
Current	**99,912**	105,328
Non-current	**—**	8,128
	99,912	113,456

As at 31 December 2023, the non-current amounts are related to the purchase of property, plant and equipment and are unsecured, interest-free and repayable in 2025.

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30. LEASE LIABILITIES

	2024 RMB'000	2023 RMB'000
Lease liabilities payable:		
Within one year	**4,366**	4,774
Within a period of more than one year, but not more than two years	**3,017**	1,502
Within a period of more than two years, but not more than five years	**2,769**	388
Present value of lease liabilities	**10,152**	6,664
Less: Amounts due for settlement within 12 months shown under current liabilities	**(4,366)**	(4,774)
Amounts due for settlement after 12 months shown under non-current liabilities	**5,786**	1,890

The weighted average incremental borrowing rates applied to lease liabilities was 5.5% (2023: 5.5%).

31. CONTRACT LIABILITIES

As at 1 January 2023, contract liabilities amounted to RMB24,848,000.

The amounts represent advance payments from customers for goods. The amounts of RMB25,581,000 (2023: RMB24,848,000) that represented the entire contract liabilities balances at the beginning of the respective years, were recognised as revenue during the year.

The Group generally offer 100% credit term for customers with long-term relationship and request deposit of 40% to 100% on acceptance of orders for customers assessed to be of lower creditability.

32. BORROWINGS

	2024 RMB'000	2023 RMB'000
Secured bank loans (note)	**360,811**	254,677
Unsecured bank loans	**304,300**	221,175
Other loans (note)	**106,039**	154,205
	771,150	630,057
The carrying amounts of the above borrowings are repayable based on scheduled repayment terms:		
Within one year	**705,211**	471,909
More than one year but not more than two years	**45,000**	112,100
More than two years but not more than five years	**19,900**	45,000
More than five years	**1,039**	1,048
	771,150	630,057
Less: Amounts shown under current liabilities	**(705,211)**	(471,909)
Amounts shown under non-current liabilities	**65,939**	158,148

Note: The Group's borrowings were secured by assets of the Group as detailed in notes 14, 15, 18, 19, 20, 22, 27 and 38.

32. BORROWINGS *(Continued)*

Analysis as followings:

	2024 RMB'000	2023 RMB'000
Fixed-rate borrowings	**734,901**	630,057
Variable-rate borrowings	**36,249**	—
	771,150	630,057

The ranges of effective interest rates per annum on the Group's borrowings are as follows:

	2024	2023
Effective interest rate:		
Variable-rate borrowings	**3.5%-6.5%**	Nil
Fixed-rate borrowings	**3%-4.5%**	0%-7.2%

Borrowings that are denominated in foreign currencies other than the functional currencies of the relevant group entities are as follows:

	2024 RMB'000	2023 RMB'000
U.S.$	**36,249**	27,343
	36,249	27,343

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33. SHARE CAPITAL

	Number of Shares	Amount HK$
Ordinary shares of HK$0.01 each		
Authorised		
At 1 January 2023, 31 December 2023 and 2024	10,000,000,000	100,000,000
Issued and fully paid		
At 1 January 2023 and 31 December 2023	1,000,000,000	10,000,000
Placing of new shares	9,500,000	95,000
At 31 December 2024	1,009,500,000	10,095,000

	RMB'000
Presented as at 31 December 2024	8,930
Presented as at 31 December 2023	8,844

On 21 November 2024, arrangement (the "Placing Agreement") was made for a private placement ("Placing") to independent private investors of 9,500,000 ordinary shares in the Company with total consideration of HK$24,700,000 (equivalent to RMB22,228,000), at a price of HK$2.6 per ordinary 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 of the Company 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.

34. SHARE-BASED PAYMENTS

(a) Share option scheme

On 16 December 2019, the share option scheme of the Company (the "Share Option Scheme") is conditionally approved and adopted by a resolution in writing passed by the shareholders of the Company.

The purpose of the Share Option Scheme is to enable the Group to grant options to selected participants as incentives or rewards for their contribution to the Group. The directors of the Company consider the Share Option Scheme, with its broadened basis of participation, will enable the Group to grant options to any full-time or part-time employees, non-executive directors, suppliers, customers shareholders, consultants and advisors of the Company, any of its subsidiaries and any entity which, in the opinion of the board of directors of the Company, have contributed to the Group to subscribe for shares in the Company.

The subscription price per share under the Share Option Scheme shall be determined at the discretion of the directors of the Company, provided that it shall not be less than the highest of (i) the closing price of the shares as stated in the Stock Exchange's daily quotations sheet on the date of the offer of grant, which must be a business day; (ii) the average closing price of the shares as stated in the Stock Exchange's daily quotations for the five business days immediately preceding the date of the offer of grant; and (iii) the nominal value of the share.

34. SHARE-BASED PAYMENTS *(Continued)*

(a) Share option scheme *(Continued)*

The Share Option Scheme will remain in force for a period of 10 years commencing on the date on which the Share Option Scheme is adopted.

An offer for the grant of options must be accepted within 21 days inclusive of the day on which such offer was made. The nominal consideration HK$1 will be paid by the grantee of an option to the Company on acceptance of the offer.

Unless otherwise determined by the directors of the Company and stated in the offer of the grant of options to a grantee, there is no minimum period required under the Share Option Scheme for the holding of an option before it can be exercised.

The total number of shares which may be allotted and issued upon exercise of all options (excluding, for this purpose, options which have lapsed in accordance with the terms of the Share Option Scheme and any other share option scheme of the Group) to be granted under the Share Option Scheme and any other share option scheme of the Group must not in aggregate exceed 10% of the shares in issue on the day on which dealings in the shares first commence on the Stock Exchange (i.e. not exceeding 100,000,000 shares).

No share options have been granted, exercised, cancelled or lapsed under the Share Option Scheme since its adoption.

(b) Share award scheme

The Company's share award plan (the "Share Award Plan") was adopted pursuant to a resolution passed on 1 March 2023 for the primary purpose of providing incentives to directors and eligible employees of the Group and any contractor, advisor (professional or otherwise), consultant or expert in any area of business or business development of any member of the Group, who provided its services to any member of the Group on a continuing and recurring basis.

Subject to the terms of the Share Award Plan, the eligibility of any of the Eligible Participants to an Award shall be determined by the Board or the Remuneration Committee from time to time on the basis of the Board's or the Remuneration Committee's opinion as to his contribution and/or future contribution to the development and growth of the Group.

The Board or the Remuneration Committee may from time to time, at its discretion, determine the earliest Vesting Date and other subsequent date(s), if any, subject to and upon which the Awarded Shares held by SP. Global Trust Limited ("the Trustee") upon trust and which are referable to a Selected Participant shall vest in that Selected Participant. The Vesting Date in respect of any Award shall be not less than 12 months from the Grant Date, provided that for Employee Participants and Related Entity Participants, the Vesting Date may be less than 12 months from the Grant Date (including on the Grant Date) in certain circumstances as described in the Plan.

No awards were granted under the Scheme during the years ended 31 December 2023 and 2024.

On the dates of 4 July 2023, 19 July 2024, 25 July 2024, and 9 September 2024, the Trustee purchased an aggregated of 50,900,000, 5,000,000, 4,280,000, and 5,000,000 shares, respectively, on the Stock Exchange for the purpose of the Share Award Plan, funded by the Company's internal resources with considerations of HK$0.5, HK$1.50, HK$1.75, and HK$2.31 per share, with total considerations of HK$25,450,000 (RMB23,021,000), HK$7,500,000 (RMB6,842,000), HK$7,490,000 (RMB6,833,000), and HK$11,550,000 (RMB10,536,000), respectively. As at 31 December 2024, there are 65,180,000 (2023: 50,900,000) treasury shares held for the purpose of Share Award Plan.

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. Details of the transaction can be referred to the announcement of the Company dated 23 December 2024.

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35. RETIREMENT BENEFITS SCHEMES

The employees of the PRC subsidiaries are members of state-managed retirement benefits schemes operated by the local PRC government. The PRC subsidiaries are required to contribute a certain percentage of their payroll costs to the retirement benefits schemes to fund the benefits. The only obligation of the Group with respect to the retirement benefits schemes is to make the required contributions under the schemes.

The Group also participates in the Mandatory Provident Fund Scheme for all employees in Hong Kong. Under the scheme, the employer and its employees are each required to make contributions to the plan at 5% of the employees' relevant income, subject to a cap of monthly relevant income of HK$30,000. The assets of the scheme are held separately from those of the Group, in funds under the control of trustees. The Group contributes a certain percentage of the relevant payroll costs to the scheme, which contribution is matched by the employee.

For the year ended 31 December 2024, the total expense recognised in profit or loss of RMB17,814,000 (2023: RMB18,620,000) represents contributions paid to these schemes by the Group at rates specified in the rules of the schemes. As at end of the reporting period, there was no outstanding contributions payable to the schemes.

There is no statutory requirement to operate any retirement benefit schemes in other jurisdictions.

36. CAPITAL COMMITMENTS

	2024 **RMB'000**	2023 RMB'000
Capital expenditure contracted for but not provided in the consolidated financial statements in respect of:		
– acquisition of property, plant and equipment	**17,864**	20,082

37. RELATED PARTY TRANSACTIONS

During both years, other than those disclosed in elsewhere in the consolidated financial statements, the Group had the following significant transactions with related parties:

Provision of guarantees by related party of the Group

Certain related party of the Group have provided guarantees to banks to support facilities granted by those banks to the Group as follows:

	2024 **RMB'000**	2023 RMB'000
Provision of guarantees		
Mr. Yin Yanbin	**92,000**	89,057

37. RELATED PARTY TRANSACTIONS *(Continued)*

Compensation of key management personnel

The remuneration of directors of the Company and other members of key management during the year was as follows:

	2024 RMB'000	2023 RMB'000
Short-term benefits	5,289	5,399
Post-employment benefits	522	559
	5,811	5,958

Non-trade transactions with related party of the Group

Certain related party of the Group have non-trade transactions with the Group as follows:

	2024 RMB'000	2023 RMB'000
Interest on loans from a related company-Hanhe Enterprises	1,524	1,129
Interest on loans from a related company-Jinhan Company	2,467	2,214
Advisory fee paid to an associate	6,363	4,242

38. PLEDGE OF ASSETS

At the end of the reporting period, assets with the following carrying amounts have been pledged to secure general facilities granted to the Group:

	2024 RMB'000	2023 RMB'000
Restricted bank deposits	33,945	30,404
Right-of-use assets	64,414	43,377
Property, plant and equipment	330,280	355,340
Bill receivables at FVTOCI	102,385	86,012
Inventories	14,213	11,630
Trade receivables	4,616	2,398
Cash and cash equivalents	1,267	2,367
Other receivables	15	15
	551,135	531,543

39. CAPITAL RISK MANAGEMENT

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 owners through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged from prior year.

The capital structure of the Group consists of net debt balance, which includes the borrowings, lease liabilities and loans from related companies and, net of cash and cash equivalents, and equity balances. Equity balance consists of equity attributable to owners of the Company, comprising share capital, share premium, capital reserve, safety reserve, translation reserve, statutory reserve, FVTOCI reserve and retained earnings.

The management of the Group reviews the capital structure on an on-going annual basis. As part of this review, the management of the Group considers the cost of capital and the risks associated with each class of capital. Based on recommendations of the management of the Group, the Group will balance its overall capital structure through the payment of dividends, new share issues as well as the issue of new debt.

40. FINANCIAL INSTRUMENTS

a. Categories of financial instruments

	2024 RMB'000	2023 RMB'000
Financial assets		
At amortised cost	**465,635**	370,331
At FVTOCI	**127,229**	100,848
At FVTPL	**296**	448
	593,160	471,627
Financial liabilities		
At amortised cost	**1,334,670**	1,080,160

b. Financial risk management objectives and policies

The Group's major financial instruments include restricted bank deposits, cash and cash equivalents, trade receivables, bill receivables at FVTOCI, other receivables, financial asset at FVTPL, rental deposits, amount due from an associate, amounts due from non-controlling interests, trade and bill payables, other payables, borrowings, loans from related companies, lease liabilities and derivative financial instruments. Details of the financial instruments are disclosed in respective notes. The risks associated with these financial instruments include market risk (currency risk and interest rate risk), credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

40. FINANCIAL INSTRUMENTS *(Continued)*

b. Financial risk management objectives and policies *(Continued)*

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.

(i) Currency risk

Certain cash and cash equivalents, trade receivables, trade and bill payables, and borrowings 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.

The carrying amounts of the Group's foreign currency denominated monetary assets and liabilities at the end of the reporting period are mainly as follows:

	2024 RMB'000	2023 RMB'000
Assets		
U.S.$	**87,681**	59,302
RMB	**15,202**	259
Liabilities		
U.S.$	**123,198**	51,028
RMB	**3,175**	2,690

Sensitivity analysis

The sensitivity analysis below has been determined based on a 5% increase/decrease in functional currency of respective group entities against the relevant foreign currencies. 5% is the sensitivity rate used and represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the end of the reporting period for a 5% change in foreign currency rates. A positive number below indicates a decrease in the Group's post-tax result, where functional currency of respective group entities had strengthened 5% against the relevant foreign currency. For a 5% (2023: 5%) weakening of functional currency of respective group entities against the relevant foreign currency, there would be an equal and opposite impact on the profit or loss for the year.

	2024 RMB'000	2023 RMB'000
(Increase)/decrease in the Group's post-tax result		
– if functional currency of the relevant group entities denominated in RMB strengthens against U.S.$	**1,332**	(310)
– if functional currency of the relevant group entities denominated in U.S.$ strengthen against RMB	**(451)**	91

In management's opinion, the sensitivity analysis is unrepresentative of the inherent foreign exchange risk as the year end exposure does not reflect the exposure during the year.

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40. FINANCIAL INSTRUMENTS *(Continued)*

b. Financial risk management objectives and policies *(Continued)*

Market risk *(Continued)*

(ii) Interest rate risk

The Group is exposed to fair value interest rate risk for certain financial assets, financial liabilities, including fixed-rate bank deposits, fixed-rate borrowings, loans from related companies, loan receivable and lease liabilities.

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, including cash and cash equivalents, restricted bank deposits and variable-rate borrowings, 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.

Sensitivity analysis

No sensitivity analysis for the interest rate exposure of cash and cash equivalents, restricted bank deposits and variable-rate borrowings was presented as the management of the Group considers that the interest rate fluctuation is not significant.

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 the reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. The Group performs impairment assessment under ECL model on trade receivables. In this regard, the directors of the Company 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 as disclosed in note 19.

The credit risk on bill receivables at FVTOCI 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 for the years ended 31 December 2024 and 2023.

40. FINANCIAL INSTRUMENTS *(Continued)*

b. Financial risk management objectives and policies *(Continued)*

Credit risk *(Continued)*

For other receivables, rental deposits, amount due from an associate and amount due from a non-controlling shareholder with gross carrying amounts of RMB28,739,000, RMB1,082,000, RMB12,956,000 and RMB1,000,000 respectively (2023: For other receivables, rental deposits and accruals due from an associate with gross carrying amounts of RMB32,261,000, RMB829,000 and RMB5,471,000 respectively), respectively, as at 31 December 2024, 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 deposit, amount due from a associate and amount due from a non-controlling shareholder is insignificant.

The Group have 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 ECL 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 receivables, bill receivables at FVTOCI and other receivables, with exposure spread over a large number of counterparties and customers.

Liquidity risk

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.

The following table details the Group's remaining contractual maturity for its financial liabilities. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay.

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40. FINANCIAL INSTRUMENTS *(Continued)*

b. Financial risk management objectives and policies *(Continued)*

Liquidity risk *(Continued)*

The table includes both interest and principal cash flows:

	Weighted average effective interest rate %	On demand or within 1 year RMB'000	1-2 years RMB'000	2-5 years RMB'000	Over 5 years RMB'000	Total undiscounted cash flow RMB'000	Carrying amount RMB'000
At 31 December 2024							
Trade and bill payables	–	404,024	–	–	–	404,024	404,024
Borrowings							
– fixed rate	4.16	691,657	45,602	20,822	2,319	760,400	734,901
– variable rate	4.48	36,676	–	–	–	36,676	36,249
Other payables	–	78,446	–	–	–	78,446	78,446
Loans from related companies	3.67	2,920	82,944	–	–	85,864	81,050
Lease liabilities	5.50	4,474	3,244	2,574	–	10,292	10,152
		1,218,197	131,790	23,396	2,319	1,375,702	1,344,822
At 31 December 2023							
Trade and bill payables	–	274,965	–	–	–	274,965	274,965
Borrowings							
– fixed rate	5.57	506,861	118,022	45,726	1,367	671,976	630,057
Other payables	–	85,410	8,128	–	–	93,538	93,538
Loans from related companies	4.00	–	88,259	–	–	88,259	81,600
Lease liabilities	5.50	4,805	1,627	437	–	6,869	6,664
		872,041	216,036	46,163	1,367	1,135,607	1,086,824

40. FINANCIAL INSTRUMENTS *(Continued)*

b. Financial risk management objectives and policies *(Continued)*

Fair value measurement of financial instruments

The following provides information about how the Group determines fair value of various financial assets.

(i) Fair value measurement of the Group's financial assets that are measured at fair value on a recurring basis

Some of the Group's financial assets are measured at fair values at the end of the reporting period. The following table gives information about how the fair values of these financial assets are determined (in particular, the valuation technique(s) and inputs used).

Financial assets	Fair value 2024 RMB'000	Fair value 2023 RMB'000	Fair value hierarchy	Valuation techniques and key inputs
Commodity derivative contracts	**22**	–	Level 1	Quoted bid prices in New York Mercantile Exchange Future Exchange.
Listed equity securities at FVTPL	**274**	448	Level 1	Quoted bid prices in active markets.
Bill receivables at FVTOCI	**127,229**	100,848	Level 2	Discounted cash flow method was used to capture the present value of the expected future economic benefits to be derived from the ownership of the bill receivables.

(ii) Fair value of the Group's financial assets and financial liabilities that are not measured at fair value on a recurring basis

The management of the Group considers that the carrying amounts of the financial assets and financial liabilities of the Group recorded at amortised cost in the consolidated financial statements at the end of the reporting period approximate their fair values.

The fair values of financial assets and financial liabilities are determined in accordance with generally accepted pricing models based on a discounted cash flow analysis.

41. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

The table below details changes in the Group's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the Group's consolidated statement of cash flows as cash flows from financing activities.

	Loans from related companies RMB'000	Borrowings RMB'000	Accrued interest RMB'000	Lease liabilities RMB'000	Total RMB'000
At 1 January 2023	81,750	574,109	630	7,573	664,062
Financing cash flows	(3,493)	45,397	(31,194)	(5,476)	5,234
Interest expenses	3,343	—	32,102	370	35,815
Exchange adjustment	—	(96)	—	—	(96)
Inception of leases	—	—	—	4,497	4,497
Termination of lease contracts	—	—	—	(300)	(300)
Effect of transfer from discounted bills	—	10,647	—	—	10,647
At 31 December 2023	**81,600**	**630,057**	**1,538**	**6,664**	**719,859**
Financing cash flows	**(4,541)**	**141,369**	**(33,179)**	**(6,613)**	**97,036**
Interest expenses	**3,991**	**—**	**32,076**	**331**	**36,398**
Exchange adjustment	**—**	**(276)**	**—**	**(28)**	**(304)**
Inception of leases	**—**	**—**	**—**	**10,712**	**10,712**
Termination of lease contracts	**—**	**—**	**—**	**(914)**	**(914)**
At 31 December 2024	**81,050**	**771,150**	**435**	**10,152**	**862,787**

42. PARTICULARS OF SUBSIDIARIES

Details of the subsidiaries directly and indirectly held by the Company at the end of the reporting period are as follows:

Name of subsidiary	Place and date of incorporation	Place of operation	Issued and fully paid share capital/ registered capital	Equity interest attributable to the Company as at 31 December 2024	2023	Principal activities
Directly held						
GOHI Int'L Limited	British Virgin Islands ("BVI") 28 May 2018	BVI	U.S.$10,000	**100%**	100%	Investment holding
Indirectly held						
GHW Holdings Limited	Hong Kong 25 June 2018	Hong Kong	HK$1	**100%**	100%	Trading of chemical products
GHW International SCM[α]	The mainland of China 18 November 2008	The mainland of China	RMB73,031,800	**100%**	100%	Trading of chemical products
南京金海威新材料有限公司^ (formerly known as 南京金海威化工實業有限公司) Nanjing Goldenhighway New Materials Co., Ltd.	The mainland of China 25 October 1995	The mainland of China	RMB40,000,000	**100%**	100%	Trading of chemical products
南京瀚商微搜電子科技有限公司^ Nanjing Hanshang Weisou Electronic Technology Co., Ltd.	The mainland of China 14 January 2016	The mainland of China	RMB1,000,000	**100%**	100%	Provision of E-commerce service
張家港保税區海金沙國際貿易有限公司^ Zhangjiagang Free Trade Zone Haijinsha International Trading Co., Ltd.	The mainland of China 30 March 2012	The mainland of China	RMB2,000,000	**100%**	100%	Trading of chemical products
南京天宇運輸有限公司^ Nanjing Tianyu Transportation Co., Ltd.	The mainland of China 7 May 1999	The mainland of China	RMB3,000,000	**100%**	100%	Provision of delivery service
廣州金海威貿易有限公司^ Guangzhou Goldenhighway Trading Co., Ltd..	The mainland of China 22 January 2010	The mainland of China	RMB2,000,000	**100%**	100%	Trading of chemical products
泰安岳達物流有限公司^ Taian Yueda Logistics Co., Ltd.	The mainland of China 24 October 2016	The mainland of China	RMB10,000,000	**91.95%**	100%	Provision of delivery service
金海威(越南)責任有限公司 GHW (Vietnam) Co., Ltd.	Vietnam 23 July 2013	Vietnam	U.S.$10,000,000	**100%**	100%	Manufacture and sale of chemical products
金海威(越南)化工責任有限公司 GHW (Vietnam) Chemicals Company Limited	Vietnam 7 May 2014	Vietnam	U.S.$4,000,000	**91.95%**	100%	Trading of chemical products

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42. PARTICULARS OF SUBSIDIARIES *(Continued)*

Name of subsidiary	Place and date of incorporation	Place of operation	Issued and fully paid share capital/ registered capital	Equity interest attributable to the Company as at 31 December		Principal activities
				2024	2023	
Indirectly held (Continued)						
Golden Highway International (Hong Kong) Limited	Hong Kong 6 August 2008	Hong Kong	U.S.$1,100,000	91.95%	100%	Trading of chemical products
GHW USA LLC	USA 17 March 2015	USA	U.S.$20,000	91.95%	100%	Trading of chemical products
GHW Eurochemicals s.r.o.	Slovakia 1 January 2014	Slovakia	EUR5,000	91.95%	100%	Trading of chemical products
Goldray International Enterprises Co., Ltd.	Seychelles 7 January 2016	Seychelles	U.S.$1	100%	100%	Trading of chemical products
Nuovomondo Chemicals Private Limited	India 25 March 2011	India	Indian Rupee 100,000	100%	100%	Trading of chemical products
Star International Saint-Petersburg LLC	Russia 26 March 2007	Russia	Russian Ruble 2,281,591	100%	100%	Trading of chemical products
Ukrhimformacia Limited Company	Ukraine 27 April 2006	Ukraine	Ukrainian Hryvnia 7,329,110	100%	100%	Trading of chemical products
Havay Industry Inc.	Canada 23 September 2015	Canada	Canadian Dollar 1,000	91.95%	100%	Trading of chemical products
Golden Highway Mexico, S. De R.L.De C.V.	Mexico 10 September 2018	Mexico	U.S.$49,470	91.95%	100%	Trading of chemical products
江蘇省信諾醫藥對外貿易有限公司^ Jiangsu Xinnuo Pharmaceutical Trading Co., Ltd.	The mainland of China 5 January 1998	The mainland of China	RMB30,000,000	91.95%	100%	Trading of chemical and pharmaceutical products
泰安漢威集團有限公司^ Taian Havay Group Co., Ltd.	The mainland of China 9 November 2010	The mainland of China	RMB100,000,000	91.95%	100%	Manufacture and sale of chemical products
徐州漢威化工有限公司^ Xuzhou Havay Feeds Co., Ltd.	The mainland of China 23 July 2003	The mainland of China	RMB10,000,000	91.95%	100%	Trading of chemical products
徐州金海威新材料有限公司^ Xuzhou Goldenhighway New Materials Co., Ltd.	The mainland of China 25 February 2021	The mainland of China	RMB5,000,000	100%	100%	Trading of chemical products

42. PARTICULARS OF SUBSIDIARIES *(Continued)*

Name of subsidiary	Place and date of incorporation	Place of operation	Issued and fully paid share capital/ registered capital	Equity interest attributable to the Company as at 31 December 2024	2023	Principal activities
Indirectly held (Continued)						
南京格格象健康科技有限公司^ Nanjing Happyelephant HealthTechnology Co., Ltd.	The mainland of China 7 April 2021	The mainland of China	RMB3,600,000	**100%**	100%	Trading of health care products
Most Victory Holdings Limited	BVI 6 January 2021	BVI	U.S.$50,000	**91.95%**	100%	Trading of chemical products
Highwi Enterprise Private Limited	India 15 June 2021	India	Indian Rupee 100,000	**91.95%**	100%	Trading of chemical products
LLC GOLDENHIGHWAY RUS	Russia 20 July 2021	Russia	Russian Ruble 10,000	**91.95%**	100%	Trading of chemical products
LLC HAVAY UKRAINE	Ukraine 7 October 2021	Ukraine	U.S.$100,000	**91.95%**	100%	Trading of chemical products
新材料(越南)責任有限公司 New Material (Vietnam) Co., Ltd.	Vietnam 26 January 2022	Vietnam	U.S.$300,000	**100%**	100%	Trading of chemical products
GOLDENHIGHWAY HOLDINGS PTE. LTD.#	Singapore 20 April 2023	Singapore	SGD100,000*	**100%**	100%	Investment holding
GHW INTERNATIONAL (MALAYSIA) SDN. BHD.#	Malaysia 04 August 2023	Malaysia	Malaysian Ringgit ("RM") 1*	**100%**	100%	Manufacture and sale of chemical products
GHW INTERNATIONAL (CÔTE D'IVOIRE)@	Côte d'Ivoire 27 March 2024	Côte d'Ivoire	West African CFA Franc 1,000,000	**100%**	N/A	Manufacture and sale of chemical products

* The registered capital of Goldenhighway Holdings PTE. LTD. and GHW International (Malaysia) SDN. BHD. are SGD100,000 and RM1, respectively. It is fully paid during the year ended 31 December 2024.

Goldenhighway Holdings PTE. LTD. and GHW international (Malaysia) SDN. BHD. are newly set up during the year ended 31 December 2023.

@ GHW International (Côte D'ivoire) is newly set up during the year ended 31 December 2024.

α This subsidiary operates in the mainland of China is a wholly owned foreign enterprise.

^ These subsidiaries operate in the mainland of China are private limited companies.

All subsidiaries now comprising the Group are limited liability companies. None of the subsidiaries had issued any debt securities at the end of the year.

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43. STATEMENT OF FINANCIAL POSITION AND RESERVES OF THE COMPANY

Statement of financial position of the Company at the end of the reporting period includes:

	2024 RMB'000	2023 RMB'000
Non-current asset		
Investment in a subsidiary	**1,804**	1,804
Current assets		
Amount due from a subsidiary	**62,825**	66,872
Restricted bank deposits	**47**	46
Cash and cash equivalents	**840**	508
	63,712	67,426
Current liability		
Other payable	**46**	—
Net current assets	**63,666**	67,426
Net assets	**65,470**	69,230
Capital and reserves		
Share capital	**8,930**	8,844
Reserves	**56,540**	60,386
	65,470	69,230

Movement in reserves

	Share premium RMB'000	Capital reserve RMB'000	Treasury reserve RMB'000	Retained earnings RMB'000	Total RMB'000
At 1 January 2023	78,219	1,795	—	3,519	83,533
Loss and total comprehensive expense for the year	—	—	—	(126)	(126)
Repurchase of share	—	—	(23,021)	—	(23,021)
At 31 December 2023	78,219	1,795	(23,021)	3,393	60,386
Loss and total comprehensive expense for the year	—	—	—	(1,777)	(1,777)
Issue of share	22,142	—	—	—	22,142
Repurchase of share	—	—	(24,211)	—	(24,211)
At 31 December 2024	**100,361**	**1,795**	**(47,232)**	**1,616**	**56,540**

44. EVENT AFTER THE REPORTING PERIOD

On 20 January 2025, the Company offered to grant a total of 635,500 shares to four directors of the Company and 144 employee participants (including 13 connected persons) at nil consideration with a vesting period of 1 year from the date of grant. Details of the transaction can be referred 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. Details of the transaction can be referred to the announcements of the Company dated 21 January 2025.