永盛新材料
YS Advanced Materials

Yongsheng Advanced Materials Company Limited
永盛新材料有限公司

(Incorporated in the Cayman Islands with limited liability)
(Stock Code: 3608)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2021

FINANCIAL HIGHLIGHTS

	2021	2020	**Change**
	RMB Million	*RMB Million*	
Revenue	**270.5**	361.9	(25.3%)
Gross profit	**66.7**	112.4	(40.7%)
(Loss)/Profit for the year	**(246.3)**	71.1	(446.4%)
(Loss)/Profit for the year attributable to shareholders of the Company	**(245.3)**	72.7	(437.4%)
Basic (loss)/earnings per share for the year	**RMB(33.5) cents**	RMB9.9 cents	(438.4%)

The Board does not recommend the payment of any final dividend (2020: HK$0.02 per share) for the Year.

Profit attributable to owners of the Company for 2021 excluding the impairment of goodwill and intangible assets, the fair value loss on investment properties was RMB11.1 million. However, when the impairment of goodwill and intangible assets and the fair value loss on investment properties are taken into account, the Group recorded a loss attributable to owners of the Company of RMB245.3 million in 2021.

The board (the "**Board**") of directors (the "**Directors**") of Yongsheng Advanced Materials Company Limited (the "**Company**") is pleased to present the audited consolidated results of the Company and its subsidiaries (collectively, the "**Group**") for the financial year ended 31 December 2021 (the "**Year**" or "**Year under Review**"), together with the comparative figures in 2020.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

Year ended 31 December 2021

		2021	2020
	Notes	***RMB'000***	*RMB'000*
Revenue	*4*	**270,503**	361,936
Cost of sales		**(203,832)**	(249,563)
Gross profit		**66,671**	112,373
Other income and gains, net		**1,571**	24,919
Selling and distribution expenses		**(2,493)**	(1,428)
Administrative expenses		**(45,378)**	(35,508)
Fair value (loss)/gain on investment properties		**(104,651)**	369
Impairment losses on financial and contract assets, net		**(817)**	(10,366)
Impairment losses on goodwill and intangible assets		**(151,803)**	–
Finance costs	*5*	**(7,242)**	(1,785)
(LOSS)/PROFIT BEFORE TAX	*6*	**(244,142)**	88,574
Income tax expense	*7*	**(2,181)**	(17,431)
(LOSS)/PROFIT FOR THE YEAR		**(246,323)**	71,143

	Notes	**2021** **RMB'000**	2020 RMB'000
OTHER COMPREHENSIVE LOSS			
Other comprehensive loss that may be reclassified to profit or loss in subsequent periods:			
Exchange differences on translation of foreign operations		**(5,461)**	(19,363)
Net other comprehensive loss that may be reclassified to profit or loss in subsequent Periods		**(5,461)**	(19,363)
Other comprehensive loss that will not be reclassified to profit or loss in subsequent Periods:			
Exchange differences on translation of foreign operations		**(216)**	(368)
Net other comprehensive loss that will not be reclassified to profit or loss in subsequent periods		**(216)**	(368)
OTHER COMPREHENSIVE LOSS FOR THE YEAR, NET OF TAX		**(5,677)**	(19,731)
TOTAL COMPREHENSIVE (LOSS)/INCOME FOR THE YEAR		**(252,000)**	51,412
(Loss)/profit attributable to:			
Shareholders of the Company		**(245,307)**	72,685
Non-controlling interests		**(1,016)**	(1,542)
		(246,323)	71,143
Total comprehensive (loss)/income attributable to:			
Shareholders of the Company		**(250,724)**	53,978
Non-controlling interests		**(1,276)**	(2,566)
		(252,000)	51,412
(LOSS)/EARNINGS PER SHARE ATTRIBUTABLE TO THE SHAREHOLDERS OF THE COMPANY	*8*		
Basic		**RMB(33.5) cents**	RMB9.9 cents
Diluted		**RMB(33.5) cents**	RMB9.8 cents

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

Year ended 31 December 2021

	Notes	2021 RMB'000	2020 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment		**116,815**	82,526
Other non-current asset		**81,217**	330
Investment properties	*10*	**674,660**	755,323
Right-of-use assets	*11*	**10,624**	11,518
Goodwill	*12*	**–**	99,514
Investments in a joint venture		**3,478**	–
Other intangible assets		**2,169**	57,061
Loan receivables	*18*	**–**	9,501
Amount due from related parties		**5,583**	–
Deferred tax assets		**6,179**	1,597
Total non-current assets		**900,725**	1,017,370
CURRENT ASSETS			
Inventories	*13*	**6,547**	4,793
Properties under development	*14*	**–**	223,025
Completed properties held for sale	*15*	**225,630**	–
Trade and bills receivables	*16*	**62,578**	74,819
Contract assets		**18,656**	30,274
Prepayments, deposits and other receivables	*17*	**35,555**	18,781
Loan receivables	*18*	**158,409**	107,040
Bills receivable at fair value through other comprehensive income		**3,773**	16,363
Financial assets at fair value through profit or loss		**48,641**	199,056
Amounts due from related parties		**4,451**	759
Tax recoverable		**3,070**	–
Cash and cash equivalents		**86,551**	89,718
Total current assets		**653,861**	764,628
CURRENT LIABILITIES			
Trade payables	*19*	**99,954**	123,913
Other payables and accruals	*20*	**24,567**	21,682
Derivative financial instruments		**654**	1,981
Interest-bearing bank and other borrowings	*21*	**69,995**	41,062
Government grants		**387**	387
Amount due to related parties		**673**	–
Income tax payable		**7,451**	15,972
Total current liabilities		**203,681**	204,997

	Notes	2021 RMB'000	2020 RMB'000
NET CURRENT ASSETS		**450,180**	559,631
TOTAL ASSETS LESS CURRENT LIABILITIES		**1,350,905**	1,577,001
NON-CURRENT LIABILITIES			
Interest-bearing bank and other borrowings	*21*	**167,191**	128,311
Government grants		**6,515**	6,902
Deferred tax liabilities		**9,396**	11,556
Amount due to related parties		**428**	–
Deposits payable		**2,292**	–
Total non-current liabilities		**185,822**	146,769
Net assets		**1,165,083**	1,430,232
EQUITY			
Equity attributable to shareholders of the Company			
Share capital		**6,063**	6,054
Share premium		**810,013**	826,670
Other reserves		**344,235**	595,560
		1,160,311	1,428,284
Non-controlling interests		**4,772**	1,948
Total equity		**1,165,083**	1,430,232

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2021

1. CORPORATE AND GROUP INFORMATION

Yongsheng Advanced Materials Company Limited (the "**Company**") was incorporated in the Cayman Islands on 19 April 2012 as an exempted company with limited liability under the Companies Law (2010 Revision) of the Cayman Islands. The address of the Company's registered office is P.O. Box 1008, Willow House, Cricket Square Grand Cayman KY1-1101, Cayman Islands.

During the year, the Group was involved in the following principal activities:

- Provision of dyeing services of differentiated polyester filament fabric
- Properties investment
- Renovation, maintenance, alteration and additional services ("**RMAA Service**"); and
- Investment, development, construction, operation and management of renewable energy businesses, water treatment businesses and environmental protection businesses

In the opinion of directors, the holding company and the ultimate holding company of the Company is Ever Thrive Global Limited ("**Ever Thrive**"), a company incorporated in the British Virgin Islands (the "**BVI**") and controlled by Mr. Li Cheng (the "**Controlling Shareholder**").

2.1 BASIS OF PREPARATION

These financial statements have been prepared in accordance with International Financial Reporting Standards ("**IFRSs**") (which include all International Financial Reporting Standards, International Accounting Standards ("**IASs**") and Interpretations) issued by the International Accounting Standards Board ("**IASB**") and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for financial assets at fair value through profit or loss, bills receivable at fair value through other comprehensive income, derivative financial instruments and investment properties which have been measured at fair value. These financial statements are presented in RMB and all values are rounded to the nearest thousand except when otherwise indicated.

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries (collectively referred to as the "Group") for the year ended 31 December 2021. A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

When the Company has, directly or indirectly, less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

(a) the contractual arrangement with the other vote holders of the investee;

(b) rights arising from other contractual arrangements; and

(c) the Group's voting rights and potential voting rights.

The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. The results of subsidiaries are consolidated from the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

Profit or loss and each component of other comprehensive income are attributed to the owners of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control described above. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises (i) the assets (including goodwill) and liabilities of the subsidiary, (ii) the carrying amount of any non-controlling interest and (iii) the cumulative translation differences recorded in equity; and recognises (i) the fair value of the consideration received, (ii) the fair value of any investment retained and (iii) any resulting surplus or deficit in profit or loss. The Group's share of components previously recognised in other comprehensive income is reclassified to profit or loss or retained profits, as appropriate, on the same basis as would be required if the Group had directly disposed of the related assets or liabilities.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The Group has adopted the following revised IFRSs for the first time for the current year's financial statements.

Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16	*Interest Rate Benchmark Reform – Phase 2*
Amendment to IFRS 16	Covid-19-Related Rent Concessions beyond 30 June 2021 (early adopted)

The nature and the impact of the revised IFRSs are described below:

(a) Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 address issues not dealt with in the previous amendments which affect financial reporting when an existing interest rate benchmark is replaced with an alternative risk-free rate ("**RFR**"). The amendments provide a practical expedient to allow the effective interest rate to be updated without adjusting the carrying amount of financial assets and liabilities when accounting for changes in the basis for determining the contractual cash flows of financial assets and liabilities, if the change is a direct consequence of the interest rate benchmark reform and the new basis for determining the contractual cash flows is economically equivalent to the previous basis immediately preceding the change. In addition, the amendments permit changes required by the interest rate benchmark reform to be made to hedge designations and hedge documentation without the hedging relationship being discontinued. Any gains or losses that could arise on transition are dealt with through the normal requirements of IFRS 9 to measure and recognise hedge ineffectiveness. The amendments also provide a temporary relief to entities from having to meet the separately identifiable requirement when an RFR is designated as a risk component. The relief allows an entity, upon designation of the hedge, to assume that the separately identifiable requirement is met, provided the entity reasonably expects the RFR risk component to become separately identifiable within the next 24 months. Furthermore, the amendments require an entity to disclose additional information to enable users of financial statements to understand the effect of interest rate benchmark reform on an entity's financial instruments and risk management strategy. The amendments did not have any impact on the financial position and performance of the Group as the Group does not have any interest rate hedging relationships and any interest-bearing bank borrowings based on the Hong Kong Interbank Offered Rate or the London Interbank Offered Rate ("**LIBOR**") as at 31 December 2021.

(b) Amendments to IFRS 16 issued in April 2021 extends the availability of the practical expedient for lessees to elect not to apply lease modification accounting for rent concessions arising as a direct consequence of the covid-19 pandemic by 12 months. Accordingly, the practical expedient applies to rent concessions for which any reduction in lease payments affects only payments originally due on or before 30 June 2022, provided the other conditions for applying the practical expedient are met. The amendment is effective retrospectively for annual periods beginning on or after 1 April 2021 with any cumulative effect of initially applying the amendment recognised as an adjustment to the opening balance of retained profits at the beginning of the current accounting period. Earlier application is permitted. The Group has early adopted the amendment on 1 January 2021. However, the Group has not received Covid-19-related rent concessions and plans to apply the practical expedient when it becomes applicable within the allowed period of application.

2.3 ISSUED BUT NOT YET EFFECTIVE INTERNATIONAL FINANCIAL REPORTING STANDARDS

The Group has not applied the following new and revised IFRSs, that have been issued but are not yet effective, in these financial statements.

Amendments to IFRS 3	*Reference to the Conceptual Framework*[1]
Amendments to IFRS 10 and IAS 28 (2011)	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[3]
IFRS 17	*Insurance Contracts*[2]
Amendments to IFRS 17	*Insurance Contracts*[2, 5]
Amendments to IAS 1	*Classification of Liabilities as Current or Non-current*[2, 4]
Amendments to IAS 1 and IFRS Practice Statement 2	*Disclosure of Accounting Policies*[2]
Amendments to IAS 8	*Definition of Accounting Estimates*[2]
Amendments to IAS 12	*Deferred Tax related to Assets and Liabilities arising from a Single Transaction*[2]
Amendments to IAS 16	*Property, Plant and Equipment: Proceeds before Intended Use*[1]
Amendments to IAS 37	*Onerous Contracts – Cost of Fulfilling a Contract*[1]
Annual Improvements to IFRSs 2018-2020	*Amendments to IFRS 1, IFRS 9, Illustrative Examples accompanying IFRS 16, and IAS 41*[1]

1 Effective for annual periods beginning on or after 1 January 2022

2 Effective for annual periods beginning on or after 1 January 2023

3 No mandatory effective date yet determined but available for adoption

4 As a consequence of the amendments to IAS 1, Hong Kong Interpretation 5 *Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause* was revised in October 2020 to align the corresponding wording with no change in conclusion

5 As a consequence of the amendments to IFRS 17 issued in October 2020, IFRS 4 was amended to extend the temporary exemption that permits insurers to apply IAS 39 rather than IFRS 9 for annual periods beginning before 1 January 2023

Further information about those IFRSs that are expected to be applicable to the Group is described below.

Amendments to IFRS 3 are intended to replace a reference to the previous *Framework for the Preparation and Presentation of Financial Statements* with a reference to the *Conceptual Framework for Financial Reporting* issued in June 2018 without significantly changing its requirements. The amendments also add to IFRS 3 an exception to its recognition principle for an entity to refer to the Conceptual Framework to determine what constitutes an asset or a liability. The exception specifies that, for liabilities and contingent liabilities that would be within the scope of IAS 37 or HK(IFRIC)-Int 21 if they were incurred separately rather than assumed in a business combination, an entity applying IFRS 3 should refer to IAS 37 or HK(IFRIC)-Int 21 respectively instead of the Conceptual Framework. Furthermore, the amendments clarify that contingent assets do not qualify for recognition at the acquisition date. The Group expects to adopt the amendments prospectively from 1 January 2022. Since the amendments apply prospectively to business combinations for which the acquisition date is on or after the date of first application, the Group will not be affected by these amendments on the date of transition.

Amendments to IFRS 10 and IAS 28 (2011) address an inconsistency between the requirements in IFRS 10 and in IAS 28 (2011) in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The amendments require a full recognition of a gain or loss resulting from a downstream transaction when the sale or contribution of assets between an investor and its associate or joint venture constitutes a business. For a transaction involving assets that do not constitute a business, a gain or loss resulting from the transaction is recognised in the investor's profit or loss only to the extent of the unrelated investor's interest in that associate or joint venture. The amendments are to be applied prospectively. The previous mandatory effective date of amendments to IFRS 10 and IAS 28 (2011) was removed by the IASB in December 2015 and a new mandatory effective date will be determined after the completion of a broader review of accounting for associates and joint ventures. However, the amendments are available for adoption now.

Amendments to IAS 1 *Classification of Liabilities* as Current or Non-current clarify the requirements for classifying liabilities as current or non-current. The amendments specify that if an entity's right to defer settlement of a liability is subject to the entity complying with specified conditions, the entity has a right to defer settlement of the liability at the end of the reporting period if it complies with those conditions at that date. Classification of a liability is unaffected by the likelihood that the entity will exercise its right to defer settlement of the liability. The amendments also clarify the situations that are considered a settlement of a liability. The amendments are effective for annual periods beginning on or after 1 January 2023 and shall be applied retrospectively. Earlier application is permitted. The amendments are not expected to have any significant impact on the Group's financial statements.

Amendments to IAS 1 *Disclosure of Accounting Policies* require entities to disclose their material accounting policy information rather than their significant accounting policies. Accounting policy information is material if, when considered together with other information included in an entity's financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. Amendments to IFRS Practice Statement 2 provide non-mandatory guidance on how to apply the concept of materiality to accounting policy disclosures. Amendments to IAS 1 are effective for annual periods beginning on or after 1 January 2023 and earlier application is permitted. Since the guidance provided in the amendments to IFRS Practice Statement 2 is non-mandatory, an effective date for these amendments is not necessary. The Group is currently assessing the impact of the amendments on the Group's accounting policy disclosures.

Amendments to IAS 8 clarify the distinction between changes in accounting estimates and changes in accounting policies. Accounting estimates are defined as monetary amounts in financial statements that are subject to measurement uncertainty. The amendments also clarify how entities use measurement techniques and inputs to develop accounting estimates. The amendments are effective for annual reporting periods beginning on or after 1 January 2023 and apply to changes in accounting policies and changes in accounting estimates that occur on or after the start of that period. Earlier application is permitted. The amendments are not expected to have any significant impact on the Group's financial statements.

Amendments to IAS 12 narrow the scope of the initial recognition exception so that it no longer applies to transactions that give rise to equal taxable and deductible temporary differences, such as leases and decommissioning obligations. Therefore, entities are required to recognise a deferred tax asset and a deferred tax liability for temporary differences arising from these transactions. The amendments are effective for annual reporting periods beginning on or after 1 January 2023 and shall be applied to transactions related to leases and decommissioning obligations at the beginning of the earliest comparative period presented, with any cumulative effect recognised as an adjustment to the opening balance of retained profits or other component of equity as appropriate at that date. In addition, the amendments shall be applied prospectively to transactions other than leases and decommissioning obligations. Earlier application is permitted.

The Group has applied the initial recognition exception and did not recognise a deferred tax asset and a deferred tax liability for temporary differences for transactions related to leases. Upon initial application of these amendments, the Group will recognise a deferred tax asset and a deferred tax liability for deductible and taxable temporary differences associated with right-of-use assets and lease liabilities, and recognise the cumulative effect of initially applying the amendments as an adjustment to the opening balance of retained profits at the beginning of the earliest comparative period presented.

Amendments to IAS 16 prohibit an entity from deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling any such items, and the cost of those items, in profit or loss. The amendments are effective for annual periods beginning on or after 1 January 2022 and shall be applied retrospectively only to items of property, plant and equipment made available for use on or after the beginning of the earliest period presented in the financial statements in which the entity first applies the amendments. Earlier application is permitted. The amendments are not expected to have any significant impact on the Group's financial statements.

Amendments to IAS 37 clarify that for the purpose of assessing whether a contract is onerous under IAS 37, the cost of fulfilling the contract comprises the costs that relate directly to the contract. Costs that relate directly to a contract include both the incremental costs of fulfilling that contract (e.g., direct labour and materials) and an allocation of other costs that relate directly to fulfilling that contract (e.g., an allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract as well as contract management and supervision costs). General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract. The amendments are effective for annual periods beginning on or after 1 January 2022 and shall be applied to contracts for which an entity has not yet fulfilled all its obligations at the beginning of the annual reporting period in which it first applies the amendments. Earlier application is permitted. Any cumulative effect of initially applying the amendments shall be recognised as an adjustment to the opening equity at the date of initial application without restating the comparative information. The amendments are not expected to have any significant impact on the Group's financial statements.

Annual Improvements to IFRSs 2018-2020 sets out amendments to IFRS 1, IFRS 9, Illustrative Examples accompanying IFRS 16, and IAS 41. Details of the amendments that are expected to be applicable to the Group are as follows:

- IFRS 9 *Financial Instrument*s: clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf. An entity applies the amendment to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment. The amendment is effective for annual periods beginning on or after 1 January 2022. Earlier application is permitted. The amendment is not expected to have a significant impact on the Group's financial statements.

- IFRS 16 *Leases*: removes the illustration of payments from the lessor relating to leasehold improvements in Illustrative Example 13 accompanying IFRS 16. This removes potential confusion regarding the treatment of lease incentives when applying IFRS 16.

3. OPERATING SEGMENT INFORMATION

For management purposes, the Group is organised into business units based on their products and services and has four reportable operating segments as follows:

– Processing: Dyeing and processing of differentiated polyester filament fabric
– Properties investment: Investment, development and sale of properties
– RMAA Service: Provision of construction services in building construction, building maintenance and improvement works, renovation and decoration works
– Environmental water project operation: Consultancy services and sale of machineries related to environmental protection, including operation and maintenance services

Management monitors the results of the Group's operating segments separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on profit before tax without allocation of interest income/costs and other expenses which are not incurred directly for operating segments.

Segment assets exclude corporate cash, deferred tax assets and tax recoverable as these assets are managed on a group basis.

Segment liabilities exclude corporate accruals, payroll payable, deferred tax liabilities and income tax payable as these liabilities are managed on a group basis.

Intersegment sales and transfers are transacted with reference to the selling prices used for sales made to third parties at the then prevailing market prices

Operating segments

	Processing *RMB'000*	RMAA Service *RMB'000*	Properties investment *RMB'000*	Environmental water project operation *RMB'000*	Total *RMB'000*
Year ended 31 December 2021					
Segment revenue ***(note 4)***					
Sales to external customers	200,338	64,321	5,844	–	270,503
Revenue					270,503
Segment results	43,217	(164,686)	(105,599)	(5,213)	(232,281)
Reconciliations:					
Corporate and other unallocated expenses					(23,928)
Interest income					14,805
Investment income					4,504
Finance costs					(7,242)
Loss before tax					(244,142)
Segment assets	479,057	35,685	992,929	142,175	1,649,846
Reconciliations:					
Elimination of intersegment receivables					(167,581)
Corporate and other unallocated assets					72,321
Total assets					1,554,586
Segment liabilities	106,513	21,320	323,345	81,889	533,067
Reconciliations:					
Elimination of intersegment payables					(167,581)
Corporate and other unallocated liabilities					24,017
Total liabilities					389,503
Other segment information					
Share of losses of a joint venture	–	–	–	(122)	(122)
Depreciation and amortisation	6,277	220	399	3	6,899
Impairment of goodwill and other intangible assets	–	151,803	–	–	151,803
Impairment of trade receivables, contract assets and other receivables, net	–	771	–	482	1,253
Investments in a joint venture	–	–	–	3,478	3,478
Capital expenditure*	4,411	25	59,547	78,280	142,263

* *Capital expenditure consists of additions to property, plant and equipment and investment properties and prepayment for property, plant equipment and leasehold land.*

	Processing	RMAA Service	Properties investment	Environmental water project operation	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Year ended 31 December 2020					
Segment revenue ***(note 4)***					
Sales to external customers	175,647	185,115	1,174	–	361,936
Revenue					361,936
Segment results	43,380	34,536	(208)	(3,848)	73,860
Reconciliations:					
Corporate and other unallocated expenses					(2,680)
Interest income					10,765
Investment income					8,414
Finance costs					(1,785)
Profit before tax					88,574
Segment assets	434,348	215,476	1,018,803	63,126	1,731,753
Reconciliations:					
Elimination of intersegment receivables					(25,250)
Corporate and other unallocated assets					75,495
Total assets					1,781,998
Segment liabilities	88,308	33,043	202,881	24,278	348,510
Reconciliations:					
Elimination of intersegment payables					(25,250)
Corporate and other unallocated liabilities					28,506
Total liabilities					351,766
Other segment information					
Depreciation and amortisation	6,265	5,427	96	–	11,788
Impairment of trade receivables, contract assets and other receivables	–	9,415	–	–	9,415
Capital expenditure*	1,063	10	104,957	–	106,030

* *Capital expenditure consists of additions to property, plant and equipment and investment properties.*

No revenue with a single external customer accounted for 10% or more of the Group's revenue.

Geographical information

(a) Revenue from external customers

	2021	2020
	RMB'000	*RMB'000*
Hong Kong	**64,321**	185,115
Mainland China	**179,192**	155,870
Other	**26,990**	20,951
	270,503	361,936

The revenue information above is based on the locations of the customers.

(b) Non-current assets

	2021	2020
	RMB'000	*RMB'000*
Hong Kong	**905**	56,001
Mainland China	**893,641**	860,258
	894,546	916,259

The non-current asset information above is based on the locations of the assets and excludes deferred tax assets and goodwill.

4. REVENUE, OTHER INCOME AND GAINS

An analysis of revenue is as follows:

	2021	2020
	RMB'000	*RMB'000*
Revenue from contracts with customers	**264,659**	360,762
Revenue from other sources		
Gross rental income from investment properties under operating leases	**5,844**	1,174
	270,503	361,936

Revenue from contracts with customers

Disaggregated revenue information

	2021	2020
	RMB'000	*RMB'000*
Types of goods or services		
Processing	**200,338**	175,647
RMAA Service	**64,321**	185,115
Total revenue from contracts with customers	**264,659**	360,762
Geographical markets		
Hong Kong	**64,321**	185,115
Mainland China	**173,348**	154,696
Other	**26,990**	20,951
Total revenue from contracts with customers	**264,659**	360,762
Timing of revenue recognition		
Goods or services transferred at a point in time	**200,338**	175,647
Services transferred over time	**64,321**	185,115
Total revenue from contracts with customers	**264,659**	360,762

An analysis of other income and gains is as follows:

	2021	2020
	RMB'000	*RMB'000*
Other income and gains, net		
Bank and other interest income	**14,805**	10,765
Investment income	**4,504**	8,414
Share of losses of a joint venture	**(122)**	–
Fair value (losses)/gains on financial assets at fair value through profit or loss	**(18,697)**	3,556
Fair value changes on derivative financial instruments	**(653)**	(1,981)
Gross rental income from plants	**772**	772
Government grants	**657**	3,403
Foreign exchange differences, net	**(205)**	(892)
Others	**510**	882
	1,571	24,919

5. FINANCE COSTS

	2021	2020
	RMB'000	*RMB'000*
Interest on bank loans	**12,907**	9,455
Interest on deposits payable	**15**	–
Interest on lease liabilities	**71**	45
Total interest expense	**12,993**	9,500
Less: Interest capitalised	**(5,751)**	(7,715)
	7,242	1,785

6. (LOSS)/PROFIT BEFORE TAX

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

	Notes	2021 RMB'000	2020 RMB'000
Cost of services provided		**203,832**	249,563
Depreciation of property, plant and equipment*		**5,318**	4,850
Depreciation of right-of-use assets	*11*	**1,231**	1,309
Amortisation of other intangible assets*		**350**	5,629
Lease payments not included in the measurement of lease liabilities		**351**	172
Auditors' remuneration		**1,350**	1,250
Employee benefit expense (including directors' and chief executive's remuneration) *:			
Wages and salaries		**34,838**	34,874
Pension scheme contributions **		**5,564**	3,169
Foreign exchange differences, net		**205**	892
Write-off of amounts due from a related party		**–**	2,877
Impairment of trade receivables		**3,387**	3,708
(Reversal)/impairment of contract assets		**(2,616)**	2,830
Impairment of due from related parties		**482**	–
(Reversal)/impairment of loan receivables		**(436)**	951
Research and development costs		**5,016**	4,046
Fair value losses/(gains), net:			
Fair value changes on derivative financial instruments		**653**	1,981
Financial assets at fair value through profit or loss		**18,697**	(3,556)
Bank and other interest income		**(14,805)**	(10,765)
Investment income		**(4,504)**	(8,414)
Gain on disposal of items of property, plant and equipment, net		**(9)**	–

* *Part of the depreciation, amortisation of other intangible assets and employee benefit expense for the year are included in "Cost of sales" in the consolidated statement of profit or loss and other comprehensive income.*

** *There are no forfeited contributions that may be used by the Group as the employer to reduce the existing level of contributions. At 31 December 2021, the Group had no forfeited contributions available to reduce its contributions to the pension schemes in future years (2020: Nil).*

7. INCOME TAX EXPENSE

Pursuant to the applicable rules and regulations of the Cayman Islands and BVI, the Group is not subject to any income tax in the Cayman Islands and the BVI.

All of the Group's subsidiaries incorporated in Hong Kong are subject to profits tax at a rate of 16.5% (2020: 16.5%) on the estimated assessable profits arising in Hong Kong during the year, except for one subsidiary of the Group which is a qualifying entity under the two-tiered profits tax rates regime. The first HK$2,000,000 (2020: HK$2,000,000) of assessable profits of this subsidiary are taxed at 8.25% (2020: 8.25%) and the remaining assessable profits are taxed at 16.5% (2020: 16.5%).

A subsidiary of the Group incorporated in Malaysia is subject to profits tax at a rate of 24% (2020: 24%). No provision for taxation in Malaysia has been made, as the subsidiary did not generate any assessable profits arising in Malaysia for the year ended 31 December 2021 (2020: Nil).

A subsidiary of the Group incorporated in Cambodia is subject to profits tax at a rate of 20% (2020: 20%). No provision for taxation in Cambodia has been made, as the subsidiary did not generate any assessable profits arising in Cambodia for the year ended 31 December 2021 (2020: Nil).

A subsidiary of the Group incorporated in Myanmar is subject to profits tax at a rate of 25% (2020: 25%). No provision for taxation in Myanmar has been made, as the subsidiary did not generate any assessable profits arising in Myanmar for the year ended 31 December 2021 (2020: Nil).

All of the Group's subsidiaries registered in the PRC having operations only in Mainland China are subject to the PRC enterprise income tax on the taxable income as reported in their PRC statutory accounts adjusted in accordance with relevant PRC income tax laws. The PRC Enterprise Income Tax Law introduced a wide range of changes which include, but are not limited to, the unification of the income tax rates for domestic-invested and foreign-invested enterprises at 25%.

Pursuant to the relevant laws and regulations in the PRC and with the approval from the tax authorities in charge, one of the Group's subsidiaries, Yongsheng Dyeing, qualified as a High and New Technology Enterprise, is entitled to the preferential enterprise income tax rate of 15% for three years from 2021to 2023.

Pursuant to the PRC Enterprise Income Tax Law, a 10% withholding tax is levied on the dividends declared to foreign investors from the foreign investment enterprises established in the PRC. The requirement is effective from 1 January 2008 and applies to earnings after 31 December 2007. A lower withholding tax rate may be applied if there is a tax treaty between the PRC and the jurisdiction of the foreign investors. The Group is therefore liable to 5% withholding taxes on dividends distributed by those subsidiaries established in the PRC in respect of their earnings generated from 1 January 2008. The aggregate amount of temporary differences associated with investments in subsidiaries in Mainland China for which deferred tax liabilities have not been recognised totalled approximately RMB96,720,000 at 31 December 2021 (2020: RMB96,720,000). In the opinion of the directors, it is not probable that these subsidiaries will distribute such earnings in the foreseeable future.

The major components of income tax expense for the years ended 31 December 2021 and 2020 are:

	2021	2020
	RMB'000	*RMB'000*
Current tax	**8,435**	16,143
Deferred tax	**(6,254)**	1,288
Total tax charge for the year	**2,181**	17,431

8. (LOSS)/EARNINGS PER SHARE ATTRIBUTABLE TO SHAREHOLDERS OF THE COMPANY

Basic (loss)/earnings per share amounts are calculated by dividing the (loss)/profit for the year attributable to the shareholders of the Company by the weighted average number of ordinary shares in issue during the year.

Diluted loss per share for the year ended 31 December 2021 was the same as the basic loss per share as the share options had an anti-dilutive effect on the basic loss per share during the year. For the year ended 31 December 2020, diluted earnings per share amounts are calculated by dividing the profit attributable to the shareholders of the Company by the weighted average number of ordinary shares in issue during the year, as used in the basic earnings per share calculation, plus the weighted average number of ordinary shares that would be issued on the deemed exercise of all the dilutive potential ordinary shares into ordinary shares.

The following reflects the income and share data used in the basic and diluted earnings per share computations:

	2021	2020
	RMB'000	*RMB'000*
Earnings:		
(Loss)/profit attributable to shareholders of the Company – basic and diluted	**(245,307)**	72,685

	Number of shares	
	2021	2020
Shares:		
Weighted average number of ordinary shares for basic earnings per share calculation	**732,428,523**	735,805,931
Effect of dilution – weighted average number of ordinary shares: Share options*	**–**	7,029,580
Weighted average number of ordinary shares adjusted for the effect of dilution	**732,428,523**	742,835,511

* *The calculation of diluted loss per share for the years ended 31 December 2021 did not assume the exercise of the share options since its inclusion would be anti-dilutive.*

9. DIVIDEND

	2021	2020
	RMB'000	*RMB'000*
Interim – HK$0.01 (equivalent to RMB0.0083) (2020: HK$0.015 (equivalent to RMB0.0134)) per ordinary share	**6,083**	9,797
Proposed final – nil (2020: HK$0.02 (equivalent to RMB0.0168)) per ordinary share	**–**	12,330
	6,083	22,127

The Board of directors has resolved not to propose any final dividend for the year ended 31 December 2021 (2020: propose a final dividend of HK$0.02 per ordinary share amounting to a total of RMB12,330,000).

10. INVESTMENT PROPERTIES

	Under construction *RMB'000*	Completed *RMB'000*	Total *RMB'000*
Carrying amount at 1 January 2020	614,298	40,400	654,698
Additions	100,256	–	100,256
Fair value changes recognised in profit or loss	4,769	(4,400)	369
Carrying amount at 31 December 2020 and 1 January 2021	719,323	36,000	755,323
Additions	48,168	–	48,168
Transferred to investment properties completed	(767,491)	767,491	–
Fair value changes recognised in profit or loss	–	(104,651)	(104,651)
Transfer to owner-occupied property	–	(24,180)	(24,180)
Carrying amount at 31 December 2021	–	674,660	674,660

The Group's investment properties consist of two commercial properties in Hangzhou, the PRC. The Group's investment properties were revalued on 31 December 2021 based on valuations performed by Avista Valuation Advisory Limited ("**Avista**"), an independent professionally qualified valuer, at RMB674,660,000. Selection criteria include market knowledge, reputation, independence and whether professional standards are maintained. The Group's finance manager and the chief financial officer have discussions with the valuer on the valuation assumptions and valuation results when the valuation is performed for financial reporting.

The completed investment properties are leased under operating leases.

As at 31 December 2021, the Group's investment properties with a carrying value of RMB638,760,000 (2020: RMB719,323,000) were pledged to secure long-term loan facilities granted to the Group by a bank.

11. LEASE

Right-of-use assets

The carrying amount of the Group's right-of-use assets and the movements during the year are as follows:

	Leasehold land	**buildings**	**Total**
	RMB'000	*RMB'000*	*RMB'000*
As at 1 January 2020	10,746	662	11,408
Additions	–	1,479	1,479
Depreciation charge	(315)	(994)	(1,309)
Exchange realignment	–	(60)	(60)
As at 31 December 2020 and 1 January 2021	10,431	1,087	11,518
Additions	–	343	343
Depreciation charge	(315)	(916)	(1,231)
Exchange realignment	–	(6)	(6)
As at 31 December 2021	10,116	508	10,624

The Group's land use rights are corresponding to the lands located in Hangzhou of the PRC and the remaining lease periods were 32 years as at 31 December 2021.

At 31 December 2021, certain of the Group's land use rights with a net carrying amount of approximately RMB3,894,000 (2021: RMB4,017,000) were pledged to secure short-term loan facilities granted to the Group by a bank.

12. GOODWILL

	RMB'000
Cost and carrying amount at 1 January 2020	105,923
Exchange realignment	(6,409)
Cost and carrying amount at 31 December 2020	99,514
At 31 December 2020	
Cost	99,514
Accumulated impairment	–
Net carrying amount	99,514
Cost and carrying amount at 1 January 2021	99,514
Impairment during the year	(98,064)
Exchange realignment	(1,450)
Cost and carrying amount at 31 December 2021	–
At 31 December 2021	
Cost	96,676
Accumulated impairment	(96,676)
Net carrying amount	–

13. INVENTORIES

	2021	2020
	RMB'000	*RMB'000*
Raw materials	**3,969**	3,380
Work in progress	**1,453**	450
Finished goods	**1,125**	963
	6,547	4,793

14. PROPERTIES UNDER DEVELOPMENT

	2021	2020
	RMB'000	*RMB'000*
Carrying amount at the beginning of the year	**223,025**	198,524
Additions	**2,605**	24,501
Transferred to completed properties held for sale *(Note 15)*	**(225,630)**	–
Carrying amount at the end of the year	**–**	223,025

The Group's properties under development are situated on leasehold lands in Mainland China.

At 31 December 2020, certain properties under development of approximately RMB223,025,000 were pledged to secure long-term loan facilities granted to the Group by a bank (note 21). No such pledged properties under development as at 31 December 2021.

15. COMPLETED PROPERTIES HELD FOR SALE

	2021	2020
	RMB'000	*RMB'000*
Carrying amount at the beginning of the year	**–**	–
Transferred from properties under development *(Note 14)*	**225,630**	–
Carrying amount at the end of the year	**225,630**	–

At 31 December 2021, certain of the Group's completed properties held for sale with an aggregate carrying amount of approximately RMB225,630,000 (2020: Nil) were pledged to secure long-term loan facilities granted to the Group by a bank (note 21). The value of completed properties held for sale was assessed at the end of the reporting period. There was no impairment and the realisable value of the completed properties held for sale exceeded their carrying value.

16. TRADE AND BILLS RECEIVABLES

	2021	2020
	RMB'000	*RMB'000*
Trade receivables	**24,637**	42,425
Bills receivable	**42,907**	38,116
	67,544	80,541
Impairment	**(4,966)**	(5,722)
Net trade and bills receivable	**62,578**	74,819

The Group's trading terms with its customers are mainly on credit, except for new customers, where payment in advance is normally required. The credit period is generally 3 months. Each customer has a maximum credit limit. The Group seeks to maintain strict control over its outstanding receivables and overdue balances are reviewed regularly by senior management. In view of the aforementioned and the fact that the Group's trade receivables relate to a large number of diversified customers, there is no significant concentration of credit risk. Trade receivables are non-interest-bearing.

An ageing analysis of the trade receivables as at the end of the reporting period, based on the invoice date, is as follows:

	2021	2020
	RMB'000	*RMB'000*
Within 3 months	**18,945**	28,502
3 to 6 months	**42**	1,272
6 months to 1 year	**643**	8,656
1 to 2 years	**1,525**	3,497
More than 2 years	**3,482**	498
	24,637	42,425

17. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	2021	2020
	RMB'000	*RMB'000*
Prepayments to suppliers	**672**	1,515
Deposits and other receivables	**11,191**	1,942
Prepaid expenses	**177**	169
Interest receivables	**7,517**	2,298
Value-added tax recoverable	**15,998**	12,857
	35,555	18,781

The above balances are unsecured and interest-free. The carrying amounts of deposits and other receivables approximate to their fair values.

The financial assets included in the above balances relate to receivables for which there was no recent history of default and past due amounts. As at 31 December 2021 and 2020, the loss allowance was assessed to be minimal.

The maximum exposure to credit risk as at the end of the reporting period is the carrying value of interest receivables, deposits and other receivables.

18. LOAN RECEIVABLES

	2021	2020
	RMB'000	*RMB'000*
Loan receivables – current	**158,893**	107,518
Loan receivables – non-current	**–**	9,950
	158,893	117,468
Impairment	**(484)**	(927)
	158,409	116,541

19. TRADE PAYABLES

	2021	2020
	RMB'000	*RMB'000*
Trade payables	**99,954**	123,913

An ageing analysis of the trade payables as at the end of the year, based on the invoice date, is as follows:

	2021	2020
	RMB'000	*RMB'000*
Within 6 months	**95,552**	117,388
6 months to 1 year	**196**	5,804
1 to 2 years	**3,711**	212
More than 2 years	**495**	509
	99,954	123,913

The trade payables are non-interest-bearing and are normally settled on 60-day terms.

20. OTHER PAYABLES AND ACCRUALS

	2021	2020
	RMB'000	*RMB'000*
Contract liabilities	**1,323**	549
Accrued payroll	**8,994**	7,643
Accruals	**1,486**	2,575
Interest payable	**572**	409
Value-added and other taxes payable	**4,164**	7,186
Payables for purchase of property, plant and equipment	**206**	323
Rental received in advance	**4,722**	202
Others	**3,100**	2,795
	24,567	21,682

All the amounts of interest payable, value-added and other taxes payable, payables for purchase of property, plant and equipment and other payables are non-interest-bearing and have an average term of three months.

21. INTEREST-BEARING BANK AND OTHER BORROWINGS

	2021			2020		
	Effective interest rate *(%)*	**Maturity**	***RMB'000***	Effective interest rate *(%)*	Maturity	*RMB'000*
Current						
Lease liabilities *(note 11)*	**4.78%**	**31-Dec-22**	**539**	4.75%	31-Dec-21	803
Bank loans – secured	**4.78%**	**12-May-22**	**15,000**	4.57%	13-May-21	15,000
Bank loans – secured	**4.78%**	**22-Jun-22**	**10,000**	4.57%	28-Jun-21	10,000
Bank loans – secured	**4.78%**	**30-Nov-22**	**15,000**	4.79%	03-Dec-21	15,000
Bank loans – secured	**2.70%-3.25%**	**08-Jun-22**	**4,118**			
Bank loans – secured	**2.85%-3.40%**	**27-Jun-22**	**6,788**			
Bank loans – secured	**6.60%**	**31-Jul-22**	**12,788**			
Bank loans – secured	**6.60%**	**31-Jan-22**	**5,500**			
Current portion of long-term bank loans – secured	**4.25%**	**31-Dec-21**	**262**	4.25%	31-Dec-21	259
			69,995			41,062
Non-current						
Lease liabilities *(note 11)*	**4.75%**	**14-Mar-23**	**30**	4.75%	2022	303
Bank loans – secured	**4.25%**	**09-May-23**	**113**	4.25%	09-May-23	386
Bank loans – secured	**6.60%**	**31-Jul-25**	**39,600**	6.60%	31-Jul-25	39,600
Bank loans – secured	**6.60%**	**31-Jul-25**	**30,000**	6.60%	31-Jul-25	30,000
Bank loans – secured	**6.60%**	**2024-2025**	**58,022**	6.60%	2024-2025	58,022
Bank loans – secured	**6.60%**	**2023-2024**	**39,426**			
			167,191			128,311

The Group's bank loans are secured by:

(i) mortgages over the Group's buildings, which had an aggregate carrying value at the end of the reporting period of approximately RMB54,460,000 (2020: RMB21,646,000);

(ii) mortgages over the Group's land use rights, which had a net carrying value at the end of the reporting period of approximately RMB3,894,000 (2020: RMB4,017,000);

(iii) mortgages over the Group's properties under development with a carrying amount of approximately is Nil (2020: RMB223,025,000) to secure long-term loan facilities granted to the Group by a bank;

(iv) mortgages over the Group's completed properties held for sale with a carrying amount of approximately RMB225,630,000 (2020: Nil) to secure long-term loan facilities granted to the Group by a bank;

(v) mortgages over the Group's investment properties with a carrying value of RMB638,760,000 (2020: RMB719,323,000) to secure long-term loan facilities granted to the Group by a bank; and

(vi) mortgages over the Group's construction in progress with a net carrying amount of approximately RMB24,180,000 (2020: RMB26,055,000) to secure long-term loan facilities granted to the Group by a bank.

BUSINESS REVIEW

Market review

In 2021, the textile industry faced challenges such as global supply chain disruptions and raw materials shortages amidst the impact of the COVID-19 pandemic. However, there has been a rebound of global consumer demand as the COVID-19 pandemic was relatively contained as a result of the implementation of various preventive and control measures and the economic stabilisation policies. Despite of repeated outbreaks of COVID-19 in Southeast Asia and other regions, textile and apparel exports of the People's Republic of China (the "**PRC**") reached record high during the Year. According to the statistics issued by the Ministry of Industry and Information Technology of the PRC, textile and apparel exports reached approximately US$315.5 billion, representing an increase of approximately 8.4% year on year. According to a survey conducted by China National Textile and Apparel Council, the Textile Industry Climate Index remained in the expansion range of above 50 points in all the four quarters of 2021. Driven by factors such as the continued recovery of the consumer market and the easing of electricity rationing and production restrictions, the Climate Index increased by 3.6 points to 62.3 points in the fourth quarter of 2021, reflecting the resumption of a stable production and sales situation as well as the continued growth. In terms of textile manufacturing, as the continuous recovery of the economy development has driven consumption potential, there has been rebound of orders and the high capacity utilisation in the textile industry as well as the fast pace of production. Thus, the Group's dyeing and finishing business basically returned to its pre-epidemic normal level with full production capacity during the Year. However, Hong Kong was still in the midst of COVID-19 pandemic during the Year, and most of the building renovation and reconstruction projects have been postponed due to the government's implementation of strict COVID-19 pandemic prevention and control measures, causing an overall depression in the RMAA (as defined below) market of Hong Kong. Affected by the PRC government's tightening of credit policies and the regulations of real estate companies, the domestic real estate market of the PRC has cooled down. According to the National Bureau of Statistics of the PRC, the national housing prices have continued the overall downward trend since August 2021 and it is expected to continue until the end of 2022. The Group will prudently assess the impact of the external environment and relevant policies on its business and maintain its business stability under the volatile environment by leveraging on its own excellent textile technology and high-quality products, as well as its diversified business segments.

Business performance

The Group is principally engaged in: (1) dyeing and processing of differentiated polyester filament fabric; (2) provision of renovation, maintenance, alteration and addition services ("**RMAA Service**"); (3) properties investment; and (4) environmental water project operation. The Group is committed to enhancing technical capacities in dyeing and processing of differentiated polyester filament fabric, moving towards the high-value-added market and identifying the market trend to satisfy customers' demand on products, thereby creating stable investment value for the shareholders of the Company (the "**Shareholder(s)**").

During the Year under Review, the Group recorded a turnover of approximately RMB270.5 million, representing a decrease of approximately 25.3%, as compared to approximately RMB361.9 million in 2020. The gross profit was approximately RMB66.7 million, representing a decrease of approximately 40.7%, as compared to approximately RMB112.4 million in 2020. The gross profit margin decreased to approximately 24.6% during the Year under Review from approximately 31.0% in 2020, which was mainly due to the significant increase in the price of raw materials of certain business which makes it difficult to transfer such costs increment to customers in the short term. Due to the rapid deterioration of the business environment of RMAA in Hong Kong and domestic properties of the PRC, the performance of the RMAA Service deviated from the management's prior profit forecast. After prudent consideration, the Group has made an impairment provision of RMB151.8 million for the goodwill and intangible assets during the Year under Review. In addition, the fair value of investment properties decreased by RMB104.7 million as a result of the decline in properties demand and market rental. Therefore, the Group recorded a loss attributable to Shareholders of approximately RMB245.3 million (2020: profit of approximately RMB72.7 million) and an associated loss per share was RMB33.5 cents (2020: earnings per share RMB9.9 cents). In 2021, the adjusted profit attributable to Shareholders was approximately RMB11.1 million after excluding the aforesaid impairment and decrease in fair value.

During the Year under Review, the revenue derived from dyeing and processing of differentiated polyester filament fabric, provision of RMAA Service, properties investment and environmental water project operation accounted for approximately 74.1%, 23.8%, 2.1% and 0% of the turnover of the Group, respectively; while the operating profit of such four business segments was approximately RMB43.2 million, RMB(12.9) million, RMB(0.9) million and RMB(5.2) million, respectively, after excluding the aforesaid impairment and decrease in fair value.

Dyeing and processing of differentiated polyester filament fabric

Hangzhou Huvis Yongsheng Dyeing and Finishing Co. Limited ("**Yongsheng Dyeing**"), a subsidiary of the Company, located in Hangzhou, is principally engaged in polyester filament fabric dyeing and processing and has been certified as a High and New Technology Enterprise by the PRC government and is further recognised as a Provincial Level Research and Development Center.

In 2021, global economy and consumption expedited their recovery, whilst the PRC domestic textile market continued to recover. However, the severe outbreak of COVID-19 pandemic in Southeast Asia led to a lower operation rate, and thus lowered the ability to support their own industrial chains. Nevertheless, China's productivity remained stable due to the implementation of proactive COVID-19 pandemic preventive and control measures by the Chinese government, leading to a rebound in overseas orders and therefore driving the continuous growing demand for domestic textile products during the Year under Review. During the Year under Review, this segment of the Group recovered from adverse impact caused by the COVID-19 pandemic in previous year, and resumed to normal operation, and processed orders for dyeing processing at full capacity. The segment revenue was approximately RMB200.3 million for the Year under Review, representing an increase of approximately 14.1% as compared to approximately RMB175.6 million in 2020. During the Year under Review, since raw material prices continued to rise, the Group made every effort to pass on the costs to customers for the purpose of maintaining a stable gross profit margin, as evidenced by a slight drop from 36.0% in 2020 to 34.0% in 2021. During the Year under Review, the Group acquired six new patents, three of which are patents for invention, together with more than 30 authorised patents and utility model patents, marking the continuous innovation in dyeing and processing technology. The Group continues to develop new products and new series of fabric. During the Year under Review, the Group increased investments in the research and development of products such as microfiber double-sided velvet, spandex-free elastic fabric and double-sided microfiber sea-island fiber fabric.

Provision of RMAA Service

The Group is principally engaged in the provision of two categories of RMAA Service in Hong Kong, namely (1) renovation and maintenance works; and (2) alteration and additional works and fitting-out works. The Group has obtained ISO 9001 and ISO 14001 certifications in quality and environment management and has extensive experience in building maintenance, renovation, waterproofing, additions, alterations and building improvement in the sector of RMAA and fitting-out works in Hong Kong. The resurgence of the COVID-19 pandemic in Hong Kong in 2021 resulted in the postponement of redevelopment projects and building rehabilitation projects due to safety concerns and manpower shortage, and even cancellation of some projects. Coupled with the rise in construction costs, the financial performance of this segment was adversely affected during the Year under Review. During the Year under Review, the Group recorded segment revenue of approximately RMB64.3 million, declined by approximately 65.3% as compared to approximately RMB185.1 million in 2020. The Group had approximately 37 projects on hand with a total contract sum of approximately HK$176.5 million.

Properties investment

The property assets held by the Group include:

(1) Yongsheng Plaza located at Xiaoshan Economic and Technological Development Zone, Hangzhou City, Zhejiang Province, the PRC. Located in the new urban construction center of Hangzhou, Yongsheng Plaza has a superior location with an aggregate gross floor area of approximately 64,547.20 square meters with 24 storeys above the ground and 3 storeys under the ground. During the Year under Review, most of the construction of Yongsheng Plaza was completed, where only part of the interior decoration remained to be completed and the investment promotion was undergoing. During the Year under Review, lease agreements for most of the office floors were signed and the stores have been leased and started operations, which have started to generate revenue for the Group. With implementation of tightening property policies in China and the general economic downturn, the rentals of retail and office in PRC continue to be under downward pressure. Therefore, the Group has recorded an impairment of RMB104.7 million on the fair value of investment properties.

(2) eight office units for commercial uses in a building located in Xiaoshan Economic and Technological Development Zone, Hangzhou City, Zhejiang Province, the PRC, with an aggregate gross floor area of approximately 2,648.78 square meters. All the office units have been leased out and will bring a stable and sustainable income for the Group, generating a rental income of approximately RMB1.92 million during the Year under Review. Xiaoshan District is a key development area in Zhejiang Province and the Group is optimistic about its development prospect, which is conducive to the Group's asset structure and sustainable development in the long term.

Environmental water project operation

As China has attached great importance to the protection of ecological environment in recent years, a series of policies and plans including those of "**Carbon Neutral and Carbon Peaking**" were issued by the relevant departments. China has maintained a growth momentum in its environmental protection industry, as driven by various factors including the increasing investment from the state and governments at all levels, as well as a large market demand brought by industrial development. According to the analysis and forecast of Qianzhan Industry Research Institute* (前瞻產業研究院), the size of output value of the energy-saving and environmental protection industry in China is expected to exceed RMB19 trillion in 2027. During the Year under Review, the Group, through a joint venture, invested in Zhejiang Deqing Jiemai New Material Company Limited* (浙江德清傑邁新材有限公司, "**Zhejiang Deqing**"), a company which is principally engaged in the production and sales of new building materials for structural reinforcement of buildings. It is an extension of the Group's efforts to expand the utilisation of waste resource, thereby forming an industry chain of construction maintenance, construction waste treatment and production of new construction materials of the Group. During the Year under Review, the Group successfully won a bid to acquire two land parcels and related ancillary facilities such as factories and office buildings in Maanshan City at a consideration through a judicial auction process, so as to further promote environmental related industries. Based on the government's supportive policy "**Regulations on the Management of Construction Waste in Maanshan City**" (《馬鞍山市建築垃圾管理辦法》) issued in April 2021, which regulates the management of construction waste in Maanshan and adjacent cities, the Group has been actively communicating with the local government to obtain the necessary licenses after the acquisition of the properties and has also applied to relevant government authorities in the PRC for using the properties as sites for environmental related projects. Although the overseas water projects that the Group has planned to participate in through the joint venture have been temporarily suspended due to the impact of the COVID-19 pandemic, the joint venture partners of the Group in Southeast Asia have been actively pursuing the relevant projects by commencing preliminary works and conducting feasibility studies.

Prospects

Looking ahead to 2022, the rise of COVID-19 vaccination coverage rate and the continuous recovery of global economy provide more demand for textile industry market. However, the development of global epidemic continues to change, coupled with multiple pressures, such as inflation, on the economic recovery and the expected tightened monetary policies in developed economies, which will form a constraint in consumption and consumer confidence. In addition, the international textile production supply chain is recovering gradually, which may lead to adjustments in the international procurement landscape. The centralised influx of export orders to China may also change indicating a significant increase in uncertainty for the export conditions. Under the complicated international economy condition, although the fundamental elements of China's textile are stable, it is also facing challenges, such as weaker consumer sentiment, persistently higher raw material prices, productivity constrained by power rationing policy and escalated Sino-US trade dispute. Notwithstanding the foregoing, the dyeing and processing of differentiated polyester fabrics remains to be the development priority of the Group. The Group plans to expand its dying production capacity by acquisition and merger, and continue to strengthen its own brand building by intensifying technology research and development, while focusing on developing high value orders to increase overall gross profit margin.

Affected by the recurring COVID-19 pandemic in Hong Kong and rising raw materials cost, redevelopment and rehabilitation projects of certain buildings in Hong Kong were suspended or postponed. Due to the strictly enforced restrictions on public gatherings and social distance control, some projects were not opened to tendering and were failed to proceed to tender evaluation process. There was no business for the overall RMAA market in Hong Kong in the first quarter of 2022. The Group predicts that the epidemic in Hong Kong will take more time to be contained, and the influence of such postponement may last until the end of 2022. The Group has adopted several measures to reduce costs and closely monitored the epidemic development to develop countermeasures. On the other hand, for the Group's properties investment business, long-term lease agreements were successfully signed for most floors of Yongsheng Plaza, and the tenant solicitation has been caring out in an orderly manner. However, due to the downward pressure on the economy, the downturn in the real estate market and the sporadic outbreak of COVID-19 in the PRC still bring uncertainty to the local economy, thereby the investment value of properties of the Group in the PRC is expected to remain under pressure.

China is vigorously promoting peak carbon dioxide emissions and carbon neutrality to facilitate the development of environmental protection industry. According to the Report on the Development of China's Environmental Protection Industry (2021)(《中國環保產業發展狀況報告(2021)》) jointly prepared by the Department of Science, Technology, and Finance of Ministry of Ecology and Environment and China Association of Environmental Protection Industry, the revenue of environmental protection industry was approximately RMB1.95 trillion in 2020, representing an increase of approximately 7.3% compared with 2019. It is expected that the revenue of water pollution prevention and control, solid waste disposal and recycling, and environmental monitoring industry will exceed RMB2.58 trillion, further releasing the market demand for environmental protection industry. In line with the development trends of national policies, the Group actively explores and participates in environmental protection industry projects such as water industry, solid waste disposal and waste utilization. In addition to developing the domestic market, the Group is also following up relevant overseas environmental protection projects to seize the opportunities of green industry development abroad.

Looking forward, the Group is committed to diversifying its business operations and refining product technologies, so as to continually optimize and satisfy customer demand, and expand its market share in various markets. In the face of the overall market uncertainty, the Group will leverage its accumulated experience and business strategies featuring with flexibility and resilience to explore opportunities amidst challenges and create long-term value for the Shareholders.

FINANCIAL REVIEW

Revenue and gross profit

The following table sets forth a breakdown of the Group's revenue and gross profit by the Group for the year ended 31 December 2021:

Revenue	**2021** *RMB'000*	2020 *RMB'000*	**Revenue change between 2021 and 2020**
1. Dyeing and processing	**200,338**	175,647	14.1%
2. RMAA Service	**64,321**	185,115	(65.3%)
3. Properties investment	**5,844**	1,174	397.8%
	270,503	361,936	(25.3%)

Revenue of the Group in 2021 was approximately RMB270.5 million, representing a decrease of approximately 25.3% from approximately RMB361.9 million as compared with last year. The decrease in revenue of the Group was mainly due to the decrease in the revenue derived from the RMAA Service. The main reason of such decrease in revenue derived from RMAA Services is the resurgence of the COVID-19 pandemic in Hong Kong which resulted in the postponement of redevelopment projects and building rehabilitation projects during the Year under Review.

Gross profit	**2021** *RMB'000*	2020 *RMB'000*	**Gross profit change between 2021 and 2020**
1. Dyeing and processing	**68,094**	63,257	7.6%
2. RMAA Service	**(6,575)**	48,080	(113.7%)
3. Properties investment	**5,152**	1,036	397.3%
	66,671	112,373	(40.7%)

Gross profit of the Group in 2021 was approximately RMB66.7 million, representing a decrease of approximately 40.7% as compared with the same last year.

Selling and distribution expenses

The Group's selling and distribution expenses increased by approximately RMB1.1 million, representing an increase of approximately 74.6% as compared to that of 2020. The increase was mainly due to the increase in marketing activities and staff costs resulted from the completion of Yongsheng Plaza.

Administrative expenses

Administrative expenses is around RMB45.4 million during the Year under Review, which represented an increase of approximately 27.8% as compared to that of 2020. Such increase in administrative expenses was mainly attributable to: (i) the fact that the Company's subsidiaries in the PRC were entitled to exemption of social insurance contributions for employees during 2020 as a result of the COVID-19 pandemic, while such exemption no longer applied and normal social insurance contributions were restored during the Year under Review, which led to an increase in employee remunerations; and (ii) the expansion of environmental water project operation of the Group.

Fair value (loss)/Gain on investment properties

The Group's investment properties consist of two commercial properties in Hangzhou, the PRC. The Group's investment properties were revalued on 31 December 2021 based on valuations performed by Avista Valuation Advisory Limited ("**Avista**"), an independent professionally qualified valuer, at approximately RMB674.7 million. The Group recognised fair value loss on investment properties of approximately of RMB104.7 million for the year ended 31 December 2021. To determine the fair value of the investment properties, the valuer adopted the generally accepted valuation method, income approach, which takes into account the net rental income derived from existing leases and/or receivable in the current market with appropriate provision made for the reversionary income potential of the leases, which is then capitalised to determine the market value at an appropriate capitalisation rate. Where appropriate, reference has also been made to comparable sales transactions available in the relevant markets.

The Fair value loss during the Year was arising from retail and office rentals in PRC continue to be under downward pressure due to the outbreak of Omicron, being the COVID-19 variant, the implementation of tightening property policies in China and the general economic downturn.

As the investment properties are medium to long-term investments for the Group to maintain a stable and recurring income for the Group, and the fair value loss is a non-cash item, it will not have a substantive impact on the cash flow for the Group.

The key parameters and assumptions for determination of the fair value of investment properties are set out below:

1. Market rents

As mentioned in the paragraph headed “Fair value (loss)/gain on investment properties”, impacted by the epidemic and the downturn in economic sentiment in 2021, the confidence of investors as a whole continued to decrease in the property market in the PRC, resulting in an overall reduction in market demand and a downward pressure on market rents in the region. The market rents used in the valuation were determined by the valuer after arm’s length assessments on the market rents of comparable Grade A offices around the location of the properties and the neighboring areas, which reflected the then prevailing market rents. The range of market rents used in the valuation decreased from RMB73 – RMB210 per square metre per month for the year ended 31 December 2020 to RMB73 – RMB190 per square metre per month for the Year.

2. Reversionary Yields

The Reversionary Yields used in the valuation was derived from the valuer’s analysis on the relationship between prevailing market rents and existing capital values of similar properties in the area. The Reversionary Yields used in the valuation ranged from 4.0% to 5.5%, while the capitalisation rates used in this valuation were arrived by reference to comparable Grade A offices in Hangzhou and taking into account the characteristics of the properties. Such expected return reflected the quality of investments, expectations of the likelihood of future rental growth and capital appreciation, as well as the associated risk factors. The capitalisation rate adopted as at 31 December 2021 was similar to that adopted as at 31 December 2020 (ranging from 4.0% to 5.5%).

Impairment losses on goodwill and intangible assets

For the year ended 31 December 2021, the Group recognized (i) the impairment loss of intangible assets of RMAA Services Companies (as defined below) of approximately HK$64.8 million (equivalent to RMB53.7 million); (ii) the impairment loss of goodwill of RMAA Services Companies of approximately HK$118.2 million (equivalent to RMB98.1 million).

Additional information in relation to the basis of the determination of the impairment is set out below:

(i) Impairment test on intangible assets of RMAA Services Companies

The Group acquired ("**Acquisition**") 100% equity interest in Summer Power International Inc. ("**Summer Power**") on 22 February 2019 ("**Acquisition Date**"). Summer Power is a company incorporated in the British Virgin Islands with limited liability, which is principally engaged in investment holdings and holding 100% equity interests of Widely Construction & Engineering Limited ("**Widely**", together with Summer Power, the "**RMAA Services Companies**"), which owns the brand of "Widely" ("**Brand**"). Widely was established in 2009 and had been operating for 12 years as of the Acquisition Date. Through the Acquisition, the management of the Group has the intention and ability to continue using the Brand, which can continue to bring benefits to Widely. Thus, the Brand owned by Widely is identified as an intangible asset with an indefinite useful life in and allocated to the RMAA Services cash-generating units ("**CGU**").

For the purpose of performing annual impairment test on Brand, the Directors use the Relief-from-royalty method, being the generally accepted intangible asset valuation method, to estimate the future economic benefits that RMAA Services Companies will save each year for owning the Brand, and discount these benefits to its present value using a discount rate applicable to the risks associated with realizing the benefits. The valuation method has been applied consistently as at 31 December 2020 and 2021. Given the impact of the COVID-19 epidemic on Hong Kong's economy, the recoverable amount of the Brand dropped significantly from approximately HK$103.9 million (equivalent to RMB87.5 million) as at 31 December 2020 to approximately HK$0.3 million (equivalent to RMB0.3 million) as at 31 December 2021. Taking into account the above factors, an impairment loss of approximately HK$64.8 million (equivalent to RMB53.7 million) was recognised for the year ended 31 December 2021.

The following is the main parameters and assumptions are adopted in the intangible assets impairment test of the Brand, as at 31 December 2021:

1. Revenue attributable to the Brand

The RMAA Services Companies conducted business through Widely, which is a major general contractor providing RMAA (Repair, Maintenance, Alteration, Addition) Service for buildings in Hong Kong. Due to the outbreak of COVID-19, the approval of engineering projects that awarded to Widely has been delayed with no further progress during the Year. As at 31 December 2021, the management predicted that the outbreak of COVID-19 would have a significant impact on the business of the RMAA Services Companies. It is expected that the approval will be further delayed in the future until the epidemic situation improves. Due to the outbreak of COVID-19, the total revenue of the RMAA Services Companies in 2021 decreased by approximately 65.3% as compared with the total revenue in 2020, and it is estimated that the total revenue in 2022 will decrease by approximately 45.9% as compared with the total revenue in 2021.

2. Net royalty

The Brand royalty rate dropped from 7.6% to 0.3% due to the decrease of profitability level of Widely. Widely's net royalty refers to 1/3 of 2026 forecasted EBIT margin level of 0.75%, using 0.3% of revenue as the brand's royalty rate.

3. Discount rate

A pre-tax discount rate of 20.4% is adopted after considering the Brand's required rate of return on the basis of the RMAA Services Companies' weighted average cost of capital plus 1.0% risk premium.

(ii) Goodwill impairment of RMAA Services Companies

Upon completion of the Acquisition, goodwill acquired through the Acquisition was allocated to the RMAA Services CGU. According to the requirements of relevant accounting standards, the Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the value in use of RMAA Services CGU. In terms of determining the value in use of the RMAA Services CGU, the Directors apply the generally accepted valuation method (i.e. discounted cash flow models), which estimates the future economic benefits to be generated by the RMAA Services CGU and discounts such benefits to their present value at the discount rate applicable to such risks relating to the realization of such benefits. The valuation methodology was applied consistently as of 31 December 2020 and 2021. Due to the impact of the COVID-19 pandemic on the global economy, the value in use of the RMAA Services CGU decreased from approximately HK$334.0 million (equivalent to RMB281.1 million) as at 31 December 2020 to approximately HK$0.4 million (equivalent to RMB0.3 million) as at 31 December 2021. Given the above factors, a goodwill impairment loss of approximately HK$118.2 million (equivalent to RMB98.1 million) was recognized for the year ended 31 December 2021.

Set out below is the main inputs and assumptions adopted in the impairment test of RMAA Services CGU as at 31 December 2021:

1. Growth rate of revenue

Due to the outbreak of COVID-19, as aforementioned the approval of engineering projects awarded to Widely has been delayed with no further progress during the Year. As at 31 December 2021, the management predicted that the outbreak of COVID-19 would have a significant impact on the business of the RMAA Services Companies. It is expected that the approval will be further delayed in the future until the epidemic situation improves. Therefore, the revenue of the RMAA Services Companies in 2021 decreased approximately 65.3% from that in 2020, and its revenue in 2022 is expected to be decreased approximately 45.9% from that in 2021.

2. Gross profit margin

As affected by the impact of COVID-19 and the delay in approval, budgeted revenue of the RMAA Services Companies will demonstrate a significant decline. Although labour costs are also expected to be controlled to reduce expenses for the upcoming year, overall gross profit margin of the RMAA Services Companies will remain low, remaining in the range from 13.8% to 16.4% during the five-year forecast period from FY2022 to FY2026.

3. Pre-tax discount rate

As of 31 December 2021, the Company adopted a pre-tax discount rate of 22.0% for the RMAA Services CGU. The pre-tax discount rate is determined on the basis of weighted average cost of capital ("**WACC**"). The WACC is the average rate of return that the Company expects to compensate all of its various investors and the expected return on all of the Company's capital. Each source of capital (e.g. equity and debt) is assigned a prescribed rate of return, which is then weighted in proportion to the contribution of such each source of capital to the structure of the Company. Cost of equity is estimated using the capital asset pricing model based on the beta coefficient of identified comparable public companies engaged in similar businesses with RMAA Services Companies. The pre-tax discount rate of 22.0% for 31 December 2021 increased from 18.1% for 31 December 2020 due to the decrease in expected income tax in Hong Kong.

4. Long-term growth rate

The long-term growth rate was determined with reference to the long-term inflation rate in the Hong Kong, in which the RMAA Services CGU is expected to derive its revenue from and incur operating expenses.

Finance costs

Finance costs increased by approximately 305.7% to RMB7.2 million, primarily due to the cessation of capitalisation of borrowing costs when the Yongsheng Plaza was ready for its intended use during the Year under Review, and the borrowing costs incurred thereafter were recognised in the profit or loss for the Year under Review, which led to an increase in finance cost.

Impairment losses on financial and contract assets

Impairment losses on financial and contract assets decreased by approximately 92.1% to RMB0.8 million, primarily due to the decrease of the balance of contract assets and trade receivables of the RMAA Services Companies.

(Loss)/profit attributable to shareholders

The Group recorded loss attributable to shareholders of approximately RMB245.3 million in 2021, while the Group recorded profit attributable to shareholders of approximately RMB72.7 million in 2020. After excluding the abovementioned impairment and the decrease in fair value, the Group managed to record an adjusted net profit of approximately RMB11.1 million.

Cash flows

	2021	2020
	RMB'000	*RMB'000*
Net cash flows from operating activities	**31,361**	2,047
Net cash flows used in investing activities	**(79,364)**	(66,130)
Net cash flows from financing activities	**47,369**	11,801
Cash and cash equivalents at the end of the year	**86,551**	89,718

For the Year under Review, net cash generated from operating activities was approximately RMB31.4 million, representing a significant increase as compared with that of 2020, mainly due to the Group asked its customers to settle their payables to the Group mainly through cash instead of bills receivables during the Year under the Review.

Compared with 2020, the increased cash flow used in investing activities was approximately RMB13.2 million for the year ended 31 December 2021, which was mainly because of the investments to of environmental water-related projects.

Increase in net cash generated from financing activities was mainly due to the increase of bank borrowings during the Year.

Liquidity and financial resources

As at 31 December 2021, the Group's cash and bank balances, including pledged deposits amounted to approximately RMB86.6 million (31 December 2020: approximately RMB89.7 million).

As at 31 December 2021, the total bank borrowings of the Group was approximately RMB236.6 million (31 December 2020: approximately RMB168.3 million).

As at 31 December 2021 and 2020, the Group's key financial ratio reflecting its liquidity and gearing level, were as follows:

	2021	2020
	%	%
Current ratio	**3.21**	3.73
Debt to equity ratio	**0.33**	0.12

Exposure to fluctuations in exchange rates and related hedge

The Group mainly operates in the Mainland China with most of the transactions settled in Renminbi ("**RMB**"), except for the business of provision of RMAA Service as it is conducted in Hong Kong with the transaction settled in Hong Kong Dollars (HK$). The reporting currency of the Group is RMB.

The Group is exposed to minimal foreign currency exchange risk.

The Group's cash and bank deposits are predominantly in RMB. The Company will pay dividends in Hong Kong Dollars if any dividends are declared.

Employee benefits and remuneration policies

As at 31 December 2021, the Group had a total workforce of 304 employees (31 December 2020: 308 employees). The employees of the Group were remunerated based on their experience, qualifications, the Group's performance and the prevailing market conditions.

During the Year under Review, staff costs (including Directors' remunerations and the salary of the employees) amounted to approximately RMB40.4 million (31 December 2020: RMB38.0 million).

The Group offers its staff competitive remuneration schemes. In addition, discretionary bonuses and share options may be granted to eligible staff based on individual's and the Group's performance.

The Group participated in the social insurance schemes operated by the relevant local government authorities, which include retirement pension, medical insurance, unemployment insurance, industrial injuries insurance and maternity insurance.

The Group emphasizes on team building and the Group's success is dependent on the contribution of all employees.

Significant investments held as at 31 December 2021

Assets Manager 2021	Custodian	Investment amount *RMB'000*	Agreement date	Fair value at Year end *RMB'000*	Type of investment
Minsheng Wealth Management Co.,Ltd.	China Merchants Securities Co., Ltd.	24,218	24/6/2020	5,522	1
Shanghai Tiange Investment Management Co.,Ltd.	Heng Tai Securities Co., Ltd.	22,000	25/2/2021	22,509	1
Shanghai Tiange Investment Management Co.,Ltd.	Heng Tai Securities Co., Ltd.	20,000	1/2/2021	20,610	1
		66,218		48,641	

Note:

Type 1 investment refers to (i) money market trusts; (ii) private investment funds; (iii) money market asset management products; (iv) bond repurchase; (v) money market funds; and (vi) bank deposits, etc..

Save as disclosed above, there were no significant investments held by the Group as at 31 December 2021.

Details of loan receivables as at 31 December 2021

Borrower	Source of borrowers	Guarantee/ security	Contract date	Principal amount *RMB*	Annual interest rate	Term of the loan (month)
Borrower A *(Note 1)*	Introduced by controlling shareholder of the Company; Independent Third Party	No pledge, no guarantee	11/5/2021	50,000,000.00	6.0%	12
Borrower B *(Note 1)*	Introduced by controlling shareholder of the Company; Independent Third Party	No pledge, no guarantee	8/7/2021	45,000,000.00	6.0%	12
Borrower C *(Note 1)*	Introduced by controlling shareholder of the Company; Independent Third Party	No pledge, no guarantee	11/5/2021	10,000,000.00	6.0%	12
Borrower D *(Note 2)*	Introduced by controlling shareholder of the Company; Independent Third Party	No pledge, personal guarantee by sole shareholder of the Borrower D	28/12/2020	11,160,000	5.0%	12
Borrower E	Introduced by controlling shareholder of the Company; Independent Third Party	a pledge on the rights to collect revenue from the treatment services	2020-2021	32,783,000 *(Note 3)*	12.0%	18
Borrower F	Potential joint venture, please refer to the announcement of the Company dated 28 January 2021	Pledge of equity interests in Borrower F, personal guarantee by shareholders of the Borrower F	20/11/2020	9,950,000	8.0%	18
				158,893,000		

Notes:

(1) These loans are trust loan arrangements with commercial banks.

(2) Borrower D repaid the all outstanding balance and accrued interest, which was originally repayable on 28 December 2021, on 4 January 2022 due to some repayment technical issues.

(3) Outstanding balance as at 31 December 2021 of a supply chain financing loan granted by the Group, inclusive of principal and accrued interests.

Save as disclosed above, the Group did not grant any other loans to independent third parties during the Year which remained outstanding as at 31 December 2021.

The Group granted the above loans by utilising its general working capital. Prior to granting each of the loans, the Group conducted due diligence on the borrowers, including but not limited to, obtaining the latest financial statements of the borrowers, previous repayment record of the borrowers, source of funding, etc.. The Group also adopted loan monitoring measures to safeguard its interest in granting the loans: e.g. request the borrowers to provide latest financial statements on a regular basis and notify the Group for any material change in shareholding and management structure, monitor the fund flow of the borrowers, etc..

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Tuesday, 24 May 2022 to Friday, 27 May 2022, both days inclusive, for the purpose of determining the Shareholders' entitlement to attend the forthcoming annual general meeting, which shall be held on 27 May 2022 (the "**Annual General Meeting**"), during such period no transfer of shares of the Company will be registered. In order to qualify for attending the Annual General Meeting, the Shareholders should ensure that all transfers accompanied by the relevant share certificates and transfer forms are lodged with the Company's Hong Kong branch share registrar, Tricor Investor Services Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong no later than 4:30 p.m. on Monday, 23 May 2022.

PURCHASE, SALE OR REDEMPTION OF SHARES

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the listed securities of the Company or any of its subsidiaries during the Year.

CORPORATE GOVERNANCE CODE

The Company was committed to achieving and maintaining high standards of corporate governance, the principles of which serve to uphold transparency, accountability and independence in all aspects of business and endeavours to ensure that affairs are conducted in accordance with applicable laws and regulations. The Board comprises four executive Directors and three independent non-executive Directors. The Group's corporate governance practices are based on the Corporate Governance Code (the "**Code**") as set out in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**"). During the Year, the Board considered that the Company had complied with the Code.

CODE OF CONDUCT REGARDING DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted a code of conduct regarding directors' securities transactions on terms no less exacting than the required standard as set out in the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules (the "**Model Code**"). Specific enquiry has been made to all Directors and the Directors have confirmed that they had complied with the Model Code during the Year under Review.

AUDIT COMMITTEE

The Company established an audit committee under the Board (the "**Audit Committee**") on 7 November 2013 with written terms of reference in compliance with the Listing Rules. The Audit Committee currently comprises three independent non-executive Directors, namely Ms. Wong Wai Ling (Chairlady), Mr. He Chengying and Dr. Wang Huaping. The primary duties of the Audit Committee are to review the Company's financial information, review and supervise the Company's financial reporting process and internal control procedures, nominate and monitor external auditors and provide advice and comments to the Board.

The Audit Committee has reviewed the audited financial statements of the Group for the year ended 31 December 2021 before such documents were tabled for the Board's review and approval, and is of the opinion that the audited financial statements of the Group for the year ended 31 December 2021 complied with the applicable accounting standards, the Listing Rules and other applicable legal requirements and adequate disclosures have been made.

PUBLICATION OF RESULTS ANNOUNCEMENT

This results announcement is published on the websites of the Company (www.chinaysgroup.com) and the Stock Exchange (www.hkexnews.hk). An annual report for the year ended 31 December 2021 containing all the information required by the Listing Rules will be despatched to the Shareholders and available on the websites of the Company and the Stock Exchange in due course.

By order of the Board
Yongsheng Advanced Materials Company Limited
Li Cheng
Chairman and Executive Director

Hong Kong, 30 March 2022

As at the date of this announcement, the executive Directors are Mr. Li Cheng, Mr. Li Conghua, Mr. Ma Qinghai and Mr. Xu Wensheng; and the independent non-executive Directors are Ms. Wong Wai Ling, Mr. He Chengying and Dr. Wang Huaping.

* *For identification purposes only*