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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)

INTERIM RESULTS ANNOUNCEMENT
FOR THE SIX MONTHS ENDED 30 JUNE 2022

FINANCIAL HIGHLIGHTS

	Six months ended 30 June		Change
	2022	2021	
	<i>RMB million</i> (Unaudited)	<i>RMB million</i> (Unaudited)	
Revenue	121.7	129.6	(6.10%)
Gross profit	35.7	31.4	13.70%
Profit for the period	10.4	11.5	(9.57%)
Profit for the period attributable to shareholders of the Company	11.2	12.3	(8.94%)
Basic earnings per share for the period	RMB1.5 cents	RMB1.7 cents	(11.76%)

The Board does not recommend the payment of any interim dividend (30 June 2021: HK\$0.01 per share).

The board (the “**Board**”) of directors (the “**Director(s)**”) of Yongsheng Advanced Materials Company Limited (the “**Company**”) is pleased to present the unaudited condensed consolidated statement of profit or loss and other comprehensive income of the Company and its subsidiaries (collectively known as the “**Group**”) for the six months ended 30 June 2022 (the “**Review Period**”), together with the unaudited comparative figures for the corresponding period in 2021 and the unaudited consolidated statement of financial position of the Group as at 30 June 2022 together with audited comparative figures as at 31 December 2021.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2022

		2022	2021
		(Unaudited)	(Unaudited)
	<i>Notes</i>	<i>RMB'000</i>	<i>RMB'000</i>
REVENUE	3,4	121,688	129,598
Cost of sales		<u>(85,978)</u>	<u>(98,170)</u>
Gross profit		35,710	31,428
Other income and gains, net	5	9,944	10,028
Selling and distribution expenses		(644)	(1,349)
Administrative expenses		(22,540)	(20,873)
Impairment losses on financial and contract assets, net		(742)	(2,521)
Finance costs		<u>(7,590)</u>	<u>(1,057)</u>
PROFIT BEFORE TAX	6	14,138	15,656
Income tax expense	7	<u>(3,744)</u>	<u>(4,176)</u>
PROFIT FOR THE PERIOD		<u>10,394</u>	<u>11,480</u>

	2022	2021
	(Unaudited)	(Unaudited)
<i>Notes</i>	<i>RMB'000</i>	<i>RMB'000</i>
OTHER COMPREHENSIVE INCOME/(LOSS)		
Other comprehensive income/(loss) that may be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations	<u>4,450</u>	<u>(3,158)</u>
Net other comprehensive income/(loss) that may be reclassified to profit or loss in subsequent periods	<u>4,450</u>	<u>(3,158)</u>
Other comprehensive loss that will not be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations	<u>(85)</u>	<u>(132)</u>
Net other comprehensive loss that will not be reclassified to profit or loss in subsequent periods	<u>(85)</u>	<u>(132)</u>
OTHER COMPREHENSIVE INCOME/(LOSS)		
FOR THE PERIOD, NET OF TAX		
	<u>4,365</u>	<u>(3,290)</u>
TOTAL COMPREHENSIVE INCOME		
FOR THE PERIOD		
	<u>14,759</u>	<u>8,190</u>

	2022	2021
	(Unaudited)	(Unaudited)
<i>Notes</i>	<i>RMB'000</i>	<i>RMB'000</i>
Profit attributable to:		
Shareholders of the Company	11,222	12,337
Non-controlling interests	<u>(828)</u>	<u>(857)</u>
	<u>10,394</u>	<u>11,480</u>
 Total comprehensive income attributable to:		
Shareholders of the Company	15,244	9,183
Non-controlling interests	<u>(485)</u>	<u>(993)</u>
	<u>14,759</u>	<u>8,190</u>
 EARNINGS PER SHARE ATTRIBUTABLE TO THE SHAREHOLDERS OF THE COMPANY	<i>9</i>	
Basic	<u>RMB1.5 cents</u>	<u>RMB1.7 cents</u>
Diluted	<u>RMB1.5 cents</u>	<u>RMB1.7 cents</u>

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2022

		30 June 2022 (Unaudited) RMB'000	31 December 2021 (Audited) RMB'000
	<i>Notes</i>		
NON-CURRENT ASSETS			
Property, plant and equipment	<i>10</i>	183,350	116,815
Investment properties	<i>11</i>	674,660	674,660
Right-of-use assets		34,067	10,624
Other intangible assets		2,081	2,169
Investments in a joint venture		2,805	3,478
Other non-current assets		4,045	81,217
Amount due from related parties		6,723	5,583
Deferred tax assets		6,669	6,179
		<hr/>	<hr/>
Total non-current assets		914,400	900,725
CURRENT ASSETS			
Inventories		7,351	6,547
Completed properties held for sale		225,630	225,630
Trade and bills receivables	<i>12</i>	48,465	62,578
Contract assets		15,298	18,656
Prepayments, deposits and other receivables	<i>13</i>	50,781	35,555
Loan receivables		206,132	158,409
Bills receivable at fair value through other comprehensive income		1,562	3,773
Amount due from related parties		5,884	4,451
Financial assets at fair value through profit or loss		27,602	48,641
Tax recoverable		163	3,070
Cash and cash equivalents		47,859	86,551
		<hr/>	<hr/>
Total current assets		636,727	653,861

		30 June 2022 (Unaudited) RMB'000	31 December 2021 (Audited) RMB'000
	<i>Notes</i>		
CURRENT LIABILITIES			
Trade payables	14	83,610	99,954
Other payables and accruals	15	45,951	24,567
Derivative financial instruments		900	654
Interest-bearing bank and other borrowings	16	64,791	69,995
Income tax payable		6,275	7,451
Amount due to related parties		1,249	673
Government grants		387	387
		<hr/>	<hr/>
Total current liabilities		203,163	203,681
		<hr/>	<hr/>
NET CURRENT ASSETS			
		433,564	450,180
		<hr/>	<hr/>
TOTAL ASSETS LESS CURRENT LIABILITIES			
		1,347,964	1,350,905
		<hr/>	<hr/>
NON-CURRENT LIABILITIES			
Interest-bearing bank and other borrowings	16	160,663	167,191
Amount due to related parties		667	428
Deposits payable		2,227	2,292
Deferred tax liabilities		10,836	9,396
Government grants		6,321	6,515
		<hr/>	<hr/>
Total non-current liabilities		180,714	185,822
		<hr/>	<hr/>
Net assets		1,167,250	1,165,083
		<hr/> <hr/>	<hr/> <hr/>
EQUITY			
Equity attributable to shareholders of the Company			
Share capital	17	5,854	6,063
Share premium	17	797,630	810,013
Other reserves		359,479	344,235
		<hr/>	<hr/>
		1,162,963	1,160,311
		<hr/>	<hr/>
Non-controlling interests		4,287	4,772
		<hr/>	<hr/>
Total equity		1,167,250	1,165,083
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1. BASIS OF PREPARATION

The interim condensed consolidated financial information for the six months ended 30 June 2022 has been prepared in accordance with IAS 34 Interim Financial Reporting. The interim condensed consolidated financial information does not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual consolidated financial statements for the year ended 31 December 2021.

2. CHANGES IN ACCOUNTING POLICIES

The accounting policies adopted in the preparation of the interim condensed consolidated financial information are consistent with those applied in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2021, except for the adoption of the following revised International Financial Reporting Standards ("IFRSs") for the first time for the current period's financial information.

Amendments to IFRS 3	<i>Reference to the Conceptual Framework</i>
Amendments to IAS 16	<i>Property, Plant and Equipment: Proceeds before Intended Use</i>
Amendments to IAS 37	<i>Onerous Contracts – Cost of Fulfilling a Contract</i>
Annual Improvements to IFRSs 2018-2020	<i>Amendments to IFRS 1, IFRS 9, Illustrative Examples accompanying IFRS 16, and IAS 41</i>

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

- (a) Amendments to IFRS 3 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 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 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 has applied the amendments prospectively to business combinations that occurred on or after 1 January 2022. As there were no contingent assets, liabilities and contingent liabilities within the scope of the amendments arising in the business combination that occurred during the period, the amendments did not have any impact on the financial position and performance of the Group.

- (b) 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 Group has applied the amendments retrospectively to items of property, plant and equipment made available for use on or after 1 January 2021. Since there was no sale of items produced while making property, plant and equipment available for use on or after 1 January 2021, the amendments did not have any impact on the financial position or performance of the Group.
- (c) 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 Group has applied the amendments prospectively to contracts for which it has not yet fulfilled all its obligations at 1 January 2022 and no onerous contracts were identified. Therefore, the amendments did not have any impact on the financial position or performance of the Group.
- (d) 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 applicable to the Group are as follows:
- IFRS 9 Financial Instruments: 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. The Group has applied the amendment prospectively to financial liabilities that are modified or exchanged on or after 1 January 2022. As there was no modification of the Group's financial liabilities during the period, the amendment did not have any impact on the financial position or performance of the Group.
 - 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

	Processing	RMAA	Properties	Environmental	Total
	<i>RMB'000</i>	<i>service*</i>	<i>investment</i>	<i>water project</i>	<i>operation</i>
Six months ended 30 June 2022	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Segment revenue (note 4)					
Sales to external customers	92,327	16,500	12,861	–	121,688
Revenue					<u>121,688</u>
Segment results	13,726	(1,433)	6,965	(1,959)	17,299
<i>Reconciliations:</i>					
Corporate and other unallocated expenses					(3,424)
Interest income					7,214
Investment income					639
Finance costs					<u>(7,590)</u>
Profit before tax					<u>14,138</u>

* RMAA service stands for renovation, maintenance, alteration and addition service.

	Processing	RMAA	Properties	Environmental	Total
	<i>RMB'000</i>	<i>service*</i>	<i>investment</i>	<i>water project</i>	<i>operation</i>
Six months ended 30 June 2021	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Segment revenue (note 4)					
Sales to external customers	83,900	44,923	775	–	129,598
Revenue					<u>129,598</u>
Segment results	18,399	(5,578)	(488)	(1,709)	10,624
<i>Reconciliations:</i>					
Corporate and other unallocated expenses					(457)
Interest income					5,591
Investment income					955
Finance costs					<u>(1,057)</u>
Profit before tax					<u>15,656</u>

3. OPERATING SEGMENT INFORMATION (Continued)

	Processing	RMAA	Properties	Environmental	Total
	<i>RMB'000</i>	<i>service</i>	<i>investment</i>	<i>water project</i>	<i>operation</i>
		<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Segment assets					
30 June 2022	482,391	21,974	1,004,035	132,370	1,640,770
<i>Reconciliations:</i>					
Elimination of intersegment receivables					(189,694)
Corporate and other unallocated assets					<u>100,051</u>
Total assets					<u><u>1,551,127</u></u>
31 December 2021	479,057	35,685	992,929	142,175	1,649,846
<i>Reconciliations:</i>					
Elimination of intersegment receivables					(167,581)
Corporate and other unallocated assets					<u>72,321</u>
Total assets					<u><u>1,554,586</u></u>
Segment liabilities					
30 June 2022	94,872	12,500	338,239	76,752	522,363
<i>Reconciliations:</i>					
Elimination of intersegment payables					(189,694)
Corporate and other unallocated liabilities					<u>51,208</u>
Total liabilities					<u><u>383,877</u></u>
31 December 2021	106,513	21,320	323,345	81,889	533,067
<i>Reconciliations:</i>					
Elimination of intersegment payables					(167,581)
Corporate and other unallocated liabilities					<u>24,017</u>
Total liabilities					<u><u>389,503</u></u>

4. REVENUE

An analysis of revenue is as follows:

	For the six months ended 30 June	
	2022	2021
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
<i>Revenue from contracts with customers</i>	108,827	128,823
<i>Revenue from other sources</i>		
Gross rental income from investment properties under operating leases	<u>12,861</u>	<u>775</u>
	<u>121,688</u>	<u>129,598</u>

Disaggregated revenue information for revenue from contracts with customers

	For the six months ended 30 June	
	2022	2021
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Type of goods or services		
Processing	92,327	83,900
RMAA service	<u>16,500</u>	<u>44,923</u>
Total revenue from contracts with customers	<u>108,827</u>	<u>128,823</u>
Geographical markets		
Hong Kong	16,500	44,923
Mainland China	73,916	72,810
Other	<u>18,411</u>	<u>11,090</u>
Total revenue from contracts with customers	<u>108,827</u>	<u>128,823</u>
Timing of revenue recognition		
Goods transferred at a point in time	92,327	83,900
Services transferred over time	<u>16,500</u>	<u>44,923</u>
Total revenue from contracts with customers	<u>108,827</u>	<u>128,823</u>

5. OTHER INCOME AND GAINS, NET

An analysis of other income and gains is as follows:

	For the six months ended 30 June	
	2022	2021
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
Other income and gains, net		
Bank and other interest income	7,214	5,591
Investment income	639	955
Share of losses of a joint venture	(674)	–
Fair value gains on financial assets at fair value through profit or loss	2,038	2,522
Fair value changes on derivative financial instruments	(576)	–
Government grants	642	251
Foreign exchange differences, net	337	(155)
Others	324	864
	<u>9,944</u>	<u>10,028</u>

6. PROFIT BEFORE TAX

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

	For the six months ended 30 June	
	2022	2021
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
Cost of services provided	85,978	98,170
Depreciation and amortisation	3,953	3,365
Impairment of trade receivables	465	2,714
Reversal of contract assets	(86)	(769)
Impairment of loan receivables	510	576
Reversal of due from a related party	(147)	–
Employee benefit expense (including directors' and chief executive's remuneration)*:		
Wages and salaries	14,799	16,745
Pension scheme contributions (defined contribution schemes)**	1,717	1,863
Research and development costs	2,452	2,405
Foreign exchange differences, net	(337)	155
Fair value changes on derivative financial instruments	576	–
Financial assets at fair value through profit or loss	(2,038)	(2,522)
Bank and other interest income	(7,214)	(5,591)
Investment income	(639)	(955)
	<u> </u>	<u> </u>

* 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 30 June 2022, the Group had no forfeited contributions available to reduce its contributions to the pension schemes in future years (30 June 2021: Nil).

7. INCOME TAX EXPENSE

(a) Hong Kong profits tax

Hong Kong profits tax has been provided at the rate of 16.5% (2021: 16.5%) on the estimated assessable profits arising in Hong Kong during the period, except for subsidiaries of the Company which are qualifying entities under the two-tiered profits tax rates regime. The first HK\$2,000,000 (2021: HK\$2,000,000) of assessable profits of these subsidiaries are taxed at 8.25% (2021: 8.25%) and the remaining assessable profits are taxed at 16.5% (2021: 16.5%).

(b) PRC corporate income tax

Enterprises incorporated in the People's Republic of China (the "PRC") are generally subject to income tax rates of 25% (2021: 25%), except for enterprises with approval for preferential rate (Note (d) below).

The income tax provision of the Group in respect of its operations in the PRC has been calculated at the applicable tax rate on the estimated assessable profits based on existing legislations, interpretations and practices.

Since the deferred income tax assets and liabilities shall be measured at the tax rates that are expected to apply to the year when the assets are realised or the liability is settled, the change in the applicable tax rate will affect the determination of the carrying values of deferred tax assets and liabilities of the Company's subsidiaries located in the PRC.

(c) Other income tax

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

A subsidiary of the Group incorporated in Malaysia is subject to profits tax at a rate of 24%. No provision for taxation in Malaysia has been made, as the subsidiary did not generate any assessable profits arising in Malaysia for the six months ended 30 June 2022.

A subsidiary of the Group incorporated in Cambodia is subject to profits tax at a rate of 20%. No provision for taxation in Cambodia has been made, as the subsidiary did not generate any assessable profits arising in Cambodia for the six months ended 30 June 2022.

A subsidiary of the Company incorporated in Myanmar is subject to profits tax at a rate of 25%. No provision for taxation in Myanmar has been made, as the subsidiary did not generate any assessable profits arising in Myanmar for the six months ended 30 June 2022.

(d) **Tax effect of reduced tax rate**

One subsidiary of the Company enjoyed preferential income tax rates and have obtained approvals from the relevant tax authorities in the PRC:

- Hangzhou Huvis Yongsheng Dyeing and Finishing Co. Limited (“Yongsheng Dyeing”) obtained the certificate of qualifying as new and high technology company (“NHTC”) in December 2021 and the preferential corporate income tax rate of 15% became effective for three years from 2021 to 2023.

The amounts of income tax in the interim condensed consolidated statement of profit or loss and other comprehensive income represent:

	For the six months ended 30 June	
	2022	2021
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
Charge for the period		
Current tax – PRC	2,629	2,977
Deferred tax	1,115	1,199
	<hr/>	<hr/>
Total tax charge for the period	<u>3,744</u>	<u>4,176</u>

8. DIVIDENDS

	For the six months ended 30 June	
	2022	2021
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
Final declared and paid – nil		
(2021: HK\$0.02 (equivalent to RMB0.0168)) per ordinary share	–	12,330
Interim – nil		
(2021: HK\$0.01 (equivalent to RMB0.0083)) per ordinary share	–	6,083
	<hr/>	<hr/>
	<u>–</u>	<u>18,413</u>

The Board of directors has resolved not to propose any interim dividend for the six months ended 30 June 2022 (six months ended 30 June 2021: propose a interim dividend of HK\$0.01 (equivalent to RMB0.0083) per ordinary share amounting to a total of RMB6,083,000).

9. EARNINGS PER SHARE ATTRIBUTABLE TO THE SHAREHOLDERS OF THE COMPANY

Basic earnings per share amounts are calculated by dividing the profit for the period attributable to the shareholders of the Company by the weighted average number of ordinary shares of 729,816,979 (30 June 2021: 732,310,773) shares in issue during the period, as adjusted to reflect the exercise of share options during the period.

Diluted earnings per share for the six months ended 30 June 2022 was the same as the basic earnings per share as the share options had an anti-dilutive effect on the basic earnings per share during the period. The exercise prices of these share options were higher than the average market price of the shares during the period. For the six months ended 30 June 2022, 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 period, 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 calculations of basic and diluted earnings per share are based on:

	For the six months ended 30 June	
	2022	2021
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
Earnings:		
Profit attributable to shareholders of the Company		
– basic and diluted	11,222	12,337
	11,222	12,337

Number of shares
For the six months ended 30 June
2022 **2021**

Shares:

Weighted average number of ordinary shares for basic earnings per share calculation	729,816,979	732,310,773
Effect of dilution – weighted average number of ordinary shares:		
Share options	–	4,856,772
	<hr/>	<hr/>
Weighted average number of ordinary shares adjusted for the effect of dilution	<u>729,816,979</u>	<u>737,167,545</u>

10. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2022, the Group acquired assets with a cost of RMB69,738,000 (30 June 2021: RMB4,342,000) as additions to property, plant and equipment.

No asset was disposed of in respect of property, plant and equipment for both periods.

No impairment losses were recognised in respect of property, plant and equipment for both periods.

11. INVESTMENT PROPERTIES

	30 June 2022 RMB'000 (Unaudited)	31 December 2021 RMB'000 (Audited)
Carrying amount at beginning of the period/year	<u>674,660</u>	<u>755,323</u>
Additions	–	48,168
Fair value changes recognised in profit or loss	–	(104,651)
Transfer to owner-occupied property	–	(24,180)
	<hr/>	<hr/>
Carrying amount at end of the period/year	<u>674,660</u>	<u>674,660</u>

12. TRADE AND BILLS RECEIVABLES

	30 June 2022 RMB'000 (Unaudited)	31 December 2021 RMB'000 (Audited)
Trade receivables	28,785	24,637
Bills receivable	<u>25,349</u>	<u>42,907</u>
	54,134	67,544
Impairment	<u>(5,669)</u>	<u>(4,966)</u>
Net trade and bills receivables	<u>48,465</u>	<u>62,578</u>

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

	30 June 2022 RMB'000 (Unaudited)	31 December 2021 RMB'000 (Audited)
Within 3 months	21,341	18,823
3 to 6 months	915	37
6 months to 1 year	526	498
1 to 2 years	334	95
More than 2 years	<u>–</u>	<u>218</u>
	<u>23,116</u>	<u>19,671</u>

13. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	30 June	31 December
	2022	2021
	RMB'000	RMB'000
	(Unaudited)	(Audited)
Prepayment to suppliers	11,754	672
Deposits and other receivables	15,267	11,191
Prepaid expenses	192	177
Interest receivables	10,379	7,517
Value-added tax recoverable	13,189	15,998
	<u>50,781</u>	<u>35,555</u>

14. TRADE PAYABLES

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

	30 June	31 December
	2022	2021
	RMB'000	RMB'000
	(Unaudited)	(Audited)
Within 6 months	79,013	95,552
6 months to 1 year	653	196
1 to 2 years	74	3,711
More than 2 years	3,870	495
	<u>83,610</u>	<u>99,954</u>

15. OTHER PAYABLES AND ACCRUALS

	30 June	31 December
	2022	2021
	RMB'000	RMB'000
	(Unaudited)	(Audited)
Contract liabilities	1,335	1,323
Accrued payroll	4,520	8,994
Accruals	1,714	1,486
Interest payable	469	572
Value-added and other taxes payable	4,045	4,164
Payables for purchase of property, plant and equipment	206	206
Rental received in advance	1,497	4,722
Consideration received in advance from disposal of subsidiaries	29,464	–
Others	2,701	3,100
	<u>45,951</u>	<u>24,567</u>

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.

16. INTEREST-BEARING BANK AND OTHER BORROWINGS

	30 June 2022			31 December 2021		
	Effective interest rate (%)	Maturity	RMB'000	Effective interest rate (%)	Maturity	RMB'000
Current						
Lease liabilities	4.75%	30-Jun-23	510	4.78%	31-Dec-22	539
Bank loans –secured	4.45%	10-May-23	15,000	4.78%	12-May-22	15,000
Bank loans –secured	4.55%	20-Jun-23	10,000	4.78%	22-Jun-22	10,000
Bank loans –secured	4.78%	30-Nov-22	15,000	4.78%	30-Nov-22	15,000
Bank loans –secured	2.85%-3.80%	20-Jul-22	3,266	2.70%-3.25%	08-Jun-22	4,118
Bank loans –secured	3.35%-3.80%	28-Aug-22	1,244	2.85%-3.40%	27-Jun-22	6,788
Bank loans –secured	6.60%	31-Jul-22	12,788	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%-6.60%	30-Jun-23	6,983	4.25%	31-Dec-22	262
			<u>64,791</u>			<u>69,995</u>
Non-current						
Lease liabilities	4.75%	31-May-24	342	4.75%	14-Mar-23	30
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	32,699	6.60%	2023-2024	39,426
Bank loans – secured				4.25%	09-May-23	113
			<u>160,663</u>			<u>167,191</u>

Notes:

- (a) 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 RMB52,193,000 (as at 31 December 2021: RMB54,460,000);
 - (ii) mortgages over the Group's land use right, which had an aggregate carrying value at the end of the reporting period of approximately RMB3,833,000 (as at 31 December 2021: RMB3,894,000);

- (iii) mortgages over the Group's completed properties held for sale with a carrying amount of approximately RMB225,630,000 (as at 31 December 2021: RMB225,630,000) which were pledged to secure long-term loan facilities granted to the Group by a bank.
- (iv) mortgages over the Group's investment properties with a carrying value of RMB638,760,000 (as at 31 December 2021: RMB638,760,000) which were pledged to secure long-term loan facilities granted to the Group by a bank; and
- (v) mortgages over the Group's construction in progress with a net carrying amount of approximately RMB36,058,000 (as at 31 December 2021: RMB24,180,000) which were pledged to secure long-term loan facilities granted to the Group by a bank.

17. SHARE CAPITAL AND SHARE PREMIUM

Shares

	30 June 2022 <i>RMB'000</i> (Unaudited)	31 December 2021 <i>RMB'000</i> (Audited)
Issued and fully paid 708,008,090 (2021: 732,543,090) ordinary shares	<u><u>5,854</u></u>	<u><u>6,063</u></u>

A summary of movements in the Company's share capital is as follows:

	Number of shares in issue	Share capital <i>RMB'000</i>	Share premium account <i>RMB'000</i>	Total <i>RMB'000</i>
At 1 January 2021 (audited)	731,557,090	6,054	826,670	832,724
Dividends paid to shareholders of the Company	–	–	(18,206)	(18,206)
Share options exercised*	<u>986,000</u>	<u>9</u>	<u>1,549</u>	<u>1,558</u>
At 31 December 2021 and 1 January 2022 (audited)	<u>732,543,090</u>	<u>6,063</u>	<u>810,013</u>	<u>816,076</u>
Share repurchased and cancelled**	<u>(24,535,000)</u>	<u>(209)</u>	<u>(12,383)</u>	<u>(12,592)</u>
At 30 June 2022 (unaudited)	<u>708,008,090</u>	<u>5,854</u>	<u>797,630</u>	<u>803,484</u>

* In 2021, the subscription rights attaching to 986,000 share options were exercised at the weighted average subscription price of HK\$1.159 per share resulting from the issue of 986,000 ordinary shares for a total cash consideration, before expenses, of approximately RMB957,000. An amount of approximately RMB601,000 was transferred from the share option reserve to share premium account upon the exercise of the share options.

** During the six months ended 30 June 2022, the Company repurchased 24,535,000 of its ordinary shares on The Stock Exchange of Hong Kong Limited for a total consideration of HK\$14,787,000, which amount to approximately RMB12,592,000. The repurchased shares were cancelled during the period and total amount paid for the purchase of the shares of has been charged to share capital and share premium of approximately RMB209,000 and RMB12,383,000 respectively.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

Market Review

In the first half of 2022, sporadic pandemics broke out across the globe due to the spread of new COVID-19 variants. International turmoil as a result of the military conflict between Russia and Ukraine adversely affected the global economy. Strong fluctuations of commodity prices drove inflation beyond expectation. As a result of the above, the global economic recovery was slowed down. Together with restrictions on logistics and the price increase of raw materials, the development of the textile industry is under pressure. Following the easing of the COVID-19 pandemic in Southeast Asia, the improvement in local supporting capacity, coupled with tariff reductions implemented by Europe and the United States, the global manufacturing industry is relocating to Southeast Asia, resulting in an outflow of textile orders from China. According to the survey of the China National Textile and Apparel Council, the prosperity index of the textile industry was only 42.6 in the first quarter of 2022, representing a decrease of 14.5 and 19.7 percentage points compared to the same period last year and the fourth quarter of 2021 respectively. In addition, the utilisation rate of the capacity in the textile industry declined, which was attributable to the shutdown and reduction of production in some areas in China as a result of the implementation of pandemic control measures and the weak demand in the domestic market. Owing to economic stagnation and constant high inflation, consumer confidence fell sharply since the second quarter of 2022, and the price rise in energy and food curbed the consumer demand for non-essential items, and consumption of garments is also expected to decrease, leading to a further reduction in demand for upstream textile products.

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. In view of the overall depression of the RMAA market in Hong Kong, the Group streamlined its business structure and entered into an agreement to dispose of its RMAA services segment in the first half of 2022, in order to concentrate its resources to its dyeing and processing of differentiated polyester filament fabric business and environmental water project operation business for long-term development, with an aim to create greater value for the shareholders of the Company (the “**Shareholder(s)**”).

During the Review Period, the Group recorded a turnover of approximately RMB121.7 million, representing a decrease of approximately 6.10%, as compared to approximately RMB129.6 million for the corresponding period in 2021, mainly due to the further contraction of the RMAA business. The gross profit was approximately RMB35.7 million, representing an increase of approximately 13.70%, as compared to approximately RMB31.4 million in 2021, and gross profit margin increased from approximately 24.3% to 29.3% as a result of the contribution from the rental income of Yongsheng Plaza, of which lease agreements for most of the office floors were signed and the retail store spaces have been leased and started operations since the second half of 2021. Profit attributable to Shareholders amounted to approximately RMB11.2million, representing a decrease of approximately 8.94%, as compared to approximately RMB12.3 million for the corresponding period in 2021, and an associated earnings per share amounted to RMB1.5 cents (corresponding period in 2021: RMB1.7 cents).

During the Review Period, 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 75.9%, 13.5%, 10.6% and nil of the turnover of the Group, respectively. The Group recorded profit before tax of approximately RMB 14.1 million.

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 the first half of 2022, the global economy contracted. Due to concerns about high inflation, interest rate hikes and the epidemic, the Consumer Confidence Index has fallen since the second quarter of 2022, with weakened demand in non-essential consumables. The Group specialises in the production of high-quality home textile fabrics, most of which are exported to the European and American markets. Due to concerns about the expected high inflation rate, the consumption of home textiles in the European and American markets declined. In addition, customers adjusted their production schedules, and demand for home textile orders slowed down due to disrupted international logistics and delayed shipping schedules. Due to the continuous tension between China and the United States, it has become a trend for overseas customers to relocate their supply chains to the Southeast Asia, and the outflow of

export orders from China is obvious. According to the estimates by the China Chamber of Commerce for Import and Export of Textiles, in the first half of 2022, the scale of China's textile and apparel orders relocation was approximately US\$6 billion, mainly to Bangladesh, Vietnam, India, Indonesia, Cambodia and other countries. During the Review Period, the Group diverted its resources to develop domestic apparel sales orders. During the Review Period, the segment revenue was approximately RMB92.3 million, representing a year-on-year increase of 10.04% as compared to approximately RMB83.9 million for the same period in 2021. However, due to factors such as soaring raw material prices and logistics obstruction, the cost pressure of the industry generally increased, and profit margins were squeezed. In addition, since costs could not be fully passed on to customers, there was pressure on gross profit margin, which decreased to 24.8% from 37.4% in the same period last year.

RMAA Service

In the first half of 2022, the resurgence of the COVID-19 pandemic in Hong Kong resulted in the suspension or postponement of redevelopment and rehabilitation projects of certain buildings in Hong Kong due to safety concerns, labour shortage and rising raw material costs. In addition, the government's implementation of strict COVID-19 pandemic prevention and control measures caused an overall depression in the RMAA market in Hong Kong as some projects were not opened to tendering and were failed to proceed to tender evaluation process due to the restrictions on public gatherings and social distance control. During the Review Period, this segment recorded revenue of approximately RMB16.5 million, further declined by 63.27% as compared to the same period last year, and continued to operate at a loss. The Group predicted that the epidemic in Hong Kong would take more time to be contained, the influence of such postponement may last until the end of 2022, therefore, it is expected that it will be unlikely that the performance of this segment will improve substantially in the near future. In order to minimise adverse impact on the overall financial performance of the Group, the Group decided to dispose of this segment, namely the entire issued share capital of Summer Power International Inc. and its sole subsidiary, Widely Construction & Engineering Limited, at a consideration of HKD34.50 million. On 21 June 2022, the Company entered into a sale and purchase agreement, pursuant to which the Company agreed to dispose of the entire issued share capital of Summer Power International Inc.. The disposal has enabled the Group to focus its capital and management resources on further development of the Group's other business (e.g. the dyeing and processing of differentiated polyester filament fabric, and environmental water project operation), and enhance the growth potential of the Group. For further details of the disposal, please refer to the announcement of the Company dated 21 June 2022.

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 Review Period, certain stores of Yongsheng Plaza have been leased and started operations, and lease agreements for certain of the office floors were signed, generating a rental income of approximately RMB12.0 million during the Review Period.
- (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. Such office units have been leased out and have brought a stable and sustainable income for the Group, generating a rental income of approximately RMB0.9 million during the Review Period (six months ended 30 June 2021: RMB0.8 million).

Xiaoshan District is a key development area in Zhejiang Province and the Group is optimistic about its economic development prospects, which can strengthen the Group's asset structure and enhance its sustainable development capabilities in the long run.

Environmental water project operation

In recent years, China has attached great importance to the protection of environment and increased investment in environmental protection infrastructure. According to the analysis data of the environmental protection industry, the scale of the environmental protection market is continuously expanding in 2022. Last year, the Group, through a joint venture, invested in Zhejiang Deqing Jiemai New Material Company Limited* (浙江德清杰邁新材有限公司, “**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, and during the Review Period, the project completed the quality inspection and was officially put into production, accumulating experience for the Group in construction maintenance, construction waste treatment, production of new construction materials and other related aspects. The Group previously won a bid to acquire two parcels of industrial land and related ancillary facilities such as factories

and office buildings in Maanshan City at a consideration through a judicial auction process. During the Review Period, the Group has obtained the real estate title certificates, and is negotiating with the existing tenants of the factories on short-term leasing, as well as actively communicating with the government to obtain the necessary licenses for environmental protection-related projects. It is expected that the projects will be approved within this year and be launched next year. The overseas water projects developed by the Group through the joint venture are progressing in an orderly manner. The joint venture partner of the Group in the Southeast Asia has continued to carry out the preliminary work on the Malaysian water supply project, which is expected to become the first successful benchmark project that will help the Group to secure other water projects in the Southeast Asia.

PROSPECTS

Looking ahead to 2022, under the complex and volatile international political and economic situation, risks from external environment are on the rise. The textile industry is suffering multiple downward pressures from the spreading of the global epidemic, escalation of Russia-Ukraine conflict, disruptions in supply chain, accelerated tightening of monetary policy in developed economies and sharper-than-expected inflation. Fortunately, as the apparel consumption market in China is huge, coupled with increasing per capita disposable income, apparel consumption has witnessed a constant growth, which results in a promising market outlook for the apparel industry. With the easing of domestic epidemic in the second half of 2022, it is expected that offline consumption of residents in the PRC will gradually recover, boosting accelerated growth in domestic demand for textile and apparel. It is expected that the boosting of the demand side for the textile and apparel market will be strengthened with the arrival of peak consumption season in the second half of the year, such as the Double 11 Shopping Festival. The Group is striving to complete technological improvement before the peak consumption season to enhance production efficiency and reduce the defect rate in order to actively capture the development potential of the domestic market.

As the epidemic spread to central cities such as Beijing and Shanghai in March 2022, in addition to the strict control implemented in many cities from time to time, the economy deteriorated rapidly. In order to stimulate the economy, the Chinese government has clearly proposed to support local governments in improving their real estate policies based on the local situation. The Group will be looking at selling or leasing its properties at the most opportune time to maximise the Group's asset value.

Recently, the State Taxation Administration issued the Guidelines on Preferential Taxation Policies for Green Development (《支持綠色發展稅費優惠政策指引》), which introduced various preferential taxation policies for green development in four aspects including supporting environmental protection, promoting energy conservation, encouraging comprehensive utilization of resources and driving the low-carbon industry development. With national policy incentives and the “dual carbon” goal, the environmental protection industry will be benefited. The Group is optimistic about the development of environmental protection industry and water treatment projects in China and the Southeast Asia, and will actively explore domestic and overseas markets to seize the substantial business opportunities in green and renewable economy.

In the second half of 2022, as the Group’s business structure will be streamlined after restructuring, we will be more resilient during volatile market conditions and able to better capture new development opportunities. Looking forward, the Group will continuously refine dyeing and processing technologies and our core business fundamentals. In the meantime, we will harness the development opportunities by targeting the blue ocean markets including environmental water treatment, to ensure the Group’s sustainable development and capital maintenance, and strive for the best interests of the Shareholders.

FINANCIAL REVIEW

Revenue, gross profit and profit attributable to Shareholders

During the Review Period, the Group recorded revenue of approximately RMB121.7 million, representing a decrease of approximately 6.10% from approximately RMB129.6 million for the corresponding period in 2021, mainly due to the decrease in the revenue generated from the Group’s RMAA services.

For the Review Period, the Group recorded gross profit of approximately RMB35.7 million, representing an increase of approximately 13.7% from approximately RMB31.4 million for the corresponding period in 2021. The gross profit margin increased from approximately 24.3% for the six months ended 30 June 2021 to 29.3% during the Review Period. The increase in gross profit margin was mainly due to contribution from the rental income of Yongsheng Plaza.

The profit attributable to Shareholders for the Review Period amounted to approximately RMB11.2 million, representing a decrease of approximately 8.94% as compared with approximately RMB12.3 million in the corresponding period of 2021. Basic earnings per share were RMB1.5 cents (the first half of 2021: RMB1.7 cents). The decrease in basic earnings per Share was mainly due to (i) the decrease in the profits of RMAA segment; and (ii) the decrease in the profits of Processing segment due to soaring of raw material prices.

Selling and distribution expenses

Selling and distribution expenses decreased by approximately RMB0.7 million from approximately RMB1.35 million for the six months ended 30 June 2021 to approximately RMB0.64 million for the six months ended 30 June 2022. Such decrease was in line with the drop in the Group's sales scale and also due to the costs saving measurement implemented by management during the Review Period.

Administrative expenses

Administrative expenses increased by RMB1.67 million from approximately RMB20.87 million for the six months ended 30 June 2021 to approximately RMB22.54 million for the six months ended 30 June 2022 mainly due to the increase in the depreciation and operating expense of the owner-occupied part of the Yongsheng Plaza since this portion was completed and started to be held for administrative purposes in the second half of 2021.

Liquidity and financial resources

As at 30 June 2022, the Group's cash and bank balance amounted to approximately RMB47.86 million (31 December 2021: approximately RMB86.55 million).

As at 30 June 2022, the total bank borrowings of the Group was approximately RMB224.60 million (31 December 2021: approximately RMB236.62 million).

As at 30 June 2022 and 30 June 2021, the Group’s key financial ratio reflecting its liquidity and gearing level, were as follows:

	30 June 2022	30 June 2021
Current ratio	3.13	4.58
Debt to equity ratio	<u>0.19</u>	<u>0.14</u>

1 Based on total current assets over total current liabilities.

2 Based on total borrowings over equity attributable to the Shareholders.

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 which is conducted in Hong Kong with the transaction settled in Hong Kong Dollars (“**HKD**”). 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 and HKD. The Company will pay dividends in HKD if any dividends are declared.

The Group currently does not hedge against its foreign exchange risk and will closely monitor the fluctuations in exchange rates.

Employee benefits and remuneration policies

As at 30 June 2022, the Group had a total of 298 employees (as at 30 June 2021: 319). The employees of the Group were remunerated based on their experience, qualifications, the Group’s performance and the prevailing market conditions. During the Review Period, staff costs (including Directors’ remunerations) amounted to approximately RMB16.5 million (the first half of 2021: approximately RMB18.6 million).

The Group will continuously optimise the workforce structure and offer its staff with competitive remuneration. 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 emphasises on team building and the Group's success is dependent on the contribution of all employees.

Significant investments held as at 30 June 2022

Assets Manager	Custodian	Investment amount RMB'000	Agreement date	Fair value at 30 June 2022 RMB'000
1 Minsheng Wealth Management Co., Ltd.	China Merchants Securities Co., Ltd.	23,650	24 June 2020	4,953
2 Shanghai Tiange Investment Management Co., Ltd.	HengTai Securities Co., Ltd.	20,000	1 February 2021	22,649
		43,650		27,602

Note:

The above investments refer 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 Company as at 30 June 2022.

Details of loan receivables as at 30 June 2022

Borrower	Source of borrowers	Guarantee/Security	Contract date	Principal Amount (RMB)	Annual interest rate	Term of loan (Month)
Borrower A ^(Note 1)	Introduced by controlling shareholder of the Company; Independent Third Party	No pledge, no guarantee	25/5/2022	27,000,000.00	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	30/5/2022	27,000,000.00	6.0%	12
Borrower D ^(Note 1)	Introduced by controlling shareholder of the Company; Independent Third Party	No pledge, no guarantee	30/5/2022	6,000,000.00	6.0%	12
Borrower D ^(Note 1)	Introduced by controlling shareholder of the Company; Independent Third Party	No pledge, no guarantee	12/1/2022	20,000,000.00	6.0%	12

Borrower	Source of borrowers	Guarantee/Security	Contract date	Principal Amount (RMB)	Annual interest rate	Term of loan (Month)
Borrower E	Introduced by controlling shareholder of the Company; Independent Third Party	No pledge, personal guarantee by sole shareholder of the Borrower E	5/1/2022	38,484,000.00	5.0%	12
Borrower F	Introduced by controlling shareholder of the Company; Independent Third Party	No pledge, personal guarantee by sole shareholder of the Borrower F	24/6/2022	12,828,000.00	5.0%	6
Borrower G	Potential joint venture, please refer to the announcement of the Company dated 26 January 2021	Pledge of equity interests in Borrower G, personal guarantee by shareholders of the Borrower G	24/11/2020	5,300,000.00	8.0%	26
Borrower H ^(Note 2)	Introduced by controlling shareholder of the Company; Independent Third Party	a pledge on the rights to collect revenue from the treatment services	2020-2021	25,535,000.00	12.0%	24
				<u>207,147,000.00</u>		

Notes:

- (1) These loans are trust loan arrangements with commercial banks.
- (2) Outstanding balance as at 30 June 2022 of a supply chain financing loan granted by the Group.

Save as disclosed above, the Group did not grant any other loans to independent third parties during the Review Period which remained outstanding as at 30 June 2022.

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..

EVENTS AFTER THE REVIEW PERIOD

Subsequent to the Review Period and up to the date of this announcement, save as disclosed above, there were no significant events affecting the Group.

INTERIM DIVIDEND

The Board does not recommend the payment of interim dividend (30 June 2021: HK\$0.01 per share) for the six months ended 30 June 2022.

PURCHASE, SALE AND REDEMPTION OF THE LISTED SECURITIES OF THE COMPANY

Save as disclosed below, during the Review Period, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities.

During the Review Period, the Company has repurchased a total of 24,535,000 ordinary shares of HK\$0.01 each (“**Shares**”) of the Company on the Stock Exchange at aggregate consideration (before expenses) of HK\$14,787,025. All the repurchased Shares were cancelled during the Review Period.

Date	Number of Shares Repurchased	Purchased Price		Aggregate consideration (before expenses) (HKD)
		Highest	Lowest	
26 May 2022	21,585,000	0.61	0.59	13,017,025
27 May 2022	2,950,000	0.6	–	1,770,000
	<u>24,535,000</u>			<u>14,787,025</u>

CORPORATE GOVERNANCE CODE

The Company was committed in 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 (the “**Listing Rules**”) Governing the Listing of Securities on the Stock Exchange. During the Review Period, 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 Review Period.

AUDIT COMMITTEE

The audit committee of the Company (the "**Audit Committee**") currently comprises three independent non-executive Directors, namely Ms. Wong Wai Ling (Chairlady), Mr. He Chengying and Dr. Wang Huaping. The Audit Committee has reviewed the unaudited condensed and consolidated interim results for the Review Period and this announcement, and discussed internal controls and financial reporting matters with the management of the Company. The Audit Committee was of the opinion that the preparation of the unaudited condensed and consolidated interim results complied with the applicable accounting standard and requirements and that adequate disclosures have been made.

PUBLICATION OF RESULTS ANNOUNCEMENT

This interim results announcement is published on the websites of the Company (www.chinaysgroup.com) and the Stock Exchange (www.hkexnews.hk). An interim report for the Review Period 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, 29 August 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.