GHW International

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 9933)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2022

FINANCIAL HIGHLIGHTS

- For the year ended 31 December 2022, revenue of the Group amounted to approximately RMB3,378.7 million, representing an increase of approximately RMB545.4 million or 19.3% comparing with the corresponding period in 2021.
- For the year ended 31 December 2022, gross profit of the Group amounted to approximately RMB657.9 million, representing an increase of approximately RMB181.8 million or 38.2% comparing with the corresponding period in 2021.
- For the year ended 31 December 2022, net profit of the Group amounted to approximately RMB274.6 million, representing an increase of approximately RMB143.9 million or 110.1% comparing with the corresponding period in 2021.
- For the year ended 31 December 2022, basic earnings per share of the Group amounted to approximately RMB0.275, representing an increase of approximately RMB0.144 or 109.9% comparing with the corresponding period in 2021.
- The Board has resolved not to recommend the payment of any final dividend for the year ended 31 December 2022.

The board (the **"Board"**) of directors (the **"Director(s)"**) of GHW International (the **"Company"**) is pleased to announce the consolidated results of the Company and its subsidiaries (collectively referred to as the **"Group"**) for the year ended 31 December 2022 together with the comparative figures for the year ended 31 December 2021 as follows.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2022

	Notes	Year ended 31 December 2022 RMB'000	2021 RMB'000
Revenue	4	**3,378,707**	2,833,268
Cost of sales		**(2,720,807)**	(2,357,153)
Gross profit		**657,900**	476,115
Other income	5	**13,099**	15,037
Other gains and losses	6	**8,788**	(8,849)
Impairment losses under expected credit loss model, net of reversal		**(1,131)**	(1,454)
Selling and distribution expenses		**(151,846)**	(143,195)
Administrative expenses		**(104,504)**	(102,619)
Research and development expenses		**(77,290)**	(59,154)
Finance costs	7	**(36,988)**	(29,833)
Profit before taxation	8	**308,028**	146,048
Taxation	9	**(33,401)**	(15,335)
Profit for the year		**274,627**	130,713

	Notes	Year ended 31 December	
		2022	2021
		RMB'000	RMB'000
Other comprehensive (expense) income			
Items that may be reclassified subsequently to profit or loss:			
Exchange difference arising on translation of foreign operations		**(10,776)**	2,896
Fair value gain (loss) on bill receivables at fair value through other comprehensive income ("**FVTOCI**")		**58**	(148)
Income tax relating to an item that may be reclassified subsequently to profit or loss		**3**	22
Other comprehensive (expense) income for the year, net of income tax		**(10,715)**	2,770
Total comprehensive income for the year		**263,912**	133,483
Profit for the year attributable to owners of the Company		**274,627**	130,713
Total comprehensive income attributable to owners of the Company		**263,912**	133,483
Earnings per share			
– Basic (RMB per share)	11	**0.275**	0.131
– Diluted (RMB per share)	11	**N/A**	N/A

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2022

	Notes	2022 RMB'000	2021 RMB'000
		As at 31 December	
Non-current assets			
Property, plant and equipment		**690,323**	455,027
Right-of-use assets		**52,062**	53,987
Rental deposits		**643**	900
Deferred tax assets		**254**	699
Loan receivable		**16,064**	15,464
Deposits for acquisition of land use rights		**9,994**	—
		769,340	526,077
Current assets			
Inventories		**359,140**	309,342
Trade receivables	12	**219,351**	208,162
Bill receivables at FVTOCI	13	**100,340**	85,798
Other receivables and prepayments		**84,983**	67,781
Tax recoverable		**7,973**	367
Financial asset at fair value through profit or loss ("**FVTPL**")		**113**	—
Derivative financial instruments		**275**	273
Restricted bank deposits		**33,935**	111,493
Cash and cash equivalents		**103,183**	58,025
		909,293	841,241

	Notes	As at 31 December 2022 RMB'000	2021 RMB'000
Current liabilities			
Trade and bill payables	14	**255,966**	198,009
Other payables and accrued charges		**93,508**	78,765
Lease liabilities		**4,881**	4,888
Contract liabilities		**24,848**	39,268
Tax liabilities		**5,447**	4,242
Loans from related companies		**81,750**	—
Borrowings		**313,926**	453,908
		780,326	779,080
Net current assets		**128,967**	62,161
Total assets less current liabilities		**898,307**	588,238
Non-current liabilities			
Borrowings		**260,183**	154,468
Loans from related companies		**—**	82,803
Lease liabilities		**2,692**	3,933
Deferred tax liabilities		**32,812**	7,955
		295,687	249,159
Net assets		**602,620**	339,079
Capital and Reserves			
Share capital	15	**8,844**	8,844
Reserves		**593,776**	330,235
Total equity		**602,620**	339,079

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

1. GENERAL

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

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

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

2. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS

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

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

3. APPLICATION OF AMENDMENTS OF IFRSs

Amendments to IFRSs that are mandatorily effective for the current year

In the current year, the Group has applied the following amendments to IFRSs issued by the International Accounting Standards Board ("**IASB**") for the first time, which are mandatorily effective for the Group's annual period beginning on 1 January 2022 for the preparation of the consolidated financial statements.

Amendments to IFRS 3	Reference to the Conceptual Framework
Amendments to IAS 16	Property, Plant and Equipment – Proceeds before Intended Use
Amendments to IAS 37	Onerous Contracts – Cost of Fulfilling a Contract
Amendments to IFRSs	Annual Improvements to IFRSs 2018-2020

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

New and amendments to IFRSs in issue but not yet effective

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

IFRS 17 (including the June 2020 and December 2021 Amendments to IFRS 17)	Insurance Contracts[1]
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[2]
Amendments to IFRS 16	Lease Liability in a Sale and Leaseback[3]
Amendments to IAS 1	Classification of Liabilities as Current or Non-current[3]
Amendments to IAS 1	Non-current Liabilities with Covenants[3]
Amendments to IAS 1 and IFRS Practice Statement 2	Disclosure of Accounting Policies[1]
Amendments to IAS 8	Definition of Accounting Estimates[1]
Amendments to IAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction[1]

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

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

[3] *Effective for annual periods beginning on or after 1 January 2024.*

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

4. REVENUE AND SEGMENT INFORMATION

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

	Year ended 31 December	
	2022	2021
	RMB'000	RMB'000
Types of goods		
Animal nutrition	**1,180,366**	952,169
Medicine	**754,048**	585,872
Fine chemicals	**732,114**	438,858
Polyurethane materials	**698,839**	844,954
Others	**13,340**	11,415
	3,378,707	2,833,268
Timing of revenue recognition		
A point in time	**3,378,707**	2,833,268

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

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

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

Geographical information

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

	Revenue from external customers Year ended 31 December		Non-current assets (excluding deferred tax assets and financial instruments) As at 31 December	
	2022	2021	**2022**	2021
	RMB'000	RMB'000	**RMB'000**	RMB'000
The mainland of China	**2,782,741**	2,307,975	**669,541**	458,639
Europe	**283,504**	220,659	**550**	721
Vietnam	**61,389**	85,238	**63,353**	40,711
Other countries in Asia (excluding the mainland of China and Vietnam)	**122,817**	108,047	**8,771**	8,632
Others	**128,256**	111,349	**170**	311
	3,378,707	2,833,268	**742,385**	509,014

Information about major customers

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

5. OTHER INCOME

	Year ended 31 December	
	2022	2021
	RMB'000	RMB'000
Government grants (note)	**7,704**	8,541
Bank interest income	**4,314**	5,748
Interest income on finance lease receivable	**—**	38
Interest income on loan receivable	**600**	464
Others	**481**	246
	13,099	15,037

Note: The relevant government authority granted one-off and unconditional subsidies to the Group amounting to RMB7,697,000 (2021: RMB8,477,000) and RMB7,000 (2021: RMB64,000) in relation to the Group's contribution in local district and subsidies in relation to the novel coronavirus (COVID-19) pandemic, which were recognised in the profit or loss in the year which they received.

6. OTHER GAINS AND LOSSES

	Year ended 31 December	
	2022	2021
	RMB'000	RMB'000
Net exchange gains (losses)	**15,256**	(5,411)
Losses on disposals of plant and equipment	**(9,141)**	(5,229)
Write-off of long aging payable	**1,540**	—
Fair value changes on financial assets at FVTPL	**317**	69
Fair value changes on derivative financial instruments		
– commodity derivative contracts (note)	**448**	1,036
Others	**368**	686
	8,788	(8,849)

Note: During the year ended 31 December 2022, amount represented realised gains of RMB649,000 (2021: RMB881,000) and unrealised losses of RMB201,000 (2021: gains of RMB155,000) arising on changes in fair value of commodity derivative contracts.

7. FINANCE COSTS

	Year ended 31 December	
	2022	2021
	RMB'000	RMB'000
Interest on borrowings	**30,198**	25,056
Interest on discounted bills	**3,180**	2,031
Interest on loans from related companies	**3,182**	2,381
Interest on lease liabilities	**428**	365
	36,988	29,833

8. PROFIT BEFORE TAXATION

	Year ended 31 December	
	2022	2021
	RMB'000	RMB'000
Profit before taxation has been arrived at after charging:		
Auditors' remuneration	**2,299**	2,211
Cost of inventories recognised as expenses	**2,718,159**	2,352,331
Depreciation of property, plant and equipment	**41,015**	30,099
Depreciation of right-of-use assets	**5,427**	4,583
Total depreciation	**46,442**	34,682
Capitalised as cost of inventories manufactured	**(34,709)**	(25,990)
	11,733	8,692
Impairment losses recognised on non-financial assets included in		
– administrative expenses	**—**	2,311
Directors' remuneration	**5,704**	4,984
Other staff costs		
Salaries and other benefits	**99,110**	80,993
Retirement benefits	**13,192**	11,868
Total staff costs	**118,006**	97,845
Research and development costs recognised as an expense	**77,290**	59,154
Write-down of inventories	**2,648**	4,822

9. TAXATION

The Company was incorporated in the Cayman Islands 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 the mainland of China subsidiaries 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% (2021: 20%) with 87.5% (2021: 87.5%) reduction for the first RMB1 million of annual taxable income and 75% (2021: 50%) reduction for the above RMB1 million but below RMB3 million of annual taxable income during the year ended 31 December 2022.

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

	Year ended 31 December	
	2022	2021
	RMB'000	RMB'000
Current tax	**7,947**	7,655
Under (over) provision in prior years	**139**	(657)
	8,086	6,998
Deferred tax	**25,315**	8,337
Total	**33,401**	15,335

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

	Year ended 31 December	
	2022	2021
	RMB'000	RMB'000
Profit before taxation	**308,028**	146,048
Tax at PRC enterprise income tax rate of 25%	**77,007**	36,512
Tax effect of expenses not deductible for tax purpose	**4,839**	3,820
Tax effect of income not taxable for tax purpose	**(196)**	(187)
Tax effect of tax losses not recognised	**2,057**	1,338
Utilisation of tax losses previously not recognised	**(3,885)**	(1,842)
Additional deduction of research and development expenses (note a)	**(15,405)**	(14,224)
Additional deduction of machinery and equipment procurement (note b)	**(14,559)**	—
Effect of different tax rates of subsidiaries operating in other jurisdictions	**(3,953)**	(1,807)
Income tax at concessionary rates	**(16,863)**	(11,324)
Tax effect of deductible temporary differences not recognised	**4,637**	5,055
Utilisation of deductible temporary differences previously not recognised	**(417)**	(1,349)
Under (over) provision in prior years	**139**	(657)
Taxation for the year	**33,401**	15,335

As at 31 December 2022, the carrying amount of unrecognised deductible temporary differences was RMB41,549,000 (2021: RMB24,669,000), while tax losses not recognised was RMB 36,532,000 (2021: RMB54,808,000). In the opinion of the Directors, no deferred tax assets are recognised due to the unpredictability of future profit streams. Such unrecognised losses for the Group entities will expire in various years up to and including 2023 to 2027.

Notes: (a) 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.

(b) According to the PRC EIT Law and its relevant regulation issued in 2022, entities that qualified as High and New Technology Enterprise are entitled to an additional 100% of the amount of qualified machinery and equipment newly purchased from 1 October 2022 to 31 December 2022, which is allowed to be deducted from taxable income.

10. DIVIDENDS

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

11. EARNINGS PER SHARE

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

	Year ended 31 December	
	2022	2021
	RMB'000	RMB'000
Earnings:		
Earnings for the purposes of calculating basic and diluted earnings per share attributable to owners of the Company	**274,627**	130,713

	Year ended 31 December	
	2022	2021
	'000	'000
Number of shares:		
Weighted average number of ordinary shares for the purpose of calculating basic and diluted earnings per share	**1,000,000**	1,000,000

No diluted earnings per share for 2022 and 2021 was presented as there were no potential ordinary shares in issue.

12. TRADE RECEIVABLES

	As at 31 December	
	2022	2021
	RMB'000	RMB'000
Trade receivables	**228,667**	217,180
Less: allowance for credit losses	**(9,316)**	(9,018)
	219,351	208,162

As at 1 January 2021, trade receivables from contracts with customers amounted to RMB158,031,000, net of allowance for credit losses of RMB8,152,000.

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

	As at 31 December	
	2022	2021
	RMB'000	RMB'000
0-30 days	**148,390**	121,167
31-60 days	**39,749**	47,626
61-90 days	**18,285**	17,480
Over 90 days	**12,927**	21,889
	219,351	208,162

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 2022, carrying amount of trade receivables amounted to RMB2,628,000 (2021: RMB272,000) have been pledged as security for the Group's borrowings.

The Group does not hold any collateral over these balances.

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

	As at 31 December	
	2022	2021
	RMB'000	RMB'000
Denominated in United States Dollars ("**U.S.$**")	**25,098**	48,351
Denominated in European dollars ("**EUR**")	**—**	1,440
	25,098	49,791

13. BILL RECEIVABLES AT FVTOCI

	As at 31 December	
	2022	2021
	RMB'000	RMB'000
Bill receivables at FVTOCI	**100,340**	85,798

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

	As at 31 December	
	2022	2021
	RMB'000	RMB'000
0-180 days	**100,340**	85,798

As at 31 December 2022, the Group has pledged bill receivables at FVTOCI with a total net book value of RMB76,874,000 (2021: RMB76,648,000) to secure general banking facilities and supplier payments granted to the Group.

14. TRADE AND BILL PAYABLES

	As at 31 December	
	2022	2021
	RMB'000	RMB'000
Trade payables	**253,816**	175,009
Bill payables	**2,150**	23,000
	255,966	198,009

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

	As at 31 December	
	2022	2021
	RMB'000	RMB'000
0-180 days	**2,150**	19,000
Over 180 days	**—**	4,000
Total	**2,150**	23,000

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

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

	As at 31 December	
	2022	2021
	RMB'000	RMB'000
0-30 days	**157,670**	114,163
31-60 days	**28,332**	29,585
61-90 days	**27,749**	8,453
Over 90 days	**40,065**	22,808
	253,816	175,009

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

	As at 31 December	
	2022	2021
	RMB'000	RMB'000
U.S.$	**51,504**	24,259
EUR	**—**	4,115
	51,504	28,374

15. SHARE CAPITAL

	Number of Shares	Amount HK$
Ordinary shares of HK$0.01 each		
Authorised		
At 1 January 2021, 31 December 2021 and 2022	10,000,000,000	100,000,000
Issued and fully paid:		
At 1 January 2021, 31 December 2021 and 2022	1,000,000,000	10,000,000

	RMB'000
Presented as at 31 December 2022 and 2021	8,844

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS OVERVIEW

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

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

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

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

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

We produce our own products of isooctanoic acid and diethyl sulfate, which are mainly used for paint drier, polyvinyl chloride (PVC) liquid stabilizer, catalyst and pharmaceutical raw materials, and synthesis of dyes, pesticides and pharmaceutical intermediates, respectively. On the other hand, we produce our own product of cardanol at our Vietnam production plant, which is a biofuel product mainly used in coating and adhesives industries.

We also produce and sell our own pharmaceutical intermediates which are chemical compounds used in the production of active pharmaceutical ingredients, such as iodine and iodine derivatives as well as selling pharmaceutical products sourced from third party manufacturers such as cefpodoxime proxetil dispersible tablets. During the year ended 31 December 2022, we started to sell supplements sourced from third party manufacturers such as vitamin tablets.

BUSINESS REVIEW

During the year ended 31 December 2022, our financial performance continuously recovered from the economic downturn resulting from the outbreak of the COVID-19 pandemic in 2020 and early 2021, especially our business performance in the mainland of China. Our financial performance improved during the year, which was mainly resulted from increasing market prices of our major products including choline chloride, betaine and iodine and iodine derivatives. The increasing profitability derived from the above products outweigh the decrease in sales volume of some of our self-manufacturing products such as choline chloride and iodine derivatives, as well as decreasing sales volume of some of our third-party manufactured trading products such as polymeric methylene diphenyl diisocyanate ("**polymeric MDI**") and iodine. On the other hand, our overseas sales results were fluctuated over the year as a result of continuous impact from COVID-19 and Russia-Ukraine War during the year, leading to travel restriction imposed in various countries and high logistics costs. As a result, our revenue and profit during the year ended 31 December 2022 increased as compared to last year.

During the year ended 31 December 2022, our Group recorded a revenue of approximately RMB3,378.7 million (2021: RMB2,833.3 million), representing an increase of 19.3% as compared to last year.

The increase in revenue was mainly attributable to the increase in (i) sales of self-manufactured animal nutrition products including choline chloride and betaine in the mainland of China mainly due to the increasing market prices of these products, which is further elaborated below; (ii) sales of self-manufactured products such as isooctanoic acid and cardanol in the mainland of China due to the increase of our market share, which is explained below in details; (iii) sales of iodine and iodine derivatives due to significant increase in market price of iodine; and (iv) sales of ethylene glycol, which is a new third-party manufactured trading product and used as a raw material for solvents and coatings, etc., partially offset by the decrease in sales of polymeric MDI in our polyurethane materials segment mainly due to decrease in sales volume in the current year, i.e. there was a suspension of production facilities in Europe and the US as affected by the cold wave in the first quarter of 2021, leading to a shortage of supply in the corresponding period last year and hence a relative high level of demand, whereas the supply in the current year was relatively stable. Besides, the operation of the mainland of China's downstream industries, especially construction industry and household appliances industries, were significantly affected by the outbreak of COVID-19 pandemic in first half of 2022, leading to a decrease in demand of polymeric MDI in the mainland of China during the current year.

The net profit attributed to owners of the Company for the year ended 31 December 2022 amounted to approximately RMB274.6 million (2021: RMB130.7 million).

The increase in profit was mainly attributable to an increase in gross profit from approximately RMB476.1 million for the year ended 31 December 2021 to approximately RMB657.9 million for the year ended 31 December 2022 as a result of (i) the good performance in our operations in the mainland of China due to the increasing average selling prices of some of our major products and our successful procurement strategies of raw materials; and (ii) a net foreign exchange gain of approximately RMB15.3 million (2021: net foreign exchange loss of approximately RMB5.4 million) recorded during the year mainly as a result of appreciation of US$ against Renminbi ("**RMB**"), which is partially offset by the increase in (i) selling and distribution expenses and administrative expenses due to the increasing operating scale of the Group, the significant increases in shipment and logistics costs and provision of performance bonus to staff; (ii) research and development expenses incurred from artificial intelligence system transformation projects, production technology enhancement projects, expansion of research and development team as well as rising cost of raw materials; (iii) finance costs due to the expansion of operating scale of the Group and further investments on our production plant development, leading to an increasing amount of term loans for the current year; and (iv) income tax expense, which was in line with the increase in profit generated for the current year.

Details of our financial performance are further explained below.

FINANCIAL REVIEW

Revenue

The table below sets forth the breakdown of our revenue by business segments during the year ended 31 December 2022:

Total revenue by business segments

	For the year ended 31 December			
	2022		2021	
	RMB'000	**% of total revenue**	RMB'000	% of total revenue
Polyurethane materials	**698,839**	**20.7%**	844,954	29.8%
Animal nutrition chemicals	**1,180,366**	**34.9%**	952,169	33.6%
Fine chemicals	**732,114**	**21.7%**	438,858	15.5%
Pharmaceutical products and intermediates	**754,048**	**22.3%**	585,872	20.7%
Sub-total	**3,365,367**	**99.6%**	2,821,853	99.6%
Others (note)	**13,340**	**0.4%**	11,415	0.4%
Total	**3,378,707**	**100.0%**	2,833,268	100.0%

	For the year ended 31 December			
	2022		2021	
	RMB'000	**% of total revenue**	RMB'000	% of total revenue
Self-manufactured chemicals	**2,326,892**	**68.9%**	1,688,637	59.6%
Chemicals produced by third parties	**1,038,475**	**30.7%**	1,133,216	40.0%
Sub-total	**3,365,367**	**99.6%**	2,821,853	99.6%
Others (note)	**13,340**	**0.4%**	11,415	0.4%
Total	**3,378,707**	**100.0%**	2,833,268	100.0%

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

Polyurethane materials

Our revenue generated from the sales of polyurethane materials decreased from approximately RMB845.0 million for the year ended 31 December 2021 to approximately RMB698.8 million for the year ended 31 December 2022, primarily due to the decrease in our sales volume of our significant polyurethane materials products such as polymeric MDI and toluene diisocyanate ("**TDI**").

Our average selling prices of polymeric MDI and TDI was approximately RMB17,250 and RMB12,622 per tonne, respectively, for the year ended 31 December 2021 and approximately RMB15,257 and RMB16,491 per tonne, respectively, for the year ended 31 December 2022. The decrease in the market price of polymeric MDI during the year was mainly derived from the reduction of demand from downstream customers due to the severe market condition on construction industry and household appliances industries in the mainland of China during the year. For TDI, the increase in average selling price was mainly due to the temporary suspension of production of major manufacturers of TDI in the mainland of China for inspection and repairment since the third quarter of 2021 and until the first quarter of 2022, and since August 2022 to October 2022.

On the other hand, our sales volume of polymeric MDI and TDI decreased from approximately 31,551 tonnes and 7,828 tonnes, respectively, to approximately 26,894 tonnes and 5,362 tonnes, respectively. The decrease in sales volume was primarily due to the fact that there was a suspension of production facilities in Europe and the US as affected by the cold wave in the first quarter of 2021, leading to a shortage of supply in the corresponding period last year and hence a relative high level of demand, whereas the supply in the current year was relatively stable. Besides, the operation of the mainland of China's downstream industries, especially construction industry and household appliances industries, were significantly affected by the outbreak of the COVID-19 pandemic in first-half of year 2022, leading to a decrease in demand of polymeric MDI and TDI in the mainland of China during the year. The significant increase in shipment costs also led to a decrease in export sales of our polyurethane materials in other countries in Asia.

Animal nutrition chemicals

Our revenue generated from sales of animal nutrition chemicals significantly increased from approximately RMB952.2 million for the year ended 31 December 2021 to approximately RMB1,180.4 million for the year ended 31 December 2022, primarily due to the increase in our average selling prices of choline chloride and betaine.

During the year ended 31 December 2022, sales of choline chloride accounted for approximately 75% (2021: 75%) of our revenue under the animal nutrition chemicals segment. The revenue generated from sales of choline chloride increased from approximately RMB727.6 million for the year ended 31 December 2021 to approximately RMB904.0 million for the year ended 31 December 2022. The revenue generated from sales of betaine also increased from approximately RMB193.1 million for the year ended 31 December 2021 to approximately RMB244.7 million for the year ended 31 December 2022.

The average selling prices of choline chloride and betaine increased from approximately RMB5,908 and RMB8,975 per tonne, respectively, for the year ended 31 December 2021 to approximately RMB7,829 and RMB9,951 per tonne, respectively, for the year ended 31 December 2022, primarily because of the increase in both of the raw material costs and our bargaining power with our existing customers, who were satisfied with our integrated sale services.

Our sales volume of choline chloride slightly decreased from approximately 123,158 tonnes for the year ended 31 December 2021 to approximately 115,470 tonnes for the year ended 31 December 2022. Our sales volume of betaine increased from approximately 21,512 tonnes for the year ended 31 December 2021 to approximately 24,596 tonnes for the year ended 31 December 2022, which was primarily due to the increasing sales to our semi-new and sizable customers in the biotech fermentation industry in the mainland of China since 2021, which outweighed the reducing demand as a result of outbreak of the COVID-19 pandemic in the mainland of China.

Fine chemicals

Our revenue generated from sales of fine chemicals increased from approximately RMB438.9 million for the year ended 31 December 2021 to approximately RMB732.1 million for the year ended 31 December 2022, primarily due to (i) the increase in sales volume of cardanol, diethyl sulfate and isooctanoic acid as explained below; (ii) the increase in sales of caster oil as our procurement team expected an ascending market price of caster oil in the mainland of China since the beginning of the year led to an increase in its trading volume; and (iii) the Group started to trade ethylene glycol, which is used as a raw material for solvents and coatings, etc., since the second half of year 2021.

The increase in sales volume of cardanol, diethyl sulfate and isooctanoic acid was primarily because of (i) the completion of our new production line of isooctanoic acid, leading to an increasing production scale during the year; (ii) the increase in export sales of diethyl sulfate due to permanent suspension of one of our competitors in Asia; and (iii) the increase of our market share of isooctanoic acid as a result of the Russia-Ukraine War, leading to potential energy crisis in the Europe and reduction of imported products.

During the year, the revenue generated from ethylene glycol, being a new third-party manufactured trading product since second half of year 2021, was approximately RMB131.0 million (2021: RMB111.9 million).

Pharmaceutical products and intermediates

Our revenue generated from sales of pharmaceutical products and intermediates and supplements increased from approximately RMB585.9 million for the year ended 31 December 2021 to approximately RMB754.0 million for the year ended 31 December 2022, primarily due to the increase in average selling prices of our iodine and iodine derivatives, partially offset by the decrease in sales volume of iodine and iodine derivatives.

The average selling prices of our iodine and iodine derivatives (excluding sub-processing services) increased from approximately RMB276,619 and RMB174,052 for the year ended 31 December 2021 to approximately RMB532,000 and RMB276,618 for the year ended 31 December 2022, which was primarily due to the continuous global shortage in supply of iodine in the market over the year. The insufficient supply also led to the decrease in our sales volume.

During the year, our Group started to sell third-party manufactured supplements. Since it was still in the start-up phase, the revenue derived from the sale of supplements products was not material to our Group's revenue.

The table below sets forth our total sales in terms of geographical locations of our customers during the year ended 31 December 2022:

Total revenue by geographical locations

	For the year ended 31 December			
	2022		2021	
	RMB'000	**% of total revenue**	RMB'000	% of total revenue
The mainland of China	**2,782,741**	**82.4%**	2,307,975	81.5%
Europe	**283,504**	**8.4%**	220,659	7.8%
Other countries in Asia (excluding the mainland of China and Vietnam)	**122,817**	**3.6%**	108,047	3.8%
Vietnam	**61,389**	**1.8%**	85,238	3.0%
Others	**128,256**	**3.8%**	111,349	3.9%
Total	**3,378,707**	**100.0%**	2,833,268	100.0%

Our revenue derived from the mainland of China contributed approximately 81.5% and 82.4% for the years ended 31 December 2021 and 2022, respectively. Given that the revenue derived from the mainland of China constitutes a substantial portion of our total revenue, the fluctuations in revenue of sales in the mainland of China for our business segments of polyurethane materials, animal nutrition chemicals, fine chemicals and pharmaceutical products and intermediates and supplements were in line with the fluctuations in the overall revenue of each of these segments.

Our revenue derived from Vietnam decreased from approximately RMB85.2 million for the year ended 31 December 2021 to approximately RMB61.4 million for the year ended 31 December 2022, primarily resulted from the decrease in revenue from sales of polyurethane materials due to the significant increase in shipment costs, leading to a decrease in export sales of our polyurethane materials as mentioned above.

Our revenue derived from Europe, Asia (excluding the mainland of China and Vietnam) and other countries increased from approximately RMB220.7 million, RMB108.0 million and RMB111.3 million for the year ended 31 December 2021 to approximately RMB283.5 million, RMB122.8 million and RMB128.3 million for the year ended 31 December 2022, respectively. The increases were mainly due to the rising costs of raw materials of our animal nutrition chemical segment as well as the increasing export sales of diethyl sulfate due to permanent suspension of one of our competitors in Asia.

Cost of sales

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

Our cost of sales increased from approximately RMB2,357.2 million for the year ended 31 December 2021 to approximately RMB2,720.8 million for the year ended 31 December 2022. The increase in our cost of sales was driven by the increase in cost of raw materials and inventories incurred as a result of increasing market prices of our raw materials of the products in animal nutrition chemical segment and pharmaceutical products and intermediates and supplements segment as well as the increasing cost of raw materials and inventories in fine chemical segment, which was in line with the increasing sales volume of ethylene glycol, cardanol, diethyl sulfate and isooctanoic acid.

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 2022:

Total gross profit by business segments

	For the year ended 31 December			
	2022		2021	
	Gross profit		Gross profit	
	RMB'000	**margin %**	RMB'000	margin %
Polyurethane materials	**31,254**	**4.5%**	49,118	5.8%
Animal nutrition chemicals	**287,752**	**24.4%**	248,382	26.1%
Fine chemicals	**90,392**	**12.4%**	58,329	13.3%
Pharmaceutical products and intermediates	**247,374**	**32.8%**	119,094	20.3%
Others	**1,128**	**8.5%**	1,192	10.4%
Total	**657,900**	**19.5%**	476,115	16.8%

Our gross profit increased from approximately RMB476.1 million for the year ended 31 December 2021 to approximately RMB657.9 million for the year ended 31 December 2022. Our overall gross profit margin increased from 16.8% for the year ended 31 December 2021 to approximately 19.5% for the year ended 31 December 2022.

The increase in our gross profit and gross profit margin were mainly due to the increase in (i) the gross profit contribution from our animal nutrition chemicals segment, as a result of our increasing bargaining power on purchase of raw materials as well as on sales of our products; and (ii) the gross profit margin of our iodine and iodine derivatives, as a result of the significant increase in market price of iodine and our strategic purchase plan over the year. The result was partially offset by the decrease in gross profit and gross profit margin derived from (i) polymeric MDI, as its market price gradually decreased during the year, leading to a narrower gap between the procurement price and selling price and hence a lower gross profit; and (ii) ethylene glycol, as it was a new product to us and the profit margin was still minimal.

Other income

Our other income primarily comprises gross rental income, one-off and unconditional subsidies from the relevant government authority in relation to the Group's contribution in the local district, subsidy in relation to the COVID-19 pandemic, successful listing (the "**Listing**") of the shares of the Company (the "**Share(s)**") on the Main Board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**"), bank interest income and interest income on loan receivable.

It decreased from approximately RMB15.0 million for the year ended 31 December 2021 to RMB13.1 million for the year ended 31 December 2022. The decrease in our other income was mainly due to the decrease in (i) bank interest income from approximately RMB5.7 million to approximately RMB4.3 million derived from decreasing average restricted bank deposits and bank balances during the year; and (ii) government grant from approximately RMB8.5 million to approximately RMB7.7 million during the year.

Other gains and losses

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

Our Group recorded net other losses of approximately RMB8.8 million for the year ended 31 December 2021 and net other gains of approximately RMB8.8 million for the year ended 31 December 2022. Such increase in gain in our net other gains and losses was mainly because a net foreign exchange loss of approximately RMB5.4 million was recorded for the year ended 31 December 2021 whereas a net foreign exchange gain of approximately RMB15.3 million was recorded for the year ended 31 December 2022, as a result of the appreciation of US$ against RMB during the year ended 31 December 2022, partially offset by an increase in losses on disposals of plant and equipment of approximately RMB3.9 million, as a result of the technical enhancement of our production functions in Tai'an during the year ended 31 December 2022.

Selling and distribution expenses

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

Our selling and distribution expenses increased from approximately RMB143.2 million for the year ended 31 December 2021 to approximately RMB151.8 million for the year ended 31 December 2022. The increase in our selling and distribution expenses was primarily due to the increase in (i) staff remuneration, which was due to the provision of performance bonus to our staff during the current year regarding our improving operating results; and (ii) logistic costs (including transportation, port charges and shipment costs), as driven by the increasing oil price, pandemic-related shutdown of significant ports, shortage of workforce etc..

Administrative expenses

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

Our administrative expenses increased from approximately RMB102.6 million for the year ended 31 December 2021 to approximately RMB104.5 million for the year ended 31 December 2022. The increase in our administrative expenses was primarily due to increases in our staff costs resulted from the increase in number of staff and the provision of performance bonus regarding the improving operating performance, as well as the office renovation fees due to the increasing staff number.

Research and development expenses

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

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

Our research and development expenses increased from approximately RMB59.2 million for the year ended 31 December 2021 to approximately RMB77.3 million for the year ended 31 December 2022. The increase in our research and development expenses was primarily due to an increase in cost of raw materials of approximately RMB8.0 million, staff cost of approximately RMB5.9 million and electricity expenses of approximately RMB6.2 million. The increases of the above costs was mainly derived from the artificial intelligence system transformation projects, production technology enhancement projects, expansion of research and development team as well as rising cost of raw materials as mentioned above.

Finance costs

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

Our finance costs increased from approximately RMB29.8 million for the year ended 31 December 2021 to approximately RMB37.0 million for the year ended 31 December 2022. The increase in our finance costs was primarily due to the increase in the average level of outstanding term loans and loans from related parties during the year.

Income tax expenses

Our income tax expenses increased from approximately RMB15.3 million for the year ended 31 December 2021 to approximately RMB33.4 million for the year ended 31 December 2022. The increase in our income tax expenses was in line with the increase in our profit before taxation.

Our effective tax rate was approximately 10.8% (2021: 10.5%) for the year ended 31 December 2022. The effective tax rate for both years were comparable.

Profit for the year

As a result of the foregoing, we recorded a profit for the year of approximately RMB274.6 million for the year ended 31 December 2022, comparing to a profit for the year of approximately RMB130.7 million for the year ended 31 December 2021, as a combined result of the above fluctuations.

PROSPECTS

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

During the second half of 2022, the Group deposited Vietnam Dong 33,880,000,000 (equivalent to approximately RMB10.0 million) through a subsidiary located in Vietnam for acquisition of the land use right for a land plot located at Binh Duong Province with a lease period up to 2058. The investment is expected to expand our production scale of choline chloride and iodine derivatives in Vietnam for export sales to western countries.

After reviewing the Group's existing business portfolio, development strategy and financial resources, the Board considered that the Group can benefit from exploring diversification of its operations into the financial sector which includes but not limited to the provision of financial advisory, brokerage, asset management and investment management services. Subsequent to the year ended 31 December 2022, the Group had invested into corporations with relevant licences and with qualified persons to carry out the corresponding financial services activities accordingly. The Board believes that the development of such services can complement the one-stop solutions that the Group can offer its customers and bring value to the Shareholders through better deployment of available resources.

In the opinion of the Board, the impact of the COVID-19 outbreak worldwide and the international affairs including the US-China trade relationship and the Russia-Ukraine War to the Group is still uncertain up to the date of this announcement. Management will remain alert to the above issues and take measures as appropriate.

CAPITAL STRUCTURE, LIQUIDITY AND FINANCIAL RESOURCES

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

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

As at 31 December 2022, the Group's total assets and cash and cash equivalents amounted to approximately RMB1,678.6 million (2021: RMB1,367.3 million) and RMB103.2 million (2021: RMB58.0 million), respectively. The cash and cash equivalents were mainly denominated in RMB and US$.

As at 31 December 2022, the borrowings (including loans from related companies) were approximately RMB655.9 million (2021: RMB691.2 million). As at 31 December 2022, borrowings amounting to approximately RMB645.9 million (2021: RMB671.2 million) are carried at fixed interest rates ranging from 0% to 7.2% (2021: from 0% to 8.0%) per annum and repayable from 2023 to 2050 (2021: from 2022 to 2050), borrowings amounting to approximately RMB10.0 million (2021: RMB20.0 million) are carried at variable interest rates ranging from 4.25% to 5.7% (2021: from 4.35% to 5.7%) per annum and repayable in 2023 (2021: repayable in 2022).

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 108.8% (2021: 203.8%). The decreasing gearing ratio of the Group was mainly due to the increasing profit generated by the Group during the year.

USE OF PROCEEDS FROM GLOBAL OFFERING

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

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

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

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

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

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

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

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

Since the Listing Date and up to 31 December 2022, the net proceeds from the Listing had been applied as follows:

Business objective as stated in the Prospectus	Percentage of total net proceeds	Planned use of net proceeds HK$'million	Planned use of net proceeds RMB'million	Actual use of net proceeds during the period from the Listing Date to 31 December 2022 RMB'million	Proceeds unused as at 31 December 2022 RMB'million	Planned timeline as stated in the Prospectus	Expected timeline
Initial establishment of the New Production Plant	17.2%	11.3	10.1	10.1	0.0	Complete in the second half of 2020	Complete in the first half of 2023
Construction of production facilities at the New Production Plant for the production of trimethylamine	60.4%	39.8	35.4	35.4	0.0	Complete in the second half of 2021	Complete in the first half of 2023
Construction of pilot plant at the New Production Plant for the production of pharmaceutical intermediates	10.2%	6.7	6.0	6.0	0.0	Complete in the second half of 2021	Complete in the first half of 2023
Research and development on moxifloxacin hydrochloride tablets	2.2%	1.5	1.3	1.3	0.0	Complete in the second half of 2020	Complete in the first half of 2023
Upgrade of the financial and accounting management system	0.8%	0.5	0.4	0.4	0.0	Complete in the second half of 2020	Complete in the second half of 2022
General working capital	9.2%	6.1	5.4	5.4	0.0	N/A	N/A
Total	100.0%	65.9	58.6	58.6	0.0		

As at the date of this announcement, the Group had entered into several construction contracts with constructors regarding the establishment of the New Production Plant and the construction works had been kicked-off during the year ended 31 December 2022 (details of the Group's capital commitment disclosed in section headed "Capital Commitment" below).

The Board considers that the execution of the Group's expansion plans of establishment of the New Production Plant had been/will be impeded by the postponed resumption of normal operation of constructors with the impact of the outbreak of the COVID-19.

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

PRINCIPAL RISKS AND UNCERTAINTIES AND RISK MANAGEMENT

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

Currency risk

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

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

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

Interest Rate Risk

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

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

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

Credit Risk

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

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

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

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

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 2022.

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

Liquidity Risk

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

TREASURY POLICIES

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

FOREIGN EXCHANGE EXPOSURE

The Group's foreign currency transactions are mainly denominated in RMB and US$. The Group has currency exposure as certain income and expenses incurred in the mainland of China were denominated in RMB and certain overseas sales income were denominated in US$ 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 RMB282.7 million (2021: RMB217.3 million).

CAPITAL COMMITMENT

As at 31 December 2022, the Group had a capital commitment of approximately RMB17.0 million (2021: RMB19.9 million). The capital commitments primarily related to the acquisition of land and factories in Vietnam, the establishment of the New Production Plant and purchase of machinery and equipment for existing usage. We intend to fund these commitments with cash generated from our operations, bank and other borrowings and proceeds from the Global Offering.

PLEDGE OF ASSETS

As at 31 December 2022, save as (i) restricted bank deposits of approximately RMB33.9 million (2021: RMB111.5 million); (ii) right-of-use assets and property, plant and equipment of approximately RMB44.4 million and RMB99.7 million respectively (2021: right-of-use assets and property, plant and equipment of approximately RMB45.3 million and RMB54.0 million respectively); (iii) bill receivables at fair value through other comprehensive income of approximately RMB76.9 million (2021: RMB76.6 million); (iv) cash and cash equivalents of approximately RMB3.7 million (2021: RMB1.2 million); (v) inventories of approximately RMB10.6 million (2021: RMB5.2 million); and (vi) trade receivables and other receivables and prepayments of approximately RMB2.8 million (2021: RMB0.3 million) to secure the borrowings, the Group did not pledge any other assets.

CONTINGENT LIABILITIES

As at 31 December 2022, the Group did not have any significant contingent liabilities (2021: Nil).

DIVIDENDS

The Board has resolved not to recommend the payment of any final dividend for the year ended 31 December 2022 (2021: Nil).

EMPLOYEES AND REMUNERATION POLICIES

As at 31 December 2022, the Group had a total of 1,028 (2021: 873) employees, including the Directors. Total staff costs (including Directors' remuneration) was approximately RMB118.0 million (2021: RMB97.8 million) for the year ended 31 December 2022.

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 (i) 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; and (ii) a share award plan adopted by the Company on 1 March 2023 where Shares may be granted to the directors and employees of the Group, holding companies, fellow subsidiaries or associated companies of the Company, 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.

SIGNIFICANT INVESTMENTS

During the year ended 31 December 2022, the Group did not hold any significant investment or capital assets (2021: Nil).

FUTURE PLANS FOR MATERIAL INVESTMENTS AND CAPITAL EXPENDITURES

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

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

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES

The Group has not acquired nor disposed of any of its subsidiaries during the year ended 31 December 2022.

EVENTS AFTER REPORTING PERIOD

The Group did not have any significant events after reporting period.

AUDIT COMMITTEE AND REVIEW OF CONSOLIDATED FINANCIAL STATEMENTS

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

The Audit Committee has reviewed the accounting principles and practices adopted by the Group and discussed the auditing, internal control and risk management and financial reporting matters, including review of the audited consolidated financial statements of the Group for the year ended 31 December 2022 with the management and the Company's external auditor, Deloitte Touche Tohmatsu.

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year ended 31 December 2022 as set out in the annual results announcement have been agreed by the Group's auditor, Messrs. Deloitte Touche Tohmatsu, in the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by Messrs. Deloitte Touche Tohmatsu in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by Messrs. Deloitte Touche Tohmatsu on the annual results announcement.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

The Company was listed on the Stock Exchange on 21 January 2020. 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 2022 and up to the date of this announcement.

DIRECTORS' INTERESTS IN A COMPETING BUSINESS

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

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 to the Listing Rules (the **"Model Code"**) as its own code of conduct regarding the dealings in securities of the Company by the Directors during the year ended 31 December 2022. 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 2022.

CORPORATE GOVERNANCE PRACTICES

The Company has adopted the code provisions (the **"Code Provisions"**) as set out in the Corporate Governance Code (the **"CG Code"**) in Appendix 14 to the Listing Rules during the year ended 31 December 2022. During the year ended 31 December 2022, the Company has complied with all the Code Provisions of the CG Code, save and except for the code provision C.2.1. Details of the deviation from the Code Provision C.2.1 are explained in the section "Chairman and Chief Executive Officer" below. The Board is committed to complying with the principles of the CG Code contained in the Appendix 14 to the Listing Rules. The Company is committed to achieving and maintaining high standards of corporate governance consistent with the needs and requirements of its business and the Shareholders. The corporate governance principles of the Company emphasise a quality board, sound internal controls, and transparency and accountability to all the Shareholders. The Board will continue to review and enhance its corporate governance practice to ensure compliance with the CG Code, and make necessary changes as appropriate.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

Under Code Provision C.2.1 of the CG Code, the roles of the Chairman of the Board and chief executive officer of the Company should be separated and should not be performed by the same individual. During the year ended 31 December 2022, the Company has not separated the roles of the Chairman of the Board and the Chief Executive Officer of the Company. Mr. Yin Yanbin was the Chairman of the Board and also the Chief Executive Officer of the Company responsible for overseeing the operations of the Group during year. The Board believes that vesting the roles of both the Chairman of the Board and the Chief Executive Officer of the Company in the same person provides the Company with strong and consistent leadership, and allows for effective and efficient planning and implementation of business decisions and strategies. The Board shall nevertheless review the structure from time to time to ensure appropriate move is being taken should suitable circumstances arise.

ANNUAL GENERAL MEETING

The annual general meeting (**"AGM"**) of the Company will be held on Wednesday, 24 May 2023, the notice of which shall be sent to the Shareholders in accordance with the articles of association of the Company, the Listing Rules and other applicable laws and regulations.

CLOSURE OF REGISTER OF MEMBERS

For the purpose of determining the identity of the Shareholders entitled to attend and vote at the AGM scheduled to be held on Wednesday, 24 May 2023, the register of members of the Company will be closed from Friday, 19 May 2023 to Wednesday, 24 May 2023, both days inclusive, during which period no transfer of Shares will be effected. All transfers accompanied by the relevant certificates must be lodged with the Company's branch share registrar and transfer office in Hong Kong, Tricor Investor Services Limited at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong for registration not later than 4:30 p.m. on Thursday, 18 May 2023 (Hong Kong time).

COMMUNICATION WITH SHAREHOLDERS

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

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

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

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

Hong Kong, 24 March 2023

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