



CHINA LONGEVITY GROUP COMPANY LIMITED

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 1863



2021 INTERIM REPORT



CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Mr. Lin Shengxiong (*Chairman*)

Mr. Huang Wanneng

Mr. Jiang Shisheng

Independent Non-executive Directors

Mr. Lau Chun Pong

Mr. Lu Jiayu

Ms. Jiang Ping

AUDIT COMMITTEE

Mr. Lau Chun Pong (*Chairman*)

Mr. Lu Jiayu

Ms. Jiang Ping

REMUNERATION COMMITTEE

Mr. Lu Jiayu (*Chairman*)

Ms. Jiang Ping

Mr. Lin Shengxiong

Mr. Lau Chun Pong

NOMINATION COMMITTEE

Ms. Jiang Ping (*Chairman*)

Mr. Lu Jiayu

Mr. Lau Chun Pong

COMPANY SECRETARY

Mr. Chow Yiu Wah, Joseph

AUTHORISED REPRESENTATIVES

Mr. Lin Shengxiong

Mr. Chow Yiu Wah, Joseph

INDEPENDENT AUDITORS

ZHONGHUI ANDA CPA Limited

PRINCIPAL BANKERS

Bank of China (Hong Kong) Limited

REGISTERED OFFICE

Cricket Square

Hutchins Drive

PO Box 2681

Grand Cayman KY1-1111

Cayman Islands

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Room 617, 6/F., Seapower Tower,

Concordia Plaza,

1 Science Museum Road,

Tsim Sha Tsui East,

Kowloon, Hong Kong

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Suntera (Cayman) Limited

Royal Bank House — 3rd Floor

24 Shedden Road

P.O. Box 1586

George Town

Grand Cayman

KYI-1110

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Boardroom Share Registrars (HK) Limited

2103B, 21/F, 148 Electric Road

North Point

Hong Kong

STOCK CODE

1863

CORPORATE WEBSITE

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INVESTOR RELATIONS CONTACT

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MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

Being one of the notable leaders among the industry of manufacturing new materials featuring eco-friendliness and special features around the globe, the Group provides skillful and functional new materials and super core flooring of Sijia for 18 industries, including healthcare, modern transportation, construction, outdoor leisure sports as well as sports games and tournaments. With their extensive industry experience, the management team of the Group does not only adhere to market orientation, but also hones in on patented technology, product innovation and market exploration. The Group also engages in the production and sale of path-breaking products, which are the joint development efforts of its technology research and development (“R&D”) team and academic institutions. A number of new products and production processes of the Group are also granted with independent intellectual property rights and national patents for invention.

The Group’s material products (“Material Products”) business is located in Fuzhou and Shanghai. It utilizes self-developed equipment and processes that have been granted with the national invention patents in the manufacturing of new materials, such as drop stitch fabric, architectural membrane, waterproofing membrane, marquees materials, air tightness materials, inflatable boats materials and inflatable materials.

The operations of the Group’s flooring products (“Flooring Products”) business are based in Fuzhou. Capitalising on their premium quality and eco-friendly properties, the Flooring Products are now the preferred floor decorative materials amongst buyers around Europe, U.S., Japan and Korea. Flooring Products are globally marketed under the brand of “Zero Formaldehyde Super Core Flooring”. These products were granted with a number of environmental certifications and have an outstanding price-performance ratio. The products are used in a wide spectrum of public and household domains, including education, healthcare, commerce, sports, offices, industrial usage and transportation.

Revenue for the period under review was approximately RMB721.7 million, representing an increase of approximately RMB401.6 million, or 125.5%, compared to revenue of approximately RMB320.1 million for the same period last year. The increase was primarily attributable to the increase in demand for Material Products.

The Group’s products can be categorised into two types: (i) Material Products and (ii) Flooring Products. The Group generated most of its revenue from the Material Products which accounted for approximately 93.9% (30 June 2020: 91.1%) of total revenue. Local sales continued to be the Group’s major source of revenue, representing approximately 79% (30 June 2020: 69%) of the total revenue while export sales only accounted for approximately 21% (30 June 2020: 31%) of the total revenue.

MANAGEMENT DISCUSSION AND ANALYSIS

The table below sets forth the Group's revenue by products:

	For the six months ended 30 June			
	2021		2020	
	(RMB million)	% of Total Revenue	(RMB million)	% of Total Revenue
Material Products	677.80	93.92	291.71	91.13
Flooring Products	43.88	6.08	28.39	8.87
	721.68	100	320.10	100.00

The table below sets forth the Group's revenue by geographical locations:

	For the six months ended 30 June	
	2021 (RMB million)	2020 (RMB million)
PRC	572.01	221.13
Others	149.67	98.97
	721.68	320.10

For the period under review, drop stitch fabric, a new material was successfully developed and launched into the market in recent years. It has been widely used in fields such as outdoor water sports, entertainment and military industry. The new fabric products have already surpassed those of our domestic and overseas industry peers. Looking ahead, the Group plans to invent and develop more new products to retain its leading position in the industry.

For the period under review, the Group's membrane was applied in the air-inflated laboratory for nucleic acid testing, known as the "Falcon lab (獵鷹號)", for the prevention and control of COVID-19 in China. It was put into use in various locations, including Nanjing, Changzhou, Wuxi, Jiangyin, Yangzhou and Henan. During the minor resurgence of pandemic in Qingdao and Shijiazhuang, the Group's membrane was used in producing inflatable air bubbles of "Fire Eye lab (火眼)" for nucleic acid testing, and demonstrated positive outcome. Television programmes of China Media Group, namely "Xinwen Lianbo (新聞聯播)" of CCTV1 channel, and "Focus On (共同關注)" of CCTV13 channel, also reported on the official launch of the Falcon air-inflated laboratory in Yangzhou.



MANAGEMENT DISCUSSION AND ANALYSIS

As at 30 June 2021, the Group owned a total of 69 patents with respect to the Material Products, of which 41 patents on inventions, 23 patents on practical new models and 5 patents on software copyrights.

Material Products

For the period under review, the Group's revenue generated from Material Products amounted to approximately RMB677.8 million (30 June 2020: RMB291.7 million) which accounted for approximately 93.9% (30 June 2020: 91.1%) of the Group's total revenue, representing an increase in sales of approximately 132.3%. The increase in revenue was mainly due to the increase in demand for outdoor leisure products.

Flooring Products

For the period under review, the Group's revenue generated from the Flooring Products amounted to approximately RMB43.88 million (30 June 2020: RMB28.4 million) which accounted for approximately 6.1% (30 June 2020: 8.9%) of total revenue, representing an increase in sales of approximately 54.7%, which was mainly due to the gradual growth in brand influence as a result of market expansion.

FINANCIAL REVIEW

Financial Results

Revenue

The Group's revenue for the six months ended 30 June 2021 was approximately RMB721.7 million, representing an increase of approximately RMB401.6 million, or 125.5%, compared to revenue of approximately RMB320.1 million for the same period last year. For the period under review, the Group's major sales segments, namely, (1) Material Products reported revenue of approximately RMB677.8 million (30 June 2020: RMB291.7 million) and (2) Flooring Products recorded a revenue of approximately RMB43.9 million (30 June 2020: RMB28.4 million).

Gross Profit and Gross Margin

Gross profit was approximately RMB133.1 million for the period under review (30 June 2020: approximately RMB71 million), with the gross profit margin of approximately 18.4% (30 June 2020: 22.2%).

MANAGEMENT DISCUSSION AND ANALYSIS

The table below sets forth the Group's gross profit margin by products:

	For the six months ended	
	30 June	
	2021	2020
	%	%
Material Products	21.2	23.5
Flooring Products	7.8	9.3
Overall	18.4	22.2

Selling and Distribution Costs

For the period under review, selling and distribution costs increase by approximately RMB11.3 million to approximately RMB21.4 million, or 3% of revenue for the period under review, from approximately RMB10.1 million, or 3.2% of revenue for the same period last year. This was mainly due to the increase in sales and thereby increase in transportation expenses.

Administrative Expenses

For the period under review, administrative expenses increased by approximately RMB17.2 million or by 53.7%, from approximately RMB32.0 million to approximately RMB49.1 million. The increase in administrative expenses was mainly due to an increase in research and development expenses.

Research and Development

For the period under review, research and development (the "R&D") costs amounted to approximately RMB33.6 million, or 4.7% of revenue (30 June 2020: RMB19.4 million, or 6.1% of revenue). The Group believes that its on-going R&D efforts are critical in maintaining long-term competitiveness, retaining existing customers, enhancing its ability to attract new customers and developing new markets. The Group continues to dedicate resources to the R&D activities in its Fuzhou and Shanghai plants aiming to lower the cost of raw materials, streamline manufacturing processes, increase production capacities, develop high value-added new materials, and expand new application of the products and customer sales market.

Finance Costs

Finance costs for the period under review was approximately RMB7.5 million (30 June 2020: RMB3.4 million). The increase was mainly due to increase in interest-bearing borrowings.



MANAGEMENT DISCUSSION AND ANALYSIS

Other Income and gains

Other income and gains amounted to approximately RMB5.0 million for the period under review (30 June 2020: approximately RMB32.8 million). The decrease for the period was mainly due to last year's recovery of bad debts and gain on dissolution of subsidiary.

Income Tax

For the period under review, the Group had an overall income tax expense of approximately RMB6.4 million (30 June 2020: RMB1.8 million).

Profit for the Period

For the period ended 30 June 2021, the Group recorded a profit attributable to owners of the Company approximately RMB49.7 million, or RMB5.83 cents for basic earnings per share. As at the same period last year, the Group recorded a profit attributable to owners of the Company of approximately RMB44.5 million, or RMB5.22 cents for basic earnings per share. The weighted average number of ordinary shares of 852,612,470 in issue during the period ended 30 June 2021 (30 June 2020: 852,612,470).

Dividends

The Board has resolved not to pay any interim dividend for the six months ended 30 June 2021 (30 June 2020: Nil).

Liquidity and Financial Resources

Total Equity

As at 30 June 2021, total equity amounted to approximately RMB479.2 million, representing an increase of 19.7%, compared to approximately RMB400.5 million as at 31 December 2020.

Financial Position

As at 30 June 2021, the Group had total current asset of approximately RMB684.3 million (31 December 2020: RMB456.9 million) and total current liabilities of approximately RMB706.0 million (31 December 2020: RMB528.9 million), with net current liabilities of approximately RMB21.7 million (31 December 2020: RMB72.0 million).

As at 30 June 2021, the Group's net gearing (expressed as a percentage of total interest-bearing liabilities to total assets) was at 19.4%, as compared to 20.0% as at 31 December 2020.



MANAGEMENT DISCUSSION AND ANALYSIS

Cash and Cash Equivalents

As at 30 June 2021, the Group had cash and cash equivalents of approximately RMB58.6 million (31 December 2020: RMB34.9 million), most of which were denominated in Renminbi ("RMB").

Bank Borrowings

As at 30 June 2021, the Group had interest-bearing bank borrowings of approximately RMB158.4 million (31 December 2020: RMB166.0 million).

Contingent Liabilities

As at 30 June 2021, the Group did not have any significant contingent liabilities (31 December 2020: Nil).

Capital Commitments

As at 30 June 2021, capital commitment of the Group amounted to approximately RMB47.8 million (31 December 2020: RMB11.5 million). The capital commitment will be funded partly by internal resources and partly by bank borrowings.

Pledge of Assets

As at 30 June 2021, the Group's buildings, plant and machinery of approximately RMB276.7 million (31 December 2020: RMB286.2 million), right-of-use assets of approximately RMB15.3 million (31 December 2020: RMB15.6 million), investment properties of approximately RMB21.0 million (31 December 2020: RMB21.0 million) and bank deposits of approximately RMB97.7 million (31 December 2020: RMB58.9 million) were pledged to banks to secure bank loans and general banking facilities granted.

Events After The Reporting Period

There were no significant events after the reporting period.



MANAGEMENT DISCUSSION AND ANALYSIS

Human Resources

As at 30 June 2021, the Group employed a total of 536 employees (31 December 2020: 457 employees).

The Group regards human capital as vital for its continuous growth and profitability and remains committed to improving the quality, competence and skills of all employees. The Group provided job related training throughout the organisation. The Group will continue to offer competitive remuneration packages and bonuses to eligible staffs, based on the performance of the employees.

Exposure to fluctuations in exchange rates and related hedge

The Group had some high-end products operated and sold on the European market. Given the reform of the Renminbi exchange rate, depreciation of US dollars and other factors, the exchange rate for Renminbi to US dollars fluctuated, resulting in exchange loss of certain trade orders to some extent. However, as the Group is principally engaged in business in Mainland China, most of the business transactions are settled in Renminbi (“RMB”). All subsidiaries of the Group do business within the RMB sphere, and their functional currency is RMB. The Group’s reporting currency is RMB.

The Group’s cash and bank deposits are predominantly in RMB. Based on the aforesaid, the Group does not enter into any agreement to hedge against any foreign exchange risk. The Company will pay dividends in Hong Kong Dollars if dividends are declared and it will continue to monitor the fluctuation of RMB closely and will introduce suitable measures as and when appropriate.

Save as disclosed above, there has been no material change in the development or future development of the Group’s business and financial position, and no important event affecting the Group has occurred since the publication of the annual report of the Company for the year ended 31 December 2020.

Material Acquisitions or Disposals

During the period under review, the Group and Mr. Gao Junlen, a third party, formed a company namely Fujian Sijia Materials Technology Co., Ltd. (福建思嘉新材料科技有限公司) with registered capital of RMB100 million to engage in the design, development, manufacture and sale of polymer processed high strength polyester fabric composite materials, PVC elastic floor products and non-PVC flooring products. Pursuant to the Article, the Group will contribute RMB51 million representing 51% of the total registered capital. Details of this is set out in the Company’s announcement dated 24 February 2021.

Except as disclosed above, there were no other material acquisitions or disposals during the six months ended 30 June 2021.

MANAGEMENT DISCUSSION AND ANALYSIS

FUTURE PROSPECTS

In view of the ongoing situation of the severe global pandemic, the continuing downturn of Eurozone economy, the Sino-US trade tensions and the slowing down of PRC economy, the Group will actively respond to the national policy of “adjusting economic structure; transforming traditional manufacturing industries into new and intelligent manufacturing industries”. It will adhere to the development principles of “stay on its original business, steady development, structure optimisation, continuous innovation, and achieve domestic and international circular economy”, and has implemented a series of adjustment measures for product mix:

1. stabilise the business development of new materials, and actively develop new products;
2. further develop special functional materials and Flooring Products for domestic and foreign major customers to expand the Group’s market shares;
3. establish more stable and reasonable strategic cooperation relationship with suppliers, so as to significantly lower procurement costs;
4. all staff of the Group participate in the optimisation of internal control processes in relation to procurement, production, sales, and finance, in order to enhance the operation efficiency of the Group;

The Company has engaged professionals in its application for the resumption of trading in the shares of the Company on the Stock Exchange (the “Resumption”). Further announcement will be published to the Shareholders to update the latest progress of the Resumption as and when appropriate.

Looking forward, the Group will upgrade its business and operation in 2021 by capitalising on its innovative technologies and its professional technical team, which is well-recognised both in domestic and foreign industries:

1. expand production capacity: It will establish new Fuqing Production Base for capacity upgrade, new product development and scale-up of its industry; Shanghai Sijia and Fujian Sijia will introduce advanced intelligent production lines to expand the growth of upstream and downstream industrial chains;
2. promote intelligent development: Fujian Sijia will step up its efforts in technical transformation, continue to carry out intelligent transformation of flooring production line to slash its labor costs by streamlining its manpower and perk up its production efficiency. It will also continue to invest in expanding the production capacity of its flooring production line so as to bolster the new operating profit of the Group, continue to conduct the intelligent transformation, and build intelligent warehouses to maximise efficiency and production capacity;

MANAGEMENT DISCUSSION AND ANALYSIS

3. upgrade product technology: Fujian Sijia will continue to deepen the development of drop stitch fabric, meanwhile to expedite the development of such fabric to become more applicable across different fields. We will continue to conduct product R&D of TPU materials for medical usage and continue to push forward the advancement of eco-friendly TPU materials. It will increase its R&D efforts regarding the super core flooring products of Sijia for the purposes of diversifying its flooring products and exploring more applications of these products. It will also conduct innovative R&D, strengthen industry-university research cooperation, and achieve breakthroughs in product technologies including drop stitch fabric PVF fluorinated functional composite materials and super core flooring;
4. expand the market shares of our inflatable boat materials in Europe and Flooring Products on global markets;
5. plan for the operation under the brand of zero-formaldehyde super core flooring of Sijia in the Chinese market;
6. continue to engage well-known institutions to assist in the improvement of site lean management, the upgrade of technical quality system and the improvement of quality control system, with our service focusing on quality technology innovation, in order to build the core competitiveness and lay the foundation for the new materials under the Sijia brand;
7. plan to recruit 30 undergraduates, postgraduates and doctoral students majoring in polymer materials to join Sijia and nurture these skillful talents in order to further enhance the competitiveness of the enterprise, so do the competitive advantages of these talents for propelling the sustainable development of the enterprise;
8. step up the protection for the intellectual property rights of our new technology and new techniques, and apply for more patents on technology in order to equip the Group to become one of the most innovative high-tech enterprises in the industry and create values for the Shareholders of the Company;
9. plan to establish an enterprise technology center at the national level and cooperate with colleges to establish post-doctoral workstations;
10. strive onwards to create better living and working conditions for Sijia employees for the sake of further improving the quality of their physical and spiritual lives; and
11. actively observe the corporate responsibilities that we shall bear, proactively participate in activities to help villages thrive and pay back to our home villages, and support campaigns such as "Thousand Enterprises Helping Thousand Villages" and "Precision Poverty Alleviation by Education".

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2021

	Notes	Six months ended 30 June	
		2021 RMB'000 (Unaudited)	2020 RMB'000 (Unaudited)
REVENUE	4	721,675	320,101
Cost of sales		(588,575)	(249,006)
GROSS PROFIT		133,100	71,095
Other income and gains	5	4,996	32,761
Selling and distribution costs		(21,402)	(10,116)
Administrative expenses		(49,104)	(31,953)
Share of loss of an associate		(6)	—
Other expenses		(4,286)	(12,015)
PROFIT FROM OPERATIONS		63,298	49,772
Finance costs	6	(7,457)	(3,445)
PROFIT BEFORE TAX	7	55,841	46,327
Income tax expense	8	(6,402)	(1,795)
PROFIT FOR THE PERIOD ATTRIBUTABLE TO OWNERS OF THE COMPANY		49,439	44,532
Other comprehensive income/(expenses) after tax:			
<i>Items that will not be reclassified to profit or loss:</i>			
Exchange differences on translation of non-PRC operations		(1,091)	2,248
<i>Items that may be reclassified to profit or loss:</i>			
Exchange differences on translation of non-PRC operations		1,124	(2,312)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD ATTRIBUTABLE TO OWNERS OF THE COMPANY		49,472	44,468
PROFIT/(LOSS) FOR THE PERIOD ATTRIBUTABLE TO:			
Owners of the Company		49,689	44,532
Non-controlling interests		(250)	—
		49,439	44,532



CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2021

	Notes	Six months ended 30 June	
		2021 RMB'000 (Unaudited)	2020 RMB'000 (Unaudited)
TOTAL COMPREHENSIVE INCOME/(EXPENSES)			
Owners of the Company		49,722	44,468
Non-controlling interests		(250)	—
		49,472	44,468
EARNINGS PER SHARE (RMB cents)			
— Basic	10	5.83	5.22
— Diluted		5.83	5.22

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2021

	Notes	As at 30 June 2021 RMB'000 (Unaudited)	As at 31 December 2020 RMB'000 (Audited)
Non-current assets			
Property, plant and equipment	11	430,644	420,375
Right-of-use assets		34,881	33,068
Investment properties		36,370	36,370
Intangible assets		684	684
Interest in an associate		141	—
Deposits paid for acquisition of non-current assets		43,647	15,228
Equity investments at fair value through other comprehensive income		4,140	4,140
Deferred tax assets		3,238	3,444
Total non-current assets		553,745	513,309
Current assets			
Inventories		170,737	146,066
Trade and bills receivables	12	318,508	190,289
Prepayments, deposits and other receivables	13	38,763	26,731
Pledged bank deposits		97,711	58,930
Cash and cash equivalents		58,560	34,899
Total current assets		684,279	456,915
Current liabilities			
Trade and bills payables	14	428,728	288,997
Lease liabilities		3,031	876
Contract liabilities		9,764	3,717
Other payables and accruals	15	51,638	55,191
Interest-bearing borrowings	16	195,845	165,741
Due to a director	19	3,950	3,100
Tax payable		13,043	11,313
Total current liabilities		705,999	528,935
Net current liabilities		(21,720)	(72,020)
Total assets less current liabilities		532,025	441,289



CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2021

		As at 30 June 2021 <i>RMB'000</i> (Unaudited)	As at 31 December 2020 <i>RMB'000</i> (Audited)
	<i>Notes</i>		
Non-current liabilities			
Interest-bearing borrowings	16	44,530	34,239
Lease liabilities		4,151	2,376
Deferred tax liabilities		4,102	4,208
Total non-current liabilities		52,783	40,823
NET ASSETS		479,242	400,466
Capital and reserves			
Issued capital		747	747
Reserves		449,441	399,719
		450,188	400,466
Non-controlling interests		29,054	—
TOTAL EQUITY		479,242	400,466

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2021

	Issued capital RMB'000	Capital surplus/ share premium* RMB'000	Capital reserve* RMB'000	Statutory surplus reserve* RMB'000	Exchange fluctuation reserve* RMB'000	Revaluation reserve* RMB'000	Accumulated losses* RMB'000	Sub-total RMB'000	Non- controlling interests RMB'000	Total equity RMB'000
At 1 January 2020 (audited)	747	566,403	28,994	128,774	(9,063)	12,235	(409,883)	318,207	—	318,207
Total comprehensive income for the period (unaudited)	—	—	—	—	(64)	—	44,532	44,468	—	44,468
At 30 June 2020 (unaudited)	747	566,403	28,994	128,774	(9,127)	12,235	(365,351)	362,675	—	362,675
At 1 January 2021 (audited)	747	566,403	28,994	133,336	(9,011)	49,411	(369,414)	400,466	—	400,466
Total comprehensive income for the period (unaudited)	—	—	—	—	33	—	49,689	49,722	(250)	49,472
Capital contribution by a non-controlling shareholder (unaudited)	—	—	—	—	—	—	—	—	29,304	29,304
At 30 June 2021 (unaudited)	747	566,403	28,994	133,336	(8,978)	49,411	(319,725)	450,188	29,054	479,242

* These reserve accounts comprise the consolidated reserves in the condensed consolidated statement of financial position.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2021



	Six months ended 30 June	
	2021 (Unaudited) RMB'000	2020 (Unaudited) RMB'000
Net cash generated from/(used in) operating activities	69,825	(6,869)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(32,429)	(39,606)
Proceeds from disposals of property, plant and equipment	13	4,031
Capital inject in an associate	(147)	—
Contribution from a non-controlling shareholder	29,304	—
(Increase)/decrease in pledged bank deposits	(38,781)	16,823
Payment of deposits for acquisition of property, plant and equipment	(37,738)	(25,538)
Other investing cash flows	440	125
Net cash used in investing activities	(79,338)	(44,165)
CASH FLOWS FROM FINANCING ACTIVITIES		
New interest-bearing borrowings	108,998	116,945
Repayment of interest-bearing borrowings	(68,603)	(39,596)
Repayment to a related party	—	(4,000)
Advance from a director	850	160
Other financing cash flows	(8,065)	(3,886)
Net cash generated from financing activities	33,180	69,623
NET INCREASE IN CASH AND CASH EQUIVALENTS	23,667	18,589
Cash and cash equivalents at beginning of period	34,899	26,414
Effect on exchange rate changes	(6)	37
Cash and cash equivalents at end of period	58,560	45,040
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Cash and bank balances	58,560	45,040



NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2021

1. GENERAL INFORMATION

The Company is a limited company incorporated in the Cayman Islands on 7 October 2009. The address of its registered office is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands. The Company's principal place of business is located at Room 617, 6/F., Seapower Tower, Concordia Plaza, 1 Science Museum Road, Tsimshatsui East, Kowloon, Hong Kong. The Company's shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited and have been suspended for trading since 14 February 2013.

The Company acts as an investment holding company. The Company, through its major subsidiaries, is principally engaged in the design, development, manufacture and sale of (i) polymer processed high strength polyester fabric composite materials and other reinforced composite and conventional materials ("Material Products") and (ii) PVC elastic flooring product and Non-PVC floor products ("Floor Products") during the period.

In the opinion of the directors of the Company (the "Directors"), as at the date of issue of the condensed consolidated interim financial statements ("Interim Financial Statement"), Hopeland International Holdings Company Limited ("Hopeland International") is the ultimate holding company of the Company; and Mr. Lin Shengxiong ("Mr. Lin"), the Chairman and an executive director, is the ultimate controlling party of the Company.

2. BASIS OF PREPARATION

The Interim Financial Statements have been prepared in accordance with Hong Kong Accounting Standard 34 ("Interim Financial Reporting") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") and the applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules").

The Interim Financial Statements do not include all the information and disclosures required in a full set of financial statements, and should be read in conjunction with the Group's 2020 annual consolidated financial statements for the year ended 31 December 2020 ("2020 Annual Report"). The accounting policies and methods of computation used in the preparation of the Interim Financial Statements are consistent with those used in 2020 Annual Report.

These Interim Financial Statements have been prepared on a going concern basis, the validity of which depends upon the financial support of the controlling shareholder, at a level sufficient to finance the working capital requirements of the Group. The controlling shareholder has agreed to provide adequate funds for the Group to meet its liabilities as they fall due. The Directors are therefore of the opinion that it is appropriate to prepare the Interim Financial Statements on a going concern basis. Should the Group be unable to continue as a going concern, adjustments would have to be made to the Interim Financial Statements to adjust the value of the Group's assets to their recoverable amounts, to provide for any further liabilities which might arise and to reclassify non-current assets and liabilities as current assets and liabilities, respectively.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2021

3. ADOPTION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS

In the current period, the Group has adopted all the new and revised Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the HKICPA that are relevant to its operations and effective for its accounting year beginning on 1 January 2021. HKFRSs comprise Hong Kong Financial Reporting Standards (“HKFRS”); Hong Kong Accounting Standards (“HKAS”); and Interpretations. The adoption of these new and revised HKFRSs did not result in significant changes to the Group’s accounting policies, presentation of the Group’s financial statements and amounts reported for the current period and prior years.

The Group has not applied the new HKFRSs that have been issued but are not yet effective. The Group has already commenced an assessment of the impact of these new HKFRSs but is not yet in a position to state whether these new HKFRSs would have a material impact on its results of operations and financial position.

4. REVENUE

	Six months ended 30 June	
	2021	2020
	(Unaudited)	(Unaudited)
	RMB’000	RMB’000
Sales of goods	721,675	320,101

There is only one operating segment which is principally engaged in the design, development, manufacture and sale of (i) Material Products and (ii) Flooring Products during the periods. Sales are recognised when control of the products has transferred, being when the products are delivered to a customer, there is no unfulfilled obligation that could affect the customer’s acceptance of the products and the customer has obtained legal titles to the products.

Sales to customers are normally made with credit terms of 30 to 90 days. For new customers, payment in advance is normally required. Deposits received are recognised as a contract liability.

A receivable is recognised when the products are delivered to the customers as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2021

4. REVENUE (continued)

Disaggregation of revenue from contracts with customers:

	Six months ended 30 June	
	2021	2020
	(Unaudited)	(Unaudited)
	<i>RMB'000</i>	<i>RMB'000</i>
Geographical markets		
The People's Republic of China (the "PRC")	572,008	221,135
Others	149,667	98,966
Total	721,675	320,101

	Six months ended 30 June	
	2021	2020
	(Unaudited)	(Unaudited)
	<i>RMB'000</i>	<i>RMB'000</i>
Major products		
Material products	677,799	291,712
Flooring Products	43,876	28,389
Total	721,675	320,101

The revenue was recognised at a point in time.

Information about major customers

No revenue from transactions with a single customer amounted to 10% or more of the Group's total sales for the six months ended 30 June 2021 (six months ended 30 June 2020: Nil).

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2021

5. OTHER INCOME AND GAINS

	Six months ended 30 June	
	2021 (Unaudited) RMB'000	2020 (Unaudited) RMB'000
Interest income	223	125
Government subsidies (note)	1,377	2,525
Gain on lease termination	67	—
Gross rental income	1,444	1,350
Dividend income from equity investments at fair value through other comprehensive income	217	—
Gain on dissolution of a subsidiary	—	6,776
Reversal of allowance for receivables	999	2,024
Recovery of bad debts	—	19,018
Sundry income	669	943
	4,996	32,761

Note: Government subsidies are received and used for development of new products and implementation of environmental protection development programmes. These government subsidies are not attributable to any non-current assets and there are no other specific conditions attached to the subsidies. Therefore, the Group recognised the subsidies upon receipt during the six months ended 30 June 2021 and 2020.

6. FINANCE COSTS

	Six months ended 30 June	
	2021 (Unaudited) RMB'000	2020 (Unaudited) RMB'000
Lease interest	104	18
Interest on bank loans	4,322	3,427
Interest on other loans	3,031	—
	7,457	3,445

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2021

7. PROFIT BEFORE TAX

The Group's profit before tax is stated after charging/(crediting):

	Six months ended 30 June	
	2021 (Unaudited) RMB'000	2020 (Unaudited) RMB'000
Directors' remuneration	1,653	1,287
Depreciation of property, plant and equipment	26,655	18,024
Depreciation on right-of-use assets	1,079	915
Loss on disposals of property, plant and equipment	2,665	11,570

8. INCOME TAX EXPENSE

	Six months ended 30 June	
	2021 (Unaudited) RMB'000	2020 (Unaudited) RMB'000
Current tax — the PRC		
Charge for the period	6,302	1,762
Deferred tax	100	33
	6,402	1,795

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.

Pursuant to the rules and regulations of the Cayman Islands and the British Virgin Islands, the Group is not subject to any income tax in the Cayman Islands or the British Virgin Islands.

Pursuant to the relevant tax law of the Hong Kong Special Administrative Region, Hong Kong profits tax has to be provided at the rate of 16.5% on the estimated assessable profits arising in Hong Kong during the year. No provision for Hong Kong profits tax has been made as the Group has no assessable profits arising in Hong Kong for the six months ended 30 June 2021 and 2020.

Pursuant to the approval of the tax bureau, in accordance with the Enterprise Income Tax Law of the PRC (中華人民共和國企業所得稅法), Fujian Sijia Industrial Material Co., Ltd.[#] (福建思嘉環保材料科技有限公司) ("Fujian Sijia") and Sijia New Material (Shanghai) Co., Ltd.[#] (思嘉環保材料科技(上海)有限公司) ("Shanghai Sijia") are subject to the tax rate of 15% for being a high-tech enterprise. Other subsidiaries are subject to a corporate income tax rate of 25% according to the Enterprise Income Tax Law of the PRC (中華人民共和國企業所得稅法).



NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2021

9. DIVIDEND

The Directors do not recommend the payment of any interim dividend for the six months ended 30 June 2021 (six months ended 30 June 2020: Nil).

10. EARNINGS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY

Earnings per share

The calculation of basic earnings per share attributable to owners of the Company is based on the profit for the six months ended 30 June 2021 attributable to owners of the Company of approximately RMB49,689,000 (six months ended 30 June 2020: RMB44,532,000) and the weighted average number of approximately 852,612,000 (six months ended 30 June 2020: 852,612,000) ordinary shares in issue during the period.

Diluted earnings per share

Diluted earnings per share for the six months ended 30 June 2021 and 2020 is the same as the basic earning per share as the Company did not have any dilutive potential ordinary shares during the periods.

11. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2021, the Group acquired property, plant and equipment at a total cost of RMB38,411,000 (six months ended 30 June 2020: RMB36,564,000).

During the six months ended 30 June 2021, property, plant and equipment with a carrying amount of RMB2,678,000 (six months ended 30 June 2020: RMB15,601,000) were disposed of by the Group, resulting in a loss on disposals of RMB2,665,000 (six months ended 30 June 2020: loss on disposals of RMB11,570,000).

12. TRADE AND BILLS RECEIVABLES

The Group's trading terms with customers mainly comprise credit and cash on delivery. The credit terms generally range from 30 to 90 days. Each customer has a maximum credit limit. For new customers, payment in advance is normally required. The Group seeks to maintain strict control over its outstanding receivables. Overdue balances are reviewed regularly by the management.



NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2021

12. TRADE AND BILLS RECEIVABLES *(continued)*

The aging analysis of trade and bills receivables at the end of the reporting period, based on the date the Group is entitled to receive, and net of allowance, is as follows:

	As at 30 June 2021 (Unaudited) RMB'000	As at 31 December 2020 (Audited) RMB'000
Within 3 months	300,450	180,891
More than 3 months but within 6 months	18,058	9,173
More than 6 months but within 1 year	—	225
	318,508	190,289

13. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	As at 30 June 2021 (Unaudited) RMB'000	As at 31 December 2020 (Audited) RMB'000
Advances to suppliers <i>(note)</i>	18,317	12,596
Prepaid sales tax and government surcharges	14,447	8,391
Prepaid expenses	1,099	859
Other receivables	4,900	4,885
	38,763	26,731

Note: The advances were paid to suppliers to secure the supply of raw materials at the end of the reporting period.



NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2021

14. TRADE AND BILLS PAYABLES

	As at 30 June 2021 (Unaudited) RMB'000	As at 31 December 2020 (Audited) RMB'000
Trade payables	234,799	120,357
Bills payables	193,929	168,640
	428,728	288,997

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

	As at 30 June 2021 (Unaudited) RMB'000	As at 31 December 2020 (Audited) RMB'000
Within 3 months	293,572	202,398
More than 3 months but within 6 months	132,849	86,308
More than 6 months but within 1 year	2,307	291
	428,728	288,997

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2021

15. OTHER PAYABLES AND ACCRUALS

	As at 30 June 2021 (Unaudited) RMB'000	As at 31 December 2020 (Audited) RMB'000
Accrued liabilities	15,344	15,862
Payroll payables	3,692	6,090
Payable for the acquisition of property, plant and equipment	22,285	25,622
Others	10,317	7,617
	51,638	55,191

16. INTEREST-BEARING BORROWINGS

During the period ended 30 June 2021, the Group obtained new interest-bearing borrowings of RMB108,998,000 as additional working capital (six months ended 30 June 2020: RMB116,945,000) and made repayments of interest-bearing borrowings of RMB68,603,000 (six months ended 30 June 2020: RMB39,596,000).

17. CAPITAL COMMITMENTS

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

	As at 30 June 2021 (Unaudited) RMB'000	As at 31 December 2020 (Audited) RMB'000
Property, plant and equipment		
Contracted but not provided for	47,791	11,458



NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2021

18. CONTINGENT LIABILITIES

As at 30 June 2021, the Group did not have any significant contingent liabilities (31 December 2020: Nil).

19. RELATED PARTY TRANSACTIONS

(a) Related party transactions

At 30 June 2021, the ultimate shareholder and a family member of the ultimate shareholder guaranteed bank loans made to the Group of approximately RMB121,420,000 (31 December 2020: RMB126,999,000).

(b) Outstanding balances with related parties

	As at 30 June 2021 (Unaudited) RMB'000	As at 31 December 2020 (Audited) RMB'000
Due to a director		
Mr. Huang Wanneng	3,950	3,100

20. EVENTS AFTER THE REPORTING PERIOD

There were no significant events after the reporting period.

21. APPROVAL OF THE UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

The Interim Financial Statements were approved and authorised for issue by the board of directors on 31 August 2021.