GHW International

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 9933)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2019

FINANCIAL HIGHLIGHTS

- For the year ended 31 December 2019, revenue of the Group amounted to approximately RMB1,966.1 million, representing a decrease of approximately RMB186.9 million or 8.7% comparing with the corresponding period in 2018.
- For the year ended 31 December 2019, gross profit of the Group amounted to approximately RMB245.7 million, representing a decrease of approximately RMB63.9 million or 20.6% comparing with the corresponding period in 2018.
- For the year ended 31 December 2019, net profit of the Group amounted to approximately RMB29.1 million, representing a decrease of approximately RMB45.2 million or 60.8% comparing with the corresponding period in 2018.
- For the year ended 31 December 2019, the adjusted profit of the Group (excluding listing expenses) amounted to approximately RMB40.1 million, representing a decrease of approximately RMB41.6 million or 50.9% comparing with the corresponding period in 2018.
- For the year ended 31 December 2019, basic earnings per share of the Group amounted to approximately RMB0.039, representing a decrease of approximately RMB0.06 or 60.6% comparing with the corresponding period in 2018.

- The Board has resolved not to recommend the payment of any final dividend for the year ended 31 December 2019.

The board (the **"Board"**) of directors (the **"Director(s)"**) of GHW International (the **"Company"**) is pleased to announce the consolidated results of the Company and its subsidiaries (collectively referred to as the **"Group"**) for the year ended 31 December 2019 together with the comparative figures for the year ended 31 December 2018 as follows.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2019

		Year ended 31 December	
	Notes	**2019**	2018
		RMB'000	RMB'000
Revenue	4	**1,966,055**	2,152,946
Cost of sales		**(1,720,352)**	(1,843,384)
Gross profit		**245,703**	309,562
Other income	5	**5,948**	3,731
Other gains and losses	5	**6,867**	(1,350)
Impairment losses, net of reversal		**59**	(773)
Selling and distribution expenses		**(89,687)**	(83,502)
Administrative expenses		**(74,624)**	(77,690)
Research and development expenses		**(34,745)**	(40,437)
Listing expenses		**(10,994)**	(7,458)
Finance costs	6	**(16,681)**	(10,831)
Profit before taxation	7	**31,846**	91,252
Taxation	8	**(2,739)**	(16,995)
Profit for the year		**29,107**	74,257

	Notes	Year ended 31 December	
		2019	2018
		RMB'000	RMB'000
Other comprehensive (expense) income			
Items that may be reclassified subsequently to profit or loss:			
Exchange difference arising on translation of foreign operations		**(3,167)**	653
Fair value loss on bill receivables at fair value through other comprehensive income ("**FVTOCI**")		**(444)**	—
Income tax expenses relating to an item that may be reclassified to profit or loss		**72**	—
Other comprehensive (expense) income for the year, net of income tax		**(3,539)**	653
Total comprehensive income for the year		**25,568**	74,910
Profit for the year attributable to: owners of the Company		**29,107**	74,257
Total comprehensive income attributable to: owners of the Company		**25,568**	74,910
Earnings per share - Basic (RMB per share)	10	**0.039**	0.099

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2019

	Notes	As at 31 December 2019 RMB'000	2018 RMB'000
Non-current assets			
Property, plant and equipment		**212,592**	172,005
Prepaid lease payments		**—**	17,676
Right-of-use assets		**58,216**	—
Rental deposits		**626**	112
Deposit for land use right		**—**	15,790
Finance lease receivable		**452**	—
Deferred tax assets		**475**	744
		272,361	206,327
Current assets			
Inventories		**166,797**	164,601
Prepaid lease payments		**—**	410
Finance lease receivable		**477**	—
Trade receivables	11	**161,426**	150,572
Bill receivables at FVTOCI	12	**54,802**	13,602
Other receivables and prepayments		**54,347**	57,018
Amounts due from immediate holding companies		**70**	69
Tax recoverable		**427**	48
Restricted bank deposits		**108,816**	25,850
Bank balances and cash		**35,716**	30,261
		582,878	442,431

	Notes	As at 31 December 2019 RMB'000	2018 RMB'000
Current liabilities			
Trade and bill payables	13	**154,912**	153,308
Other payables and accrued charges		**53,024**	48,616
Lease liabilities		**5,712**	—
Contract liabilities		**13,370**	11,902
Amounts due to shareholders/former shareholders		**5**	83,604
Tax payables		**2,395**	6,183
Borrowings		**311,987**	194,225
Dividend payables		**1,800**	56,459
		543,205	554,297
Net current assets (liabilities)		**39,673**	(111,866)
Total assets less current liabilities		**312,034**	94,461
Non-current liabilities			
Borrowings		**189,510**	4,132
Lease liabilities		**6,193**	—
Deferred tax liabilities		**1,769**	1,335
		197,472	5,467
Net assets		**114,562**	88,994
Capital and reserves			
Share capital	14	**9**	69
Reserves		**114,553**	88,925
Total equity		**114,562**	88,994

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

1. GENERAL

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

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

2. REORGANISATION, BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS

Historically, the operation of the Company and its subsidiaries (collectively referred to as the "**Group**") was carried out by Nanjing Goldenhighway International Supply Chain Management Company Limited ("**GHW International SCM**") and its subsidiaries. In preparation for the listing of the Company's shares on the Main Board of the Stock Exchange, the entities now comprising the Group underwent a group reorganisation (the "**Reorganisation**"), as more fully explained in the section headed "History, Reorganisation and Corporate Structure" in the prospectus dated 31 December 2019 (the "**Prospectus**"). The Reorganisation was completed on 31 July 2018 by interspersing the Company, GOHI Int'L Limited, GHW Holdings Limited between the shareholders and GHW International SCM and the Company became the holding company of the companies now comprising the Group. The Group comprising the Company and its subsidiaries resulting from the Reorganisation is regarded as a continuing entity and the consolidated financial statements have been prepared as if the Company had always been the holding company of the Group as at 1 January 2018 and throughout the year ended 31 December 2018.

The consolidated statement of profit or loss and other comprehensive income of the Group for the year ended 31 December 2018 includes the results of the companies now comprising the Group, as if the group structure has been in existence throughout the year ended 31 December 2018, or since the respective dates of incorporation/establishment, where there is a shorter period.

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

3. APPLICATION OF NEW AND AMENDMENTS OF INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs")

New and Amendments to IFRSs that are mandatorily effective for the current year

The Group has consistently adopted the IFRSs issued by the International Accounting Standards Board ("**IASB**"), which are effective for the accounting period beginning on 1 January 2019, except that the Group adopted IFRS 16 *Leases* on 1 January 2019 and IAS 17 *Leases* ("**IAS 17**") for the year ended 31 December 2018. In addition, the consolidated financial statements include the applicable disclosures required by the Rules Governing the Listing of Securities on the Main Board of the Stock Exchange and by the Hong Kong Companies Ordinance.

The consolidated financial statements have been prepared on the historical cost basis, except for certain financial instruments that are measured at fair values at the end of each reporting period.

IFRS 16 Leases

The Group has applied IFRS 16 for the first time in the current year. IFRS 16 superseded IAS 17, and the related interpretations.

Definition of a lease

The Group has elected the practical expedient to apply IFRS 16 to contracts that were previously identified as leases applying IAS 17 and IFRIC-Int 4 *Determining whether an Arrangement contains a Lease* and not apply this standard to contracts that were not previously identified as containing a lease. Therefore, the Group has not reassessed contracts which already existed prior to the date of initial application.

For contracts entered into or modified on or after 1 January 2019, the Group applies the definition of a lease in accordance with the requirements set out in IFRS 16 in assessing whether a contract contains a lease.

As a lessee

The Group has applied IFRS 16 retrospectively with the cumulative effect recognised at the date of initial application, 1 January 2019. As at 1 January 2019, the Group recognised additional lease liabilities and right-of-use assets at amounts equal to the related lease liabilities adjusted by any prepaid lease payments by applying IFRS 16.C8(b)(ii) transition. Any difference at the date of initial application is recognised in the opening retained earnings and comparative information has not been restated.

When applying the modified retrospective approach under IFRS 16 at transition, the Group applied the following practical expedients to leases previously classified as operating leases under IAS 17, on lease-by-lease basis, to the extent relevant to the respective lease contracts:

i. excluded initial direct costs from measuring the right-of-use assets at the date of initial application; and

ii. used hindsight based on facts and circumstances as at date of initial application in determining the lease term for the Group's leases with extension options.

When recognising the lease liabilities for leases previously classified as operating leases, the Group has applied incremental borrowing rates of the relevant group entities at the date of initial application. The weighted average incremental borrowing rates applied by relevant group entities range from 4.05% to 6.09%.

	At 1 January 2019 RMB'000
Operating lease commitments disclosed as at 31 December 2018	**9,092**
Extension options reasonably certain to be exercised	**775**
Inclusion of non-lease components in leases as single lease components	**205**
Contracts committed but not yet commenced at 1 January 2019	**(553)**
Effect from discounting at the incremental borrowing rates as at 1 January 2019	**(690)**
Lease liabilities as at 1 January 2019	**8,829**
Analysed as	
Current	**4,687**
Non-current	**4,142**

The carrying amount of right-of-use assets for own use as at 1 January 2019 comprises the following:

		Right-of-use assets RMB'000
Lease liabilities relating to operating leases recognised upon application of IFRS 16		**8,829**
Adjusted by prepayments for rental	(a)	**151**
Right-of-use assets relating to operating leases recognised upon application of IFRS 16		**8,980**
Reclassified from prepaid lease payments	(b)	**18,086**
		27,066

(a) Upfront payments for leases of properties were recognised as prepayments for rental as at 31 December 2018. Upon application of IFRS 16, prepayments for rental amounted to RMB151,000 were reclassified to right-of-use assets.

(b) Upfront payments for leasehold lands in the PRC for own use properties were classified as prepaid lease payments as at 31 December 2018. Upon application of IFRS 16, the current and non-current portion of prepaid lease payments amounting to RMB410,000 and RMB17,676,000 respectively were reclassified to right-of-use assets.

As a lessor

In accordance with the transitional provisions in IFRS 16, the Group is not required to make any adjustment on transition for leases in which the Group is a lessor but account for these leases in accordance with IFRS 16 from the date of initial application and comparative information has not been restated.

The following adjustments were made to the amounts recognised in the consolidated statement of financial position at 1 January 2019. Line items that were not affected by the changes have not been included.

	Notes	Carrying Amounts previously reported at 31 December 2018	Adjustments	**Carrying amounts under IFRS 16 at 1 January 2019**
		RMB'000	RMB'000	**RMB'000**
Non-current assets				
Prepaid lease payments	(b)	17,676	(17,676)	**—**
Right-of-use assets	(a), (b)	—	27,066	**27,066**
Current assets				
Prepaid lease payments	(b)	410	(410)	**—**
Other receivables and prepayments	(a)	57,018	(151)	**56,867**
Current liability				
Lease liabilities		—	4,687	**4,687**
Non-current liability				
Lease liabilities		—	4,142	**4,142**

For the purpose of reporting cash flows from operating activities under indirect method for the year ended 31 December 2019, movements in working capital have been computed based on opening statement of financial position as at 1 January 2019 as disclosed above.

New and amendments to IFRSs in issue but not yet effective

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

IFRS 17	Insurance Contracts[1]
Amendments to IFRS 3	Definition of a Business[2]
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3]
Amendments to IAS 1	Classification of Liabilities as Current or Non-Current[5]
Amendments to IAS 1 and IAS 8	Definition of Material[4]
Amendments to IFRS 9, IAS 39 and IFRS 7	Interest Rate Benchmark Reform[4]

[1] *Effective for annual periods beginning on or after 1 January 2021*

[2] *Effective for business combinations and asset acquisitions for which the acquisition date is on or after the beginning of the first annual period beginning on or after 1 January 2020*

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

[4] *Effective for annual periods beginning on or after 1 January 2020*

[5] *Effective for annual periods beginning on or after 1 January 2022*

In addition to the above new and amendments to IFRSs, a revised Conceptual Framework for Financial Reporting was issued in 2018. Its consequential amendments, *the Amendments to References to the Conceptual Framework in IFRSs*, will be effective for annual periods beginning on or after 1 January 2020.

Except for the amendments to IFRSs and the revised Conceptual Framework mentioned below, the Directors anticipate that the application of all other new and amendments to IFRSs will have no material impact on the consolidated financial statements in the foreseeable future.

Amendments to IAS 1 and IAS 8 *Definition of Material*

The amendments provide refinements to the definition of material by including additional guidance and explanations in making materiality judgments. In particular, the amendments:

- include the concept of "obscuring" material information in which the effect is similar to omitting or misstating the information;

- replace threshold for materiality influencing users from "could influence" to "could reasonably be expected to influence"; and

- include the use of the phrase "primary users" rather than simply referring to "users" which was considered too broad when deciding what information to disclose in the financial statements.

The amendments also align the definition across all IFRSs and will be mandatorily effective for the Group's annual period beginning on 1 January 2020. The application of the amendments is not expected to have significant impact on the financial position and performance of the Group but may affect the presentation and disclosures in the consolidated financial statements.

Conceptual Framework for Financial Reporting 2018 (the "**New Framework**") and the Amendments to References to the Conceptual Framework in IFRSs

The New Framework:

- reintroduces the terms stewardship and prudence;

- introduces a new asset definition that focuses on rights and a new liability definition that is likely to be broader than the definition it replaces, but does not change the distinction between a liability and an equity instrument;

- discusses historical cost and current value measures, and provides additional guidance on how to select a measurement basis for a particular asset or liability;

- states that the primary measure of financial performance is profit or loss, and that only in exceptional circumstances other comprehensive income will be used and only for income or expenses that arise from a change in the current value of an asset or liability; and

- discusses uncertainty, derecognition, unit of account, the reporting entity and combined financial statements.

Consequential amendments have been made so that references in certain IFRSs have been updated to the New Framework, whilst some IFRSs are still referred to the previous versions of the framework. These amendments are effective for annual periods beginning on or after 1 January 2020, with earlier application permitted. Other than specific standards which still refer to the previous versions of the framework, the Group will rely on the New Framework on its effective date in determining the accounting policies especially for transactions, events or conditions that are not otherwise dealt with under the accounting standards.

4. REVENUE AND SEGMENT INFORMATION

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

	Year ended 31 December	
	2019	2018
	RMB'000	RMB'000
Types of goods		
Polyurethane raw materials	**654,573**	881,563
Animal nutrition	**603,530**	702,657
Medicine	**438,141**	270,650
Fine chemicals	**256,982**	286,801
Others	**12,829**	11,275
	1,966,055	2,152,946
Timing of revenue recognition		
A point in time	**1,966,055**	2,152,946

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 the Directors, based on historical experiences, the impact of revenue reversal would be immaterial.

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

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

Geographical information

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

	Revenue from external customers		Non-current assets (excluding deferred tax assets, finance lease receivable and financial instruments)	
	Year ended 31 December		As at 31 December	
	2019	**2018**	2019	2018
	RMB'000	**RMB'000**	RMB'000	RMB'000
PRC	**1,530,269**	**1,677,947**	221,488	162,191
Europe	**151,228**	**191,242**	1,067	931
Vietnam	**133,163**	**127,842**	36,901	31,347
Other countries in Asia (excluding PRC and Vietnam)	**78,521**	**88,098**	10,624	10,785
Others	**72,874**	**67,817**	728	329
	1,966,055	**2,152,946**	270,808	205,583

Information about major customers

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

5. OTHER INCOME AND OTHER GAINS AND LOSSES

	Year ended 31 December	
	2019	2018
	RMB'000	RMB'000
Other income		
Government grants (note)	**5,181**	2,399
Rental income	**287**	815
Bank interest income	**403**	481
Interest income on finance lease receivable	**28**	—
Others	**49**	36
	5,948	3,731
Other gains and losses		
Net exchange gains (losses)	**6,351**	(509)
Losses on disposals of plant and equipment	**(33)**	(1,390)
Gain on sublease of right-of-use assets	**275**	—
Others	**274**	549
	6,867	(1,350)

Note: The relevant government authority granted one-off and unconditional subsidies to the Group amounting to RMB5,181,000 (2018: RMB2,399,000) in relation to the Group's contribution in local district, which were recognised in the profit or loss in the year which they received.

6. FINANCE COSTS

	Year ended 31 December	
	2019	2018
	RMB'000	RMB'000
Interest on bank borrowings	**14,159**	10,598
Interest on discounted bills	**2,201**	233
Interest on lease liabilities	**321**	—
	16,681	10,831

7. PROFIT BEFORE TAXATION

	Year ended 31 December	
	2019	2018
	RMB'000	RMB'000
Profit before taxation has been arrived at after charging (crediting) to profit and loss:		
Auditors' remuneration	**2,318**	306
Cost of inventories recognised as expenses	**1,719,236**	1,843,187
Depreciation of property, plant and equipment	**20,717**	16,109
Depreciation of right-of-use assets	**5,482**	—
Amortisation of prepaid lease payments	**—**	410
Total depreciation and amortisation	**26,199**	16,519
Capitalised as cost of inventories manufactured	**(16,496)**	(12,344)
	9,703	4,175
Directors' remuneration	**4,560**	4,282
Other staff costs		
Salaries and other benefits	**57,158**	53,588
Retirement benefits	**9,249**	11,903
Total staff costs	**70,967**	69,773
Minimum lease payments under operating leases in respect of land and buildings	**—**	4,659
Gross rental income	**(287)**	(815)
Less: direct operating expenses	**184**	589
	(103)	(226)
Write-down of inventories	**1,116**	197

8. TAXATION

The Company was incorporated in the Cayman Island and is exempted from Cayman Islands income tax.

No provision for income tax has been made for subsidiaries in India, Hong Kong and Canada, as there was no estimated assessable profit during both years.

Pursuant to the Enterprise Income Tax Laws and Implementation Regulations of the Law of the PRC (the "**PRC EIT Law**"), the applicable tax rate of PRC subsidiaries is 25% for both years.

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

Taian Yueda Logistics Co., Ltd. and Zhangjiagang Free Trade Zone Haijinsha International Trading Co., Ltd. were qualified as small low-profit enterprises and enjoyed a preferential tax rate of 20% with 50% reduction of their taxation income during the year ended 31 December 2018 and 2019 (i.e. 10%). Nanjing Tianyu Transportation Co., Ltd., Wuhan Jinruntai Chemicals Co., Ltd., Taian Yueda Logistics Co., Ltd., Zhangjiagang Free Trade Zone Haijinsha International Trading Co., Ltd., Xuzhou Havay Feeds Co., Ltd. and Tianjin Nuowei Trading Co., Ltd. were qualified as small low-profit enterprises and enjoyed a preferential tax rate of 20% with 75% reduction of their taxation income during the year ended 31 December 2019 (i.e. 5%).

Under the tax law in Vietnam, GHW (Vietnam) Co., Ltd. has been granted to enjoy 2-years exemption of income tax followed by 4-years 50% reduction of income tax from the first profit making year. No assessable profit was generated during both years.

Pursuant to the relevant tax law of Ukraine, Ukraine profits tax has been provided at the rate of 18% on the estimated assessable profits arising in Ukraine during both years.

Pursuant to the relevant tax law of Russia, Russia profits tax has been provided at the rate of 20% on the estimated assessable profits arising in Russia during both years.

	Year ended 31 December	
	2019	2018
	RMB'000	RMB'000
Current tax	**2,931**	15,268
(Over) under provision in prior years	**(967)**	269
	1,964	15,537
Deferred tax	**775**	1,458
Total	**2,739**	16,995

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

	Year ended 31 December	
	2019	2018
	RMB'000	RMB'000
Profit before taxation	**31,846**	91,252
Tax at PRC enterprise income tax rate of 25%	**7,962**	22,813
Tax effect of expenses not deductible for tax purpose	**669**	3,592
Tax effect of income not taxable for tax purpose	**(2,308)**	(2,905)
Tax effect of tax losses not recognised	**2,986**	5,043
Utilisation of tax losses previously not recognised	**(204)**	(518)
Additional deduction of research and development expenses	**(2,950)**	(2,058)
Effect of different tax rates of subsidiaries operating in other jurisdictions	**(574)**	(58)
Income tax at concessionary rates	**(1,496)**	(7,171)
Tax effect of deductible temporary differences not recognised	**229**	853
Utilisation of deductible temporary differences previously not recognised	**(608)**	(2,865)
(Over) under provision in prior years	**(967)**	269
Taxation for the year	**2,739**	16,995

As at 31 December 2019, the carrying amount of unrecognised deductible temporary differences was RMB9,473,000 (2018: RMB10,989,000), while tax losses not recognised was RMB49,180,000 (2018: RMB38,052,000). In the opinion of the Directors, no deferred tax assets are recognised due to the unpredictability of future profit streams. Such unrecognised losses for the Group entities will expire in various years up to and including 2020, 2021, 2022, 2023 and 2024.

9. DIVIDEND

No dividend was paid or declared by the Company since its incorporation, the Directors did not propose dividend for the year subsequent to the end of the reporting period.

10. EARNINGS PER SHARE

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

	Year ended 31 December	
	2019	2018
	RMB'000	RMB'000
Earnings:		
Earnings for the purposes of calculating basic earnings per share attributable to the owners of the Company	**29,107**	74,257

	Year ended 31 December	
	2019	2018
	'000	'000
Number of shares:		
Weighted average number of ordinary shares for the purpose of calculating basic earnings per share	**750,000**	750,000

The weighted average number of ordinary shares for the purpose of calculating basic earnings per share has been determined on the assumption that the Reorganisation and Capitalisation Issue (as defined below) had been effective on 1 January 2018.

Pursuant to written resolutions of the Company's shareholders (the **"Shareholder(s)"**) passed on 16 December 2019, on 21 January 2020, the Company allotted and issued a total of 749,000,000 shares, by way of capitalisation of the sum of approximately HK$7,490,000 standing to the credit of the share premium account of the Company, credited as fully paid at par to the Shareholders as appearing on the register of members of the Company ("**Capitalisation Issue**").

No diluted earnings per share is presented as there was no potential dilutive shares.

11. TRADE RECEIVABLES

	As at 31 December	
	2019	2018
	RMB'000	RMB'000
Trade receivables	**169,234**	158,574
Less: allowance for credit losses	**(7,808)**	(8,002)
	161,426	150,572

As at 1 January 2018, trade receivables from contracts with customers amounted to RMB140,119,000.

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

	As at 31 December	
	2019	2018
	RMB'000	RMB'000
0-30 days	**102,043**	88,080
31-60 days	**38,661**	35,738
61-90 days	**7,941**	14,633
Over 90 days	**12,781**	12,121
	161,426	150,572

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. Trade receivables that are neither past due nor impaired have good credit quality.

The Group does not hold any collateral over these balances.

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

Internal credit rating	**Description**	**Trade receivables**
Group A	The counter party has a low risk of default based on historical repayment records and has a good reputation	Lifetime expected credit loss ("**ECL**") – not credit-impaired
Group B	The counter parties, which are hospitals, have higher creditability but sometimes repays in full after due dates	Lifetime ECL – not credit-impaired
Group C	The counter party usually settles after due day with a higher risk of default	Lifetime ECL – not credit-impaired
Group D	There is evidence indicating the asset is credit-impaired	Lifetime ECL – credit-impaired
Group E	There is evidence indicating that the debtor is in severe financial difficulty and the Group has no realistic prospect of recovery	Amount is written off

The following table provides information about the exposure to credit risk for trade receivables which are assessed based on provision matrix within lifetime ECL (not credit impaired). As at 31 December 2019, the debtors with credit-impaired amounted to RMB890,000 (2018: RMB799,000) are assessed individually, and the rest of debtors amounted to RMB168,344,000 (2018: RMB157,775,000) are assessed under a provision matrix based on internal credit rating.

Gross carrying amount

		Trade receivables	
	Average	**As at 31 December**	
Internal credit rating	**loss rate**	**2019**	2018
		RMB'000	RMB'000
Group A	1.90%	**125,157**	107,956
Group B	1.90%	**12,432**	15,533
Group C	13.98%	**30,755**	34,286
		168,344	157,775

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

As at 31 December 2019, included in the Group's trade receivables balance within Group A, B and C are debtors with aggregate carrying amount of RMB21,611,000 (2018: RMB28,034,000) which are past due as at the reporting date. Out of the past due balances, RMB2,736,000 (2018: RMB4,271,000) has been past due 90 days or more and is not considered as in default. In the opinion of the Directors, the trade receivables within Group A, B and C at the end of the reporting period which have been past due over 90 days are not considered as in default by considering the historical and expected subsequent repayment from the trade debtors.

Movement in the allowance for impairment of trade receivables:

	Lifetime ECL (not credit - impaired) RMB'000	**Lifetime ECL (credit - impaired) RMB'000**
As at 1 January 2018	6,724	1,399
Changes due to financial instruments recognised as at 1 January 2018:		
– Transfer to credit-impaired	(48)	48
– Impairment losses recognised	—	780
– Impairment losses reversed (note)	(6,648)	(558)
– Amounts written off as uncollectible	—	(870)
New financial assets originated	7,175	—
As at 31 December 2018	7,203	799
Changes due to financial instruments recognised as at 1 January 2019:		
– Transfer to credit-impaired	(25)	25
– Impairment losses recognised	—	201
– Impairment losses reversed (note)	(7,076)	—
– Amounts written off as uncollectible	—	(135)
New financial assets originated	6,816	—
As at 31 December 2019	6,918	890

Note: The reversals of loss allowance are mainly due to settlement in full by trade debtors with a gross carrying amount of RMB157,418,000 (2018: RMB140,375,000).

The carrying amounts of the Group's trade receivables that were denominated in foreign currencies are as follows:

	As at 31 December	
	2019	2018
	RMB'000	RMB'000
United States Dollar ("**U.S.$**")	**24,794**	31,971

12. BILL RECEIVABLES AT FVTOCI

	As at 31 December	
	2019	2018
	RMB'000	RMB'000
Bill receivables at FVTOCI	**54,802**	13,602

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

	As at 31 December	
	2019	2018
	RMB'000	RMB'000
0-180 days	**54,802**	13,602

13. TRADE AND BILL PAYABLES

	As at 31 December	
	2019	2018
	RMB'000	RMB'000
Trade payables	**128,069**	134,308
Bill payables	**26,843**	19,000
Total trade and bill payables	**154,912**	153,308

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

	As at 31 December	
	2019	2018
	RMB'000	RMB'000
0-180 days	**26,843**	19,000

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

	As at 31 December	
	2019	2018
	RMB'000	RMB'000
0-30 days	**81,242**	86,042
31-60 days	**28,608**	20,786
61-90 days	**5,431**	9,249
Over 90 days	**12,788**	18,231
	128,069	134,308

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

	As at 31 December	
	2019	2018
	RMB'000	RMB'000
U.S.$	**20,682**	—
Euro ("**EUR**")	**425**	213
	21,107	213

14. SHARE CAPITAL

As at 1 January 2018, the share capital of the Group represented the combined share capital of GHW International SCM and Havay Industry Inc.

As at 31 December 2018 and 2019, the share capital represents the share capital of the Company.

The Company was incorporated in the Cayman Islands as an exempted company with limited liability on 25 April 2018. At the time of its incorporation, the initial authorised share capital of the Company was U.S.$50,000 divided into 50,000,000 Shares of U.S.$0.001 each.

On 25 April 2018, the Company has allotted and issued one share, credited as fully paid at a par value of U.S.$0.001 each, to Commonwealth B Limited and further allotted and issued 4,999,999, 2,375,220, 2,480,780 and 144,000 shares of a par value of U.S.$0.001 each to Commonwealth B Limited, Commonwealth Happy Elephant Limited, Commonwealth GHW Limited and Commonwealth Feibear Limited, respectively.

On 3 January 2019, for the purpose of redenomination of shares of the Company from U.S.$ to Hong Kong Dollar ("**HK$**"), (a) the Company increased the authorised share capital to HK$100,000,000 divided into 10,000,000,000 shares of a par value of HK$0.01 each; (b) allotted and issued 500,000 nil-paid shares of a par value of HK$0.01 each, 237,522 nil-paid shares of a par value of HK$0.01 each, 248,078 nil-paid shares of a par value of HK$0.01 and 14,400 nil-paid shares of a par value of HK$0.01 each to Commonwealth B Limited, Commonwealth Happy Elephant Limited, Commonwealth GHW Limited and Commonwealth Feibear Limited, respectively, for an aggregate price of U.S.$10,000 (the "**Subscription Price**"); (c) repurchased all the old shares for an aggregate price of U.S.$10,000, which was offset against the Subscription Price; (d) cancelled all the old shares following the repurchase and diminished the authorised but unissued share capital of our Company by the cancellation of all the 50,000,000 unissued shares of a par value of U.S.$0.001 each in the share capital of the Company, and the authorised share capital of the Company became HK$100,000,000 divided into 10,000,000,000 shares of a par value of HK$0.01 each.

Details of the movement in the Company's shares are disclosed as follows:

	Number of Shares	**Amount U.S.$**
Ordinary shares of U.S.$0.001 each		
Authorised		
At 25 April 2018 (date of incorporation) and 31 December 2018	50,000,000	50,000
Cancelled during the year	(50,000,000)	(50,000)
At 3 January 2019 and 31 December 2019	—	—
Issued and fully paid		
At date of incorporation and 31 December 2018	10,000,000	10,000
Cancelled during the year	(10,000,000)	(10,000)
At 3 January 2019 and 31 December 2019	—	—

	Number of Shares	Amount
		HK$
Ordinary shares of HK$0.01 each		
Authorised		
At 3 January 2019 and 31 December 2019	10,000,000,000	100,000,000
Issued and fully paid		
At 3 January 2019 and 31 December 2019	1,000,000	10,000

	RMB'000
Presented as at date of incorporation and 31 December 2018	69
Presented as at 31 December 2019	**9**

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

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

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

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

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

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

We produce our own products of isooctanoic acid and diethyl sulfate at our Tai'an production plant, which are mainly used for paint drier, fungicide, preservative and pharmaceutical raw materials, and synthesis of dyes, pesticides and pharmaceutical intermediates, respectively. 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 dispersible tablets.

FINANCIAL REVIEW

Revenue

The table below sets forth the breakdown of our revenue by business segments during the year ended 31 December 2019:

Total revenue by business segments

	For the year ended 31 December			
	2019		2018	
	RMB'000	**% of total revenue**	RMB'000	% of total revenue
Polyurethane materials	**654,573**	**33.3%**	881,563	40.9%
Animal nutrition chemicals	**603,530**	**30.7%**	702,657	32.6%
Fine chemicals	**256,982**	**13.0%**	286,801	13.3%
Pharmaceutical products and intermediates	**438,141**	**22.3%**	270,650	12.6%
Sub-total	**1,953,226**	**99.3%**	2,141,671	99.4%
Others (note)	**12,829**	**0.7%**	11,275	0.6%
Total	**1,966,055**	**100.0%**	2,152,946	100.0%

	For the year ended 31 December			
	2019		2018	
	RMB'000	**% of total revenue**	RMB'000	% of total revenue
Self-manufactured chemicals	**1,154,867**	**58.7%**	1,141,191	53.0%
Chemicals produced by third parties	**798,359**	**40.6%**	1,000,480	46.5%
Sub-total	**1,953,226**	**99.3%**	2,141,671	99.5%
Others (note)	**12,829**	**0.7%**	11,275	0.5%
Total	**1,966,055**	**100.0%**	2,152,946	100.0%

Note: Others primarily include revenue generated from transportation of hazardous chemicals for third parties in Nanjing.

Polyurethane materials

Our revenue generated from sales of polyurethane materials decreased from approximately RMB881.6 million for the year ended 31 December 2018 to approximately RMB654.6 million for the year ended 31 December 2019, primarily due to the decrease in our average selling prices of the major products in this segment, including polymeric methylene diphenyl diisocyanate ("**polymeric MDI**") and toluene diisocyanate ("**TDI**").

Our average selling price of polymeric MDI decreased from approximately RMB15,700 per tonne for the year ended 31 December 2018 to approximately RMB11,600 per tonne for the year ended 31 December 2019, primarily because of the continuous effect of the decrease in the average cost of purchase of polymeric MDI since the third quarter of 2017, which was partially reflected in our selling price. The decrease in average cost of purchase primarily resulted from a more stable supply of polymeric MDI in the market after a period of unstable supply of polymeric MDI in the market, resulting from temporary suspension of production facilities in the PRC of leading polymeric MDI suppliers in 2017 primarily caused by disasters, breakdown and maintenance of equipment, and environmental control. The market price of polymeric MDI dropped to the lowest level in December 2018 and maintained at comparatively low level for the year ended 31 December 2019.

Our average selling price of TDI decreased from approximately RMB23,500 per tonne for the year ended 31 December 2018 to approximately RMB11,700 per tonne for the year ended 31 December 2019. During the first quarter of 2019, market price of TDI continued to drop as a result of increasing market supply, which was primarily due to the commencement of production of the new TDI production facilities with annual production capacity of approximately 300,000 tonnes by the largest PRC polyurethane materials manufacturer, which was our competitor of our upstream suppliers and the resumption of production of production facilities with annual production capacity of 50,000 tonnes in Huludao by a PRC manufacturer, which was our competitor of our upstream suppliers. The market price of TDI dropped to the lowest level in the first quarter of 2019 when compared to 2018 and maintained at comparatively low level for the year ended 31 December 2019.

The sales volume of our major polyurethane material products such as polymeric MDI and TDI remained relative stable for the year ended 31 December 2019 when compared with the corresponding period in 2018.

Animal nutrition chemicals

Our revenue generated from sales of animal nutrition chemicals decreased from approximately RMB702.7 million for the year ended 31 December 2018 to approximately RMB603.5 million for the year ended 31 December 2019, primarily due to the decrease in average selling price of choline chloride and betaine.

During the year ended 31 December 2019, sales of choline chloride accounted for approximately 90% of our revenue under the animal nutrition chemicals segment. The revenue generated from sale of choline chloride decreased from approximately RMB631.7 million for the year ended 31 December 2018 to approximately RMB525.6 million for the year ended 31 December 2019, primarily because of the decrease in our average selling price from 2018 to 2019, partially offset by the increase in the volume sold of choline chloride in the same period. The market price of choline chloride gradually decrease after the first quarter of 2018. There were two major reasons for the decrease in our average selling price during 2019. First, the outbreak of African Swine Fever was still affecting the downstream swine industry. According to the public information from the Ministry of Agriculture and Rural Affairs of the PRC, the number of live pigs in stock was continuously decreasing during the first nine months in 2019 when compared to the corresponding period in 2018, which slowed down the growth of demand for choline chloride. In addition, during the year ended 31 December 2019, we adjusted our price aiming to increase our market share for choline chloride in terms of quantity. The combined effect of the above factors led to a decrease in the average selling price of choline chloride for the year ended 31 December 2019 when compared to that for the year ended 31 December 2018 and a decrease in revenue generated from choline chloride.

Our sales volume of choline chloride increased from approximately 103,000 tonnes for the year ended 31 December 2018 to approximately 119,000 tonnes for the year ended 31 December 2019, primarily because of our strategy aiming to increase our market share for choline chloride in terms of quantity as mentioned above and the increase in number of choline chloride customers. In addition, we believe that our marketing efforts also contributed to the increase in sales volume of choline chloride for the year ended 31 December 2019. We have joined industry exhibitions in relation to feed additives, in which we were able to identify and reach out the potential livestock breeding or feed additives customers, and communicate with the existing customers regarding the market trend and promote our products. Apart from the industry events, we also assigned our sales team to visit our existing customers more frequently to strengthen our relationship and gather their feedback on our products.

Fine chemicals

Our revenue generated from sales of fine chemicals decreased from approximately RMB286.8 million for the year ended 31 December 2018 to approximately RMB257.0 million for the year ended 31 December 2019, primarily because of (i) the decrease in revenue from sales of methyl isobutyl ketone ("**MIBK**"), as a result of both decrease in average selling price and sales volume of MIBK due to the Group's cessation of import of MIBK from Japan throughout the full year of 2018 and 2019 and (ii) the decrease in revenue from sales of isophthalic acid, as a result of a decrease in the market price caused by the production expansion of a major manufacturer in Korea, offset by the increase in sales of isooctanoic acid and cardanol, which are our new self-manufactured fine chemical products in recent years. The revenue derived from sales of isooctanoic acid increased from approximately RMB42.5 million for the year ended 31 December 2018 to approximately RMB51.3 million for the year ended 31 December 2019. The revenue derived from sales of cardanol increased from approximately RMB27.5 million for the year ended 31 December 2018 to approximately RMB61.9 million for the year ended 31 December 2019.

Pharmaceutical products and intermediates

Our revenue generated from sales of pharmaceutical products and intermediates increased from approximately RMB270.7 million for the year ended 31 December 2018 to approximately RMB438.1 million for the year ended 31 December 2019, primarily because of the increase in both of the sales volume and average selling price of iodine and iodine derivatives.

The increase in our average selling price of our iodine and iodine derivatives was primarily due to (i) the decrease in market supply of iodine as a result of the remained market concern on the continued closure of water extraction well in Salar de Llamara by one of the major suppliers in Chile and (ii) the increasing demand for iodine and iodine derivatives from our existing customers in the downstream industries, especially in the flourine chemical and pharmaceutical industry, and contrast agent industry, respectively.

In terms of sales volume, to minimise the impact brought by the aforementioned decrease in market supply of iodine, we entered into sales agreements with our suppliers to enable us to purchase a guaranteed quantity of iodine at specified range of price for certain period. Iodine is commonly used in production of fluorocarbon surfactant, which is widely applied in different industries including aircraft, electronics, food processing, building, paints and coatings. As one of the largest importers of iodine in the PRC, our sales volume increased upon the increase in demand of iodine in the PRC. In addition, the increase in sales volume of iodine derivatives for the year ended 31 December 2019 resulted from the increase in demand from our downstream customers, such as the increase in sales volume of potassium iodate as a result of increasing demand from our existing customers in contrast agent industry, which may use iodine derivatives to manufacture contrast medium in image diagnosis technology. It is expected that there will be a rising demand of iodine which was further applied in manufacturing X-ray contrast agent and the civil unrest in Chile which might affect the delivery of iodine led to tight supply in the PRC.

The table below sets forth our total sales in terms of geographical locations of our customers during the year ended 31 December 2019:

Total revenue by geographical locations

	For the year ended 31 December			
	2019		2018	
	RMB'000	**% of total revenue**	RMB'000	% of total revenue
PRC	**1,530,269**	**77.8%**	1,677,947	78.0%
Europe	**151,228**	**7.7%**	191,242	8.9%
Other countries in Asia (excluding the PRC and Vietnam)	**78,521**	**4.0%**	88,098	4.1%
Vietnam	**133,163**	**6.8%**	127,842	5.9%
Others	**72,874**	**3.7%**	67,817	3.1%
Total	**1,966,055**	**100.0%**	2,152,946	100.0%

Our revenue derived from the PRC contributed approximately 78.0% and 77.8% for the years ended 31 December 2018 and 2019, respectively. Given that the revenue derived from the PRC constitutes a substantial portion of our total revenue, the fluctuations in revenue of sales in the PRC for our business segments of polyurethane materials, fine chemicals and animal nutrition chemicals are in line with the fluctuations in the overall revenue of each of these segments.

Our revenue derived from Europe decreased from approximately RMB191.2 million for the year ended 31 December 2018 to approximately RMB151.2 million for the year ended 31 December 2019, primarily because of the decrease in sales of our animal nutrition chemicals in Russia from approximately RMB76.6 million for the year ended 31 December 2018 to approximately RMB48.7 million for the year ended 31 December 2019. As the PRC was the major exporter of choline chloride to Russia, the price of choline chloride sold in Russia was closely related to the market price of choline chloride in the PRC. The decrease in the price of choline chloride in Russia for the year ended 31 December 2019 was in line with the trend in the PRC.

Our revenue derived from Asia (excluding the PRC and Vietnam) slightly decreased from approximately RMB88.1 million for the year ended 31 December 2018 to RMB78.5 million for the year ended 31 December 2019, respectively, primarily resulted from the net effect of (i) decrease in revenue from sales of polyurethane materials and animal nutrition chemicals due to the decrease in market price of the respective products as aforementioned, and (ii) increase in sales of cardanol to Korea of approximately RMB10.6 million as in 2019, we have built up a business relationship for sale of our self-manufactured cardanol to a Korean company, which is a major curing agent manufacturer in Korea with an annual consumption of approximately 6,000 tonnes.

Our revenue derived from Vietnam slightly increased from approximately RMB127.8 million for the year ended 31 December 2018 to approximately RMB133.2 million for the year ended 31 December 2019, primarily resulted from the net effect of (i) increase in revenue of polymer polyether from approximately RMB66.9 million for the year ended 31 December 2018 to approximately RMB81.0 million for the year ended 31 December 2019, as a result of the increasing number of and sales to our polymer polyether customers engaging in the roofing industry, and (ii) decrease in revenue from sales of animal nutrition chemicals due to the decrease in market price of the respective products as aforementioned

Cost of sales

The following table sets forth, for the years indicated, a breakdown of our cost of sales by nature:

Total cost of sales by nature

	For the year ended 31 December			
	2019		2018	
	RMB'000	**% of total cost of sales**	RMB'000	% of total cost of sales
Cost of raw materials and inventories	**1,626,858**	**94.6%**	1,758,656	95.4%
Manufacturing overheads	**38,577**	**2.2%**	35,418	1.9%
Staff costs	**29,581**	**1.7%**	25,419	1.4%
Depreciation and amortisation	**15,429**	**0.9%**	12,553	0.7%
Others	**9,907**	**0.6%**	11,338	0.6%
Total	**1,720,352**	**100.0%**	1,843,384	100.0%

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 raw materials and inventories decreased from approximately RMB1,758.7 million for the year ended 31 December 2018 to approximately RMB1,626.9 million for the year ended 31 December 2019. The decrease in our cost of raw materials and inventory was driven by the decrease in cost of sales, consisting of cost of raw materials and inventories incurred in polyurethane materials segment and fine chemicals segment as a result of decreasing market price of the products, offset by the increase in cost of sales, consisting of cost of raw materials and inventories in pharmaceutical products and intermediates segment, which was in line with the increase in revenue in the respective segment.

Gross profit and gross profit margin

The table below sets forth a breakdown of gross profit and gross profit margin by business segments during the year ended 31 December 2019:

Total gross profit by business segments

	For the year ended 31 December			
	2019		2018	
	Gross profit		Gross profit	
	RMB'000	**margin %**	RMB'000	margin %
Polyurethane materials	**71,948**	**11.0%**	52,323	5.9%
Animal nutrition chemicals	**89,493**	**14.8%**	204,182	29.1%
Fine chemicals	**22,906**	**8.9%**	18,433	6.4%
Pharmaceutical products and intermediates	**58,928**	**13.4%**	32,822	12.1%
Others	**2,428**	**18.9%**	1,802	16.0%
Total	**245,703**	**12.5%**	309,562	14.4%

Our gross profit decreased from approximately RMB309.6 million for the year ended 31 December 2018 to approximately RMB245.7 million for the year ended 31 December 2019. Our overall gross profit margin decreased from 14.4% for the year ended 31 December 2018 to approximately 12.5% for the year ended 31 December 2019, which was mainly due to the decrease in gross profit and gross profit margin derived from animal nutrition chemicals segment, which generated the highest gross profit margin among all segments in 2018, as a result of the decreasing average selling price due to the outbreak of African Swine Fever and our adjustment on price aiming to increase our market share in terms of quantity as mentioned above, offset by the increase in gross profit margin of (i) polyurethane materials segment, which was primarily because we managed a lower extent of decrease in our selling price in polyurethane materials as compared to the decrease in our purchase cost and we achieved higher level of sales volume in polymer polyether, being our self-manufactured product with a higher gross profit margin; (ii) fine chemical segment, primarily because both the revenue contribution and the gross profit margin of our self-manufactured products, such as isooctanoic acid and cardanol, increased; and (iii) pharmaceutical products and intermediates segment, primarily because the revenue contribution from iodine and iodine derivatives increased as a result of increase in average selling prices of respective products.

Other income

Our other income primarily comprises gross rental income, one-off and unconditional subsidies from the relevant government authority in relation to the Group's contribution in the local district and bank interest income. It increased from approximately RMB3.7 million for the year ended 31 December 2018 to RMB5.9 million for the year ended 31 December 2019, respectively. The increase in our other income was mainly due to the increase in government grant received by our Tai'an production plant from approximately RMB1.3 million to approximately RMB3.1 million, including new subsidies from the local government such as government subsidies from being recognised as Gazelle Enterprise, subsidies generated from being recognised as a provincial laboratory and anti-dumping subsidies .

Other gains and losses

Our other gains and losses primarily comprises (i) net exchange gain or losses which primarily arose from appreciation or depreciation of U.S.$ against Renminbi as the functional currency of our subsidiaries in the PRC is Renminbi while their export sale to customers and purchase from overseas suppliers were mainly settled in U.S. dollars; and (ii) loss on disposal of plant and equipment. Such change in our net other gains and losses was mainly because there was a net exchange loss. Our Group recorded net other losses of approximately RMB1.4 million for the year ended 31 December 2018 and net other gains of approximately RMB6.9 million for the year ended 31 December 2019, respectively. Such change in our net other gains and losses was mainly because there was a net exchange loss of approximately RMB0.5 million recorded for the year ended 31 December 2018 and a net exchange gain of approximately RMB6.4 million recorded for the year ended 31 December 2019, as a result of the appreciation of U.S.$ against Renminbi during the year ended 31 December 2019.

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 RMB83.5 million for the year ended 31 December 2018 to approximately RMB89.7 million for the year ended 31 December 2019. The increase in our selling and distribution expenses was primarily due to an increase in transportation costs, port charges and storage costs of approximately RMB3.9 million resulting from an increase in our export sales volume, in particular, the export volume of choline chloride in the PRC and choline chloride, cardanol and polymer polyether in Vietnam for the year ended 31 December 2019 when compared to the corresponding period in 2018.

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 slightly decreased from approximately RMB77.7 million for the year ended 31 December 2018 to approximately RMB74.6 million for the year ended 31 December 2019. The decrease in our administrative expenses was primarily due to decreases in (i) staff costs of approximately RMB1.9 million since we the staff bonus for the year ended 31 December 2019 was reduced as the operation performance was not as good as that of 2018; and (ii) safety costs of approximately RMB2.2 million as we had upgraded our machineries, which are depreciated over their useful period, to ensure a safe working environment, partially offset by the increase in accrued professional fees subsequent to the Listing such as auditor's remuneration.

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 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 RMB40.4 million for the year ended 31 December 2018 to approximately RMB34.7 million for the year ended 31 December 2019. The decrease in our research and development expenses was primarily due to a decrease in cost of raw materials of approximately RMB8.2 million as we had consumed more materials for improving the product quality of choline chloride and betaine during the year ended 31 December 2018. For the year ended 31 December 2019, we focus more on system upgrade to expand our production volume and hence less materials were consumed.

Listing expenses

We incurred listing expenses of approximately RMB7.5 million and RMB11.0 million for the years ended 31 December 2018 and 2019, respectively.

Finance costs

Finance costs represent interest on bank borrowings, discounted bills and lease liabilities.

Our finance costs increased from approximately RMB10.8 million for the year ended 31 December 2018 to approximately RMB16.7 million for the year ended 31 December 2019. The increase in our finance costs was primarily due to (i) an increase in the interest on our bank borrowings from approximately RMB10.6 million for the year ended 31 December 2018 to approximately RMB14.2 million for the year ended 31 December 2019 as a result of the increase in the interest bearing bank and other borrowings to approximately RMB501.5 million as at 31 December 2019; (ii) an increase in the interest on our discounted bills from approximately RMB0.2 million for the year ended 31 December 2018 to approximately RMB2.2 million for the year ended 31 December 2019 resulting from increase in discounting of the bank issued bill receivables to banks in the amount of approximately RMB51.3 million as at 31 December 2019, and the carrying amount of bill receivables were the same as the carrying amounts of associated liabilities, i.e. borrowings; and (iii) an increase in the interest on lease liabilities upon adoption of IFRS16.

Income tax expenses

Our income tax expenses decreased from approximately RMB17.0 million for the year ended 31 December 2018 to approximately RMB2.7 million for the year ended 31 December 2019. The decrease in our income tax expenses was primarily due to (i) the decrease in current tax from approximately RMB15.3 million for the year ended 31 December 2018 to approximately RMB2.9 million for the year ended 31 December 2019, which is in line with our decrease in profit before taxation and (ii) the overprovision of tax in 2018 amounting to approximately RMB1.0 million derived from Taian Havay Group Co. ("**HavayGroup**"), being a subsidiary of the Company, as a result of finalising the deductible research and development expenses as approved by the tax authority in 2019.

Our effective tax rate decreased from approximately 18.6% for the year ended 31 December 2018 to approximately 8.6% for the year ended 31 December 2019, primarily because there were (i) an overprovision of tax in 2018 in the amount of approximately RMB1.0 million, which was derived from Havay Group as a result of finalising the deductible research and development expenses as approved by the tax authority in 2019; and (ii) the increase in proportion of weighted pre-tax deduction of research and development expenses over profit before tax of the Group for the year ended 31 December 2019, when compared with the preceding period.

Profit for the year

As a result of the foregoing, our profit for the year decreased from approximately RMB74.3 million for the year ended 31 December 2018 to approximately RMB29.1 million for the year ended 31 December 2019. The adjusted profit for the year decreased from approximately RMB81.7 million for the year ended 31 December 2018 to approximately RMB40.1 million for the year ended 31 December 2019, as a combined result of the above fluctuations.

PROSPECTS

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

Business operations of the Group in the PRC have been impacted by an outbreak of the novel coronavirus (COVID-19) since the latter half of January 2020, which has endangered the health of many people residing in the PRC. As a result, certain short-term measures have been undertaken by the PRC government and various provincial or municipal governments including but not limited to implementation of travel restrictions, extension of national holidays and suspension of construction projects, which was significantly disrupted travel and local economy. In the long run, the COVID-19 outbreak may bring a negative impact to the global or the PRC's economy which may have an adverse effect on our business.

In the opinion of the Directors, the impact of the COVID-19 outbreak to the Group is uncertain up to the date of this announcement. Management will remain alert to the development of the pandemic and take appropriate measures as appropriate.

CAPITAL STRUCTURE, LIQUIDITY AND FINANCIAL RESOURCES

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

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

As at 31 December 2019, the Group's total assets and bank balances and cash amounted to approximately RMB855.2 million (2018: RMB648.8 million) and RMB35.7 million (2018: RMB30.3 million), respectively. The bank balances and cash were denominated in Renminbi ("**RMB**").

As at 31 December 2019, the borrowings were approximately RMB501.5 million (2018: borrowings RMB198.4 million). As at 31 December 2019, borrowings amounting to approximately RMB454.9 million (2018: RMB129.9 million) are carried at fixed interest rates ranging from 3.0% to 8.6% (2018: from 5.6% to 8.6%) per annum and repayable from 2020 to 2022 (2018: from 2019 to 2020), borrowings amounting to approximately RMB46.6 million (2018: RMB68.5 million) are carried at variable interest rates ranging from 4.7% to 7.8% (2018: from 4.7% to 7.8%) per annum and repayable in 2020 (2018: repayable in 2019).

USE OF PROCEEDS FROM GLOBAL OFFERING

On 21 January 2020, the Company issued 250,000,000 shares of the Company (the "**Shares**") at an offer price of HK$0.51 per Share on the Stock Exchange by Global Offering (the "**Global Offering**").

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

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

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

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

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

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

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

As at the date of this announcement, there were no changes of business plan from that disclosed in the Prospectus, and none of the net proceeds had been utilised. The unutilised portion of the net proceeds will be applied in the manner as set out in the section headed "Future Plans and Use of Proceeds" in the Prospectus.

PRINCIPAL RISKS AND UNCERTAINTIES AND RISK MANAGEMENT

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

Currency risk

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

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

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

Interest Rate Risk

The Group is exposed to fair value interest rate risk for certain financial assets, financial liabilities and lease liabilities.

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.

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

Credit Risk

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

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

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

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

The Group seeks to maintain strict control over its outstanding receivables and has its credit control policy to minimise the credit risks. In addition, all receivable balances are monitored on an ongoing basis and overdue balances are followed up by management.

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.

Liquidity Risk

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

TREASURY POLICIES

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

FOREIGN EXCHANGE EXPOSURE

The Group's foreign currency transactions are mainly denominated in Renminbi and U.S. dollars. The Group has currency exposure as certain income and expenses incurred in the PRC were denominated in Renminbi and certain overseas sales income were denominated in U.S. dollars 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 Renminbi. During the year, the Group did not commit to any financial instruments to hedge its exposure to foreign currency risk.

CAPITAL EXPENDITURES

During the year, the Group's capital expenditures consisted of additions to property, plant and equipment and construction in progress in our operations amounting to approximately RMB60.7 million (2018: RMB28.9 million).

CAPITAL COMMITMENT

As at 31 December 2019, the Group had a capital commitment of approximately RMB4.2 million (2018: RMB4.8 million). The capital commitments primarily related to the purchase of machinery and equipment for existing usage. We intend to fund these commitments with cash generated from our operations, bank borrowings and proceeds from the Global Offering.

PLEDGE OF ASSETS

As at 31 December 2019, save as (i) restricted bank deposits of approximately RMB108.8 million (2018: RMB25.9 million); and (ii) right-of-use assets and property, plant and equipment of approximately RMB17.7 million and RMB8.1 million respectively (2018: prepaid lease payments and property, plant and equipment of approximately RMB18.1 million and RMB9.1 million respectively), to secure the borrowings, the Group did not pledge any other assets.

CONTINGENT LIABILITIES

As at 31 December 2019, the Group did not have any significant contingent liabilities (2018: Nil).

DIVIDEND

The Board has resolved not to recommend the payment of any final dividend for the year ended 31 December 2019 (2018: Nil).

EMPLOYEES AND REMUNERATION POLICIES

As at 31 December 2019, the Group had a total of 886 (2018: 812) employees, including the Directors. Total staff costs (including Directors' remuneration) was approximately RMB71.0 million (2018: RMB69.8 million) for the year ended 31 December 2019.

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.

SIGNIFICANT INVESTMENTS

During the year ended 31 December 2019, the Group did not hold any significant investment or capital assets (2018: Nil).

FUTURE PLANS FOR MATERIAL INVESTMENTS AND CAPITAL EXPENDITURES

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

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

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES

The Group has not acquired nor disposed of any of its subsidiaries during the year ended 31 December 2019.

EVENTS AFTER REPORTING PERIOD

Subsequent to 31 December 2019, the Company listed its Shares on the Main Board of the Stock Exchange on 21 January 2020 (the "**Listing Date**"). The Company issued 250,000,000 Shares at an offer price of HK$0.51 per Share.

Business operations of the Group in the PRC have been impacted by an outbreak of the novel coronavirus (COVID-19) since the latter half of January 2020, which has endangered the health of many people residing in the PRC. As a result, certain short-term measures have been undertaken by the PRC government and various provincial or municipal governments including but not limited to implementation of travel restrictions, extension of national holidays and suspension of construction projects, which was significantly disrupted travel and local economy. In the long run, the COVID-19 outbreak may bring a negative impact to the global or the PRC's economy which may have an adverse effect on our business.

In the opinion of the Directors, the impact of the COVID-19 outbreak to the Group is uncertain up to the date of this announcement. Management will remain alert to the development of the pandemic and take appropriate measures as appropriate.

INTEREST OF THE COMPLIANCE ADVISER

As confirmed by the Company's compliance adviser, Fortune Financial Capital Limited (the "**Compliance Adviser**"), save for the compliance adviser agreement entered into between the Company and the Compliance Adviser dated 19 December 2019, none of the Compliance Adviser or its directors, employees or close associates (as defined under the Rules (the "**Listing Rules**") Governing the Listing of Securities on the Stock Exchange) had any interest in the Group or in the share capital of any member of the Group which is required to be notified to the Company.

AUDIT COMMITTEE AND REVIEW OF CONSOLIDATED FINANCIAL STATEMENTS

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

The Audit Committee has reviewed the accounting principles and practices adopted by the Group and discussed the auditing, internal control and risk management and financial reporting matters, including review of the audited consolidated financial statements of the Group for the year ended 31 December 2019 with the management and the Company's external auditor, Deloitte Touche Tohmatsu.

The figures in relation to the results of the Group for the year ended 31 December 2019 as set out in this annual results announcement have been agreed by the Group's auditor, Deloitte Touche Tohmatsu, to the amounts set out in the Group's draft consolidated financial statements for the year ended 31 December 2019. The work performed by Deloitte Touche Tohmatsu in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by Deloitte Touche Tohmatsu on this annual results announcement.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

The Company was listed on the Stock Exchange on 21 January 2020 (the "**Listing Date**"). None of the Company or any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the period from the Listing Date and up to the date of this announcement.

DIRECTORS' INTERESTS IN A COMPETING BUSINESS

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

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code as set forth in Appendix 10 of the Listing Rules as its own code of conduct regarding the dealings in securities of the Company by the Directors with effect from 21 January 2020. 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 for the period from the Listing Date to the date of this announcement.

CORPORATE GOVERNANCE PRACTICES

The Company was listed on the Stock Exchange on 21 January 2020, the Corporate Governance Code (the "**CG Code**") contained in Appendix 14 to the Listing Rules was not applicable to the Company for the period from 1 January 2019 to 31 December 2019. The Company has adopted the code provisions (the "**Code Provisions**") as set out in the CG Code in Appendix 14 to the Listing Rules with effect from the Listing Date. From the Listing Date and up to the date of this announcement, the Company has complied with all the Code Provisions of the CG Code, save and except for the Code Provision A.2.1. Details of the deviation from the Code Provision A.2.1 are explained in the section "Chairman and Chief Executive Officer" below. The Board is committed to complying with the principles of the CG Code contained in the Appendix 14 to the Listing Rules. The Company is committed to achieving and maintaining high standards of corporate governance consistent with the needs and requirements of its business and the Shareholders. The corporate governance principles of the Company emphasise a quality board, sound internal controls, and transparency and accountability to all the Shareholders. The Board will continue to review and enhance its corporate governance practice to ensure compliance with the CG Code, and make necessary changes as appropriate.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

Under Code Provision A.2.1 of the CG Code, the roles of the Chairman of the Board and chief executive officer of the Company should be separated and should not be performed by the same individual. During the year ended 31 December 2019, the Company has not separated the roles of the Chairman of the Board and the Chief Executive Officer of the Company. Mr. Yin Yanbin was the Chairman of the Board and also the Chief Executive Officer of the

Company responsible for overseeing the operations of the Group during year. The Board believes that vesting the roles of both the Chairman of the Board and the Chief Executive Officer of the Company in the same person provides the Company with strong and consistent leadership, and allows for effective and efficient planning and implementation of business decisions and strategies. The Board shall nevertheless review the structure from time to time to ensure appropriate move is being taken should suitable circumstances arise. The CG Code stipulates that the Chairman of the Board should at least annually hold meetings with the independent non-executive Directors without the executive Directors present. Since the Company was listed on the Stock Exchange on 21 January 2020, no meeting between the Chairman of the Board and the independent non-executive Directors without the presence of other Directors was held in 2019.

ANNUAL GENERAL MEETING

The first annual general meeting ("**AGM**") of the Company is scheduled to be held on Tuesday, 26 May 2020, the notice of which shall be sent to the Shareholders in accordance with the articles of association of the Company, the Listing Rules and other applicable laws and regulations.

CLOSURE OF REGISTER OF MEMBERS

For the purpose of determining the identity of the Shareholders entitled to attend and vote at the AGM scheduled to be held on Tuesday, 26 May 2020, the register of members of the Company will be closed from Thursday, 21 May 2020 to Tuesday, 26 May 2020, both days inclusive, during which period no transfer of Shares will be effected. All transfers accompanied by the relevant certificates must be lodged with the Company's branch share registrar and transfer office in Hong Kong, Tricor Investor Services Limited at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration not later than 4:30 p.m. on Wednesday, 20 May 2020 (Hong Kong time).

COMMUNICATION WITH SHAREHOLDERS

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

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

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

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

Hong Kong, 31 March 2020

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