



CHINA LONGEVITY GROUP COMPANY LIMITED

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 1863



2022

INTERIM REPORT

CONTENTS

Corporate Information	2
Management Discussion and Analysis	3
Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income	12
Condensed Consolidated Statement of Financial Position	14
Condensed Consolidated Statement of Changes in Equity	16
Condensed Consolidated Statement of Cash Flows	17
Notes to the Condensed Consolidated Financial Statements	18
Other Information	28

CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Mr. Lin Shengxiong (*Chairman*)
Mr. Huang Wanneng
Mr. Jiang Shisheng
Mr. Liu Jun

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. Lin Shengxiong

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

<http://www.chinalongevity.hk>

INVESTOR RELATIONS CONTACT

Email: ir@chinalongevity.hk
Telephone: (852) 2477 3799
Fax: (852) 2477 9969

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

The Company and its subsidiaries (collectively referred to as the “Group”) are 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 and Non-PVC composite materials of floorings and wall panels (“Building Material Products”) during the period.

Contributing to the global fight against COVID-19: During the past six months, our Group supplied anti-bacterial membrane materials for fast installation nucleic acid testing laboratories, supported the fight against COVID-19 in Hong Kong, Suzhou and other cities, and fully supported the construction of the makeshift hospital in Lingang, Shanghai.

Supporting Winter Olympics with low carbon: Temporary facilities at the Winter Olympics were built using the Group’s materials at three of the major competition venues, including spectator area system, athlete service system, television broadcasting rooms, pandemic prevention and control, logistics and others. The facilities were convenient to dismantle and generated minimal building waste, thus taking into account both the convenience of recycling and sustainable development.

New developments in smart industrial park: The news broadcasting agency, Xinwen Lianbo, did a news special on our major projects in Fujian, including Sijia (Fuqing) Industrial Park. The Group made arrangements for a new product line and will take advantage of the chemical new material industry cluster in Jiangyin Port to create China’s first multi-process, eco-friendly new material production base for upstream and downstream industry chains.

Innovation and technological strength to promote research and development: The Group participated in the key project of “Preparation and application of high-performance textile-based structural flexible materials” under the National Key Research and Development Program, “Technical upgrading and industrialisation of key basic materials”. It passed the comprehensive performance evaluation, boosting development of the industry and promoting innovation and evolution of new products.

MANAGEMENT DISCUSSION AND ANALYSIS

Gathering strength in intelligentisation and digitalisation to enhance competitiveness: The Group has smoothly put its fully automatic digital functional film production line into operation, which will demonstrate its competitive advantage in the production of thin film products.

Honour and recognition: Fujian Sijia was awarded as the “Demonstration base of business secret protection in Fujian” and an “Outstanding company in innovation and development in Fuzhou”.

Revenue for the period under review was approximately RMB530.7 million, representing a decrease of approximately RMB191.0 million, or 26.5%, compared to revenue of approximately RMB721.7 million for the same period last year. The decrease was primarily attributable to COVID-19 pandemic’s severe impact on Chinese economy during the early half of 2022 in China and the contraction of market economy arising from the Russia-Ukraine war.

The Group’s products can be categorised into two types: (i) Material Products and (ii) Building Material Products (formerly known as Flooring Products). The Group generated most of its revenue from the Material Products which accounted for approximately 91.7% (30 June 2021: 93.9%) of total revenue. Local sales continued to be the Group’s major source of revenue, representing approximately 70.8% (30 June 2021: 79.3%) of the total revenue while export sales only accounted for approximately 29.2% (30 June 2021: 20.7%) of the total revenue.

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

	For the six months ended 30 June			
	2022		2021	
	(RMB million)	% of Total Revenue	(RMB million)	% of Total Revenue
Material Products	486.84	91.74	677.80	93.92
Building Material Products	43.82	8.26	43.88	6.08
	530.66	100.00	721.68	100.00

MANAGEMENT DISCUSSION AND ANALYSIS

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

	For the six months ended	
	30 June	
	2022 (RMB million)	2021 (RMB million)
PRC	375.95	572.01
Others	154.71	149.67
	530.66	721.68

During the period under review, the Group faced severe tests due to the pandemic, the Russia-Ukraine War, rising global inflation and the energy crisis. Supply prices of the Company's main raw materials continuously went up, resulting in a year-on-year increase in product costs. A decrease in downstream customer demand led to a decline in sales revenue.

Despite the impact on performance, the Group rose to the challenges and dealt with the situation. The Group carried out an active response to new policies and established an internal and external ecological chain. On the basis of the original 18 fields, the Group carried out product upgrading and iteration to accelerate the progress of high-quality development and the pace of deepening the domestic market.

The structure of the industrial chain will gradually formalise with the construction of Sijia (Fuqing) Industrial Park. With the geographical advantage of Jiangyin Port, the Group will utilise three production bases at the new development stage to optimise the layout in the global market and further expand market share.

MANAGEMENT DISCUSSION AND ANALYSIS

As at 30 June 2022, the Group owned a total of 109 patents with respect to the Material Products, of which 47 patents on inventions, 57 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 RMB486.8 million (30 June 2021: RMB677.8 million) which accounted for approximately 91.7% (30 June 2021: 93.9%) of the Group's total revenue, representing a decrease in sales of approximately 28.2%. The decrease in revenue was mainly due to COVID-19 pandemic's severe impact on Chinese economy during the early half of 2022 in China and the contraction of market economy arising from the Russia-Ukraine war.

Building Material Products

For the period under review, the Group's revenue generated from the Building Material Products amounted to approximately RMB43.8 million (30 June 2021: RMB43.9 million) which accounted for approximately 8.3% (30 June 2021: 6.1%) of total revenue, representing a slight decrease in sales of approximately 0.14%.

FINANCIAL REVIEW

Financial Results

Revenue

The Group's revenue for the six months ended 30 June 2022 was approximately RMB530.7 million, representing a decrease of approximately RMB191.0 million, or 26.5%, compared to revenue of approximately RMB721.7 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 RMB486.8 million (30 June 2021: RMB677.8 million) and (2) Building Material Products recorded a revenue of approximately RMB43.8 million (30 June 2021: RMB43.9 million).

Gross Profit and Gross Margin

Gross profit was approximately RMB79.7 million for the period under review (30 June 2021: approximately RMB133.1 million), with the gross profit margin of approximately 15.0% (30 June 2021: 18.4%). The decrease in gross profit margin was mainly due to increase in cost of raw materials of the products.

MANAGEMENT DISCUSSION AND ANALYSIS

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

	For the six months ended	
	30 June	
	2022	2021
	%	%
Material Products	14.9	21.2
Building Material Products	15.9	7.8
Overall	15.0	18.4

Selling and Distribution Costs

For the period under review, selling and distribution costs decrease by approximately RMB3.9 million to approximately RMB17.5 million, or 3.3% of revenue for the period under review, from approximately RMB21.4 million, or 3% of revenue for the same period last year. This was mainly due to the decrease in sales and thereby decrease in transportation expenses.

Administrative Expenses

For the period under review, administrative expenses decreased by approximately RMB8.4 million or by 17.1%, from approximately RMB49.1 million to approximately RMB40.7 million. The decrease in administrative expenses was mainly due to a decrease in research and development expenses.

Research and Development

For the period under review, research and development (the "R&D") costs amounted to approximately RMB22.5 million, or 4.2% of revenue (30 June 2021: RMB33.6 million, or 4.7% 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 RMB7.9 million (30 June 2021: RMB7.5 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 RMB11.7 million for the period under review (30 June 2021: approximately RMB5.0 million). The increase for the period was mainly due to increase in government subsidies and exchange gain.

Income Tax

For the period under review, the Group had an overall income tax expense of approximately RMB1.2 million (30 June 2021: RMB6.4 million). The decrease was mainly due to a drop in net profit for the period.

Profit for the Period

For the period ended 30 June 2022, the Group recorded a profit attributable to owners of the Company approximately RMB23.7 million, or RMB2.78 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 RMB49.7 million, or RMB5.83 cents for basic earnings per share. The decrease in profit for the year was mainly due to decrease in revenue and gross profit margin. The weighted average number of ordinary shares of 852,612,470 in issue during the period ended 30 June 2022 (30 June 2021: 852,612,470).

Dividends

The Board has resolved not to pay any interim dividend for the six months ended 30 June 2022 (30 June 2021: Nil).

Liquidity and Financial Resources

Total Equity

As at 30 June 2022, total equity amounted to approximately RMB589.6 million, representing an increase of 5.3%, compared to approximately RMB559.7 million as at 31 December 2021.

Financial Position

As at 30 June 2022, the Group had total current asset of approximately RMB681.0 million (31 December 2021: RMB783.8 million) and total current liabilities of approximately RMB624.4 million (31 December 2021: RMB784.7 million), with net current assets of approximately RMB56.6 million (31 December 2021: net current liabilities of RMB1.0 million).

As at 30 June 2022, the Group's net gearing (expressed as a percentage of total interest-bearing liabilities to total assets) was at 21.4%, as compared to 19.0% as at 31 December 2021.

MANAGEMENT DISCUSSION AND ANALYSIS

Cash and Cash Equivalents

As at 30 June 2022, the Group had cash and cash equivalents of approximately RMB95.3 million (31 December 2021: RMB78.0 million), most of which were denominated in Renminbi ("RMB").

Bank Borrowings

As at 30 June 2022, the Group had interest-bearing bank borrowings of approximately RMB213.8 million (31 December 2021: RMB193.8 million).

Contingent Liabilities

As at 30 June 2022, the Group did not have any significant contingent liabilities (31 December 2021: Nil).

Capital Commitments

As at 30 June 2022, capital commitment of the Group amounted to approximately RMB353.6 million (31 December 2021: RMB74.0 million). The capital commitment will be funded partly by internal resources and partly by bank borrowings.

Pledge of Assets

As at 30 June 2022, the Group's buildings, plant and machinery of approximately RMB281.3 million (31 December 2021: RMB300.0 million), right-of-use assets of approximately RMB19.9 million (31 December 2021: RMB20.3 million), investment properties of approximately RMB20.5 million (31 December 2021: RMB20.5 million) and bank deposits of approximately RMB80.9 million (31 December 2021: RMB138.7 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 2022, the Group employed a total of 498 employees (31 December 2021: 536 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 2021.

Material Acquisitions or Disposals

There were no other material acquisitions or disposals during the six months ended 30 June 2022.

MANAGEMENT DISCUSSION AND ANALYSIS

FUTURE PROSPECTS

Facing the severe global pandemic, geopolitical conflicts and rising global inflation, by actively responding to national policies, the Group has made strategic deployment and changes and leveraged a dual-driver model consisting of international and domestic sales markets. Looking forward, the Group will clarify its development direction and tap market potential by capitalising on innovative technologies and its professional technical team recognised by domestic and foreign peers. Efforts will be made to accelerate the construction of the smart industrial park and make all-round presence worldwide:

- 1. Enhancing core competitiveness:** Developing new high-performance products and special materials suitable for special scenarios.
- 2. Consolidating development foundation:** Building Sijia (Fuqing) Industrial Park to turn it into China's first multi-process, eco-friendly new material production base for upstream and downstream industry chains, which will create advantageous conditions for upstream and downstream cooperation in the research and development of new material technology, shorten the matching time for upstream raw materials, and achieve more efficient and high-quality development.
- 3. Upgrading the Group's business and operation model:** Developing innovative eco-friendly building materials and actively popularising the brand of Ecore Ultra Floorings of Sijia, as moves to enter China's building material market.
- 4. Implementing major strategy:** Based on the "10+" Jia culture system, the Group looks to foster positive and merit-oriented corporate culture and spirits, and lead the management in terms of talent, quality, safety, market and others of the Group, so as to drive the Group's high-quality development.
- 5. Promoting digital development via specialty, refinement, uniqueness and novelty:** Tracking the supply chain developments of industrial leaders to achieve the strategic goal of high efficiency, correctness, sustainability and digitalisation.
- 6. Cutting cost and increasing efficiency:** Continuously promoting the optimisation of internal control processes such as procurement, production, sales and finance to improve operational efficiency.
- 7. Talent reserve:** Cultivating a team of high-level technical talents to further strengthen its competitiveness, enhance the competitive strength in respect of talents, and promote sustainable development.
- 8. Creating the future:** Striving onwards to create better living and working conditions for the Group's employees for the sake of further improving the quality of their physical and spiritual lives; and
- 9. Remaining true to the original aspiration:** Actively fulfilling its corporate responsibilities, participating in activities to help revitalise the countryside and repay the hometown, as well as activities such as "1,000 enterprises helping 1,000 villages" and targeted poverty alleviation through education.

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2022

	Notes	Six months ended 30 June	
		2022 RMB'000 (Unaudited)	2021 RMB'000 (Unaudited)
REVENUE	4	530,658	721,675
Cost of sales		(450,972)	(588,575)
GROSS PROFIT		79,686	133,100
Other income and gains	5	11,653	4,996
Selling and distribution costs		(17,517)	(21,402)
Administrative expenses		(40,725)	(49,104)
Share of loss of an associate		(10)	(6)
Other expenses		(866)	(4,286)
PROFIT FROM OPERATIONS		32,221	63,298
Loss on fair value changes at financial assets at fair value through profit or loss		(20)	—
Finance costs	6	(7,892)	(7,457)
PROFIT BEFORE TAX	7	24,309	55,841
Income tax expense	8	(1,199)	(6,402)
PROFIT FOR THE PERIOD		23,110	49,439
Other comprehensive income/(expense) after tax:			
<i>Items that will not be reclassified to profit or loss:</i>			
Exchange differences on translation of the Company		5,032	(1,091)
<i>Items that may be reclassified to profit or loss:</i>			
Exchange differences on translation of the non-PRC operations		(5,668)	1,124
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		22,474	49,472
PROFIT/(LOSS) FOR THE PERIOD ATTRIBUTABLE TO:			
Owners of the Company		23,732	49,689
Non-controlling interests		(622)	(250)
		23,110	49,439

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2022

	Notes	Six months ended 30 June	
		2022 RMB'000 (Unaudited)	2021 RMB'000 (Unaudited)
TOTAL COMPREHENSIVE INCOME/(EXPENSE)			
Owners of the Company		23,096	49,722
Non-controlling interests		(622)	(250)
		22,474	49,472
EARNINGS PER SHARE (RMB cents)			
	10		
— Basic		2.78	5.83
— Diluted		2.78	5.83

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2022

		As at 30 June 2022 RMB'000 (Unaudited)	As at 31 December 2021 RMB'000 (Audited)
	Notes		
Non-current assets			
Property, plant and equipment	11	462,427	458,525
Right-of-use assets		92,581	90,178
Investment properties		35,366	35,366
Intangible assets		684	684
Interest in an associate		7,293	1,361
Deposits paid for acquisition of property, plant and equipment		33,555	14,560
Equity investments at fair value through other comprehensive income		4,140	4,140
Deferred tax assets		2,782	2,797
Total non-current assets		638,828	607,611
Current assets			
Inventories		213,324	203,775
Trade and bills receivables	12	242,043	327,857
Prepayments, deposits and other receivables	13	49,379	35,495
Pledged bank deposits		80,935	138,658
Cash and cash equivalents		95,326	77,994
Total current assets		681,007	783,779
Current liabilities			
Trade and bills payables	14	379,837	486,664
Lease liabilities		3,545	3,198
Contract liabilities		2,650	4,709
Other payables and accruals	15	45,682	52,003
Interest-bearing borrowings	16	185,969	216,275
Deferred income		380	200
Due to a director		—	9,050
Tax payable		6,374	12,633
Total current liabilities		624,437	784,732
Net current assets/(liabilities)		56,570	(953)
Total assets less current liabilities		695,398	606,658

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2022

		As at 30 June 2022 <i>RMB'000</i> (Unaudited)	As at 31 December 2021 <i>RMB'000</i> (Audited)
	<i>Notes</i>		
Non-current liabilities			
Interest-bearing borrowings	16	90,022	33,429
Lease liabilities		3,439	2,552
Deferred income		3,170	1,650
Deferred tax liabilities		9,212	9,296
Total non-current liabilities		105,843	46,927
NET ASSETS		589,555	559,731
Capital and reserves			
Issued capital		747	747
Reserves		553,523	530,427
		554,270	531,174
Non-controlling interests		35,285	28,557
TOTAL EQUITY		589,555	559,731

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2022

	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 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
At 1 January 2022 (audited)	747	566,403	28,994	145,518	(8,765)	72,935	(274,658)	531,174	28,557	559,731
Total comprehensive income for the period (unaudited)	—	—	—	—	(636)	—	23,732	23,096	(622)	22,474
Capital contribution by a non-controlling shareholder (unaudited)	—	—	—	—	—	—	—	—	7,350	7,350
At 30 June 2022 (unaudited)	747	566,403	28,994	145,518	(9,401)	72,935	(250,926)	554,270	35,285	589,555

* 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 2022

	Six months ended 30 June	
	2022 RMB'000 (Unaudited)	2021 RMB'000 (Unaudited)
Net cash generated from operating activities	8,686	69,825
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(30,869)	(32,429)
Proceeds from disposals of property, plant and equipment	7	13
Capital injection to an associate	(5,942)	(147)
Decrease/(increase) in pledged bank deposits	57,723	(38,781)
Payment of deposits for acquisition of property, plant and equipment	(26,718)	(37,738)
Other investing cash flows	(54)	440
Net cash used in investing activities	(5,853)	(108,642)
CASH FLOWS FROM FINANCING ACTIVITIES		
Contribution from a non-controlling shareholder	7,350	29,304
New interest-bearing borrowings	137,000	108,998
Repayment of interest-bearing borrowings	(110,713)	(68,603)
(Repayment to)/advance from a director	(9,050)	850
Other financing cash flows	(9,617)	(8,065)
Net cash generated from financing activities	14,970	62,484
NET INCREASE IN CASH AND CASH EQUIVALENTS	17,803	23,667
Cash and cash equivalents at beginning of period	77,994	34,899
Effect on exchange rate changes	(471)	(6)
Cash and cash equivalents at end of period	95,326	58,560
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Cash and bank balances	95,326	58,560

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2022

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 and Non-PVC composite materials of floorings and wall panels ("Building Material Products", formerly known as "Flooring Products") during the period.

In the opinion of the directors of the Company (the "Directors"), as at the date of issue of these consolidated financial statements, 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 2021 annual consolidated financial statements for the year ended 31 December 2021 ("2021 Annual Report"). The accounting policies and methods of computation used in the preparation of the Interim Financial Statements are consistent with those used in 2021 Annual Report.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2022

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 2022. 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	
	2022	2021
	(Unaudited)	(Unaudited)
	RMB’000	RMB’000
Sales of goods	530,658	721,675

There is only one operating segment which is principally engaged in the design, development, manufacture and sale of (i) Material Products and (ii) Building Material 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 2022

4. REVENUE (continued)

Disaggregation of revenue from contracts with customers:

	Six months ended 30 June	
	2022 (Unaudited) RMB'000	2021 (Unaudited) RMB'000
Geographical markets		
The People's Republic of China (the "PRC")	375,950	572,008
Others	154,708	149,667
Total	530,658	721,675

	Six months ended 30 June	
	2022 (Unaudited) RMB'000	2021 (Unaudited) RMB'000
Major products		
Material products	486,838	677,799
Building Material Products	43,820	43,876
Total	530,658	721,675

The revenue was recognised at a point in time.

Information about major customers

Revenue from customers of corresponding periods contributing over 10% of the total revenue of the Group are as follows:

	Six months ended 30 June	
	2022 (Unaudited) RMB'000	2021 (Unaudited) RMB'000
Customer A	54,264	N/A

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2022

5. OTHER INCOME AND GAINS

	Six months ended 30 June	
	2022 (Unaudited) RMB'000	2021 (Unaudited) RMB'000
Interest income	985	223
Government subsidies (note)	3,960	1,377
Gain on lease termination	108	67
Gross rental income	2,047	1,444
Dividend income from equity investments at fair value through other comprehensive income	335	217
Reversal of allowance for receivables, net	—	999
Exchange gain, net	3,866	—
Sundry income	352	669
	11,653	4,996

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 2022 and 2021.

6. FINANCE COSTS

	Six months ended 30 June	
	2022 (Unaudited) RMB'000	2021 (Unaudited) RMB'000
Lease interest	256	104
Interest on bank loans	4,992	4,322
Interest on other loans	3,835	3,031
Total borrowing cost	9,083	7,457
Less: interests capitalised	(1,191)	—
	7,892	7,457

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2022

7. PROFIT BEFORE TAX

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

	Six months ended 30 June	
	2022 (Unaudited) RMB'000	2021 (Unaudited) RMB'000
Directors' remuneration	1,740	1,653
Depreciation of property, plant and equipment	31,701	26,655
Depreciation on right-of-use assets	2,038	1,079
Net loss on disposals of property, plant and equipment	53	2,665

8. INCOME TAX EXPENSE

	Six months ended 30 June	
	2022 (Unaudited) RMB'000	2021 (Unaudited) RMB'000
Current tax – the PRC		
Charge for the period	1,268	6,302
Deferred tax	(69)	100
	1,199	6,402

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 2022 and 2021.

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).

The English name is for identification only

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2022

9. DIVIDEND

The Directors do not recommend the payment of any interim dividend for the six months ended 30 June 2022 (six months ended 30 June 2021: 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 2022 attributable to owners of the Company of approximately RMB23,732,000 (six months ended 30 June 2021: RMB49,689,000) and the weighted average number of approximately 852,612,000 (six months ended 30 June 2021: 852,612,000) ordinary shares in issue during the period.

Diluted earning per share

Diluted earnings per share for the six months ended 30 June 2022 and 2021 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 2022, the Group acquired property, plant and equipment at a total cost of RMB35,663,000 (six months ended 30 June 2021: RMB38,411,000).

During the six months ended 30 June 2022, property, plant and equipment with a carrying amount of RMB60,000 (six months ended 30 June 2021: RMB2,678,000) were disposed of by the Group, resulting in a loss on disposals of RMB53,000 (six months ended 30 June 2021: loss on disposals of RMB2,665,000).

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 2022

12. TRADE AND BILLS RECEIVABLES (continued)

The aging analysis of trade 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 2022 (Unaudited) RMB'000	As at 31 December 2021 (Audited) RMB'000
Within 3 months	173,059	302,053
More than 3 months but within 6 months	60,803	20,148
More than 6 months but within 1 year	8,181	5,656
	242,043	327,857

13. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	As at 30 June 2022 (Unaudited) RMB'000	As at 31 December 2021 (Audited) RMB'000
Advances to suppliers (note)	7,828	9,200
Prepaid sales tax and government surcharges	22,211	14,416
Prepaid expenses	1,443	1,542
Other receivables	17,897	10,337
	49,379	35,495

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 2022

14. TRADE AND BILLS PAYABLES

	As at 30 June 2022 (Unaudited) RMB'000	As at 31 December 2021 (Audited) RMB'000
Trade payables	183,957	221,500
Bills payables	195,880	265,164
	379,837	486,664

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 2022 (Unaudited) RMB'000	As at 31 December 2021 (Audited) RMB'000
Within 3 months	223,595	330,472
More than 3 months but within 6 months	154,980	148,350
More than 6 months but within 1 year	1,262	7,838
More than 1 year	—	4
	379,837	486,664

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2022

15. OTHER PAYABLES AND ACCRUALS

	As at 30 June 2022 (Unaudited) RMB'000	As at 31 December 2021 (Audited) RMB'000
Accrued liabilities	15,800	16,240
Payroll payables	3,696	5,930
Payable for the acquisition of property, plant and equipment	17,496	20,425
Others	8,690	9,408
	45,682	52,003

16. INTEREST-BEARING BORROWINGS

During the period ended 30 June 2022, the Group obtained new interest-bearing borrowings of RMB137,000,000 as additional working capital (six months ended 30 June 2021: RMB108,998,000) and made repayments of interest-bearing borrowings of RMB110,713,000 (six months ended 30 June 2021: RMB68,603,000).

17. CAPITAL COMMITMENTS

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

	As at 30 June 2022 (Unaudited) RMB'000	As at 31 December 2021 (Audited) RMB'000
Property, plant and equipment		
Contracted but not provided for	336,380	50,901
Capital contribution to an associate	17,186	23,128
	353,566	74,029

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2022

18. CONTINGENT LIABILITIES

At 30 June 2022, the Group did not have any significant contingent liabilities (31 December 2021: Nil).

19. RELATED PARTY TRANSACTIONS

Other than as disclosed elsewhere in the condensed consolidated financial statements, as at 30 June 2022, the ultimate shareholder and a family member of the ultimate shareholder have guaranteed bank loans made to the Group of approximately RMB173,262,000 (as at 31 December 2021: RMB153,841,000).

20. EVENTS AFTER THE REPORTING PERIOD

There will be 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 26 August 2022.

OTHER INFORMATION

RESULTS AND APPROPRIATIONS

The results of the Group for the six months ended 30 June 2022 are set out in the condensed consolidated statement of profit or loss and other comprehensive income on page 12.

The board of directors (the “Directors”) of the Company (the “Board”) does not recommend the payment of any interim dividend for the six months ended 30 June 2022 (2021: Nil).

COMPLIANCE WITH CORPORATE GOVERNANCE CODE

The Board has established procedures on corporate governance that comply with the requirements of the Corporate Governance Code (the “CG Code”) contained in Appendix 14 to the Listing Rules. The Board has reviewed and taken measures to adopt the CG Code as the Company’s code of corporate governance practices. During the six-month period ended 30 June 2022, the Company has complied with the code provisions under the CG Code.

COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “Model Code”) as set out in Appendix 10 to the Listing Rules as the standard for securities transactions by Directors. The Company has made specific enquiries to all the Directors and all the Directors have confirmed their compliance with the required standards set out in the Model Code during the six months ended 30 June 2022.

PURCHASE, SALE OR REDEMPTION OF LISTED SHARES OF THE COMPANY

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company’s listed shares during the six months ended 30 June 2022.

DIRECTORS’ INTERESTS IN CONTRACTS

No director had a material interest, whether directly or indirectly, in any contract of significance to the business of the Company to which the Company, its holding company or any of its subsidiaries or fellow subsidiaries was a party at the end of 30 June 2022 or at any time during the six months ended 30 June 2022.

OTHER INFORMATION

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN THE SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY OR ANY ASSOCIATED CORPORATION

As at 30 June 2022, the interests and short positions of the directors and chief executives of the Company in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) which were required to be notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to Divisions 7 and 8 of Part XV of the SFO, or which were recorded in the register required to be kept pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed issuers (the "Model Code") of the Listing Rules were as follows:

(a) Long Positions in shares of the Company

Name of Director	Capacity/Nature of interest	Number of shares held	Approximate percentage of shareholding in the Company
Mr. Lin Shengxiong	Interests in controlled corporation (Note)	410,886,000 (Note)	48.19% (Note)
Mr. Huang Wanneng	Beneficial owner	5,060,000	0.59%

Note: As at 30 June 2022, Mr. Lin Shenxiong, through his 100% equity interest in Hopeland International Holdings Company Limited held 410,886,000 shares of the Company, representing approximately 48.19% of the entire issued share capital of the Company.

(b) Long positions in shares of the associated corporation of the Company

Name of Director	Name of associated corporation	Capacity/Nature of interest	Number of shares held	Approximate percentage of shareholding in the associated corporation
Mr. Lin Shengxiong	Hopeland International Holdings Company Limited	Beneficial owner	1	100.00%

OTHER INFORMATION

SHARE OPTION SCHEME

The Company has adopted its share option scheme (the “Share Option Scheme”) on 8 April 2010 to provide incentives to the employees, including any executive and non-executive Directors and officers of the Company and its subsidiaries, to contribute to the Group and to enable the Group to recruit high-calibre employees, to attract and retain human resources that are valuable to the Group. Pursuant to the Share Option Scheme, the Directors may, at their discretion, invite eligible participants including employees, executive and non-executive Directors, officers, agents or consultants of the Group to take up options to subscribe for the Company’s shares subject to the terms and conditions stipulated therein. Unless otherwise cancelled or amended, the Share Option Scheme will remain in force for ten years from the date of its adoption.

The total number of shares which may be issued upon exercise of all options to be granted under the Share Option Scheme must not in aggregate exceed 10% of the shares of the Company in issue on 29 April 2010, the date of completion of the global offering and capitalization issue. No options may be granted under the Share Option Scheme if this will result in such limit exceeded unless another shareholders’ approval is obtained. The total number of shares of the Company issued and to be issued upon exercise of options (whether exercised or outstanding) granted in any 12-month period to each participant must not exceed 1% of the shares of the Company in issue.

The exercise price must be at least the highest of: (a) the closing price of the shares as stated in the Stock Exchange’s daily quotations sheet on the date of grant; (b) the average closing price of the shares as stated in the Stock Exchange’s daily quotations sheets for the five business days immediately preceding the date of grant; and (c) the nominal value of the shares.

The offer of a grant of share options may be accepted within 28 days from the date of offer, upon payment of a nominal consideration of HK\$1 in total by the grantee.

Share options do not confer rights on the holders to dividends or to vote at shareholders’ meetings.

The Share Option Scheme had been expired since 7 April 2020 and there were no new scheme was introduced up to the date of this annual report.

As at 30 June 2022, there were no outstanding share options granted.

DIRECTORS’ RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed above, at no time during the year ended 30 June 2022 was the Company, its subsidiaries or its associate a party to any arrangement to enable the Directors and chief executives of the Company or their spouses or children under the age of 18, to acquire benefits by means of acquisition of shares in, or debentures of the Company or its associated corporation.

Save as disclosed above and the section “Share Option Scheme”, as at 30 June 2022, none of the Directors or the chief executive of the Company had or was deemed to have any interests in or short positions in the shares, underlying shares of equity derivatives or debentures of the Company or any of its associated corporation (within the meaning of Part XV of the SFO) as recorded in the register required to be kept under section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

OTHER INFORMATION

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN THE SHARES AND UNDERLYING SHARES OF THE COMPANY

As at 30 June 2022, the following persons or corporations, other than the interest disclosed above in respect of the directors, interest in 5% or more in the shares and underlying shares of the Company have been notified to the Company and recorded in the register of substantial shareholders' interests in shares and short positions required to be kept under Section 336 of Part XV of the SFO:

Name of shareholder	Long/Short position	Capacity/Nature of interest	Number of shares held	Approximate percentage of shareholding in the Company
Hopeland International Holdings Company Limited (Note 1)	Long position	Beneficial owner	410,886,000	48.19%
Mr. Lin Shengxiong (Note 1)	Long position	Interests in controlled corporation	410,886,000	48.19%
Ms. Lin Hongting (Note 2)	Long position	Interests of spouse	410,886,000	48.19%
Glory Bright Investments Enterprise Limited (Note 3)	Long position	Beneficial owner	59,011,000	6.92%
Mr. Lin Wanpeng (Note 3)	Long position	Interests in controlled corporation	59,011,000	6.92%
Ms. Wang Huiqing (Note 4)	Long position	Interests of spouse	59,011,000	6.92%

Notes:

1. As at 30 June 2022, Mr. Lin Shengxiong through his 100% equity interest in Hopeland International Holdings Company Limited held 410,886,000 shares of the Company, representing approximately 48.19% of the entire issued share capital of the Company. Mr. Lin Shengxiong, is an executive Director of the Company.
2. As at 30 June 2022, Ms. Lin Hongting, the spouse of Mr. Lin Shengxiong is deemed to be interested in 410,886,000 shares of the Company, representing approximately 48.19% of the entire issued share capital of the Company.
3. Glory Bright Investments Enterprise Limited is beneficially owned by Mr. Lin Wanpeng. As at 30 June 2022, Mr. Lin Wanpeng is deemed to be interested in 59,011,000 shares of the Company, representing approximately 6.92% of the entire issued share capital of the Company.
4. As at 30 June 2022, Ms. Wang Huiqing, the spouse of Mr. Lin Wanpeng is deemed to be interested in 59,011,000 shares of the Company, representing approximately 6.92% of the entire issued share capital of the Company.

OTHER INFORMATION

As at 30 June 2022, save as disclosed above, so far as was known to the Directors, no other person (other than the Directors or chief executive of the Company) had any interests or short position in the shares and/or underlying shares of the Company as recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO, or as notified to the Company.

MATERIAL ACQUISITION OR DISPOSALS

There was no material acquisition or disposal of subsidiaries by the Group during the six months ended 30 June 2022.

AUDIT COMMITTEE

The Audit Committee, comprises three independent non-executive Directors, has reviewed with the management the accounting principles and practices adopted by the Group and discussed auditing, internal control and financial reporting matters. The Group's unaudited condensed consolidated financial statements for the six months ended 30 June 2022 have been reviewed by the audit committee, who is of the opinion that such accounts have complied with the applicable accounting standards, the Listing Rules and all legal requirements, and that adequate disclosures have been made.

SUSPENSION OF TRADING

Trading in the shares of the Company on the Stock Exchange has been suspended since 14 February 2013 and will remain suspended until further notice.

By Order of the Board

Lin Shengxiong

Chairman

Hong Kong, 26 August 2022