



CHINA LONGEVITY GROUP COMPANY LIMITED

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 1863



2020 ANNUAL REPORT





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CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

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

Independent Non-executive Directors

Mr. Lau Chun Pong
Mr. Lu Jiayu
Ms. Jiang Ping

AUDIT COMMITTEE

Mr. Lau Chun Pong (*Chairman*)
Mr. Lu Jiayu
Ms. Jiang Ping

REMUNERATION COMMITTEE

Mr. Lu Jiayu (*Chairman*)
Ms. Jiang Ping
Mr. Lin Shengxiong
Mr. Lau Chun Pong

NOMINATION COMMITTEE

Ms. Jiang Ping (*Chairman*)
Mr. Lu Jiayu
Mr. Lau Chun Pong

COMPANY SECRETARY

Mr. Chow Yiu Wah, Joseph

AUTHORISED REPRESENTATIVES

Mr. Chow Yiu Wah, Joseph
Mr. Lin Shengxiong

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

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Concordia Plaza
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Tsimshatsui 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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FINANCIAL HIGHLIGHTS



	2020	2019
Results		
Revenue (RMB million)	812.1	660.5
Gross profit (RMB million)	188.7	145.0
Profit before tax (RMB million)	44.3	44.2
Profit for the year attributable to Owners of the Company (RMB million)	45.0	40.4
Basic earning per share (RMB cents)	5.28	4.74
Gross profit margin (%)	23.2	22.0

Financial position

Cash and cash equivalents (RMB million)	34.9	26.4
Total assets (RMB million)	970.2	784.6
Total debts (RMB million)	569.8	466.4
Total equity (RMB million)	400.5	318.2
Current ratio (Times)	0.9	0.7
Quick ratio (Times)	0.6	0.5
Gearing – borrowings to total assets (%)	20.9	11.6

Efficiency ratios

Average trade receivables turnover (Days)	69	57
Average trade payables turnover (Days)	66	71
Average inventories turnover (Days)	76	79
Cash conversion (Days)	79	65



CHAIRMAN'S STATEMENT

Dear Shareholders,

On behalf of the board (the "Board") of directors (the "Directors") of China Longevity Group Company Limited (the "Company") and its subsidiaries (together referred to as the "Group"), I am pleased to present the 2020 annual report to the shareholders of the Company (the "Shareholders").

BUSINESS REVIEW AND PROSPECTS

A review of the Group's business and the analysis using the key financial performance indicators are set out on page 3 of this report under the section headed Financial Highlights and the section headed Management Discussion and Analysis set out on pages 7 to 15 of this report.

During the year ended 31 December 2020, the Group recorded a revenue growth of 23.0% from approximately RMB660.5 million last year to approximately RMB812.1 million. The profit attributable to shareholders for the year was approximately RMB45.0 million as compared to the profit approximately of RMB40.4 million for the previous year. This was mainly due to an increase in sales of Material Products during the year ended 31 December 2020.

During the year ended 31 December 2020, the Group continued to focus on the development of TPU materials division, PVC materials division, flooring products division and 3D industrial drop stitch fabric division, and maintain cooperation with international brand owners. Besides, the Group strived to develop new products, expand new products business and identify new customers in order to increase our market shares.

In 2020, the 2019 novel coronavirus (COVID-19) pandemic presented unprecedented challenges to the world. Since the outbreak of COVID-19, the Group has taken active measures in establishing an emergency operational command team, in which decisive adjustments were made to maximise production capacities based on market situation, particularly in epidemic-prevention products and the rapid introduction of new production equipment. The Group strove to produce materials required for pandemic prevention in a race against time, including materials used for medical isolation wards, membrane structure and anti-bacterial tent in order to expand production capacities for global pandemic prevention and control and contribute to the global battle against the COVID-19. As a result, in February 2020, Fujian Sijia was one of the first key secured enterprises for pandemic prevention and control as approved by the National Development and Reform Commission, and in the Fujian Province as approved by the Fujian Provincial Department of Industry and Information Technology. Shanghai Sijia was included in the list of enterprises for pandemic prevention and control materials for novel coronavirus pneumonia in Jinshan District, Shanghai. In the same year, Fujian Sijia was awarded the "2020 Fujian Province's "Thousand Enterprises Helping Thousand Villages" as a star enterprise of village relief and poverty eradication in Fujian Province for participating in rural revitalisation, social poverty alleviation and other public welfare activities.



CHAIRMAN'S STATEMENT

Due to the impact of COVID-19 pandemic, the world's political and economic situation became more complicated. Since the market economic environment was greatly affected by the Sino-US trade war, and factors contributing to an unstable market persisted, the Group expects 2021 to be one of continued perseverance amidst a challenging economic environment.

Committed to the research and development of PVC, TPU materials and eco-friendly flooring products, the Group will further inject resources into to the development of new materials and flooring business. In 2020, the Group's "Key Technology Research and Development and Industrialisation of High-Performance Functional TPU/PET Fiber Composite Materials" project received the Class 1 Award for advancement in science and technology in Fujian Province from the People's Government of Fujian Province; Sijia's drop stitch fabric materials were awarded as the Single Champion Product by the Fujian Provincial Department of Industry and Information Technology. Fujian Sijia and Shanghai Sijia passed the re-certification of national high-tech enterprises during the year; He Chaojin (何超金), the chief engineer of Fujian Sijia Technology Research and Development Center, was awarded the "Fujian Provincial May Day Medal" and the "4th Fuzhou Youth Technology Award". The management believes that the Group will be successful in further developing new materials and upgrading new technologies in the foreseeable future.

In 2020, the Group continued to adopt various management systems, such as, streamlined management, performance measures, adopting an automated technological system, and improving the quality control system to better the Group's management on a whole. In the meantime, the management team and employees continued to put in all efforts and strictly abided by the Group's cost-controlling measures to boost the effectiveness and optimise production capacity. Meanwhile, the management will continue to cooperate with European technical experts, local and overseas colleges and institutions to develop materials and building flooring which are both ground breaking and eco-friendly in order to further expand the domestic and foreign markets.

As the trading of the shares of the Company on the Stock Exchange has been suspended since 14 February 2013, the management will fully cooperate with the engaged professional parties. The Company is currently applying for the resumption of trading in its shares on the Stock Exchange (the "Resumption"). The Company would update its Shareholders on the progress of the Resumption through further announcement in due course.

With the support of the Group's Shareholders and the leadership of the Board, the Group will continue its product technology innovation strategy, reinforce its position in the markets of existing products, and develop drop stitch fabric products, eco-friendly TPU materials, airtight materials and super core flooring of Sijia as its core business in the future. Furthermore, the Group will persistently uphold its market development philosophy of adopting a customer-centric approach, create value for its customers and reciprocate its Shareholders and the community.



CHAIRMAN'S STATEMENT

APPRECIATION

On behalf of the Board, I would like to extend our sincere gratitude to the Shareholders, customers and business partners of the Group for their persistent support throughout the year. Lastly, I would like to take this opportunity to thank all colleagues and staff for their persistent contribution to the Group.

On behalf of the Board

LIN Shengxiong

Chairman

Hong Kong, 31 March 2021



MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

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

The Group’s material products (“Material Products”) business is located in Fuzhou and Shanghai. It utilises self-developed equipment and processes that have been granted with the national invention patents in the manufacturing of new materials, such as drop stitch fabric, eco-friendly TPU materials, architectural membrane, waterproofing membrane, marquees materials, air tightness materials, inflatable boats materials and inflatable materials. These materials exhibit 9 key characteristics, including high tensile strength, anti-tearing, antistripping, flame retardant, anti-bacterial, anti-corrosive, durable, low temperature resistant and sunlight resistant. Due to the diversified applications of the Material Products and end-use products, the Group’s products are applicable in 18 major sectors, including healthcare, modern transportation, construction, renewable energy, agriculture, outdoor leisure sports and daily supplies.

The operations of the Group’s flooring products (“Flooring Products”) business are based in Fuzhou. Capitalising on their premium performance and eco-friendly properties, the Flooring Products have become the preferred floor decorative materials amongst buyers around Europe, U.S., Japan and Korea. Flooring Products are globally marketed under the brand of “Zero Formaldehyde Super Core Flooring”. These products are in compliance with EU and U.S. standards and environmental requirements. Because the Flooring Products are eco-friendly, remarkably abrasion resistant, anti-bacterial, non-slip, highly elastic, shock resistant, fire-resistant, flame retardant, low-maintenance, water and moist-repellent, they have an outstanding price-performance ratio and are applicable in a wide spectrum of public and household domains, including education, healthcare, commerce, sports, offices, industrial usage and transportation.

Due to our efforts, the Group achieved a total revenue of approximately RMB812.1 million for the year ended 31 December 2020 (2019: RMB660.5 million), representing an increase of approximately RMB151.6 million, or 23.0% over the last corresponding year. The overall increase in revenue was mainly attributable to the increase in demand for Material Products.

The Group’s products can be categorised into two types: (i) Material Products; and (ii) Flooring Products. The Group generated most of its revenue from Material Products which accounted for approximately 91.5% (2019: 94.2%) of total revenue. Domestic sales continued to be the Group’s major source of revenue, representing approximately 72.8% (2019: 68.2%) of the total revenue while export sales accounted for approximately 27.2% (2019: 31.8%) of the total revenue.

MANAGEMENT DISCUSSION AND ANALYSIS

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

	For the year ended 31 December			
	2020		2019	
	(RMB million)	%	(RMB million)	%
Material Products	743.4	91.5	622.3	94.2
Flooring Products	68.7	8.5	38.2	5.8
	812.1	100.0	660.5	100.0

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

	For the year ended 31 December			
	2020		2019	
	(RMB million)	%	(RMB million)	%
PRC	591.1	72.8	450.3	68.2
Others	221.0	27.2	210.2	31.8
	812.1	100.0	660.5	100.0

Market Prospects of Material Products and Flooring Products

During 2020, drop stitch fabric and inflatable boats material have become the top selling products, which are the new developed Material Products over the past two years.

Drop stitch fabric is a new material that was developed and successfully launched onto the market by the Group in recent years. It has been widely used in various fields, such as outdoor water sports, entertainment and military industry. At present, the indexes of physical properties of drop stitch fabric products under the Group's brand have already outperformed those of products launched by our domestic and overseas industry peers, with the quality of these products even ranking on top of the list among our industry peers globally. These fabric products do not only cater to the needs of our global customers, but also deliver significant economic benefits. The product was selected as the single champion product by the Fujian Provincial Department of Industry and Information Technology. When the Group has now become the sole supplier around the world to deliver the largest production volume of both wrap-knitted and plain-weave drop stitch fabric, it has also become the firstclass material supplier for the world-renowned French sports brand Decathlon in 2019, and the designated material supplier for the top ten brands in the world. The Group has devised strategies to invent more new products.



MANAGEMENT DISCUSSION AND ANALYSIS

During the COVID-19 pandemic, orders for the Group's materials (such as drop stitch fabric materials, eco-friendly TPU materials, anti-bacterial tent materials and membrane structure materials) used in the products applied in the medical, construction and fitness sectors, have increased. Sijia Medical's medical isolation wards were widely used when processing and manufacturing the main bodies of isolation wards, and the isolation wards produced by the customers were delivered to Wuhan's front line. Sijia's marquees materials were widely used when manufacturing medical temporary tents and hospitals, in order to tackle hospital shortages in Europe during the pandemic. From Qingdao to Shijiazhuang, Sijia and its clients jointly built the "Fire Eye" laboratory for Polymerase Chain Reaction with the application of membrane. Due to the anti-mold and anti-bacterial features of Sijia's super core flooring, Sijia's super core flooring was also used in the floor covering works of the sterile production workshop for protective clothing and the production of medical protective clothing during the outbreak of the pandemic in 2020.

As at 31 December 2020, the Group owned a total of 62 patents with respect to Material Products. Among these, Fujian Sijia owned 40 patents (26 patents on inventions and 14 patents on practical new models), whereas Shanghai Sijia owned 22 patents (9 patents on inventions, 8 patents on practical new models and 5 patents on software copyrights). The Group is constantly proactive in patent application every year, thereby ensuring continued protection for the brand's intellectual property rights.

Carrying on into 2020, the Sino-US trade war and the COVID-19 outbreak led to a multitude of challenges in the global market environment. Also, a large number of competitors emerged to imitate the Group's products in the market and adopted a low pricing strategy in order to increase their market shares. Consequently, it is expected that the Group will encounter further unprecedented difficulties and challenges. Yet a challenging market may also lead to new innovations and opportunities. Crisis often gives rise to opportunities, whereas pressure and motivation are the two sides of the same coin.

The Group will continue to step up the structural adjustment of materials and promote Material Products, drop stitch fabric, eco-friendly TPU materials, inflatable boat materials, airtight materials and inflatable materials, to high-end customers with a particular focus on promoting Flooring Products and new application products of drop stitch fabric materials and eco-friendly TPU materials, with an aim to expand the market of drop stitch fabric products so as to maintain the Group's competitiveness.

Material Products

During the year ended 31 December 2020, the Group's revenue generated from Material Products amounted to approximately RMB743.4 million (2019: RMB622.3 million) which accounted for approximately 91.5% (2019: 94.2%) of the Group's total revenue, representing an increase of approximately 19.5%. The increase in revenue from Material Products was mainly due to the increase in sales revenue of drop stitch fabric.

Flooring Products

During the year ended 31 December 2020, the Group's revenue generated from Flooring Products amounted to approximately RMB68.7 million (2019: RMB38.2 million) which accounted for approximately 8.5% (2019: 5.8%) of the total revenue.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

Revenue

The Group's revenue for the year ended 31 December 2020 was approximately RMB812.1 million, representing an increase of approximately RMB151.6 million, or 23.0%, compared to the revenue of approximately RMB660.5 million for last year. For the year under review, the Group's major sales segments, namely, (1) Material Products recorded a revenue of approximately RMB743.4 million (2019: RMB622.3 million); and (2) Flooring Products recorded a revenue of approximately RMB68.7 million (2019: RMB38.2 million). The increase in revenue was mainly due to the increase in demand for Material Products.

Gross Profit and Gross Profit Margin

Gross profit was approximately RMB188.7 million for the year under review (2019: RMB145.0 million), with the gross profit margin of approximately 23.2% (2019: 22.0%).

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

	For the year ended	
	31 December	
	2020	2019
	%	%
Material Products	24.4	23.7
Flooring Products	10.1	(7.0)
Total	23.2	22.0

Profit for the Year

The Group recorded a profit attributable to equity holders of approximately RMB45.0 million, or approximately RMB5.3 cents for basic earning per share for the year ended 31 December 2020 (2019: RMB40.4 million or RMB4.7 cents for basic earning per share).

Selling and Distribution Costs

Selling and distribution costs were approximately RMB28.6 million (2019: RMB23.1 million). An increase in selling and distribution costs was mainly due to an increase in transportation expenses and patent royalty fees of the products.

MANAGEMENT DISCUSSION AND ANALYSIS



Administrative Expenses

Administrative expenses were approximately RMB73.2 million (2019: RMB70.6 million). The increase in administrative expenses was mainly due to the increase in research and development costs for Material Products.

Research and Development

Research and development (the "R&D") costs were approximately RMB48.0 million (2019: RMB46.0 million). The Group believes that its ongoing R&D efforts are critical in maintaining long-term competitiveness and retaining existing customers. To explore new technologies and new products in order to attract new customers and develop 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 and develop high value-added new materials.

Impairment of Various Assets

Impairment of Trade and Other Receivables

The management of the Group took a prudent approach in assessing the collectability of trade and other receivables and would review the status of the receivables. This includes taking into consideration, the credit history of the customers of the Group and the prevailing market condition.

During the year ended 31 December 2020, reversal of allowance have been recognised in respect of trade receivables in the amount of approximately RMB1.2 million (2019: impairment of trade receivable RMB3.2 million).

Impairment of Inventories

Impairment of inventories amounted to approximately RMB5.3 million (2019: RMB4.0 million) for the year ended 31 December 2020 was recognised by the Group. It was mainly attributable to write down the slow moving and obsolete stocks.

Finance Costs

Finance costs were approximately RMB9.1 million (2019: RMB5.6 million). The increase in the finance costs was mainly due to the increase in bank loans.



MANAGEMENT DISCUSSION AND ANALYSIS

Liquidity and Financial Resources

Total Equity

As at 31 December 2020, total equity was approximately RMB400.5 million, representing an increase of 25.9%, as compared to approximately RMB318.2 million as at 31 December 2019.

Financial Position

As at 31 December 2020, the Group had total current assets of approximately RMB456.9 million (2019: RMB336.5 million) and total current liabilities of approximately RMB528.9 million (2019: RMB461.7 million), with net current liabilities of approximately RMB72.0 million (2019: RMB125.3 million).

As at 31 December 2020, the Group's net gearing ratio (expressed as a percentage of total interest-bearing liabilities to total assets) was at 20.9%, compared to 11.6% as at 31 December 2019.

Cash and Cash Equivalents

As at 31 December 2020, the Group had cash and cash equivalents of approximately RMB34.9 million (2019: RMB26.4 million), most of which were denominated in Renminbi.

Bank Borrowings

The Group had interest-bearing bank borrowings of approximately RM166.0 million (2019: RMB89.7 million), while total banking facilities amounted to approximately RMB295.6 million (2019: RMB245.0 million).

Contingent Liabilities

As at 31 December 2020, the Group had no material contingent liabilities (2019: Nil).

Capital Commitments

As at 31 December 2020, capital commitments of the Group were approximately RMB11.5 million (2019: RMB11.1 million). The capital commitments will be funded partly by internal resources and partly by bank borrowings.

Pledge of Assets

As at 31 December 2020, the Group mortgaged its buildings, plant and machinery of approximately RMB286.2 million (2019: RMB257.9 million), leasehold land of approximately RMB15.6 million (2019: RMB16.2 million), investment properties of approximately RMB21.0 million (2019: RMB35.7 million) in the PRC and bank deposits of approximately RMB58.9 million (2019: RMB57.4 million) were pledged to banks to secure bank loans and general banking facilities granted.



MANAGEMENT DISCUSSION AND ANALYSIS

Dividends

The Board did not recommend the payment of a final dividend for the year ended 31 December 2020 (2019: Nil).

Human Resources

As at 31 December 2020, the Group had a total of 457 employees (2019: 445 employees). There was no significant change in number of staff as compared to last year.

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 staff, based on the performance of the employees.

Exposure to Fluctuations in Exchange Rates and Related Hedge

Most business transactions of the Group are settled in Renminbi (“RMB”) since the operations of the Group are mainly carried out in the PRC, and the major subsidiaries of the Group are operating in a RMB environment and the functional currency of the major subsidiaries is RMB. The reporting currency of the Group 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 the 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.

MATERIAL ACQUISITION AND DISPOSAL

During the year ended 31 December 2020, the Group dissolved an indirect wholly-owned subsidiary, at a gain on dissolution of approximately RMB6.8 million.

DETAILS OF FUTURE PLANS FOR MATERIAL INVESTMENT OR CAPITAL ASSETS

Save as disclosed herein, the Group did not have any details of future plans for material investment or capital assets as at 31 December 2020.



MANAGEMENT DISCUSSION AND ANALYSIS

FUTURE PROSPECTS

Facing the severe global pandemic, the continuing downturn of Eurozone economy, the Sino-US trade tensions and the slowing down of PRC economy, the Group will actively adapt to the national policy of “adjusting economic structure; transforming traditional manufacturing industries into new manufacturing industries”. It will adhere to the development principles of “staying on its original business, steady development, structure optimisation and continuous innovation”, and has implemented a series of adjustment measures:

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

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

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

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

MANAGEMENT DISCUSSION AND ANALYSIS

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



BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

DIRECTORS

The Board of the Company consists of six directors, including three executive Directors and three independent non-executive Directors.

Executive Directors

Mr. Lin Shengxiong (林生雄先生), aged 57, is the Chairman and an executive Director of the Company. Mr. Lin is one of the founders of the Group and a substantial shareholder of the Company. Mr. Lin was appointed as a Director on 7 October 2009. Other than holding directorship in the Company, Mr. Lin is also a director of China Grandsoo Holding Company Limited and Sijia International Holding Limited. He is responsible for all strategic planning of the Group. Mr. Lin has over 34 years of experience in the polymers and plastics industry. He has extensive experience in corporate development and production management. Mr. Lin was elected as the life honorary chairman of Association of Plastic Material Industry of Fuzhou City* (福州塑膠同業公會) and the honorary chairman of the Nantai Federation of Enterprises and Entrepreneurs of Pingtan Comprehensive Pilot Zone* (平潭綜合實驗區嵐台企業與企業家聯合會) in 2018. He was also elected as the president of Private Technology Entrepreneur Association of Fuzhou City* (福州市民營科技實業家協會) and the president of Sanming Chamber of Commerce of Fuzhou City* (福州市三明商會) in 2018. Mr. Lin completed the certificate course for graduate students in world economics in Graduate Students' College of Xiamen University (廈門大學研究生學院) in September 2001.

Mr. Huang Wanneng (黃萬能先生), aged 52, is an executive Director of the Company. Mr. Huang was appointed as a Director on 7 October 2009. Other than holding directorship in the Company, Mr. Huang is also the manager of Sijia New Material (Shanghai) Co., Ltd.* (思嘉環保材料科技(上海)有限公司). He is principally responsible for the research and development of the Group. Mr. Huang is a chief mechanical engineer and has 32 years of experience in the polymer and plastic industry. He has extensive experience in on-site management, development of technology and equipments and improvement in production techniques. Mr. Huang joined the Group and served as deputy general manager and chief engineer of Fujian Sijia, mainly responsible for the new equipments, technology and product development, equipment management and technology reform of equipments since September 2002. Prior to joining the Group, Mr. Huang worked for Fujian Hongming Plastics Co., Ltd.* (福建省宏明塑膠股份有限公司) where he served various positions, namely, workshop technician, workshop supervisor, equipment engineer and department chief of equipment department from July 1989 to August 2002. During this period, Mr. Huang specialised in management of production automation system used in the manufacturing of polymer products. He obtained his bachelor's degree in electric engineering from Southeast University in July 1989. He was awarded the title of "Model Worker of Fuzhou City" by the People's Government of Fuzhou in 2013, awarded the honorary title of "top 10 inventor in Fuzhou City" by the Fuzhou Municipal Labour Union* (福州市總工會), and selected as an awardee in the first "Jin'an District Outstanding Talents Award" by the People's Government of Jin'an District, Fuzhou, Fujian in early 2018.

* for identification purpose only



BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Mr. Jiang Shisheng (蔣石生先生), aged 51, is the division head of technical department of the Group, and primarily responsible for technological development of the Group. Mr. Jiang was approved as an engineer by Fujian Provincial Bureau of Personnel in December 1998. Prior to joining the Group in August 2006, Mr. Jiang served various positions as crafts technician, supervisor of technological development department and supervisor of technical center of Fujian Hongming Plastics Co., Ltd* (福建宏明塑膠股份有限公司) from July 1992 to August 2003, crafts engineer of Sanming Mingxin Plastics Co., Ltd* (三明明鑫塑膠有限公司) from August 1993 to July 1999, and supervisor of technical department of Zhejiang Longyue Technology Co., Ltd.* (浙江龍躍科技有限公司) from August 2003 to April 2006. Mr. Jiang obtained a bachelor degree in engineering from Tianjin University of Light Industry* (天津輕工業學院). He was involved in drafting and applying of dozens of patents for the Company. Mr. Jiang was awarded the honorary title of “top 10 inventor in Fuzhou city” by the Fuzhou Municipal Labour Union* (福州市總工會) in 2014 and won numerous provincial and ministerial scientific and technological improvement awards.

Independent non-executive Directors

Mr. Lau Chun Pong (劉振邦先生), aged 46, graduated from the University of California, Los Angeles with a Bachelor of Arts degree in Business Economics in 1997. Mr. Lau is an associate member of the Hong Kong Institute of Certified Public Accountants and a member of the American Institute of Certified Public Accountants. He has over 16 years' working experience in the accounting and auditing field. Mr. Lau was the Qualified Accountant and Company Secretary of Shenzhen Mingwah Aohan High Technology Corporation Limited (深圳市明華澳漢科技股份有限公司), a company listed on the GEM of the Stock Exchange (stock code: 8301), since April 2005 till May 2006. He was the Financial Controller and Company Secretary of WE Solutions Limited (formerly known as O Luxe Holdings Limited), a company listed on the Main Board of the Stock Exchange (stock code: 860), since June 2008 till November 2017. He was the Group Financial Controller and Company Secretary of AV Promotions Holdings Limited, a company listed on the GEM of the Stock Exchange (stock code: 8419), since June 2018 till June 2019. He was the Company Secretary of Superb Summit International Group Limited, a company listed on the Main Board of the Stock Exchange (stock code: 1228). He was the Company Secretary of Grand T G Gold Holdings Ltd (大唐潼金控股有限公司), a company listed on the GEM of the Stock Exchange (stock code: 8299) since January 2019 till February 2020. He is currently an independent non-executive director of China CBM Group Company Limited (中國煤層氣集團有限公司), a company listed on the GEM of the Stock Exchange (stock code: 8270), since 13 November 2017 and the Chief Financial Officer and Company Secretary of Clifford Modern Living Holdings Limited, a company listed on the Main Board of the Stock Exchange (stock code: 3686), since 20 December 2019.



BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Mr. Lu Jiayu (盧佳譽先生), aged 55, graduated from the Fujian Radio and Television University* (福建廣播電視大學) in 1994. Mr. Lu has extensive experience in accounting, marketing, and business management. Prior to joining the Company, Mr. Lu held various positions in Youxi County Agricultural and Mechanical Company* (尤溪縣農業機械公司) from July 1985 to December 1996. From January 1996 to January 2004, Mr. Lu worked in the Xiamen Liangxing Chemical and Industrial Company* (廈門聯星化學工業公司) and was promoted to its associate general manager before he left his employment. In February 2004, Mr. Lu joined Fujian Shenlangxiang Cooking Oil (Group) Company* (福建沈郎鄉食用油(集團)公司) as its associate general manager in sales department and was promoted to general manager of its Fuzhou branch company before he left his employment in May 2008. From June 2008 to June 2014, Mr. Lu was the director of Youxi County People's Government Office in Fuzhou* (尤溪縣人民政府駐福州辦事處). He was the legal representative and general manager of Fujian Xulong Cultural Industry Company Limited* (福建旭隆文化產業有限公司). Mr. Lu was elected as the executive chairman of Youxi Chamber of Fuzhou Commerce* (福州尤溪商會) since June 2012 and the secretary general of Sanming Chamber of Commerce of Fuzhou City* (福州市三明商會) in 2018.

Ms. Jiang Ping (姜萍女士), aged 56, graduated from the Shenyang Industrial College* (瀋陽工業學院) (currently known as Shenyang University of Technology (瀋陽理工大學)) in 1999. Ms. Jiang has over 20 years of experience in accounting, audit and finance management. Prior to joining the Company, Ms. Jiang held various positions in Shenyang First Food Plant* (瀋陽市第一食品廠) from August 1986 to October 1992. From October 1992 to July 1997, Ms. Jiang has worked for the China Chemical & Light Industrial materials Corporation and Shenyang Chemical Joint Company* (中國化工輕工材料總公司瀋陽化工聯合公司), where she was responsible for preparing statistical statements and auditing of product costs. From July 1997 to May 1999, Ms. Jiang held various positions in accounting at Shenyang Food Manufacturing Company Limited* (瀋陽食品釀造有限公司) and was the financial manager before she left her employment. From May 1999 to March 2008, Ms. Jiang worked for Liaoning Huashang Certified Public Accountant Company Limited* (遼寧華商會計師事務所有限責任公司) and was responsible for various auditing duties. Since March 2008, Ms. Jiang held the position of executive director and general manager of Shenyang Linghang Finance and Taxation Company Limited* (瀋陽領航財稅事務有限公司).

Senior Management

Mr. Chow Yiu Wah, Joseph (周耀華先生), aged 61, is the Company Secretary and Chief Financial Officer of the Group, and is responsible for the overall company secretarial, compliance and financial control of the Group. Mr. Chow has over 30 years' experience in the accounting, auditing and company secretarial work. Mr. Chow obtained a Bachelor of degree (Hons) in Accounting from University of Ulster (UK). He is fellow member of the Chartered Association of Certified Accountants, Hong Kong Institute of Certified Public Accountants, Institute of Chartered Accountants in England and Wales and Hong Kong Securities and Investment Institute.

Ms. Zheng Lijuan (鄭麗娟女士), aged 41, is the deputy general manager and division head of the procurement department of the Group and is responsible for the procurement management and control of the Group, cost control and the internal sales, operation and management of the Group's flooring product projects. Ms. Zheng joined the Group in October 2005; during the period from October 2005 to June 2010, Ms. Zheng was the division head of finance of the Group; in March 2010, the division head of the procurement department of the Group; in June 2010, she was promoted as the deputy general manager. Ms. Zheng graduated from Xiamen University (廈門大學) in 1999, majoring in financial accounting and completed the MBA course of Fuzhou University (福州大學) in 2010.



BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Mr. Liao Basheng (廖八生先生), aged 53, is the general manager and the head of manufacturing center of the Group's Fuzhou factory, responsible for conducting and coordinating the Company's overall manufacturing operations. Prior to joining the Group, Mr. Liao employed by a wholly-Taiwanese owned enterprise and has over 26 years of experience in industry production management, and possesses knowledge and skills with respect to quality, techniques, raw materials, operations, equipment, electrical and mechanical matters, and safety practices. He is capable of organizing staff in the production line in the most efficient manner to ensure completion of the production tasks allocated by the Company on schedule in compliance with quality standards. With a comprehensive skill set in organisation, commands giving and coordination, Mr. Liao is capable of solving significant quality and safety issues in the course of production independently, as well as reasonably arranging and allocating the Company's staff in the production line and management personnel in line with corporate development needs and requirements, partaking in discussions over a multitude of corporate management duties with staff members, listening to the staff's diverse opinions along with establishing a myriad of sound rules and regulations.

Mr. Zhu Chaoyang (朱超揚先生), aged 52, is the engineer of the Group's the Fuzhou factory's equipment center and principally responsible for research and development of techniques for the Group's electrical equipment, equipment management and advancing equipment techniques, and has completed the design and installation of a combination of several production lines. With over 23 years of experience in industry technologies, equipment development, and production techniques improvement, Mr. Zhu possesses core knowledge and skills in operations, equipment, electrical and mechanical matters, and safety practices. Mr. Zhu graduated from Zhengzhou University of Light Industry* (鄭州輕工業學院), majoring in household electrical appliances.

Mr. Huang Daohuo (黃道火先生), aged 48, is the deputy director of the Group's product marketing and the head of production scheduling of the Group's Fuzhou factory, mainly responsible for the marketing of new products and the after-sale technical support service of the Group, as well as the management of the production scheduling of the Fuzhou factory. Mr. Huang joined the Group in July 2003 and has 23 years of experience in polymer materials industry.

Ms. Chen Guangxing (陳光星女士), aged 33, is the Vice General Manager of Sijia Industrial Material (Shanghai) Company Limited (the "Shanghai Sijia"). Ms. Chen joined the Group in December 2005 and worked as the Financial Accountant and President's Assistant in the subsidiary of the Group, namely Fujian Sijia Industrial Material Company Limited from December 2005 to August 2012. Ms. Chen worked as the Vice General Manager of Shanghai Sijia since September 2012 and is responsible for overall in charge of purchasing, human resource and warehousing management. Ms. Chen graduated from Tianjin Technology University majoring Financial Accounting.



CORPORATE GOVERNANCE REPORT

The Board of the Company recognises the value and importance of achieving high corporate governance standards to enhance corporate performance, transparency and accountability, earning the confidence of shareholders and the public.

The Board will strive to adhere to the principles of corporate governance and adopt sound corporate governance practices to meet the legal and commercial standards by focusing on areas such as internal control, fair disclosure and accountability to all of its shareholders.

COMPLIANCE WITH CORPORATE GOVERNANCE CODE OF THE LISTING RULES

The Board has established procedures on corporate governance that comply with the requirements of the Corporate Governance Code (the “CG Code”) contained in Appendix 14 to the Listing Rules. The Board has reviewed and taken measures to adopt the CG Code as the Company’s code of corporate governance practices. During the year ended 31 December 2020, the Company has complied with the code provisions under the CG Code.

COMPLIANCE WITH THE MODEL CODE FOR DIRECTORS’ SECURITIES TRANSACTIONS

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 for the year ended 31 December 2020.

THE BOARD

The Board’s primary responsibilities are to oversee the management of the Group, to formulate the Group’s long-term corporate strategy including the formulation and approval of all policy matters, internal control and risk management systems, to evaluate the performance of the Group and to assess the achievement of targets periodically set by the Board.

In addition, the Board has also established Board Committees and has delegated to these Board Committees various responsibilities set out in their terms of reference respectively.

The Board has delegated the authority and responsibility for implementing day-to-day operations, business strategies and management of the Group’s businesses to the executive Directors, senior management and certain specific responsibilities to the Board committees.

CORPORATE GOVERNANCE REPORT

COMPOSITION OF THE BOARD

As at the date of this report, the Board of Directors was chaired by Mr. Lin Shengxiong. There are (i) three executive Directors, namely Mr. Lin Shengxiong, Mr. Huang Wanneng and Mr. Jiang Shisheng, and (ii) three independent non-executive Directors, namely Mr. Lau Chun Pong, Mr. Lu Jiayu and Ms. Jiang Ping.

The name and biographical details of each director are set out in the section of Biographical Details of Directors and Senior Management on pages 16 to 19 of this annual report. All Directors have confirmed that they have taken an active interest in the Company's affairs and obtained a general understanding of its business.

The Directors or senior management have no financial, business, family or other material/relevant relationship with each other. Such balanced board composition is formed to ensure strong independence in the Board.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

The roles of the Chairman and the Chief Executive Officer have been performed by Mr. Lin Shengxiong. With Mr. Lin's extensive experience in reinforced materials markets, he is responsible for the overall strategic planning and business development of the Group. The Board considers that vesting both of the roles of Chairman and Chief Executive Officer with Mr. Lin is beneficial to the business prospects and management of the Group. The balance of power and authorities is ensured by the operation of the senior management and the Board, which comprises experienced and high caliber individuals. The Board currently comprises 3 executive directors and 3 independent non-executive directors and therefore has a strong independence element in its composition.

APPOINTMENTS, RE-ELECTION AND REMOVAL OF DIRECTORS

No Director proposed for re-election at the forthcoming AGM has a service contract with the Company which is not terminable by the Company within one year without payment of compensation, other than normal statutory compensation.

Each of the executive Directors and independent non-executive Directors has entered into a service contract with the Company for a specific term. Such term is subject to his re-appointment by the Company at an annual general meeting (the "AGM") upon retirement. The articles of association of the Company provide that any Director appointed by the Board, (i) to fill a casual vacancy in the Board, shall hold office only until the next following general meeting of the Company and shall be subject to re-election at such meeting and (ii) as an addition to the Board shall hold office until the next AGM of the Company and shall then be eligible for re-election.



CORPORATE GOVERNANCE REPORT

RESPONSIBILITIES OF THE DIRECTORS

The Board should assume responsibility for leadership and control of the Company; and is collectively responsible for directing and supervising the Company's affairs.

The Board directly, and indirectly through its committees, leads and provides direction to management by laying down strategies and overseeing their implementation, monitors the Group's operational and financial performance, and ensures that sound internal control and risk management systems are in place.

All Directors, including the non-executive Director and the independent non-executive Directors, have brought a wide spectrum of valuable business experience, knowledge and professionalism to the Board for its efficient and effective functioning. Through active participation at Board meetings, taking the lead in managing issues involving potential conflict of interest and serving on Board committees, all non-executive Directors (including the independent non-executive Directors) make various contributions to the effective direction of the Company.

The independent non-executive Directors are responsible for ensuring a high standard of regulatory reporting of the Company and providing a balance in the Board for bringing effective independent judgement on corporate actions and operations.

All Directors have full and timely access to all the information of the Company and may, upon request, seek independent professional advice in appropriate circumstances, at the Company's expenses for discharging their duties to the Company.

All Directors carry out duties in good faith, in compliance with applicable laws and regulations, and in the interests of the Company and the Shareholders at all times.

The Directors shall disclose to the Company details of other offices held by them.



CORPORATE GOVERNANCE REPORT

The Board reserves for its decision all major matters relating to policy matters, strategies and budgets, internal control and risk management, material transactions (in particular those that may involve conflict of interests), financial information, appointment of directors and other significant operational matters of the Company. Responsibilities relating to implementing decisions of the Board, directing and co-ordinating the daily operation and management of the Company are delegated to the management.

The Board has clearly set out the circumstances under which the management should report to and obtain prior approval from the Board before making decisions or entering into any commitments on behalf of the Company. The Board regularly reviews the above said circumstances and ensures they remain appropriate.

If any Substantial Shareholder or Director has a potential conflict of interest in a matter to be considered by a general meeting or the Board, the relevant Directors shall abstain from voting and a Board meeting attended by independent non-executive Directors who have no material interest in the matter shall be held to discuss and vote on the same. Save as disclosed above, there are no relationships (including financial, business, family or other material/relevant relationship(s)) among the Board members.

The Company has arranged appropriate insurance coverage on Directors' and officers' liabilities in respect of any legal actions taken against Directors and senior management arising out of corporate activities. The insurance coverage would be reviewed on an annual basis.

The Board, as supported by the Audit Committee as well as the management report and the internal audit findings, reviewed the risk management and internal control systems, including the financial, operational and compliance controls, for the year ended 31 December 2020, and considered that such systems are effective and adequate. The annual review also covered the financial reporting and internal audit function and staff qualifications, experiences and relevant resources.

The Company has developed its disclosure policy which provides a general guide to the Company's Directors, senior management and relevant employees in handling confidential information, monitoring information disclosure and responding to enquiries.



CORPORATE GOVERNANCE REPORT

INDEPENDENT NON-EXECUTIVE DIRECTORS

Independent non-executive Directors (the “INED(s)”) play a significant role in the Board by virtue of their independent judgment and their views carry significant weight in the Board’s decision. In particular, they bring an impartial view to bear on issues of the Company’s strategy, performance and control. All independent non-executive Directors possess extensive academic, professional and industry expertise and management experience and have provided their professional advices to the Board.

The Board also considers that the INEDs can provide independent advice on the Company’s business strategy, results and management so that all interests of shareholders can be taken into account, and the interests of the Company and its shareholders can be protected.

All of the INEDs are appointed for a term of 3 years and are subject to retirement by rotation and re-election in accordance with the articles of association of the Company.

During the year of 2020, the Board at all times met the requirements of Rule 3.10(1) and Rule 3.10(2) of the Listing Rules relating to the appointment of at least three INEDs with at least one INED possessing appropriate professional qualifications, or accounting or related financial management expertise. In compliance with Rule 3.10A of the Listing Rules, the INEDs represented at least one-third of the Board throughout the year ended 31 December 2020.

The Company has received an annual written confirmation from each INED of his independence pursuant to the requirements of Rule 3.13 of the Listing Rules, which confirmed to the Company that he has met the independence guidelines set out in the Listing Rules. And the Company also considers that they are independent.

CORPORATE GOVERNANCE REPORT

BOARD DIVERSITY POLICY

The Company adopted a Board Diversity Policy (the “Diversity Policy”) which became effective in September 2013. The Company seeks to achieve board diversity through the consideration of a number of factors in the Board members’ selection process, including but not limited to gender, age, culture and education, ethnicity, professional experience, skills, knowledge and length of service. All Board appointments are based on merits, and the selection of candidates will be considered against objective criteria, having due regard for the benefits of diversity on the Board.

Nomination committee will review the Board Diversity Policy, as appropriate, to ensure its effectiveness from time to time, and propose to the Board for amendments when necessary.

DIRECTORS’ TRAINING AND PROFESSIONAL DEVELOPMENT

Each newly appointed Director receives an induction package from the Company’s legal advisor on the first occasion of his/her appointment. This induction package is a comprehensive, formal and tailored induction of the responsibilities and on-going obligations to be performed by a director pursuant to the Companies Ordinance, Listing Rules and Securities and Futures Ordinance.

During the year, all the Directors had reviewed the regular business and financial updates and other reading materials concerning latest developments in corporate governance practices and relevant legal and regulatory developments, that provided to them by the Company. Besides, the Company will arrange and fund suitable training for directors in order to develop and refresh their knowledge and skills.

Executive directors

Mr. Lin Shengxiong	B,C
Mr. Huang Wanneng	B,C
Mr. Jiang Shisheng	B,C

Independent non-executive directors

Mr. Lau Chun Pong	A,B,C
Mr. Lu Jiayu	B,C
Ms. Jiang Ping	B,C

- A: attending seminars/meetings/forums/conferences/courses/workshops organized by professional bodies or regulatory bodies
- B: reading journals/newsletters/seminar materials/publications/magazines
- C: reading memoranda issued or materials provided by the Company

CORPORATE GOVERNANCE REPORT

BOARD MEETINGS/GENERAL MEETINGS

The Board meets regularly to discuss the overall strategy as well as operation and financial performance of the Group, and to review and approve the Group's annual and interim results and other matters. Notice, agenda and Board papers of Board and committee meetings are served to all Directors prior to the meeting in accordance with the Company's Articles of Association and the CG Code requirement (except under emergency situation). Extraordinary and Annual General Meeting schedules and draft agenda are made available to the Directors in advance. Details of attendance of Directors at the meetings of the Board, Remuneration Committee, Audit Committee, Nomination Committee, Extraordinary and Annual General Meeting are set out in the table below:

	Board Meeting	Audit Committee Meeting	Remuneration Committee Meeting	Nomination Committee Meeting	Annual General Meeting
Number of meetings held for the year ended 31 December 2020	4	2	1	1	1
<i>Executive Directors</i>					
Mr. Lin Shengxiong	4	N/A	1	N/A	1
Mr. Huang Wanneng	4	N/A	N/A	N/A	1
Mr. Jiang Shisheng	4	N/A	N/A	N/A	1
<i>Independent non-executive Directors</i>					
Mr. Lau Chun Pong	2	2	1	1	1
Mr. Lu Jiayu	2	2	1	1	1
Ms. Jiang Ping	2	2	1	1	1

All Directors are provided with notice and agenda of meeting at least 14 days in advance, while relevant materials relating to the matters brought before the meetings at least three days in advance. All Directors have access to the relevant and timely information, and they can ask for further information or retain independent professional advisors if necessary. They also have access to the advice and services of our Company Secretary, who is responsible for providing Directors with Board papers and related materials and ensuring that Board procedures are followed. Where queries are raised by Directors, steps would be taken to respond as promptly and fully as possible. All Directors have the opportunity to include matters in the agenda for Board meetings. Reasonable notices of Board meetings are given to the Directors and Board procedures complied with the Articles of Association of the Company, as well as relevant rules and regulations.



CORPORATE GOVERNANCE REPORT

CONFLICT OF INTEREST

If a Director has a conflict of interest in relation to a transaction or proposal to be considered by the Board, such Director is required to declare his interest and to abstain from voting. The matter is considered at a Board meeting attended by Directors who have no material interest in the transaction.

BOARD COMMITTEES

The Board has established Audit Committee, Remuneration Committee and Nomination Committee (collectively “Board Committees”) with defined terms of reference. The terms of reference of the Board Committees are available upon request. The Board Committees are provided with sufficient resources to discharge their duties and, upon reasonable request, are able to seek independent professional advice in appropriate circumstances, at the Company’s expenses.

AUDIT COMMITTEE

The Audit Committee comprises three INEDs, namely Mr. Lau Chun Pong (Chairman), Mr. Lu Jiayu and Ms. Jiang Ping. No member of Audit Committee is a member or existing auditor of the Company.

The Audit Committee was responsible for, amongst other things, overseeing the relationship with the external auditors, to review the Group’s interim and annual results, to review the scope, extent and effectiveness of the system of internal control and risk management of the Group, to review accounting policies and practices adopted by the Group, to engage independent legal or other advisers as it determines is necessary and to perform investigations. The full terms of reference setting out details of duties of the Audit Committee is available on the Company’s website.

The Audit Committee is satisfied with their review of the auditors’ remuneration, the independence of the auditor, ZHONGHUI ANDA CPA Limited, and recommended the Board to re-appoint ZHONGHUI ANDA CPA Limited as the Company’s auditor in the financial year ending 31 December 2020, which is subject to the approval of shareholders at the forthcoming AGM. The Audit Committee has reviewed the Group’s interim and annual consolidated financial statements and reports for the year of 2019, risk management and internal control system of the Group.

According to the current terms of reference, meetings of the Audit Committee shall be held at least twice a year. Details of the number of Audit Committee meetings held and Directors’ attendance are set out in the section headed “BOARD MEETINGS/GENERAL MEETINGS” on page 26 of this annual report.

CORPORATE GOVERNANCE REPORT

REMUNERATION COMMITTEE

The Remuneration Committee comprises three INEDs, namely Mr. Lu Jiayu (Chairman), Mr. Lau Chun Pong and Ms. Jiang Ping and one executive Director, namely Mr. Lin Shenxiong.

The primary duties of the Remuneration Committee include (but not limited to): (a) ongoing review of the Group's overall remuneration policies and structure; (b) making recommendations to the Board on the administration of fair and transparent procedures for setting policies on the remuneration of directors and senior management; (c) reviewing and approving management's remuneration proposals with reference to the Board's corporate goals and objectives; and (d) reviewing and approving compensation payable to executive directors and senior management for any loss or termination of office. The full terms of reference setting out details of duties of the Remuneration Committee is available on the Company's website.

The Remuneration Committee determines Directors' remuneration by reference to the benchmarking of the market. The Company also looks into individual Director's competence, duties, responsibilities, performance and the results of the Group in determining the exact level of remuneration for each Director.

Pursuant to the terms of reference of the Remuneration Committee, meeting shall be held at least once a year.

Details of the number of Remuneration Committee meetings held and Directors' attendance are set out in the section headed "BOARD MEETINGS/GENERAL MEETINGS" on page 26 of this annual report.

For the year ended 31 December 2020, the remuneration of members of senior management by band is set out below:

Band of remuneration	Number of Individual
Nil to RMB1,000,000	14

NOMINATION COMMITTEE

The Nomination Committee comprises three INEDs, namely Ms. Jiang Ping (Chairman), Mr. Lau Chun Pong and Mr. Lu Jiayu.

The primary duties of the Nomination Committee include (but not limited to): (a) Reviewing the Directors' overall performance; (b) Making recommendations to the Board on the administration of fair and transparent procedures for making policies on the selection of individuals nominated for directorship according to the nomination procedures; (c) Assessing the independence of independent non-executive Directors according to the requirements under the Listing Rules; and (d) Making recommendations to the Board on relevant matters related to the appointment or re-appointment of Directors and succession plan for Directors.

CORPORATE GOVERNANCE REPORT

NOMINATION POLICY

The Board has adopted the following policies for the nomination of directors.

Selection Criteria

In determining the suitability of a candidate, the Nomination Committee and the Board shall consider the potential contributions that a candidate can bring to the Board and/or the Group. The Nomination Committee would consider a candidate in terms of qualifications, skills, experience, independence and other factors. The following shows a non-exhaustive list of selection criteria:

- the candidate's race, reputation, character and integrity;
- the candidate's qualifications, skills, knowledge, business judgment and experience which are relevant to the operations of the Group;
- the relevant factors set out in the Board Diversity Policy (as amended from time to time);

Nomination Procedures

The evaluation, recommendation, nomination, selection and appointment or re-appointment of each proposed Director shall be assessed and considered by the Nomination Committee and the Board against the Selection Criteria and the Board Diversity Policy.

In the context of appointment of any proposed candidate to the Board:

- the Nomination Committee may take such measures that it considers appropriate in connection with its identification and evaluation of candidates, including referrals from the Directors, shareholders, management, advisors of the Company;
- the Nomination Committee shall identify and ascertain the character, qualification, knowledge and experience of the candidate and perform adequate due diligence in respect of such candidate; and
- the Nomination Committee shall make recommendations by submitting the candidate's personal profile to the Board for its consideration.

Board Diversity Policy

The Board has adopted the Board diversity policy. The Board aims to achieve the measurable objectives by, among others, striking for the appropriate balance of gender with reference to stakeholders' expectations. During 2020, the Board comprise 5 male and 1 female directors. Details of the Board diversity policy are set out in the section headed "BOARD DIVERSITY POLICY" on page 25 of this annual report.



CORPORATE GOVERNANCE REPORT

The full terms of reference setting out details of the authority, duties and responsibilities of the Nomination Committee is available on the Company's website. Pursuant to the terms of reference of the Nomination Committee, meeting shall be held at least once a year.

The Nomination Committee has reviewed the structure, size and composition of the Board and the Board diversity policy as well as discussing matters regarding the retirement and re-election of Directors.

Details of the number of Nomination Committee meetings held and Directors' attendance are set out in the section headed "BOARD MEETINGS/GENERAL MEETINGS" on page 26 of this annual report.

CORPORATE GOVERNANCE FUNCTIONS

The Board is responsible for determining the policy for the corporate governance of the Company and performing its corporate governance duties as set out below:

- i Develop and review the Company's policies and practices on corporate governance and make recommendations to the Board;
- ii Review and monitor the training and continuous professional development of Directors and senior management;
- iii Review and monitor the Company's policies and practices on compliance with all legal and regulatory requirements;
- iv Develop, review and monitor the code of conduct and compliance manual applicable to the employees and directors; and
- v Review the Company's compliance with the code of corporate governance and disclosure requirements in the Corporate Governance Report.

During the year, the Board continued to adopt its Corporate Governance Handbook which is comprised of, inter alia, continuous disclosure policies, securities dealings policies, whistle-blowing policies, shareholders' communication policies as well as terms of reference of the board committees and the charter for internal audit.



CORPORATE GOVERNANCE REPORT

RESPONSIBILITIES IN PREPARING THE FINANCIAL STATEMENTS

The Board is responsible for presenting a balanced, clear and understandable assessment of annual and interim reports, inside information announcements and other disclosures required under the Listing Rules and other regulatory requirements.

The Directors acknowledge their responsibilities for preparing the financial statements of the Company and the Group for the year ended 31 December 2020.

The scope of work and responsibilities of ZHONGHUI ANDA CPA Limited, as the Company's external auditor, are stated in the section entitled "Independent Auditor's Report" in this annual report.

RISK MANAGEMENT AND INTERNAL CONTROL

The Board recognizes its responsibility to ensure the Company maintains a sound and effective risk management and internal control system. The Group's internal control system is designed to safeguard assets against misappropriation and unauthorized disposition and to manage operational risks. Review of the Group's internal control is conducted by the internal audit department annually, covering major financial, operational and compliance controls, as well as risk management functions. The controls built into the risk management system are intended to manage, not eliminate, significant risks in the Group's business environment. The last internal control review was conducted in 2020 and the internal audit department examined the internal control policies and measures for the year ended 31 December 2020.

The Group's risk management framework includes the following elements:

- identify significant risks in the Group's operation environment and evaluate the impacts of those risks on the Group's business;
- develop necessary measures to manage those risks;
- monitor and review the effectiveness of such measures.

The implementation of risk management framework of the Group was assisted by the Group's internal audit department so that the Group could ensure new and emerging risks relevant to the Group's operation are promptly identified by management, assess the adequacy of action plans to manage these risks and monitor and evaluate the effectiveness of the action plans. These are on-going processes and our Audit Committee reviews periodically the Group's risk management systems.



CORPORATE GOVERNANCE REPORT

Audit committee reported to the Board the implementation of the Group's risk management and internal control policy which, among other things, included the determination of risk factors, evaluation of risk level the Group could take and effectiveness of risk management measures. Based on the review reports from the Group's internal control department and the Audit Committee, the Board concluded that the Group's risk management and internal control system is adequate and effective and the Group has complied with the provisions on risk management and internal controls as set out in the CG code.

The review of the risk management and internal control systems of the Group is an ongoing process and the Board maintain a continuing commitment to the Group's control environment and processes.

WHISTLEBLOWING POLICY FOR EMPLOYEES TO RAISE CONCERNS ABOUT POSSIBLE IMPROPRIETIES

The Company is committed to achieving and maintaining the highest standards of openness, probity and accountability. The Company's employees at all levels should conduct themselves with integrity, impartiality and honesty.

The Board has adopted a Whistleblowing Policy to govern and deal with fairly and properly concerns raised by the Company's employees about any suspected misconduct or malpractice regarding financial reporting, internal control or other matters within the Company.

The Audit Committee of the Company shall review regularly the policy and ensure that arrangements are in place for fair and independent investigation of these matters and for appropriate follow-up action.

LISTING RULES COMPLIANCE

Throughout the year, the Group has fully complied with the Listing Rules requirements. Financial Reports, announcements and circulars have been prepared and published in accordance with the requirements of the Listing Rules.

CORPORATE GOVERNANCE REPORT

AUDITOR'S REMUNERATION

Audit Committee of the Company reviews the terms of appointment of the external auditor each year. The review includes their independence, the scope of their audit, their audit fees, and the scope and professional fees for any non-audit services. For the year ended 31 December 2020, services provided to the Company by its external auditor and the respective fees paid were:

Services rendered	Fee paid/ payable <i>HK\$'000</i>
Audit of financial statements	1,450
Other non-audit services	
— Review of the 2020 interim results	180
	<hr/> 1,630

COMPANY SECRETARY

The Company Secretary of the Company during the year was Mr. Chow Yiu Wah, Joseph ("Mr. Chow").

The biographical details of Mr. Chow, are set out in the section headed "Biographical Details of Directors and Senior Management" of this annual report. Mr. Chow took not less than 15 hours of relevant professional training during the year ended 31 December 2020 as required by the Listing Rules.

COMMUNICATION WITH SHAREHOLDERS

The Board recognizes the importance of good communication with Shareholders and highly respects the Shareholders' right to express their view and appreciates their suggestions to the Company.

The Company uses a number of formal communication channels to deliver the information to Shareholders in a timely manner for assuring the Shareholders are kept well informed of the Company's key business imperatives. These include general meetings, interim and annual reports, various announcements and circulars. The Company's website offers a communication channel between the Company and the Shareholders as the website be updated with published information of the Group.

CORPORATE GOVERNANCE REPORT

VOTING BY POLL

AGM proceedings are reviewed from time to time to ensure that the Company follows best corporate governance practices. The notice of AGM is distributed to all shareholders at least 21 days prior to the AGM and the accompanying circular also sets out details of each proposed resolution and other relevant information as required under the Listing Rules. The chairman of the AGM exercises his power under the Articles of Association of the Company to put each proposed resolution to the vote by way of a poll. The procedures for demanding and conducting a poll are explained at the beginning of the meeting. Voting results are posted on our Group's website on the day of the AGM.

The Company will invite representatives of the external auditors to attend the AGM to answer shareholders' questions about the conduct of the audit, the preparation and content of the auditors' report, the accounting policies and auditors' independence.

SHAREHOLDERS' RIGHTS

1. Procedures for Shareholders to Convene an Extraordinary General Meeting

Pursuant to Article 58 of the Articles of Association of the Company extraordinary general meetings shall be convened on the requisition of one or more shareholders holding, at the date of deposit of the requisition, not less than one-tenth of the paid up capital of the Company having the right of voting at general meetings. Such requisition shall be made in writing to the Board or the Company secretary of the Company for the purpose of requiring an extraordinary general meeting to be called by the Board for the transaction of any business specified in such requisition. Such meeting shall be held within two months after the deposit of such requisition. If within 21 days of such deposit, the Board fails to proceed to convene such meeting, the requisitionist(s) himself/herself (themselves) may do so in the same manner, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed to the requisitionist(s) by the Company.

2. Procedures for Raising Enquiries

Shareholders may direct their queries about their shareholdings, share transfer, registration and payment of dividend to the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, and its contact details are set out on page 2 of this annual report under the section headed "Corporate Information".

CORPORATE GOVERNANCE REPORT

3. Procedures for Putting Forward Proposals at Shareholders' Meetings

i. Proposal for Election of a Person Other than a Director as a Director:

According to Article 85 of the Articles of Association of the Company, no person other than a Director retiring at the meeting shall, unless recommended by the Directors for election, be eligible for election as a Director at any general meeting unless a notice signed by a shareholder of the Company (other than the person to be proposed) duly qualified to attend and vote at the meeting for which such notice is given of his intention to propose such person for election and also a notice signed by the person to be proposed of his willingness to be elected shall have been lodged at the head office of the Company in Hong Kong or at the Company's branch share registrar in Hong Kong provided that the minimum length of the period, during which such notice(s) are given, shall be at least seven (7) days and that (if the notices are submitted after the despatch of the notice of the general meeting appointed for such election) the period for lodgment of such notice(s) shall commence on the day after the despatch of the notice of the general meeting appointed for such election and end no later than seven (7) days prior to the date of such general meeting.

ii. Other Proposals:

If a shareholder wishes to make other proposals (the "Proposal(s)") at a general meeting, he/she may lodge a written request, duly signed, at the head office of the Company in Hong Kong marked for the attention of the Company Secretary of the Company. Details of the Company's head office are set out on page 2 of this annual report under the section headed "Corporate Information".

The identity of such shareholder and his/her request will be verified with the Company's branch share registrar in Hong Kong and upon confirmation by the share registrar that the request is proper and in order, and is made by a shareholder of the Company, the Board will in its sole discretion decide whether the Proposal may be included in the agenda for the general meeting to be set out in the notice of meeting.

The notice period to be given to all the shareholders for consideration of the Proposal raised by the shareholder concerned at the general meeting varies according to the nature of the Proposal as follows:

1. Notice of not less than 21 clear days and not less than 20 clear business days in writing if the Proposal requires approval in an annual general meeting of the Company;
2. Notice of not less than 21 clear days and not less than 10 clear business days in writing if the Proposal requires approval by way of a special resolution in an extraordinary general meeting of the Company;
3. Notice of not less than 14 clear days and not less than 10 clear business days in writing if the Proposal requires approval by way of an ordinary resolution in an extraordinary general meeting of the Company.



CORPORATE GOVERNANCE REPORT

CONSTITUTIONAL DOCUMENTS

During the year ended 31 December 2020, there was no change in the Memorandum and Articles of Association of the Company.

The amended and restated Memorandum and Articles of Association of the Company are available on the website of the Stock Exchange and the website of the Company.

DIVIDEND POLICY

The Company intends to strike a balance between maintaining sufficient capital to develop and operate the business of the Group and rewarding the shareholders of the Company. According to the Dividend Policy, in deciding whether to propose a dividend and in determining the dividend amount, the Board shall take into account, inter alia, the following factors:

- the Company's operating results, actual and expected financial performance;
- retained earnings and distributable reserves of the Company and each of the members of the Group;
- the level of the Group's debts to equity ratio, return on equity and the relevant financial covenants;
- any restrictions on payment of dividends that may be imposed by the Group's lenders;
- the Group's expected working capital requirements, capital expenditure requirements and future expansion plans;
- the Group's liquidity position;
- general economic conditions, business cycle of the Group's business and other internal and external factors that may have an impact on the business or financial performance and position of the Company; and
- any other factors that the Board may deem appropriate and relevant.

Such declaration and payment of the dividend by the Company is also subject to any restrictions under the Companies Laws of the Cayman Islands, any applicable laws, rule and regulations and the Articles of Association of the Company.

Any declaration and payment of future dividend under the dividend policy are subject to the Board's determination that the same would be in best interests of the Group and the Shareholders as a whole. The Board will review the dividend policy from time to time and may exercise at its sole and absolute discretion to update, amend and/or modify the dividend policy at any time as it deems fit and necessary.



CORPORATE GOVERNANCE REPORT

PUTTING FORWARD ENQUIRIES TO THE BOARD

For putting forward any enquiries to the Board of the Company, Shareholders may send written enquiries to the Company. The Company will not normally deal with verbal or anonymous enquiries.

CONTACT DETAILS

Shareholders may send their enquiries or requests as mentioned above to the following:

Address: Room 617, 6/F., Seapower Tower, Concordia Plaza, 1 Science Museum Road, Tsimshatsui East, Kowloon, Hong Kong
(For the attention of the Board of Directors/Company Secretary)

Telephone: (852) 2477 3799

Fax: (852) 2477 9969

Email: ir@chinalongevity.hk

For the avoidance of doubt, Shareholders must deposit and send the original duly signed written requisition, notice or statement, or enquiry (as the case may be) to the above address and provide their full name, contact details and identification in order to give effect thereto. Shareholders' information may be disclosed as required by law.



ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

ABOUT THIS REPORT

This report is the “Environmental, Social and Governance Report” issued by China Longevity Group Company Limited (the “Company”) and its subsidiaries (the “Group”), aiming to enhance stakeholders’ understanding of the Company’s sustainable development strategies and environmental and social performance. The Board of the Company has reviewed this report and confirmed its accuracy, authenticity and completeness.

REPORTING GUIDELINE

This report is prepared in accordance with the requirement of the Environmental, Social and Governance Reporting Guide set out in Appendix 27 of the Listing Rules, as well as the actual condition of the Company. Upon review of the Company’s corporate governance practice, the Board confirms that it was in line with the provisions of the Corporate Governance Code set forth in Appendix 14 to the Listing Rules throughout the financial year ended 31 December 2020.

SCOPE OF THE REPORT

This report discloses the Group’s environmental and social performance for the period from 1 January 2020 to 31 December 2020, covering the the Group’s business operation. For the disclosure of all indicators in the report, please refer to the content index at the end of this report.

POLICY ON SUSTAINABLE CONTROL

The Group is principally engaged in the research and development, manufacturing and sales of new material products and extended products, eco-friendly flooring products, in the PRC. Due to the environmental performance and a wide range of applications, the Group’s customers come from 18 sectors in more than 100 countries and regions around the world.

As a socially responsible corporate citizen, the Group adopts a sustainable business model that effectively manages the impact of related sustainability issues through the implementation of environmental, social and governance practices, bringing a positive impact on the key stakeholders, including employees, suppliers, customers and the community.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Stakeholder Engagement

The Group has a wide range of stakeholders, including shareholders, investors, employees, customers, suppliers, government and communities. We maintain constant communication with stakeholders via different channels and platforms. The communication channels with the stakeholders and their concerns are as follows:

Stakeholders	Key concerns	Channels
Investors/Shareholders	<ul style="list-style-type: none"> • Corporate governance • Risk management • Operations and Strategies • Anti-corruption 	<ul style="list-style-type: none"> • General meeting of shareholders • Company's report
Employee	<ul style="list-style-type: none"> • Employee benefits • Development and training • Occupational health and safety 	<ul style="list-style-type: none"> • Meetings • Training • Reporting channel
Customer	<ul style="list-style-type: none"> • Product responsibility • Data privacy 	<ul style="list-style-type: none"> • Grievance channel
Suppliers	<ul style="list-style-type: none"> • Product and service quality • Business ethics 	<ul style="list-style-type: none"> • Regular meetings
Government	<ul style="list-style-type: none"> • Operational Compliant • Business ethics 	<ul style="list-style-type: none"> • Compliant with laws and regulations • Response to government policies
Community	<ul style="list-style-type: none"> • Care for Community • Community communication and development 	<ul style="list-style-type: none"> • Education, donation and poverty alleviation • Village-enterprise cooperation • Participating in volunteering services

ENVIRONMENTAL MANAGEMENT

The Group understands the importance of environmental protection. We are committed to minimising impact of our operations on the environment and strictly abide by national and regional environmental laws and regulations, including but not limited to the Environmental Protection Law of the People's Republic of China (《中華人民共和國環境保護法》), the Water Pollution Prevention and Control Law of the People's Republic of China (《中華人民共和國水污染防治法》) and the Law of the People's Republic of China on the Prevention and Control of Environmental Pollution by Solid Waste (《中華人民共和國固體廢物污染環境防治法》). During the reporting period, the Group was not aware of any violation of relevant laws and regulations that have a significant impact on the Group relating to air and greenhouse gas emissions, discharges into water and land, and the generation of hazardous and non-hazardous waste.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

USE OF RESOURCES

The Group's operations involved the use of water, electricity, petrol, diesel, biomass fuel and natural gas.

The Group's total water consumption during the year was 42,667 cubic meters (m³). We do not have any issues in sourcing water that is fit for purpose.

Packaging materials used for finished products of the Group include carton, PE film, waterproof braided belt and paper tube.

Energy and Fuel Consumption

Category of Resources	Consumption in 2020	Unit	Density (\$'000 in revenue per unit)
Water	42,667.0	cubic meter	0.6842
Electricity	2,396.7	0'000 kWh	0.0384
Petrol	13,420.0	liter	0.2152
Diesel	20,670.0	liter	0.3314
Biomass fuel	7,653.0	tonne	0.1227
Natural gas	85.0	0'000 cubic meter	0.0014

Use of Packaging Materials

Category of Packaging Materials	Usage in 2020	Unit	Density (\$'000 in revenue per unit)
Carton	325.2	tonne	0.0052
PE film	37.7	tonne	0.0006
Waterproof braided belt	91.9	tonne	0.0015
Paper tube	1,036.0	tonne	0.0166
Total:	1,490.8	tonne	

Emissions

The Group's emissions include emissions from industrial production, industrial waste-water, and domestic waste-water discharged from employee's daily life, as well as emissions from the use of petrol by vehicles.

We strictly monitors the discharge of waste generated in the production process, regularly arranges environmental protection authorities in their respective jurisdictions or professional testing institutions designated by environmental protection departments to examine the soot, noise, exhaust gases and domestic waste-water.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT



Greenhouse Gas Emissions

Category of Emissions	2020	Unit	Density (\$0'000 in revenue per unit)
Particulates	1,208.9	Kg	0.0194
Sulfur dioxide	4,500.3	Kg	0.0722
Nitrogen oxides	3,500.9	Kg	0.0561
Non-methane total hydrocarbon	8,190.0	Kg	0.1313
Vehicle sulfur oxide	186.0	Kg	0.0030
Vehicle ammonia nitride	2,920.7	Kg	0.0468

Discharge of Wastewater

Category of Emissions	Discharge in 2020	Unit	Density (\$0'000 in revenue per unit)
Wastewater	3,050.0	tonne	0.0489
COD	510.5	Kg	0.0082

Noise Emissions

Day≤65dB (A), Night≤55dB (A).

Wastes

Category of Sources	Output in 2020	Unit	Density (\$0'000 in revenue per unit)
Waste mineral oil	500.0	Kg	0.0130
Empty oil drum	6,150.0	Kg	0.0517

EMISSION COMPLIANCE ANALYSIS

Boiler flue gas

The boiler flue gas monitoring is carried out by a third-party assessment body. The assessment results show that the emission after bag dust removal and "SNCR+SCR" denitrification, are in accordance with the special emission limit of atmospheric pollutants specified in table 3 of "Emission Standard of Air Pollutants for Boiler" (GB13271-2014).

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT



Organic Exhaust Gas

Through the assessment of the workshop exhaust cylinder by a third-party assessment body, the results show that after the organic exhaust gas is treated by the flue gas electrostatic purification recovery device, the total emission concentration and emission rate of non-methane hydrocarbon are in accordance with the level two standard in table 2 of "Integrated Emission Standard of Air Pollutants" (GB16297-1996).

Domestic Sewage

The wastewater of the Group's production base consists of domestic sewage, non-productive process wastewater discharge, as well as circulating cooling water cycle usage. After the treatment of domestic sewage by septic tanks to meet the level three standard of in table 4 of "Integrated wastewater discharge standard" (GB8978-1996), the ammonia nitrogen content reaches the B level standard in table 1 of "Wastewater Quality Standards For Discharge To Municipal Sewers" (GB/T 31962-2015), and domestic sewage is back into the municipal sewage pipe network and subsequently enters the town sewage treatment plant for further treatment.

Circulating Cooling Water

The cooling water produced by the Group's production bases mainly comes from the roller cooling process. The cooled water from the cooling water tower flows into the cistern, then runs through the pumps to the cooling rollers of each production equipment. Subsequently after roller-cooling, the used water flows back to the cooling tower to continue the cycle of cooling water usage.

Noise

The noise assessment within the factory area is carried out by a third-party assessment body, and the results show that: the noise in the factory area conforms to the types 3 of "Emission Standard for Industrial Enterprises Noise at Boundary" (GB12348-2008), which is equivalent to $\leq 65\text{dB (A)}$ during day-time and $\leq 55\text{dB (A)}$ during night-time.

Biomass Ash

The Group provided all the biomass ashes arising from the operation to the people living around the factory area, allowing the villagers to use biomass ashes in agriculture, forestry and plantation or as a soil fertilizer in a sustainable manner. This can not only reduce the use of synthetic fertilizers to maintain balanced soil nutrition or increase the soil nutrient elements, but also minimize mineral loss, thereby realizing a truly sustainable development in terms of the recycling of the nutrients and biomass energy.



ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Solid Waste

The solid waste of Group's production bases includes hazardous waste, general industrial solid waste and domestic waste. Hazardous waste includes mineral oil, oil barrels; general industrial solid waste includes material and domestic waste. The Company entrusts qualified third-party companies for the disposal of mineral oil, while oil barrels are recovered by the manufacturers. The environmental and hygiene authorities are commissioned for the clearance domestic waste, while material waste is recycled for further use. Hazardous waste treatment and disposal is broadly in line with the requirements in "Standard for Pollution Control on Hazardous Waste Storage" (GB18597-2001, with revisions in 2013), while the general solid waste disposal is basically in line with the requirements in "Standard for Pollution on The Storage and Disposal Site for General Industrial Solid Wastes" (GB18599-2001, with revisions in 2013).

Energy Saving and Emission Reduction

The Group is committed to maintaining a high level of environmental protection through continuing improvement in production and equipment special, and measures for energy saving and emission reduction. The Group strives to achieve the coordinated development of economic benefits, social benefits and environmental protection benefits of enterprises by improving its comprehensive utilization of resources, reducing its pollutant emission concentration and total volume, and implementing energy saving and emission reduction incentives.

In order to further promote energy management and emission reduction, the Group planned to launch a micro photovoltaic power station for trial in our Fuzhou factory to reduce the annual electricity consumption by 1/24; and planned to apply natural gas to reduce particulates and reduce the annual electricity consumption by 1/20.

In addition, the Group vigorously supports, promotes the green office plan and implements paper recycling measures to reduce the great paper consumption in offices. Paper recycling boxes are placed beside printers to facilitate recycling. The used toner cartridges as well as scrap consumables and accessories will also be recycled and disposed of by qualified third party to reduce general wastes. Moreover, as the energy saving measures in offices, the air conditioners are available in designated period for the Group's offices of the Group, turned to the minimum temperature and turned off when they are not used; and LED lighting is used in the office to reduce unnecessary energy consumption. The green office plan will help the Group's staff to foster the environmental awareness and habit of energy and water conservation to jointly build a green work place.

TALENT MANAGEMENT

Employment Policy and Labour Standards

The Group regards human resources as its most important capital. We are committed to maintaining good labour relations with employees by adopting the best social practices. We strictly abide by the Labour Contract Law of the People's Republic of China (《中華人民共和國勞動合同法》), the Labour Contract Law of the People's Republic of China (《中華人民共和國勞動合同法》) and the Social Insurance Law of the People's Republic of China (《中華人民共和國社會保險法》). During the year, the Group was not aware of any violation of relevant laws and regulations that have a significant impact on the Group related to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunities, diversity, antidiscrimination, and other benefits and welfare.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

As an employer who advocate equal opportunities, we respect and accept our employees of diverse backgrounds and ensure that employees enjoy equal opportunities, regardless of gender, age, race, religion, social class, marital status, disability or political background. We do not tolerate any form of discrimination or harassment against our employees. All cases of discrimination and harassment are carefully investigated and appropriate actions are taken as appropriate at the Group.

According to the Provisions on the Prohibition of Using Child Labour, the Group ensures that our suppliers do not have forced labour or child labour during their operation process. During the reporting period, the Group was not aware of any violation of laws and regulations that have a significant impact on the Group related to the preventing child labour and forced labour. There were no cases of child labour or forced labour during the current year.

Every employee should enjoy an equal employment environment and opportunities. In addition to the employment regulations, the Group also complies with relevant labor laws and regulations, including the Labour Contract Law of the People's Republic of China (《中華人民共和國勞動合同法》) and the Hong Kong Employment Ordinance.

In terms of employee benefits, we provide employees with competitive salaries and benefits in the market, including mandatory provident fund and social security. We also regularly review the remuneration package of our employees to ensure that they meet current market standards and to attract and retain talents.

Composition of Employees

As at 31 December 2020, the Company had 457 employees. Set out below are the composition of employees by age, gender, education background and geographical region:

By age group

2020	Aged between 18-25	Aged between 26-35	Aged between 36-45	Aged between 46-55	Over 56
Employee (person)	71	133	101	111	41
Percentage (%)	15.5%	29.1%	22.1%	24.3%	9.0%

Gender ratio

Gender	Employee (person)	Percentage (%)
Male	320	70.0%
Female	137	30.0%

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT



Office employees by education background (other than frontline operators)

Education background	Employee (person)	Percentage (%)
Bachelor and above	72	52.2%
Below bachelor	66	47.8%

Full-time employees by geographical region

Region	Employee (person)	Percentage (%)
Mainland China	454	99.3%
Hong Kong, Macao and Taiwan and overseas	3	0.7%

The employees of the Group are mostly aged between 26 to 35, accounting for 29.1%, while those under the age of 25 and over 46 account for 15.5% and 33.3% respectively. The ratio of male to female employees is 70:30. Over 50% office employees have a bachelor's degree or above. Over 99% of our employees are based in Mainland China.

Employee Turnover Rate

The employee turnover of the Group during the year was 128.

Gender	Employee (person)	Percentage (%)
Male	79	61.7
Female	49	38.3

Age group	Employee (person)	Percentage (%)
Below 30	54	42.2
Aged between 30-50	54	42.2
Over 50	20	15.6

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

DEVELOPMENT AND TRAINING

Development and trainings for our employees are critical to the continuing growth of the Group. We are committed to providing the employees with opportunities and work related knowledge and skills, expecting them to reach their full potential. The Group provides its employees with various training courses according to the requirements of its business and production safety, and based on their positions, capabilities and performance. In addition, it has a promotion system, which provides career development opportunities for employees in different positions. During the year, due to COVID-19, the Group provided fewer offline trainings and developed an online training system, which regularly sets up at least two online training courses a week. The total number of employees trained each time was 50 or above, with training hours of no less than one hour each time. Assessment for employee will be arranged every month according to the scope of training. In addition, the Group is expected to enhance the skills and knowledge of our employees through such training and development channels, in order to increase the efficiency throughout the Group and thus its competitiveness.

Frequency of Staff Online Training

Training frequency in each week	Number of training topics in each week	Training hours each time	Number of employees trained each time
≥2	≥2	≥1 hour	≥50

Health and Safety

The Group is committed to providing employees with a safe and comfortable workplace. We have set up a sound safety facility management system and an emergency response system of compliance, requiring all subsidiaries to regularly review the company's internal production and working environment and safety policies, so as to ensure that all operations and facilities comply with the standards and regulations and to protect the health and safety of employees. We strictly abide by laws and regulations related to occupational safety and health, including the Production Safety Law of the People's Republic of China (《中華人民共和國安全生產法》), Law of the People's Republic of China on the Prevention and Control of Occupational Disease (《中華人民共和國職業病防治法》), the Fire Safety Regulation of the People's Republic of China (《中華人民共和國消防法》) and Regulation on Work-Related Injury Insurance (《工傷保險條例》). It also regularly organises annual medical check-ups for employees and special roles to ensure good practices of occupational diseases prevention works. During the reporting period, the Group was not aware of any violation of laws and regulations that have a significant impact on the Group related to providing a safe working environment and protecting employees from occupational hazards. There were also no cases of work-related fatalities, or occupational diseases.



ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

In order to improve the safety awareness of our employees, we organise occupational safety and health education and training for new recruits, and provide relevant professional safety skill training for new and old employees in different departments and positions. We also conduct production safety, operational safety and regular fire safety training to disseminate the latest occupational safety information to all the employees. The Group has set up a sound communication mechanism. If an employee finds any potential hazards in the factory, they can report the issue via the safety communication mechanism. Upon receipt of the report, the Group will immediately launch an investigation and make corresponding improvement measures to create a safe and healthy production and working environment. During the year, the total headcount of employees undertaking occupational safety and health educational training of the Group was 457, with a coverage of 100%.

COMPLIANCE OPERATIONS

Supply Chain Management

The Group is principally engaged in production and trading. It is committed to providing high-quality and reliable products by maintaining a stable and reliable supply chain. The majority of our Group's suppliers are from the Mainland China. In order to ensure that the products meet the safety and quality standards, we cooperate with suppliers of integrity and good reputation. We conduct regular assessments on suppliers and review their environmental protection and quality-related certification. If a supplier is found unqualified, the Group will terminate the contract immediately upon investigation and confirmation.

Product Responsibility

The Group is committed to improving product quality, so as to meet customer needs and expectations. We have set up a sound product quality control system and regularly check product quality to ensure that all products and services on sale comply with the requirements of safety and health regulations. In addition, we attach great importance to the feedback from our customers and review the areas that can be further improved. We set up special channels to handle all customer inquiries, feedback, complaints and related after-sales services instantly. If there is a customer complaint, we will conduct an internal investigation through fair, open and impartial channels, provide the investigation results and causes to the affected customer(s) as soon as possible, and make follow up remedial measures. When necessary, the management will improve internal control and management systems or facilities to prevent recurrence of similar incidents from occurring again.

We attach great importance to the security of customer information. The Group persistently abides by the Personal Data (Privacy) Ordinance (「個人資料(私隱)條例」) (Chapter 486) and strictly prohibits the dissemination and disclosure of any unauthorized confidential information and customer data by establishing a comprehensive code of service conduct and professional conduct to ensure the safety and confidentiality of customer information.



ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

The Group strictly abides by laws and regulations related to product quality in its operation, including but not limited to the Product Quality Law of the People's Republic of China (「中華人民共和國產品質量法」) and the Law of the People's Republic of China on the Protection of Consumer Rights and Interests (「中華人民共和國消費者權益保護法」). During the reporting period, the Group was not aware of any violation of laws and regulations that have a significant impact on the Group related to health and safety, advertising, confidentiality and privacy matters relating to products and services provided and methods of redress.

Anti-Corruption

The Group stresses integrity and is committed to maintaining high ethical standards and expects our employees and suppliers to share this value. We strictly abide by all applicable anti-corruption laws and regulations.

Integrity is a fundamental basis to achieve sustainable development of an enterprise. The Group has formulated a set of anti-corruption policies and clear employee codes of conduct to prevent bribery and corruption. In addition, the Group also encourages various stakeholders, including suppliers, customers and employees to provide their comment on the Group's anti-corruption policies and measures, in order to optimize its anti-corruption management system. During the year, the Group did not receive any reports of bribery and corruption cases and there was no concluded legal cases regarding corrupt practices against the Group or our employees.

Care for Community and Society

As an enterprise citizen being responsible for the society, the Group proactively fulfills its due corporate responsibilities, with a view to actively participate in activities that help rural revitalization and requite our homeland. It also participated in "Thousand Enterprises Help Thousand Villages (千企幫千村)" events, donated books and computers to children and schools in disaster-stricken areas, poverty-stricken mountainous areas and poverty-stricken areas by joining the poverty alleviation activities through precise education, and made specific donations for poverty alleviation counties. Meanwhile, the Group established a friendly relationship with villages nearby and took part in the construction of beautiful villages by assisting in waste disposal and construction of public facilities. Fujian Sijia donated money and goods for various products, including schools in the towns, environmentally-friendly facilities and construction of towns and villages. Shanghai Sijia and Caojing worked together under enterprise-village partner assistance, where "Open Day" is organized every year for villagers to visit the working condition of an enterprise; financial support is provided to Caojing at the end of every year for poverty alleviation, major festive visits and events; job opportunities and priority shall be given to villagers where appropriate. It aims to promote community cultural exchanges and cooperative development with towns and industrial areas through the above initiatives. The Group also vigorously supports and encourages its employees to participate in voluntary services of community and advocates care for community, to make contributions to an inclusive community.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT



CONTENT INDEX

Key Performance Indicators	Hong Kong Stock Exchange ESG Reporting Guide	Section/Remarks
A. Environmental		
Aspect A1: Emissions		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous waste.	Environmental management
KPI A1.1	The types of emissions and respective emissions data.	Environmental Management — Emissions
KPI A1.2	Greenhouse gas emissions in total (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	Environmental Management — Emissions
KPI A1.3	Total hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	Environmental Management — Emissions — Greenhouse Gas Emissions
KPI A1.4	Total non-hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	Environmental Management — Emissions — Discharge of Wastewater, Noise Emissions, Wastes
KPI A1.5	Description of measures to mitigate emissions and results achieved.	Environmental Management — Energy Saving and Emission Reduction
KPI A1.6	Description of how hazardous and non-hazardous wastes are handled, reduction initiatives and results achieved.	Environmental Management — Emission Compliance Analysis & Environmental Management — Energy Saving and Emission Reduction
Aspect A2: Use of Resources		
General Disclosure	Policies on the efficient use of resources, including energy, water and other raw materials.	Environmental management
KPI A2.1	Direct and/or indirect energy consumption by type (e.g. electricity, gas or oil) in total (kWh in '000s) and intensity (e.g. per unit of production volume, per facility).	Environmental Management — Use of Resources
KPI A2.2	Water consumption in total and intensity (e.g. per unit of production volume, per facility).	Environmental Management — Use of Resources

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT



Key Performance Indicators	Hong Kong Stock Exchange ESG Reporting Guide	Section/Remarks
KPI A2.3	Description of energy use efficiency initiatives and results achieved.	Environmental Management — Energy Saving and Emission Reduction
KPI A2.4	Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency initiatives and results achieved.	Environmental Management — Use of Resources
KPI A2.5	Total packaging material used for finished products (in tonnes) and, if applicable, with reference to per unit produced.	Environmental Management — Use of Resources
Aspect A3: The Environment and Natural Resources		
General Disclosure	Policies on minimising the issuer's significant impact on the environment and natural resources.	Environmental management
KPI A3.1	Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them.	Environmental management
B. Social		
Aspect B1: Employment		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare.	Talent Management — Employment Policy and Labour Standards
KPI B1.1	Total workforce by gender, employment type, age group and geographical region.	Talent Management — Staff Composition
Aspect B2: Health and Safety		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to providing a safe working environment and protecting employees from occupational hazards.	Talent Management — Health and Safety
KPI B2.1	Number and rate of work-related fatalities.	Talent Management — Health and Safety
KPI B2.2	Lost days due to work injury.	Talent Management — Health and Safety
KPI B2.3	Description of occupational health and safety measures adopted, how they are implemented and monitored.	Talent Management — Health and Safety

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT



Key Performance Indicators	Hong Kong Stock Exchange ESG Reporting Guide	Section/Remarks
Aspect B3:	Development and Training	
General Disclosure	Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities.	Talent Management — Development and Training
Aspect B4:	Labour Standards	
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to preventing child and forced labour.	Talent Management — Employment Policy and Labour Standards
KPI B4.2	Description of steps taken to eliminate such practices when discovered.	During the reporting period, no relevant circumstances occurred
Aspect B5:	Supply Chain Management	
General Disclosure	Policies on managing environmental and social risks of the supply chain.	Compliance Operations — Supply Chain Management
Aspect B6:	Product Responsibility	
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to health and safety, advertising, labelling and privacy matters relating to products and services provided and methods of redress.	Compliance Operations — Product Responsibility
Aspect B7:	Anti-corruption	
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to bribery, extortion, fraud and money laundering.	Compliance Operations — Anti-corruption
Aspect B8:	Community Investment	
General Disclosure	Policies on community engagement to understand the needs of the communities where the issuer operates and to ensure its activities take into consideration the communities' interests.	Compliance Operations — Community Investment



REPORT OF THE DIRECTORS

The Directors are pleased to present the annual report and the audited consolidated financial statements of the Company for the year ended 31 December 2020.

PRINCIPAL ACTIVITIES

The Company is an investment holding company and the Group is principally engaged in the design, development, manufacture and sale of (i) Material Products, and (ii) Flooring Products.

The activities of its principal subsidiaries are set out in note 44 to the consolidated financial statements.

BUSINESS REVIEW AND OUTLOOK

A review and outlook of the business of the Company and a discussion and analysis of the Group's performance during the year and the material factors underlying its results and financial position are provided in the Chairman's Statement and Management Discussion and Analysis respectively from pages 4 to 6 and pages 7 to 15.

RISK AND UNCERTAINTIES

Our Group's financial condition, results of operations and business prospects may be affected by a number of risks and uncertainties directly or indirectly pertaining to our Group's businesses. The following are the key risks and uncertainties identified by our Group. There may be other risks and uncertainties in addition to those shown below which are not known to our Group or which may not be material now but could turn out to be material in the future.

Economic risks

- A severe or prolonged downturn of the global economy, especially with the outbreak of COVID-19.
- Fluctuations in foreign currency exchange rate, inflation and fluctuations of interest rates would adversely affect the customers' spending sentiment and the Group's profit margin.

Operational risks

- Failure to compete in the competitive environment which the Group operated in;
- Unable to keep pace with the technological advances in timely and cost-efficient manner; and



REPORT OF THE DIRECTORS

- Failure to attract, train, retain, and motivate highly skilled and qualified managerial, sales, marketing, operating, and technical personnel, the loss of key personnel, or the inability to find additional qualified personnel.

Regulatory risks

- Failure to adhere to laws, regulations and rules, or to obtain or maintain all applicable permits and approvals;
- Infringement of valid patents, copyrights or other intellectual property rights held by third parties; and
- Any change in laws and regulations in different customers' and suppliers' countries.

Financial risks

- Details of financial risks are set out in note 6 to the consolidated financial statements.

ENVIRONMENTAL POLICIES AND PERFORMANCE

The Group is committed to enhancing environmental protection to minimize the impact of its activities on the environment, and compliance with applicable environmental laws. It is policy of the Group to promote clean operation and strives to making the most efficient use of resources in its operations, and minimizing wastes and emission. The Group achieves this through actively re-designing its activities and operation that encourage and promote recycling of resources, using environmental friendly raw materials and reviewing operations constantly to ensure that the processes are effective and efficient.

Please refer to the Environmental, Social and Governance Report contained in the Annual Report for further information on the work done and efforts made by the Company on environmental protection, legal compliance and other aspects for the sustainable growth and development of the business of the Group.

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.

The Board was unaware of any non-compliance with the relevant laws and regulations that have a significant impact on the Group during the year.



REPORT OF THE DIRECTORS

KEY RELATIONSHIPS WITH EMPLOYEES, CUSTOMERS AND SUPPLIERS

Details of the key relationships between the Company and its employees are set out in the paragraph headed Human Resources in the section of Management Discussion And Analysis and Environmental, Social and Governance Report of this Annual Report.

The management of the Group understands the importance of maintaining a good relationship with its customers and suppliers for achieving its long term goals. Hence, the management of the Group would keep good communication and relationship with its customers and suppliers.

The Group will continue to enhance its customer service and deliver the excellent quality products to its customers. Simultaneously, the Group would expand its market segment to the international market.

The Group has established long term relationships with its major suppliers in order to ensure the sustainable suppliers for the business of the Group.

During the year, there were no material dispute between the Group and its customers and suppliers.

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31 December 2020 are set out in the consolidated statement of profit or loss and other comprehensive income on page 66.

The Board do not recommend the payment of a final dividend for the year ended 31 December 2020 (2019: Nil).

RESERVES

Movements in the reserves of the Group and the Company during the year are set out in the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and note 37 to the consolidated financial statements.

The Company's reserves available for distribution represent the share premium and retained profits under the Companies Law of the Cayman Islands. The share premium of the Company is available for paying dividends to shareholders subject to the provisions of its Memorandum and Articles of Association and provided that immediately following the distribution of dividend the Company is able to pay its debts as they fall due in the ordinary course of business. In accordance with the Company's Articles of Association, dividends can be distributed out of the share premium and retained profits of the Company which in aggregate amounted to approximately RMB399.7 million (2019: RMB317.5 million) as at 31 December 2020.



REPORT OF THE DIRECTORS

FIVE YEAR FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the last five financial years is set out on page 128.

PROPERTY, PLANT AND EQUIPMENT

Details of the movements during the year in the property, plant and equipment of the Group are set out in note 19 to the consolidated financial statements.

SHARE CAPITAL

Details of movements during the year in the share capital of the Company are set out in note 36 to the consolidated financial statements.

BANK BORROWINGS

Details of bank borrowings for the year ended 31 December 2020 are set out in note 33 to the consolidated financial statements.

PRE-EMPTIVE RIGHTS

There is no provision for pre-emptive rights under our Company's Articles of Association and there is no restriction against such rights which would oblige the Company to offer new shares on a pro-rata basis to existing shareholders.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed shares for the year ended 31 December 2020.

MAJOR CUSTOMERS AND SUPPLIERS

During the year, the aggregate sales attributable to the Group's five largest customers comprised approximately 24.5% of the Group's total revenue and the sales attributable to the Group's largest customer were approximately 8.5% of the Group's revenue.



REPORT OF THE DIRECTORS

During the year, the aggregate purchases attributable to the Group's five largest suppliers comprised approximately 37.0% of the Group's total cost of sales and the purchases attributable to the Group's largest supplier were approximately 14.3% of the Group's total cost of sales.

None of the Directors, their associates or any shareholders of the Company (which, to the best knowledge of the Directors, own more than 5% of the Company's issued share capital) had any interest in the Group's five largest customers and suppliers during the year.

DIRECTORS

The Directors of the Company during the year and up to the date of this report were:

Executive Directors

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

Independent non-executive Directors

Mr. Lau Chun Pong
Mr. Lu Jiayu
Ms. Jiang Ping

In accordance with Article 84 of the Articles of Association of the Company, one-third of the Directors shall retire from office by rotation and, being eligible, have offered themselves for re-election at the forthcoming annual general meeting at least once every three years.

The Company has received confirmation of independence in respect of the year ended 31 December 2020 from each of the independent non-executive Directors pursuant to Rule 3.13 of the Listing Rules. Up to and as at the date of this report, the Company considers the independent non-executive Directors to be independent.

DIRECTORS' SERVICE CONTRACTS

Each of the executive Directors and the independent non-executive Directors has entered into a service contract with the Company for a term of 3 years unless terminated by either party giving not less than 3 months' notice to the other party.

None of the Directors has entered into any service contract with the Company which is not determinable within 1 year without payment of compensation, other than the statutory compensation.

REPORT OF THE DIRECTORS

DIRECTORS' INTEREST IN CONTRACTS OF SIGNIFICANCE

Save as disclosed under the heading "Related Party Transactions" in note 42 to the consolidated financial statements, no contracts of significance to which the Company, its holding company, subsidiaries or fellow subsidiaries was a party and in which a director of the Company had a material interest, whether directly and indirectly, subsisted at the end of the year or at any time during the year.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

None of the Directors of the Company had engaged in any business or had any interest in business which competes or may constitute competition directly or indirectly with the business of the Group for the year ended 31 December 2020.

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

As at 31 December 2020, 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 31 December 2020, 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.

REPORT OF THE DIRECTORS

(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%

SHARE OPTION SCHEME

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

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

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

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

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

As at 31 December 2020, there were no outstanding share options granted.

REPORT OF THE DIRECTORS

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed above, at no time during the year ended 31 December 2020 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 31 December 2020, 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.

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

As at 31 December 2020, 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%



REPORT OF THE DIRECTORS

Notes:

1. As at 31 December 2020, Mr. Lin Shengxiong through his 100% equity interest in Hopeland International Holdings Company Limited held 410,886,000 shares of the Company, representing approximately 48.19% of the entire issued share capital of the Company. Mr. Lin Shengxiong, is an executive Director of the Company.
2. As at 31 December 2020, Ms. Lin Hongting, the spouse of Mr. Lin Shengxiong is deemed to be interested in 410,886,000 shares of the Company, representing approximately 48.19% of the entire issued share capital of the Company.
3. Glory Bright Investments Enterprise Limited is beneficially owned by Mr. Lin Wanpeng. As at 31 December 2020, Mr. Lin Wanpeng is deemed to be interested in 59,011,000 shares of the Company, representing approximately 6.92% of the entire issued share capital of the Company.
4. As at 31 December 2020, 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.

As at 31 December 2020, 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.

RELATED PARTY TRANSACTIONS

Details of the related party transactions for the year are set out in note 42 to the consolidated financial statements. In the opinion of the independent non-executive directors, none of the related party transactions is a connected transaction or continuing connected transaction of the Company as defined in Chapter 14A of the Listing Rules.

MANAGEMENT CONTRACT

No contracts concerning the management and administration of the whole or any substantial part of the business of the Group (other than contracts of service with Director or any person engaged in full time employment of the Group) were entered into or existed during the year.

PERMITTED INDEMNITY PROVISION

The Company has arranged for appropriate insurance cover for Directors' and officers' liabilities in respect of legal actions against its Directors and senior management arising out of corporate activities. The permitted indemnity provision is in force for the benefit of the Directors as required by the provisions of the Companies Ordinance (Chapter 622 of the Laws of Hong Kong).



REPORT OF THE DIRECTORS

EMOLUMENT POLICY

The emolument policy of the employees of the Group is set up by the Remuneration Committee on the basis of their qualifications, competence and performance.

The emoluments of the directors of the Company are decided by the Remuneration Committee, having regard to the Company's operating results, individual performance and comparable market rates.

The Company has adopted a share option scheme as an incentive to directors and eligible employees. Details of the scheme are set out in the above section of share option scheme.

CHARITABLE CONTRIBUTIONS

During the year, the Group donated a total amount of approximately RMB480,000 for charitable purpose (2019: RMB698,000).

SUFFICIENCY OF PUBLIC FLOAT

According to the information that is publicly available to the Company and within the knowledge of the directors, the Company has maintained a sufficient public float throughout the year ended 31 December 2020.

EVENTS AFTER THE REPORTING PERIOD

The details of event after the end of the reporting period of the Group are set out in note 43 to the financial statements.

AUDITORS

The consolidated financial statements for the year have been audited by ZHONGHUI ANDA CPA Limited. A resolution will be submitted to the annual general meeting to re-appoint ZHONGHUI ANDA CPA Limited as auditor of the Company.

CONTINUED SUSPENSION IN TRADING

Trading in the Shares of our Company was suspended with effect from 14 February 2013 and will remain suspended until further notice.

On Behalf of the Board

Mr. Lin Shengxiong

Chairman

Hong Kong, 31 March 2021

INDEPENDENT AUDITOR'S REPORT



中汇
ZHONGHUI

**TO THE SHAREHOLDERS OF
CHINA LONGEVITY GROUP COMPANY LIMITED**
(Incorporated in the Cayman Islands with limited liability)

OPINION

We have audited the consolidated financial statements of China Longevity Group Company Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 66 to 127, which comprise the consolidated statement of financial position as at 31 December 2020, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2020, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSA") issued by the HKICPA. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants (the "Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

MATERIAL UNCERTAINTY RELATED TO GOING CONCERN

We draw attention to note 2 to the consolidated financial statements which mentions that the Group had net current liabilities of RMB72,020,000 as at 31 December 2020 and the Company's shares have been suspended for trading since 14 February 2013. These conditions indicate a material uncertainty which may cast significant doubt on the Group's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

INDEPENDENT AUDITOR'S REPORT

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. In addition to the matter described in the Material Uncertainty Related to Going Concern section, we have determined the matter described below to be the key audit matter to be communicated in our report.

Property, plant and equipment

Refer to Note 19 to the consolidated financial statements

The Group measured its buildings and plant and machinery at revaluation model, which are significant to our audit because the balance of buildings and plant and machinery included in property, plant and equipment of RMB290,437,000 and RMB102,380,000 as at 31 December 2020 respectively are material to the consolidated financial statements. In addition, the Group's fair value measurement involves application of judgement and is based on several key inputs that require significant management assumptions, estimations and other inputs.

Our audit procedures included, among others:

- assessing the competence, independence and integrity of the external valuer engaged by client;
- obtaining the external valuation reports and communicating with external valuer, to discuss and challenge the valuation process, methodologies used and market evidence to support significant judgments and assumptions applied in the valuation model;
- checking key assumptions and input data in the valuation model to supporting evidence;
- checking arithmetical accuracy of the valuation model; and
- assessing the disclosure of the fair value measurement in the consolidated financial statements.

We consider that the Group's fair value measurement of the buildings and plant and machinery for property, plant and equipment is supported by the available evidence.



INDEPENDENT AUDITOR'S REPORT

OTHER INFORMATION

The directors are responsible for the other information. The other information comprises all the information in the Company's annual report, but does not include the consolidated financial statements and our auditor's report thereon. The other information is expected to be made available to us after the date of this auditor's report.

Our opinion on the consolidated financial statements does not cover the other information and we will not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

RESPONSIBILITIES OF DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.



INDEPENDENT AUDITOR'S REPORT

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. We report our opinion solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

A further description of our responsibilities for the audit of the consolidated financial statements is located at the HKICPA's website at:

<http://www.hkicpa.org.hk/en/standards-and-regulations/standards/auditing-assurance/auditre/>

This description forms part of our auditor's report.

ZHONGHUI ANDA CPA Limited

Certified Public Accountants

Fong Tak Ching

Audit Engagement Director

Practising Certificate Number P06353

Hong Kong, 31 March 2021

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2020

	Notes	2020 RMB'000	2019 RMB'000
REVENUE	9	812,141	660,482
Cost of sales		(623,431)	(515,495)
GROSS PROFIT		188,710	144,987
Other income and gains	10	30,106	7,765
Selling and distribution costs		(28,577)	(23,058)
Administrative expenses		(73,232)	(70,578)
Other expenses		(16,819)	(1,781)
PROFIT FROM OPERATIONS		100,188	57,335
Fair value loss on investment properties		(4,663)	(460)
Loss on revaluation of property, plant and equipment		(43,644)	—
Gain on disposal of a subsidiary		—	587
Gain on dissolution of a subsidiary	11	6,776	—
Impairment of various assets		(5,301)	(7,615)
Finance costs	12	(9,076)	(5,600)
PROFIT BEFORE TAX	13	44,280	44,247
Income tax credit/(expense)	14	751	(3,799)
PROFIT FOR THE YEAR ATTRIBUTABLE TO OWNERS OF THE COMPANY		45,031	40,448
Other comprehensive (expenses)/income after tax:			
<i>Items that will not be reclassified to profit or loss:</i>			
Exchange differences on translation of non-PRC operations		(6,498)	1,953
Gain on revaluation of property, plant and equipment		43,745	5,469
Deferred tax effect arising on revaluation of property, plant and equipment		(6,569)	(1,367)
<i>Items that may be reclassified to profit or loss:</i>			
Exchange differences on translation of non-PRC operations		6,550	(2,262)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR ATTRIBUTABLE TO OWNERS OF THE COMPANY		82,259	44,241
EARNINGS PER SHARE (RMB cents)	18		
— Basic		5.28	4.74
— Diluted		5.28	4.74

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2020



	Notes	2020 RMB'000	2019 RMB'000
Non-current assets			
Property, plant and equipment	19	420,375	364,821
Right-of-use assets	20	33,068	39,240
Investment properties	21	36,370	35,710
Intangible assets	22	684	684
Deposits paid for acquisition of property, plant and equipment		15,228	236
Equity investments at fair value through other comprehensive income	23	4,140	4,140
Deferred tax assets	24	3,444	3,297
Total non-current assets		513,309	448,128
Current assets			
Inventories	25	146,066	115,160
Trade and bills receivables	26	190,289	117,415
Prepayments, deposits and other receivables	27	26,731	20,058
Pledged bank deposits	28	58,930	57,415
Cash and cash equivalents	28	34,899	26,414
Total current assets		456,915	336,462
Current liabilities			
Trade and bills payables	29	288,997	278,144
Lease liabilities	30	876	745
Contract liabilities	31	3,717	21,743
Other payables and accruals	32	55,191	47,752
Interest-bearing borrowings	33	165,741	89,729
Deferred income	34	—	330
Due to a related party	35	—	4,000
Due to a director	35	3,100	3,640
Tax payable		11,313	15,642
Total current liabilities		528,935	461,725
Net current liabilities		(72,020)	(125,263)
Total assets less current liabilities		441,289	322,865



CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2020

	Notes	2020 RMB'000	2019 RMB'000
Non-current liabilities			
Interest-bearing borrowings	33	34,239	—
Lease liabilities	30	2,376	580
Deferred tax liabilities	24	4,208	4,078
Total non-current liabilities		40,823	4,658
NET ASSETS		400,466	318,207
Capital and reserves			
Issued capital	36	747	747
Reserves		399,719	317,460
TOTAL EQUITY		400,466	318,207

The consolidated financial statements on pages 66 to 127 were approved and authorised for issue by the board of directors on 31 March 2021 and are signed on its behalf by:

Approved by:

Lin Shengxiong
Director

Huang Wanneng
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2020

	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	Total equity RMB'000
At 1 January 2019	747	566,403	28,994	123,131	(8,754)	8,133	(444,688)	273,966
Total comprehensive income for the year	—	—	—	—	(309)	4,102	40,448	44,241
Appropriation to statutory surplus reserve	—	—	—	5,643	—	—	(5,643)	—
At 31 December 2019	747	566,403	28,994	128,774	(9,063)	12,235	(409,883)	318,207
At 1 January 2020	747	566,403	28,994	128,774	(9,063)	12,235	(409,883)	318,207
Total comprehensive income for the year	—	—	—	—	52	37,176	45,031	82,259
Appropriation to statutory surplus reserve	—	—	—	4,562	—	—	(4,562)	—
At 31 December 2020	747	566,403	28,994	133,336	(9,011)	49,411	369,414	400,466

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

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2020



	2020 RMB'000	2019 RMB'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before tax	44,280	44,247
Adjustments for:		
Finance costs	9,076	5,600
Interest income	(241)	(387)
Depreciation of property, plant and equipment	37,007	35,639
Depreciation on right-of-use assets	1,904	2,529
Net loss on disposals of property, plant and equipment	1,408	1
Written-off of property, plant and equipment	10,894	435
Recovery of bad debts	(19,018)	—
Reversal of impairment of trade receivables, net	(1,181)	—
Release of deferred income	(330)	(360)
Fair value loss on investment properties	4,663	460
Loss on revaluation of property, plant and equipment	43,644	—
Gain on dissolution of a subsidiary	(6,776)	—
Gain on disposal of a subsidiary	—	(587)
Impairment of trade receivables, net	—	3,209
Impairment of inventories	5,301	4,037
Operating profit before working capital changes	130,631	94,823
Change in inventories	(36,207)	(12,560)
Change in trade and bills receivables	(52,675)	(31,214)
Change in prepayments, deposits and other receivables	(6,683)	(10,537)
Change in trade and bills payables	10,853	14,561
Change in contract liabilities	(18,026)	8,760
Change in other payables and accruals	3,878	(5,092)
Cash generated from operations	31,771	58,741
Income tax paid	(3,388)	(1,991)
Net cash generated from operating activities	28,383	56,750

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2020



	2020 RMB'000	2019 RMB'000
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(100,408)	(17,879)
Additions of right-of-use assets	—	(1,300)
Additions of investment properties	(4,503)	—
Additions of intangible assets	—	(134)
Proceeds from disposals of property, plant and equipment	5,688	230
Increase in pledged bank deposits	(1,515)	(7,155)
Net cash inflow on disposal of a subsidiary	—	4,466
Payment of deposits for acquisition of property, plant and equipment	(14,992)	(117)
Repayment from ultimate holding company	—	263
Interest received	241	387
Net cash used in investing activities	(115,489)	(21,239)
CASH FLOWS FROM FINANCING ACTIVITIES		
New interest-bearing borrowings	229,164	89,729
Repayment of interest-bearing borrowings	(118,913)	(105,000)
Repayment of lease liabilities	(948)	(1,439)
Repayment to a related party	(4,000)	(6,000)
Repayment to directors	(540)	(9,107)
Interest paid	(8,998)	(5,552)
Net cash generated from/(used in) financing activities	95,765	(37,369)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		
Cash and cash equivalents at beginning of year	26,414	28,200
Effect on exchange rate changes	(174)	72
Cash and cash equivalents at end of year	34,899	26,414
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Cash and bank balances	34,899	26,414



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

1. GENERAL INFORMATION

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

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

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

2. BASIS OF PREPARATION

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance and applicable disclosure requirements of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules").

The Group had net current liabilities of RMB72,020,000 as at 31 December 2020 and the Company's shares have been suspended for trading since 14 February 2013. These conditions indicate the existence of a material uncertainty which may cast significant doubt on the Group's ability to continue as a going concern. Therefore, the Group may be unable to realise its assets and discharge its liabilities in the normal course of business.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

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

In the current year, 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 2020. 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 consolidated financial statements and amounts reported for the current year and prior years.

4. SIGNIFICANT ACCOUNTING POLICIES

These consolidated financial statements have been prepared under the historical cost convention, except for the investment properties which have been measured at fair value. They are presented in Renminbi (“RMB”) and all values are rounded to the nearest thousand except when otherwise indicated.

The preparation of these consolidated financial statements in conformity with HKFRSs requires the use of key assumptions and estimates. It also requires the Directors to exercise their judgements in the process of applying the accounting policies. The areas involving critical judgements and areas where assumptions and estimates are significant to these consolidated financial statements are disclosed in note 5.

The significant accounting policies applied in the preparation of these consolidated financial statements are set out below.

Consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries made up to 31 December. Subsidiaries are entities over which the Group has control. The Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The Group has power over an entity when the Group has existing rights that give it the current ability to direct the relevant activities, i.e. activities that significantly affect the entity’s returns.

When assessing control, the Group considers its potential voting rights as well as potential voting rights held by other parties, to determine whether it has control. A potential voting right is considered only if the holder has the practical ability to exercise that right.

Subsidiaries are consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date the control ceases.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Consolidation *(continued)*

The gain or loss on the disposal of a subsidiary that results in a loss of control represents the difference between (i) the fair value of the consideration of the sale plus the fair value of any investment retained in that subsidiary and (ii) the Company's share of the net assets of that subsidiary plus any remaining goodwill relating to that subsidiary and any related accumulated exchange fluctuation reserve.

Intragroup transactions, balances and unrealised profits are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Foreign currency translation

(a) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated financial statements are presented in RMB, which is the Group's presentation currency and the functional currency of the principal operating subsidiaries of the Group.

(b) Transactions and balances in each entity's financial statements

Transactions in foreign currencies are translated into the functional currency on initial recognition using the exchange rates prevailing on the transaction dates. Monetary assets and liabilities in foreign currencies are translated at the exchange rates at the end of each reporting period. Gains and losses resulting from this translation policy are recognised in profit or loss.

Non-monetary items that are measured at fair values in foreign currencies are translated using the exchange rates at the dates when the fair values are determined.

When a gain or loss on a non-monetary item is recognised in other comprehensive income, any exchange component of that gain or loss is recognised in other comprehensive income. When a gain or loss on a non-monetary item is recognised in profit or loss, any exchange component of that gain or loss is recognised in profit or loss.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Foreign currency translation *(continued)*

(c) Translation on consolidation

The results and financial position of all the group entities that have a functional currency different from the Group's presentation currency are translated into the Group's presentation currency as follows:

- Assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that statement of financial position;
- Income and expenses are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the exchange rates on the transaction dates); and
- All resulting exchange differences are recognised in the exchange fluctuation reserve.

On consolidation, exchange differences arising from the translation of the net investment in foreign entities and of borrowings are recognised in the exchange fluctuation reserve. When a foreign operation is sold, such exchange differences are recognised in profit or loss as part of the gain or loss on disposal.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

For the purpose of the consolidated statement of cash flows, the cash flows of overseas subsidiaries are translated into RMB at the exchange rates ruling at the dates of the cash flows. Frequently recurring cash flows of overseas subsidiaries which arise throughout the year are translated into RMB at the weighted average exchange rates for the year.

Property, plant and equipment

Buildings comprise mainly factories and offices. Buildings, plant and machinery are carried at fair values, based on periodic valuations by external independent valuers, less subsequent depreciation and impairment losses. Any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset. Other property, plant and equipment are stated at cost less accumulated depreciation and impairment losses. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

Property, plant and equipment (continued)

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are recognised in profit or loss during the period in which they are incurred.

Revaluation increases of buildings, plant and machinery are recognised in profit or loss to the extent that the increases reverse revaluation decreases of the same asset previously recognised in profit or loss. All other revaluation increases are credited to the property, plant and machinery revaluation reserve as other comprehensive income. Revaluation decreases that offset previous revaluation increases of the same asset remaining in the property, plant and machinery revaluation reserve are charged against the property, plant and machinery revaluation reserve as other comprehensive income. All other decreases are recognised in profit or loss. On the subsequent sale or retirement of a revalued property, plant and machinery, the attributable revaluation increases remaining in the property, plant and machinery revaluation reserve is transferred directly to retained profits.

Depreciation of property, plant and machinery are calculated at rates sufficient to write off their revalued amounts less their residual values over the estimated useful lives on a reducing balance basis.

Other property, plant and equipment is calculated at rates sufficient to write off their cost less their residual values over the estimated useful lives on a straight-line basis. The principal annual rates are as follows:

Leasehold improvements	30%
Office equipment	18%
Motor vehicles	18%

Where parts of an item of property, plant and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately. The residual values, useful lives and depreciation method are reviewed, and adjusted if appropriate, at the end of each reporting period.

The gain or loss on disposal of property, plant and equipment is the difference between the net sales proceeds and the carrying amount of the relevant asset, and is recognised in profit or loss.

Construction in progress represents buildings under construction and plant and machinery pending for installation, and is stated at cost less any impairment losses, and is not depreciated. Cost comprises the direct costs of construction and capitalised borrowing costs on related borrowed funds during the period of construction. Construction in progress is reclassified to the appropriate category of property, plant and equipment when completed and ready for use.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Investment properties

Investment properties are properties held to earn rentals and/or for capital appreciation including properties under construction for such purposes. Investment properties include land held for undetermined future use, which is regarded as held for capital appreciation purpose.

After initial recognition, the investment property is stated at its fair value based on valuation by an external independent valuer. Gains or losses arising from changes in fair value of the investment property are recognised in profit or loss for the period in which they arise.

If an item of property, plant and equipment becomes an investment property because its use has changed, any difference between the carrying amount and the fair value of this item at the date of transfer is recognised as a revaluation of property, plant and equipment.

The gain or loss on disposal of an investment property is the difference between the net sales proceeds and the carrying amount of the property, and is recognised in profit or loss.

Intangible assets (other than goodwill)

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is the fair value as at the date of acquisition. The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are subsequently amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each financial year end. Intangible assets with indefinite useful lives are carried at cost less accumulated impairment losses.

Building use right

Building use right is stated at cost less any impairment losses and amortised on the straight-line basis over its estimated useful life of twenty-five years.

Software

Purchased software is stated at cost less any impairment losses and amortised on the straight-line basis over its estimated useful life of five years.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Intangible assets (other than goodwill) *(continued)*

Patent and trademark

Purchased patent is stated at cost less any impairment loss and amortised on the straight-line basis over its estimated useful life of five years.

Trademark with indefinite useful life is stated at cost less any impairment losses. Impairment is reviewed annually or when there is any indication that the trademark has suffered an impairment loss.

Research and development costs

Expenditure on research activities is recognised as an expense in the period in which it is incurred. An internally generated intangible asset arising from the Group's new product development is recognised only if all of the following conditions are met:

- An asset is created that can be identified (such as software and new processes);
- It is probable that the asset created will generate future economic benefits; and
- The development cost of the asset can be measured reliably.

Internally generated intangible assets are stated at cost less accumulated amortisation and impairment losses. Amortisation is calculated on a straight-line basis over their estimated useful lives. Where no internally generated intangible asset can be recognised, development expenditure is recognised in profit or loss in the period in which it is incurred.

Financial assets

Financial assets are recognised and derecognised on a trade date basis where the purchase or sale of an asset is under a contract whose terms require delivery of the asset within the timeframe established by the market concerned, and are initially recognised at fair value, plus directly attributable transaction costs except in the case of investments at fair value through profit or loss. Transaction costs directly attributable to the acquisition of investments at fair value through profit or loss are recognised immediately in profit or loss.

Financial assets of the Group are classified under the following categories:

- Financial assets at amortised cost; and
- Equity investments at fair value through other comprehensive income;

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Financial assets *(continued)*

(i) Financial assets at amortised cost

Financial assets (including trade and other receivables) are classified under this category if they satisfy both of the following conditions:

- the assets are held within a business model whose objective is to hold assets in order to collect contractual cash flows; and
- the contractual terms of the assets give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

They are subsequently measured at amortised cost using the effective interest method less loss allowance for expected credit losses.

(ii) Equity investments at fair value through other comprehensive income

On initial recognition, the Group can make an irrevocable election (on an instrument-by-instrument basis) to designate investments in equity instruments that are not held for trading as at fair value through other comprehensive income.

Equity investments at fair value through other comprehensive income are subsequently measured at fair value with gains and losses arising from changes in fair values recognised in other comprehensive income and accumulated in the equity investment revaluation reserve. On derecognition of an investment, the cumulative gains or losses previously accumulated in the equity investment revaluation reserve are not reclassified to profit or loss.

Dividends on these investments are recognised in profit or loss, unless the dividends clearly represent a recovery of part of the cost of the investments.

Loss allowances for expected credit losses

The Group recognises loss allowances for expected credit losses on financial assets at amortised cost. Expected credit losses are the weighted average of credit losses with the respective risks of a default occurring as the weights.

At the end of each reporting period, the Group measures the loss allowance for a financial instrument at an amount equal to the expected credit losses that result from all possible default events over the expected life of that financial instrument ("lifetime expected credit losses") for trade receivables, or if the credit risk on that financial instrument has increased significantly since initial recognition.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Loss allowances for expected credit losses *(continued)*

If, at the end of the reporting period, the credit risk on a financial instrument (other than trade receivables) has not increased significantly since initial recognition, the Group measures the loss allowance for that financial instrument at an amount equal to the portion of lifetime expected credit losses that represents the expected credit losses that result from default events on that financial instrument that are possible within 12 months after the reporting period.

The amount of expected credit losses or reversal to adjust the loss allowance at the end of the reporting period to the required amount is recognised in profit or loss as an impairment gain or loss.

Leases

The Group as lessee

Leases are recognised as right-of-use assets and corresponding lease liabilities when the leased assets are available for use by the Group. Right-of-use assets are stated at cost less accumulated depreciation and impairment losses. Depreciation of right-of-use assets is calculated at rates to write off their cost over the shorter of the asset's useful life and the lease term on a straight-line basis. The principal annual rates are as follows:

Machinery	10%
Land and buildings	2% - 60%

Right-of-use assets are measured at cost comprising the amount of the initial measurement of the lease liabilities, lease payments prepaid, initial direct costs and the restoration costs. Lease liabilities include the net present value of the lease payments discounted using the interest rate implicit in the lease if that rate can be determined, or otherwise the Group's incremental borrowing rate. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease term so as to produce a constant periodic rate of interest on the remaining balance of the lease liability.

Payments associated with short-term leases and leases of low-value assets are recognised as expenses in profit or loss on a straight-line basis over the lease terms. Short-term leases are leases with an initial lease term of 12 months or less. Low-value assets are assets of value below US\$5,000.

The Group as lessor

Operating leases

Leases that do not substantially transfer to the lessees all the risks and rewards of ownership of assets are accounted for as operating leases. Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the weighted average basis. The cost of finished goods and work in progress comprises raw materials, direct labour and an appropriate proportion of all production overhead expenditure, and where appropriate, subcontracting charges. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and the estimated costs necessary to make the sale.

Recognition and derecognition of financial instruments

Financial assets and financial liabilities are recognised in the consolidated statement of financial position when the Group becomes a party to the contractual provisions of the instruments.

Financial assets are derecognised when the contractual rights to receive cash flows from the assets expire; the Group transfers substantially all the risks and rewards of ownership of the assets; or the Group neither transfers nor retains substantially all the risks and rewards of ownership of the assets but has not retained control on the assets. On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received is recognised in profit or loss.

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid is recognised in profit or loss.

Cash and cash equivalents

For the purpose of the consolidated statement of cash flows, cash and cash equivalents represent cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term highly liquid investments which are readily convertible into known amounts of cash and subject to an insignificant risk of change in value. Bank overdrafts which are repayable on demand and form an integral part of the Group's cash management are also included as a component of cash and cash equivalents.

Financial liabilities and equity instruments

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument under HKFRSs. An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. The accounting policies adopted for specific financial liabilities and equity instruments are set out below.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred, and subsequently measured at amortised cost using the effective interest method.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting period.

Trade and other payables

Trade and other payables are stated initially at their fair value and subsequently measured at amortised cost using the effective interest method unless the effect of discounting would be immaterial, in which case they are stated at cost.

Equity instruments

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

Government grants

Government grants are recognised at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. When the grant relates to an expense item, it is recognised as income over the periods necessary to match the grant on a systematic basis to the costs that it is intended to compensate. Where the grant relates to an asset, the fair value is credited to a deferred income account and is released to profit or loss over the expected useful life of the relevant asset by equal annual installments.

Non-current assets held for sale

Non-current assets are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the assets or disposal group are available for immediate sale in their present condition. The Group must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

Non-current assets or disposal group classified as held for sale are measured at the lower of the assets' or disposal group's previous carrying amount and fair value less costs to sell.

Revenue from contracts with customers

Revenue is measured based on the consideration specified in a contract with a customer with reference to the customary business practices and excludes amounts collected on behalf of third parties. For a contract where the period between the payment by the customer and the transfer of the promised product or service exceeds one year, the consideration is adjusted for the effect of a significant financing component.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Revenue from contracts with customers *(continued)*

The Group recognises revenue when it satisfies a performance obligation by transferring control over a product or service to a customer. Depending on the terms of a contract and the laws that apply to that contract, a performance obligation can be satisfied over time or at a point in time. A performance obligation is satisfied over time if:

- the customer simultaneously receives and consumes the benefits provided by the Group's performance;
- the Group's performance creates or enhances an asset that the customer controls as the asset is created or enhanced; or
- the Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

If a performance obligation is satisfied over time, revenue is recognised by reference to the progress towards complete satisfaction of that performance obligation. Otherwise, revenue is recognised at a point in time when the customer obtains control of the product or service.

Other income

Rental income is recognised on a straight-line basis over the lease term.

Interest income is recognised on a time-proportion basis using the effective interest method.

Dividend income is recognised when the shareholders' right to receive payment has been established.

Employee benefits

Pension schemes

The Group operates a defined contribution Mandatory Provident Fund retirement benefit scheme (the "MPF Scheme") in Hong Kong under the Mandatory Provident Fund Schemes Ordinance for those employees who are eligible to participate in the MPF Scheme. Contributions are made based on a percentage of the employees' basic salaries and are charged to profit or loss as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Group in an independently administered fund. The Group's employer contributions vest fully with the employees when contributed into the MPF Scheme.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Employee benefits *(continued)*

Pension schemes *(continued)*

The employees of the Group's subsidiaries which operate in Mainland China (the "PRC") are required to participate in a central pension scheme operated by the local municipal governments. Contributions are made by the subsidiaries based on a percentage of the participating employees' salaries and are charged to profit or loss as they become payable in accordance with the rules of the central pension scheme.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

To the extent that funds are borrowed generally and used for the purpose of obtaining a qualifying asset, the amount of borrowing costs eligible for capitalisation is determined by applying a capitalisation rate to the expenditures on that asset. The capitalisation rate is the weighted average of the borrowing costs applicable to the borrowings of the Group that are outstanding during the period, other than borrowings made specifically for the purpose of obtaining a qualifying asset.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

Taxation

Income tax represents the sum of the current tax and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit recognised in profit or loss because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Taxation *(continued)*

Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences, unused tax losses or unused tax credits can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised, based on tax rates that have been enacted or substantively enacted by the end of the reporting period. Deferred tax is recognised in profit or loss, except when it relates to items recognised in other comprehensive income or directly in equity, in which case the deferred tax is also recognised in other comprehensive income or directly in equity.

For the purposes of measuring deferred tax for investment properties that are measured using the fair value model, the carrying amounts of such properties are presumed to be recovered through sale, unless the presumption is rebutted. The presumption is rebutted when the investment property is depreciable and is held within a business model of the Group whose business objective is to consume substantially all of the economic benefits embodied in the investment property over time, rather than through sale. If the presumption is rebutted, deferred tax for such investment properties are measured based on the expected manner as to how the properties will be recovered.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Related parties

A related party is a person or entity that is related to the Group.

- (A) A person or a close member of that person's family is related to the Group if that person:
- (i) has control or joint control over the Group;
 - (ii) has significant influence over the Group; or
 - (iii) is a member of the key management personnel of the Company or of a parent of the Company.
- (B) An entity is related to the Group if any of the following conditions applies:
- (i) The entity and the entities comprising the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
 - (ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
 - (iii) Both entities are joint ventures of the same third party.
 - (iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
 - (v) The entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group. If the Group is itself such a plan, the sponsoring employers are also related to the Group.
 - (vi) The entity is controlled or jointly controlled by a person identified in (A).
 - (vii) A person identified in (A)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).
 - (viii) The entity, or any member of a group of which it is a part, provides key management personnel services to the Company or to a parent of the Company.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Impairment of assets

At the end of each reporting period, the Group reviews the carrying amounts of its tangible and intangible assets except investments, deferred tax assets, inventories and receivables to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of any impairment loss. Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

If the recoverable amount of an asset or cash-generating unit is estimated to be less than its carrying amount, the carrying amount of the asset or cash-generating unit is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset or cash-generating unit is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined (net of amortisation or depreciation) had no impairment loss been recognised for the asset or cash-generating unit in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

Provisions and contingent liabilities

Provisions are recognised for liabilities of uncertain timing or amount when the Group has a present legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditures expected to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow is remote.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Dividends

Final dividends proposed by the Directors are classified as a separate allocation of retained earnings within the equity section of the consolidated statement of financial position, until they have been approved by the shareholders in a general meeting. When these dividends have been approved by the shareholders and declared, they are recognised as a liability.

Interim dividends are simultaneously proposed and declared, because the Company's memorandum and articles of association grant the Directors the authority to declare interim dividends. Consequently, interim dividends are recognised immediately as a liability when they are proposed and declared.

Events after the reporting period

Events after the reporting period that provide additional information about the Group's position at the end of the reporting period or those that indicate the going concern assumption is not appropriate are adjusting events and are reflected in the consolidated financial statements. Events after the reporting period that are not adjusting events are disclosed in the notes to the consolidated financial statements when material.

5. CRITICAL JUDGEMENT AND KEY ESTIMATES

Critical judgements in applying accounting policies

In the process of applying the accounting policies, the Directors have made the following judgements that have the most significant effect on the amounts recognised in the consolidated financial statements (apart from those involving estimations, which are dealt with below).

Going concern basis

These consolidated financial statements have been prepared on a going concern basis, the validity of which depends upon the financial support of the controlling shareholder at a level sufficient to finance the working capital requirements of the Group. Details are explained in note 2.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

5. CRITICAL JUDGEMENT AND KEY ESTIMATES *(continued)*

Key sources of estimation uncertainty

The key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below.

(a) Impairment of property, plant and equipment

Property, plant and equipment are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of the assets exceeds their recoverable amount. The recoverable amount is determined with reference to the present value of estimated future cash flows. Where the future cash flows are less than expected or there are unfavourable events and change in facts and circumstance which result in revision of future estimate cash flows, a material impairment loss may arise.

(b) Impairment of trade and other receivables

The Group makes impairment for trade and other receivables based on assessments of the recoverability of the receivables, including the current creditworthiness and the past collection history of each debtor. Impairment arises where events or changes in circumstances indicate that the balances may not be collectible. The identification of bad and doubtful debts requires the use of judgement and estimates. Where the actual result is different from the original estimate, such difference will impact the carrying value of trade and other receivables and doubtful debt expenses in the year in which such estimate has been changed.

(c) Impairment of inventories

The Group determines impairment for obsolescence of inventories with reference to aged inventory analysis and projections of expected future saleability of goods. Impairment of inventories will be made when the carrying amounts of inventories are higher than their estimated net realisable values. Due to changes in market conditions, actual saleability of goods may be different from estimation and profit or loss could be affected by differences in this estimation.

(d) Useful lives of property, plant and equipment

The Group determines the estimated useful lives, residual values and related depreciation charges for its property, plant and equipment. This estimate is based on the historical experience of the actual useful lives and residual values of property, plant and equipment of similar nature and functions. The Group will revise the depreciation charge where useful lives and residual values are different to those previously estimated, or it will write-off or write-down technically obsolete or non-strategic assets that have been abandoned or sold.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

6. FINANCIAL RISK MANAGEMENT

The Group's principal financial instruments comprise interest-bearing borrowing, and cash and cash equivalents. The main purpose of these financial instruments is to raise funding for the Group's operations. The Group has various other financial assets and liabilities, such as trade receivables and trade and bills payables, which arise directly from its operations.

The main risks arising from the Group's financial instruments are foreign currency risk, interest rate risk, credit risk and liquidity risk. The Directors review and agree on policies for managing each of these risks and they are summarised below:

Foreign currency risk

Foreign currency risk means the risk of fluctuations in the fair value or future cash flows of financial instruments which arise from changes in exchange rates. The Group's business are mainly located in the PRC and are mainly transacted and settled in RMB. Accordingly, the Group has minimal exposure to foreign currency risk.

Interest rate risk

The Group's exposure to interest rate risk relates primarily to the Group's interest-bearing borrowings and deposits at banks. The interest rates and terms of repayment of interest-bearing borrowings are disclosed in note 33.

At 31 December 2020, if interest rates had been 100 basis points higher/lower with all other variables held constant, profit after tax for the year would have been RMB155,000 (2019: RMB208,000) higher/lower, arising mainly as a result of higher/lower interest expense on bank borrowings and higher/lower interest income on bank balances.

Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The Group considers whether there has been a significant increase in credit risk of financial assets on an ongoing basis throughout each reporting period by comparing the risk of a default occurring as at the reporting date with the risk of default as at the date of initial recognition. It considers available reasonable and supportive forwarding-looking information. Especially the following information is used:

- internal credit rating;
- external credit rating (if available);
- actual or expected significant adverse changes in business, financial or economic conditions that are expected to cause a significant change to the borrower's ability to meet its obligations;

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

6. FINANCIAL RISK MANAGEMENT *(continued)*

Credit risk *(continued)*

- actual or expected significant changes in the operating results of the borrower;
- significant increases in credit risk on other financial instruments of the same borrower;
- significant changes in the expected performance and behaviour of the borrower, including changes in the payment status of borrowers.

A significant increase in credit risk is presumed if a debtor is more than 30 days past due in making a contractual payment. A default on a financial asset is when the counterparty fails to make contractual payments within 120 days of when they fall due.

Financial assets are written off when there is no reasonable expectation of recovery, such as a debtor failing to engage in a repayment plan with the Group. The Group normally categorises a receivable for write off when a debtor fails to make contractual payments greater than 365 days past due. Where receivables have been written off, the Group, if practicable and economical, continues to engage in enforcement activity to attempt to recover the receivable due.

The Group's credit risk is primarily attributable to its trade and other receivables and deposits with financial institutions.

(i) Trade and other receivables

The Group has established a credit policy under which credit evaluations are performed on all customers requiring credit. Trade receivables are due within 3 months from the date of delivery. Debtors with balances that are more than 3 months are requested to settle all outstanding balance before any further credit to be granted. Normally, the Group does not obtain collateral from customers.

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. At 31 December 2020, the Group has certain concentration of credit risk as approximately RMB40,528,000 (2019: RMB22,968,000) out of the total trade receivables of approximately RMB190,289,000 (2019: RMB117,115,000) was due from the Group's largest debtor.

(ii) Deposits with financial institutions

The Group limits its exposure to credit risk by placing deposits with financial institutions that meet the established credit rating or other criteria. Given these high credit ratings, management does not expect any counterparty to fail to meet its obligations.

At 31 December 2020 and 2019, the Group has low concentration of credit risk as the deposits are placed in various financial institutions.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

6. FINANCIAL RISK MANAGEMENT (continued)

Liquidity risk

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of interest-bearing borrowings to meet its working capital requirements.

The maturity profile of the Group's financial liabilities as at the end of each reporting period, based on the contractual undiscounted payment, is as follows:

At 31 December 2020

	Within one year or on demand RMB'000	Two to five years RMB'000	Over five years RMB'000	Total RMB'000
Trade and bills payables	288,997	—	—	288,997
Other payables and accruals	55,191	—	—	55,191
Due to a director	3,100	—	—	3,100
Lease liabilities	876	2,376	—	3,252
Future finance charges	139	179	—	318
Principal portion of borrowings	165,741	29,029	5,210	199,980
Interest portion of borrowings	11,186	2,485	712	14,383
	525,230	34,069	5,922	565,221

At 31 December 2019

	Within one year or on demand RMB'000	In the second year RMB'000	Total RMB'000
Trade and bills payables	278,144	—	278,144
Other payables and accruals	47,752	—	47,752
Due to a related party	4,000	—	4,000
Due to a director	3,640	—	3,640
Lease liabilities	745	580	1,325
Future finance charges	68	37	105
Principal portion of borrowings	89,729	—	89,729
Interest portion of borrowings	3,265	—	3,265
	427,343	617	427,960

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

6. FINANCIAL RISK MANAGEMENT (continued)

Categories of financial instruments

	2020 RMB'000	2019 RMB'000
Financial assets:		
Equity investments at fair value through other comprehensive income	4,140	4,140
Financial assets at amortised cost (including cash and cash equivalents)		
Trade and bills receivables	190,289	117,415
Financial assets included in prepayments, deposits and other receivables	4,885	4,566
Pledged bank deposits	58,930	57,415
Cash and cash equivalents	34,899	26,414
	293,143	209,950
Financial liabilities:		
Financial liabilities at amortised cost:		
Trade and bills payables	288,997	278,144
Financial liabilities included in other payables and accruals	55,191	47,752
Lease liabilities	3,252	1,325
Due to a related party	—	4,000
Due to a director	3,100	3,640
Borrowings	199,980	89,729
	550,520	424,590

Fair value

The carrying amounts of the Group's financial assets and financial liabilities as reflected in the consolidated statement of financial position approximate their respective fair values.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

7. FAIR VALUE MEASUREMENTS

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The following disclosures of fair value measurements use a fair value hierarchy that categorises into three levels the inputs to valuation techniques used to measure fair value:

Level 1 inputs: quoted prices (unadjusted) in active markets for identical assets or liabilities that the Group can access at the measurement date.

Level 2 inputs: inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3 inputs: unobservable inputs for the asset or liability.

The Group's policy is to recognise transfers into and transfers out of any of the three levels as of the date of the event or change in circumstances that caused the transfer.

(a) Disclosures of level in fair value hierarchy at 31 December 2020 and 2019:

At 31 December 2020

Description	Fair value measurement using:			Total 2020 RMB'000
	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	
Recurring fair value measurements:				
Investment properties				
Commercial – PRC	—	—	36,370	36,370
Property, plant and equipment				
Buildings – PRC	—	—	290,437	290,437
Plant and machinery – PRC	—	—	102,380	102,380
	—	—	429,187	429,187

At 31 December 2019

Description	Fair value measurement using:			Total 2019 RMB'000
	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	
Recurring fair value measurements:				
Investment properties				
Commercial – PRC	—	—	35,710	35,710

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

7. FAIR VALUE MEASUREMENTS (continued)

(b) Reconciliation of assets measured at fair value based on level 3:

Description	Property, plant and equipment 2020 RMB'000	Investment properties 2020 RMB'000	Total 2020 RMB'000
At 1 January 2020	—	35,710	35,710
Property, plant and equipment transfer from cost model to revaluation model	393,536	—	393,536
Addition	—	4,503	4,503
Transfer from Property, plant and equipment	(3,146)	3,146	—
Loss on revaluation due to transfer from Property, plant and equipment to Investment properties	2,326	(2,326)	—
Total gains recognised in other comprehensive income	43,745	—	43,745
Loss on revaluation recognised in profit and loss ^(#)	(43,644)	(4,663)	(48,307)
At 31 December 2020	392,817	36,370	429,187
	(43,644)	(4,663)	(48,307)

Include losses for assets held at end of reporting period

Description	Investment properties 2019 RMB'000
At 1 January 2019	14,640
Transfer from Property, plant and equipment	21,530
Fair value loss recognised in profit and loss (#)	(460)
At 31 December 2019	35,710
# Include losses for assets held at end of reporting period	(460)

The total gains recognised in other comprehensive income are presented in gain on revaluation of property, plant and equipment in the statement of profit or loss and other comprehensive income. The total losses recognised in profit or loss including those for assets held at end of reporting period are presented in loss on revaluation of property, plant and equipment and fair value loss on investment properties in the consolidated statement of profit or loss and other comprehensive income.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

7. FAIR VALUE MEASUREMENTS (continued)

(c) Disclosure of valuation process used by the Group and valuation techniques and inputs used in fair value measurements:

Some of the Group's assets and liabilities are measured at fair value for financial reporting purposes. The Directors determine the appropriate valuation techniques and inputs for fair value measurements.

In estimating the fair value of an asset or a liability, the Group uses market-observable data to the extent it is available. Where level 1 inputs are not available, the Group engages third party qualified valuers to perform the valuation. The Directors work closely with the qualified external valuers to establish the appropriate valuation techniques and inputs to the model and to understand the cause of fluctuations in the fair value of the assets and liabilities.

For level 3 fair value measurements, the Group will normally engage external valuation experts with the recognised professional qualifications and recent experience to perform the valuations.

Key unobservable input used in level 3 fair value measurements is mainly the rental income per square meter (estimated based on market comparables with adjustment on various factors).

Level 3 fair value measurements

Description	Valuation technique	Unobservable inputs	Effect on fair value for increase of inputs	Fair value 2020 RMB'000
Investment properties An Industrial Complex situated at No. 63 Huli Yuan, Tongan District, Xiamen City, Fujian Province, PRC	Income approach	Rental income per square meter: RMB10 per month	Increase	13,970
Investment properties An office situated at No. 1 Jinzhong Road, Huli District, Xiamen City, Fujian Province, PRC	Income approach	Rental income per square meter: RMB65 per month	Increase	20,960
Investment properties An Industrial Complex situated at Gangqian Road, Minhou District, Fuzhou City, Fujian Province, PRC	Income approach	Rental income per square meter: RMB5.42 per month	Increase	620

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

7. FAIR VALUE MEASUREMENTS (continued)

Level 3 fair value measurements (continued)

Description	Valuation technique	Unobservable inputs	Effect on fair value for increase of inputs	Fair value 2020 RMB'000
Investment properties An Industrial Complex situated at No.88 Hankou North Avenue, Huang Pi District, Wuhan City, Hubei Province, PRC	Income approach	Rental income per square meter: RMB27 per month	Increase	820
Buildings Car parks situated at No. 15 Jinzhong Road, Huli District, Xiamen City, Fujian Province, PRC	Market comparable approach	Price per unit: RMB167,565 per unit	Increase	2,011
Buildings An office situated at No. 18 North Second Ring Middle Huda Road, Gu Lou District, Fuzhou City, Fujian Province, PRC	Market comparable approach	Price per square meter: RMB32,955	Increase	29,310
Buildings	Depreciated replacement cost	Current cost of replacing the improvement	Increase	259,116
Plant and machinery	Depreciated replacement cost	Current cost of replacing similar assets	Increase	102,380
Description	Valuation technique	Unobservable inputs	Effect on fair value for increase of inputs	Fair value 2019 RMB'000
Investment properties An Industrial Complex situated at No. 63 Huli Yuan, Tongan District, Xiamen City, Fujian Province, PRC	Income approach	Rental income per square meter: RMB10 per month	Increase	14,310
Investment properties An office situated at No. 1 Jinzhong Road, Huli District, Xiamen City, Fujian Province, PRC	Income approach	Rental income per square meter: RMB65 per month	Increase	21,400

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

8. SEGMENT INFORMATION

There is only one operating segment which is principally engaged in the design, development, manufacture and sale of Material Products and Flooring Products.

Geographical information

	Revenue from external customers		Non-current assets	
	Year ended 31 December		As at 31 December	
	2020	2019	2020	2019
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
PRC	591,135	450,287	505,725	440,691
Others	221,006	210,195	—	—
	812,141	660,482	505,725	440,691

In presenting the geographical information, the revenue information is based on the locations of the customers while the non-current assets information is based on the location of assets and excludes equity investments at fair value through other comprehensive income and deferred tax assets. No revenue from transactions with a single country other than PRC amounted to 10% or more of the Group's total sales for the year (2019: Nil).

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 year (2019: Nil).

9. REVENUE

	2020	2019
	<i>RMB'000</i>	<i>RMB'000</i>
Sales of goods	812,141	660,482

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

9. REVENUE (continued)

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.

Disaggregation of revenue from contracts with customers:

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Geographical markets		
PRC	591,135	450,287
United States	52,061	58,736
Russia	39,814	36,488
Others	129,131	114,971
Total	812,141	660,482
Major products		
Material products	743,415	622,252
Flooring Products	68,726	38,230
Total	812,141	660,482

The revenue was recognised at a point in time.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

10. OTHER INCOME AND GAINS

	2020 RMB'000	2019 RMB'000
Interest income	241	387
Government subsidies (note)	5,851	3,001
Gain on disposal of a subsidiary	—	587
Gross rental income	3,084	2,139
Dividend income from equity investments at fair value through other comprehensive income	52	—
Recovery of bad debts	19,018	—
Reversal of allowance for receivables, net	1,181	369
Sundry income	679	1,282
	30,106	7,765

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 years ended 31 December 2020 and 2019.

11. GAIN ON DISSOLUTION OF A SUBSIDIARY

During the year, the Directors resolved to dissolve Fujian Hausa Import and Export Co., Ltd.[#] (福建浩思进出口贸易有限公司) (“Fujian Hausa”), an indirect wholly-owned subsidiary of the Company. During the year, the progress of deregistration was completed and a gain on dissolution of approximately RMB6,776,000 was recognised during the year ended 31 December 2020, being calculated as follows:

	2020 RMB'000
Net liabilities at the date of disposal of Fujian Hausa were as follows:	
Tax payable	(6,776)
Gain on dissolution	6,776
	—
Total consideration	—

[#] The English names are for identification only

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

12. FINANCE COSTS

	2020 RMB'000	2019 RMB'000
Lease interest	114	138
Interest on bank loans	7,975	5,462
Interest on other loans	987	—
	9,076	5,600

13. PROFIT BEFORE TAX

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

	2020 RMB'000	2019 RMB'000
Cost of inventories sold*	623,431	515,495
Depreciation of property, plant and equipment	37,007	35,639
Depreciation on right-of-use assets	1,904	2,529
Net loss on disposals of property, plant and equipment	1,408	1
Written-off of property, plant and equipment	10,894	435
Staff costs (including directors' remuneration (note 15)):		
Wages and salaries	37,109	35,359
Retirement benefit scheme contributions	923	2,175
Staff welfare expenses	2,227	2,266
	40,259	39,800
Research and development costs	48,137	45,968
Exchange loss/(gain), net	3,777	(688)
Fair value loss on investment properties	4,663	460
Loss on revaluation of property, plant and equipment	43,644	—
(Reversal)/impairment of trade receivables, net	(1,181)	3,209
Impairment of inventories	5,301	4,037
Auditors' remuneration	1,290	1,234

* Cost of inventories sold includes RMB54,834,000 (2019: RMB56,814,000) relating to staff costs and depreciation expenses, which amount is also included in the respective total amounts disclosed separately above for each of these types of expenses.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

14. INCOME TAX (CREDIT)/EXPENSE

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Current tax — the PRC		
Charge for the year	6,503	3,258
(Over)/under-provision in prior years	(668)	640
Deferred tax (<i>note 24</i>)	(6,586)	(99)
	(751)	3,799

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 years ended 31 December 2020 and 2019.

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 reconciliation between income tax expense and profit before tax is as follows:

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Profit before tax	44,280	44,247
Tax at the applicable tax rate of 25% (2019: 25%)	11,070	11,062
Lower tax rate for specific province or enacted by local authority	(4,166)	(2,393)
Tax effect of income not taxable and expenses not deductible	(6,987)	(5,510)
(Over)/under-provision in prior years	(668)	640
Income tax (credit)/expense	(751)	3,799

[#] The English name is for identification only

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

15. DIRECTORS' AND SENIOR MANAGEMENT'S EMOLUMENTS

The emoluments of each director and senior management, equivalent to key management compensation, are as follows:

For the year ended 31 December 2020				
	Fees	Salaries, allowances and benefits in-kind	Retirement benefit scheme contributions	Total remuneration
	RMB'000	RMB'000	RMB'000	RMB'000
Executive directors				
Mr. Lin	—	1,158	45	1,203
Mr. Huang Wanneng	—	684	40	724
Mr. Jiang Shisheng	—	374	30	404
	—	2,216	115	2,331
Independent non-executive directors				
Mr. Lau Chun Pong	214	—	11	225
Mr. Lu Jiayu	120	—	—	120
Ms. Jiang Ping	60	—	—	60
	394	—	11	405
Subtotal for directors' emoluments	394	2,216	126	2,736
Senior management	—	3,159	94	3,253
Total	394	5,375	220	5,989

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

15. DIRECTORS' AND SENIOR MANAGEMENT'S EMOLUMENTS (continued)

For the year ended 31 December 2019				
	Fees	Salaries, allowances and benefits in-kind	Retirement benefit scheme contributions	Total remuneration
	RMB'000	RMB'000	RMB'000	RMB'000
Executive directors				
Mr. Lin	—	1,012	81	1,093
Mr. Huang Wanneng	—	614	64	678
Mr. Jiang Shisheng	—	323	39	362
	—	1,949	184	2,133
Independent non-executive directors				
Mr. Lau Chun Pong	212	—	11	223
Mr. Lu Jiayu	120	—	—	120
Ms. Jiang Ping	60	—	—	60
	392	—	11	403
Subtotal for directors' emoluments	392	1,949	195	2,536
Senior management	—	2,998	194	3,192
Total	392	4,947	389	5,728

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

16. INDIVIDUALS WITH HIGHEST EMOLUMENTS

The five highest paid individuals in the Group during the year included 3 (2019: 3) directors, details of whose emoluments are reflected in the analysis presented above. The emoluments of the remaining 2 (2019: 2) highest paid individual are set out below:

	2020	2019
	RMB'000	RMB'000
Salaries and allowances	865	821
Retirement benefit scheme contributions	24	36
	889	857

The emoluments of the individual fall within the following band:

	Number of individuals	
	2020	2019
Nil — HK\$1,000,000	2	2

During the years ended 31 December 2020 and 2019, no emoluments was paid or payable to the five highest paid individuals (including Directors and other employees) as an inducement to join the Group or as a compensation for loss of office.

17. DIVIDEND

The Directors do not recommend the payment of a dividend for the year ended 31 December 2020 (2019: Nil).

18. 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 year attributable to owners of the Company of approximately RMB45,031,000 (2019: RMB40,448,000) and the weighted average number of approximately 852,612,000 (2019: 852,612,000) ordinary shares in issue during the year.

Diluted earning per share

Diluted earning per share for the years ended 31 December 2020 and 2019 is the same as the basic earning per share as the Company did not have any dilutive potential ordinary shares during the years.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

19. PROPERTY, PLANT AND EQUIPMENT

	Buildings RMB'000	Plant and machinery RMB'000	Leasehold improvements RMB'000	Office equipment RMB'000	Motor vehicles RMB'000	Construction in progress RMB'000	Total RMB'000
Cost or valuation							
At 1 January 2019	569,362	579,424	5,265	2,694	5,115	146	1,162,006
Additions	568	8,198	446	14	517	7,284	17,027
Disposals	—	(1,007)	—	—	(1,673)	—	(2,680)
Written off	(20)	(1,867)	—	(410)	—	—	(2,297)
Transfer to right-of-use assets	—	(8,312)	—	—	—	(1,402)	(9,714)
Transfer from CIP	—	143	—	—	—	(143)	—
Transfer to investment properties	(25,698)	—	—	—	—	—	(25,698)
Revaluation	5,469	—	—	—	—	—	5,469
At 31 December 2019 and 1 January 2020	549,681	576,579	5,711	2,298	3,959	5,885	1,144,113
Additions	10,056	25,547	1,593	533	1,780	64,696	104,205
Disposals	(3,462)	(1,459)	—	—	—	(5,004)	(9,925)
Written off	(10,350)	(60,910)	(3,725)	(537)	(460)	—	(75,982)
Transfer from right-of-use assets	—	8,311	—	—	—	—	8,311
Transfer from CIP	27,081	16,669	1,117	—	—	(44,867)	—
Transfer to investment properties	(5,114)	—	—	—	—	—	(5,114)
Reclassification	—	(815)	—	—	815	—	—
Revaluation	(277,455)	(461,542)	—	—	—	—	(738,997)
At 31 December 2020	290,437	102,380	4,696	2,294	6,094	20,710	426,611
Accumulated depreciation and impairment							
At 1 January 2019	243,563	499,530	3,996	2,527	3,763	—	753,379
Charge for the year	20,097	14,691	560	38	253	—	35,639
Disposals	—	(906)	—	—	(1,543)	—	(2,449)
Written off	(11)	(1,462)	—	(389)	—	—	(1,862)
Transfer to right-of-use assets	—	(1,247)	—	—	—	—	(1,247)
Transfer to investment properties	(4,168)	—	—	—	—	—	(4,168)
At 31 December 2019 and 1 January 2020	259,481	510,606	4,556	2,176	2,473	—	779,292
Charge for the year	21,292	14,318	765	55	577	—	37,007
Disposals	(2,359)	(470)	—	—	—	—	(2,829)
Written off	(6,494)	(54,030)	(3,571)	(612)	(381)	—	(65,088)
Transfer from right-of-use assets	—	1,246	—	—	—	—	1,246
Transfer to investment properties	(1,968)	—	—	—	—	—	(1,968)
Reclassification	—	(198)	—	—	198	—	—
Write back on revaluation	(269,952)	(471,472)	—	—	—	—	(741,424)
At 31 December 2020	—	—	1,750	1,619	2,867	—	6,236
Carrying amount							
At 31 December 2020	290,437	102,380	2,946	675	3,227	20,710	420,375
At 31 December 2019	290,200	65,973	1,155	122	1,486	5,885	364,821

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

19. PROPERTY, PLANT AND EQUIPMENT (continued)

At 31 December 2020, certain buildings and plant and machinery with an aggregate carrying amount of approximately RMB286,190,000 (2019: RMB257,899,000) were pledged to secure bank loan facilities granted to the Group (note 33).

The Group's buildings, plant and machinery were revalued at 31 December 2020 on the open market value basis by reference to market evidence of recent transactions for similar assets and net replacement cost by 福建聯合中和資產評估房地產估價有限公司, an independent professional valuer.

20. LEASES AND RIGHT-OF-USE ASSETS

Disclosures of lease-related items:	2020 RMB'000	2019 <i>RMB'000</i>
At 31 December		
Right-of-use assets		
— Machinery	1,192	8,383
— Land and buildings	31,876	30,857
	33,068	39,240
Lease commitments of short-term leases	37	67
The maturity analysis, based on undiscounted cash flows, of the Group's lease liabilities is as follows:		
— Within 1 year	1,015	813
— Between 2 and 5 years	2,555	617
	3,570	1,430
Depreciation charge of right-of-use assets		
— Machinery	126	895
— Land and buildings	1,778	1,634
	1,904	2,529
Lease interests	114	138
Expenses related to short-term leases	306	723
Total cash outflow for leases	(984)	(1,529)
Additions to right-of-use assets	2,797	3,345

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

20. LEASES AND RIGHT-OF-USE ASSETS (continued)

The Group leases various land use rights and land and buildings. Lease agreements are typically made for fixed periods of 2 to 50 years. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants and the leased assets may not be used as security for borrowing purposes.

At 31 December 2020, leasehold lands with carrying amount of approximately RMB15,598,000 (2019: RMB16,242,000) were pledged to secure bank loan facilities granted to the Group (note 33).

21. INVESTMENT PROPERTIES

	2020 RMB'000	2019 RMB'000
At beginning of year	35,710	14,640
Addition	4,503	—
Transfer from property, plant and equipment	3,146	21,530
Loss on revaluation due to transfer from property, plant and equipment to investment properties	(2,326)	—
Fair value loss on investment properties	(4,663)	(460)
At end of year	36,370	35,710

The estimated aggregate fair value of the investment properties as at 31 December 2020 was approximately RMB36,370,000 (2019: RMB35,710,000), which has been arrived at on the basis of valuations carried out by 福建華成房地產土地資產評估有限公司 and 福建聯合中和資產評估房地產估價有限公司, independent professional valuers.

At 31 December 2020, investment properties with carrying amount of approximately RMB20,960,000 (2019: RMB35,710,000) were pledged to secure bank loan facilities granted to the Group (note 33).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

22. INTANGIBLE ASSETS

	Building use right	Software	Patent	Trademark	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Cost					
At 1 January 2019	14,216	2,114	50	550	16,930
Additions	—	—	—	134	134
Transfer to right-of-use assets	(14,216)	—	—	—	(14,216)
<hr/>					
At 31 December 2019, 1 January 2020 and 31 December 2020	—	2,114	50	684	2,848
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Accumulated amortisation					
At 1 January 2019	1,123	2,114	50	—	3,287
Charge for the year	(1,123)	—	—	—	(1,123)
<hr/>					
At 31 December 2019, 1 January 2020 and 31 December 2020	—	2,114	50	—	2,164
<hr/>					
Carrying amount					
At 31 December 2020	—	—	—	684	684
<hr/>					
At 31 December 2019	—	—	—	684	684
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23. EQUITY INVESTMENTS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	2020	2019
	<i>RMB'000</i>	<i>RMB'000</i>
Unlisted equity investment in the PRC	4,140	4,140

The above investments are intended to be held for the medium to long-term. Designation of these investments as equity investments at fair value through other comprehensive income can avoid the volatility of the fair value changes of these investments to the profit or loss. The cost of the equity investments at fair value through other comprehensive income approximate its fair value and is an appropriate estimate of fair value since there is insufficient more recent information available to measure the fair value.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

24. DEFERRED TAX

The components of deferred tax assets and liabilities recognised in the consolidated statement of financial position and the movements during the year are as follows:

	Fair value change of investment properties RMB'000	Accrued social fund RMB'000	Accrued sales rebate RMB'000	Unapproved accelerated depreciation and amortisation and impairment RMB'000	Others RMB'000	Total RMB'000
Deferred tax assets						
At 1 January 2019	615	775	1,500	407	64	3,361
Deferred tax credited/(charged) to profit or loss during the year (note 14)	115	—	—	—	(16)	99
Disposal of a subsidiary	—	(163)	—	—	—	(163)
At 31 December 2019 and 1 January 2020	730	612	1,500	407	48	3,297
Deferred tax credited/(charged) to profit or loss during the year (note 14)	195	—	—	—	(48)	147
At 31 December 2020	925	612	1,500	407	—	3,444

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

24. DEFERRED TAX (continued)

Deferred tax liabilities

	Fair value change of revaluation of property, plant and equipment RMB'000	Others RMB'000	Total RMB'000
At 1 January 2019	2,711	—	2,711
Deferred tax charged to the consolidated other comprehensive income after tax during the year	1,367	—	1,367
At 31 December 2019 and 1 January 2020	4,078	—	4,078
Deferred tax (credit)/charged to profit or loss during the year (note 14)	(6,547)	108	(6,439)
Deferred tax charged to the consolidated other comprehensive income after tax during the year	6,569	—	6,569
At 31 December 2020	4,100	108	4,208

Deferred tax assets have not been recognised in respect of the following items:

	2020 RMB'000	2019 RMB'000
Tax losses	15,882	23,794

The Group also has tax losses arising in the PRC of approximately RMB15,882,000 (2019: RMB23,794,000) that will expire in one to five years for offsetting against future taxable profits.

Deferred tax assets have not been recognised in respect of these losses as they have arisen in subsidiaries that have been loss-making for years and it is not considered probable that taxable profits will be available against which the tax losses can be utilised.

There are no income tax consequences attaching to the payment of dividends by the Company to its shareholders.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

25. INVENTORIES

	2020	2019
	RMB'000	RMB'000
Raw materials	92,020	53,183
Work in progress	12,747	11,238
Finished goods	41,299	50,739
	146,066	115,160

26. TRADE AND BILLS RECEIVABLES

	2020	2019
	RMB'000	RMB'000
Trade receivables	197,292	125,308
Bills receivables	—	300
Provision for loss allowance	(7,003)	(8,193)
Carrying amount	190,289	117,415

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:

	2020	2019
	RMB'000	RMB'000
Within 3 months	180,891	113,371
More than 3 months but within 6 months	9,173	2,713
More than 6 months but within 1 year	225	38
More than 1 year	—	1,293
	190,289	117,415

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

26. TRADE AND BILLS RECEIVABLES (continued)

Reconciliation of loss allowance for trade receivables:

	2020 RMB'000	2019 RMB'000
At 1 January	8,193	4,984
(Decrease)/increase in loss allowance for the year	(1,181)	3,209
Amounts written off	(9)	—
	7,003	8,193
At 31 December	7,003	8,193

The Group applies the simplified approach under HKFRS 9 to provide for expected credit losses using the lifetime expected loss provision for all trade receivables. To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due. The weighted average expected credit losses also incorporate forward looking information.

	Current	Within 30 days past due	31-60 days past due	61-120 days past due	Over 120 days past due	Total
At 31 December 2020						
Weighted average expected loss rate	0%	1%	13%	24%	97%	
Receivable amount (RMB'000)	183,974	5,682	186	479	6,971	197,292
Loss allowance (RMB'000)	—	81	25	116	6,781	7,003
At 31 December 2019						
Weighted average expected loss rate	0%	6%	66%	46%	81%	
Receivable amount (RMB'000)	107,648	7,506	1,752	1,424	7,278	125,608
Loss allowance (RMB'000)	—	467	1,160	651	5,915	8,193

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

27. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Advances to suppliers (<i>note</i>)	12,596	12,931
Prepaid sales tax and government surcharges	8,391	2,557
Prepaid expenses	859	4
Other receivables	4,885	4,566
	26,731	20,058

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

28. CASH AND CASH EQUIVALENTS AND PLEDGED BANK DEPOSITS

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Cash and bank balances	93,829	83,829
Less: Pledged bank deposits	(58,930)	(57,415)
Cash and cash equivalents	34,899	26,414

At the end of the reporting period, the Group's cash and bank balances denominated in RMB were approximately RMB91,869,000 (2019: RMB77,693,000). RMB is not freely convertible into other currencies, however, under the PRC's Foreign Exchange Control Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

Cash at banks earns interests at floating rates based on daily bank deposit rates. Certain deposits are pledged for bills payable which is due within six months. Therefore, pledged deposits are classified as current assets.

At 31 December 2020, bank deposits of RMB58,930,000 (2019: RMB57,415,000) were pledged to secure the banking facilities granted to the Group.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

29. TRADE AND BILLS PAYABLES

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Trade payables	120,357	106,344
Bills payables	168,640	171,800
	288,997	278,144

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

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Within 3 months	202,398	174,600
More than 3 months but within 6 months	86,308	103,333
More than 6 months but within 1 year	291	198
More than 1 year	—	13
	288,997	278,144



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

30. LEASE LIABILITIES

	Lease payments 2020 RMB'000	Present value of lease payments 2020 RMB'000	Lease payments 2019 RMB'000	Present value of lease payments 2019 RMB'000
Within one year	1,015	876	813	745
In the second to fifth years, inclusive	2,555	2,376	617	580
After five years	—	—	—	—
	3,570	3,252	1,430	1,325
Less: Future finance charges	(318)		(105)	
Present value of lease obligations	3,252	3,252	1,325	1,325
Less: Amount due for settlement within 12 months (shown under current liabilities)		(876)		(745)
Amount due for settlement after 12 months		2,376		580

At 31 December 2020 and 2019, the average effective borrowing rate was 4.75% to 9.31%. Interest rates are fixed at the contract dates and thus expose the Group to fair value interest rate risk.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

31. CONTRACT LIABILITIES

Disclosures of revenue-related items:

	As at 31 December 2020 RMB'000	As at 31 December 2019 RMB'000	As at 1 January 2019 RMB'000
Contract liabilities	3,717	21,743	12,983

	As at 31 December 2020 RMB'000	As at 31 December 2019 RMB'000	As at 1 January 2019 RMB'000
Contract assets (include in trade and bills receivables)	190,289	117,415	89,704

	2020 RMB'000	2019 RMB'000
Revenue recognised in the year that was included in contract liabilities at beginning of year	2,701	6,690

Transaction prices allocated to performance obligations unsatisfied at end of year and expected to be recognised as revenue in:

	2020 RMB'000	2019 RMB'000
2020	—	21,743
2021	3,717	—
	3,717	21,743



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

31. CONTRACT LIABILITIES (continued)

Significant changes in contract liabilities during the years

	2020 RMB'000	2019 <i>RMB'000</i>
Increase due to operations in the year	49,024	98,678
Transfer of contract liabilities to revenue	(67,050)	(89,918)
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A contract liability represents the Group's obligation to transfer products or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer.

32. OTHER PAYABLES AND ACCRUALS

	2020 RMB'000	2019 <i>RMB'000</i>
Accrued liabilities	15,862	16,941
Payroll payables	6,090	5,410
Payable for the acquisition of property, plant and equipment	25,622	21,825
Others	7,617	3,576
	<hr/>	<hr/>
	55,191	47,752
	<hr/>	<hr/>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

33. INTEREST-BEARING BORROWINGS

	2020			2019		
	Effective interest rate (%)	Maturity	RMB'000	Effective interest rate (%)	Maturity	RMB'000
	Bank loans — Secured	3.850%-5.655%	2030	166,000	4.150%-6.175%	2019
Other loan — Secured	7.560%-9.796%	2023	15,980			—
Other loan — Unsecured	12.00%	2023	18,000			—
			199,980			89,729
Repayable:						
Within one year or on demand			165,741			89,729
In the second year			18,655			—
In the third to fifth years, inclusive			10,374			—
Beyond five years			5,210			—
			199,980			89,729

Notes:

- (i) The Group's bank borrowings are secured by:
- mortgages over the Group's buildings and plant and machinery situated in the PRC, which have an aggregate carrying value at the end of the reporting period of approximately RMB286,190,000 (2019: RMB257,899,000);
 - mortgages over the Group's leasehold lands situated in the PRC, which have an aggregate carrying value at the end of the reporting period of approximately RMB15,598,000 (2019: RMB16,242,000); and
 - mortgages over the Group's investment properties in the PRC, which have an aggregate carrying value at the end of the reporting period of approximately RMB20,960,000 (2019: RMB35,710,000).
- (ii) The Group's other borrowings are secured by:
- mortgages over the Group's buildings and plant and machinery situated in the PRC, which have an aggregate carrying value at the end of the reporting period of approximately RMB20,028,000 (2019: Nil);
- (iii) In 2019, the Group has breached certain financial covenants in respect of secured bank loans with an outstanding balance of RMB19,000,000 with maturity of less than one year.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

34. DEFERRED INCOME

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Government grants		
At 1 January	330	690
Released during the year	(330)	(360)
<hr/>		
At 31 December	—	330
<hr/>		
Current	—	330
Non-current	—	—
<hr/>		
	—	330
<hr/>		

Government grants received are for the technical development of machinery and equipment. The government grants received are accounted for as deferred income and are released to profit or loss over the expected useful lives of the underlying items of machinery and equipment. There are no unfulfilled conditions or contingencies relating to these grants.

35. DUE TO A RELATED PARTY/A DIRECTOR

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Due to a related party		
Ms. Lin Hongting, the spouse of Mr. Lin	—	4,000
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Due to a director		
Mr. Huang Wanneng	3,100	3,640
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The amounts due are unsecured, interest-free and have no fixed terms of repayment.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

36. SHARE CAPITAL

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Authorised:		
2,000,000,000 ordinary shares of HK\$0.001 each	1,760	1,760
Issued and fully paid:		
852,612,470 ordinary shares of HK\$0.001 each	747	747

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meeting of the Company. All ordinary shares rank equally with regard to the Company's residual assets.

There is no movement of the number of shares issued and the share capital during the year.

Capital management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern and to maximise the return to the shareholders through the optimisation of the debt and equity balance.

The Group sets the amount of capital in proportion to risk. The Group manages the capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Group may adjust the payment of dividends, issue new shares, buy-back shares, raise new debts, redeem existing debts or sell assets to reduce debts.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

37. RESERVES

a) Group

The amounts of the Group's reserves and movements therein are presented in the consolidated statement of profit or loss and other comprehensive income and consolidated statement of changes in equity.

Nature and purpose of reserves of the Group

Statutory surplus reserve

As stipulated by the relevant laws and regulations for foreign investment enterprises in the PRC, the Company's PRC subsidiaries are required to maintain a statutory surplus reserve which is non-distributable. Appropriation to such reserve is made out of net profit after tax as shown in the statutory financial statements of the relevant PRC subsidiaries and after making up prior year cumulative losses. The amounts and allocation basis are decided by the board of directors of the respective subsidiaries annually. The statutory surplus reserve can be applied in conversion into issued capital by means of capitalisation issue.

Exchange fluctuation reserve

The exchange fluctuation reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations. The reserve is dealt with in accordance with the accounting policies set out in note 4.

b) Company

	Share premium RMB'000	Exchange fluctuation reserve RMB'000	Accumulated losses RMB'000	Total RMB'000
At 1 January 2019	877,157	(3,095)	(671,491)	202,571
Total comprehensive expenses for the year	—	1,953	(3,020)	(1,067)
At 31 December 2019 and 1 January 2020	877,157	(1,142)	(674,511)	201,504
Total comprehensive expenses for the year	—	(6,498)	(3,573)	(10,071)
At 31 December 2020	877,157	(7,640)	(678,084)	191,433

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

38. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

(a) Changes in liabilities arising from financing activities

The following table shows the Group's changes in liabilities arising from financing activities during the year:

	Lease liabilities	Interest-bearing borrowings	Due to a related party	Due to a director	Finance lease payables	Total liabilities from financing activities
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2019	—	105,000	10,000	12,747	537	128,284
Changes in cash flows	(1,529)	(20,733)	(6,000)	(9,107)	—	(37,369)
Non-cash changes						
— recognition upon initial application of HKFRS 16	2,173	—	—	—	(537)	1,636
— new leases entered during the year	644	—	—	—	—	644
— remeasurement upon early termination of leases	(1,067)	—	—	—	—	(1,067)
— transferred from property, plant and equipment	966	—	—	—	—	966
— interest charged	138	5,462	—	—	—	5,600
At 31 December 2019 and 1 January 2020	1,325	89,729	4,000	3,640	—	98,694
Changes in cash flows	(984)	101,289	(4,000)	(540)	—	95,765
Non-cash changes						
— new leases entered during the year	2,797	—	—	—	—	2,797
— transferred from property, plant and equipment	—	—	—	—	—	—
— interest charged	114	8,962	—	—	—	9,076
At 31 December 2020	3,252	199,980	—	3,100	—	206,332

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

39. COMMITMENTS

(a) Commitments under operating leases

As lessor

The Group leases certain of its factory properties and building use right under operating lease arrangements. Leases are negotiated for terms ranging from one to ten years.

At the end of the reporting period, the Group had total future minimum lease receivable under non-cancellable operating leases in respect of land and buildings and building use right as follows:

	2020	2019
	<i>RMB'000</i>	<i>RMB'000</i>
Within one year	3,225	2,828
In the second to fifth years, inclusive	7,719	6,854
Over 5 years	2,886	4,742
	13,830	14,424

(b) Capital commitments

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

	2020	2019
	<i>RMB'000</i>	<i>RMB'000</i>
Property, plant and equipment		
Contracted but not provided for	11,458	11,088



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

40. CONTINGENT LIABILITIES

At 31 December 2020, the Group did not have any significant contingent liabilities (2019: Nil).

41. PLEDGE OF ASSETS

Details of the Group's interest-bearing bank borrowings and bills payable which are secured by the assets of the Group are included in notes 19, 20, 21 and 28.

42. RELATED PARTY TRANSACTIONS

Other than as disclosed elsewhere in the consolidated financial statements, as at 31 December 2020, the ultimate shareholder and a family member of the ultimate shareholder have guaranteed bank loans made to the Group of approximately RMB126,999,000 (2019: RMB66,000,000).

43. EVENTS AFTER THE REPORTING PERIOD

On 19 January 2021, the Group and Mr. Gao Junlen, a third party, formed a company namely Fujian Sijia Materials Technology Co., Ltd. (福建思嘉新材料科技有限公司) with registered capital of RMB100 million to engage in the design, development, manufacture and sale of polymer processed high strength polyester fabric composite materials, PVC elastic floor products and non-PVC flooring products. Pursuant to the Article, the Group will contribute RMB51 million representing 51% of the total registered capital.

Details of this is set out in the Company's announcement dated 24 February 2021.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

44. PARTICULARS OF THE SUBSIDIARIES OF THE COMPANY

Particulars of the Company's principal subsidiaries as at 31 December 2020 are as follows:

Company name	Place of incorporation/ registration	Paid-up capital	Percentage of equity interests attributable to the Company	Principal activities
Directly held:				
China Grandsoo Holdings Company Limited	British Virgin Islands	US\$3	100%	Investment holding
Indirectly held:				
Sijia International Holding Limited	Hong Kong	HK\$10,000	100%	Investment holding
Xiamen Grandsoo Industrial & Trade Company Limited (Note i)	PRC	HK\$300,000,000	100%	Manufacturing and selling end products
Fujian Sijia [#] (Note ii)	PRC	HK\$390,000,000	100%	Manufacturing and selling materials and end products
Shanghai Sijia [#] (Note i)	PRC	HK\$208,240,000	100%	Manufacturing and selling special functional composites

[#] The English names are for identification only

Note:

- (i) The subsidiary is a wholly foreign-owned enterprise incorporated in the PRC.
- (ii) The subsidiary is a non-wholly foreign-owned enterprise incorporated in the PRC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

45. STATEMENT OF FINANCIAL POSITION OF THE COMPANY AS AT 31 DECEMBER

	<i>Notes</i>	2020 RMB'000	2019 <i>RMB'000</i>
Non-current assets			
Investments in subsidiaries		89,340	89,340
Current assets			
Due from a subsidiary		105,455	117,479
Cash and cash equivalents		1,046	23
		106,501	117,502
Current liabilities			
Other payables and accruals		3,661	4,591
		3,661	4,591
Net current assets		102,840	112,911
Total assets less current liabilities		192,180	202,251
NET ASSETS		192,180	202,251
Capital and reserves			
Issued capital	36	747	747
Reserves	37(b)	191,433	201,504
TOTAL EQUITY		192,180	202,251

46. APPROVAL OF FINANCIAL STATEMENTS

These consolidated financial statements were approved and authorised for issue by the board of directors on 31 March 2021.

FIVE-YEAR FINANCIAL SUMMARY

	Year ended 31 December				
	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>	2018 <i>RMB'000</i>	2017 <i>RMB'000</i>	2016 <i>RMB'000</i>
REVENUE	812,141	660,482	536,619	523,799	472,688
Gross profit	188,710	144,987	122,179	118,797	94,267
PROFIT BEFORE TAX	44,280	44,247	31,102	31,497	18,802
PROFIT FOR THE YEAR	45,031	40,448	31,125	28,396	22,252
Attributable to:					
Owners of the Company	45,031	40,448	31,125	28,396	22,252
Non-controlling interests	—	—	—	—	—
	45,031	40,448	31,125	28,396	22,252
Basic earnings per share (RMB cents)	5.28	4.74	3.65	3.33	2.61

	As at 31 December				
	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>	2018 <i>RMB'000</i>	2017 <i>RMB'000</i>	2016 <i>RMB'000</i>
Total assets	970,224	784,590	751,135	783,283	765,148
Equity and liabilities					
Total liabilities	569,758	466,383	477,169	540,518	550,704
Total equity	400,466	318,207	273,966	242,765	214,444