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**Wuhan Youji Holdings Ltd.**

**武漢有機控股有限公司**

*(Incorporated in the Cayman Islands with limited liability)*

**(Stock code: 2881)**

## **INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2024**

### **FINANCIAL HIGHLIGHTS**

The Group's revenue for the six months ended 30 June 2024 was approximately RMB1,651.2 million, representing an increase of approximately RMB387.8 million or approximately 30.7% compared to the corresponding period in 2023.

The Group's gross profit for the six months ended 30 June 2024 was approximately RMB186.7 million, representing an increase of approximately RMB1.1 million or approximately 0.6% compared to the corresponding period in 2023.

The Group's net profit for the six months ended 30 June 2024 was approximately RMB48.0 million, representing an increase of approximately RMB3.5 million or approximately 7.9% compared to the corresponding period in 2023.

For the six months ended 30 June 2024, the basic and diluted earnings per share attributable to the ordinary equity holders of the parent company were approximately RMB0.63, representing an increase of approximately RMB0.04 or approximately 6.8% compared to the corresponding period in 2023.

### **RESULTS**

The board (the “**Board**”) of directors (the “**Director(s)**”) of Wuhan Youji Holdings Ltd. (the “**Company**” or “**we**”) is pleased to announce the unaudited condensed consolidated interim results of the Company and its subsidiaries (collectively, the “**Group**”) for the six months ended 30 June 2024 (the “**Reporting Period**”), together with the comparative figures for the corresponding period in 2023.

# INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2024

		Six months ended 30 June	
		2024	2023
	Notes	RMB'000	RMB'000
		(unaudited)	(unaudited)
<b>REVENUE</b>	5	<b>1,651,158</b>	1,263,372
Cost of sales		<u>(1,464,482)</u>	<u>(1,077,766)</u>
Gross profit		<b>186,676</b>	185,606
Other income and gains		<b>30,746</b>	11,049
Selling and distribution expenses		<b>(13,414)</b>	(11,451)
Administrative expenses		<b>(60,205)</b>	(48,633)
Research and development expenses		<b>(58,855)</b>	(54,695)
Impairment losses on financial assets		<b>(440)</b>	141
Other expenses		<b>(7,291)</b>	(2,021)
Finance costs		<b>(21,134)</b>	(17,919)
Share of profits and losses of:			
Joint venture		<b>3,860</b>	(5,867)
Associate		<b>3,481</b>	2,252
<b>PROFIT BEFORE TAX</b>	6	<b>63,424</b>	58,462
Income tax expense	7	<u><b>(15,375)</b></u>	<u>(13,915)</u>
<b>PROFIT FOR THE PERIOD</b>		<u><b>48,049</b></u>	<u>44,547</u>
Profit attributable to owners of the parent		<u><b>48,049</b></u>	<u>44,547</u>
<b>EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT:</b>			
Basic and diluted (RMB per share)	8	<u><b>0.63</b></u>	<u>0.59</u>

# **INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME (CONTINUED)**

*For the six months ended 30 June 2024*

	<b>Six months ended 30 June</b>	
	<b>2024</b>	<b>2023</b>
	<b>RMB'000</b>	<b>RMB'000</b>
	<b>(unaudited)</b>	<b>(unaudited)</b>
<b>PROFIT FOR THE PERIOD</b>	<b><u>48,049</u></b>	<b><u>44,547</u></b>
<b>OTHER COMPREHENSIVE INCOME</b>		
Other comprehensive income that will not be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations	<u>26</u>	<u>345</u>
<b>OTHER COMPREHENSIVE INCOME FOR THE PERIOD, NET OF TAX</b>	<b><u>48,075</u></b>	<b><u>44,892</u></b>
<b>TOTAL COMPREHENSIVE INCOME FOR THE PERIOD</b>	<b><u>48,075</u></b>	<b><u>44,892</u></b>
Attributable to owners of the parent	<b><u>48,075</u></b>	<b><u>44,892</u></b>

# INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2024

		<b>30 June 2024</b>	31 December 2023
	<i>Notes</i>	<b><i>RMB'000</i></b>	<b><i>RMB'000</i></b>
		<b>(unaudited)</b>	<b>(audited)</b>
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	9	<b>1,051,929</b>	1,020,081
Right-of-use assets		<b>194,148</b>	190,527
Other intangible assets		<b>3,513</b>	4,056
Investment in a joint venture		<b>15,528</b>	11,668
Investment in an associate		<b>20,623</b>	24,272
Prepayments		<b>48,678</b>	32,704
		<hr/>	<hr/>
Total non-current assets		<b>1,334,419</b>	1,283,308
<b>CURRENT ASSETS</b>			
Inventories		<b>275,167</b>	285,333
Trade and bills receivables	10	<b>354,379</b>	296,314
Prepayments, deposits and other receivables		<b>123,738</b>	145,367
Pledged deposits		<b>73,001</b>	40,127
Cash and cash equivalents		<b>207,011</b>	65,433
		<hr/>	<hr/>
Total current assets		<b>1,033,296</b>	832,574
		<hr/> <hr/>	<hr/> <hr/>

# INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

As at 30 June 2024

		<b>30 June 2024</b>	31 December 2023
	<i>Notes</i>	<b>RMB'000</b>	<b>RMB'000</b>
		<b>(unaudited)</b>	<b>(audited)</b>
<b>CURRENT LIABILITIES</b>			
Trade and bills payables	11	259,308	149,705
Other payables and accruals		338,293	372,971
Interest-bearing bank and other borrowings	12	1,008,950	852,020
Lease liabilities		14,215	15,850
Income tax payable		2,290	32,108
		<hr/>	<hr/>
Total current liabilities		1,623,056	1,422,654
		<hr/>	<hr/>
<b>NET CURRENT LIABILITIES</b>		<b>(589,760)</b>	<b>(590,080)</b>
		<hr/>	<hr/>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<b>744,659</b>	<b>693,228</b>
		<hr/>	<hr/>
<b>NON-CURRENT LIABILITIES</b>			
Interest-bearing bank borrowings	12	—	65,500
Government grants		44,413	45,740
Lease liabilities		7,377	11,740
Deferred tax liabilities		49,543	40,631
		<hr/>	<hr/>
Total non-current liabilities		101,333	163,611
		<hr/>	<hr/>
Net assets		643,326	529,617
		<hr/>	<hr/>
<b>EQUITY</b>			
<b>Equity attributable to owners of the parent</b>			
Share capital	13	61	48
Reserves		643,265	529,569
		<hr/>	<hr/>
Total equity		643,326	529,617
		<hr/>	<hr/>

# INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2024

	Attributable to owners of the parent							Total equity RMB'000
	Share capital	Merger reserve	Capital reserve	Other reserve	Statutory reserve	Exchange fluctuation reserve	Retained profits	
	RMB'000 (note 13)	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	
At 1 January 2024 (audited)	48	64,802	(32,670)	1,257	68,712	593	426,875	529,617
Profit for the period	—	—	—	—	—	—	48,049	48,049
Other comprehensive income for the period:								
Exchange differences related to foreign operations	—	—	—	—	—	26	—	26
Total comprehensive income for the period	—	—	—	—	—	26	48,049	48,075
Issue of new shares	13	—	91,674	—	—	—	—	91,687
Share issue expenses	—	—	(26,263)	—	—	—	—	(26,263)
Equity-settled share-based payment	—	—	—	210	—	—	—	210
At 30 June 2024 (unaudited)	<u>61</u>	<u>64,802*</u>	<u>32,741*</u>	<u>1,467*</u>	<u>68,712*</u>	<u>619*</u>	<u>474,924*</u>	<u>643,326</u>

\* These reserve accounts comprise the consolidated reserves of RMB643,265,000 as at 30 June 2024 in the interim condensed consolidated statement of financial position.

	Attributable to owners of the parent							Total equity RMB'000
	Share capital	Merger reserve	Capital reserve	Other reserve	Statutory reserve	Exchange fluctuation reserve	Retained profits	
	RMB'000 (note 13)	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	
At 1 January 2023 (audited)	48	64,802	(32,670)	838	68,712	404	623,973	726,107
Profit for the period	—	—	—	—	—	—	44,547	44,547
Other comprehensive income for the period:								
Exchange differences related to foreign operations	—	—	—	—	—	345	—	345
Total comprehensive income for the period	—	—	—	—	—	345	44,547	44,892
Equity-settled share-based payment	—	—	—	210	—	—	—	210
At 30 June 2023 (unaudited)	<u>48</u>	<u>64,802</u>	<u>(32,670)</u>	<u>1,048</u>	<u>68,712</u>	<u>749</u>	<u>668,520</u>	<u>771,209</u>

# NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

*For the six months ended 30 June 2024*

## 1. CORPORATE AND GROUP INFORMATION

Wuhan Youji Holdings Ltd. was incorporated in the Cayman Islands as an exempted company with limited liability on 23 September 2016. The registered address of the office of the Company is PO Box 472, 2nd Floor, Harbour Place, 103 South Church Street, George Town, Grand Cayman KY1-1106, Cayman Islands. The principal place of business in Hong Kong of the Company is 5/F, Manulife Place, 348 Kwun Tong Road, Kowloon, Hong Kong.

The Company is an investment holding company. The major subsidiaries of the Company were principally engaged in the manufacture and sales of toluene oxidation products and toluene chlorination products and their derivatives in the People's Republic of China (the “**PRC**”).

The shares of the Company have been listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) effective from 18 June 2024.

## 2. BASIS OF PREPARATION

The interim condensed consolidated financial information for the six months ended 30 June 2024 have been prepared in accordance with Hong Kong Accounting Standards (“**HKAS**”) 34 Interim Financial Reporting. The interim condensed consolidated financial information does not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's consolidated financial statements for each of the years ended 31 December 2021, 2022 and 2023 as set out in the accountants' report (the “**Accountants' Report**”) included in the prospectus of the Company dated on 7 June 2024 (the “**Prospectus**”).

### 3. CHANGES IN ACCOUNTING POLICIES

The accounting policies adopted in the preparation of the interim condensed consolidated financial information are consistent with those applied in the preparation of the Accountants' Report, except for the adoption of the following revised Hong Kong Financial Reporting Standards (“**HKFRSs**”) for the first time for the current period's financial information.

Amendments to HKFRS 16	<i>Lease Liability in a Sale and Leaseback</i>
Amendments to HKAS 1	<i>Classification of Liabilities as Current or Non-current (the “2020 Amendments”)</i>
Amendments to HKAS 1	<i>Non-current Liabilities with Covenants (the “2022 Amendments”)</i>
Amendments to HKAS 7 and HKFRS 7	<i>Supplier Finance Arrangements</i>

The nature and impact of the revised HKFRSs are described below:

- (a) Amendments to HKFRS 16 specify the requirements that a seller-lessee uses in measuring the lease liability arising in a sale and leaseback transaction to ensure the seller-lessee does not recognise any amount of the gain or loss that relates to the right of use it retains. Since the Group has no sale and leaseback transactions with variable lease payments that do not depend on an index or a rate occurring from the date of initial application of HKFRS 16, the amendments did not have any impact on the financial position or performance of the Group.
- (b) The 2020 Amendments clarify the requirements for classifying liabilities as current or non-current, including what is meant by a right to defer settlement and that a right to defer must exist at the end of the reporting period. Classification of a liability is unaffected by the likelihood that the entity will exercise its right to defer settlement. The amendments also clarify that a liability can be settled in its own equity instruments, and that only if a conversion option in a convertible liability is itself accounted for as an equity instrument would the terms of a liability not impact its classification. The 2022 Amendments further clarify that, among covenants of a liability arising from a loan arrangement, only those with which an entity must comply on or before the reporting date affect the classification of that liability as current or non-current. Additional disclosures are required for non-current liabilities that are subject to the entity complying with future covenants within 12 months after the reporting period.

The Group has reassessed the terms and conditions of its liabilities as at 1 January 2023 and 2024 and concluded that the classification of its liabilities as current or non-current remained unchanged upon initial application of the amendments. Accordingly, the amendments did not have any impact on the financial position or performance of the Group.



- (c) Amendments to HKAS 7 and HKFRS 7 clarify the characteristics of supplier finance arrangements and require additional disclosure of such arrangements. The disclosure requirements in the amendments are intended to assist users of financial statements in understanding the effects of supplier finance arrangements on an entity's liabilities, cash flows and exposure to liquidity risk. The disclosure of relevant information for supplier finance arrangements is not required for any interim reporting period during the first annual reporting period in which an entity applies the amendments. As the Group does not have supplier finance arrangements, the amendments did not have any impact on the interim condensed consolidated financial information.

## **4. OPERATING SEGMENT INFORMATION**

### **Operating Segment information**

HKFRS 8 Operating Segments requires operating segments to be identified on the basis of internal reporting about components of the Group that are regularly reviewed by the chief operating decision-maker in order to allocate resources to segments and to assess their performance. The information reported to the directors of the Company, who are the chief operating decision-makers, for the purpose of resource allocation and assessment of performance does not contain discrete operating segment financial information and the directors reviewed the financial results of the Group as a whole. Therefore, no further information about the operating segment is presented.

### **Geographical Information**

- (a) Details of the revenue from external customers by geographical market are included in note 5.
- (b) Non-current assets.

As at 30 June 2024 and 31 December 2023, all of the Group's non-current assets were located in Mainland China, no geographical segment information is presented in accordance with HKFRS 8.

### **Information about a major customer**

During the six months ended 30 June 2023 and 2024, no revenue from transactions with a single external customer amounted to 10% or more of the Group's total revenue.

## 5. REVENUE

An analysis of revenue is as follows:

	<b>Six months ended 30 June</b>	
	<b>2024</b>	<b>2023</b>
	<b><i>RMB'000</i></b>	<b><i>RMB'000</i></b>
	<b>(unaudited)</b>	<b>(unaudited)</b>
Revenue from contracts with customers	<b><u>1,651,158</u></b>	<b><u>1,263,372</u></b>

### Disaggregated revenue information for revenue from contracts with customers

	<b>Six months ended 30 June</b>	
	<b>2024</b>	<b>2023</b>
	<b><i>RMB'000</i></b>	<b><i>RMB'000</i></b>
	<b>(unaudited)</b>	<b>(unaudited)</b>
<b>Types of goods or services</b>		
Toluene oxidation products	<b>1,025,415</b>	618,900
Toluene chlorination products	<b>335,685</b>	370,689
Products trading	<b><u>290,058</u></b>	<u>273,783</u>
Total	<b><u>1,651,158</u></b>	<b><u>1,263,372</u></b>

	<b>Six months ended 30 June</b>	
	<b>2024</b>	<b>2023</b>
	<b><i>RMB'000</i></b>	<b><i>RMB'000</i></b>
	<b>(unaudited)</b>	<b>(unaudited)</b>
<b>Geographical markets</b>		
Mainland China	<b>1,219,025</b>	980,344
Asia (outside Mainland China)	<b>171,413</b>	134,162
European Union	<b>135,583</b>	76,457
America	<b>111,118</b>	63,688
Other countries/regions	<b><u>14,019</u></b>	<u>8,721</u>
Total	<b><u>1,651,158</u></b>	<b><u>1,263,372</u></b>

	<b>Six months ended 30 June</b>	
	<b>2024</b>	<b>2023</b>
	<b><i>RMB'000</i></b>	<b><i>RMB'000</i></b>
	<b>(unaudited)</b>	<b>(unaudited)</b>
<b>Timing of revenue recognition</b>		
Goods transferred at a point in time	<b><u>1,651,158</u></b>	<b><u>1,263,372</u></b>

## **6. PROFIT BEFORE TAX**

The Group's profit before tax from continuing operations is arrived at after charging/ (crediting):

	<b>Six months ended 30 June</b>	
	<b>2024</b>	<b>2023</b>
	<b><i>RMB'000</i></b>	<b><i>RMB'000</i></b>
	<b>(unaudited)</b>	<b>(unaudited)</b>
Cost of inventories sold	<b>1,464,482</b>	1,077,766
Write-down of/(reversal of write-down of) inventories to net realisable value	<b>(589)</b>	1,177
Impairment/(reversal of impairment) of trade receivables to net realisable value	<b>440</b>	(141)
Research and development costs (current year expenditures)	<b>58,855</b>	54,695
Depreciation of property, plant and equipment	<b>58,757</b>	55,429
Amortisation of other intangible assets*	<b>543</b>	413
Depreciation of right-of-use assets	<b>9,999</b>	10,287
Listing expenses	<b>9,481</b>	8,739
Additional deductions for input VAT	<b>(11,486)</b>	(1,517)
Foreign exchange differences, net	<b>(5,881)</b>	(2,339)
Government grants related to income	<b>(3,705)</b>	(400)
Government grants related to assets	<b>(2,735)</b>	(2,634)
Employee benefit expense (including directors' emoluments):		
Salaries, allowances and benefits in kind	<b>41,436</b>	33,322
Share award scheme expenses	<b>210</b>	210
Performance-based bonuses	<b>2,205</b>	—
Pension scheme contributions**	<b>7,272</b>	7,920
	<b><u>51,123</u></b>	<b><u>41,452</u></b>

- \* The amortization of other intangible assets for the period is included in “Administrative expenses” in profit or loss.
- \*\* There are no forfeited contributions that may be used by the Group as the employer to reduce the existing level of contributions.

## 7. INCOME TAX EXPENSE

The Group is subject to income tax on an entity basis on profits arising in or derived from the jurisdictions in which members of the Group are domiciled and operate.

	<b>Six months ended 30 June</b>	
	<b>2024</b>	<b>2023</b>
	<b><i>RMB'000</i></b>	<b><i>RMB'000</i></b>
	<b>(unaudited)</b>	<b>(unaudited)</b>
Current — Hong Kong	<b>92</b>	47
Current — Mainland China	<b>6,371</b>	9,166
Deferred income tax	<b>8,912</b>	4,702
	<hr/>	<hr/>
Total tax charge for the period	<b><u>15,375</u></b>	<b><u>13,915</u></b>

### **Cayman Islands and British Virgin Islands**

Under the current tax laws of the Cayman Islands and the British Virgin Islands (“**BVI**”), the Company and its subsidiaries incorporated in the Cayman Islands and BVI are not subject to tax on income or capital gains.

### **Hong Kong**

Hong Kong profits tax has been provided at the rate of 16.5% on the estimated assessable profits arising in Hong Kong during the Reporting Period, except for one subsidiary of the Group which is a qualifying entity under the two-tiered profits tax rates regime. The first HK\$2,000,000 of assessable profits of this subsidiary are taxed at 8.25% and the remaining assessable profits are taxed at 16.5%.

### **Mainland China**

The provision for corporate income tax in Mainland China is based on the statutory rate of 25% of the taxable profits determined in accordance with the PRC Corporate Income Tax Law, except for Wuhan Youji Industry Co., Ltd. and Qianjiang Xinyihong Organic Chemical Co., Ltd., which were qualified as a High and New Technology Enterprise to enjoy a preferential income tax rate of 15% during the Reporting Period.

## 8. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

The calculation of the basic earnings per share amounts is based on the profit for the period attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares of 76,307,143 (2023: 75,000,000) in issue during the Reporting Period.

The calculation of the diluted earnings per share amounts is based on the profit for the period attributable to ordinary equity holders of the parent. The weighted average number of ordinary shares used in the calculation is the number of ordinary shares in issue during the Reporting Period, as used in the basic earnings per share calculation.

The Company had no potentially dilutive options or other financial instruments relating to the ordinary shares in issue during the six months ended 30 June 2024 and 2023.

The calculation of basic and diluted earnings per share are based on:

	<b>Six months ended 30 June</b>	
	<b>2024</b>	<b>2023</b>
	<b><i>RMB'000</i></b>	<b><i>RMB'000</i></b>
	<b>(unaudited)</b>	<b>(unaudited)</b>
Earnings:		
Profit attributable to ordinary equity holders of the Company	<b><u>48,049</u></b>	<b><u>44,547</u></b>
	<b>Number of shares</b>	
Shares:		
Weighted average number of ordinary shares in issue during the period	<b><u>76,307,143</u></b>	<b><u>75,000,000</u></b>
Earnings per share (basic and diluted, RMB per share)	<b><u>0.63</u></b>	<b><u>0.59</u></b>

## 9. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2024, the Group acquired assets at a cost of RMB90,654,000 (for the six months ended 30 June 2023: RMB48,263,000).

Assets with a net book value of RMB49,000 were disposed of by the Group during the six months ended 30 June 2024 (for the six months ended 30 June 2023: Nil).

During the six months ended 30 June 2024 and 2023, no impairment loss was recognised during the periods.

At 30 June 2024, certain of the Group's buildings with an aggregate carrying amount of RMB125,049,000 were pledged to secure the Group's bank loans and other borrowings (31 December 2023: RMB130,554,000) (note 12).

## 10. TRADE AND BILLS RECEIVABLES

	<b>30 June 2024 RMB'000 (unaudited)</b>	<b>31 December 2023 RMB'000 (audited)</b>
Trade receivables	<b>171,374</b>	97,211
Bills receivable	<b>184,069</b>	199,727
	<b>355,443</b>	296,938
Impairment	<b>(1,064)</b>	(624)
	<b><u>354,379</u></b>	<b><u>296,314</u></b>

An ageing analysis of the Group's trade receivables as at the end of the reporting period, based on the invoice date and net of loss allowance, is as follows:

	<b>30 June 2024 RMB'000 (unaudited)</b>	<b>31 December 2023 RMB'000 (audited)</b>
Within 4 months	<b>133,141</b>	95,913
Over 4 months but within 6 months	<b>36,937</b>	—
Over 6 months but within 12 months	<b>232</b>	674
	<b><u>170,310</u></b>	<b><u>96,587</u></b>

The maturity date analysis for bills receivable is as follows:

	<b>30 June 2024 <i>RMB'000</i> (unaudited)</b>	<b>31 December 2023 <i>RMB'000</i> (audited)</b>
Within 3 months	<b>80,288</b>	80,859
Over 3 months but within 6 months	<b>103,781</b>	118,868
	<b><u>184,069</u></b>	<b><u>199,727</u></b>

## 11. TRADE AND BILLS PAYABLES

An ageing analysis of the trade and bills payables as at the end of the reporting period, based on the invoice date, is as follows:

	<b>30 June 2024 <i>RMB'000</i> (unaudited)</b>	<b>31 December 2023 <i>RMB'000</i> (audited)</b>
Within 1 year	<b>259,247</b>	149,444
1 year to 2 years	<b>35</b>	152
Over 2 years	<b>26</b>	109
	<b><u>259,308</u></b>	<b><u>149,705</u></b>

## 12. INTEREST-BEARING BANK AND OTHER BORROWINGS

	30 June 2024			31 December 2023		
	Effective interest rate (%)	Maturity	RMB'000 (unaudited)	Effective interest rate (%)	Maturity	RMB'000 (audited)
<b>Current</b>						
Bank loans — secured	3–5	2024~2025	160,500	4–5	2024	268,020
Bank loans — unsecured	3–5	2024~2025	709,950	3–5	2024	514,000
Current portion of long-term bank loans — secured	5	2024~2025	49,000	5	2024	12,000
Current portion of long-term bank loans — unsecured	4	2025	40,500	4	2024	18,000
Other borrowings — unsecured		2025	49,000		2024	40,000
			<u>1,008,950</u>			<u>852,020</u>
<b>Non Current</b>						
Bank loans — secured			—	5	2025	42,000
Bank loans — unsecured			—	4	2025	23,500
			<u>—</u>			<u>65,500</u>
			<u>1,008,950</u>			<u>917,520</u>
				<b>30 June 2024</b>	<b>31 December 2023</b>	
				<b>RMB'000</b>	<b>RMB'000</b>	
				<b>(unaudited)</b>	<b>(audited)</b>	
Analysed into:						
Bank loans repayable:						
Within one year			959,950			812,020
After one year but within two years			—			65,500
			<u>959,950</u>			<u>877,520</u>
Other borrowings repayable:						
Within one year			49,000			40,000
			<u>49,000</u>			<u>40,000</u>
			<u>1,008,950</u>			<u>917,520</u>



Notes:

- (a) Bank loans and other borrowings of the Group are secured by:
- (i) At 30 June 2024, mortgages over the Group's plant, equipment and buildings situated in Mainland China, which had an aggregate carrying amount of RMB125,049,000 (31 December 2023: RMB130,554,000) (note 9);
  - (ii) At 30 June 2024, mortgages over the Group's leasehold lands situated in Mainland China, which had an aggregate carrying amount of RMB139,193,000 (31 December 2023: RMB139,971,000);
- (b) All bank loans and other borrowings of the Group are denominated in RMB and at fixed interest rates except for an unsecured bank loan with the amount of RMB23,500,000 as at 30 June 2024 and 31 December 2023 is at floating interest.

### 13. SHARE CAPITAL

	<b>30 June 2024 RMB'000 (unaudited)</b>	31 December 2023 RMB'000 (audited)
Issued and fully paid:		
93,300,000 ordinary shares of USD0.0001 each		
(31 December 2023: 75,000,000 ordinary shares of USD0.0001 each)	<b>61</b>	48

A summary of movements in the Company's issued share capital is as follows:

	<b>Number of shares in issue</b>	<b>Share capital RMB'000</b>
At 31 December 2023 (audited)	75,000,000	48
Issue of shares upon initial public offering ( <i>note</i> ) (unaudited)	18,300,000	13
At 30 June 2024 (unaudited)	<b>93,300,000</b>	<b>61</b>

*Note:* In connection with the Company's Hong Kong Public Offering and the International Offering on 18 June 2024, 18,300,000 ordinary shares of USD0.0001 each were issued and allotted at an offer price of HKD5.50 per share for a total gross consideration of HKD100,650,000 (equivalent to RMB91,687,000).

## 14. COMMITMENTS

The Group had the following contractual commitments at the end of the reporting period:

	<b>30 June 2024 <i>RMB'000</i> (unaudited)</b>	<b>31 December 2023 <i>RMB'000</i> (audited)</b>
Contracted, but not provided for:		
Plant and machinery	<b><u>51,050</u></b>	<b><u>42,700</u></b>

## MANAGEMENT DISCUSSION AND ANALYSIS

### BUSINESS REVIEW

We are a renowned toluene derivative products provider in the PRC and the global market, primarily focusing on the manufacture of toluene oxidation products and toluene chlorination products and their derivatives through organic synthesis process. Our toluene derivative products are primarily used for food preservatives, household chemicals, animal feed acidifier and synthetic intermediates for agrochemical and pharmaceutical uses. We also engage in products trading (mainly in toluene trading) to supplement our primary production operations and sales.

#### Performance by Product Type

*For the six months ended 30 June 2024*

	Self-produced product			
	Toluene oxidation products and its derivatives <sup>1</sup>	Toluene chlorination products and its derivatives <sup>2</sup>	Products trading	Total
Revenue (RMB'000)	1,025,415	335,685	290,058	1,651,158
Cost of sales (RMB'000)	906,094	272,480	285,908	1,464,482
Sales volume (tonne)	126,315	42,343	42,845	211,503
Gross profit margin	11.6%	18.8%	1.4%	11.3%
Unit average selling price (RMB/tonne)	8,118	7,928	6,770	7,807

*For the six months ended 30 June 2023*

	Self-produced product			
	Toluene oxidation products and its derivatives	Toluene chlorination products and its derivatives	Products trading	Total
Revenue (RMB'000)	618,900	370,689	273,783	1,263,372
Cost of sales (RMB'000)	525,864	288,468	263,434	1,077,766
Sales volume (tonne)	73,492	54,519	40,625	168,636
Gross profit margin	15.0%	22.2%	3.8%	14.7%
Unit average selling price (RMB/tonne)	8,421	6,799	6,739	7,492

## Revenue by geographical location of customers

	Six months ended 30 June	
	2024	2023
	RMB'000	RMB'000
<b>Revenue</b>		
Domestic sales	1,219,025	980,344
Export sales	432,133	283,028
<b>Total</b>	<b>1,651,158</b>	<b>1,263,372</b>

Notes:

1. Toluene oxidation products and its derivatives mainly include toluene oxidation products, benzoic acid ammonification products, and other fine chemicals (by-products or downstream extension products) generated during the production of toluene oxidation products.
2. Toluene chlorination products and its derivatives mainly include toluene chlorination products and other fine chemicals (by-products or downstream extension products) generated during the production of toluene chlorination products.

During the Reporting Period, the Group's overall revenue increased by approximately 30.7% to approximately RMB1,651.2 million (for the six months ended 30 June 2023: approximately RMB1,263.4 million) compared to the corresponding period in 2023, and the Group's overall gross profit increased by approximately 0.6% to approximately RMB186.7 million (for the six months ended 30 June 2023: approximately RMB185.6 million) compared to the corresponding period in 2023. The increase in revenue was mainly due to an increase in revenue of RMB406.5 million from toluene oxidation products and its derivatives. In response to the sluggish market sentiment in the chemical industry, we also adopted a strategy of selling products at lower prices, resulting in a significant increase in sales volume during the Reporting Period compared to the corresponding period last year, as a result, the revenue substantial increased accordingly. Gross profit of the Group increased by approximately 0.6% compared to the corresponding period in 2023, mainly due to the increase in sales of the toluene oxidation products and its derivatives, which was partially offset by the decrease in sales of the toluene chlorination products and its derivatives. For the Reporting Period, the Group's overall gross profit margin decreased by approximately 3.4 percentage points year-on-year to approximately 11.3% (for the six months ended 30 June 2023: 14.7%), mainly due to that we adopted a strategy of selling products at lower prices to effectively competing with our competitors, thereby maintaining our market share and keeping the utilisation rate of our production facilities at optimal levels.

During the Reporting Period, the profit attributable to equity holders of the parent company increased by approximately 7.9% to approximately RMB48.0 million (for the six months ended 30 June 2023: approximately RMB44.5 million). The net profit margin attributable to equity holders of the parent company decreased by approximately 0.6 percentage points to approximately 2.9% (for the six months ended 30 June 2023: approximately 3.5%) mainly due to the decrease in gross profit margin.

**Toluene oxidation products and its derivatives accounted for approximately 62.1% of the Group's overall revenue for the six months ended 30 June 2024 (for the six months ended 30 June 2023: 49.0%)**

Toluene oxidation products and its derivatives mainly include benzoic acid, sodium benzoate, and benzoic acid ammonification products, such as benzonitrile and benzoguanamine. The Group is the largest manufacturer for both benzoic acid and sodium benzoate in the PRC.

During the Reporting Period, revenue of the Group's toluene oxidation products and its derivatives increased by approximately 65.7% to approximately RMB1,025.4 million compared to the same period in 2023 (for the six months ended 30 June 2023: approximately RMB618.9 million), mainly due to the gradual recovery of the market for the series of products, but in view of the fierce competition in the market for such series of products, we continued to adopt the strategy to sell our products at lower prices, contributing to a significant increase both in sales volume and corresponding revenue during the Reporting Period compared to same period of the last year. During the Reporting Period, the sales volume of such series of products increased by approximately 71.9% to 126,315 tons compared to the same period of the last year (for the six months ended 30 June 2023: approximately 73,492 tons). The revenue from such series of products accounted for approximately 62.1% of the Group's overall revenue (for the six months ended 30 June 2023: 49.0%).

During the Reporting Period, the overall gross profit of such series of products increased to approximately RMB119.3 million (for the six months ended 30 June 2023: approximately RMB93.0 million), and the gross profit margin of such series of products decreased by approximately 3.4 percentage points to approximately 11.6% (for the six months ended 30 June 2023: approximately 15.0%).

**Toluene chlorination products and its derivatives accounted for approximately 20.3% of the Group's overall revenue for the six months ended 30 June 2024 (for the six months ended 30 June 2023: 29.3%)**

Toluene chlorination products and its derivatives mainly include benzyl chloride, benzyl alcohol, and benzyl acetate. The Group is the second largest manufacturer for benzyl alcohol in the PRC.

During the Reporting Period, revenue of the Group's toluene chlorination products and its derivatives decreased by approximately 9.4% to approximately RMB335.7 million compared to the same period in 2023 (for the six months ended 30 June 2023: approximately RMB370.7 million), mainly due to the fact that the downstream market for such series of products, particularly the demand from real estate sector, remained weak. Despite our continued strategic approach of selling our products at relatively lower prices, sales volume

decreased by 22.3% to 42,343 tons compared to the same period in 2023 (for the six months ended 30 June 2023: approximately 54,519 tons). The revenue from such series of products accounted for approximately 20.3% of the Group's overall revenue (for the six months ended 30 June 2023: 29.3%).

During the Reporting Period, the overall gross profit of such series of products decreased to approximately RMB63.2 million (for the six months ended 30 June 2023: approximately RMB82.2 million), and the gross profit margin of such series of products decreased by approximately 3.4 percentage points to approximately 18.8% (for the six months ended 30 June 2023: approximately 22.2%).

**Products trading accounted for approximately 17.6% of the Group's overall revenue for the six months ended 30 June 2024 (for the six months ended 30 June 2023: 21.7%)**

We conduct products trading primarily to maintain a stable and sufficient supply of raw materials for our manufacturing, and it also helps us to enhance and develop our relationship with clients and to better manage our inventories in raw materials.

During the Reporting Period, revenue from products trading increased by 5.9% to RMB290.1 million compared to the same period in 2023 (for the six months ended 30 June 2023: approximately RMB273.8 million). Such increase was mainly due to the increase in toluene trading during the Reporting Period. The revenue from products trading accounted for approximately 17.6% of the Group's overall revenue (for the six months ended 30 June 2023: approximately 21.7%).

During the Reporting Period, the overall gross profit from products trading decreased to approximately RMB4.2 million (for the six months ended 30 June 2023: approximately RMB10.3 million), and the gross profit margin decreased to approximately 1.4% (for the six months ended 30 June 2023: approximately 3.8%).

**Export**

During the Reporting Period, the Group achieved export revenue of approximately RMB432.1 million, representing an increase of approximately RMB149.1 million or approximately 52.7% as compared to the export revenue of approximately RMB283.0 million for the same period in 2023. Such increase in the Group's export revenue was mainly due to the increase in export sales as the Group seized the opportunity to gain market share lost by the Group's largest overseas competitor whose capacity in the supply of toluene oxidation products decreased.

During the Reporting Period, the Group's export revenue accounted for approximately 26.2% of its total revenue, representing an increase of 3.8 percentage points over the same period in 2023 (for the six months ended 30 June 2023: approximately 22.4%).

## BUSINESS PROSPECTS

During the Reporting Period, the global manufacturing industry experienced a simultaneous recovery, and there was a strong foundation in the external demand for China's export products. Despite steady growth in China's economy, weak demand persists due to challenges in the real estate sector. International crude oil prices remain robust, providing support for chemical prices. However, the external environment remains complex and volatile, with uncertainties in the global and Chinese economic environment and geopolitical tensions continuing to weigh negatively on market sentiment. As a renowned toluene derivative products provider in the PRC and the global market, we are unavoidably adversely affected by the downturn in the chemical industry.

As a result of the foregoing, we lowered the selling prices of our products in order to effectively compete with our competitors for the smaller number of available sales orders in the market so as to maintain our market position and the utilization rate of our production facilities at an optimal level and continuously increasing our market share. During the Reporting Period, our performance gradually improved, with the Group's overall revenue increased by approximately 30.7% to approximately RMB1,651.2 million compared to the same period in 2023 (for the six months ended 30 June 2023: approximately RMB1,263.4 million), and net profit increased by approximately 7.9% to approximately RMB48.0 million compared to the same period in 2023 (for the six months ended 30 June 2023: approximately RMB44.5 million).

Going forward, the Group will continue to uphold a proactive and steady development strategy. We will actively address market challenges and fully leverage the Group's long-standing advantages in toluene oxidation and toluene chlorination products, maintain our leading edge in technology, cost, and brand advantages while expanding our market share and enhancing our Group's overall profitability. Our Group will continue to adopt various measures to improve our financial performances, including but not limited to (i) refine the production process and strengthen energy management to achieve the purpose of saving energy, reducing consumption, reducing costs and increasing efficiency, and therefore reducing manufacturing costs; (ii) actively explore domestic and overseas markets, develop new customers, and actively maintain and further develop customer relationships to promptly respond to market needs, and further expand market share to maintain bargaining power and profitability; and (iii) maintain and enhance our relationship with raw material suppliers to purchase raw materials at a more favorable price, which may enable us to reduce costs for raw materials and maintain an inventory management system that responds promptly to market fluctuations.

In addition, the Group will continue to invest in Hubei Xinxuanhong Production Plant in accordance with the production expansion plan disclosed in the "Business" and "Future Plans and Use of Proceeds" sections of the Prospectus, and we expect Phase I of Hubei Xinxuanhong Production Plant, which has a designed production capacity of 40,000 tons (include approximately 10,000 tons of benzyl acetate, 20,000 tons of benzyltoluene and 10,000 tons of dibenzylamine), to commence production in the second half of 2024. Our Group expects that these new products will further drive business growth. The Group believes that with the recovery of the economy and the easing of inflation, as well as our continuous efforts, our revenue and profits will continue to improve.



## **FINANCIAL REVIEW**

### **Revenue and Gross Profit**

During the Reporting Period, the Group achieved revenue and gross profit of approximately RMB1,651.2 million and approximately RMB186.7 million respectively, representing an increase of approximately RMB387.8 million and approximately RMB1.1 million as compared to approximately RMB1,263.4 million and approximately RMB185.6 million for the same period in 2023, or an increase of 30.7% and 0.6%, respectively. During the Reporting Period, the Group's gross profit margin was approximately 11.3%, compared to approximately 14.7% for the corresponding period in 2023.

### **Other Income and Gains**

During the Reporting Period, the Group's other income and gains was RMB30.7 million, representing an increase of approximately RMB19.7 million compared to approximately RMB11.0 million for the same period in 2023. Such increase in other income and gains was mainly due to an increase in the input VAT surplus deduction for the Reporting Period.

### **Selling and Distribution Expenses**

During the Reporting Period, the Group's selling and distribution expenses was approximately RMB13.4 million, representing an increase of approximately RMB1.9 million compared to approximately RMB11.5 million for the same period in 2023. Such increase in selling and distribution expenses was mainly attributable to the increase in employees remuneration and business hospitality expenses with our expansion in sales.

During the Reporting Period, the Group's selling and distribution expenses accounted for approximately 0.8% of the Group's revenue (for the six months ended 30 June 2023: approximately 0.9%).

### **Administrative Expenses**

During the Reporting Period, the Group's administrative expenses was approximately RMB60.2 million, representing an increase of about RMB11.6 million compared to approximately RMB48.6 million for the same period in 2023. Such increase in administrative expenses was mainly attributable to the increases in employees remuneration, listing expenses and taxes.

During the Reporting Period, the Group's administrative expenses accounted for approximately 3.6% of the Group's revenue (for the six months ended 30 June 2023: approximately 3.8%).



## **Research and Development Expenses**

During the Reporting Period, the Group's research and development expenses was approximately RMB58.9 million, representing an increase of approximately RMB4.2 million compared to approximately RMB54.7 million for the same period in 2023. Such increase in research and development expenses was mainly due to the increase in employees remuneration, depreciation and amortization.

During the Reporting Period, the Group's research and development expenses accounted for approximately 3.6% of the Group's revenue (for the six months ended 30 June 2023: approximately 4.3%).

## **Finance Costs**

During the Reporting Period, the Group's finance costs was approximately RMB21.1 million, representing an increase of approximately RMB3.2 million as compared to approximately RMB17.9 million for the same period in 2023. Such increase in finance costs was mainly due to increase in loans drawn to support our business operations.

## **Income Tax Expenses**

During the Reporting Period, the Group's income tax expenses was approximately RMB15.4 million, representing an increase of approximately RMB1.5 million compared to approximately RMB13.9 million for the same period in 2023. Such increase in income tax expenses was mainly due to an increase in profit before tax during the Reporting Period compared to the same period in 2023. Our effective tax rate slightly increased from 23.8% for the six months ended 30 June 2023 to 24.2% for the Reporting Period.

## **Profit for the Period**

During the Reporting Period, the Group recorded a net profit of approximately RMB48.0 million, representing an increase of approximately RMB3.5 million or 7.9% compared to approximately RMB44.5 million for the same period in 2023. During the Reporting Period, the Group's net profit margin was approximately 2.9%, as compared to approximately 3.5% for the corresponding period in 2023.

## **Treasury Policy**

The Group has adopted a prudent financial management approach towards its treasury policy and thus maintained a healthy liquidity position throughout the six months ended 30 June 2024. To manage liquidity risk, the Board closely monitored 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.

## **Liquidity and Capital Structure**

During the Reporting Period, the daily working capital of the Group was primarily derived from cash flows generated from daily business operations, bank borrowings and net proceeds from the global offering of the Company's shares completed on 18 June 2024 (the "**Global Offering**"). As of 30 June 2024, the Group had cash and cash equivalents of approximately RMB207.0 million (31 December 2023: approximately RMB65.4 million). As of 30 June 2024, the Group had pledged deposits of approximately RMB73.0 million (31 December 2023: approximately RMB40.1 million).

The Group's net current liabilities as at 30 June 2024 and 31 December 2023 were mainly due to bank and other borrowings. As of 30 June 2024, the Group had interest-bearing bank and other borrowings of approximately RMB1,009.0 million, representing an increase of RMB91.4 million or 10.0% from RMB917.5 million as at 31 December 2023, were primarily due to additional loans financing for our daily business operation as well as for the expansion of our production capacity. We expect to roll-forward or repay these loans on schedule using the cash flows we generate from our business operations and additional debt financing, if necessary. In particular, we maintained a revolving credit account with a number of large commercial banks in the amount of RMB1,560 million in aggregate, including both short term and long term credits. Therefore, we do not foresee any difficulties in repaying these loans as and when required. As of 30 June 2024, the Group had unutilized bank credit line of RMB560 million.

During the Reporting Period, the Group did not have any risk hedging instrument or hedge in its foreign currency investment.

## **Gearing Ratio**

As at 30 June 2024, the Group's gearing ratio (which is calculated at net debt divided by total equity) was approximately 116.7%, representing a decrease as compared with approximately 158.5% as at 31 December 2023.

## **Basic and diluted earnings per share**

For the six months ended 30 June 2024, the basic and diluted earnings per share attributable to the ordinary equity holders of the parent company were approximately RMB0.63, representing an increase of approximately RMB0.04 or approximately 6.8% compared to the corresponding period in 2023.

## **Current Assets**

As at 30 June 2024, the current assets of the Group amounted to approximately RMB1,033.3 million (31 December 2023: approximately RMB832.6 million), primarily consisting of inventories of approximately RMB275.2 million (31 December 2023: approximately

RMB285.3 million), trade and bills receivables of approximately RMB354.4 million (31 December 2023: approximately RMB296.3 million), prepayments and other receivables of approximately RMB123.7 million (31 December 2022: approximately RMB145.4 million), cash and cash equivalents of approximately RMB207.0 million (31 December 2023: approximately RMB65.4 million), and pledged deposits of approximately RMB73.0 million (31 December 2023: approximately RMB40.1 million).

## **Inventories**

The inventories of the Group consist of raw materials, work in progress and finished goods. As at 30 June 2024, the total inventories of the Group amounted to approximately RMB275.2 million, representing a decrease of approximately RMB10.1 million as compared with the total inventories of approximately RMB285.3 million as at 31 December 2023. Inventory turnover days were 35 days during the Reporting Period as compared with 47 days for the year ended 31 December 2023. The inventory balance and turnover days for the Reporting Period decreased as compared with the whole year of 2023, mainly due to the sales strategy of lower price for faster turnover adopted by the Company in response to market competition. The Group has been focusing on daily inventory management by making reasonable arrangements for business processes such as procurement, production and sales to ensure that inventories are maintained at a reasonable level.

## **Trade and Bills Receivables**

As at 30 June 2024, trade and bills receivables of the Group were approximately RMB354.4 million, representing an increase of approximately RMB58.1 million as compared with the trade and bills receivables of approximately RMB296.3 million as at 31 December 2023. The increase in the balance of trade and bills receivables was mainly due to the increase in revenue in the Reporting Period.

The turnover days for trade and bills receivables were 35 days during the Reporting Period while those for the year ended 31 December 2023 were 42 days. The decrease was mainly due to the improvement in the credit rating of the issuing bank of the bills receivables received by the Group as compared with that of the year ended 31 December 2023, which resulted in a higher percentage of bills receivables eligible for derecognition, and hence resulted in a decrease in the amount of bills receivables.

## **Prepayments and Other Receivables**

As at 30 June 2024, prepayments and other receivables of the Group were approximately RMB123.7 million, representing a decrease of approximately RMB21.6 million from approximately RMB145.4 million as at 31 December 2023, mainly due to the decrease in the amount of loans to related party.

## **Current Liabilities**

As at 30 June 2024, the total current liabilities of the Group amounted to approximately RMB1,623.1 million (31 December 2023: approximately RMB1,422.7 million), primarily consisting of trade and bills payables of approximately RMB259.3 million (31 December 2023: approximately RMB149.7 million), other payables and accruals and contract liabilities of approximately RMB338.3 million (31 December 2023: approximately RMB373.0 million), interest-bearing bank and other borrowings of approximately RMB1,009.0 million (31 December 2023: approximately RMB852.0 million), lease liabilities of approximately RMB14.2 million (31 December 2023: approximately RMB15.9 million), and income tax payable of approximately RMB2.3 million (31 December 2023: approximately RMB32.1 million).

### **Trade and Bills Payables**

During the Reporting Period, the Group's trade and bills payables amounted to approximately RMB259.3 million, representing an increase of approximately RMB109.6 million as compared to the trade and bills payables of approximately RMB149.7 million as at 31 December 2023, which was mainly attributable to the increase in sales during the Reporting Period, leading to an increase in purchases.

The turnover days for trade and bills payables were 25 days, which were the same as that for the year ended 31 December 2023.

### **Other Payables and Accruals and Contract Liabilities**

As at 30 June 2024, other payables and accruals and contract liabilities of the Group were approximately RMB338.3 million in aggregate, representing a decrease of approximately RMB34.7 million as compared with those of approximately RMB373.0 million in aggregate as at 31 December 2023, mainly due to the payment of dividend payable.

### **Pledge of Assets**

As at 30 June 2024, certain of the Group's property, plant and equipment and leasehold lands with net carrying amounts of approximately RMB264.2 million (31 December 2023: approximately RMB270.5 million) were pledged to secure bank and other borrowings and bank facilities granted to the Group.

### **Material Acquisitions, Disposals and Significant Investment**

Save for the production expansion of Hubei Xinxuanhong Production Plant as disclosed above, there were no other material acquisitions, disposals (including material acquisitions and disposals of subsidiaries, associates and joint ventures) or significant investment of the Group during the Reporting Period.

## **Capital Expenditures and Capital Commitments**

During the Reporting Period, capital expenditures of the Group amounted to RMB104.3 million, which mainly related to purchase of property, plant and equipment, and leasehold land.

For details of the Group's capital commitments, please refer to note 14 to the Interim Condensed Consolidated Financial Information in this announcement.

## **Future Plans for Material Investment or Capital Assets**

Save for the production expansion plan of Hubei Xinxuanhong Production Plant as disclosed above and as disclosed in the Prospectus, which the Company will consider funding by the Group's internal resources, bank loans or the net proceeds from the Global Offering, as at 30 June 2024 and as at the date of this announcement, the Group had no other plans for any material investment or acquisition of capital assets.

## **Contingent Liabilities**

As at 30 June 2024, the Group had no significant contingent liabilities (31 December 2023: nil).

## **Foreign Currency Risk and Interest Rate Risk**

Foreign currency risk refers to the risk of loss caused by fluctuation in exchange rate. Transactional foreign currency exposures arises from sales in currencies other than our functional currencies. The operation of the Group may also be affected by the future fluctuation in exchange rate. The Group closely monitors the impact of changes in currency exchange rates on the Group's foreign currency risk.

The Group's principal activities are carried out in the PRC and our operations are mainly denominated in Renminbi. Our management considers that our business is not exposed to any significant foreign exchange risk as there are no significant financial assets or liabilities denominated in currencies other than the respective functional currencies of our subsidiaries. The Group currently does not have any hedging policy for foreign currency in place. However, the Board will remain alert to any foreign currency risk and, if necessary, consider hedging any potential material foreign currency risk.

All bank loans and other borrowings of the Group are denominated in RMB and at fixed interest rates except for an unsecured bank loan in the amount of RMB23.5 million as at 30 June 2024 which is at floating interest. We have closely monitored the interest rate risk during the Reporting Period and our management considers that the interest rate risk is minimal and controllable and does not consider any hedging activity to be necessary. We will continue to closely monitor and control such risk. The Board will remain alert and will consider hedging any potential material interest rate risk if necessary.

## USE OF PROCEEDS FROM THE GLOBAL OFFERING

The Company was listed on the Main Board of the Stock Exchange on 18 June 2024 (the “**Listing Date**”). The net proceeds from the Company’s issue of a total of 18,300,000 Shares in the Global Offering, after deduction of underwriting fees and commissions and other estimated expenses payable by our Company in connection with the Global Offering amounted to approximately HK\$25.9 million. The Company intends to use the net proceeds in the same manner and proportion as set out in the section headed “Future Plans and Use of Proceeds” in the Prospectus.

The following table sets forth the planned use of the net proceeds from the Global Offering and the amount utilized as of 30 June 2024:

Use of Proceeds	Proportion (%)	Net proceeds from the Global Offering (HK\$ million)	Utilised amount as of 30 June 2024 (HK\$ million)	Unutilised amount as of 30 June 2024 (HK\$ million)	Expected timetable for fully utilising the unutilised amount <sup>(1)</sup>
Increasing our production capacity at Hubei Xinxuanhong Production Plant by constructing new production facilities	82.0%	21.2	—	21.2	December 2028 or before
Research and development activities	3.0%	0.8	—	0.8	December 2026 or before
Sales and marketing activities	5.0%	1.3	—	1.3	December 2026 or before
Working capital and general corporate purposes	10.0%	2.6	—	2.6	December 2025 or before
Total	100%	25.9	—	25.9	

*Note:*

- (1) The expected timetable for the utilisation of the unutilised proceeds as disclosed above is the best estimate made by the Board based on the latest information as at the date of this announcement.



## **EMPLOYEES AND REMUNERATION POLICIES**

The Group has formulated human resources policies and system to include more incentive awards and bonuses in the remuneration system, as well as to provide diversified employee training and personal development programs for employees.

The emoluments provided by the Group to its employees are determined according to their responsibilities and the prevailing market terms. Employee benefits including bonus, pension, medical insurance and provident fund are also provided to its employees.

As at 30 June 2024, the Group had a total of 625 employees (as at 31 December 2023: 625 employees).

During the Reporting Period, the Group's total staff costs (including wages, bonuses, social insurance and provident fund) amounted to approximately RMB51.1 million (for the six months ended 30 June 2023: approximately RMB41.5 million). The increase in staff costs was mainly due to the increase in performance bonuses corresponding to the completion of results target during the Reporting Period.

## **EVENTS AFTER THE REPORTING PERIOD**

The Group did not have any other material subsequent events after the period from 30 June 2024 and up to the date of this announcement.

## **INTERIM DIVIDEND**

The Board does not recommend the payment of an interim dividend for the Reporting Period (for the six months ended 30 June 2023: Nil).

## **PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES**

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed shares since the Listing Date and up to the date of this announcement.

## **COMPLYING WITH THE CORPORATE GOVERNANCE CODE**

The Group is committed to maintaining high standards of corporate governance to safeguard the interests of shareholders and enhance corporate value and accountability. The Company has adopted the Corporate Governance Code set out in Appendix C1 to the Listing Rules (the “**Corporate Governance Code**”) as its code of governance.

Since the Listing Date and up to the date of this announcement, the Company has complied with all applicable code provisions as set out in the Corporate Governance Code. The Company will continue to review and monitor its corporate governance practices to ensure compliance with the Corporate Governance Code.

## **COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS**

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix C3 to the Listing Rules (the “**Model Code**”) as its own code of conduct regarding securities transactions by the Directors. Having made specific enquiry with all the Directors, the Directors have confirmed that they have complied with the required standard set out in the Model Code since the Listing Date and up to the date of this announcement and no incident of non-compliance by the Directors has been noted by the Company during the aforementioned period.

## **AUDIT COMMITTEE AND REVIEW OF FINANCIAL STATEMENTS**

The Board has established the audit committee (the “**Audit Committee**”) with written terms of reference in compliance with Rule 3.21 of the Listing Rules and the Corporate Governance Code. The primary duties of the Audit Committee are to review and supervise the financial reporting process and internal controls system of our Group, review and approve connected transactions and provide advice and comments to the Board. The Audit Committee comprises Mr. Liu Kai Yu Kenneth, Dr. Liu Zhongdong, Dr. Yuan Kang, Mr. Gao Lei and Mr. Shen Yingming, with Mr. Liu Kai Yu Kenneth (being our independent non-executive Director with appropriate professional qualifications) as the chairperson.

The Audit Committee has reviewed the unaudited interim financial statements of the Group for the six months ended 30 June 2024. Ernst & Young, the independent auditor of the Company, performed an independent review of the Group’s interim financial information for the six months ended 30 June 2024 in accordance with Hong Kong Standard on Review Engagements 2410 “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by the Hong Kong Institute of Certified Public Accountants. A report on the review of the interim financial information will be included in the interim report.

Save as disclosed in this announcement, during the Reporting Period, there were no other material changes in respect of the Company that needed to be disclosed under paragraph 46 of Appendix D2 to the Listing Rules.



## **PUBLICATION OF INTERIM RESULTS ANNOUNCEMENT AND INTERIM REPORT**

This interim results announcement will be published on the website of the Stock Exchange at [www.hkexnews.hk](http://www.hkexnews.hk) and the Company at [www.chinaorganic.com](http://www.chinaorganic.com). The interim report of the Company for the six months ended 30 June 2024 containing all the information required under the Listing Rules will be despatched to the shareholders of the Company (if necessary) and posted on the above website in due course.

By order of the Board  
**Wuhan Youji Holdings Ltd.**  
**Zou Xiaohong**  
*Chairman and Executive Director*

Wuhan, the PRC, 23 August 2024

*As at the date of this announcement, the Board comprises Mr. Zou Xiaohong (Chairman) and Mr. Chen Ping as executive Directors; Mr. Gao Lei, Mr. Shen Yingming and Ms. Li Deye as non-executive Directors; and Mr. Liu Kai Yu Kenneth, Dr. Liu Zhongdong and Dr. Yuan Kang as independent non-executive Directors.*