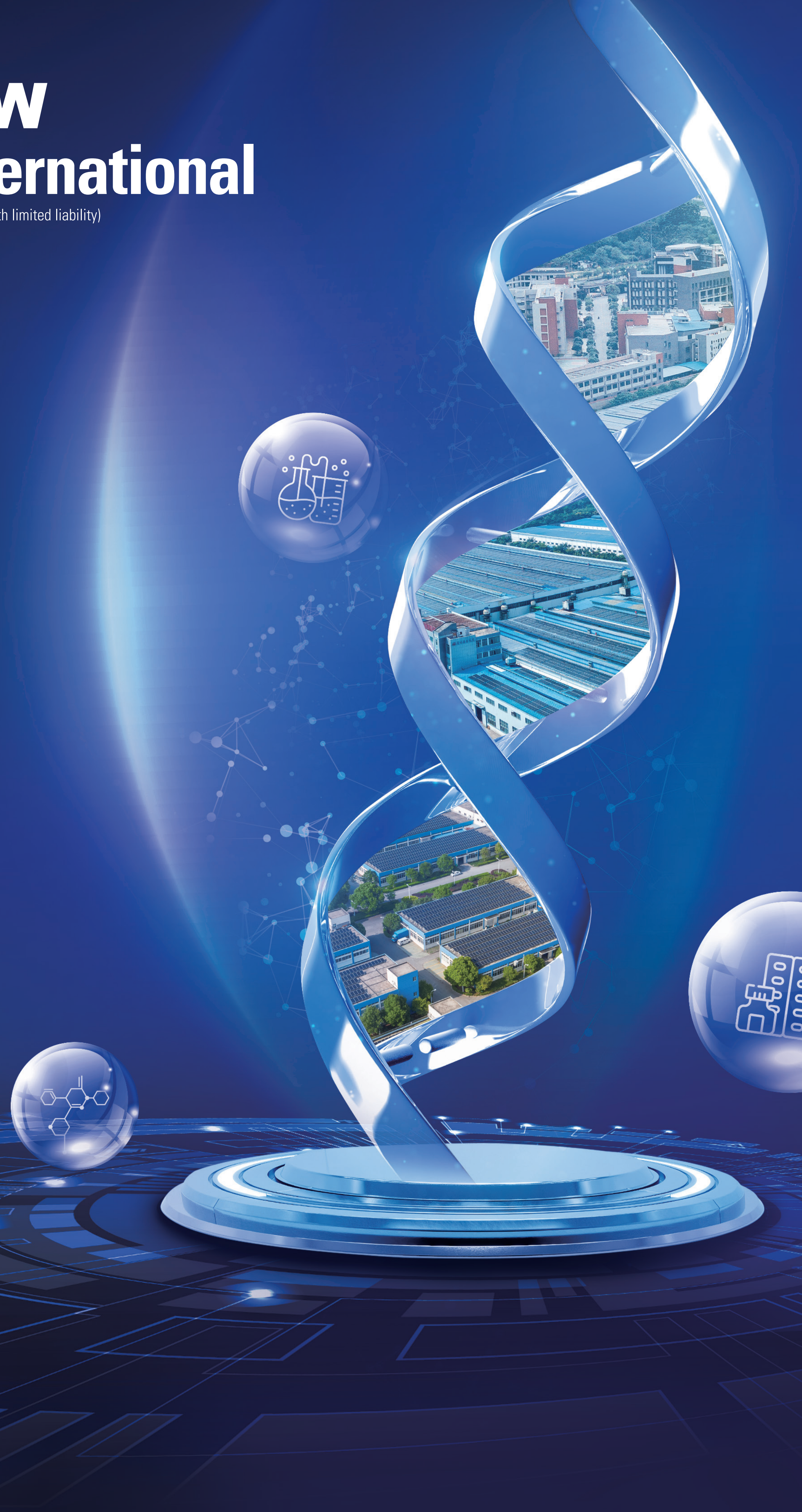
GHW International

(Incorporated in the Cayman Islands with limited liability)

Stock Code : 9933



2024 INTERIM 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

CORPORATE INFORMATION

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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

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

Link Market Services (Hong Kong) 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

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS OVERVIEW

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

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

Polyurethane materials are widely used in manufacturing industries, such as insulation, building materials, adhesives, sponges, shoe materials, foam pads, interior components and other lightweight automotive parts to foster fuel and energy savings.

The two major products under our animal nutrition chemicals segment are additives commonly used in feeds for poultry and livestock, which are crucial to the downstream animal husbandry industries. Choline chloride is animal feeds for the accelerating of animal growth. It can also be used as a clay stabiliser in oil and gas drilling and hydraulic fracturing. Betaine can be used as dietary feeding attractants which have important physiological functions within the animal bodies and improves the growth and survival rate of fish, poultry, swine and other animals. During the current period, our production line for methylamine had been set up and was in use. Trimethylamine is one of the principal raw materials used to produce choline chloride and betaine, whereas monomethylamine and dimethylamine, which are generated as by-products during the production process of trimethylamine, are widely used in new energy, pharmaceutical and dyeing industry, and textile and rubber industry.

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

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

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

In order to further expand our market in sales of supplements, the Group engaged in organisation of sport events during the period. During the six months ended 30 June 2024, we incurred expenses of approximately RMB3.2 million for an mixed martial arts competition to be carried out in Macau in October 2024. We believe that such marketing campaign can effectively promote our product brand and help to develop our supplement and related products' sales market.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

During the six months ended 30 June 2024, although the sales volume of choline chloride, betaine and methylamine increased by more than 39%, 51% and 422%, respectively, the gross profit generated from our animal nutrition chemical segment increased only from RMB83.1 million to RMB83.3 million, which is mainly due to the decrease in the prices of our products as a result of (i) oversupply of similar products in the market; and (ii) fierce competition among the animal nutrition industry players.

For our fine chemical segment, both the revenue and the gross profit generated from this segment increased from RMB336.9 million and RMB14.9 million to RMB425.1 million and RMB40.0 million, respectively. The increase was mainly derived from the increasing production volume and sales of self-manufacturing products including isooctanoic acid. cardanol and diethyl sulfate and leading to the benefit of economy of scale.

For iodine and iodine derivatives, the supply of iodine from Chile had been reduced leading to a limited supply during the period and an increase in market price of iodine allow us to increase our gross profit through strategic procurement plan. Furthermore, 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.

The increase in profitability derived from the above products outweighed the decrease in gross profit of polyurethane materials segment, which mainly consists of our third-party manufactured trading products, such as polymeric methylene diphenyl diisocyanate ("**polymeric MDI**") and toluene diisocyanate ("**TDI**"). As a result, our revenue and gross profit during the six months ended 30 June 2024 increased as compared to the corresponding period last year.

During the six months ended 30 June 2024, our Group recorded a revenue of approximately RMB1,790.2 million (2023: RMB1,476.1 million), representing an increase of 21.3% as compared to the corresponding period last year.

The net profit attributed to owners of the Company for the six months ended 30 June 2024 amounted to approximately RMB4.4 million (2023: RMB0.9 million). The increase in profit was mainly attributable to an increase in gross profit from approximately RMB166.6 million for the six months ended 30 June 2023 to approximately RMB194.5 million for the six months ended 30 June 2024 as a result of the increase in gross profit generated from our self-manufacturing products in the fine chemicals segment, including isooctanoic acid, cardanol and diethyl sulfate; which is partially offset by (i) the decrease in other gain due to the decrease in net exchange gain as a result of the depreciation of United States dollar ("**US$**") against Renminbi ("**RMB**") during the period; (ii) the increase in selling and distribution expenses due to the significant increases in shipment and logistics costs, which was in line with the increase in sales volume during the period; and (iii) an increase in administrative expenses due to increases in transportation expense and advisory fees for conducting feasibility studies of our potential expansion plans and site visits of locations, as well as the increasing rental and other office expenses due to the expansion of office in Hong Kong.

Details of our financial performance is further explained below.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

Revenue

The table below sets forth the breakdown of our revenue by business segments during the six months ended 30 June 2024:

Total revenue by business segments

	For the six months ended 30 June			
	2024		2023	
	RMB'000	% of total revenue	RMB'000	% of total revenue
Polyurethane materials	**287,261**	**16.0%**	321,105	21.7%
Animal nutrition chemicals	**617,525**	**34.5%**	458,635	31.1%
Fine chemicals	**425,085**	**23.7%**	336,918	22.8%
Pharmaceutical products and intermediates and supplements	**453,624**	**25.4%**	352,708	23.9%
Sub-total	**1,783,495**	**99.6%**	1,469,366	99.5%
Others (note)	**6,699**	**0.4%**	6,740	0.5%
Total	**1,790,194**	**100.0%**	1,476,106	100.0%

	For the six months ended 30 June			
	2024		2023	
	RMB'000	% of total revenue	RMB'000	% of total revenue
Self-manufactured chemicals	**1,406,830**	**78.6%**	985,607	66.8%
Chemicals produced by third parties	**376,665**	**21.0%**	483,759	32.7%
Sub-total	**1,783,495**	**99.6%**	1,469,366	99.5%
Others (note)	**6,699**	**0.4%**	6,740	0.5%
Total	**1,790,194**	**100.0%**	1,476,106	100.0%

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

Polyurethane materials

Our revenue generated from the sales of polyurethane materials decreased from approximately RMB321.1 million for the six months ended 30 June 2023 to approximately RMB287.3 million for the six months ended 30 June 2024, primarily due to the decrease in (i) our sales volume of our significant polyurethane materials products, such as polymeric MDI and TDI; and (ii) average selling price of TDI.

Our sales volume of polymeric MDI and TDI decreased from approximately 13,082 tonnes and 2,484 tonnes, respectively, to approximately 11,144 tonnes and 1,728 tonnes, respectively. During the six months ended 30 June 2024, the operation of downstream industries in mainland China, especially construction industry and household appliances industries, were still not recovered from the global economic downturn in previous years, leading to a decrease in demand of polymeric MDI in mainland China during the period. On the other hand, due to the expansion of production capacity of a domestic competitor of TDI, our market share of TDI in mainland China decreased. As a result, our sales volume of polymeric MDI and TDI decreased when compared to the corresponding period last year.

MANAGEMENT DISCUSSION AND ANALYSIS

On the other hand, our average selling prices of polymeric MDI and TDI was approximately RMB14,029 and RMB17,313, respectively, per tonne for the six months ended 30 June 2023 and approximately RMB14,846 and RMB14,636 per tonne, respectively, for the six months ended 30 June 2024. For TDI, the market price dropped also due to the increase in supply from our domestic competitor of TDI as mentioned above.

Animal nutrition chemicals

Our revenue generated from sales of animal nutrition chemicals increased from approximately RMB458.6 million for the six months ended 30 June 2023 to approximately RMB617.5 million for the six months ended 30 June 2024, primarily due to the increase in sales volume of choline chloride, betaine and methylamine, which is a new product of the Company in 2023, which is partially offset by the decrease in our average selling prices of the above products.

During the six months ended 30 June 2024, sales of choline chloride accounted for approximately 66% (2023: 75%) of our revenue under the animal nutrition chemicals segment. The revenue generated from sales of choline chloride increased from approximately RMB343.8 million for the six months ended 30 June 2023 to approximately RMB410.4 million for the six months ended 30 June 2024. The revenue generated from sales of betaine also increased from approximately RMB62.1 million for the six months ended 30 June 2023 to approximately RMB81.5 million for the six months ended 30 June 2024. The revenue generated from sales of methylamine also increased from approximately RMB25.2 million for the six months ended 30 June 2023 to approximately RMB113.1 million for the six months ended 30 June 2024.

Our sales volumes of choline chloride, betaine and methylamine increased from approximately 71,420 tonnes, 9,985 tonnes and 7,499 tonnes for the six months ended 30 June 2023 to approximately 99,249 tonnes, 15,110 tonnes and 39,196 tonnes for the six months ended 30 June 2024. During the 2023, our product line for trimethylamine, being one of the important raw materials in the production of choline chloride, has commenced operation which increased our competitive advantage on production scale and process among the industry. As a result, we had an increase in market shares and sales to our existing/new customers of choline chloride, betaine and methylamine.

The average selling prices of choline chloride, betaine and methylamine decreased from approximately RMB4,814, RMB6,215 and RMB3,357 per tonne, respectively, for the six months ended 30 June 2023 to approximately RMB4,135, RMB5,396 and RMB2,886 per tonne, respectively, for the six months ended 30 June 2024, primarily because of the decrease in (i) the raw material costs due to oversupply in the market; and (ii) the decreasing demand from our downstream customers due to the decreasing market price of live pigs and profitability in swine industry.

Fine chemicals

Our revenue generated from sales of fine chemicals increased from approximately RMB336.9 million for the six months ended 30 June 2023 to approximately RMB425.1 million for the six months ended 30 June 2024, primarily attributable to the increase in sales volumes of isooctanoic acid and cardanol.

Our sales volumes of isooctanoic acid and cardanol increased from approximately 11,163 tonnes and 10,075 tonnes for the six months ended 30 June 2023 to approximately 15,028 tonnes and 24,646 tonnes for the six months ended 30 June 2024, respectively. In addition to the increase of our production capacity during 2023 on isooctanoic acid, the demand of the product from our downstream customers in plasticizer industry increased during the period, i.e. two of our customers who are engaged in plasticizer industry had increased their demand of approximately 3,800 tonnes for the period. For cardanol, we had explored new geographical markets during the past few years and co-operated with a new customer in Europe since September 2023. The sales volume to this particular customer during the six months ended 30 June 2024 was approximately 8,100 tonnes.

MANAGEMENT DISCUSSION AND ANALYSIS

Pharmaceutical products and intermediates and supplements

Our revenue generated from sales of pharmaceutical products and intermediates and supplements increased from approximately RMB352.7 million for the six months ended 30 June 2023 to approximately RMB453.6 million for the six months ended 30 June 2024, primarily due to the increase in revenue derived from iodine derivatives, which was partially offset by the decrease in sales volume of iodine.

The revenue generated from iodine and iodine derivatives changed from approximately RMB94.6 million and RMB243.8 million for the six months ended 30 June 2023 to approximately RMB55.7 million and RMB384.6 million for the six months ended 30 June 2024, respectively.

The sales volumes of iodine and iodine derivatives changed from approximately 176 tonnes and 1,135 tonnes for the six months ended 30 June 2023 to approximately 106 tonnes and 1,366 tonnes for the six months ended 30 June 2024, respectively. The decrease in sales volume of iodine is resulted from the reduction of iodine supply from Chile. Besides, we had also allocated more iodine for self-production of iodine derivatives instead of direct trading, leading to a decrease in sales volume of iodine. The increase in sales volume of iodine derivatives was mainly driven by our advertisement campaign in nutrition industry and resulting in an increase in sales of calcium iodate and sodium selenite.

The average selling prices of our iodine and iodine derivatives were approximately RMB536,290 and RMB214,835 for the six months ended 30 June 2023 to approximately RMB524,752 and RMB281,565 for the six months ended 30 June 2024. The global market price for iodine had been dropped gradually since the second half of 2023 up to March 2024 and recovered, hence the average market price of iodine for the period is comparable to the corresponding period last year. Besides, 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 average selling price in our iodine derivative products.

The table below sets forth our total sales in terms of geographical locations of our customers during the six months ended 30 June 2024:

Total revenue by geographical locations

	For the six months ended 30 June			
	2024		2023	
	RMB'000	**% of total revenue**	RMB'000	% of total revenue
Mainland China	**1,411,161**	**78.8%**	1,186,155	80.4%
Europe	**148,735**	**8.3%**	120,316	8.1%
Vietnam	**77,264**	**4.3%**	29,638	2.0%
Other countries in Asia (excluding mainland China and Vietnam)	**101,916**	**5.7%**	68,995	4.7%
Others	**51,118**	**2.9%**	71,002	4.8%
Total	**1,790,194**	**100.0%**	1,476,106	100.0%

Our revenue derived from mainland China contributed approximately 80.4% and 78.8% of our total revenue for the six months ended 30 June 2023 and 2024, respectively. Given that the revenue derived from mainland China constitutes a substantial portion of our total revenue, the fluctuations in revenue of sales in mainland China for our business segments of polyurethane materials, animal nutrition chemicals, fine chemicals and pharmaceutical products and intermediates and supplements were in line with the fluctuations in the overall revenue of each of these segments.

Our revenue derived from Europe, Vietnam and Asia (excluding mainland China and Vietnam) increased from approximately RMB120.3 million, RMB29.6 million and RMB69.0 for the six months ended 30 June 2023 to approximately RMB148.7 million, RMB77.3 million and RMB101.9 for the six months ended 30 June 2024, respectively. The fluctuation trend was in line with the financial performance of each of our business segments as described above.

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 RMB1,309.5 million for the six months ended 30 June 2023 to approximately RMB1,595.7 million for the six months ended 30 June 2024. The increase in our cost of sales was mainly attributable to the increase in raw material costs for production of choline chloride, betaine, methylamine, isooctanoic acid, cardanol and iodine derivatives, which was partially offset by the decrease in raw material costs of iodine due to the reduction in sales volume.

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 six months ended 30 June 2024:

Total gross profit by business segments

	For the six months ended 30 June			
	2024		2023	
	Gross profit		Gross profit	
	RMB'000	**margin %**	RMB'000	margin %
Polyurethane materials	**30,391**	**10.6%**	33,037	10.3%
Animal nutrition chemicals	**83,328**	**13.5%**	83,121	18.1%
Fine chemicals	**40,014**	**9.4%**	14,918	4.4%
Pharmaceutical products and intermediates and supplements	**40,098**	**8.8%**	34,627	9.8%
Others	**669**	**10.0%**	864	12.8%
Total	**194,500**	**10.9%**	166,567	11.3%

Our gross profit increased from approximately RMB166.6 million for the six months ended 30 June 2023 to approximately RMB194.5 million for the six months ended 30 June 2024. Our overall gross profit margin decreased from 11.3% for the six months ended 30 June 2023 to approximately 10.9% for the six months ended 30 June 2024.

The increase in our gross profit was mainly due to the increase in the gross profit of our fine chemical segment, as a result of the benefit of economy of scale derived from the increasing production volume of isooctanoic acid, cardanol and diethyl sulfate.

On the other hand, the decrease in our gross profit margin were mainly due to the decrease in the gross profit margin of our animal nutrition chemicals segment, as a result of the decrease in market price and the excess supply of choline chloride, betaine and methylamine in the market.

MANAGEMENT DISCUSSION AND ANALYSIS

Other income

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

Our other income slightly increased from approximately RMB2.4 million for the six months ended 30 June 2023 to approximately RMB2.7 million for the six months ended 30 June 2024. The increase in our other income was mainly due to the increase in other government grants from approximately RMB1.1 million to RMB1.4 million.

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$**") against Renminbi ("**RMB**") as the functional currency of our subsidiaries in the PRC is RMB while their export sale to customers and purchase from overseas suppliers were mainly settled in US$; (ii) gains/ losses on disposals of plant and equipment; and (iii) net gains or losses arising from fair value changes on derivative financial instruments and financial asset at fair value through profit or loss ("**FVTPL**").

Our Group recorded net other gains of approximately RMB9.7 million for the six months ended 30 June 2023 and net other losses of approximately RMB0.2 million for the six months ended 30 June 2024. Such decrease in gain in our net other gains and losses was mainly because of the decrease in a net foreign exchange gain of approximately RMB9.3 million, as a result of the depreciation of US$ against RMB during the period, comparing to an appreciation during the corresponding period last year.

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 RMB59.9 million for the six months ended 30 June 2023 to approximately RMB75.8 million for the six months ended 30 June 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 animal nutrition products.

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 RMB56.7 million for the six months ended 30 June 2023 to approximately RMB65.8 million for the six months ended 30 June 2024. The increase in our administrative expenses was primarily due to the increase in (i) transportation expense and advisory fees for conducting feasibility studies of our potential expansion plans and site visits of locations, such as Malaysia; (ii) staff costs of approximately RMB2.0 million due to the departmental reorganization from research and development team to administrative departments and production department in our Tai'an production plant upon substantial completion of several research and development projects; and (iii) rental and other office expenses of approximately RMB2.7 million due to the expansion of office in Hong Kong.

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 decreased from approximately RMB31.8 million for the six months ended 30 June 2023 to approximately RMB26.9 million for the six months ended 30 June 2024. The decrease in our research and development expenses was primarily due to a decrease in staff cost of approximately RMB4.3 million as a result of the departmental reorganization from research and development team to administrative departments and production department in our Tai'an production plant upon substantial completion of several research and development projects.

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 RMB19.3 million for the six months ended 30 June 2023 to approximately RMB19.9 million for the six months ended 30 June 2024. The increase in our finance costs was primarily due to the increase in the interest on discounted bills factoring.

Income tax expenses

Our income tax expenses decreased from approximately RMB4.3 million for the six months ended 30 June 2023 to approximately RMB2.5 million for the six months ended 30 June 2024. Our effective tax rate was approximately 35.8% (2023: 83.0%) for the six months ended 30 June 2024. The high effective tax rate for the six months ended 30 June 2023 was due to the effect of tax loss not recognised for our loss-making subsidiaries during the last period.

Profit for the period

As a result of the foregoing, we recorded a profit for the period of approximately RMB4.4 million for the six months ended 30 June 2024, comparing to a profit for the period of approximately RMB0.9 million for the six months ended 30 June 2023, as a combined result of the above fluctuations.

PROSPECTS

The Group's establishment of the new production plant in the western region from our existing Tai'an production plant at the Tai'an Daiyue Chemical Industrial Park (泰安岱嶽化工產業園) is nearly completed. The new production plant consisted production facilities for (i) the production of trimethylamine, which is the key raw material for the production of choline chloride and betaine, and (ii) the construction of a pilot plant for manufacturing various pharmaceutical intermediates, including methyl iodide, iodopropynyl butylcarbamate ("**IPBC**") and moxifloxacin side chain. Except for the production of moxifloxacin side chain, which the trial production is expected to commenced in late 2024, production lines for other products had commenced during the first half of 2023. We expected the commencement of the above production lines will increase our competitive advantage on production scale and process among the industry.

MANAGEMENT DISCUSSION AND ANALYSIS

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

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

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 the shareholders of the Company (the "**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 period.

During the six months ended 30 June 2024, the Group's working capital was financed by both internal resources and borrowings.

As at 30 June 2024, the Group's total assets and bank balances and cash amounted to approximately RMB1,945.6 million (31 December 2023: RMB1,742.4 million) and RMB97.0 million (31 December 2023: RMB77.4 million), respectively. The bank balances and cash were mainly denominated in RMB and US$.

As at 30 June 2024, the borrowings (including loans from related companies) were approximately RMB771.8 million (31 December 2023: RMB711.7 million). As at 30 June 2024, borrowings amounting to approximately RMB771.8 million (31 December 2023: RMB711.7 million) are carried at fixed interest rates ranging from 1.3% to 7.2% (31 December 2023: from 0% to 7.2%) per annum and repayable from 2024 to 2050 (31 December 2023: from 2024 to 2050).

The gearing ratio of the Group, which was calculated by dividing the total external borrowings by total equity as at the end of the period and multiplied by 100%, is 132.6% (31 December 2023: 122.4%). The increase in gearing ratio of the Group was mainly due to the increasing borrowing as at 30 June 2024.

PRINCIPAL RISKS AND UNCERTAINTIES AND RISK MANAGEMENT

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

Market risk

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

Currency risk

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

Interest Rate Risk

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

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

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

Credit Risk

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

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

The Group has applied the simplified approach to measure the loss allowance on trade receivables at lifetime expected credit loss.

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

For other receivables, rental deposits and amount due from an associate, management of the Group makes periodic collective assessment as well as individual assessment on the recoverability of these receivables based on historical settlement records, past experience and also available and supportive forward-looking information. The management of the Group believes that there is no material credit risk inherent in the Group's outstanding balances of other receivables, rental deposits and amount due from an associate.

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

The credit risk on loan receivable is limited because the counterparty is a state-owned entity with high reputation. The management is of the opinion that the average loss rate is insignificant, thus no loss allowance provision is recognised for the six months ended 30 June 2024.

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 period. 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 period, the Group did not commit to any financial instruments to hedge its exposure to foreign currency risk.

CAPITAL EXPENDITURES

During the period, the Group's capital expenditures consisted of additions to property, plant and equipment and construction in progress in our operations amounting to approximately RMB55.4 million (2023: RMB79.4 million).

CAPITAL COMMITMENT

As at 30 June 2024, the Group had a capital commitment of approximately RMB16.4 million (31 December 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 and bank and other borrowings.

PLEDGE OF ASSETS

As at 30 June 2024, save as (i) restricted bank deposits of approximately RMB31.5 million (31 December 2023: RMB30.4 million); (ii) right-of-use assets and property, plant and equipment of approximately RMB51.6 million and RMB330.6 million respectively (31 December 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 RMB79.4 million (31 December 2023: RMB86.0 million); (iv) cash and cash equivalents of approximately RMB2.0 million (31 December 2023: RMB2.4 million); (v) inventories of approximately RMB8.0 million (31 December 2023: RMB11.6 million); and (vi) trade receivables and other receivables and prepayments of approximately RMB4.1 million (31 December 2023: RMB2.4 million) to secure the borrowings, the Group did not pledge any other assets.

CONTINGENT LIABILITIES

As at 30 June 2024, the Group did not have any significant contingent liabilities (31 December 2023: Nil).

DIVIDEND

The Board has resolved not to recommend the payment of any interim dividend for the six months ended 30 June 2024 (2023: Nil).

EMPLOYEES AND REMUNERATION POLICIES

As at 30 June 2024, the Group had a total of 1,086 (2023: 1,108) employees, including the Directors. Total staff costs (including Directors' remuneration) was approximately RMB67.9 million (2023: RMB62.2 million) for the six months ended 30 June 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 30 June 2024 were nil and 50,900,000 Shares, respectively. Subsequent to the end of the reporting period, Tricor Trust (Hong Kong) Limited, which is the trustee of GHW International Employee Incentive Trust, purchased an aggregate of 5,000,000 Shares and 4,280,000 Shares on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") for the purpose of implementing the Share Award Plan, funded by the Company's internal resources with a consideration of HK$1.5 and HK$1.75 per Share, respectively. The total consideration is HK$7,500,000 (equivalent to RMB6,851,000) and HK$7,490,000 (equivalent to RMB6,841,000), respectively.

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

SIGNIFICANT INVESTMENTS

During the six months ended 30 June 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 Prospectus and in the section headed "Material Acquisitions and Disposals of Subsidiaries, Associates and Joint Ventures" below, the Group did not have any other plans for material investments or capital expenditures in the coming year.

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

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES

The Group has not acquired nor disposed of any of its material subsidiaries, associates or joint ventures during the six months ended 30 June 2024.

MANAGEMENT DISCUSSION AND ANALYSIS

EVENTS AFTER REPORTING PERIOD

(i) On 19 July 2024 and 25 July 2024, Tricor Trust (Hong Kong) Limited, which is the trustee of GHW International Employee Incentive Trust, repurchased 5,000,000 and 4,280,000 Shares through the Stock Exchange with an aggregate consideration of HK$7,500,000 and HK$7,490,000 paid respectively. No Shares were cancelled upon repurchase and remained as treasury shares. At the date of this report, the Company had outstanding treasury shares of 60,180,000 Shares.

(ii) Reference is made to the announcements of the Company dated 10 May 2024 and 15 July 2024 and circular of the Company dated 21 June 2024. Unless otherwise defined, capitalised terms used in this report shall have the same meanings as those defined in the announcements and circular.

On 10 May 2024, the Target Company, a then wholly-owned subsidiary of the Company, entered into the Capital Increase Agreement with Nanjing Goldenhighway, Taian Taiying and the Subscribers, pursuant to which the Subscribers conditionally agreed to contribute an aggregate of RMB36,775,000 for the subscription of an aggregate of approximately 8.05% of the effective interest in the registered capital of the Target Company. Immediately after the Completion, Nanjing Goldenhighway and the Subscribers will own approximately 91.95% and 8.05% of the effective interest in the registered capital of the Target Company, respectively. The transaction was completed on 12 August 2024.

OTHER INFORMATION

CORPORATE GOVERNANCE PRACTICES

The Company has adopted the code provision (the "**Code Provisions**") as set out in the Corporate Governance Code (the "**CG Code**") in Appendix C1 to the Rules Governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**"). During the six months ended 30 June 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 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.

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 six months ended 30 June 2024, the Company has not separated the roles of the Chairman of the Board and the Chief Executive Officer of the Company. Mr. Yin Yanbin ("**Mr. Yin**") is the Chairman of the Board and also the Chief Executive Officer of the Company responsible for overseeing the operations of the Group during the period. 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.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (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 six months ended 30 June 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 six months ended 30 June 2024.

CONTRACTS OF SIGNIFICANCE

Save as disclosed in the section headed "Related Party Transactions/Exempted Continuing Connected Transactions" in this report and notes 15 and 18 to the condensed 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 six months ended 30 June 2024, and no contract of significance to which the Company or any of its subsidiaries was a party and in which Mr. Yin and Ms. Wu Hailing ("**Ms. Wu**"), the spouse of Mr. Yin, Ms. Wang Wei, Mr. Pan Bing, Commonwealth B Limited ("**Commonwealth B**"), Commonwealth Yanbin Limited ("**Commonwealth Yanbin**"), Commonwealth Violet Limited, Commonwealth YYB Limited ("**Commonwealth YYB**"), Commonwealth Happy Elephant Limited ("**Commonwealth Happy Elephant**"), HMZ Holdings Ltd and HappyBean Holdings Limited (collectively, the "**Controlling Shareholders**") or an entity connected with the Controlling Shareholders had a material interest, either directly or indirectly, subsisted during or at the end of the six months ended 30 June 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.

OTHER INFORMATION

RELATED PARTY TRANSACTIONS/EXEMPTED CONTINUING CONNECTED TRANSACTIONS

Details of the related party transactions of the Group are set out in notes 15 and 18 to the condensed consolidated financial statements.

During the period, 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 9 June 2023, an agreement was entered into between Nanjing Hanhe Enterprises Co., Ltd. ("**Hanhe Enterprises**"), an indirectly-owned subsidiary of Mr. Yin, as lender and Havay Group as borrower (the "**Loan Agreement**"), pursuant to which Hanhe Enterprises had agreed to provide a loan facility to Havay Group in the aggregate amount of RMB32,150,000 (the "**New Loan Facility**") at interest rate of 4% per annum and with a term of 1 year or less from the respective loan advance dates. 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 10 March 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 RMB38,300,000 (the "**New Loan Facility II**") at interest rate of 4% per annum and with a term of 18 months or less from the respective loan advance dates. As at 30 June 2024, the outstanding loan from Hanhe Enterprises amounting to RMB58.85 million. Detailed terms of the Loan Facility were disclosed in note 15 of the condensed consolidated financial statements.

On 1 March 2022, a loan agreement was entered into between Nanjing Jinhan Tianxia Sports Culture Development Company Limited* (南京金漢天下體育文化發展有限公司) ("**Jinhan Tianxia**"), an indirectly-owned subsidiary of Mr. Yin, as lender and Havay Group as borrower (the "**Loan Agreement II**"), pursuant to which Jinhan Tianxia had agreed to provide loans to Havay 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 both parties, 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 10 June 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 RMB4,300,000 at interest rate of 4% per annum and with a term of 18 months or less from the respective loan advance dates. As at 30 June 2024, the outstanding loan from Jinhan Tianxia amounted to RMB54.3 million. Detailed terms of the loans were disclosed in note 15 of the condensed consolidated financial statements (the Loan Agreements collectively referred to as the "**Loan Arrangements**").

As at the dates of the Loan Agreements, Mr. Yin held approximately 55.31% of the issued share capital of the Company in aggregate and is a Controlling Shareholder and is therefore connected person of the Company. Accordingly, the Loan Agreements constitute connected transactions of the Company under Chapter 14A of the Listing Rules.

The Loan Arrangements 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 Loan Arrangements are fully exempted from the shareholders' approval, annual review and all disclosure requirements under Rule 14A.90 of the Listing Rules.

Save as disclosed in the notes to the condensed consolidated financial statements and as disclosed above, the Group has not entered into any connected transaction or continuing connected transaction during the period 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 period.

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

As at 30 June 2024, the interests and short positions 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 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 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	55.31%	Nil

Note:

Among these Shares, (a) 375,000,000 Shares are held by Commonwealth B, which is owned as to 80% by 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 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 30 June 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.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed above, at no time during the period 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.

OTHER INFORMATION

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 Prospectus for details of the Share Option Scheme.

As at 30 June 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 30 June 2024.

At the beginning and the end of the period ended 30 June 2024, the total number of share options that can be granted under the Share Option Scheme was 100,000,000 and 100,000,000 respectively, which represented approximately 10% and 10% of the issued share capital of the Company at such dates respectively.

SHARE AWARD PLAN

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 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 30 June 2024 were 50,900,000 and 50,900,000 Shares, respectively. Subsequent to the end of the reporting period, Tricor Trust (Hong Kong) Limited, which is the trustee of GHW International Employee Incentive Trust, purchased an aggregate of 5,000,000 Shares and 4,280,000 Shares on the Stock Exchange for the purpose of the Share Award Plan, funded by the Company's internal resources with a consideration of HK$1.5 and HK$1.75 per Share, respectively. The total consideration is HK$7,500,000 (equivalent to RMB6,851,000) and HK$7,490,000 (equivalent to RMB6,841,000), 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.

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

The aggregate number of Shares that may be issued in respect of the options and awards granted under all schemes of the Company during the six months ended 30 June 2024 was nil, representing 0% of the weighted average number of Shares in issue (excluding treasury shares) for the six months ended 30 June 2024.

EQUITY-LINKED AGREEMENTS

For the period, 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 30 June 2024.

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

As at 30 June 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	37.50%	Nil
Commonwealth Yanbin	Interest in controlled Corporation (Note 1)	375,000,000	Nil	37.50%	Nil
Commonwealth Happy Elephant	Beneficial owner	178,141,500	Nil	17.81%	Nil
Commonwealth YYB	Interest in controlled Corporation (Note 2)	178,141,500	Nil	17.81%	Nil
Ms. Wu	Interest of spouse (Note 3)	553,141,500	Nil	55.31%	Nil
Commonwealth GHW Limited ("**Commonwealth GHW**")	Beneficial owner	186,058,500	Nil	18.61%	Nil
Endless Reward Limited	Beneficial owner (Note 4)	50,900,000	Nil	5.09%	Nil
Tricor Trust (Hong Kong) Limited	Trustee of a trust (Note 4)	50,900,000	Nil	5.09%	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 are interested by Mr. Yin under the SFO.

4. Endless Reward Limited is wholly-owned by Tricor Trust (Hong Kong) Limited, which is the trustee of GHW International Employee Incentive Trust.

Save as disclosed above, as at 30 June 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.

OTHER INFORMATION

SHARE CAPITAL

Details of the movements in the share capital of the Company during the six months ended 30 June 2024 are set out in note 16 to the condensed consolidated financial statements of this report.

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

Save as disclosed in the section headed "Share Award Plan" in this report, none of the Company or any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the six months ended 30 June 2024.

INTERIM DIVIDEND

The Board has resolved not to recommend the payment of any interim dividend for the six months ended 30 June 2024 (2023: Nil). No dividend was paid during the period under review.

AUDIT COMMITTEE AND REVIEW OF CONDENSED 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 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 unaudited condensed consolidated financial statements of the Group for the six months ended 30 June 2024 with the management.

On behalf of the Board
Yin Yanbin
Chairmen and Chief Executive Officer

Hong Kong, 26 August 2024

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED 30 JUNE 2024

	Notes	Six months ended 30 June	
		2024 RMB'000 (Unaudited)	2023 RMB'000 (Unaudited)
Revenue	4	**1,790,194**	1,476,106
Cost of sales		**(1,595,694)**	(1,309,539)
Gross profit		**194,500**	166,567
Other income	5	**2,691**	2,446
Other gains and losses	5	**(167)**	9,709
Impairment losses under expected credit loss model, net of reversal		**(1,656)**	(5,109)
Selling and distribution expenses		**(75,834)**	(59,922)
Administrative expenses		**(65,785)**	(56,705)
Research and development expenses		**(26,915)**	(31,813)
Share of result of an associate		**–**	(661)
Finance costs		**(19,902)**	(19,328)
Profit before taxation	6	**6,932**	5,184
Taxation	7	**(2,485)**	(4,303)
Profit for the period		**4,447**	881
Other comprehensive (expense) income			
Items that may be reclassified subsequently to profit or loss:			
Exchange difference arising on translation of foreign operations		**(3,558)**	(996)
Fair value loss on bill receivables at fair value through other comprehensive income ("**FVTOCI**")		**(346)**	(189)
Income tax relating to an item that may be reclassified subsequently to profit or loss		**53**	23
Other comprehensive expense for the period, net of income tax		**(3,851)**	(1,162)
Total comprehensive income (expense) for the period		**596**	(281)
Profit for the period attributable to owners of the Company		**4,447**	881
Total comprehensive income (expense) attributable to owners of the Company		**596**	(281)
Earnings per share			
– Basic (RMB per share)	9	**0.005**	0.001
– Diluted (RMB per share)	9	**N/A**	N/A

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 30 JUNE 2024

	Notes	As at 30 June 2024 RMB'000 (Unaudited)	As at 31 December 2023 RMB'000 (Audited)
Non-current assets			
Property, plant and equipment	10	**795,942**	779,251
Right-of-use assets	10	**58,576**	50,299
Interest in an associate		**—**	—
Rental deposits		**987**	829
Deferred tax assets		**6,716**	5,499
Loan receivable		**16,963**	16,664
		879,184	852,542
Current assets			
Inventories		**429,382**	340,115
Trade receivables	11	**254,863**	223,973
Bill receivables at FVTOCI	12	**129,732**	100,848
Other receivables and prepayments		**113,259**	109,701
Tax recoverable		**687**	1,467
Financial assets at FVTPL		**305**	448
Amount due from an associate		**9,730**	5,471
Restricted bank deposits		**31,454**	30,404
Cash and cash equivalents		**96,987**	77,393
		1,066,399	889,820
Current liabilities			
Trade and bill payables	13	**433,576**	274,965
Other payables and accrued charges		**87,223**	105,328
Lease liabilities		**4,751**	4,774
Contract liabilities		**35,346**	25,581
Tax liabilities		**2,755**	1,923
Borrowings	14	**584,899**	471,909
		1,148,550	884,480
Net current (liabilities) assets		**(82,151)**	5,340
Total assets less current liabilities		**797,033**	857,882

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 30 JUNE 2024

	Notes	As at 30 June 2024 RMB'000 (Unaudited)	As at 31 December 2023 RMB'000 (Audited)
Non-current liabilities			
Other payables		–	8,128
Borrowings	14	73,792	158,148
Loans from related companies	15	113,150	81,600
Lease liabilities		2,371	1,890
Deferred tax liabilities		25,707	26,699
		215,020	276,465
Net assets		582,013	581,417
Capital and reserves			
Share capital	16	8,844	8,844
Reserves		573,169	572,573
Total equity		582,013	581,417

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED 30 JUNE 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	Total RMB'000
At 1 January 2023 (audited)	8,844	78,219	58,363	1,709	(9,129)	95,495	(266)	–	369,385	602,620
Profit for the period	–	–	–	–	–	–	–	–	881	881
Other comprehensive expense for the period	–	–	–	–	(996)	–	(166)	–	–	(1,162)
Total comprehensive (expense) income for the period	–	–	–	–	(996)	–	(166)	–	881	(281)
Appropriation	–	–	–	–	–	1,880	–	–	(1,880)	–
At 30 June 2023 (unaudited)	8,844	78,219	58,363	1,709	(10,125)	97,375	(432)	–	368,386	602,339
At 1 January 2024 (audited)	**8,844**	**78,219**	**58,363**	**1,709**	**(10,007)**	**96,479**	**(294)**	**(23,021)**	**371,125**	**581,417**
Profit for the period	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**4,447**	**4,447**
Other comprehensive expense for the period	**–**	**–**	**–**	**–**	**(3,558)**	**–**	**(293)**	**–**	**–**	**(3,851)**
Total comprehensive (expense) income for the period	**–**	**–**	**–**	**–**	**(3,558)**	**–**	**(293)**	**–**	**4,447**	**596**
At 30 June 2024 (unaudited)	**8,844**	**78,219**	**58,363**	**1,709**	**(13,565)**	**96,479**	**(587)**	**(23,021)**	**375,572**	**582,013**

Note a: Capital reserve represented (i) the capital injection from owners of Nanjing Goldenhighway International Supply Chain Management Company Limited ("**GHW International SCM**"), a subsidiary of 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 reorganisation amounting to RMB28,336,000; (iii) acquisition of additional interest in Taian Havay Group Co., Ltd., 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 Group in the mainland of China 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.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE SIX MONTHS ENDED 30 JUNE 2024

	Six months ended 30 June	
	2024 RMB'000 (Unaudited)	2023 RMB'000 (Unaudited)
NET CASH FROM OPERATING ACTIVITIES	**39,923**	26,987
INVESTING ACTIVITIES		
Purchases of property, plant and equipment	**(67,734)**	(75,912)
Placements of restricted bank deposits	**(31,454)**	(49,001)
Advance to an associate	**(4,262)**	(10,455)
Net payment for rental deposits	**(158)**	(239)
Purchase of derivative financial instruments	**(7)**	—
Acquisition of interest in an associate	**—**	(580)
Withdrawal of restricted bank deposits	**30,404**	33,935
Interest received	**637**	865
Proceeds on disposals of property, plant and equipment	**210**	1,439
Withdrawal of financial asset at FVTPL	**1**	—
Net cash used in investing activities	**(72,363)**	(99,948)
FINANCING ACTIVITIES		
Repayments of borrowings	**(286,437)**	(188,955)
Interest paid	**(18,099)**	(16,117)
Repayments to a related company	**(12,975)**	(9,225)
Repayments of lease liabilities	**(2,725)**	(1,978)
New borrowings raised	**316,345**	265,152
Loans from a related company	**42,600**	10,600
Proceeds from underecognised discounted bills	**15,392**	9,344
Net cash from financing activities	**54,101**	68,821
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**21,661**	(4,140)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD	**77,393**	103,183
Effects of foreign exchange rate change	**(2,067)**	2,097
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD	**96,987**	101,140

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 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 Main Board of the Stock Exchange with effect from 21 January 2020. The controlling shareholders of the Company are Mr. Yin and Ms. Wu. 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.

2. BASIS OF PREPARATION OF CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

The condensed consolidated financial statements have been prepared in accordance with International Accounting Standard 34 "Interim Financial Reporting" issued by the International Accounting Standards Board ("**IASB**") as well as with the applicable disclosure requirements of Appendix 16 to the Listing Rules.

The condensed consolidated financial statements are presented in RMB, which is the same as the functional currency of the Company.

3. SIGNIFICANT ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments, which are measured at fair values, as appropriate.

Other than the change in accounting policies resulting from application of amendments to International Financial Reporting Standards ("**IFRSs**"), agenda decisions of the IFRS Interpretations Committee (the "**Committee**") of the International Accounting Standards Board (the "**IASB**"), and application of certain accounting policies which became relevant to the Group in the current interim period, the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2024 are the same as those presented in the Group's annual consolidated financial statements for the year ended 31 December 2023.

In the current interim period, the Group has applied the new and amendments to IFRSs issued by the IASB, for the first time, which are mandatory effective for the annual period beginning on or after 1 January 2024 for the preparation of the Group's condensed consolidated financial statements.

The application of the new and amendments to IFRSs and the Committee's agenda decisions in the current interim period has had no material impact on the Group's financial positions and performance for the current and prior periods and/or on the disclosures set out in these condensed consolidated financial statements.

4. REVENUE AND SEGMENT INFORMATION

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

	Six months ended 30 June	
	2024 RMB'000 (Unaudited)	2023 RMB'000 (Unaudited)
Types of goods		
Animal nutrition	**617,525**	458,635
Polyurethane materials	**287,261**	321,105
Medicine and supplements	**453,624**	352,708
Fine chemicals	**425,085**	336,918
Others	**6,699**	6,740
	1,790,194	1,476,106
Timing of revenue recognition		
A point in time	**1,790,194**	1,476,106

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

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

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2024

4. REVENUE AND SEGMENT INFORMATION *(Continued)*

Geographical information

Information about the Group's revenue from external customers is presented based on the location of customers.

	Revenue from external customers Six months ended 30 June	
	2024 RMB'000 (Unaudited)	2023 RMB'000 (Unaudited)
Mainland China	**1,411,161**	1,186,155
Europe	**148,735**	120,316
Vietnam	**77,264**	29,638
Other countries in Asia (excluding Mainland China and Vietnam)	**101,916**	68,995
Others	**51,118**	71,002
	1,790,194	1,476,106

Information about major customers

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

5. OTHER INCOME AND OTHER GAINS AND LOSSES

	Six months ended 30 June	
	2024 RMB'000 (Unaudited)	2023 RMB'000 (Unaudited)
Other income		
Government grants	**1,409**	1,054
Bank interest income	**637**	865
Interest income on loan receivable	**299**	298
Others	**346**	229
	2,691	2,446
Other gains and losses		
Net exchange (losses) gains	**(114)**	9,190
Losses on disposals of plant and equipment	**(654)**	(784)
Fair value change on financial asset at FVTPL	**(144)**	7
Fair value change on derivative financial instruments		
– commodity derivative contracts (note)	**—**	(237)
– foreign currency future contracts (note)	**(7)**	(14)
Others	**752**	1,547
	(167)	9,709

Note: During the six months ended 30 June 2024, amount represented realised losses of nil (2023: realised losses of RMB237,000) and unrealised gains of nil (2023: nil) arising on changes in fair value of commodity derivative contracts, and realised gain of nil (2023: nil) and unrealised losses of RMB7,000 (2023: unrealised losses of RMB14,000) arising on changes in fair value of foreign currency future contracts.

6. PROFIT BEFORE TAXATION

	Six months ended 30 June	
	2024 **RMB'000** **(Unaudited)**	2023 RMB'000 (Unaudited)
Profit before taxation has been arrived at after charging (crediting) to profit and loss:		
Cost of inventories recognised as expenses	**1,595,853**	1,309,511
Depreciation of property, plant and equipment	**36,168**	28,875
Depreciation of right-of-use assets	**3,263**	2,827
Total depreciation	**39,431**	31,702
Capitalised as cost of inventories manufactured	**(32,063)**	(25,070)
	7,368	6,632
Write-down of inventories	**841**	29

7. TAXATION

	Six months ended 30 June	
	2024 **RMB'000** **(Unaudited)**	2023 RMB'000 (Unaudited)
Current tax	**3,495**	5,610
Underprovision in prior years	**1,324**	26
	4,819	5,636
Deferred tax	**(2,334)**	(1,333)
Total	**2,485**	4,303

8. DIVIDENDS

No dividend was paid or declared by the Company for the six months ended 30 June 2024 and 2023.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2024

9. EARNINGS PER SHARE

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

	Six months ended 30 June	
	2024 RMB'000 (Unaudited)	2023 RMB'000 (Unaudited)
Earnings:		
Earnings for the purposes of calculating basic earnings per share attributable to owners of the Company	**4,447**	881

	Six months ended 30 June	
	2024 '000	2023 '000
Number of shares:		
Weighted average number of ordinary shares for the purpose of calculating basic earnings per share (note)	**949,100**	1,000,000

Note: The Trustee of the Company's share award plan repurchased 50,900,000 shares of the Company during the year ended 31 December 2023.

No diluted earnings per share was presented as there were no potential ordinary shares in issue for the six months ended 30 June 2023 and 2024.

10. PROPERTY, PLANT AND EQUIPMENT AND RIGHT-OF-USE ASSETS

During the current interim period, the Group disposed of property, plant and equipment with an aggregate carrying amount of RMB864,000 (2023: RMB2,223,000) for cash proceeds of RMB210,000 (2023: RMB1,439,000), resulting in a loss on disposal of RMB654,000 (2023: RMB784,000).

In addition, during the current interim period, the Group acquired property, plant and equipment with an aggregate amount of RMB55,374,000 (2023: RMB79,367,000).

As at 30 June 2024, the Group has pledged buildings, plant and machinery and motor vehicles with a total net book value of RMB330,615,000 (31 December 2023: RMB355,340,000) to secure general banking and other facilities granted to the Group.

During the current interim period, the Group entered into new lease agreements for the use of offices and warehouses for 1 year to 3 years (2023: 1 year to 3 years). The Group is required to make fixed monthly payments. On lease commencement, the Group recognised RMB4,317,000 (2023: RMB4,090,000) of right-of-use asset and lease liability.

10. PROPERTY, PLANT AND EQUIPMENT AND RIGHT-OF-USE ASSETS *(Continued)*

For both periods, the Group leases various offices, warehouses and parking spaces for its operations. Lease contracts are entered into for fixed term of 7 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.

As at 30 June 2024, the Group has pledged leasehold land with a net book value of RMB51,620,000 (31 December 2023: RMB43,377,000) to secure general banking facilities granted to the Group.

11. TRADE RECEIVABLES

	As at	
	30 June 2024 RMB'000 (Unaudited)	31 December 2023 RMB'000 (Audited)
Trade receivables	**261,713**	229,237
Less: allowance for credit losses	**(6,850)**	(5,264)
	254,863	223,973

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	
	30 June 2024 RMB'000 (Unaudited)	31 December 2023 RMB'000 (Audited)
0-30 days	**156,230**	135,651
31-60 days	**77,977**	62,561
61-90 days	**14,446**	14,519
Over 90 days	**6,210**	11,242
	254,863	223,973

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2024

11. TRADE RECEIVABLES *(Continued)*

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 30 June 2024, carrying amount of trade receivables amounted to RMB4,071,000 (31 December 2023: RMB2,398,000) have been pledged as security for the Group's borrowing.

The Group does not hold any collateral over these balances.

	Six months ended 30 June	
	2024 RMB'000 (Unaudited)	2023 RMB'000 (Unaudited)
Impairment loss recognised in respect of trade receivables	**1,656**	5,109

The basis of determining the inputs and assumptions and the estimation techniques used in the condensed consolidated financial statements for the six months ended 30 June 2024 are the same as those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2023.

During the six months ended 30 June 2024, the Group provided impairment allowance of RMB1,834,000 (2023: RMB5,348,000). In particular a specific loss allowance of RMB551,000 (2023: RMB1,824,000) has been made to individual debtors because the debtors are in severe financial difficulty and there is no realistic prospect of recovery.

During the six months ended 30 June 2024, the Group reversed the impairment allowance of RMB248,000 (2023: RMB239,000).

12. BILL RECEIVABLES AT FVTOCI

	As at	
	30 June 2024 RMB'000 (Unaudited)	31 December 2023 RMB'000 (Audited)
Bill receivables at FVTOCI	**129,732**	100,848

12. BILL RECEIVABLES AT FVTOCI *(Continued)*

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	
	30 June 2024 RMB'000 (Unaudited)	31 December 2023 RMB'000 (Audited)
0-180 days	**129,732**	100,848

As at 30 June 2024, the Group has pledged bill receivables at FVTOCI with a total net book value of RMB79,382,000 (31 December 2023: RMB86,012,000) to secure general banking facilities and suppliers payments granted to the Group.

13. TRADE AND BILL PAYABLES

	As at	
	30 June 2024 RMB'000 (Unaudited)	31 December 2023 RMB'000 (Audited)
Trade payables	**427,476**	270,143
Bill payables	**6,100**	4,822
	433,576	274,965

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

	As at	
	30 June 2024 RMB'000 (Unaudited)	31 December 2023 RMB'000 (Audited)
0-180 days	**6,100**	4,822

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2024

13. TRADE AND BILL PAYABLES *(Continued)*

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	
	30 June 2024 RMB'000 (Unaudited)	31 December 2023 RMB'000 (Audited)
0-30 days	**190,013**	131,508
31-60 days	**99,891**	87,418
61-90 days	**76,668**	16,955
Over 90 days	**60,904**	34,262
	427,476	270,143

14. BORROWINGS

	As at	
	30 June 2024 RMB'000 (Unaudited)	31 December 2023 RMB'000 (Audited)
Secured bank loans	**244,193**	254,677
Unsecured bank loans	**260,299**	221,175
Other loans	**154,199**	154,205
	658,691	630,057
The carrying amounts of the above borrowings are repayable based on scheduled repayment terms:		
Within one year	**584,899**	471,909
More than one year but not more than two years	**72,750**	112,100
More than two years but not more than five years	**—**	45,000
More than five years	**1,042**	1,048
	658,691	630,057
Less: Amounts shown under non-current liabilities	**(73,792)**	(158,148)
Amounts shown under current liabilities	**584,899**	471,909

15. LOANS FROM RELATED COMPANIES

Loans from related companies

	As at	
	30 June 2024 RMB'000 (Unaudited)	31 December 2023 RMB'000 (Audited)
Hanhe Enterprises	**58,850**	27,000
Jinhan Tianxia	**54,300**	54,600
	113,150	81,600
Less: Amounts shown under non-current liabilities	**(113,150)**	(81,600)
Amounts shown under current liabilities	**–**	–

On 9 June 2023, 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 RMB32,150,000 at interest rate of 4% per annum and with a term of 1 year or less from the respective loan advance dates. 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 10 March 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 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. As at 30 June 2024, the outstanding loan from Hanhe Enterprises amounting to approximately RMB58,850,000.

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 10 June 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 RMB4,300,000 at interest rate of 4% per annum and with a term of 18 months or less from the respective loan advance dates. As at 30 June 2024, the outstanding loan from Jinhan Tianxia amounted to RMB54,300,000.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2024

16. SHARE CAPITAL

	Number of Shares	Amount HK$ (Unaudited)
Ordinary shares of HK$0.01 each		
Authorised		
At 1 January and 30 June 2023, and 1 January and 30 June 2024	10,000,000,000	100,000,000
Issued and fully paid		
At 1 January and 30 June 2023, 1 January and 30 June 2024	1,000,000,000	10,000,000

	RMB'000 (Unaudited)
Presented as at 1 January and 30 June 2023, 1 January and 30 June 2024	8,844

17. CAPITAL COMMITMENTS

	As at	
	30 June 2024 RMB'000 (Unaudited)	31 December 2023 RMB'000 (Audited)
Capital expenditure contracted for but not provided in the condensed consolidated financial statements in respect of:		
– acquisition of property, plant and equipment	**16,431**	20,082

18. RELATED PARTY TRANSACTIONS

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

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:

	As at 30 June	
	2024 **RMB'000** **(Unaudited)**	2023 RMB'000 (Unaudited)
Provision of guarantee Mr. Yin Yanbin	**127,000**	143,500

Non-trade transactions with related party of the Group

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

	As at 30 June	
	2024 **RMB'000** **(Unaudited)**	2023 RMB'000 (Unaudited)
Interest on loans from a related company - Hanhe Enterprises	**821**	527
Interest on loans from a related company - Jinhan Tianxia	**1,104**	1,098
	1,925	1,625
Advisory fee paid to an associate	**3,182**	4,115

Compensation of key management personnel

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

	As at 30 June	
	2024 **RMB'000** **(Unaudited)**	2023 RMB'000 (Unaudited)
Short-term benefits	**2,495**	2,294
Post-employment benefits	**264**	281
	2,759	2,575

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2024

19. 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).

Unobservable	Fair value as at 30 June 2024 (Unaudited)	Fair value as at 31 December 2023 (Audited)	Fair value hierarchy	Valuation techniques and key inputs
Listed equity securities at FVTPL	**RMB305,000**	RMB448,000	Level 1	Quoted bid prices in respective stock exchange markets
Bill receivables at FVTOCI	**RMB129,732,000**	RMB100,848,000	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 condensed 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.

20. EVENT AFTER THE END OF THE REPORTING PERIOD

(i) On 19 July 2024 and 25 July 2024, Tricor Trust (Hong Kong) Limited, which is the trustee of GHW International Employee Incentive Trust, repurchased 5,000,000 and 4,280,000 Shares through the Stock Exchange with an aggregate consideration of HK$7,500,000 and HK$7,490,000 paid respectively. No Shares were cancelled upon repurchase and remained as treasury shares. At the date of this report, the Company had outstanding treasury shares of 60,180,000 Shares.

(ii) Reference is made to the announcements of the Company dated 10 May 2024 and 15 July 2024 and circular of the Company dated 21 June 2024. Unless otherwise defined, capitalised terms used in this report shall have the same meanings as those defined in the announcements and circular.

On 10 May 2024, the Target Company, a then wholly-owned subsidiary of the Company, entered into the Capital Increase Agreement with Nanjing Goldenhighway, Taian Taiying and the Subscribers, pursuant to which the Subscribers conditionally agreed to contribute an aggregate of RMB36,775,000 for the subscription of an aggregate of approximately 8.05% of the effective interest in the registered capital of the Target Company. Immediately after the Completion, Nanjing Goldenhighway and the Subscribers will own approximately 91.95% and 8.05% of the effective interest in the registered capital of the Target Company, respectively. The transaction was completed on 12 August 2024.