



CHINA LONGEVITY GROUP COMPANY LIMITED

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 1863



2024
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 1307, 13/F., New East Ocean Centre,
9 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
KY1-1110

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

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MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

Being one of the notable leaders among the industry of manufacturing new materials featuring eco-friendliness and special features around the globe, the Group, 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 RMB532.2 million, representing an increase of approximately RMB84.5 million, or 18.9%, compared to revenue of approximately RMB447.7 million for the same period last year. The increase was primarily attributable to the introduction of the new product that was well-received by the market.

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 90.6% (30 June 2023: 90.9%) of total revenue. Local sales continued to be the Group's major source of revenue, representing approximately 67.3% (30 June 2023: 62.9%) of the total revenue while export sales only accounted for approximately 32.7% (30 June 2023: 37.1%) of the total revenue.

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

	For the six months ended 30 June 2024		2023	
	(RMB million)	% of Total Revenue	(RMB million)	% of Total Revenue
Material Products	482.02	90.58	406.82	90.86
Building Material Products	50.13	9.42	40.90	9.14
	532.15	100.00	447.72	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	
	2024	2023
	(RMB million)	(RMB million)
PRC	357.90	281.70
Others	174.25	166.02
	532.15	447.72

During the period under review, the economic downturn in Europe and America, the instability of international geopolitics and the conservative consumer demand have led to the economic downturn in the global market. Although the Group was faced with severe tests, it still faced difficulties and continued to develop new products to demonstrate its research and development strength to the market and provided high-quality products. There was still improvement in sales turnover as the economy seems to be gradually recovering from the downturn caused Covid-19.



MANAGEMENT DISCUSSION AND ANALYSIS

As at 30 June 2024, the Group owned a total of 110 patents with respect to the Material Products, of which 55 patents on inventions, 50 patents on practical new models and 5 patent on software copyrights.

Material Products

For the period under review, the Group's revenue generated from Material Products amounted to approximately RMB482.0 million (30 June 2023: RMB406.8 million) which accounted for approximately 90.6% (30 June 2023: 90.9%) of the Group's total revenue, representing an increase in sales of approximately 18.5%. The increase in revenue was mainly due to the introduction of a new product that was well-received by the market.

Building Material Products

For the period under review, the Group's revenue generated from the Building Material Products amounted to approximately RMB50.1 million (30 June 2023: RMB40.9 million) which accounted for approximately 9.4% (30 June 2023: 9.1%) of total revenue, representing an increase in sales of approximately 22.6%.

FINANCIAL REVIEW

Financial Results

Revenue

The Group's revenue for the six months ended 30 June 2024 was approximately RMB532.2 million, representing an increase of approximately RMB84.5 million, or 18.9%, compared to revenue of approximately RMB447.7 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 RMB482.0 million (30 June 2023: RMB406.8 million) and (2) Building Material Products recorded a revenue of approximately RMB50.1 million (30 June 2023: RMB40.9 million).

Gross Profit and Gross Margin

Gross profit was approximately RMB92.7 million for the period under review (30 June 2023: RMB82.0 million), with the gross profit margin of approximately 17.4% (30 June 2023: 18.3%). The decrease in gross profit margin was mainly due to the drop in selling price arising from the economic downturn in European and American markets and the political turbulence in Sino-American trade relations.

MANAGEMENT DISCUSSION AND ANALYSIS

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

	For the six months ended	
	30 June	
	2024	2023
	%	%
Material Products	17.4	17.9
Building Material Products	17.8	22.7
Overall	17.4	18.3

Selling and Distribution Costs

For the period under review, selling and distribution costs increase by approximately RMB4.1 million to approximately RMB23.1 million, or 4.4% of revenue for the period under review, from approximately RMB19.0 million, or 4.3% of revenue for the same period last year.

Administrative Expenses

For the period under review, administrative expenses increased by approximately RMB15.2 million or by 35.3%, from approximately RMB43.1 million to approximately RMB58.3 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 RMB24.9 million, or 4.7% of revenue (30 June 2023: RMB18.8 million, or 4.2% 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 and Fuqing Industrial Park 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 RMB4.4 million (30 June 2023: RMB4.1 million). The increase was mainly due to the Group obtaining a new bank loan to facilitate operations.

MANAGEMENT DISCUSSION AND ANALYSIS

Other Income and gains

Other income and gains amounted to approximately RMB17.6 million for the period under review (30 June 2023: approximately RMB5.6 million). The increase for the period was mainly due to increase in government subsidies.

Income Tax

For the period under review, the Group had an overall income tax expense of approximately RMB5.1 million (30 June 2023: RMB2.2 million). The increase was mainly due to an underprovision of approximately RMB2.7 million recognised for the previous period.

Profit for the Period

For the period ended 30 June 2024, the Group recorded a profit attributable to owners of the Company approximately RMB20.2 million, or RMB2.36 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 RMB19.5 million, or RMB2.29 cents for basic earnings per share. The slight increase in profit for the year was mainly due to increase in revenue and other income and gain but it is outweighed by the increase in administrative expenses. The weighted average number of ordinary shares of 852,612,470 in issue during the period ended 30 June 2024 (30 June 2023: 852,612,470).

Dividends

The Board has resolved not to pay any interim dividend for the six months ended 30 June 2024 (30 June 2023: Nil).

Liquidity and Financial Resources

Total Equity

As at 30 June 2024, total equity amounted to approximately RMB776.0 million, representing an increase of 2.3%, compared to approximately RMB758.2 million as at 31 December 2023.

Financial Position

As at 30 June 2024, the Group had total current asset of approximately RMB696.8 million (31 December 2023: RMB637.0 million) and total current liabilities of approximately RMB487.2 million (31 December 2023: RMB460.3 million), with net current assets of approximately RMB209.6 million (31 December 2023: net current assets of RMB176.7 million).

As at 30 June 2024, the Group's net gearing (expressed as a percentage of total interest-bearing liabilities to total assets) was at 36.3%, as compared to 36.2% as at 31 December 2023.



MANAGEMENT DISCUSSION AND ANALYSIS

Cash and Cash Equivalents

As at 30 June 2024, the Group had cash and cash equivalents of approximately RMB54.1 million (31 December 2023: RMB64.4 million), most of which were denominated in Renminbi (“RMB”).

Bank Borrowings

As at 30 June 2024, the Group had interest-bearing bank borrowings of approximately RMB654.0 million (31 December 2023: RMB605.0 million). During the year, new bank loans of approximately RMB124.2 million was obtained.

Contingent Liabilities

As at 30 June 2024, the Group did not have any significant contingent liabilities (31 December 2023: Nil).

Capital Commitments

As at 30 June 2024, capital commitment of the Group amounted to approximately RMB158.3 million (31 December 2023: RMB152.3 million). The capital commitment will be funded partly by internal resources and partly by bank borrowings.

Pledge of Assets

As at 30 June 2024, the Group’s buildings, plant and machinery and construction in progress of approximately RMB513.4 million (31 December 2023: RMB505.9 million), leasehold land of approximately RMB65.7 million (31 December 2023: RMB66.6 million), investment properties of approximately RMB20.3 million (31 December 2023: RMB20.3 million) and bank deposits of approximately RMB44.5 million (31 December 2023: RMB39.0 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 2024, the Group employed a total of 715 employees (31 December 2023: 629 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, appreciation 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 2023.

Material Acquisitions or Disposals of subsidiaries, associates and joint venture

There were no material acquisitions or disposals of subsidiaries, associates and joint ventures during the six months ended 30 June 2024.

MANAGEMENT DISCUSSION AND ANALYSIS

FUTURE PROSPECTS

Prospects

During a period of continued global inflation, geopolitical tensions, energy crises, and other challenges, the Group actively responded to national policies by determining and adhering to the development policy of “prudent operation, green development, continuous innovation, and pursuit of excellence.” The Group ensured its stable operation through prudent operational strategies while seeking breakthroughs in green development, technological innovation, and other aspects to prepare for various challenges.

In the report on the implementation of the 2023 National Economic and Social Development Plan and the draft for the 2024 National Economic and Social Development Plan by the National Development and Reform Commission, the main tasks for the 2024 National Economic and Social Development Plan include leading the development of a modern industrial system through technological innovation, accelerating the formation of new productive forces, expanding domestic demand, and further leveraging the key role of consumption and investment. The development of the Group’s products is closely related to national economic development, and the industry will also see new development opportunities.

The Group will continue to upgrade its overall business and operating models with innovative technologies and up to date management:

1. vigorously developing ecological building materials products, further expanding overseas markets, speeding up deployment in the Chinese building materials market, and promoting the “Sijia super energy core” brand;
2. reinforcing the development of new materials business while developing new products actively, and exploring new application areas and new markets;
3. achieving the goals of digitalization of operation, efficient horizontal/vertical collaboration, integration of business and finance, as well as “refinement, profitability and standardization” of management in a phased manner, in order to capture the high ground in the new competitive dimension of the industry;
4. comprehensively implementing seven major development strategies: talent, safety, green, R&D, digitalization, supply chain management, and cultural strategies;
5. completing the first phase of the Fuqing Industrial Park project, with production operations entering the right track in the first phase;
6. establishing a safety management center of the Group to promote the informationization and centralized management of safety management in various subsidiaries;
7. implementing a high-level talent training plan, nurturing technical R&D and digital talents to lead the future development of business units;



MANAGEMENT DISCUSSION AND ANALYSIS

8. establishing an internal control audit center to continuously optimize internal control processes in procurement, production, sales, finance, and to improve operational efficiency;
9. establishing an Intelligent Manufacturing Technology Research Institute to promote the intelligent and automated transformation of production equipment in various subsidiaries;
10. enhancing the protection of intellectual property rights for new technologies and new processes, applying for more technology patents, building up the most innovative technology-based group in the industry, and creating value for the shareholders of the Company;
11. deepening the corporate culture construction of “Jia culture,” optimizing employee care work, conducting more cultural and sports activities, training activities, and promoting employees’ growth with the Group; and
12. actively fulfilling due corporate responsibilities, and actively participate in events of rural revitalization and hometown caring, participating in activities such as “1,000 enterprises helping 1,000 villages” and targeted education assistance for poverty alleviation.

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2024

		Six months ended 30 June	
	Notes	2024 RMB'000 (Unaudited)	2023 RMB'000 (Unaudited)
REVENUE	4	532,153	447,722
Cost of sales		(439,418)	(365,709)
GROSS PROFIT		92,735	82,013
Other income and gains	5	17,649	5,637
Selling and distribution costs		(23,160)	(19,034)
Administrative expenses		(58,300)	(43,084)
Share of profit/(loss) of an associate		164	(28)
Other expenses		(1,871)	(1,406)
PROFIT FROM OPERATIONS		27,217	24,098
Impairment of trade receivables, net		—	(158)
Finance costs	6	(4,367)	(4,079)
PROFIT BEFORE TAX	7	22,850	19,861
Income tax expense	8	(5,059)	(2,208)
PROFIT FOR THE PERIOD		17,791	17,653
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		2,109	250
<i>Items that may be reclassified to profit or loss:</i>			
Exchange differences on translation of the non-PRC operations		(2,102)	(201)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		17,798	17,702
PROFIT/(LOSS) FOR THE PERIOD ATTRIBUTABLE TO:			
Owners of the Company		20,153	19,545
Non-controlling interests		(2,362)	(1,892)
		17,791	17,653
TOTAL COMPREHENSIVE INCOME/(EXPENSE) FOR THE PERIOD ATTRIBUTABLE TO:			
Owners of the Company		20,160	19,594
Non-controlling interests		(2,362)	(1,892)
		17,798	17,702
EARNINGS PER SHARE (RMB cents)	10		
— Basic		2.36	2.29
— Diluted		2.36	2.29

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2024

	Notes	As at 30 June 2024 RMB'000 (Unaudited)	As at 31 December 2023 RMB'000 (Audited)
Non-current assets			
Property, plant and equipment	11	965,288	903,117
Right-of-use assets		85,096	85,187
Investment properties		34,815	34,822
Intangible assets		1,441	1,505
Interest in an associate		13,064	12,900
Deposits paid for acquisition of property, plant and equipment		23,978	28,616
Equity investments at fair value through other comprehensive income		4,140	4,140
Deferred tax assets		2,655	2,683
Total non-current assets		1,130,477	1,072,970
Current assets			
Inventories		276,084	232,334
Trade and bills receivables	12	251,501	226,689
Prepayments, deposits and other receivables	13	70,589	74,623
Pledged bank deposits		44,500	38,978
Cash and cash equivalents		54,110	64,355
Total current assets		696,784	636,979
Current liabilities			
Trade and bills payables	14	287,586	241,932
Lease liabilities		790	867
Contract liabilities		11,384	7,315
Other payables and accruals	15	35,958	45,676
Interest-bearing borrowings	16	143,632	156,494
Deferred income		380	380
Due to a director		18	17
Tax payable		7,459	7,593
Total current liabilities		487,207	460,274
Net current assets		209,577	176,705
Total assets less current liabilities		1,340,054	1,249,675

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2024

	Notes	As at 30 June 2024 RMB'000 (Unaudited)	As at 31 December 2023 RMB'000 (Audited)
Non-current liabilities			
Interest-bearing borrowings	16	516,500	460,064
Lease liabilities		2,995	2,141
Deferred income		28,238	12,998
Deferred tax liabilities		16,367	16,316
Total non-current liabilities		564,100	491,519
NET ASSETS		775,954	758,156
Capital and reserves			
Issued capital		747	747
Reserves		695,837	675,677
		696,584	676,424
Non-controlling interests		79,370	81,732
TOTAL EQUITY		775,954	758,156

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2024

	Issued capital <i>RMB'000</i>	Capital surplus/ share premium* <i>RMB'000</i>	Capital reserve* <i>RMB'000</i>	Statutory surplus reserve* <i>RMB'000</i>	Exchange fluctuation reserve* <i>RMB'000</i>	Revaluation reserve* <i>RMB'000</i>	Accumulated losses* <i>RMB'000</i>	Sub-total <i>RMB'000</i>	Non- controlling interests <i>RMB'000</i>	Total equity <i>RMB'000</i>
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
At 1 January 2024 (audited)	747	566,403	28,994	158,161	(9,320)	109,537	(178,098)	676,424	81,732	758,156
Total comprehensive income for the period (unaudited)	—	—	—	—	7	—	20,153	20,160	(2,362)	17,798
At 30 June 2024 (unaudited)	747	566,403	28,994	158,161	(9,313)	109,537	(157,945)	696,584	79,370	775,954

* 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 2024

	Six months ended 30 June	
	2024	2023
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
Net cash generated from operating activities	40,953	2,767
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(63,370)	(147,511)
Additions of intangible assets	—	(347)
Capital injection to an associate	—	(490)
Acquisition of land use right	(432)	(1,853)
(Increase)/decrease in pledged bank deposits	(5,522)	14,599
Payment of deposits for acquisition of property, plant and equipment	(21,044)	(45,748)
Other investing cash flows	391	514
Net cash used in investing activities	(89,977)	(180,836)
CASH FLOWS FROM FINANCING ACTIVITIES		
New interest-bearing borrowings	124,200	221,462
Contribution from a non-controlling shareholder	—	13,353
Repayment of interest-bearing borrowings	(80,626)	(57,471)
Repayment to directors	—	(1,403)
Other financing cash flows	(4,816)	(5,756)
Net cash generated from financing activities	38,758	170,185
NET DECREASE IN CASH AND CASH EQUIVALENTS	(10,266)	(7,884)
Cash and cash equivalents at beginning of period	64,355	90,583
Effect on exchange rate changes	21	79
Cash and cash equivalents at end of period	54,110	82,778
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Cash and bank balances	54,110	82,778

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2024

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 1307, New East Ocean Centre, 9 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 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 included all the information and disclosures required in a full set of financial statements, and should be read in conjunction with the Group's 2023 annual consolidated financial statements for the year ended 31 December 2023 ("2023 Annual Report"). The accounting policies and methods of computation used in the preparation of the Interim Financial Statements are consistent with those used in 2023 Annual Report.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2024

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 2024. 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	
	2024 (Unaudited) RMB'000	2023 (Unaudited) RMB'000
Sales of goods	532,153	447,722

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.

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 2024

4. REVENUE (continued)

Disaggregation of revenue from contracts with customers:

	Six months ended 30 June	
	2024	2023
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
Geographical markets		
PRC	357,906	281,700
Others	174,247	166,022
Total	532,153	447,722
	2024	2023
	RMB'000	RMB'000
Major products		
Material products	482,025	406,822
Building Material Products	50,128	40,900
Total	532,153	447,722

The revenue was recognised at a point in time.

Information about major customers

No revenue from transactions with a single customer amounted to 10% or more of the Group's total sales for the six months ended 30 June 2024 (six months ended 30 June 2023: Nil).

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2024

5. OTHER INCOME AND GAINS

	Six months ended 30 June	
	2024	2023
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
Interest income	384	278
Government subsidies (<i>note</i>)	9,962	1,642
Gain on lease termination	55	1
Gross rental income	2,173	1,362
Dividend income from equity investments at fair value through other comprehensive income	—	223
Exchange gain, net	2,317	1,892
Sundry income	2,758	239
	17,649	5,637

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 2024 and 2023.

6. FINANCE COSTS

	Six months ended 30 June	
	2024	2023
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
Lease interest	95	117
Interest on bank loans	10,131	7,124
Interest on other loans	429	1,015
Total borrowing cost	10,655	8,256
Less: interests capitalised	(6,288)	(4,177)
	4,367	4,079

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2024

7. PROFIT BEFORE TAX

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

	Six months ended 30 June	
	2024	2023
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
Directors' remuneration	928	717
Depreciation of property, plant and equipment	25,231	33,198
Depreciation on right-of-use assets	1,804	2,019
Amortisation of intangible assets	64	41
Net loss on disposals/written off of property, plant and equipment	14	99

8. INCOME TAX EXPENSE

	Six months ended 30 June	
	2024	2023
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
Current tax — the PRC		
Charge for the year	2,265	1,495
Under-provision in prior years	2,715	519
Deferred tax	79	194
	5,059	2,208

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 2024 and 2023.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2024

8. INCOME TAX EXPENSE *(continued)*

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

9. DIVIDEND

The Directors do not recommend the payment of any interim dividend for the six months ended 30 June 2024 (six months ended 30 June 2023: 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 2024 attributable to owners of the Company of approximately RMB20,153,000 (six months ended 30 June 2023: RMB19,545,000) and the weighted average number of approximately 852,612,000 (six months ended 30 June 2023: 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 2024 and 2023 is the same as the basic earning per share as the Company did not have any dilutive potential ordinary shares during the periods.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2024

11. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2024, the Group acquired property, plant and equipment at a total cost of RMB87,416,000 (six months ended 30 June 2023: RMB152,081,000).

During the six months ended 30 June 2024, property, plant and equipment with a carrying amount of RMB14,000 (six months ended 30 June 2023: RMB113,000) were disposed of/written off by the Group, resulting in a loss on disposals/written off of RMB14,000 (six months ended 30 June 2023: loss on disposals of RMB99,000).

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.

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 2024 (Unaudited) RMB'000	As at 31 December 2023 (Audited) RMB'000
Within 3 months	186,301	177,062
More than 3 months but within 6 months	34,037	28,449
More than 6 months but within 1 year	29,179	21,178
More than 1 year	1,984	—
	251,501	226,689
Represented by:		
— third parties	251,416	226,689
— a related party (note)	85	—
	251,501	226,689

Note: The Group has receivable from a related party at the end of reporting period for sales of material products.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2024

13. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	As at 30 June 2024 (Unaudited) RMB'000	As at 31 December 2023 (Audited) RMB'000
Advances to suppliers (<i>note 1</i>)	16,792	29,596
Prepaid sales tax and government surcharges	34,887	25,474
Prepaid expenses	256	697
Other receivables	18,654	18,856
	70,589	74,623
Represented by:		
— third parties	70,203	74,345
— a related party (<i>note 2</i>)	386	278
	70,589	74,623

Note 1: The advances were paid to suppliers to secure the supply of raw materials at the end of the reporting period.

Note 2: The Group has prepaid for certain operating expenses, including utilities expenses to a related party at the end of reporting period.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2024

14. TRADE AND BILLS PAYABLES

	As at 30 June 2024 (Unaudited) RMB'000	As at 31 December 2023 (Audited) RMB'000
Trade payables	148,362	128,276
Bills payables	139,224	113,656
	287,586	241,932
Represented by:		
— third parties	283,610	239,287
— a related party (note)	3,976	2,645
	287,586	241,932

Note: The Group has payable to a related party at the end of reporting period for purchase of raw materials.

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 2024 (Unaudited) RMB'000	As at 31 December 2023 (Audited) RMB'000
Within 3 months	211,054	183,968
More than 3 months but within 6 months	76,050	53,049
More than 6 months but within 1 year	482	4,915
	287,586	241,932

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2024

15. OTHER PAYABLES AND ACCRUALS

	As at 30 June 2024 (Unaudited) RMB'000	As at 31 December 2023 (Audited) RMB'000
Accrued liabilities	12,623	13,457
Payroll payables	3,706	3,692
Payable for the acquisition of property, plant and equipment	19,573	21,209
Others	56	7,318
	35,958	45,676
Represented by:		
— third parties	35,954	45,676
— a related party (note)	4	—
	35,958	45,676

Note: The Group has payable to a related party at the end of reporting period for amounts collected for a related party.

16. INTEREST-BEARING BORROWINGS

During the period ended 30 June 2024, the Group obtained new interest-bearing borrowings of RMB124,200,000 as additional working capital (six months ended 30 June 2023: RMB221,462,000) and made repayments of interest-bearing borrowings of RMB80,626,000 (six months ended 30 June 2023: RMB57,471,000).

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2024

17. CAPITAL COMMITMENTS

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

	As at 30 June 2024 (Unaudited) RMB'000	As at 31 December 2023 (Audited) RMB'000
Property, plant and equipment		
Contracted but not provided for	146,814	140,807
Capital contribution to an associate	11,486	11,486
	158,300	152,293

18. CONTINGENT LIABILITIES

At 30 June 2024, the Group did not have any significant contingent liabilities (31 December 2023: Nil).

19. RELATED PARTY TRANSACTIONS

- (a) Other than as disclosed elsewhere in the condensed consolidated financial statements, as at 30 June 2024 the Group had the following transactions with its related party during the period.

	As at 30 June 2024 (Unaudited) RMB'000	As at 31 December 2023 (Audited) RMB'000
Revenue received from an associate	8	8
Raw materials purchased from an associate	11,894	6,179
Utilities expenses paid to an associate	427	278



NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2024

19. RELATED PARTY TRANSACTIONS *(continued)*

- (b) As at 30 June 2024, the ultimate shareholder and a family member of the ultimate shareholder have guaranteed bank loans made to the Group of approximately RMB622,000,000 (as at 31 December 2023: RMB539,604,000).

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 28 August 2024.



OTHER INFORMATION

RESULTS AND APPROPRIATIONS

The results of the Group for the six months ended 30 June 2024 are set out in the condensed consolidated statement of profit or loss and other comprehensive income on page 13.

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 2024 (2023: 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 period 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 C3 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 2024.

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 2024.

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 2024 or at any time during the six months ended 30 June 2024.

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 2024, 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 <i>(Note)</i>	410,886,000 <i>(Note)</i>	48.19% <i>(Note)</i>
Mr. Huang Wanneng	Beneficial owner	5,060,000	0.59%

Note: As at 30 June 2024, 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 2024, 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 2024 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 2024, 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 2024, 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 (<i>Note 1</i>)	Long position	Beneficial owner	410,886,000	48.19%
Mr. Lin Shengxiong (<i>Note 1</i>)	Long position	Interests in controlled corporation	410,886,000	48.19%
Ms. Lin Hongting (<i>Note 2</i>)	Long position	Interests of spouse	410,886,000	48.19%
Glory Bright Investments Enterprise Limited (<i>Note 3</i>)	Long position	Beneficial owner	59,011,000	6.92%
Mr. Lin Wanpeng (<i>Note 3</i>)	Long position	Interests in controlled corporation	59,011,000	6.92%
Ms. Wang Huiqing (<i>Note 4</i>)	Long position	Interests of spouse	59,011,000	6.92%

Notes:

- As at 30 June 2024, 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 2024, 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 2024, 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 2024, 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 2024, 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 2024.

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 2024 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, 28 August 2024