



# CHINA LONGEVITY GROUP COMPANY LIMITED

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 1863

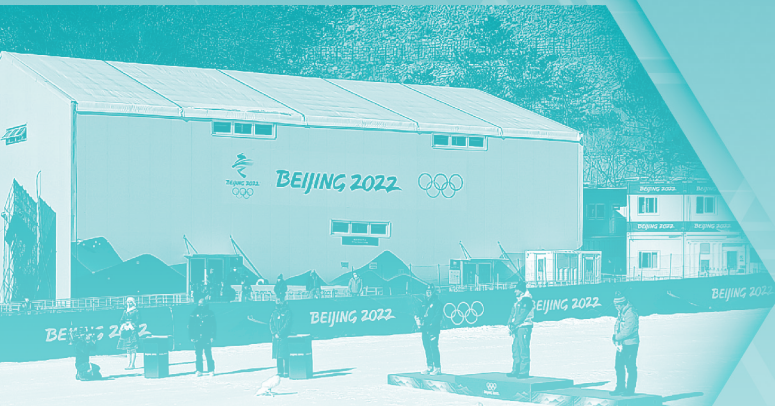


# 2023

INTERIM REPORT

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# CORPORATE INFORMATION

## BOARD OF DIRECTORS

### Executive Directors

Mr. Liu Jun (*Chairman*)  
Mr. Jiang Shisheng  
Mr. Gao Juwen

### 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  
Ms. Jiang Ping  
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. Liu Jun  
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](mailto:ir@chinalongevity.hk)  
Telephone: (852) 2477 3799  
Fax: (852) 2477 9969



# 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, whose businesses cover over 100 nations and regions around the world, considers low carbon, emission reduction and technical innovation as our core value and functional new materials as our primary products. The Group is dedicated to leading the eco-friendly industrial chain development of the industry, offering technical consultancy and services for the industry, providing Sijia new materials and super core construction material products for modern transportation, medical care, architecture, outdoor leisure activities and athletic sports. The Group's high-performance PVC composite materials ("Material Products") business, located in Fuzhou and Shanghai, utilizes self-developed equipment and processes that have been granted national invention patents in manufacturing new materials, including drop stitch fabric, architectural film, waterproofing film, marquees materials, air tightness materials, inflatable boats materials and inflatable materials.

The Group's eco-friendly building materials ("Building Material Products") business, located in Fuzhou, sells products across the world which are applicable in a wide spectrum of public and household domains, including education, healthcare, commerce, sports, offices, industrial usage and transportation which are in compliance with EU and U.S. standards and environmental requirements under the brands of "Zero Formaldehyde Super Core Flooring" and "Carbon Crystal Stone Wall Panel".

## MANAGEMENT DISCUSSION AND ANALYSIS

Revenue for the period under review was approximately RMB447.7 million, representing a decrease of approximately RMB83.0 million, or 15.6%, compared to revenue of approximately RMB530.7 million for the same period last year. The decrease was primarily attributable to the contraction of market economy arising from international economic trade tensions and the decrease in demand from consumers.

The Group's products can be categorised into two types: (i) Material Products and (ii) Building Material Products. The Group generated most of its revenue from the Material Products which accounted for approximately 90.9% (30 June 2022: 91.7%) of total revenue. Local sales continued to be the Group's major source of revenue, representing approximately 62.9% (30 June 2022: 70.8%) of the total revenue while export sales only accounted for approximately 37.1% (30 June 2022: 29.2%) of the total revenue.

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

	For the six months ended 30 June			
	2023		2022	
	(RMB million)	% of Total Revenue	(RMB million)	% of Total Revenue
Material Products	<b>406.82</b>	<b>90.86</b>	486.84	91.74
Building Material Products	<b>40.90</b>	<b>9.14</b>	43.82	8.26
	<b>447.72</b>	<b>100.00</b>	530.66	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	
	2023	2022
	(RMB	(RMB
	million)	million)
PRC	281.70	375.95
Others	166.02	154.71
	<b>447.72</b>	530.66

During the period under review, the Group faced severe tests due to international economic trade tensions. The drop in sales is mainly due to a contraction in the market and as well as a decrease in demand from consumers.

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 2023, the Group owned a total of 121 patents with respect to the Material Products, of which 54 patents on inventions, 61 patents on practical new models and 1 patent on software copyrights.

### **Material Products**

For the period under review, the Group's revenue generated from Material Products amounted to approximately RMB406.8 million (30 June 2022: RMB486.8 million) which accounted for approximately 90.9% (30 June 2022: 91.7%) of the Group's total revenue, representing a decrease in sales of approximately 16.4%. The decrease in revenue was mainly due to the contraction of market economy arising from international economic trade tensions and the decrease in demand from consumers.

### **Building Material Products**

For the period under review, the Group's revenue generated from the Building Material Products amounted to approximately RMB40.9 million (30 June 2022: RMB43.8 million) which accounted for approximately 9.1% (30 June 2022: 8.3%) of total revenue, representing a decrease in sales of approximately 6.7%.

## FINANCIAL REVIEW

### **Financial Results**

#### ***Revenue***

The Group's revenue for the six months ended 30 June 2023 was approximately RMB447.7 million, representing a decrease of approximately RMB83.0 million, or 15.6%, compared to revenue of approximately RMB530.7 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 RMB406.8 million (30 June 2022: RMB486.8 million) and (2) Building Material Products recorded a revenue of approximately RMB40.9 million (30 June 2022: RMB43.8 million).

#### ***Gross Profit and Gross Margin***

Gross profit was approximately RMB82.0 million for the period under review (30 June 2022: RMB79.7 million), with the gross profit margin of approximately 18.3% (30 June 2022: 15.0%). The increase in gross profit margin was mainly due to decrease in costs as a result of the lower raw material prices.

## MANAGEMENT DISCUSSION AND ANALYSIS

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

	For the six months ended	
	30 June	
	2023	2022
	%	%
Material Products	17.9	14.9
Building Material Products	22.7	15.9
Overall	18.3	15.0

### ***Selling and Distribution Costs***

For the period under review, selling and distribution costs increase by approximately RMB1.5 million to approximately RMB19.0 million, or 4.3% of revenue for the period under review, from approximately RMB17.5 million, or 3.3% of revenue for the same period last year. This was mainly due to the increase in exhibition costs.

### ***Administrative Expenses***

For the period under review, administrative expenses increased by approximately RMB2.4 million or by 5.8%, from approximately RMB40.7 million to approximately RMB43.1 million. The increase in administrative expenses was mainly due to an increase in staff cost.

### ***Research and Development***

For the period under review, research and development (the "R&D") costs amounted to approximately RMB18.8 million, or 4.2% of revenue (30 June 2022: RMB22.5 million, or 4.7% of revenue). The Group believes that its ongoing 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 RMB4.1 million (30 June 2022: RMB7.9 million). The decrease was mainly due to decrease in bank borrowing interest rate and partly interest capitalised.



# MANAGEMENT DISCUSSION AND ANALYSIS

## ***Other Income and gains***

Other income and gains amounted to approximately RMB5.6 million for the period under review (30 June 2022: approximately RMB11.7 million). The decrease for the period was mainly due to decrease in government subsidies and exchange gain.

## ***Income Tax***

For the period under review, the Group had an overall income tax expense of approximately RMB2.2 million (30 June 2022: RMB1.2 million). The increase was mainly due to an underprovision of approximately RMB0.5 million recognised for the period.

## ***Profit for the Period***

For the period ended 30 June 2023, the Group recorded a profit attributable to owners of the Company approximately RMB19.5 million, or RMB2.29 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 RMB23.7 million, or RMB2.78 cents for basic earnings per share. The decrease in profit for the year was mainly due to decrease in other income and gain and increase in selling and distribution costs and administrative expenses. The weighted average number of ordinary shares of 852,612,470 in issue during the period ended 30 June 2023 (30 June 2022: 852,612,470).

## ***Dividends***

The Board has resolved not to pay any interim dividend for the six months ended 30 June 2023 (30 June 2022: Nil).

## **Liquidity and Financial Resources**

### ***Total Equity***

As at 30 June 2023, total equity amounted to approximately RMB677.0 million, representing an increase of 4.8%, compared to approximately RMB645.9 million as at 31 December 2022.

### ***Financial Position***

As at 30 June 2023, the Group had total current asset of approximately RMB551.3 million (31 December 2022: RMB567.3 million) and total current liabilities of approximately RMB424.4 million (31 December 2022: RMB479.1 million), with net current assets of approximately RMB126.9 million (31 December 2022: net current assets of RMB88.2 million).

As at 30 June 2023, the Group's net gearing (expressed as a percentage of total interest-bearing liabilities to total assets) was at 33.5%, as compared to 24.9% as at 31 December 2022.



## MANAGEMENT DISCUSSION AND ANALYSIS

### ***Cash and Cash Equivalents***

As at 30 June 2023, the Group had cash and cash equivalents of approximately RMB82.8 million (31 December 2022: RMB90.6 million), most of which were denominated in Renminbi (“RMB”).

### ***Bank Borrowings***

As at 30 June 2023, the Group had interest-bearing bank borrowings of approximately RMB474.4 million (31 December 2022: RMB302.0 million). During the year, a new bank loan of approximately RMB221.5 million was obtained.

### ***Contingent Liabilities***

As at 30 June 2023, the Group did not have any significant contingent liabilities (31 December 2022: Nil).

### ***Capital Commitments***

As at 30 June 2023, capital commitment of the Group amounted to approximately RMB248.9 million (31 December 2022: RMB341.2 million). The capital commitment will be funded partly by internal resources and partly by bank borrowings.

### ***Pledge of Assets***

As at 30 June 2023, the Group’s buildings, plant and machinery of approximately RMB255.3 million (31 December 2022: RMB268.7 million), leasehold land of approximately RM67.6 million (31 December 2022: RMB68.5 million), investment properties of approximately RMB20.1 million (31 December 2022: RMB20.1 million) and bank deposits of approximately RMB40.5 million (31 December 2022: RMB55.1 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 2023, the Group employed a total of 605 employees (31 December 2022: 510 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 2022.

## ***Material Acquisitions or Disposals***

There were no other material acquisitions or disposals during the six months ended 30 June 2023.

# MANAGEMENT DISCUSSION AND ANALYSIS

## FUTURE PROSPECTS

Trade tensions between China and the West, coupled with 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 2023

	Notes	Six months ended 30 June	
		2023 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited)
<b>REVENUE</b>	4	<b>447,722</b>	530,658
Cost of sales		<b>(365,709)</b>	(450,972)
<b>GROSS PROFIT</b>		<b>82,013</b>	79,686
Other income and gains	5	<b>5,637</b>	11,653
Selling and distribution costs		<b>(19,034)</b>	(17,517)
Administrative expenses		<b>(43,084)</b>	(40,725)
Share of loss of an associate		<b>(28)</b>	(10)
Other expenses		<b>(1,406)</b>	(866)
<b>PROFIT FROM OPERATIONS</b>		<b>24,098</b>	32,221
Loss on fair value changes at financial assets at fair value through profit or loss		—	(20)
Impairment of receivables, net		<b>(158)</b>	—
Finance costs	6	<b>(4,079)</b>	(7,892)
<b>PROFIT BEFORE TAX</b>	7	<b>19,861</b>	24,309
Income tax expense	8	<b>(2,208)</b>	(1,199)
<b>PROFIT FOR THE PERIOD</b>		<b>17,653</b>	23,110
<b>Other comprehensive income/(expense) after tax:</b>			
<i>Items that will not be reclassified to profit or loss:</i>			
Exchange differences on translation of the Company		<b>250</b>	5,032
<i>Items that may be reclassified to profit or loss:</i>			
Exchange differences on translation of the non-PRC operations		<b>(201)</b>	(5,668)
<b>TOTAL COMPREHENSIVE INCOME FOR THE PERIOD</b>		<b>17,702</b>	22,474
<b>PROFIT/(LOSS) FOR THE PERIOD ATTRIBUTABLE TO:</b>			
Owners of the Company		<b>19,545</b>	23,732
Non-controlling interests		<b>(1,892)</b>	(622)
		<b>17,653</b>	23,110
<b>TOTAL COMPREHENSIVE INCOME/(EXPENSE)</b>			
Owners of the Company		<b>19,594</b>	23,096
Non-controlling interests		<b>(1,892)</b>	(622)
		<b>17,702</b>	22,474
<b>EARNINGS PER SHARE (RMB cents)</b>	10		
— Basic		<b>2.29</b>	2.78
— Diluted		<b>2.29</b>	2.78

# CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2023

	Notes	As at 30 June 2023 RMB'000 (Unaudited)	As at 31 December 2022 RMB'000 (Audited)
<b>Non-current assets</b>			
Property, plant and equipment	11	713,164	589,760
Right-of-use assets		86,495	91,313
Investment properties		34,800	34,800
Intangible assets		1,569	1,263
Interest in an associate		9,334	8,872
Deposits paid for acquisition of property, plant and equipment		71,507	33,994
Equity investments at fair value through other comprehensive income		4,140	4,140
Deferred tax assets		2,712	2,740
<b>Total non-current assets</b>		<b>923,721</b>	<b>766,882</b>
<b>Current assets</b>			
Inventories		171,463	181,750
Trade and bills receivables	12	186,091	181,183
Prepayments, deposits and other receivables	13	70,564	58,749
Pledged bank deposits		40,450	55,049
Cash and cash equivalents		82,778	90,583
<b>Total current assets</b>		<b>551,346</b>	<b>567,314</b>
<b>Current liabilities</b>			
Trade and bills payables	14	221,928	276,138
Lease liabilities		943	2,222
Contract liabilities		4,462	3,230
Other payables and accruals	15	44,826	42,620
Interest-bearing borrowings	16	144,470	145,418
Deferred income		380	380
Due to a director		—	1,403
Tax payable		7,403	7,682
<b>Total current liabilities</b>		<b>424,412</b>	<b>479,093</b>
<b>Net current assets</b>		<b>126,934</b>	<b>88,221</b>
<b>Total assets less current liabilities</b>		<b>1,050,655</b>	<b>855,103</b>

# CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2023

	Notes	As at 30 June 2023 RMB'000 (Unaudited)	As at 31 December 2022 RMB'000 (Audited)
<b>Non-current liabilities</b>			
Interest-bearing borrowings	16	346,901	181,962
Lease liabilities		2,481	2,899
Deferred income		10,188	10,378
Deferred tax liabilities		14,104	13,938
<b>Total non-current liabilities</b>		<b>373,674</b>	209,177
<b>NET ASSETS</b>		<b>676,981</b>	645,926
<b>Capital and reserves</b>			
Issued capital		747	747
Reserves		618,189	598,595
<b>Non-controlling interests</b>		<b>618,936</b>	599,342
		<b>58,045</b>	46,584
<b>TOTAL EQUITY</b>		<b>676,981</b>	645,926

# CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2023

	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 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
At 1 January 2023 (audited)	747	566,403	28,994	150,605	(9,495)	95,630	(233,542)	599,342	46,584	645,926
Total comprehensive income for the period (unaudited)	—	—	—	—	49	—	19,545	19,594	(1,892)	17,702
Capital contribution by a non-controlling shareholder (unaudited)	—	—	—	—	—	—	—	—	13,353	13,353
At 30 June 2023 (unaudited)	747	566,403	28,994	150,605	(9,446)	95,630	(213,997)	618,936	58,045	676,981

\* 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 2023

	Six months ended 30 June	
	2023 (Unaudited) RMB'000	2022 (Unaudited) RMB'000
<b>Net cash generated from operating activities</b>	<b>2,767</b>	8,686
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of property, plant and equipment	<b>(147,511)</b>	(30,869)
Additions of intangible assets	<b>(347)</b>	—
Capital injection to an associate	<b>(490)</b>	(5,942)
Acquisition of land use right	<b>(1,853)</b>	—
Decrease in pledged bank deposits	<b>14,599</b>	57,723
Payment of deposits for acquisition of property, plant and equipment	<b>(45,748)</b>	(26,718)
Other investing cash flows	<b>514</b>	(47)
<b>Net cash used in investing activities</b>	<b>(180,836)</b>	(5,853)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
New interest-bearing borrowings	<b>221,462</b>	137,000
Contribution from a non-controlling shareholder	<b>13,353</b>	7,350
Repayment of interest-bearing borrowings	<b>(57,471)</b>	(110,713)
Repayment to directors	<b>(1,403)</b>	(9,050)
Other financing cash flows	<b>(5,756)</b>	(9,617)
<b>Net cash generated from financing activities</b>	<b>170,185</b>	14,970
<b>NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS</b>	<b>(7,884)</b>	17,803
Cash and cash equivalents at beginning of period	<b>90,583</b>	77,994
Effect on exchange rate changes	<b>79</b>	(471)
<b>Cash and cash equivalents at end of period</b>	<b>82,778</b>	95,326
<b>ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS</b>		
Cash and bank balances	<b>82,778</b>	95,326

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

*For the six months ended 30 June 2023*

## 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") during the period.

In the opinion of the directors of the Company (the "Directors"), as at the date of issue of these condensed consolidated financial statements, Hopeland International Holdings Company Limited ("Hopeland International") is the ultimate holding company of the Company; and Mr. Lin Shengxiong ("Mr. Lin") 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 2022 annual consolidated financial statements for the year ended 31 December 2022 ("2022 Annual Report"). The accounting policies and methods of computation used in the preparation of the Interim Financial Statements are consistent with those used in 2022 Annual Report.

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2023

## 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 2023. 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	
	2023	2022
	(Unaudited)	(Unaudited)
	RMB’000	RMB’000
Sales of goods	<b>447,722</b>	530,658

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 year. 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.

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2023

## 4. REVENUE (continued)

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.

Disaggregation of revenue from contracts with customers:

	Six months ended 30 June	
	2023 (Unaudited) RMB'000	2022 (Unaudited) RMB'000
<b>Geographical markets</b>		
PRC	281,700	375,950
Others	166,022	154,708
<b>Total</b>	<b>447,722</b>	<b>530,658</b>

	Six months ended 30 June	
	2023 (Unaudited) RMB'000	2022 (Unaudited) RMB'000
<b>Major products</b>		
Material products	406,822	486,838
Building Material Products	40,900	43,820
<b>Total</b>	<b>447,722</b>	<b>530,658</b>

The revenue was recognised at a point in time.

### Information about major customers

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

	Six months ended 30 June	
	2023 (Unaudited) RMB'000	2022 (Unaudited) RMB'000
Customer A	N/A	54,264

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2023

## 5. OTHER INCOME AND GAINS

	Six months ended 30 June	
	2023 (Unaudited) RMB'000	2022 (Unaudited) RMB'000
Interest income	278	985
Government subsidies (note)	1,642	3,960
Gain on lease termination	1	108
Gross rental income	1,362	2,047
Dividend income from equity investments at fair value through other comprehensive income	223	335
Exchange gain, net	1,892	3,866
Sundry income	239	352
	<b>5,637</b>	<b>11,653</b>

*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 2023 and 2022.

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2023

## 6. FINANCE COSTS

	Six months ended 30 June	
	2023 (Unaudited) RMB'000	2022 (Unaudited) RMB'000
Lease interest	117	256
Interest on bank loans	7,124	4,992
Interest on other loans	1,015	3,835
<hr/>		
Total borrowing cost	8,256	9,083
Less: interests capitalised	(4,177)	(1,191)
<hr/>		
	4,079	7,892

## 7. PROFIT BEFORE TAX

The Group's profit before tax is stated after charging:

	Six months ended 30 June	
	2023 (Unaudited) RMB'000	2022 (Unaudited) RMB'000
Directors' remuneration	717	1,740
Depreciation of property, plant and equipment	33,198	31,701
Depreciation on right-of-use assets	2,019	2,038
Amortisation of intangible assets	41	—
Net loss on disposals/written off of property, plant and equipment	99	53

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2023

## 8. INCOME TAX EXPENSE

	Six months ended 30 June	
	2023 (Unaudited) RMB'000	2022 (Unaudited) RMB'000
Current tax — the PRC		
Charge for the year	1,495	1,268
Under-provision in prior years	519	—
Deferred tax	194	69
	<b>2,208</b>	<b>1,199</b>

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 2023 and 2022.

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 2023

## 9. DIVIDEND

The Directors do not recommend the payment of any interim dividend for the six months ended 30 June 2023 (six months ended 30 June 2022: 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 2023 attributable to owners of the Company of approximately RMB19,545,000 (six months ended 30 June 2022: RMB23,732,000) and the weighted average number of approximately 852,612,000 (six months ended 30 June 2022: 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 2023 and 2022 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 2023, the Group acquired property, plant and equipment at a total cost of RMB152,081,000 (six months ended 30 June 2022: RMB35,663,000).

During the six months ended 30 June 2023, property, plant and equipment with a carrying amount of RMB113,000 (six months ended 30 June 2022: RMB60,000) were disposed of/written off by the Group, resulting in a loss on disposals/written off of RMB99,000 (six months ended 30 June 2022: loss on disposals of RMB53,000).



# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2023

## 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.

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:

	<b>As at 30 June 2023 (Unaudited) RMB'000</b>	As at 31 December 2022 (Audited) RMB'000
Within 3 months	<b>142,374</b>	128,626
More than 3 months but within 6 months	<b>26,568</b>	21,294
More than 6 months but within 1 year	<b>10,455</b>	31,263
More than 1 year	<b>6,694</b>	—
	<b>186,091</b>	181,183

## 13. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	<b>As at 30 June 2023 (Unaudited) RMB'000</b>	As at 31 December 2022 (Audited) RMB'000
Advances to suppliers ( <i>note</i> )	<b>8,445</b>	7,196
Prepaid sales tax and government surcharges	<b>43,213</b>	29,419
Prepaid expenses	<b>1,027</b>	2,064
Other receivables	<b>17,879</b>	20,070
	<b>70,564</b>	58,749

*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 2023

## 14. TRADE AND BILLS PAYABLES

	<b>As at 30 June 2023 (Unaudited) RMB'000</b>	As at 31 December 2022 (Audited) RMB'000
Trade payables	<b>111,286</b>	109,218
Bills payables	<b>110,642</b>	166,920
	<b>221,928</b>	276,138

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

	<b>As at 30 June 2023 (Unaudited) RMB'000</b>	As at 31 December 2022 (Audited) RMB'000
Within 3 months	<b>144,737</b>	149,867
More than 3 months but within 6 months	<b>76,063</b>	105,090
More than 6 months but within 1 year	<b>1,128</b>	18,885
More than 1 year	<b>—</b>	2,296
	<b>221,928</b>	276,138

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2023

## 15. OTHER PAYABLES AND ACCRUALS

	<b>As at 30 June 2023 (Unaudited) RMB'000</b>	As at 31 December 2022 (Audited) RMB'000
Accrued liabilities	<b>13,509</b>	13,684
Payroll payables	<b>6,334</b>	3,706
Payable for the acquisition of property, plant and equipment	<b>18,335</b>	22,000
Others	<b>6,648</b>	3,230
	<b>44,826</b>	42,620

## 16. INTEREST-BEARING BORROWINGS

During the period ended 30 June 2023, the Group obtained new interest-bearing borrowings of RMB221,462,000 as additional working capital (six months ended 30 June 2022: RMB137,000,000) and made repayments of interest-bearing borrowings of RMB57,471,000 (six months ended 30 June 2022: RMB110,713,000).

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2023

## 17. CAPITAL COMMITMENTS

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

	<b>As at 30 June 2023 (Unaudited) RMB'000</b>	As at 31 December 2022 (Audited) RMB'000
<b>Property, plant and equipment</b>		
Contracted but not provided for	<b>237,592</b>	315,099
<b>Capital contribution to an associate</b>	<b>11,292</b>	26,059
	<b>248,884</b>	341,158

## 18. CONTINGENT LIABILITIES

At 30 June 2023, the Group did not have any significant contingent liabilities (31 December 2022: Nil).

## 19. RELATED PARTY TRANSACTIONS

Other than as disclosed elsewhere in the condensed consolidated financial statements, as at 30 June 2023, the ultimate shareholder and a family member of the ultimate shareholder have guaranteed bank loans made to the Group of approximately RMB461,402,000 (as at 31 December 2022: RMB173,262,000).

## 20. EVENTS AFTER THE REPORTING PERIOD

There will be no significant events after the reporting period.

## 21. APPROVAL OF FINANCIAL STATEMENTS

The Interim Financial Statements were approved and authorised for issue by the board of directors on 25 August 2023.

## OTHER INFORMATION

### RESULTS AND APPROPRIATIONS

The results of the Group for the six months ended 30 June 2023 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 2023 (2022: Nil).

### COMPLIANCE WITH LAWS AND REGULATIONS

The Group is dedicated to compliance with the requirements of relevant laws and regulations. Any failure to comply with such requirements may result in termination of the operation permit. The Group has allocated financial and human resources to ensure continuing compliance with the applicable rules and regulations and to maintain good working relationship with regulators through effective communications. During the year under review, the Group has complied with the Listing Rules, the Securities and Futures Ordinance, the Companies Ordinance, the Patent Law of the People’s Republic of China, the Contract Law and the Labour Law of the People’s Republic of China and other relevant laws and regulations.

### 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 2023.

### 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 2023.

### 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 2023 or at any time during the six months ended 30 June 2023.

## 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 2023, 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 2023, 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, and had been expired since 7 April 2020 and there were no new scheme was introduced up to the date of this report. As at 30 June 2023, 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 2023 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 2023, 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 2023, 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:*

- As at 30 June 2023, 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.
- As at 30 June 2023, 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.
- Glory Bright Investments Enterprise Limited is beneficially owned by Mr. Lin Wanpeng. As at 30 June 2023, 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.
- As at 30 June 2023, 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 2023, 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 2023.

## 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 2023 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

**Liu Jun**

*Chairman*

Hong Kong, 25 August 2023