



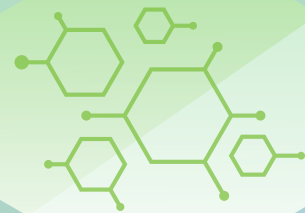
武漢有機控股有限公司

WUHAN YOUJI HOLDINGS LTD.

(Incorporated in the Cayman Islands with limited liability)

Stock Code : 2881

2024
INTERIM
REPORT



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Corporate Information

BOARD OF DIRECTORS

Executive Directors

Mr. Zou Xiaohong
Mr. Chen Ping

Non-executive Directors

Mr. Gao Lei
Mr. Shen Yingming
Ms. Li Deye

Independent non-executive Directors

Dr. Liu Zhongdong
Dr. Yuan Kang
Mr. Liu Kai Yu Kenneth

AUDIT COMMITTEE

Mr. Liu Kai Yu Kenneth (*Chairperson*)
Dr. Liu Zhongdong
Dr. Yuan Kang
Mr. Gao Lei
Mr. Shen Yingming

REMUNERATION COMMITTEE

Mr. Liu Kai Yu Kenneth (*Chairperson*)
Dr. Liu Zhongdong
Dr. Yuan Kang
Mr. Zou Xiaohong
Mr. Gao Lei

NOMINATION COMMITTEE

Mr. Zou Xiaohong (*Chairperson*)
Dr. Liu Zhongdong
Dr. Yuan Kang
Mr. Liu Kai Yu Kenneth
Mr. Gao Lei

JOINT COMPANY SECRETARIES

Mr. Chen Ping
Ms. Lai Ho Yan (ACG, HKACG)

REGISTERED OFFICE IN CAYMAN ISLANDS

International Corporation Services Ltd.
PO Box 472, 2nd Floor, Harbour Place
103 South Church Street, George Town
Grand Cayman KY1-1106
Cayman Islands

COMPANY WEBSITE

www.chinaorganic.com

AUDITOR

Ernst & Young
Certified Public Accountants
Registered Public Interest Entity Auditor

COMPLIANCE ADVISER

BOCOM International (Asia) Limited

LEGAL ADVISER AS TO HONG KONG LAW

DeHeng Law Offices (Hong Kong) LLP

HEADQUARTER AND PRINCIPAL PLACE OF BUSINESS IN THE PRC

No. 1, Chemical Second Road
Wuhan Chemical Industrial Park
Qingshan District, Wuhan
Hubei
China

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

5/F, Manulife Place
348 Kwun Tong Road
Kowloon
Hong Kong

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

International Corporation Services Ltd.
PO Box 472, 2nd Floor, Harbour Place
103 South Church Street, George Town
Grand Cayman KY1-1106
Cayman Islands

HONG KONG SHARE REGISTRAR

Tricor Investor Services Limited
17/F, Far East Finance Centre
16 Harcourt Road
Hong Kong

PRINCIPAL BANKS

Bank of Communications Wuhan Hongshan Branch
Agricultural Bank of China, Dadongmen Branch
Hankou Bank, Qiaokou Branch
Rural Commercial Bank Beihu Branch

STOCK CODE

2881

Financial Performance Highlights

The key financial highlights are as follows:

	For the six months ended 30 June	
	2024	2023
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Revenue	1,651,158	1,263,372
Gross profit	186,676	185,606
Profit for the period	48,049	44,547
Profit attributable to owners of the parent	48,049	44,547
Earnings per share attributable to ordinary equity holders of the parent: Basic and diluted, RMB per share	0.63	0.59

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 were approximately RMB0.63, representing an increase of approximately RMB0.04 or approximately 6.8% compared to the corresponding period in 2023.

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			Total
	Toluene oxidation products and its derivatives ¹	Toluene chlorination products and its derivatives ²	Products trading	
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			Total
	Toluene oxidation products and its derivatives ¹	Toluene chlorination products and its derivatives ²	Products trading	
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 RMB'000	2023 RMB'000
Revenue		
Domestic sales	1,219,025	980,344
Export sales	432,133	283,028
Total	1,651,158	1,263,372

Notes:

- 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.
- 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.



Management Discussion and Analysis

During the Reporting Period, the Group's overall revenue increased by approximately 30.7% to approximately RMB1,651.2 million as compared to approximately RMB1,263.4 million for the corresponding period in 2023, and the Group's overall gross profit increased by approximately 0.6% to approximately RMB186.7 million as compared to approximately RMB185.6 million for 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 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 substantially 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 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 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 as explained above.

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 as compared to approximately RMB618.9 million for the same period in 2023, mainly due to the gradual recovery of the market for such series of products, but in view of the fierce competition in the market, we continued to adopt the strategy to sell our products at lower prices, contributing to a significant increase in both sales volume and corresponding revenue during the Reporting Period compared to the same period in 2023. During the Reporting Period, the sales volume of such series of products increased by approximately 71.9% to 126,315 tons as compared to 73,492 tons for the same period in 2023. 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 decreased by approximately 3.4 percentage points to approximately 11.6% (for the six months ended 30 June 2023: approximately 15.0%).



Management Discussion and Analysis

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 as compared to approximately RMB370.7 million for the same period in 2023, mainly due to 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 as compared to 54,519 tons for the same period in 2023. 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 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 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 as compared to approximately RMB273.8 million for the same period in 2023. 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 of 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 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 the 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 increase 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 as compared to approximately RMB1,263.4 million for the same period in 2023, and net profit increased by approximately 7.9% to approximately RMB48.0 million as compared to approximately RMB44.5 million for the same period in 2023.

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.



Management Discussion and Analysis

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.

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.

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 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 issue and the global offering of a total of 18,300,000 shares in the Company 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 total 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. Such increase was primarily due to additional loans drawn to finance 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 to approximately 158.5% as at 31 December 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).



Management Discussion and Analysis

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 Group 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 banks 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

As at 30 June 2024, 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 16 to the Interim Condensed Consolidated Financial Information in this interim report.

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 interim report, 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 future fluctuation in exchange rate. The Group closely monitors the impact of changes in foreign 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 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.

Management Discussion and Analysis

USE OF PROCEEDS FROM THE GLOBAL OFFERING

The Shares of the Company was listed on the Main Board of the Stock Exchange on 18 June 2024 (the “**Listing Date**”). The net proceeds from 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 ⁽¹⁾
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 full 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 interim report.

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.

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 interim report.

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 as its code of governance.

Since the Listing Date and up to the date of this interim report, 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 as set out in Appendix C3 to the Listing Rules 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 interim report 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 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 consolidated 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 consolidated 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. Its review report is on page 17 of this interim report.

Save as disclosed in this interim report, 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.

CHANGES IN INFORMATION OF DIRECTORS AND/OR SENIOR MANAGEMENT

Since the date of the Prospectus and up to the date of this interim report, there was no change in information of each of Director or chief executive of the Company required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules.

Other Information

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 30 June 2024, the interests and short positions of the Directors and the chief executives of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance) which have been notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO), or which were recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or otherwise were required to be notified to the Company and the Stock Exchange pursuant to the Model Code were as follows:

Interests in shares and underlying shares of the Company

Name of Director	Nature of interest	Number of ordinary shares held ⁽¹⁾	Approximate percentage of shareholding ⁽²⁾
Mr. Gao Lei	Interest in a controlled corporation	50,150,842 (L) ⁽³⁾	53.75%
Mr. Shen Yingming	Interest in a controlled corporation	12,537,710 (L) ⁽⁴⁾	13.44%

Notes:

- (1) The letter "L" denotes long position in the Shares.
- (2) As at 30 June 2024, the total number of issued shares of the Company was 93,300,000 shares.
- (3) Such shares are held by Vastocean Capital Limited, which is wholly-owned by Mr. Gao Lei, therefore, Mr. Gao Lei is deemed to be interested in the same number of shares by virtue of the SFO.
- (4) Such shares are held by SYM Holdings Limited, which is wholly-owned by Mr. Shen Yingming, therefore, Mr. Shen Yingming is deemed to be interested in the same number of shares by virtue of the SFO.

Save as disclosed above, as at 30 June 2024, so far as our Directors are aware, none of the Directors and chief executives of the Company had any interests or short positions in any Shares, underlying Shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which would have to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO), or which were required, to be recorded in the register kept by the Company pursuant to Section 352 of the SFO, or otherwise were required to be notified to the Company and the Stock Exchange pursuant to the Model Code.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Apart from as disclosed under the paragraph headed "Directors' and the Chief Executives' Interests and Short Positions in Shares, Underlying Shares and Debentures", at no time during the Reporting Period was the Company, or any of its subsidiaries a party to any arrangements to enable the directors to acquire benefits by means of acquisition of shares in, or debentures of, the Company or any other body corporate, and none of the directors or their spouses or children under the age 18 was granted any right to subscribe for equity or debt securities of the Company or any other body corporate, or had exercised any such right.

DIRECTORS' INTEREST IN SIGNIFICANT CONTRACTS

There were no contracts of significance to which the Company, or any of its subsidiaries was a party and in which the Director had a material interest, whether directly and indirectly, subsisting at the end of the Reporting Period or at any time during the Reporting Period.

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

As at 30 June 2024, so far as our Directors are aware, the following persons had interests or short positions in the Shares or underlying Shares which would fall to be disclosed to the Company pursuant to Divisions 2 and 3 of Part XV of the SFO, and were recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO:

Name of Shareholder	Capacity/Nature of interest	Number of ordinary shares held ⁽¹⁾	Approximate percentage of shareholding ⁽²⁾
Vastocean Capital Limited	Beneficial owner	50,150,842 (L) ⁽³⁾	53.75%
Mr. Gao Lei	Interest in a controlled corporation	50,150,842 (L) ⁽³⁾	53.75%
SYM Holdings Limited	Beneficial owner	12,537,710 (L) ⁽⁴⁾	13.44%
Mr. Shen Yingming	Interest in a controlled corporation	12,537,710 (L) ⁽⁴⁾	13.44%
Custodian Capital Ltd.	Nominee interest	7,271,448 (L) ⁽⁵⁾	7.79%

Notes:

- (1) The letter "L" denotes long position in the Shares.
- (2) As at 30 June 2024, the total number of issued shares of the Company was 93,300,000 shares.
- (3) Such shares are held by Vastocean Capital Limited, which is wholly-owned by Mr. Gao Lei, therefore, Mr. Gao Lei is deemed to be interested in the same number of shares by virtue of the SFO.
- (4) Such shares are held by SYM Holdings Limited, which is wholly-owned by Mr. Shen Yingming, therefore, Mr. Shen Yingming is deemed to be interested in the same number of shares by virtue of the SFO.
- (5) Such shares are held by Custodian Capital Ltd on behalf of the Retaining Shareholders and Unresponsive Shareholders as defined in the Prospectus and will not exercise the voting rights attached to the Shares held by them.

Save as disclosed above, as at 30 June 2024, so far as our Directors are aware, none of any other person (other than the Directors and chief executives of the Company) who had any interests or short positions in the Shares or underlying Shares which would fall to be disclosed pursuant to the provisions of Divisions 2 and 3 of Part XV of the SFO; or which were required to be recorded in the register referred to in Section 336 of the SFO.



Other Information

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Articles of Association or the laws of the Cayman Islands that would oblige the Company to offer new shares on a pro rata basis to the existing Shareholders.

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).

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 interim report.

By order of the Board

Wuhan Youji Holdings Ltd.

Zou Xiaohong

Chairman and Executive Director

Wuhan, the PRC, 23 August 2024

To the Board of Directors of Wuhan Youji Holdings Ltd.

(Incorporated in the Cayman Islands with limited liability)

INTRODUCTION

We have reviewed the interim financial information set out on pages 18 to 41, which comprises the condensed consolidated statement of financial position of Wuhan Youji Holdings Ltd. (the “**Company**”) and its subsidiaries (the “**Group**”) as at 30 June 2024 and the related condensed consolidated statements of profit or loss, comprehensive income, changes in equity and cash flows for the six-month period then ended, and explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 *Interim Financial Reporting* (“**HKAS 34**”) issued by the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”). The directors of the Company are responsible for the preparation and presentation of this interim financial information in accordance with HKAS 34. Our responsibility is to express a conclusion on this interim financial information based on our review. Our report is made solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

SCOPE OF REVIEW

We conducted our review 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 HKICPA. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the interim financial information is not prepared, in all material respects, in accordance with HKAS 34.

Ernst & Young

Certified Public Accountants

Hong Kong

23 August 2024

Interim Condensed Consolidated Statement of Profit or Loss

For the six months ended 30 June 2024

	Notes	Six months ended 30 June	
		2024 RMB'000 (unaudited)	2023 RMB'000 (unaudited)
REVENUE	5	1,651,158	1,263,372
Cost of sales		(1,464,482)	(1,077,766)
Gross profit		186,676	185,606
Other income and gains		30,746	11,049
Selling and distribution expenses		(13,414)	(11,451)
Administrative expenses		(60,205)	(48,633)
Research and development expenses		(58,855)	(54,695)
Impairment losses on financial assets		(440)	141
Other expenses		(7,291)	(2,021)
Finance costs		(21,134)	(17,919)
Share of profits and losses of:			
Joint venture		3,860	(5,867)
Associate		3,481	2,252
PROFIT BEFORE TAX	6	63,424	58,462
Income tax expense	7	(15,375)	(13,915)
PROFIT FOR THE PERIOD		48,049	44,547
Profit attributable to owners of the parent		48,049	44,547
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT:			
Basic and diluted (RMB per share)	9	0.63	0.59

The notes on pages 26 to 41 form an integral part of this interim consolidated financial information.

Interim Condensed Consolidated Statement of Comprehensive Income

For the six months ended 30 June 2024

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

The notes on pages 26 to 41 form an integral part of this interim consolidated financial information.

Interim Condensed Consolidated Statement of Financial Position

As at 30 June 2024

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

The notes on pages 26 to 41 form an integral part of this interim consolidated financial information.

Interim Condensed Consolidated Statement of Financial Position (continued)

As at 30 June 2024

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

Chen Ping
Director

Zou Xiaohong
Director

The notes on pages 26 to 41 form an integral part of this interim consolidated financial information.

Interim Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2024

	Attributable to owners of the parent							
	Share capital	Merger reserve	Capital reserve	Other reserve	Statutory reserve	Exchange	Retained profits	Total equity
						fluctuation reserve		
RMB'000 (note 14)	RMB'000	RMB'000	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)	61	64,802*	32,741*	1,467*	68,712*	619*	474,924*	643,326

* 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.

The notes on pages 26 to 41 form an integral part of this interim consolidated financial information.

Interim Condensed Consolidated Statement of Changes in Equity (continued)

For the six months ended 30 June 2024

	Attributable to owners of the parent							
	Share capital RMB'000 (note 14)	Merger reserve RMB'000	Capital reserve RMB'000	Other reserve RMB'000	Statutory reserve RMB'000	Exchange fluctuation reserve RMB'000	Retained profits RMB'000	Total equity 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)	48	64,802	(32,670)	1,048	68,712	749	668,520	771,209

The notes on pages 26 to 41 form an integral part of this interim consolidated financial information.

Interim Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2024

	Note	Six months ended 30 June	
		2024 RMB'000 (unaudited)	2023 RMB'000 (unaudited)
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		63,424	58,462
Adjustments for:			
Finance costs	6	21,134	17,919
Interest income		(1,749)	(1,533)
Depreciation of property, plant and equipment	6	58,757	55,429
Depreciation of right-of-use assets	6	9,999	10,287
Amortisation of other intangible assets	6	543	413
Share award scheme expenses	6	210	210
Share of (profit)/loss of a joint venture		(3,860)	5,867
Share of profit of an associate		(3,481)	(2,252)
Write-down of/(reversal of write-down of) inventories to net realisable value	6	(589)	1,177
Impairment/(reversal of impairment) of trade receivables to net realisable value	6	440	(141)
		144,828	145,838
Decrease/(increase) in inventories		10,755	(90,360)
Decrease/(increase) in trade and bills receivables		(142,810)	59,291
Decrease/(increase) in prepayments, deposits and other receivables		(2,686)	(82,181)
Increase/(decrease) in contract liabilities		(630)	5,034
Increase in trade and bills payables		109,603	18,596
Increase/(decrease) in other payables and accruals		46,205	(12,474)
Decrease in government grants		(1,327)	(2,635)
Cash generated from operations		163,860	41,109
Income taxes paid		(37,814)	(17,824)
Net cash generated from operating activities		126,124	23,285

The notes on pages 26 to 41 form an integral part of this interim consolidated financial information.

Interim Condensed Consolidated Statement of Cash Flows (continued)

For the six months ended 30 June 2024

	Six months ended 30 June	
	2024	2023
<i>Note</i>	RMB'000	RMB'000
	(unaudited)	(unaudited)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of items of property, plant and equipment	(17,115)	(9,505)
Additions to right-of-use assets	(11,348)	(646)
Interest received from bank deposits	1,260	1,533
Loans to related party	(8,000)	—
Received from loans to related party	—	5
Dividend received from an associate	7,106	13,522
Net cash flows (used in)/from investing activities	(28,097)	4,909
CASH FLOWS FROM FINANCING ACTIVITIES		
Net proceeds from issue of shares	74,745	—
Payments for transaction costs for issue of shares	(78)	(1,640)
Interest paid	(19,609)	(16,796)
Proceeds from interest-bearing bank loan and other borrowings	474,950	506,520
Repayment of bank loans and other borrowings	(383,520)	(443,300)
Lease payments (including related interest)	(9,795)	(10,618)
Placement of pledged bank deposits	(73,001)	(55,076)
Withdrawal of pledged bank deposits	40,127	64,675
Dividends paid	(60,294)	(18,414)
Net cash flows from financing activities	43,525	25,351
NET INCREASE IN CASH AND CASH EQUIVALENTS		
Cash and cash equivalents at beginning of period	141,552	53,545
Effect of foreign exchange rate changes	65,433	83,451
	26	345
CASH AND CASH EQUIVALENTS AT END OF PERIOD	207,011	137,341
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Cash and bank balances	207,011	137,341

The notes on pages 26 to 41 form an integral part of this interim consolidated financial information.

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.

3. CHANGES IN ACCOUNTING POLICIES (Continued)

- (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 to the Interim Condensed Consolidated Financial Information.
- (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.

Notes to Interim Condensed Consolidated Financial Information (continued)

For the six months ended 30 June 2024

5. REVENUE

An analysis of revenue is as follows:

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

Disaggregated revenue information for revenue from contracts with customers

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

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

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

Notes to Interim Condensed Consolidated Financial Information (continued)

For the six months ended 30 June 2024

6. PROFIT BEFORE TAX

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

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

* 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.

Notes to Interim Condensed Consolidated Financial Information (continued)

For the six months ended 30 June 2024

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.

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

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. DIVIDENDS

No dividend was declared for ordinary shareholders of the Company during the six months ended 30 June 2024 (during the six months ended 30 June 2023: nil).

Notes to Interim Condensed Consolidated Financial Information (continued)

For the six months ended 30 June 2024

9. 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:

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

10. 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 13).

Notes to Interim Condensed Consolidated Financial Information (continued)

For the six months ended 30 June 2024

11. TRADE AND BILLS RECEIVABLES

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

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:

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

The maturity date analysis for bills receivable is as follows:

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

Notes to Interim Condensed Consolidated Financial Information (continued)

For the six months ended 30 June 2024

12. 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:

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

13. 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)
Current						
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
			1,008,950			852,020
Non Current						
Bank loans — secured			—	5	2025	42,000
Bank loans — unsecured			—	4	2025	23,500
			—			65,500
			1,008,950			917,520

Notes to Interim Condensed Consolidated Financial Information (continued)

For the six months ended 30 June 2024

13. INTEREST-BEARING BANK AND OTHER BORROWINGS (Continued)

	30 June 2024 RMB'000 (unaudited)	31 December 2023 RMB'000 (audited)
Analysed into:		
Bank loans repayable:		
Within one year	959,950	812,020
After one year but within two years	—	65,500
	959,950	877,520
Other borrowings repayable:		
Within one year	49,000	40,000
	1,008,950	917,520

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 10);
 - (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.

14. SHARE CAPITAL

	30 June 2024 RMB'000 (unaudited)	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)	61	48

Notes to Interim Condensed Consolidated Financial Information (continued)

For the six months ended 30 June 2024

14. SHARE CAPITAL (Continued)

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

	Number of shares in issue	Share capital RMB'000
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)	93,300,000	61

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).

15. CASH AND CASH EQUIVALENTS AND PLEDGED DEPOSITS

	30 June 2024 RMB'000 (unaudited)	31 December 2023 RMB'000 (audited)
Cash and bank balances	280,012	105,560
Less: Pledged time deposits:		
Pledged for bills payable	(24,001)	—
Pledged for letter of credit	(49,000)	(40,127)
Cash and cash equivalents	(73,001) 207,011	(40,127) 65,433

16. COMMITMENTS

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

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

Notes to Interim Condensed Consolidated Financial Information (continued)

For the six months ended 30 June 2024

17. RELATED PARTY TRANSACTIONS

The Group had the following transactions and balances with related parties during the Relevant Periods

(a) Name and relationship:

Name of related parties	Relationship with the Group
Mr. Gao Lei	Non-executive director and single largest shareholder of the Company's parent
Mr. Gao Yuankun	Father of Mr. Gao Lei
Mr. Zou Xiaohong	Executive director
力諾集團股份有限公司 Linuo Holdings Co., Ltd. ("Linuo Group")	Entity controlled by Mr. Gao Yuankun
武漢力諾投資控股集團有限公司 Wuhan Linuo Investment Holdings Group Co., Ltd. ("Linuo Investment")	Entity controlled by Mr. Gao Yuankun
武漢新康化工設備有限公司 Wuhan Xinkang Chemical Equipment Co., Ltd. ("Xinkang Chemical")	Entity controlled by Mr. Gao Lei
武漢伊士曼有機化工有限公司 Wuhan Eastman Organic Chemical Co., Ltd. ("Wuhan Eastman")	Associate
河北康石新材料有限公司 Hebei Kangshi New Materials Co., Ltd. ("Hebei Kangshi")	Joint venture
山東宏濟堂製藥集團股份有限公司 Shandong Hongjitang Pharmaceutical Group Co., Ltd. ("Shandong Hongjitang")	Entity controlled by Mr. Gao Yuankun
武漢雙虎塗料股份有限公司 Wuhan Twin Tigers Coatings Co., Ltd. ("Twin Tigers Coatings")	Entity controlled by Mr. Gao Yuankun
武漢力諾智慧園科技管理有限公司 Wuhan Linuo Wisdom Park Technology Management Co., Ltd. ("Linuo Wisdom Park Technology")	Entity controlled by Mr. Gao Yuankun
山東城安實業有限公司 Shandong Chengan Industrial Co., Ltd. ("Shandong Chengan")	Entity controlled by Mr. Gao Yuankun
應城市武瀚有機材料有限公司 Yingcheng Wuhan Organic Material Co., Ltd. ("Yingcheng Wuhan Organic")	Mr. Zou Xiaohong is the corporate representative and minority shareholder of the entity
山東力諾光伏高科技有限公司 Shandong Linuo Photovoltaic Hi-tech Co., Ltd. ("Shandong Linuo Photovoltaic")	Entity controlled by Mr. Gao Yuankun
湖北拓樸有機磷化進出口有限公司 Hubei Tuopu Organic and Phosphoric Chemicals Import & Export Co., Ltd. ("Hubei Tuopu")	A non-controlling shareholder of the Company's parent
山東宏濟堂健康產業有限公司 Shandong Hongjitang Health Industry Co., Ltd. ("Shandong Hongjitang Health")	Entity controlled by Mr. Gao Yuankun

Notes to Interim Condensed Consolidated Financial Information (continued)

For the six months ended 30 June 2024

17. RELATED PARTY TRANSACTIONS (Continued)

(b) The Group had the following material related party transactions during the periods:

	For the six months ended 30 June	
	30 June 2024 RMB'000 (unaudited)	30 June 2023 RMB'000 (unaudited)
Purchases of goods or services		
Linuo Investment (i)	9,903	10,462
Linuo Wisdom Park Technology	—	77
Twin Tigers Coatings (ii)	1,027	1,027
Shandong Hongjitang Health	—	8
Hebei Kangshi (iii)	66,220	68,596
	77,150	80,170
Purchases of machinery		
Xinkang Chemical (iv)	14,849	5,783
Sales of goods		
Hubei Tuopu (v)	5,524	2,619
Yingcheng Wuhan Organic (v)	30	781
Hebei Kangshi (v)	146	—
Linuo Wisdom Park Technology (v)	94	154
Wuhan Eastman (v)	14,732	10,719
	20,526	14,273
Render of services		
Xinkang Chemical (v)	1,620	597
Twin Tigers Coatings (v)	1,379	1,147
	2,999	1,744
Loans to		
Hebei Kangshi (vi)	8,489	—
Settled from loans to		
Linuo Group	—	5
Mr. Zou Xiaohong	—	200
Hebei Kangshi (vi)	53,572	—
	53,572	205

Notes to Interim Condensed Consolidated Financial Information (continued)

For the six months ended 30 June 2024

17. RELATED PARTY TRANSACTIONS (Continued)

(b) The Group had the following material related party transactions during the periods: (Continued)

These transactions were conducted in accordance with the terms and conditions agreed between the Group and its related parties.

Notes:

- (i) During the six months ended 30 June 2024 and 2023, the Group leased buildings and received property management service from Linuo Investment.
- (ii) During the six months ended 30 June 2024 and 2023, the Group leased buildings and purchased industrial products from Twin Tigers Coatings.
- (iii) During the six months ended 30 June 2024, the Group purchased processing service and goods from Hebei Kangshi. During the six months ended 30 June 2023, the Group purchased goods from Hebei Kangshi.
- (iv) During the six months ended 30 June 2024 and 2023, the Group purchased machinery from Xinkang Chemical.
- (v) During the six months ended 30 June 2024 and 2023, the Group sold industrial products to Hubei Tuopu, Yingcheng Wuhan Organic, Hebei Kangshi, Linuo Wisdom Park Technology and Wuhan Eastman. In addition, the Group provided processing and leasing of storage tanks to Twin Tigers Coatings and other services to Xinkang Chemical.
- (vi) During the six months ended 30 June 2024, the Group provided loans to Hebei Kangshi at an interest rate of 4.8% per annum and the related interest income was RMB489,000. The loans are unsecured and have been settled as at 30 June 2024.

(c) Outstanding balances with related parties:

	30 June 2024 RMB'000 (unaudited)	31 December 2023 RMB'000 (audited)
Due from related parties		
Included in prepayments, deposits and other receivables (non-trade in nature)		
Mr. Zou Xiaohong	—	349
Wuhan Eastman	137	220
Twin Tigers Coatings	143	1,134
Hebei Kangshi	—	44,734
	280	46,437
Included in prepayments, deposits and other receivables (trade in nature)		
Linuo Investment	7,193	—
Xinkang Chemical	5,464	10,326
Hebei Kangshi	—	3,000
	12,657	13,326

Notes to Interim Condensed Consolidated Financial Information (continued)

For the six months ended 30 June 2024

17. RELATED PARTY TRANSACTIONS (Continued)

(c) Outstanding balances with related parties: (Continued)

	30 June 2024 RMB'000 (unaudited)	31 December 2023 RMB'000 (audited)
Included in trade receivables (trade in nature)		
Wuhan Eastman	5,326	1,267
Hubei Tuopu	1,216	—
Impairment	(32)	(6)
	6,510	1,261
Total amounts due from related parties	19,447	61,024
Due to related parties		
Included in other payables and accruals (trade in nature)		
Xinkang Chemical	3,482	2,407
Mr. Zou Xiaohong	—	1
Shandong Hongjitang	—	5
Linuo Investment	1,064	3,245
Shandong Chengan	74	74
Linuo Wisdom Park Technology	—	36
Shandong Linuo Photovoltaic	57	57
	4,677	5,825
Included in contract liabilities (trade in nature)		
Yingcheng Wuhan Organic	2	2
Included in trade payable(trade in nature)		
Hebei Kangshi	4,013	139
Total amounts due to related parties	8,692	5,966

The Group's trading terms with related parties are the same as other customers of the Group.

The trade receivables and other receivables due from related parties are non-interest-bearing and unsecured.

The financial liabilities included in the above balances are non-interest bearing and unsecured.

Notes to Interim Condensed Consolidated Financial Information (continued)

For the six months ended 30 June 2024

17. RELATED PARTY TRANSACTIONS (Continued)

(d) Compensation of key management personnel of the Group:

	30 June 2024 RMB'000 (unaudited)	30 June 2023 RMB'000 (unaudited)
Salaries, allowances and benefits in kind	2,581	2,278
Equity-settled share award expenses	51	51
Pension scheme contributions	150	143
	2,782	2,472

18. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

Management has assessed that the fair values of cash and cash equivalents, pledged deposits, trade receivables, financial assets included in prepayments, other receivables and other assets, financial liabilities included in other payables and accruals, trade and bills payables and the current portion of interest-bearing bank and other borrowings approximate to their carrying amounts largely due to the short-term maturities of these instruments.

The Group's finance department headed by the finance manager is responsible for determining the policies and procedures for the fair value measurement of financial instruments. At each reporting date, the finance department analyses the movements in the values of financial instruments and determines the major inputs applied in the valuation. The valuation is reviewed and approved by the chief financial officer. The valuation process and results are discussed with the directors of the Company once a year for annual financial reporting.

The fair values of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. The fair values of bills receivable and other current asset has been calculated by discounting the expected future cash flows using rates currently available for instruments with similar terms, credit risk and remaining maturities. The changes in fair value during the reporting period was assessed to be insignificant.

The fair values of the non-current portion of interest-bearing bank loans have been calculated by discounting the expected future cash flows using rates currently available for instruments with similar terms, credit risk and remaining maturities. The fair values of the non-current portion of interest-bearing bank loans are assessed to be approximate to its carrying amount at the end of the reporting period. The changes in fair values as a result of the Group's own non-performance risk for interest-bearing bank loans at the end of the reporting period was assessed to be insignificant.

Notes to Interim Condensed Consolidated Financial Information (continued)

For the six months ended 30 June 2024

18. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (Continued)

Fair value hierarchy

The following tables illustrate the fair value measurement hierarchy of the Group's financial instruments:

Assets measured at fair value:

As at 30 June 2024

	Fair value measurement using			Total RMB'000 (unaudited)
	Quoted prices in active market (level 1) RMB'000 (unaudited)	Significant observable inputs (level 2) RMB'000 (unaudited)	Significant unobservable inputs (level 3) RMB'000 (unaudited)	
Bills receivable	—	184,069	—	184,069

As at 31 December 2023

	Fair value measurement using			Total RMB'000 (audited)
	Quoted prices in active market (level 1) RMB'000 (audited)	Significant observable inputs (level 2) RMB'000 (audited)	Significant unobservable inputs (level 3) RMB'000 (audited)	
Bills receivable	—	199,727	—	199,727
Investment in a fund	—	10,500	—	10,500
	—	210,227	—	210,227

The Group did not have any financial liabilities measured at fair value as at 30 June 2024 and 31 December 2023.

During the six months ended 30 June 2024, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 for financial assets (six months ended 30 June 2023: Nil).



Notes to Interim Condensed Consolidated Financial Information (continued)

For the six months ended 30 June 2024

19. EVENTS AFTER THE REPORTING PERIOD

Up to the date of issue of the interim condensed consolidated financial information, the Company did not have any events after 30 June 2024 that needed to be disclosed.

20. APPROVAL OF THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

The interim condensed consolidated financial information was approved and authorised for issue by the Board on 23 August 2024.

In this interim report, unless the context otherwise requires, the following expressions shall have the following meanings:

“Articles” or “Articles of Association”	the amended and restated articles of association of our Company conditionally adopted on 21 May 2024 and with effect upon Listing Date
“Audit Committee”	the audit committee of the Board
“Board” or “Board of Directors”	the board of Directors
“BVI”	the British Virgin Islands
“China” or “PRC”	the People’s Republic of China, for the purpose of this report, excluding Hong Kong, the Macau Special Administrative Region and Taiwan
“Companies Act”	the Companies Act (as revised) of the Cayman Islands as amended from time to time
“Company,” “our Company,” “we,” “our” or “us”	Wuhan Youji Holdings Ltd. (武漢有機控股有限公司) (formerly known as Centelligence Holdings Ltd.), an exempted company incorporated under the laws of the Cayman Islands with limited liability on 23 September 2016
“Corporate Governance Code”	the Corporate Governance Code as set out in Appendix C1 to the Listing Rules
“Controlling Shareholder(s)”	has the meaning given to it under the Listing Rules and in the context of this interim report, refers to the controlling shareholders of our Company, namely Mr. Gao Lei and Vastocean Capital Limited
“Director(s)”	the director(s) of our Company
“Global Offering”	the Hong Kong Public Offering and the International Offering
“Group,” “our Group,” “we,” “our” or “us”	our Company and its subsidiaries, or where the context so requires, in respect of the period before our Company became the holding company of its present subsidiaries, the business operated by such subsidiaries or their predecessors (as the case may be)
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Hong Kong dollars” or “HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Listing”	the listing of the Shares on the Main Board
“Listing Date”	the date on which the Shares initially commenced their dealings on the Stock exchange, i.e. 18 June 2024
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“Main Board”	the stock exchange (excluding the option market) operated by the Stock Exchange which is independent from and operates in parallel with the GEM of the Stock Exchange
“Model Code”	the Model Code for Securities Transactions by Directors of the Listed Issuers as set out in Appendix C3 to the Listing Rules



Definitions

“Nomination Committee”	the nomination committee of the Board
“Prospectus”	the prospectus of the Company dated 7 June 2024
“Remuneration Committee”	the remuneration committee of the Board
“Renminbi” or “RMB”	Renminbi, the lawful currency of the PRC
“Reporting Period”	the six months ended 30 June 2024
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Share(s)”	ordinary share(s) in the capital of our Company of a par value of US\$0.0001 each
“Shareholder(s)”	holder(s) of our Share(s)
“Stock exchange”	The Stock Exchange of Hong Kong Limited
“US\$”	United States dollars, the lawful currency of the United States
“%”	percent