GHW International

(Incorporated in the Cayman Islands with limited liability)

Stock Code : 9933

2023 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

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

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PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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CORPORATE INFORMATION

PRINCIPAL SHARE REGISTRARS AND TRANSFER OFFICE IN THE CAYMAN ISLANDS

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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)
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AUDITORS

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

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

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.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

During the six months ended 30 June 2023, our financial performance suffered from the domestic and global chemical intermediates markets downturn. First of all, the global decline of real estate market, increasing interest rates and lower-than-expected recovery of gross domestic product from COVID-19 pandemic led to a disappointing trend of economic growth and consumer price index. Secondly, a number of large-scale chemical intermediates production plants were established in the mainland of China during the past 12-month period, resulted in a large supply over demand in the market. The above reasons led to a drastic decrease in market prices of chemical intermediates, including but not limited to choline chloride, betaine, methylamine, isooctanoic acid and cardanol, which are our major self-manufactured chemicals, as well as decreasing profitability of our major products.

During the period, although the sales volume of choline chloride increased by approximately 50%, the gross profits generated and gross profit margin was significant decreased by approximately 45% and 10%, respectively. The decrease in choline chloride's profitability was mainly resulted from (i) decrease in market prices of raw materials due to oversupply in the market, which also transferred to our product price, and (ii) the oversupply of choline chloride in the market and the decreasing market price of live pigs during the period led to further pressure to our downstream customers and fierce peer competition among the animal nutrition industry. For iodine and iodine derivatives, the global market price of iodine had been maintained at the historical highest price over the current period and the supply is relatively stable, we were unable to increase our gross profit through strategic procurement plan. Besides, the iodine market price reached its historical high, our customers adopted a more prudent purchase strategies and there is a decrease in market demand of iodine. As such, our profit generated from pharmaceutical intermediate segment was squeezed. The decreasing profitability derived from the above products outweighed the increase in sales volume and gross profit of some 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 profit during the six months ended 30 June 2023 decreased as compared to the corresponding period last year.

During the six months ended 30 June 2023, our Group recorded a revenue of approximately RMB1,476.1 million (2022: RMB1,598.1 million), representing a decrease of 7.6% as compared to the corresponding period last year.

The decrease in revenue was mainly attributable to (i) the decrease in sales of self-manufactured animal nutrition products, including choline chloride and betaine in the mainland of China as there were significant decreases in market prices of these products, which is further elaborated below; (ii) the termination of sales of isophthalic acid since July 2022 as a scale production was intended to be launched by a domestic supplier, we expected the profit from trading of this product would be narrower; and (iii) the termination of sales of medicines to hospitals due to the unfavourable credit terms and large input of working capitals; which is partially offset by the increase in sales of (i) methylamine, which is a new self-manufactured chemical during the current period; and (ii) ethylene glycol, which is a new third-party manufactured trading product and used as a raw material for solvents and coatings.

The net profit attributed to owners of the Company for the six months ended 30 June 2023 amounted to approximately RMB0.9 million (2022: RMB170.8 million). The decrease in profit was mainly attributable to (i) a decrease in gross profit from approximately RMB377.1 million for the six months ended 30 June 2022 to approximately RMB166.6 million for the six months ended 30 June 2023 as a result of the decreasing gross profits generated from our major products, including choline chloride, betaine, iodine and iodine derivatives; and (ii) an increase in impairment losses of account receivables under expected credit loss model, net of reversal, as a result of increasing aged trade receivables from some of our customers; which is partially offset by the decrease in (i) selling and distribution expenses due to the significant decreases in shipment and logistics costs; and (ii) income tax expense, which was in line with the decrease in profit before taxation generated for the current period.

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 2023:

Total revenue by business segments

	For the six months ended 30 June			
	2023		2022	
	RMB'000	% of total revenue	RMB'000	% of total revenue
Polyurethane materials	**321,105**	**21.7%**	304,818	19.1%
Animal nutrition chemicals	**458,635**	**31.1%**	565,431	35.4%
Fine chemicals	**336,918**	**22.8%**	351,606	22.0%
Pharmaceutical products and intermediates and supplements	**352,708**	**23.9%**	369,965	23.1%
Sub-total	**1,469,366**	**99.5%**	1,591,820	99.6%
Others (note)	**6,740**	**0.5%**	6,281	0.4%
Total	**1,476,106**	**100.0%**	1,598,101	100.0%

	For the six months ended 30 June			
	2023		2022	
	RMB'000	% of total revenue	RMB'000	% of total revenue
Self-manufactured chemicals	**985,607**	**66.8%**	1,087,791	68.1%
Chemicals produced by third parties	**483,759**	**32.7%**	504,029	31.5%
Sub-total	**1,469,366**	**99.5%**	1,591,820	99.6%
Others (note)	**6,740**	**0.5%**	6,281	0.4%
Total	**1,476,106**	**100.0%**	1,598,101	100.0%

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

Polyurethane materials

Our revenue generated from the sales of polyurethane materials increased from approximately RMB304.8 million for the six months ended 30 June 2022 to approximately RMB321.1 million for the six months ended 30 June 2023, primarily due to the increase in (i) our sales volume of our significant polyurethane materials products, such as polymeric MDI and TDI; and (ii) average selling price of TDI, which is partially offset by the decrease in average selling price of polymeric MDI.

Our sales volume of polymeric MDI and TDI increased from approximately 10,967 tonnes and 1,899 tonnes, respectively, to approximately 13,082 tonnes and 2,484 tonnes, respectively. During the six months ended 30 June 2022, the operation of the mainland of China's downstream industries, especially construction industry and household appliances industries, were significantly affected by the outbreak of the COVID-19 pandemic, leading to a decrease in demand of polymeric MDI and TDI in the mainland of China during the last period. The significant increase in shipment costs in the last period also led to a decrease in export sales of our polyurethane materials in other countries in Asia. The logistics pressure derived from COVID-19 pandemic in current period was eased off and the supply of these products became more stable, leading to increase in sales volume.

On the other hand, our average selling prices of polymeric MDI and TDI was approximately RMB16,940 and RMB16,099, respectively, per tonne for the six months ended 30 June 2022 and approximately RMB14,029 and RMB17,313 per tonne, respectively, for the six months ended 30 June 2023. For polymeric MDI, the market price dropped to its lowest level near the year end of 2022, and rebound during the current period. Hence, the average selling price for the current period still slightly decreased compared to the six months ended 30 June 2022.

Animal nutrition chemicals

Our revenue generated from sales of animal nutrition chemicals decreased from approximately RMB565.4 million for the six months ended 30 June 2022 to approximately RMB458.6 million for the six months ended 30 June 2023, primarily due to the decrease in our average selling prices of choline chloride and betaine, which is partially offset by the increase in sales volume of choline chloride and the launch of our new product, methylamine.

During the six months ended 30 June 2023, sales of choline chloride accounted for approximately 75% (2022: 75%) of our revenue under the animal nutrition chemicals segment. The revenue generated from sales of choline chloride decreased from approximately RMB422.7 million for the six months ended 30 June 2022 to approximately RMB343.8 million for the six months ended 30 June 2023. The revenue generated from sales of betaine also decreased from approximately RMB128.0 million for the six months ended 30 June 2022 to approximately RMB62.1 million for the six months ended 30 June 2023.

The average selling prices of choline chloride and betaine decreased from approximately RMB8,842 and RMB11,009, respectively, per tonne for the six months ended 30 June 2022 to approximately RMB4,814 and RMB6,215 per tonne, respectively, for the six months ended 30 June 2023, primarily because of the decrease in (i) the raw material costs due to oversupply in the market; and (ii) decreasing demand from our downstream customers due to the decreasing market price of live pigs and profitability in swine industry.

Our sales volume of choline chloride increased from approximately 47,810 tonnes for the six months ended 30 June 2022 to approximately 71,420 tonnes for the six months ended 30 June 2023. During the current period, our product line for trimethylamine, being one of the important raw materials in the production of choline chloride, has commenced operation which increase 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.

Fine chemicals

Our revenue generated from sales of fine chemicals slightly decreased from approximately RMB351.6 million for the six months ended 30 June 2022 to approximately RMB336.9 million for the six months ended 30 June 2023, primarily due to (i) the termination of sales of isophthalic acid since July 2022 as a scale production was intended to be launched by a domestic supplier, we expected the profit from trading of this product would be narrower; and (ii) the decrease in revenue derived from isooctanoic acid from approximately RMB153.6 million to RMB 142.7 million, mainly due to a decrease in market price of this product as the market price of isooctyl alcohol, being the raw material used in the production of isooctanoic acid, was also decreased during the current period, which is partially offset by the increase in sales of ethylene glycol, which is used as a raw material for solvents and coatings, etc., since the second half of year 2021.

During the period, the revenue generated from ethylene glycol, being a new third-party manufactured trading product since second half of year 2021, was approximately RMB94.2 million (2022: RMB68.1 million).

MANAGEMENT DISCUSSION AND ANALYSIS

Pharmaceutical products and intermediates and supplements

Our revenue generated from sales of pharmaceutical products and intermediates and supplements decreased from approximately RMB370.0 million for the six months ended 30 June 2022 to approximately RMB352.7 million for the six months ended 30 June 2023, primarily due to the termination of our trading of medicines due to low profitability.

The revenue generated from iodine and iodine derivatives (excluding sub-processing services) changed from approximately RMB114.8 million and RMB218.5 million for the six months ended 30 June 2022 to approximately RMB94.6 million and RMB235.4 million for the six months ended 30 June 2023, respectively. The average selling prices of our iodine and iodine derivatives (excluding sub-processing services) increased from approximately RMB505,529 and RMB246,755 for the six months ended 30 June 2022 to approximately RMB536,290 and RMB313,061 for the six months ended 30 June 2023. The global market price for iodine had been increased over year 2022 and maintained at a historical high level over the current period.

On the other hand, the sales volume of iodine and iodine derivatives (excluding sub-processing services) decreased from approximately 227 tonnes and 886 tonnes for the six months ended 30 June 2022 to approximately 176 tonnes and 752 tonnes for the six months ended 30 June 2023, respectively. The decrease was mainly due to the increase in raw material cost pressure on our downstream customers, which led to a decrease in market demand.

The table below sets forth our total sales in terms of geographical locations of our customers during the six months ended 30 June 2023:

Total revenue by geographical locations

	For the six months ended 30 June			
	2023		2022	
	RMB'000	**% of total revenue**	RMB'000	% of total revenue
The mainland of China	**1,186,155**	**80.4%**	1,285,173	80.4%
Europe	**120,316**	**8.1%**	147,839	9.3%
Vietnam	**29,638**	**2.0%**	32,274	2.0%
Other countries in Asia (excluding the mainland of China and Vietnam)	**68,995**	**4.7%**	69,948	4.4%
Others	**71,002**	**4.8%**	62,867	3.9%
Total	**1,476,106**	**100.0%**	1,598,101	100.0%

Our revenue derived from the mainland of China contributed approximately 80.4% and 80.4% of our total revenue for the six months ended 30 June 2022 and 2023, respectively. Given that the revenue derived from the mainland of China constitutes a substantial portion of our total revenue, the fluctuations in revenue of sales in the mainland of China for our business segments of polyurethane materials, animal nutrition chemicals, fine chemicals and pharmaceutical products and intermediates and supplements were in line with the fluctuations in the overall revenue of each of these segments.

Our revenue derived from Europe, Vietnam, and Asia (excluding the mainland of China and Vietnam) decreased from approximately RMB147.8 million, RMB32.3 million and RMB69.9 million for the six months ended 30 June 2022 to approximately RMB120.3 million, RMB29.6 million and RMB69.0 million for the six months ended 30 June 2023, 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 RMB1,221.0 million for the six months ended 30 June 2022 to approximately RMB1,309.5 million for the six months ended 30 June 2023. The increase in our cost of sales was mainly attributable to the increase in (i) costs of iodine and iodine derivatives as the global market price of iodine was at a historical high level; (ii) raw material costs for production of methylamine, which was a new product of our group during the current period; and (iii) procurement costs for ethylene glycol due to the increasing trading volume level, which was partially offset by the decrease in raw material costs of choline chloride and betaine due to the decrease in market prices of trimethylamine and ethylene oxide.

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 2023:

Total gross profit by business segments

	For the six months ended 30 June			
	2023 Gross profit		2022 Gross profit	
	RMB'000	**margin %**	RMB'000	margin %
Polyurethane materials	**33,037**	**10.3%**	18,190	6.0%
Animal nutrition chemicals	**83,121**	**18.1%**	162,215	28.7%
Fine chemicals	**14,918**	**4.4%**	44,475	12.6%
Pharmaceutical products and intermediates and supplements	**34,627**	**9.8%**	151,711	41.0%
Others	**864**	**12.8%**	497	7.9%
Total	**166,567**	**11.3%**	377,088	23.6%

Our gross profit decreased from approximately RMB377.1 million for the six months ended 30 June 2022 to approximately RMB166.6 million for the six months ended 30 June 2023. Our overall gross profit margin decreased from 23.6% for the six months ended 30 June 2022 to approximately 11.3% for the six months ended 30 June 2023. The decrease in our gross profit and gross profit margin were mainly due to the decrease in the gross profit and gross profit margin of (i) our animal nutrition chemicals segment, as a result of the decrease in market price and market demand of choline chloride; (ii) our iodine and iodine derivatives, as a result of the record high global market price of iodine over the current period, which led to tightening profit margin of iodine and iodine derivatives; and (iii) isooctanoic acid due to our strategy on expanding our market shares after increasing our production capacity during second half of year 2022.

MANAGEMENT DISCUSSION AND ANALYSIS

Other income

Our other income primarily comprises gross rental income, one-off and unconditional subsidies from the relevant government authority in relation to the Group's contribution in the local district, subsidy in relation to the COVID-19 pandemic, successful listing (the "**Listing**") of the shares of the Company (the "**Share(s)**") on the Main Board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") and interest income. Our other income decreased from approximately RMB4.2 million for the six months ended 30 June 2022 to RMB2.4 million for the six months ended 30 June 2023. The decrease in our other income was mainly due to the decrease in (i) government grants from approximately RMB2.0 million to RMB1.1 million; and (ii) bank interest income from approximately RMB1.5 million to approximately RMB0.9 million as a result of decrease in average restricted bank deposits and cash and cash equivalents during the current period.

Other gains and losses

Our other gains and losses primarily comprise (i) net foreign exchange gains or losses which primarily arose from appreciation or depreciation of United States dollar ("**US$**") against Renminbi ("**RMB**") as the functional currency of our subsidiaries in the mainland of China is RMB while their export sale to customers and purchase from overseas suppliers were mainly settled in US$; (ii) losses on disposals of plant and equipment; and (iii) net gain 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 RMB9.5 million for the six months ended 30 June 2022 and net other gains of approximately RMB9.7 million for the six months ended 30 June 2023.

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 decreased from approximately RMB82.1 million for the six months ended 30 June 2022 to approximately RMB59.9 million for the six months ended 30 June 2023. The decrease in our selling and distribution expenses was primarily due to the decrease in logistic costs (including transportation, port charges and shipment costs), as driven by the decrease in oil price and price war resulted from keen competition in the logistics industry.

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 RMB53.4 million for the six months ended 30 June 2022 to approximately RMB56.7 million for the six months ended 30 June 2023. The increase in our administrative expenses was primarily due to the increase in transportation expense and advisory fees for feasibility studies of our potential expansion plans and site visits in other locations, which was partially offset by the decrease in our staff costs as we have not provided any performance bonus during the current period regarding the operating performance.

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 RMB35.9 million for the six months ended 30 June 2022 to approximately RMB31.8 million for the six months ended 30 June 2023. The decrease in our research and development expenses was primarily due to a decrease in cost of raw materials of approximately RMB8.7 million as result of completion of some production technology enhancement projects during last year such as research project of high-quality isooctanoic acid, which is partly offset by the increase in staff cost of approximately RMB5.4 million as a result of the expansion of research and development team of approximately 70 staff more when compared to year 2022.

Finance costs

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

Our finance costs increased from approximately RMB18.2 million for the six months ended 30 June 2022 to approximately RMB19.3 million for the six months ended 30 June 2023. The increase in our finance costs was primarily due to the increase in the average borrowings level during the period.

Income tax expenses

Our income tax expenses decreased from approximately RMB28.3 million for the six months ended 30 June 2022 to approximately RMB4.3 million for the six months ended 30 June 2023. The decrease in our income tax expenses was in line with the decrease in our profit before taxation.

Our effective tax rate was approximately 83.0% (2022: 14.2%) for the six months ended 30 June 2023. The high effective tax rate for the current period was due to the effect of tax loss not recognised for our loss-making subsidiaries during the current period.

Profit for the period

As a result of the foregoing, we recorded a profit for the period of approximately RMB0.9 million for the six months ended 30 June 2023, comparing to a profit for the period of approximately RMB170.8 million for the six months ended 30 June 2022, as a combined result of the above fluctuations.

MANAGEMENT DISCUSSION AND ANALYSIS

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 butyl carbamate ("**IPBC**") and moxifloxacin side chain. Except for the production of moxifloxacin side chain, which is expected to commenced in late 2023, production lines for other products had commenced during the first half of the current year. We expected the commencement of the above production lines will increase our competitive advantage on production scale and process among the industry.

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

After reviewing the Group's existing business portfolio, development strategy and financial resources, the board (the "**Board**") of directors (the "**Directors**") of the Company considered that the Group can benefit from exploring diversification of its operations into the financial sector which includes but not limited to the provision of financial advisory, brokerage, asset management and investment management services. During the six months ended 30 June 2023, the Group had invested into a corporation with relevant licences and with qualified persons to carry out the corresponding financial services activities accordingly. The Board believes that the development of such services can complement the one-stop solutions that the Group can offer its customers and bring value to the Shareholders through better deployment of available resources.

In the opinion of the Board, the impact of the international affairs including the Russia-Ukraine War and other geopolitical issues to the Group is still uncertain up to the date of this report. Management will remain alert to the development of the pandemic and take measures as appropriate.

CAPITAL STRUCTURE, LIQUIDITY AND FINANCIAL RESOURCES

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to shareholders 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 2023, the Group's working capital was financed by both internal resources and borrowings.

As at 30 June 2023, the Group's total assets and cash and cash equivalents amounted to approximately RMB1,744.8 million (31 December 2022: RMB1,678.6 million) and RMB101.1 million (31 December 2022: RMB103.2 million), respectively. The cash and cash equivalents were mainly denominated in RMB and US$.

As at 30 June 2023, the borrowings (including loans from related companies) were approximately RMB739.7 million (31 December 2022: RMB655.9 million). As at 30 June 2023, borrowings amounting to approximately RMB739.7 million (31 December 2022: RMB645.9 million) are carried at fixed interest rates ranging from 0% to 7.2% (31 December 2022: from 0% to 7.2%) per annum and repayable from 2023 to 2050 (31 December 2022: from 2023 to 2050). As at 31 December 2022, borrowings amounting to RMB10.0 million were carried at variable interest rates ranging from 4.25% to 5.7% per annum and repayable in 2023.

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 122.8% (31 December 2022: 108.8%). The increasing gearing ratio of the Group was mainly due to the increasing bank borrowing of the Group during the period.

PRINCIPAL RISKS AND UNCERTAINTIES AND RISK MANAGEMENT

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

Currency risk

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

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

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

Interest Rate Risk

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

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 arise. 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.

MANAGEMENT DISCUSSION AND ANALYSIS

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 and rental deposits, 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 and rental deposits.

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 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$. The Group has currency exposure as certain income and expenses incurred in the mainland of China were denominated in RMB and certain overseas sales income were denominated in US$ and other currencies. The Group is subject to foreign exchange rate risk arising from future commercial transactions and recognised assets and liabilities which are denominated in RMB. During the 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 RMB79.4 million (2022: RMB108.4 million).

CAPITAL COMMITMENT

As at 30 June 2023, the Group had a capital commitment of approximately RMB24.0 million (31 December 2022: RMB17.0 million). The capital commitments primarily related to purchase of machinery and equipment 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 2023, save as (i) restricted bank deposits of approximately RMB49.0 million (31 December 2022: RMB33.9 million); (ii) right-of-use assets and property, plant and equipment of approximately RMB44.0 million and RMB335.9 million respectively (31 December 2022: right-of-use assets and property, plant and equipment of approximately RMB44.4 million and RMB99.7 million respectively); (iii) bill receivables at fair value through other comprehensive income of approximately RMB60.3 million (31 December 2022: RMB76.9 million); (iv) cash and cash equivalents of approximately RMB2.4 million (31 December 2022: RMB3.7 million); (v) inventories of approximately RMB19.2 million (31 December 2022: RMB10.6 million); and (vi) trade receivables and other receivables and prepayments of approximately RMB6.2 million (31 December 2022: RMB2.8 million) to secure the borrowings, the Group did not pledge any other assets.

CONTINGENT LIABILITIES

As at 30 June 2023, the Group did not have any significant contingent liabilities (2021: Nil).

DIVIDEND

The Board has resolved not to recommend the payment of any interim dividend for the six months ended 30 June 2023 (2022: Nil).

EMPLOYEES AND REMUNERATION POLICIES

As at 30 June 2023, the Group had a total of 1,108 (2022: 969) employees, including the Directors. Total staff costs (including Directors' remuneration) was approximately RMB62.2 million (2022: RMB59.5 million) for the six months ended 30 June 2023.

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 2023 and 30 June 2023 are nil and 50,900,000 Shares, 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 2023, the Group did not hold any significant investment or capital assets (2022: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

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 material subsidiaries, associates or joint ventures during the six months ended 30 June 2023.

EVENTS AFTER REPORTING PERIOD

The Group does not have any material subsequent event after the six months ended 30 June 2023 and up to the date of this report.

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 14 to the Rules Governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**"). During the six months ended 30 June 2023, 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 14 to the Listing Rules. The Company is committed to achieving and maintaining high standards of corporate governance consistent with the needs and requirements of its business and the Shareholders. The corporate governance principles of the Company emphasise a quality board, sound internal controls, and transparency and accountability to all the Shareholders. The Board will continue to review and enhance its corporate governance practice to ensure compliance with the CG Code, and make necessary changes as appropriate.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

Under Code Provision C.2.1 of the CG Code, the roles of the Chairman of the Board and chief executive officer of the Company should be separated and should not be performed by the same individual.

During the six months ended 30 June 2023, 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**") was the Chairman of the Board and also the Chief Executive Officer of the Company responsible for overseeing the operations of the Group during the 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 set out in Appendix 10 to the Listing Rules (the "**Model Code**") as its own code of conduct regarding the dealings in securities of the Company by the Directors during the six months ended 30 June 2023.

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 2023.

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 2023, 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 2023.

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 24 March 2020, a loan 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 RMB110,000,000 (the "**Loan Facility**") at interest rate of 2% per annum with a term of 2 years. On 1 December 2020, a supplemental agreement was entered into between both parties, pursuant to which the interest rate was adjusted from 2% to 1.8% per annum with effect from 1 October 2020. On 31 December 2021, an extension agreement was entered into between both parties, pursuant to which the due dates of the loans were extended to 2023. On 15 April 2022, another 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 9 June 2023, 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 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. As at 30 June 2023, the outstanding loan from Hanhe Enterprises amounting to RMB30.2 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. As at 30 June 2023, the outstanding loan from Jinhan Tianxia amounted to RMB54.6 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 2023, 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 2023, 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 2023, 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 2023.

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 2023 and 30 June 2023 are nil and 50,900,000 Shares, respectively.

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

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

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 2023.

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

As at 30 June 2023, 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

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.

Save as disclosed above, as at 30 June 2023, 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 2023 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

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 2023.

INTERIM DIVIDEND

The Board has resolved not to recommend the payment of any interim dividend for the six months ended 30 June 2023 (2022: 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 2023 with the management.

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

Hong Kong, 28 August 2023

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED 30 JUNE 2023

	Notes	Six months ended 30 June	
		2023	2022
		RMB'000	RMB'000
		(Unaudited)	(Unaudited)
Revenue	4	**1,476,106**	1,598,101
Cost of sales		**(1,309,539)**	(1,221,013)
Gross profit		**166,567**	377,088
Other income	5	**2,446**	4,204
Other gains and losses	5	**9,709**	9,507
Impairment losses under expected credit loss model, net of reversal		**(5,109)**	(2,089)
Selling and distribution expenses		**(59,922)**	(82,133)
Administrative expenses		**(56,705)**	(53,411)
Research and development expenses		**(31,813)**	(35,915)
Share of result of an associate		**(661)**	—
Finance costs		**(19,328)**	(18,172)
Profit before taxation	6	**5,184**	199,079
Taxation	7	**(4,303)**	(28,275)
Profit for the period		**881**	170,804
Other comprehensive (expense) income			
Items that may be reclassified subsequently to profit or loss:			
Exchange difference arising on translation of foreign operations		**(996)**	(2,563)
Fair value loss on bill receivables at fair value through other comprehensive income ("**FVTOCI**")		**(189)**	(221)
Income tax relating to an item that may be reclassified subsequently to profit or loss		**23**	34
Other comprehensive expense for the period, net of income tax		**(1,162)**	(2,750)
Total comprehensive (expense) income for the period		**(281)**	168,054
Profit for the period attributable to owners of the Company		**881**	170,804
Total comprehensive (expense) income attributable to owners of the Company		**(1,162)**	168,054
Earnings per share			
– Basic (RMB per share)	9	**0.001**	0.17
– Diluted (RMB per share)	9	**N/A**	N/A

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 30 JUNE 2023

	Notes	As at 30 June 2023 RMB'000 (Unaudited)	As at 31 December 2022 RMB'000 (Audited)
Non-current assets			
Property, plant and equipment	10	**740,736**	690,323
Right-of-use assets	10	**53,379**	52,062
Interest in an associate		**381**	—
Rental deposits		**882**	643
Deferred tax assets		**877**	254
Loan receivable		**16,362**	16,064
Deposit for acquisition of land use rights		**10,367**	9,994
		822,984	769,340
Current assets			
Inventories		**360,425**	359,140
Trade receivables	11	**221,892**	219,351
Bill receivables at FVTOCI	12	**87,168**	100,340
Other receivables and prepayments		**90,316**	84,983
Tax recoverable		**1,693**	7,973
Financial assets at FVTPL		**124**	113
Derivative financial instruments		**—**	275
Amount due from an associate		**10,079**	—
Restricted bank deposits		**49,001**	33,935
Cash and cash equivalents		**101,140**	103,183
		921,838	909,293
Current liabilities			
Trade and bill payables	13	**245,616**	255,966
Other payables and accrued charges		**84,535**	93,508
Lease liabilities		**5,986**	4,881
Contract liabilities		**25,014**	24,848
Tax liabilities		**5,939**	5,447
Borrowings	14	**469,878**	313,926
Loans from related companies	15	**84,750**	81,750
		921,718	780,326
Net current assets		**120**	128,967
Total assets less current liabilities		**823,104**	898,307

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 30 JUNE 2023

	Notes	As at 30 June 2023 RMB'000 (Unaudited)	As at 31 December 2022 RMB'000 (Audited)
Non-current liabilities			
Borrowings	14	**185,080**	260,183
Lease liabilities		**3,607**	2,692
Deferred tax liabilities		**32,078**	32,812
		220,765	295,687
Net assets		**602,339**	602,620
Capital and reserves			
Share capital	16	**8,844**	8,844
Reserves		**593,495**	593,776
Total equity		**602,339**	602,620

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED 30 JUNE 2023

	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	Retained earnings RMB'000	Total RMB'000
At 1 January 2022 (audited)	8,844	78,219	58,734	2,565	1,647	59,158	(327)	130,239	339,079
Profit for the period	–	–	–	–	–	–	–	170,804	170,804
Other comprehensive expense for the period	–	–	–	–	(2,563)	–	(187)	–	(2,750)
Total comprehensive (expense) income for the period	–	–	–	–	(2,563)	–	(187)	170,804	168,054
At 30 June 2022 (unaudited)	8,844	78,219	58,734	2,565	(916)	59,158	(514)	301,043	507,133
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**

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 2023

	Six months ended 30 June	
	2023 **RMB'000** **(Unaudited)**	2022 RMB'000 (Unaudited)
NET CASH FROM (USED IN) OPERATING ACTIVITIES	**26,987**	(86,550)
INVESTING ACTIVITIES		
Interest received	**865**	1,627
Proceeds on disposals of property, plant and equipment	**1,439**	73
Acquisition of interest in an associate	**(580)**	—
Purchases of property, plant and equipment	**(75,912)**	(107,686)
Net (payment) refund for rental deposits	**(239)**	206
Withdrawal of restricted bank deposits	**33,935**	111,493
Placements of restricted bank deposits	**(49,001)**	(108,747)
Purchase of financial asset at FVTPL	**—**	(1,701)
Advance to an associate	**(10,455)**	—
Net cash used in investing activities	**(99,948)**	(104,735)
FINANCING ACTIVITIES		
Interest paid	**(16,117)**	(14,798)
Repayments of lease liabilities	**(1,978)**	(2,898)
Repayments of borrowings	**(188,955)**	(246,328)
New borrowings raised	**265,152**	253,516
Proceeds from underecognised discounted bills	**9,344**	215,125
Loans from a related company	**10,600**	54,600
Repayments to a related company	**(9,225)**	(54,600)
Net cash from financing activities	**68,821**	204,617
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	**(4,140)**	13,332
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD	**103,183**	58,025
Effects of foreign exchange rate change	**2,097**	(436)
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD	**101,140**	70,921

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2023

1. GENERAL

The Company is a public limited company incorporated in the Cayman Islands under the Companies Law Chapter 22 of the Cayman Islands as an exempted company with limited liability on 25 April 2018 and its shares are listed on the Stock Exchange 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 additional 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 2023 are the same as those presented in the Group's annual consolidated financial statements for the year ended 31 December 2022.

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 2023 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	
	2023 **RMB'000** **(Unaudited)**	2022 RMB'000 (Unaudited)
Types of goods		
Animal nutrition	**458,635**	565,431
Polyurethane materials	**321,105**	304,818
Medicine and supplements	**352,708**	369,965
Fine chemicals	**336,918**	351,606
Others	**6,740**	6,281
	1,476,106	1,598,101
Timing of revenue recognition		
A point in time	**1,476,106**	1,598,101

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

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

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2023

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	
	2023 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited)
The mainland of China	**1,186,155**	1,285,173
Europe	**120,316**	147,839
Vietnam	**29,638**	32,274
Other countries in Asia (excluding the mainland of China and Vietnam)	**68,995**	69,948
Others	**71,002**	62,867
	1,476,106	1,598,101

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	
	2023	2022
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Other income		
Government grants	**1,054**	2,026
Rental income	**—**	23
Bank interest income	**865**	1,527
Interest income on loan receivable	**298**	298
Others	**229**	330
	2,446	4,204
Other gains and losses		
Net exchange gains	**9,190**	12,873
Losses on disposals of plant and equipment	**(784)**	(3,780)
Fair value change on financial asset at FVTPL	**7**	—
Fair value change on derivative financial instruments		
– commodity derivative contracts (note)	**(237)**	608
– foreign currency future contracts (note)	**(14)**	—
Others	**1,547**	(194)
	9,709	9,507

Note: During the six months ended 30 June 2023, amount represented realised losses of RMB237,000 (2022: realised gains of RMB608,000) and unrealised gains of nil (2022: nil) arising on changes in fair value of commodity derivative contracts, and realised gain of nil (2022: nil) and unrealised losses of RMB14,000 (2022: nil) arising on changes in fair value of foreign currency future contracts.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2023

6. PROFIT BEFORE TAXATION

	Six months ended 30 June	
	2023	2022
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Profit before taxation has been arrived at after charging (crediting) to profit and loss:		
Cost of inventories recognised as expenses	**1,309,511**	1,215,100
Depreciation of property, plant and equipment	**28,875**	19,217
Depreciation of right-of-use assets	**2,827**	2,696
Total depreciation	**31,702**	21,913
Capitalised as cost of inventories manufactured	**(25,070)**	(16,334)
	6,632	5,579
Write-down of inventories	**29**	5,913

7. TAXATION

	Six months ended 30 June	
	2023	2022
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Current tax	**5,610**	14,085
Underprovision in prior years	**26**	35
	5,636	14,120
Deferred tax	**(1,333)**	14,155
Total	**4,303**	28,275

8. DIVIDENDS

No dividend was paid or declared by the Company for the six months ended 30 June 2023 and 2022.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2023

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	
	2023 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited)
Earnings:		
Earnings for the purposes of calculating basic earnings per share attributable to owners of the Company	**881**	170,804

	Six months ended 30 June	
	2023 '000	2022 '000
Number of shares:		
Weighted average number of ordinary shares for the purpose of calculating basic earnings per share	**1,000,000**	1,000,000

No diluted earnings per share was presented as there were no potential ordinary shares in issue for the six months ended 30 June 2022 and 2023.

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 RMB2,223,000 (2022: RMB3,853,000) for cash proceeds of RMB1,439,000 (2022: RMB73,000), resulting in a loss on disposal of RMB784,000 (2022: RMB3,780,000).

In addition, during the current interim period, the Group acquired property, plant and equipment with an aggregate amount of RMB79,367,000 (2022: RMB108,371,000).

As at 30 June 2023, the Group has pledged buildings, plant and machinery and motor vehicles with a total net book value of RMB335,947,000 (31 December 2022: RMB99,696,000) 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 (2022: 6 months to 3 years). The Group is required to make fixed monthly payments. On lease commencement, the Group recognised RMB4,090,000 (2022: RMB3,225,000) of right-of-use asset and lease liability.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2023

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 2023, the Group has pledged leasehold land with a net book value of RMB44,000,000 (31 December 2022: RMB44,405,000) to secure general banking facilities granted to the Group.

11. TRADE RECEIVABLES

	As at	
	30 June 2023 RMB'000 (Unaudited)	31 December 2022 RMB'000 (Audited)
Trade receivables	**236,318**	228,667
Less: allowance for credit losses	**(14,426)**	(9,316)
	221,892	219,351

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 2023 RMB'000 (Unaudited)	31 December 2022 RMB'000 (Audited)
0-30 days	**139,490**	148,390
31-60 days	**50,476**	39,749
61-90 days	**22,583**	18,285
Over 90 days	**9,343**	12,927
	221,892	219,351

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 2023, carrying amount of trade receivables amounted to RMB6,105,000 (31 December 2022: RMB2,628,000) 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	
	2023 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited)
(Reversal of) impairment loss recognised in respect of trade receivables	**5,109**	(253)

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 2023 are the same as those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2022.

During the six months ended 30 June 2023, the Group provided impairment allowance of RMB5,348,000 (2022: RMB949,000). In particular a specific loss allowance of RMB1,824,000 (2022: RMB949,000) 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 2023, the Group reversed the impairment allowance of RMB239,000 (2022: RMB1,202,000).

12. BILL RECEIVABLES AT FVTOCI

	As at	
	30 June 2023 RMB'000 (Unaudited)	31 December 2022 RMB'000 (Audited)
Bill receivables at FVTOCI	**87,168**	100,340

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2023

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 2023 RMB'000 (Unaudited)	31 December 2022 RMB'000 (Audited)
0-180 days	**86,429**	100,340
Over 180 days	**739**	—
	87,168	100,340

As at 30 June 2023, the Group has pledged bill receivables at FVTOCI with a total net book value of RMB60,325,000 (31 December 2022: RMB76,874,000) to secure general banking facilities and suppliers payments granted to the Group.

13. TRADE AND BILL PAYABLES

	As at	
	30 June 2023 RMB'000 (Unaudited)	31 December 2022 RMB'000 (Audited)
Trade payables	**229,616**	253,816
Bill payables	**16,000**	2,150
	245,616	255,966

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

	As at	
	30 June 2023 RMB'000 (Unaudited)	31 December 2022 RMB'000 (Audited)
0-180 days	**16,000**	2,150

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 2023

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 2023 RMB'000 (Unaudited)	31 December 2022 RMB'000 (Audited)
0-30 days	**145,668**	157,670
31-60 days	**36,174**	28,332
61-90 days	**20,585**	27,749
Over 90 days	**27,189**	40,065
	229,616	253,816

14. BORROWINGS

	As at	
	30 June 2023 RMB'000 (Unaudited)	31 December 2022 RMB'000 (Audited)
Secured bank loans	**294,808**	286,418
Unsecured bank loans	**197,950**	116,900
Other loans	**162,200**	170,791
	654,958	574,109
The carrying amounts of the above borrowings are repayable based on scheduled repayment terms:		
Within one year	**469,878**	313,926
More than one year but not more than two years	**114,249**	64,639
More than two years but not more than five years	**69,750**	194,500
More than five years	**1,081**	1,044
	654,958	574,109
Less: Amounts shown under non-current liabilities	**185,080**	260,183
Amounts shown under current liabilities	**469,878**	313,926

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2023

15. LOANS FROM RELATED COMPANIES

Loans from related companies

	As at	
	31 June 2023 RMB'000 (Unaudited)	31 December 2022 RMB'000 (Audited)
Hanhe Enterprises	**30,150**	27,150
Jinhan Tianxia	**54,600**	54,600
	84,750	81,750
Less: Amounts shown under non-current liabilities	**—**	—
Amounts shown under current liabilities	**84,750**	81,750

During the year ended 31 December 2020, the Group entered into a facilities agreement with Hanhe Enterprises, a related company controlled by Mr. Yin, pursuant to which Hanhe Enterprises agreed to provide facilities to the Group in an aggregate principal amount of up to RMB110,000,000. On 9 June 2023, an agreement was entered into between both parties, pursuant to which Hanhe Enterprises had agreed to provide a loan facility to the Group in the aggregate amount of RMB32,150,000. The outstanding principal amount as at 30 June 2023 was RMB30,150,000 (31 December 2022: RMB27,150,000) and is repayable in 2023.

During the current period, the Group entered into a loan agreement with Jinhan Tianxia, a related company controlled by Mr. Yin, pursuant to which Jinhan Tianxia agreed to provide loans to the Group in an aggregate principal amount of up to RMB54,600,000. On 15 June 2023, a supplemental agreement was entered into between both parties, pursuant to which the existing loans can be redrawn with a term of 1 year. The outstanding principal amount as at 30 June 2023 was RMB54,600,000 (31 December 2022: RMB54,600,000) and is repayable in 2023 and 2024.

As at 30 June 2023, the loans from the aforesaid related companies carried at fixed interest rate of 4% per annum.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2023

16. SHARE CAPITAL

	Number of Shares	Amount HK$ (Unaudited)
Ordinary shares of HK$0.01 each		
Authorised		
At 1 January and 30 June 2022, and 1 January and 30 June 2023	10,000,000,000	100,000,000
Issued and fully paid		
At 1 January and 30 June 2022, 1 January and 30 June 2023	1,000,000,000	10,000,000

	RMB'000 (Unaudited)
Presented as at 1 January and 30 June 2022, 1 January and 30 June 2023	8,844

17. CAPITAL COMMITMENTS

	As at	
	30 June 2023 RMB'000 (Unaudited)	31 December 2022 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	**24,036**	16,974

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:

	As at 30 June	
	2023 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited)
Interest on loans from a related company – Hanhe Enterprises	**527**	658
Interest on loans from a related company – Jinhan Tianxia	**1,098**	583
	1,625	1,241
Advisory fee paid to an associate	**4,115**	—

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2023

18. RELATED PARTY TRANSACTIONS *(Continued)*

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	
	2023 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited)
Short-term benefits	**2,294**	2,368
Post-employment benefits	**281**	280
	2,575	2,648

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		Fair value hierarchy	Valuation techniques and key inputs
	30 June 2023 (Unaudited)	31 December 2022 (Audited)		
Commodity derivative contracts	**Nil**	RMB275,000	Level 1	Quoted bid prices in NYMEX Future Exchange
Listed equity securities at FVTPL	**RMB124,000**	RMB113,000	Level 1	Quoted bid prices in respective stock exchange markets
Bill receivables at FVTOCI	**RMB87,168,000**	RMB100,340,000	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.