GHW International

(Incorporated in the Cayman Islands with limited liability)

Stock Code : 9933

2022

INTERIM REPORT

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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

Diao Cheng (Chairman)
(resigned with effect from 5 January 2022)
Yin Yanbin (Chairman)
(appointed with effect from 5 January 2022)
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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Cayman Islands

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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PRINCIPAL SHARE REGISTRARS AND TRANSFER OFFICE IN THE CAYMAN ISLANDS

Conyers Trust Company (Cayman) Limited
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P.O. Box 2681
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Cayman Islands

BRANCH SHARE REGISTRAR AND TRANSFER OFFICE IN HONG KONG

Tricor Investor Services Limited
17/F, Far East Finance Centre
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LEGAL ADVISER

Loeb & Loeb LLP

PRINCIPAL BANKERS

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

AUDITORS

Deloitte Touche Tohmatsu
Registered Public Interest Entity Auditors
35th Floor, One Pacific Place
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COMPANY'S WEBSITE

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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 (it refers to 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 People's Republic of China (the **"PRC"**), the Southeast Asia region, Europe and the United States (the **"US"**). With headquarters in the PRC, we offer a comprehensive product portfolio with a wide range of applications and a full spectrum of services relating to chemical intermediates supply chain through our extensive global operation and sales network, including research and development on production processes, strong product customisation capabilities, manufacturing of quality chemical products, sourcing of wide-ranging chemicals manufactured by third party manufacturers, efficient and safe logistics services and after-sales services.

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

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

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

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

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

We also produce and sell our own pharmaceutical intermediates which are chemical compounds used in the production of active pharmaceutical ingredients, such as iodine and iodine derivatives as well as selling pharmaceutical products sourced from third party manufacturers such as cefpodoxime dispersible tablets. During the six months ended 30 June 2022, we started to sell supplements sourced from third party manufacturers such as vitamin tablets.

BUSINESS REVIEW

During the six months ended 30 June 2022, our financial performance improved, which was mainly resulted from increasing market prices of our major products including choline chloride, betaine and iodine and iodine derivatives. The increasing profitability derived from the above products outweigh the decrease in sales volume of these products, as well as decreasing sales volume 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 2022 increased as compared to the corresponding period last year.

During the six months ended 30 June 2022, our Group recorded a revenue of approximately RMB1,598.1 million (2021: RMB1,185.8 million), representing an increase of 34.8% as compared to the corresponding period last year.

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

The net profit attributed to owners of the Company for the six months ended 30 June 2022 amounted to approximately RMB170.8 million (2021: RMB27.0 million), representing an increase of 531.8% as compared to the corresponding period last year. The increase in profit was mainly attributable to an increase in gross profit from approximately RMB173.8 million for the six months ended 30 June 2021 to approximately RMB377.1 million for the six months ended 30 June 2022 as a result of (i) the good performance in our operations in the PRC due to the increasing average selling prices of some of our major products and our successful procurement strategies of raw materials; and (ii) a net foreign exchange gain of approximately RMB12.9 million (2021: net foreign exchange loss of approximately RMB1.8 million) was recorded during the period mainly as a result of appreciation of US dollar (**"US$"**) against Renminbi (**"RMB"**), which is partially offset by the increase in (i) selling and distribution expenses and administrative expenses due to the increasing operating scale of the Group, the significant increases in shipment and logistics costs and provision of performance bonus to staff; (ii) research and development expenses incurred from artificial intelligence system transformation projects, production technology enhancement projects, expansion of research and development team as well as rising cost of raw materials; and (iii) income tax expense, which was in line with the increase in profit 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 2022:

Total revenue by business segments

	For the six months ended 30 June			
	2022		2021	
	RMB'000	% of total revenue	RMB'000	% of total revenue
Polyurethane materials	**304,818**	**19.1%**	389,043	32.8%
Animal nutrition chemicals	**565,431**	**35.4%**	369,097	31.1%
Fine chemicals	**351,606**	**22.0%**	153,846	13.0%
Pharmaceutical products and intermediates and supplements	**369,965**	**23.1%**	268,828	22.7%
Sub-total	**1,591,820**	**99.6%**	1,180,814	99.6%
Others (note)	**6,281**	**0.4%**	5,020	0.4%
Total	**1,598,101**	**100.0%**	1,185,834	100.0%

	For the six months ended 30 June			
	2022		2021	
	RMB'000	% of total revenue	RMB'000	% of total revenue
Self-manufactured chemicals	**1,087,791**	**68.1%**	715,327	60.3%
Chemicals produced by third parties	**504,029**	**31.5%**	465,487	39.3%
Sub-total	**1,591,820**	**99.6%**	1,180,814	99.6%
Others (note)	**6,281**	**0.4%**	5,020	0.4%
Total	**1,598,101**	**100.0%**	1,185,834	100.0%

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

Polyurethane materials

Our revenue generated from the sales of polyurethane materials decreased from approximately RMB389.0 million for the six months ended 30 June 2021 to approximately RMB304.8 million for the six months ended 30 June 2022, primarily due to the decrease in our sales volume of our significant polyurethane materials products such as polymeric MDI and TDI.

Our average selling prices of polymeric MDI and TDI was approximately RMB16,826 and RMB12,582, respectively, per tonne for the six months ended 30 June 2021 and approximately RMB16,940 and RMB16,099 per tonne, respectively, for the six months ended 30 June 2022. There was no material fluctuation on the market price of polymeric MDI when compared to the corresponding period last year. For TDI, the increase in average selling price was mainly due to the temporary suspension of production of major manufacturers of TDI in the PRC for inspection and repairment since the third quarter of 2021 and until the first quarter of 2022.

On the other hand, our sales volume of polymeric MDI and TDI decreased from approximately 14,859 tonnes and 3,798 tonnes, respectively, to approximately 10,967 tonnes and 1,899 tonnes, respectively. The decrease in sales volume was primarily due to the fact that there was a suspension of production facilities in Europe and the US as affected by the cold wave in the first quarter of 2021, leading to a shortage of supply in the corresponding period last year and hence a relative high level of demand, whereas the supply in the current period was relatively stable. Besides, the operation of PRC's downstream industries, especially construction industry and household appliances industries, were significantly affected by the outbreak of the COVID-19 pandemic in first-half of year 2022, leading to a decrease in demand of polymeric MDI and TDI in the PRC during the current period. The significant increase in shipment costs also led to a decrease in export sales of our polyurethane materials in other countries in Asia.

Animal nutrition chemicals

Our revenue generated from sales of animal nutrition chemicals significantly increased from approximately RMB369.1 million for the six months ended 30 June 2021 to approximately RMB565.4 million for the six months ended 30 June 2022, primarily due to the increase in our average selling prices of choline chloride and betaine, partially offset by the decrease in sales volume of choline chloride.

During the six months ended 30 June 2022, sales of choline chloride accounted for approximately 75% (2021: 75%) of our revenue under the animal nutrition chemicals segment. The revenue generated from sales of choline chloride increased from approximately RMB273.8 million for the six months ended 30 June 2021 to approximately RMB422.7 million for the six months ended 30 June 2022. The revenue generated from sales of betaine also increased from approximately RMB83.1 million for the six months ended 30 June 2021 to approximately RMB128.0 million for the six months ended 30 June 2022.

The average selling prices of choline chloride and betaine increased from approximately RMB5,033 and RMB7,582, respectively, per tonne for the six months ended 30 June 2021 to approximately RMB8,842 and RMB11,009 per tonne, respectively, for the six months ended 30 June 2022, primarily because of the increase in both of the raw material costs and our bargaining power with our existing customers, who were satisfied with our integrated sale services.

Our sales volume of choline chloride decreased from approximately 54,398 tonnes for the six months ended 30 June 2021 to approximately 47,810 tonnes for the six months ended 30 June 2022, which was primarily due to the outbreak of the COVID-19 pandemic, as well as the recovery from African swine fever, leading to an excess of supply of swine over demand from the consumer market in the PRC since early 2022, and hence the production scale of swine industry reduced during the current period. Our sales volume of betaine slightly increased from approximately 10,958 tonnes for the six months ended 30 June 2021 to approximately 11,629 tonnes for the six months ended 30 June 2022, which was primarily due to the increasing sales to our semi-new and sizable customers in the biotech fermentation industry in the PRC since 2021, which outweighed the reducing demand as a result of outbreak of the COVID-19 pandemic in the PRC.

MANAGEMENT DISCUSSION AND ANALYSIS

Fine chemicals

Our revenue generated from sales of fine chemicals increased from approximately RMB153.8 million for the six months ended 30 June 2021 to approximately RMB351.6 million for the six months ended 30 June 2022, primarily due to (i) the increase in sales volume of cardanol and isooctanoic acid as explained below; and (ii) the Group started to trade ethylene glycol, which is used as a raw material for solvents and coatings, etc., since the second half of year 2021.

The increase in sales volume of cardanol and isooctanoic acid was primarily because of the increase of our market share as a result of the Russia-Ukraine War, leading to potential energy crisis in the Europe and reduction of imported products.

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 RMB68.1 million (2021: nil).

Pharmaceutical products and intermediates and supplements

Our revenue generated from sales of pharmaceutical products and intermediates and supplements increased from approximately RMB268.8 million for the six months ended 30 June 2021 to approximately RMB370.0 million for the six months ended 30 June 2022, primarily due to the increase in average selling prices of our iodine and iodine derivatives, partially offset by the decrease in sales volume of iodine and iodine derivatives.

The average selling prices of our iodine and iodine derivatives (excluding sub-processing services) increased from approximately RMB237,750 and RMB131,459 for the six months ended 30 June 2021 to approximately RMB505,529 and RMB246,755 for the six months ended 30 June 2022, which was primarily due to the continuous global shortage in supply of iodine in the market over the period. The insufficient supply also led to the decrease in our sales volume.

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

The table below sets forth our total sales in terms of geographical locations of our customers during the six months ended 30 June 2022:

Total revenue by geographical locations

	For the six months ended 30 June			
	2022		2021	
	RMB'000	% of total revenue	RMB'000	% of total revenue
The PRC	**1,285,173**	**80.4%**	976,577	82.4%
Europe	**147,839**	**9.3%**	83,059	7.0%
Vietnam	**32,274**	**2.0%**	46,825	3.9%
Other countries in Asia (excluding the PRC and Vietnam)	**69,948**	**4.4%**	39,151	3.3%
Others	**62,867**	**3.9%**	40,222	3.4%
Total	**1,598,101**	**100.0%**	1,185,834	100.0%

Our revenue derived from the PRC contributed approximately 82.4% and 80.4% of our total revenue for the six months ended 30 June 2021 and 2022, respectively. Given that the revenue derived from the PRC constitutes a substantial portion of our total revenue, the fluctuations in revenue of sales in the PRC for our business segments of polyurethane materials, animal nutrition chemicals, fine chemicals and pharmaceutical products and intermediates and supplements were in line with the fluctuations in the overall revenue of each of these segments.

Our revenue derived from Vietnam decreased from approximately RMB46.8 million for the six months ended 30 June 2021 to approximately RMB32.3 million for the six months ended 30 June 2022, primarily resulted from the decrease in revenue from sales of polyurethane materials due to the significant increase in shipment costs, leading to a decrease in export sales of our polyurethane materials as mentioned above.

Mainly due to the rising costs of raw materials of our animal nutrition chemical segment, our revenue derived from Europe, Asia (excluding the PRC and Vietnam) and other countries increased from approximately RMB83.1 million, RMB39.2 million and RMB40.2 million for the six months ended 30 June 2021 to approximately RMB147.8 million, RMB69.9 million and RMB62.9 million for the six months ended 30 June 2022, respectively.

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 RMB1,012.0 million for the six months ended 30 June 2021 to approximately RMB1,221.0 million for the six months ended 30 June 2022. The increase in our cost of sales was driven by the increase in cost of raw materials and inventories incurred as a result of increasing market prices of our raw materials of the products in animal nutrition chemical segment as well as the increasing cost of raw materials and inventories in fine chemical segment, which was in line with the increasing sales volume of cardanol and isooctanoic acid.

Gross profit and gross profit margin

The table below sets forth a breakdown of gross profit and gross profit margin by business segments during the six months ended 30 June 2022:

Total gross profit by business segments

	For the six months ended 30 June			
	2022 Gross profit		2021 Gross profit	
	RMB'000	margin %	RMB'000	margin %
Polyurethane materials	**18,190**	**6.0%**	27,399	7.0%
Animal nutrition chemicals	**162,215**	**28.7%**	83,207	22.5%
Fine chemicals	**44,475**	**12.6%**	23,139	15.0%
Pharmaceutical products and intermediates and supplements	**151,711**	**41.0%**	39,611	14.7%
Others	**497**	**7.9%**	445	8.9%
Total	**377,088**	**23.6%**	173,801	14.7%

Our gross profit increased from approximately RMB173.8 million for the six months ended 30 June 2021 to approximately RMB377.1 million for the six months ended 30 June 2022. Our overall gross profit margin increased from 14.7% for the six months ended 30 June 2021 to approximately 23.6% for the six months ended 30 June 2022. The increase in our gross profit and gross profit margin were mainly due to the increase in (i) the gross profit margin of our animal nutrition chemicals segment, as a result of our increasing bargaining power on purchase of raw materials as well as on sales of our products; and (ii) the gross profit margin of our iodine and iodine derivatives, as a result of the significant increase in market price of iodine and our strategic purchase plan over the current period. The result was partially offset by the decrease in gross profit and gross profit margin derived from (i) polymeric MDI, as its market price gradually decreased during the current period, leading to a narrower gap between the procurement price and selling price and hence a lower gross profit; and (ii) ethylene glycol, as it was a new product to us and the profit margin was still minimal.

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. It decreased from approximately RMB6.9 million for the six months ended 30 June 2021 to RMB4.2 million for the six months ended 30 June 2022. The decrease in our other income was mainly due to the decrease in bank interest income from approximately RMB4.4 million to approximately RMB1.5 million derived from decreasing average restricted bank deposits and bank balances 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 US$ against RMB as the functional currency of our subsidiaries in the PRC is RMB while their export sale to customers and purchase from overseas suppliers were mainly settled in US$; (ii) losses on disposals of plant and equipment; and (iii) net gain arising on fair value changes on derivative financial instruments and financial asset at fair value through profit or loss (**"FVTPL"**). Our Group recorded net other losses of approximately RMB4.1 million for the six months ended 30 June 2021 and net other gains of approximately RMB9.5 million for the six months ended 30 June 2022. Such increase in gain in our net other gains and losses was mainly because a net foreign exchange loss of approximately RMB1.8 million was recorded for the six months ended 30 June 2021 whereas a net foreign exchange gain of approximately RMB12.9 million was recorded for the six months ended 30 June 2022, as a result of the appreciation of US$ against RMB during the six months ended 30 June 2022.

Selling and distribution expenses

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

Our selling and distribution expenses increased from approximately RMB63.5 million for the six months ended 30 June 2021 to approximately RMB82.1 million for the six months ended 30 June 2022. The increase in our selling and distribution expenses was primarily due to the increase in (i) staff remuneration, which was due to the provision of performance bonus to our staff during the current period regarding our improving operating results; and (ii) logistic costs (including transportation, port charges and shipment costs), as driven by the increasing oil price, pandemic-related shutdown of significant ports, shortage of workforce etc..

Administrative expenses

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

Our administrative expenses increased from approximately RMB45.2 million for the six months ended 30 June 2021 to approximately RMB53.4 million for the six months ended 30 June 2022. The increase in our administrative expenses was primarily due to increases in our staff costs resulted from the provision of performance bonus regarding the improving 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 increased from approximately RMB21.6 million for the six months ended 30 June 2021 to approximately RMB35.9 million for the six months ended 30 June 2022. The increase in our research and development expenses was primarily due to an increase in cost of raw materials of approximately RMB8.0 million, staff cost of approximately RMB1.6 million and electricity expenses of approximately RMB3.1million. The increases of the above costs was mainly derived from the artificial intelligence system transformation projects, production technology enhancement projects, expansion of research and development team as well as rising cost of raw materials as mentioned above.

Finance costs

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

Our finance costs increased from approximately RMB13.0 million for the six months ended 30 June 2021 to approximately RMB18.2 million for the six months ended 30 June 2022. 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 increased from approximately RMB4.4 million for the six months ended 30 June 2021 to approximately RMB28.3 million for the six months ended 30 June 2022. The increase in our income tax expenses was in line with the increase in our profit before taxation.

Our effective tax rate was approximately 14.2% (2021: 14.0%) for the six months ended 30 June 2022. The effective tax rate for both periods were comparable.

Profit for the period

As a result of the foregoing, we recorded a profit for the period of approximately RMB170.8 million for the six months ended 30 June 2022, comparing to a profit for the period of approximately RMB27.0 million for the six months ended 30 June 2021, as a combined result of the above fluctuations.

PROSPECTS

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

In the opinion of the board (the **"Board"**) of the directors (the **"Directors"**) of the Company, the impact of the COVID-19 outbreak worldwide and the international affairs including the US-China trade relationship and the Russia-Ukraine War to the Group is still uncertain up to the date of this 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 2022, the Group's working capital was financed by both internal resources and borrowings.

As at 30 June 2022, the Group's total assets and bank balances and cash amounted to approximately RMB1,661.6 million (31 December 2021: RMB1,367.3 million) and RMB70.9 million (31 December 2021: RMB58.0 million), respectively. The bank balances and cash were mainly denominated in RMB and US$.

As at 30 June 2022, the borrowings (including loans from related companies) were approximately RMB760.0 million (31 December 2021: RMB691.2 million). As at 30 June 2022, borrowings amounting to approximately RMB740.0 million (31 December 2021: RMB671.2 million) are carried at fixed interest rates ranging from 0% to 7.2% (31 December 2021: from 0% to 8.0%) per annum and repayable from 2022 to 2050 (31 December 2021: from 2022 to 2050), borrowings amounting to approximately RMB20.0 million (31 December 2021: RMB20.0 million) are carried at variable interest rates ranging from 4.4% to 4.4% (31 December 2021: from 4.4% to 5.7%) per annum and repayable in 2023 (31 December 2021: repayable in 2022).

The gearing ratio of the Group, which was calculated by dividing the total external borrowings by total equity as at the end of the period and multiplied by 100%, is 133.5% (31 December 2021: 203.8%). The decreasing gearing ratio of the Group was mainly due to the increasing profit generated during the current period.

During the year ended 31 December 2021, the Group applied the agenda decision of the International Financial Reporting Standards ("**IFRSs**") Interpretation Committee of the International Accounting Standards Board ("**IASB**") (the "**Committee**") in relation to supply chain financing arrangements. For the period ended 30 June 2022, the net cash from operating activities would be RMB69,433,000 (2021: net cash used in operating activities RMB45,640,000) and the net cash from financing activities would be RMB48,634,000 (2021: net cash from financing activities RMB46,550,000), if the Group has not changed the accounting policies.

USE OF PROCEEDS FROM GLOBAL OFFERING

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

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

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

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

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

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

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

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

MANAGEMENT DISCUSSION AND ANALYSIS

Since the Listing Date and up to 30 June 2022, the net proceeds from the Listing had been applied as follows:

Business objective as stated in the Company's prospectus dated 31 December 2019 (the "Prospectus").	Percentage of total net proceeds	Planned use of net proceeds HK$'million	Planned use of net proceeds RMB'million	Actual use of net proceeds during the period from the Listing Date to 30 June 2022 RMB'million	Proceeds unused as at 30 June 2022 RMB'million	Planned timeline as stated in the Prospectus	Expected timeline
Initial establishment of the New Production Plant	17.2%	11.3	10.1	10.1	0.0	Complete in the second half of 2020	Complete in the first half of 2023
Construction of production facilities at the New Production Plant for the production of trimethylamine	60.4%	39.8	35.4	22.7	12.7	Complete in the second half of 2021	Complete in the first half of 2023
Construction of pilot plant at the New Production Plant for the production of pharmaceutical intermediates	10.2%	6.7	6.0	6.0	0.0	Complete in the second half of 2021	Complete in the first half of 2023
Research and development on moxifloxacin hydrochloride tablets	2.2%	1.5	1.3	0.0	1.3	Complete in the second half of 2020	Complete in the firsthalf of 2023
Upgrade of the financial and accounting management system	0.8%	0.5	0.4	0.4	0.0	Complete in the second half of 2020	Complete in the second half of 2022
General working capital	9.2%	6.1	5.4	5.4	0.0	N/A	N/A
Total	100.0%	65.9	58.6	44.6	14.0		

As at the date of this report, the Group had entered into several construction contracts with constructors regarding the establishment of the New Production Plant and the construction works had been on-going during the six months ended 30 June 2022 (details of the Group's capital commitment disclosed in section headed "**Capital Commitment**" below).

The Board considers that the execution of the Group's expansion plans of establishment of the New Production Plant had been/will be impeded by the postponed resumption of normal operation of constructors with the impact of the recent outbreak of the COVID-19. Such postponement of the basic infrastructure construction schedule also leads to delay in use of proceeds on purchase and installation of ancillary facilities, utilities system and major machinery and equipment.

Besides, as announced by the National Joint Office of Centralized Procurement of Drugs (全國藥品集中採購聯合辦公室), one of our competitors won the bid of moxifloxacin hydrochloride tablets in several provinces at a unit price lower than our estimated cost of production, i.e. this competitor will supply moxifloxacin hydrochloride tablets at the bid price to the hospitals in these provinces. In order to compete with this competitor, the management considers to study and develop the pharmaceutical intermediates used in production of moxifloxacin hydrochloride tablets, which is expected to be developed in our pilot plant at the New Production Plant for the production of pharmaceutical intermediates. As a result, use of proceeds on development on moxifloxacin hydrochloride tablets was delayed. The management considers that the research and development on moxifloxacin hydrochloride tablets will be completed after the construction of our pilot plant for the production of pharmaceutical intermediates. As at 30 June 2022, contracts with a total amount of approximately RMB4.9 million were signed in relation to the purchase of machinery and equipment for the production of the pharmaceutical intermediates used in production of moxifloxacin hydrochloride tablets, which will be developed in our pilot plant at the New Production Plant in the future.

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

Save as disclosed above, the Directors are not aware of any material change or delay in the planned use of proceeds. As at the date of this report, there were no changes of business plan from that disclosed in the Prospectus. The unutilized portion of the net proceeds of RMB14.0 million were placed in licensed bank in the PRC.

PRINCIPAL RISKS AND UNCERTAINTIES AND RISK MANAGEMENT

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

Currency risk

The Group has transactional currency exposures. Such exposures arise from sales or purchases by operating units in currencies other than the units' functional currencies. The Group has currency exposure as income earned and expenses incurred in the PRC were denominated in 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 PRC government. The exchange rates may also be affected by economic developments and political changes domestically and internationally, and the demand and supply of the Renminbi. The appreciation or devaluation of Renminbi against 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.

MANAGEMENT DISCUSSION AND ANALYSIS

Interest Rate Risk

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

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.

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

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

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$. The Group has currency exposure as certain income and expenses incurred in the PRC were denominated in RMB and certain overseas sales income were denominated in US$ 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 RMB108.4 million (2021: RMB65.3 million).

CAPITAL COMMITMENT

As at 30 June 2022, the Group had a capital commitment of approximately RMB26.1 million (31 December 2021: RMB19.9 million). The capital commitments primarily related to the establishment of the New Production Plant and purchase of machinery and equipment for existing usage. We intend to fund these commitments with cash generated from our operations, bank and other borrowings and proceeds from the Global Offering.

PLEDGE OF ASSETS

As at 30 June 2022, save as (i) restricted bank deposits of approximately RMB108.7 million (31 December 2021: RMB111.5 million); (ii) right-of-use assets and property, plant and equipment of approximately RMB40.2 million and RMB93.9 million respectively (31 December 2021: right-of-use assets and property, plant and equipment of approximately RMB45.3 million and RMB54.0 million respectively); (iii) bill receivables at fair value through other comprehensive income of approximately RMB143.6 million (31 December 2021: RMB76.6 million); (iv) bank balance and cash of approximately RMB2.3 million (31 December 2021: RMB1.2 million); (v) inventories of approximately RMB4.8 million (31 December 2021: RMB5.2 million); and (vi) trade receivables and other receivables and prepayments of approximately RMB0.7 million (31 December 2021: RMB0.3 million) to secure the borrowings, the Group did not pledge any other assets.

CONTINGENT LIABILITIES

As at 30 June 2022, 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 2022 (2021: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

EMPLOYEES AND REMUNERATION POLICIES

As at 30 June 2022, the Group had a total of 969 (2021: 874) employees, including the Directors. Total staff costs (including Directors' remuneration) was approximately RMB59.5 million (2021: RMB44.1 million) for the six months ended 30 June 2022.

Remuneration is determined with reference to market norms and individual employees' performance, qualification and experience.

On top of the basic salaries, bonuses may be paid by reference to the Group's performance as well as the individual's performance. Other major staff benefits include contributions to defined contribution retirement benefit plan, Hong Kong's Mandatory Provident Fund Scheme and the state-managed retirement benefit schemes.

The salaries and benefits of the Group's employees are kept at a competitive level and employees are rewarded on a performance related basis within the general framework of the Group's salary and bonus system, which is reviewed annually. The Group also operates a share option scheme adopted by the Company on 16 December 2019 where options to subscribe for Shares may be granted to the Directors and employees of the Group.

SIGNIFICANT INVESTMENTS

During the six months ended 30 June 2022, the Group did not hold any significant investment or capital assets (2021: Nil).

FUTURE PLANS FOR MATERIAL INVESTMENTS AND CAPITAL EXPENDITURES

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

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

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES

The Group has not acquired nor disposed of any of its material subsidiaries during the six months ended 30 June 2022.

EVENTS AFTER REPORTING PERIOD

The Group does not have any material subsequent event after the six months ended 30 June 2022 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 2022, the Company has complied with all the Code Provisions of the CG Code, save and except for the Code Provision C.2.1. Details of the deviation from the Code Provision C.2.1 are explained in the section "Chairman and Chief Executive Officer" 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 2022, the Company has not separated the roles of the Chairman of the Board and the Chief Executive Officer of the Company. Mr. Yin Yanbin ("**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 2022.

Having made specific enquiry of all Directors, each Director has confirmed that he/she has complied with the required standard set out in the Model Code during the six months ended 30 June 2022.

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 2022, 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 2022.

OTHER INFORMATION

DIRECTORS' INTERESTS IN A COMPETING BUSINESS

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

RELATED PARTY TRANSACTIONS/EXEMPTED CONTINUING CONNECTED TRANSACTIONS

Details of the related party transactions of the Group are set out in notes 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. As at 30 June 2022, the outstanding loan from Hanhe Enterprises amounting to RMB28.9 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. As at 30 June 2022, 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 2022, 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 2022, 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.

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.

OTHER INFORMATION

As at 30 June 2022, 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 2022.

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 2022.

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

As at 30 June 2022, 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 2022, 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.

SHARE CAPITAL

Details of the movements in the share capital of the Company during the six months ended 30 June 2022 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 2022.

INTERIM DIVIDEND

The Board has resolved not to recommend the payment of any interim dividend for the six months ended 30 June 2022 (2021: 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 2022 with the management.

On behalf of the Board

Yin Yanbin
Chairmen and Chief Executive Officer
Hong Kong, 29 August 2022

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED 30 JUNE 2022

	Notes	Six months ended 30 June	
		2022 RMB'000 (Unaudited)	2021 RMB'000 (Unaudited)
Revenue	4	**1,598,101**	1,185,834
Cost of sales		**(1,221,013)**	(1,012,033)
Gross profit		**377,088**	173,801
Other income	5	**4,204**	6,881
Other gains and losses	5	**9,507**	(4,067)
Impairment losses under expected credit loss model, net of reversal		**(2,089)**	(1,966)
Selling and distribution expenses		**(82,133)**	(63,511)
Administrative expenses		**(53,411)**	(45,162)
Research and development expenses		**(35,915)**	(21,558)
Finance costs		**(18,172)**	(12,994)
Profit before taxation	6	**199,079**	31,424
Taxation	7	**(28,275)**	(4,389)
Profit for the period		**170,804**	27,035
Other comprehensive (expense) income			
Items that may be reclassified subsequently to profit or loss:			
Exchange difference arising on translation of foreign operations		**(2,563)**	1,838
Fair value loss on bill receivables at fair value through other comprehensive income (**"FVTOCI"**)		**(221)**	(185)
Income tax relating to an item that may be reclassified subsequently to profit or loss		**34**	28
Other comprehensive (expense) income for the period, net of income tax		**(2,750)**	1,681
Total comprehensive income for the period		**168,054**	28,716
Profit for the period attributable to owners of the Company		**170,804**	27,035
Total comprehensive income attributable to owners of the Company		**168,054**	28,716
Earnings per share			
– Basic (RMB per share)	9	**0.17**	0.027
– Diluted (RMB per share)	9	**N/A**	N/A

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 30 JUNE 2022

	Notes	As at 30 June 2022 RMB'000 (Unaudited)	As at 31 December 2021 RMB'000 (Audited)
Non-current assets			
Property, plant and equipment	10	**542,036**	455,027
Right-of-use assets	10	**53,686**	53,987
Rental deposits		**694**	900
Deferred tax assets		**392**	699
Loan receivable		**15,762**	15,464
		612,570	526,077
Current assets			
Inventories		**456,826**	309,342
Trade receivables	11	**165,565**	208,162
Bill receivables at FVTOCI	12	**160,789**	85,798
Other receivables and prepayments		**83,464**	67,781
Tax recoverable		**966**	367
Financial assets at FVTPL		**1,755**	—
Derivative financial instruments		**5**	273
Restricted bank deposits		**108,747**	111,493
Bank balances and cash		**70,921**	58,025
		1,049,038	841,241
Current liabilities			
Trade and bill payables	13	**200,164**	198,009
Other payables and accrued charges		**97,127**	78,765
Lease liabilities		**4,406**	4,888
Contract liabilities		**54,572**	39,268
Tax liabilities		**12,427**	4,242
Borrowings	14	**484,736**	453,908
Loans from related companies	15	**15,500**	—
		868,932	779,080
Net current assets		**180,106**	62,161
Total assets less current liabilities		**792,676**	588,238

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 30 JUNE 2022

	Notes	As at 30 June 2022 RMB'000 (Unaudited)	As at 31 December 2021 RMB'000 (Audited)
Non-current liabilities			
Borrowings	14	**192,480**	154,468
Loans from a related company	15	**67,303**	82,803
Lease liabilities		**4,000**	3,933
Deferred tax liabilities		**21,760**	7,955
		285,543	249,159
Net assets		**507,133**	339,079
Capital and reserves			
Share capital	16	**8,844**	8,844
Reserves		**498,289**	330,235
Total equity		**507,133**	339,079

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED 30 JUNE 2022

	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 2021 (audited)	8,844	78,219	58,633	2,633	(1,249)	46,213	(201)	12,403	205,495
Profit for the period	–	–	–	–	–	–	–	27,035	27,035
Other comprehensive income (expense) for the period	–	–	–	–	1,838	–	(157)	–	1,681
Total comprehensive income (expense) for the period	–	–	–	–	1,838	–	(157)	27,035	28,716
At 30 June 2021 (unaudited)	8,844	78,219	58,633	2,633	589	46,213	(358)	39,438	234,211
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**

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 RMB2,106,000.

Note b: Pursuant to the relevant regulation in the PRC, a PRC subsidiary of the Group is required to provide for safety reserve based on annual sales amount. The reserve can be used for improvements of safety storage and production process, and eligible to be transferred to retained earnings upon utilisation.

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

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE SIX MONTHS ENDED 30 JUNE 2022

	Six months ended 30 June	
	2022	2021
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
NET CASH USED IN OPERATING ACTIVITIES	**(86,550)**	(160,173)
INVESTING ACTIVITIES		
Interest received	**1,627**	3,410
Proceeds on disposals of property, plant and equipment	**73**	602
Purchases of property, plant and equipment	**(107,686)**	(69,093)
Net refund for rental deposits	**206**	21
Withdrawal of restricted bank deposits	**111,493**	172,429
Placements of restricted bank deposits	**(108,747)**	(102,098)
Purchase of financial asset at FVTPL	**(1,701)**	(2,069)
Withdrawal of financial asset at FVTPL	**—**	1,546
Proceeds from finance lease receivable	**—**	245
Net cash (used in) from investing activities	**(104,735)**	4,993
FINANCING ACTIVITIES		
Interest paid	**(14,798)**	(13,737)
Repayments of lease liabilities	**(2,898)**	(2,111)
Repayments of borrowings	**(246,328)**	(259,436)
New borrowings raised	**253,516**	378,223
Proceeds from underecognised discounted bills	**215,125**	56,644
Loans from a related company	**54,600**	10,900
Repayments to a related company	**(54,600)**	(9,400)
Net cash from financing activities	**204,617**	161,083
NET INCREASE IN CASH AND CASH EQUIVALENTS	**13,332**	5,903
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD	**58,025**	61,906
Effects of foreign exchange rate change	**(436)**	1,249
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD	**70,921**	69,058

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2022

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"**) and application of certain accounting policies which became relevant to the Group, the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2022 are the same as those presented in the Group's annual consolidated financial statements for the year ended 31 December 2021.

In the current interim period, the Group has applied the 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 2022 for the preparation of the Group's condensed consolidated financial statements. The application of the amendments to IFRSs in the current period has had no material impact on the Group's condensed consolidated financial positions and performance for the current and prior periods and/or on the disclosures set out in these condensed consolidated financial statements.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2022

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	
	2022 RMB'000 (Unaudited)	2021 RMB'000 (Unaudited)
Types of goods		
Animal nutrition	**565,431**	369,097
Polyurethane materials	**304,818**	389,043
Medicine and supplements	**369,965**	268,828
Fine chemicals	**351,606**	153,846
Others	**6,281**	5,020
	1,598,101	1,185,834
Timing of revenue recognition		
A point in time	**1,598,101**	1,185,834

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.

4. REVENUE AND SEGMENT INFORMATION *(Continued)*

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

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

Geographical information

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

	Revenue from external customers Six months ended 30 June	
	2022 RMB'000 (Unaudited)	2021 RMB'000 (Unaudited)
The PRC	**1,285,173**	976,577
Europe	**147,839**	83,059
Vietnam	**32,274**	46,825
Other countries in Asia (excluding the PRC and Vietnam)	**69,948**	39,151
Others	**62,867**	40,222
	1,598,101	1,185,834

Information about major customers

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2022

5. OTHER INCOME AND OTHER GAINS AND LOSSES

	Six months ended 30 June	
	2022 RMB'000 (Unaudited)	2021 RMB'000 (Unaudited)
Other income		
Government grants	**2,026**	2,162
Rental income	**23**	36
Bank interest income	**1,527**	4,432
Interest income on finance lease receivable	**—**	7
Interest income on loan receivable	**298**	—
Others	**330**	244
	4,204	6,881
Other gains and losses		
Net exchange gains (losses)	**12,873**	(1,780)
Losses on disposals of plant and equipment	**(3,780)**	(3,850)
Fair value change on financial asset at FVTPL	**—**	111
Fair value change on derivative financial instruments		
– commodity derivative contracts (note)	**608**	718
– foreign currency future contracts	**—**	—
Others	**(194)**	734
	9,507	(4,067)

Note: During the six months ended 30 June 2022, amount represented realised gains of RMB608,000 (2021: RMB718,000) and unrealised gains of nil (2021: nil) arising on changes in fair value of commodity derivative contracts.

6. PROFIT BEFORE TAXATION

	Six months ended 30 June	
	2022 RMB'000 (Unaudited)	2021 RMB'000 (Unaudited)
Profit before taxation has been arrived at after charging (crediting) to profit and loss:		
Cost of inventories recognised as expenses	**1,215,100**	1,006,591
Depreciation of property, plant and equipment	**19,217**	14,438
Depreciation of right-of-use assets	**2,696**	2,261
Total depreciation	**21,913**	16,699
Capitalised as cost of inventories manufactured	**(16,334)**	(12,712)
	5,579	3,987
Write-down of inventories	**5,913**	5,442

7. TAXATION

	Six months ended 30 June	
	2022 RMB'000 (Unaudited)	2021 RMB'000 (Unaudited)
Current tax	**14,085**	4,390
Under (over) provision in prior years	**35**	(33)
	14,120	4,357
Deferred tax	**14,155**	32
Total	**28,275**	4,389

8. DIVIDENDS

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2022

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	
	2022 **RMB'000** **(Unaudited)**	2021 RMB'000 (Unaudited)
Earnings:		
Earnings for the purposes of calculating basic earnings per share attributable to owners of the Company	**170,804**	27,035

	Six months ended 30 June	
	2022 **'000**	2021 '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

The weighted average number of ordinary shares for the purpose of calculating basic earnings per share has been determined on the assumption that the Capitalisation Issue (as defined in note 16) had been effective on 1 January 2020.

No diluted earnings per share was presented as there were no potential ordinary shares in issue for the six months ended 30 June 2021 and 2022.

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 RMB3,853,000 (2021: RMB1,859,000) for cash proceeds of RMB73,000 (2021: RMB602,000), resulting in a loss on disposal of RMB3,780,000 (2021: RMB1,257,000).

In addition, during the current interim period, the Group acquired property, plant and equipment with an aggregate amount of RMB108,371,000 (2021: RMB65,348,000).

As at 30 June 2022, the Group has pledged buildings, plant and machinery and motor vehicles with a total net book value of RMB93,866,000 (31 December 2021: RMB54,001,000) 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 6 months to 3 years (2021: 4 months to 2 years). The Group is required to make fixed monthly payments. On lease commencement, the Group recognised RMB3,225,000 (2021: RMB1,245,000) of right-of-use asset and lease liability.

For both periods, the Group leases various offices, warehouses and parking spaces for its operations. Lease contracts are entered into for fixed term of 6 months to 70 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 2022, the Group has pledged leasehold land with a net book value of RMB40,225,000 (31 December 2021: RMB45,274,000) to secure general banking facilities granted to the Group.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2022

11. TRADE RECEIVABLES

	As at	
	30 June 2022 RMB'000 (Unaudited)	31 December 2021 RMB'000 (Audited)
Trade receivables	**174,245**	217,180
Less: allowance for credit losses	**(8,680)**	(9,018)
	165,565	208,162

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 2022 RMB'000 (Unaudited)	31 December 2021 RMB'000 (Audited)
0-30 days	**100,656**	121,167
31-60 days	**40,596**	47,626
61-90 days	**9,050**	17,480
Over 90 days	**15,263**	21,889
	165,565	208,162

The management of the Group has delegated a team responsible for determination of credit limits and credit approvals. Before accepting any new customer, the Group assesses the potential customer's credit quality and defines credit limits by customer. Credit limits attributable to customers are reviewed regularly.

As at 30 June 2022, carrying amount of trade receivables amounted to RMB602,000 (31 December 2021: RMB272,000) have been pledged as security for the Group's borrowing.

11. TRADE RECEIVABLES *(Continued)*

The Group does not hold any collateral over these balances.

	Six months ended 30 June	
	2022 RMB'000 (Unaudited)	2021 RMB'000 (Unaudited)
(Reversal of) impairment loss recognised in respect of trade receivables	**(253)**	1,966

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 2022 are the same as those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2021.

During the six months ended 30 June 2022, the Group provided impairment allowance of RMB949,000 (2021: RMB8,848,000). In particular a specific loss allowance of RMB949,000 (2021: RMB1,497,000) 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 2022, the Group reversed the impairment allowance of RMB1,202,000 (2021: RMB6,882,000).

12. BILL RECEIVABLES AT FVTOCI

	As at	
	30 June 2022 RMB'000 (Unaudited)	31 December 2021 RMB'000 (Audited)
Bill receivables at FVTOCI	**160,789**	85,798

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

	As at	
	30 June 2022 RMB'000 (Unaudited)	31 December 2021 RMB'000 (Audited)
0-180 days	**159,824**	85,798
Over 180 days	**965**	—
	160,789	85,798

As at 30 June 2022, the Group has pledged bill receivables at FVTOCI with a total net book value of RMB143,574,000 (31 December 2021: RMB76,648,000) to secure general banking facilities granted to the Group.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2022

13. TRADE AND BILL PAYABLES

	As at	
	30 June 2022 RMB'000 (Unaudited)	31 December 2021 RMB'000 (Audited)
Trade payables	**182,314**	175,009
Bill payables	**17,850**	23,000
	200,164	198,009

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

	As at	
	30 June 2022 RMB'000 (Unaudited)	31 December 2021 RMB'000 (Audited)
0-180 days	**17,850**	19,000
Over 180 days	**–**	4,000
	17,850	23,000

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

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

	As at	
	30 June 2022 RMB'000 (Unaudited)	31 December 2021 RMB'000 (Audited)
0-30 days	**113,833**	114,163
31-60 days	**29,288**	29,585
61-90 days	**15,236**	8,453
Over 90 days	**23,957**	22,808
	182,314	175,009

14. BORROWINGS

	As at	
	30 June 2022 RMB'000 (Unaudited)	31 December 2021 RMB'000 (Audited)
Secured bank loans	**334,042**	271,749
Unsecured bank loans	**163,381**	185,370
Other loans	**179,793**	151,257
	677,216	608,376
The carrying amounts of the above borrowings are repayable based on scheduled repayment terms:		
Within one year	**484,736**	453,908
More than one year but not more than two years	**76,473**	3,512
More than two years but not more than five years	**115,000**	150,000
More than five years	**1,007**	956
	677,216	608,376
Less: Amounts shown under non-current liabilities	**192,480**	154,468
Amounts shown under current liabilities	**484,736**	453,908

15. LOANS FROM RELATED COMPANIES

Loans from related companies

	As at	
	31 June 2022 RMB'000 (Unaudited)	31 December 2021 RMB'000 (Audited)
Hanhe Enterprises	**28,203**	82,803
Jinhan Tianxia	**54,600**	—
	82,803	82,803
Less: Amounts shown under non-current liabilities	**67,303**	82,803
Amounts shown under current liabilities	**15,500**	—

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. As at 30 June 2022, an aggregate principal amount of RMB28,900,000 (31 December 2021: RMB83,500,000) has been utilised 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. As at 30 June 2022, an aggregate principal amount of RMB54,600,000 (31 December 2021: nil) has been utilised and is repayable in 2023.

As at 30 June 2022, 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 2022

16. SHARE CAPITAL

Pursuant to written resolutions of the Company's shareholders passed on 16 December 2019, on 21 January 2020, the Company allotted and issued a total of 749,000,000 shares, by way of capitalisation ("**Capitalisation Issue**") of the sum of HK$7,490,000 (equivalent to RMB6,624,000) standing to the credit of the share premium account of the Company, credited as fully paid at par to the shareholders as appearing on the register of members of the Company.

On 21 January 2020, the Company issued 250,000,000 new shares at Hong Kong Dollar ("**HK$**") 0.51 each upon initial public offering in an aggregate gross amount of HK$127,500,000 (equivalent to RMB112,757,000).

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

	Number of Shares	Amount HK$ (Unaudited)
Ordinary shares of HK$0.01 each		
Authorised		
At 1 January and 30 June 2021, and 1 January and 30 June 2022	10,000,000,000	100,000,000
Issued and fully paid		
At 1 January and 30 June 2021, 1 January and 30 June 2022	1,000,000,000	10,000,000

	RMB'000 (Unaudited)
Presented as at 1 January and 30 June 2021, 1 January and 30 June 2022	8,844

17. CAPITAL COMMITMENTS

	As at	
	30 June 2022 RMB'000 (Unaudited)	31 December 2021 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	**26,091**	19,859

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:

Finance costs

	As at 30 June	
	2022 **RMB'000** **(Unaudited)**	2021 RMB'000 (Unaudited)
Interest on loans from a related company - Hanhe Enterprises	**658**	870
Interest on loans from a related company – Jinhan Tianxia	**583**	—
	1,241	870

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	
	2022 **RMB'000** **(Unaudited)**	2021 RMB'000 (Unaudited)
Short-term benefits	**2,368**	2,334
Post-employment benefits	**280**	316
	2,648	2,650

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2022

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).

	Fair value as at			
Unobservable	**30 June 2022 (Unaudited)**	31 December 2021 (Audited)	Fair value hierarchy	Valuation techniques and key inputs
Commodity derivative contracts	**RMB5,000**	RMB273,000	Level 1	Quoted bid prices in NYMEX Future Exchange
Listed shares	**RMB1,755,000**	nil	Level 1	Quoted bid prices in respective stock exchange markets
Bill receivables at FVTOCI	**RMB160,789,000**	RMB85,798,000	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.