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 2023

FINANCIAL HIGHLIGHTS

	Six months ended 30 June		
	2023	2022	Change
	RMB million	*RMB million*	
	(Unaudited)	(Unaudited)	
		(Re-presented)	
Revenue from continuing operations	**119.8**	105.2	13.9%
Gross profit from continuing operations	**43.8**	34.3	27.7%
Profit for the period from continuing operations	**16.3**	11.8	38.1%
Profit for the period	**16.3**	10.4	56.7%
Profit for the period attributable to shareholders of the Company	**18.4**	11.2	64.3%
Basic earnings per share for the period	**RMB2.6 cents**	RMB1.5 cents	73.3%
Basic earnings per share for the period from continuing operations	**RMB2.6 cents**	RMB1.7 cents	52.9%

The Board does not recommend the payment of any interim dividend (30 June 2022: Nil 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 2023 (the "**Review Period**"), together with the unaudited comparative figures for the corresponding period in 2022, and the unaudited consolidated statement of financial position of the Group as at 30 June 2023, together with audited comparative figures as at 31 December 2022.

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

For the six months ended 30 June 2023

	Notes	**2023** **(Unaudited)** ***RMB'000***	2022 (Unaudited) *RMB'000* (Re-presented)
CONTINUING OPERATIONS			
REVENUE	*3,4*	**119,807**	105,188
Cost of sales		**(75,998)**	(70,868)
Gross profit		**43,809**	34,320
Other income and gains, net	*5*	**6,267**	9,813
Selling and distribution expenses		**(1,112)**	(644)
Administrative expenses		**(20,997)**	(19,964)
Reversal of impairment/(impairment) losses on financial and contract assets, net		**1,024**	(309)
Finance costs		**(6,302)**	(7,578)
PROFIT BEFORE TAX FROM CONTINUING OPERATIONS	*6*	**22,689**	15,638
Income tax expense	*7*	**(6,388)**	(3,815)
PROFIT FOR THE PERIOD FROM CONTINUING OPERATIONS		**16,301**	11,823

	Notes	2023 (Unaudited) RMB'000	2022 (Unaudited) RMB'000 (Re-presented)
DISCONTINUED OPERATION			
Loss for the period from a discontinued operation	8	**–**	(1,429)
PROFIT FOR THE PERIOD		**16,301**	10,394
OTHER COMPREHENSIVE INCOME			
Other comprehensive income that may be reclassified to profit or loss in subsequent periods:			
Exchange differences on translation of foreign operations		**2,935**	4,450
Net other comprehensive income that may be reclassified to profit or loss in subsequent periods		**2,935**	4,450
Other comprehensive income/(loss) that will not be reclassified to profit or loss in subsequent periods:			
Exchange differences on translation of foreign operations		**459**	(85)
Net other comprehensive income/(loss) that will not be reclassified to profit or loss in subsequent periods		**459**	(85)
OTHER COMPREHENSIVE INCOME FOR THE PERIOD, NET OF TAX		**3,394**	4,365
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		**19,695**	14,759

	Notes	**2023** **(Unaudited)** ***RMB'000***	2022 (Unaudited) *RMB'000* (Re-presented)
Profit attributable to:			
Shareholders of the Company		**18,449**	11,222
Non-controlling interests		**(2,148)**	(828)
		16,301	10,394
Total comprehensive income attributable to:			
Shareholders of the Company		**21,585**	15,244
Non-controlling interests		**(1,890)**	(485)
		19,695	14,759
EARNINGS PER SHARE ATTRIBUTABLE TO THE SHAREHOLDERS OF THE COMPANY	*10*		
Basic			
– For profit for the period		**RMB 2.6 cents**	RMB 1.5 cents
– For profit from continuing operations		**RMB 2.6 cents**	RMB 1.7 cents
Diluted			
– For profit for the period		**RMB 2.6 cents**	RMB 1.5 cents
– For profit from continuing operations		**RMB 2.6 cents**	RMB 1.7 cents

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2023

	Notes	**30 June 2023 (Unaudited)** *RMB'000*	31 December 2022 (Audited) *RMB'000*
NON-CURRENT ASSETS			
Property, plant and equipment	*11*	**189,323**	184,258
Prepayments for property, plant and equipment		**41,605**	–
Investment properties	*12*	**809,600**	809,600
Right-of-use assets		**32,695**	33,337
Other intangible assets		**1,593**	1,693
Investments in a joint venture		**2,179**	2,337
Other non-current assets		**2,226**	2,920
Amount due from related parties		**5,838**	6,447
Deferred tax assets		**950**	921
Pledged deposits		**3,208**	3,109
Total non-current assets		**1,089,217**	1,044,622
CURRENT ASSETS			
Inventories		**10,326**	5,993
Trade, bills and lease receivables	*13*	**70,960**	61,738
Prepayments, deposits and other receivables	*14*	**44,818**	20,627
Loan receivables		**86,534**	139,494
Bills receivable at fair value through other comprehensive income		**3,738**	1,889
Amount due from related parties		**5,209**	6,111
Derivative financial instruments		**–**	607
Financial assets at fair value through profit or loss		**27,011**	25,545
Cash and cash equivalents		**145,971**	143,834
Total current assets		**394,567**	405,838

	Notes	30 June 2023 (Unaudited) *RMB'000*	31 December 2022 (Audited) *RMB'000*
CURRENT LIABILITIES			
Trade payables	*15*	**69,541**	79,811
Other payables and accruals	*16*	**16,396**	17,537
Derivative financial instruments		**986**	–
Interest-bearing bank and other borrowings	*17*	**125,660**	76,132
Income tax payable		**3,437**	4,887
Amount due to related parties		**1,653**	1,302
Government grants		**387**	387
Total current liabilities		**218,060**	180,056
NET CURRENT ASSETS		**216,863**	225,782
TOTAL ASSETS LESS CURRENT LIABILITIES		**1,265,724**	1,270,404
NON-CURRENT LIABILITIES			
Interest-bearing bank and other borrowings	*17*	**114,772**	140,528
Amount due to related parties		**561**	683
Deposits payable		**3,999**	4,826
Deferred tax liabilities		**16,222**	13,697
Government grants		**5,933**	6,128
Total non-current liabilities		**141,487**	165,862
Net assets		**1,124,237**	1,104,542
EQUITY			
Equity attributable to shareholders of the Company			
Share capital	*18*	**5,854**	5,854
Share premium	*18*	**797,630**	797,630
Other reserves		**319,988**	298,403
		1,123,472	1,101,887
Non-controlling interests		**765**	2,655
Total equity		**1,124,237**	1,104,542

1. BASIS OF PREPARATION

The interim condensed consolidated financial information for the six months ended 30 June 2023 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 2022.

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 2022, except for the adoption of the following new and revised International Financial Reporting Standards ("IFRSs") for the first time for the current period's financial information.

IFRS 17	*Insurance Contracts*
Amendments to IFRS 17	*Insurance Contracts*
Amendments to IFRS 17	*Initial Application of IFRS 17 and IFRS 9 – Comparative Information*
Amendments to IAS 1 and IFRS Practice Statement 2	*Disclosure of Accounting Policies*
Amendments to IAS 8	*Definition of Accounting Estimates*
Amendments to IAS 12	*Deferred Tax related to Assets and Liabilities arising from a Single Transaction*
Amendments to IAS 12	*International Tax Reform – Pillar Two Model Rules*

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

(a) Amendments to IAS 1 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. The Group has applied the amendments since 1 January 2023. The amendments did not have any impact on the Group's interim condensed consolidated financial information but are expected to affect the accounting policy disclosures in the Group's annual consolidated financial statements.

2. CHANGES IN ACCOUNTING POLICIES (Continued)

(b) 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 Group has applied the amendments to changes in accounting policies and changes in accounting estimates that occur on or after 1 January 2023. Since the Group's policy of determining accounting estimates aligns with the amendments, the amendments did not have any impact on the financial position or performance of the Group.

(c) Amendments to IAS 12 Deferred Tax related to Assets and Liabilities arising from a Single Transaction narrow the scope of the initial recognition exception in IAS 12 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 (provided that sufficient taxable profit is available) and a deferred tax liability for temporary differences arising from these transactions. The amendments are not expected to have any significant impact on the Group's financial statements.

(d) Amendments to IAS 12 International Tax Reform – Pillar Two Model Rules introduce a mandatory temporary exception from the recognition and disclosure of deferred taxes arising from the implementation of the Pillar Two model rules published by the Organisation for Economic Co-operation and Development. The amendments also introduce disclosure requirements for the affected entities to help users of the financial statements better understand the entities' exposure to Pillar Two income taxes, including the disclosure of current tax related to Pillar Two income taxes separately in the periods when Pillar Two legislation is effective and the disclosure of known or reasonably estimable information of their exposure to Pillar Two income taxes in periods in which the legislation is enacted or substantively enacted but not yet in effect. Entities are required to disclose the information relating to their exposure to Pillar Two income taxes in annual periods beginning on or after 1 January 2023, but are not required to disclose such information for any interim periods ending on or before 31 December 2023. The Group has applied the amendments retrospectively. Since the Group did not fall within the scope of the Pillar Two model rules, the amendments did not have any impact to the Group.

3. OPERATING SEGMENT INFORMATION

Six months ended 30 June 2023	Processing *RMB'000* (Unaudited)	Environmental water project operation *RMB'000* (Unaudited)	Properties investment *RMB'000* (Unaudited)	Total *RMB'000* (Unaudited)
Segment revenue *(note 4)*				
Sales to external customers	**100,533**	**–**	**19,274**	**119,807**
Revenue				**119,807**
Segment results	**18,711**	**(4,601)**	**11,623**	**25,733**
Reconciliations:				
Corporate and other unallocated expenses				**(2,104)**
Interest income				**5,362**
Finance costs				**(6,302)**
Profit before tax				**22,689**

	Continuing operations				Discontinued operation	
Six months ended 30 June 2022	Processing *RMB'000* (Unaudited)	Environmental water project operation *RMB'000* (Unaudited)	Properties investment *RMB'000* (Unaudited)	Sub-total *RMB'000* (Unaudited)	RMAA Service* *RMB'000* (Unaudited)	Total *RMB'000* (Unaudited)
Segment revenue (Re-presented) *(note 4)*						
Sales to external customers	92,327	–	12,861	105,188	16,500	121,688
Revenue				105,188		121,688
Segment results (Re-presented)	13,726	(1,959)	6,965	18,732	(1,433)	17,299
Reconciliations:						
Corporate and other unallocated expenses						(3,424)
Interest income						7,214
Investment income						639
Finance costs						(7,590)
Profit before tax						14,138

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

3. OPERATING SEGMENT INFORMATION (Continued)

	Processing *RMB'000*	Environmental water project operation *RMB'000*	Properties investment *RMB'000*	Total *RMB'000*
Segment assets				
30 June 2023	559,692	135,700	974,874	1,670,266
Reconciliations:				
Elimination of intersegment receivables				(275,380)
Corporate and other unallocated assets				88,898
Total assets				1,483,784
31 December 2022	514,945	135,069	906,319	1,556,333
Reconciliations:				
Elimination of intersegment receivables				(197,114)
Corporate and other unallocated assets				91,241
Total assets				1,450,460
Segment liabilities				
30 June 2023	140,409	80,683	387,439	608,531
Reconciliations:				
Elimination of intersegment payables				(275,380)
Corporate and other unallocated liabilities				26,396
Total liabilities				359,547
31 December 2022	116,390	79,161	322,845	518,396
Reconciliations:				
Elimination of intersegment payables				(197,114)
Corporate and other unallocated liabilities				24,636
Total liabilities				345,918

4. REVENUE

An analysis of revenue from continuing operations is as follows:

	For the six months ended 30 June	
	2023	2022
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
		(Re-presented)
Revenue from contracts with customers	**102,303**	92,327
Revenue from other sources		
Gross rental income from investment properties under operating leases	**17,504**	12,861
	119,807	105,188

Disaggregated revenue information for revenue from contracts with customers

	For the six months ended 30 June	
	2023	2022
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
		(Re-presented)
Type of goods or services		
Processing	**100,533**	92,327
Provision of property management services	**1,770**	–
Total revenue from contracts with customers	**102,303**	92,327
Geographical markets		
Mainland China	**90,465**	73,916
Other	**11,838**	18,411
Total revenue from contracts with customers	**102,303**	92,327
Timing of revenue recognition		
Goods transferred at a point in time	**100,533**	92,327
Services transferred over time	**1,770**	–
Total revenue from contracts with customers	**102,303**	92,327

5. OTHER INCOME AND GAINS, NET

An analysis of other income and gains from continuing operations is as follows:

	For the six months ended 30 June	
	2023	2022
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
		(Re-presented)
Other income and gains, net		
Bank and other interest income	**5,362**	7,214
Investment income	**–**	639
Share of losses of a joint venture	**(158)**	(674)
Fair value gains on financial assets at fair value through profit or loss	**1,466**	2,038
Fair value changes on derivative financial instruments	**(1,593)**	(576)
Government grants	**204**	642
Foreign exchange differences, net	**133**	337
Others	**853**	193
	6,267	9,813

6. PROFIT BEFORE TAX

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

	For the six months ended 30 June	
	2023	2022
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
		(Re-presented)
Cost of services provided	**75,998**	70,868
Depreciation and amortisation*	**5,805**	3,844
(Reversal of)/impairment on loan receivables	**(738)**	510
Reversal of the impairment on other receivables	**(188)**	–
Reversal of the impairment on due from related parties	**(98)**	(147)
Reversal of the impairment on trade receivables	**–**	(54)
Employee benefit expense (including directors' and chief executive's remuneration) *:		
Wages and salaries	**13,785**	13,601
Pension scheme contributions (defined contribution schemes) **	**2,343**	1,619
Research and development costs	**1,812**	2,452
Foreign exchange differences, net	**(133)**	(337)
Fair value losses/(gains), net:		
Fair value changes on derivative financial instruments	**1,593**	576
Financial assets at fair value through profit or loss	**(1,466)**	(2,038)
Bank and other interest income	**(5,362)**	(7,214)
Investment income	**–**	(639)

* Part of the depreciation, amortisation and employee benefit expense for the period 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 2023, the Group had no forfeited contributions available to reduce its contributions to the pension schemes in future years (30 June 2022: Nil).

7. INCOME TAX EXPENSE

(a) Hong Kong profits tax

Hong Kong profits tax has been provided at the rate of 16.5% (2022: 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 (2022: HK$2,000,000) of assessable profits of these subsidiaries are taxed at 8.25% (2022: 8.25%) and the remaining assessable profits are taxed at 16.5% (2022: 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% (2022: 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 Company incorporated in Malaysia is subject to profits tax at a rate of 24% (2022: 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 2023 (six months ended 30 June 2022: Nil).

A subsidiary of the Company incorporated in Cambodia is subject to profits tax at a rate of 20% (2022: 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 2023 (six months ended 30 June 2022: Nil).

A subsidiary of the Company incorporated in Myanmar is subject to profits tax at a rate of 25% (2022: 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 2023 (six months ended 30 June 2022: Nil).

(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	
	2023	2022
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
		(Re-presented)
Current tax - PRC	**3,863**	2,629
Deferred tax	**2,525**	1,186
Total tax charge for the period from continuing operations	**6,388**	3,815
Total tax credit for the period from a discontinued operation	**–**	(71)
	6,388	3,744

8. DISCONTINUED OPERATION

On 21 June 2022, the Company announced the decision to dispose of the entire interests in Summer Power International Inc. ("Summer Power") and its sole subsidiary, Widely Construction & Engineering Limited (collectively referred to as "Summer Power Group"). Summer Power Group were engaged in the provision of renovation, maintenance, alteration and addition services ("RMAA Service"). The Group decided to cease its RMAA Service because it has planned to focus its resources on its dyeing and processing of differentiated polyester filament fabric segment and environmental water project operation segment. The disposal of Summer Power Group was completed in July 2022. Summer Power Group were classified as a discontinued operation.

	For the six months ended 30 June 2022 *RMB'000* (Unaudited) (Re-presented)
Results of a discontinued operation	
Revenue	16,500
Expenses	(17,988)
Finance costs	(12)
Loss from the discontinued operation	(1,500)
Income tax	71
Loss for the period from the discontinued operation	(1,429)
Earnings per share:	
Basic, from the discontinued operation	RMB (0.2) cents
Diluted, from the discontinued operation	RMB (0.2) cents

9. DIVIDENDS

	For the six months ended 30 June	
	2023	2022
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Final declared and paid – nil (2022: nil) per ordinary share	**–**	–
Interim – nil (2022: nil) per ordinary share	**–**	–
	–	–

The board of directors of the Company has resolved not to propose any interim dividend for the six months ended 30 June 2023 and 2022.

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

The calculation of the 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 708,008,090 (2022: 729,816,979) shares in issue during the period, as adjusted to reflect the rights issue during the period.

Diluted earnings per share are calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. As the exercise prices of the share options were higher than the average market price of the shares for the period ended 30 June 2023 and 2022, the potential ordinary shares were not included in the calculation of diluted earnings per share, as their inclusion would have an anti-dilutive effect. Accordingly, diluted earnings per share amounts for the six months ended 30 June 2023 and 2022 are the same as basic earnings per share amounts of the respective years.

The calculations of basic and diluted earnings per share are based on:

	For the six months ended 30 June	
	2023	2022
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Earnings:		
Profit attributable to shareholders of the Company		
– basic and diluted		
From continuing operations	**18,449**	12,651
From a discontinued operation	**–**	(1,429)
	18,449	11,222

	Number of shares	
	2023	2022
Shares:		
Weighted average number of ordinary shares for basic and diluted earnings per share calculation	**708,008,090**	729,816,979

11. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2023, the Group acquired assets with a cost of RMB 10,183,000 (30 June 2022: RMB 69,738,000) as additions to property, plant and equipment.

Assets with a net book value of RMB 9,000 were disposed of by the Group during the six months ended 30 June 2023. No asset was disposed of during the six months ended 30 June 2022.

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

12. INVESTMENT PROPERTIES

	30 June 2023	31 December 2022
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Carrying amount at beginning of the period/year	**809,600**	674,660
Additions		
Transfer from properties held for sale	**–**	155,271
Fair value changes recognised in profit or loss	**–**	(20,331)
Carrying amount at end of the period/year	**809,600**	809,600

13. TRADE, BILLS AND LEASE RECEIVABLES

	30 June 2023	31 December 2022
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Trade receivables	**25,859**	15,032
Bills receivables	**34,691**	35,157
Lease receivables	**10,499**	11,638
	71,049	61,827
Impairment	**(89)**	(89)
Net trade, bills and lease receivables	**70,960**	61,738

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

	30 June 2023 *RMB'000* **(Unaudited)**	31 December 2022 *RMB'000* (Audited)
Within 3 months	**35,463**	20,003
3 to 6 months	**806**	3,809
6 months to 1 year	**–**	2,769
	36,269	26,581

14. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	30 June 2023 *RMB'000* **(Unaudited)**	31 December 2022 *RMB'000* (Audited)
Prepayment to suppliers	**26,405**	245
Deposits and other receivables	**8,062**	8,389
Prepaid expenses	**455**	454
Interest receivables	**10,196**	12,009
Value-added tax recoverable	**–**	18
	45,118	21,115
Impairment	**(300)**	(488)
	44,818	20,627

15. 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 2023 *RMB'000* **(Unaudited)**	31 December 2022 *RMB'000* (Audited)
Within 6 months	**68,503**	79,445
6 months to 1 year	**703**	42
1 to 2 years	**42**	324
More than 2 years	**293**	–
	69,541	79,811

16. OTHER PAYABLES AND ACCRUALS

	30 June 2023 *RMB'000* **(Unaudited)**	31 December 2022 *RMB'000* (Audited)
Contract liabilities	**2,617**	229
Accrued payroll	**6,370**	5,341
Accruals	**1,887**	1,781
Interest payable	**1,215**	806
Value-added and other taxes payable	**2,749**	3,516
Payables for purchase of property, plant and equipment	**138**	250
Rental received in advance	**–**	3,482
Others	**1,420**	2,132
	16,396	17,537

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.

17. INTEREST-BEARING BANK AND OTHER BORROWINGS

	30 June 2023			31 December 2022		
	Effective interest rate (%)	**Maturity**	***RMB'000***	Effective interest rate (%)	Maturity	*RMB'000*
Current						
Lease liabilities	**4.75%**	**20-Apr-24**	**368**	4.75%	31-Dec-23	380
Bank loans –secured	**3.20%**	**06-May-24**	**15,000**	4.45%	10-May-23	14,940
Bank loans –secured	**4.20%**	**11-Aug-23**	**30,000**	4.45%	11-Aug-23	30,000
Bank loans –secured	**4.15%**	**27-Jun-24**	**9,940**	2.10%-2.55%	14-Mar-23	1,112
Bank loans –secured	**4.55%**	**20-Jun-24**	**10,000**			–
Current portion of long term bank loans-secured	**6.40%**	**31-Jan-24**	**30,652**			–
Current portion of long term bank loans-secured	**6.40%**	**31-Jul-23**	**29,700**	6.60%	31-Jul-23	29,700
			125,660			76,132
Non-current						
Lease liabilities			**–**	4.75%	20-Apr-24	164
Bank loans – secured	**6.40%**	**31-Jul-25**	**39,600**	6.60%	31-Jul-25	39,600
Bank loans – secured	**6.40%**	**31-Jul-25**	**30,000**	6.60%	31-Jul-25	30,000
Bank loans – secured	**4.15%**	**28-Jan-25**	**15,060**	4.55%	20-Jun-24	10,000
Bank loans – secured	**6.60%**	**2024-2025**	**30,112**	6.60%	2024-2025	60,764
			114,772			140,528

Notes:

(a) The Group's bank loans are secured by:

(i) mortgages over the Group's buildings, which had an aggregate carrying value of approximately RMB92,388,000 as at 30 June 2023 (31 December 2022: RMB84,089,000);

(ii) mortgages over the Group's land use right, which had an aggregate carrying value of approximately RMB3,711,000 as at 30 June 2023 (31 December 2022: RMB3,772,000);

(iii) mortgages over the Group's investment properties with a carrying value of RMB775,600,000 as at 30 June 2023 (31 December 2022: RMB775,600,000) which were pledged to secure long-term loan facilities granted to the Group by a bank; and

(iv) mortgages over the Group's construction in progress with a net carrying amount of nil as at 30 June 2023 (31 December 2022: RMB7,697,000) which were pledged to secure long-term loan facilities granted to the Group by a bank.

18. SHARE CAPITAL AND SHARE PREMIUM

Shares

	30 June 2023	31 December 2022
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Issued and fully paid 708,008,090 (2022: 708,008,090) ordinary shares	**5,854**	5,854

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

	Number of shares in issue	**Share capital**	**Share premium account**	**Total**
		RMB'000	*RMB'000*	*RMB'000*
At 1 January 2022 (audited)	732,543,090	6,063	810,013	816,076
Shares repurchased and cancelled*	(24,535,000)	(209)	(12,383)	(12,592)
At 31 December 2022, 1 January 2023 (audited) and 30 June 2023 (unaudited)	708,008,090	5,854	797,630	803,484

* In 2022, the Company repurchased 24,535,000 ordinary shares on The Stock Exchange of Hong Kong Limited for a total consideration of HK$14,787,000, which amounted to approximately RMB12,592,000. The repurchased shares were cancelled during the year and total amounts paid for the purchase of the shares have been charged to share capital and share premium of approximately RMB209,000 and RMB12,383,000, respectively.

MANAGEMENT DISCUSSION AND ANALYSIS

Business review

In 2023, the impact of the COVID-19 pandemic gradually receded as the global COVID-19 pandemic came to an end and domestic COVID-19 pandemic controls were fully relaxed. Despite the textile industry was still at low tide of 2022, its domestic and foreign trade turned up again. According to the statistics of General Administration of Customs of China, China's textile and apparel exports amounted to approximately US$67.23 billion in the first quarter of this year, representing a year-on-year decrease of approximately 6.7% (a slight year-on-year increase of approximately 0.7% in RMB terms), the rate of decline narrowed as compared to the same of the fourth quarter of the last year, but the situation was far from optimistic. According to the statistics released by China Federation of Logistics & Purchasing (CFLP), the Purchasing Manager Index (PMI) of global manufacturing industry in April 2023 was approximately 48.6%, which was 1.5 percentage points lower than that of the previous month, showing month-on-month decline for two consecutive months and falling to the lowest level since June 2020. The changes in composite index indicated that the PMI of global manufacturing industry remained below 50% for seven consecutive months and continued to decline, demonstrating there was more downward pressure on the global economy and weakened economic recovery. According to the report released by the International Monetary Fund, it predicts the economic growth rate would be at approximately 2.8% in 2023, being a downward revision of 0.1 percentage point. Currently, the global economic environment is still gloomy, various countries have experienced recessions, challenges such as weak overseas market demand, insufficient orders and geopolitical risks continue to impact the industry's foreign trade over a period of time. Meanwhile, the challenges the Group confronted with are also global in nature. In general, the Group proactively navigated the macro-environmental impacts on its business in the year of 2023, striving to maintain normal and healthy development.

Business performance

The Group is principally engaged in: (1) dyeing and processing of differentiated polyester filament fabric; (2) properties investment; and (3) environmental water project operation. The Company concentrates its resources on its dyeing and processing of differentiated polyester filament fabric business, environmental water project operation business and properties investment 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 from continuing operations of approximately RMB119.8 million, representing an increase of approximately 13.9% from approximately RMB105.2 million for the corresponding period of 2022, and gross profit from continuing operations of approximately RMB43.8 million, representing an increase of approximately 27.7% from approximately RMB34.3 million for the corresponding period of 2022. The overall gross profit margin from continuing operations improved from approximately 32.6% in the corresponding period of 2022 to approximately 36.6% for the Review Period. The improvement in gross profit and gross profit margin for the Review Period was mainly due to (i) the increase in rental income from Yongsheng Plaza as a result of the increase in occupancy rate since late 2022, whereby the gross profit margin of such property rental business is higher than other business segments of the Group; and (ii) the decrease in raw material costs of the dyeing and processing of differentiated polyester filament fabric segment. During the Review Period, the Group recorded (i) a profit of approximately RMB16.3 million, representing an increase of approximately 56.7%, as compared to that of the corresponding period in 2022; and (ii) a profit attributable to the Shareholders of approximately RMB18.4 million, representing an increase of approximately 64.3% from profit attributable to Shareholders of approximately RMB11.2 million in the corresponding period of 2022, with associated basic earnings per share for the period of RMB2.6 cents (2022: RMB1.5 cents). Such increase in the profit for the Review Period was mainly attributable to the improvement in gross profit due to the reasons as stated above and the disposal of then loss-making renovation, maintenance, alteration and addition services segment in July 2022.

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 2023, risk factors, such as the weaker end-demand from major developed economies, including the United States of America (the "**US**") and Europe, and stubborn inflation etc., led to the significant slowdown in global economic growth. It is shown that, currently, there is a declining trend in the import of major home textile consumer markets, such as the US, Europe and Japan, from the People's Republic of China (the "**PRC**") and the Southeast Asia. Such situation will also impose dual pressures on the export of the home textile industry of the PRC, that is, on the one hand, there would be decrease in export of home textile products of the PRC to major consumer markets; on the other hand, there would be diminishing import of yarn and home textile fabrics from the PRC due to the shortfall of orders from the Southeast Asia and other nations/regions. The data of international shipping shows that there was no notable improvement in the consumer market of the US during the second quarter of 2023 with a decrease of approximately 20% in maritime container shipments from Asia to the US in May 2023, as compared with that of the same period in the last year, and a decrease of approximately 19% in almost 60% of Mainland China-to-US container shipments.

Nevertheless, it is expected that the destocking in the US would almost end. The inventory/sales ratio of the furniture and electronic shops in the US decreased by approximately 1.2% in April 2023 as compared with that of March 2023, showing a downward trend after reaching the summit. It is expected that passive inventory replenishment will commence around the end of the third quarter of 2023 when the shortfall of global home textile orders will ease partially, while the international competition will be increasingly intense. Generally, the downward pressure of home textile export of the PRC remains significant. The foreign sales of the Group's products account for a large proportion and are more materially subject to international politics and economy. In the second quarter of 2023, the Company witnessed a decrease in raw material costs, which effectively offset the impact caused by the declining foreign trade. During the Review Period, the segment revenue amounted to approximately RMB100.5 million, representing an increase of approximately 8.9%, as compared to approximately RMB92.3 million for the corresponding period in 2022. The gross margin increased to approximately 29.9% during the Relevant Period from approximately 24.8% for the corresponding period in 2022, due to the gradual profitability rebound as a result of the decline in the cost of raw materials.

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. The above ground floor area of Yongsheng Plaza is approximately 41,643.61 square meters with 24 storeys above the ground and 3 storeys under the ground. During the Review Period, the leasing of shops in Yongsheng Plaza was largely completed, with further increase in the occupancy rate of the commercial portion of Yongsheng Plaza. During the Review Period, the Group recorded rental income of approximately RMB16.6 million and revenue from management service of approximately RMB1.8 million from Yongsheng Plaza; and

(2) eight office units for commercial uses in Zhejiang Private Enterprise Development Building located in Xiaoshan District, 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 have brought a stable and sustainable income to the Group, generating rental income of approximately RMB0.9 million from such office units during the Review Period.

Environmental water project operation

Pursuing green transformation and promoting the development of low-carbon industries have always been targets of the Chinese government, together with the incentives and benefits brought by favourable government policies, the environmental protection industry is embracing a new round of growth. According to "Implementation Plan on Accelerating the Comprehensive Utilization of Industrial Resources"(《關於加快推動工業資源綜合利用的實施方案》) published by the Chinese government in early 2022, the comprehensive utilization efficiency of industrial resources and comprehensive utilization of red mud were improved.

Zhejiang Deqing Jiemai New Material Company Limited* (浙江德清杰邁新材有限公司，"**Zhejiang Deqing**"), invested by the Group through a joint venture, has officially put into operation. Zhejiang Deqing is principally engaged in the production and sales of new building materials for structural reinforcement of buildings and also contributes experience in construction maintenance, construction waste treatment, production of new construction materials and other related aspects for the Group. It is an extension of the Group's efforts to expand the utilisation of waste resource. Impacted by the three-year pandemic and the global economic climate, the project is still in trough, while the Group is trying its best to turn losses on the project into profit.

Meanwhile, the Group is currently in active communication with the government to obtain the necessary licenses for industry-related projects in respect of the two parcels of industrial land and related ancillary facilities such as factories and office buildings in Maanshan City. In terms of overseas business, the environmental water projects developed by the Group through joint venture are progressing in an orderly manner. The Malaysian water supply project in the Southeast Asia has commenced construction.

PROSPECTS

According to the statistics released by China Federation of Logistics & Purchasing on 6 August 2023, the PMI of global manufacturing industry was approximately 47.9% in July 2023, representing 0.1 percentage point higher than that of the previous month, which came to an end of the month-on-month decline tendency for four consecutive months. However, as the PMI remained below 48% for two consecutive months, it indicates that the current economy still remained a downward trend. The analysis also stated that the current PMI of global manufacturing industry remained below 50% for many consecutive months. Moreover, amid risks such as wars and weak consumers' consumption, the overall pace of recovery in global manufacturing industry, in general, was slow and uncertain, with more pronounced regional differences, especially in the developed regions of Europe and the United States, bringing greater downward pressure on the global manufacturing industry. The Group will explore the domestic market and endeavour to tap into the home-textiles market in addition to the apparel market to raise production capacity. Meanwhile, with the successful de-stocking of leading overseas brands, overseas export orders are expected to witness a turnaround in the second half of 2023. The Group will pay close attention to the changes in the overseas market to achieve a sound and stable development.

In 2023, national real estate sales are still in fluctuations, and there is a possibility that the current easing policies would sustain or be further strengthened. The Hangzhou government of China gradually relaxed its property market restrictions with gradual easing in areas such as tax, purchase restrictions, loan, and household registration to expand the property buyer group, lower the threshold and reduce the capital stress for property purchasing. However, the stimulus to the property market carried little weight. At the beginning of the second half of 2023, the property market in Hangzhou is retreated. The new housing market witnesses decline in both volume and price, resulting in longer destocking cycle. The supply of serviced apartments and other commercial buildings also outstrips the demand, showing declined volume and price.

The shops in Yongsheng Plaza, being one of the Group's investment properties, are expected to bring stable income contribution to the Group. Therefore, the Group will also seize the opportunity to constantly optimize its asset structure in anticipation of effective enhancement in its capacity for sustainable development.

The report of the 20th National Congress clearly puts forward that promoting economic and social development in a green and low-carbon way is the key link to achieve high-quality development of the country. At the same time, with the deepening of pollution reduction and environmental management objectives in China, the focus of the environmental protection industry is gradually shifting to the construction and operation of pollution prevention and control facilities. The Guidelines on Preferential Taxation Policies for Green Development (《支持綠色發展稅費優惠政策指引》), which was issued by the State Administration of Taxation, proposes to enhance policy support for comprehensive utilization of wastes, proper disposal of sewage and garbage, efficient utilization of mineral resources and construction of water treatment projects. In order to speed up the large-scale and efficient utilization of industrial solid waste, promote the first realization of full utilization of new industrial solid waste as available as possible, and the orderly reduction of existing industrial solid waste in regions where conditions permit. Environmental water treatment operation project is an industry that is significantly affected by policies, where the government policy guidance and the changes thereof provide important guidelines and influence on the development of such industry. At the same time, it is also subject to enterprise technology, the gap between demand and supply of water resources in the region, sewage treatment requirements, the reclaimed-water recycling market and other factors. The Group will continue monitoring the project policies and requirements of the environmental protection industry and water treatment in the PRC and the Southeast Asia with a view to achieve better development.

Amid risks and uncertainties in the broad environment, in the second half of 2023, the Group will meet the needs of domestic and overseas customers through making continuous efforts in dyeing and processing technologies and expansion of product lines, thereby further steadying the foundation of its core business. In the meantime, the Group will focus on markets including environmental water treatment to diversify the business 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 from continuing operation of approximately RMB119.8 million, representing an increase of approximately 13.9% from approximately RMB105.2 million for the corresponding period in 2022, mainly due to (i) the increase in rental income from Yongsheng Plaza as a result of the increase in occupancy rate since late 2022; (ii) the increase in revenue of the dyeing and processing of differentiated polyester filament fabric segment as a result of the increase of self-operated sales income caused by the change in revenue structure.

During the Review Period, the Group recorded gross profit from continuing operation of approximately RMB43.8 million, representing an increase of approximately 27.7% from approximately RMB34.3 million for the corresponding period in 2022. During the Review Period, the gross profit margin from continuing operation increased from approximately 32.6% for the six months ended 30 June 2022 to approximately 36.6% for the Relevant Period. The increase in gross profit and gross profit margin were mainly due to (i) the increase in rental income from Yongsheng Plaza as a result of the increase in occupancy rate since late 2022, whereby the gross profit margin of such property rental business is higher than other business segments of the Group; and (ii) the increase in revenue and decrease in raw material costs of the dyeing and processing of differentiated polyester filament fabric segment.

The profit attributable to Shareholders for the Review Period amounted to approximately RMB18.4 million, representing an increase of approximately 64.3% as compared with approximately RMB11.2 million in the corresponding period of 2022. Basic earnings per share for the period were RMB2.6 cents (the first half of 2022: RMB1.5 cents). The increase in basic earnings per Share was mainly due to the improvement in gross profit due to the reasons as stated above and the disposal of then loss-making renovation, maintenance, alteration and addition services segment in July 2022.

Other income and gains, net

Other income and gains from continuing operation net decreased by approximately 36.1% from approximately RMB9.8 million for the six months ended 30 June 2022 to approximately RMB6.3 million for the Review Period as a result of a decrease in bank and other interest income and an increase in fair value losses changes on financial derivative instruments in the Review Period.

Selling and distribution expenses

Selling and distribution expenses from continuing operation increased by approximately RMB0.5 million from approximately RMB0.6 million for the six months ended 30 June 2022 to approximately RMB1.1 million for the six months ended 30 June 2023. This is mainly due to the increase of the staff cost for sales personnel from dyeing and processing of differentiated polyester filament fabric segment in line up with the increase of the revenue from this segment.

Administrative expenses

Administrative expenses from continuing operation increased by RMB1.0 million from approximately RMB20.0 million for the six months ended 30 June 2022 to approximately RMB21.0 million for the six months ended 30 June 2023, mainly due to the increase in the depreciation and payroll of the Group in the first half of 2023.

Liquidity and financial resources

As at 30 June 2023, the Group's cash and bank balances, including pledged deposits amounted to approximately RMB149.2 million (31 December 2022: approximately RMB146.9 million).

As at 30 June 2023, the total bank borrowings of the Group was approximately RMB240.1 million (31 December 2022: approximately RMB216.1 million).

As at 30 June 2023 and 30 June 2022, the Group's key financial ratio reflecting its liquidity and gearing level, were as follows:

	30 June 2023	30 June 2022
Current ratio[1]	**1.81**	3.13
Debt to equity ratio[2]	**0.21**	0.19

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. 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 2023, the Group had a total of 279 employees (as at 30 June 2022: 298). 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 RMB16.1 million (the first half of 2022: approximately RMB16.5 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 2023

	Assets Manager	Custodian	Investment amount *RMB'000*	Agreement date	Fair value at 30 June 2023 *RMB'000*
1	Minsheng Wealth Management Co., Ltd.	China Merchants Securities Co., Ltd.	23,395	24 June 2020	4,872
2	Shanghai Tiange Investment Management Co., Ltd.	HengTai Securities Co., Ltd.	20,000	1 February 2021	22,139
			43,395		27,011

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 2023.

Details of loan receivables as at 30 June 2023

Borrower	Source of borrowers	Guarantee/ security	Contract date	Principal amount *RMB*	Annual interest rate	Term of the loan (month)	Reasons for granting of the loan
Borrower A *(Note 1)*	Introduced by controlling shareholder of the Company; Independent Third Party	No pledge, no guarantee	2023/1/13	20,000,000	6%	12	To improve the return rate of the Group's surplus cash and cash equivalents for the purpose of increasing both the investment income and the profits of the Group. Given that the Group maintained long term loan relationship with Borrowers A to C and E and there was no previous incident of default or delay repayment, the Company is of the view that the loans to those Borrowers are a stable source of income for the Group.
Borrower B *(Note 1)*	Introduced by controlling shareholder of the Company; Independent Third Party	No pledge, personal guarantee by sole shareholder of Borrower B	2023/4/15	8,099,000	5%	8	
Borrower C *(Note 1)*	Introduced by controlling shareholder of the Company; Independent Third Party	No pledge, personal guarantee by sole shareholder of Borrower C	2023/4/15	13,830,000	5%	8	
Borrower D	Introduced by controlling shareholder of the Company; Independent Third Party	No pledge, personal guarantee by sole shareholder of Borrower D	2023/5/30	17,979,000	7%	5	
Borrower E	Introduced by controlling shareholder of the Company; Independent Third Party	A pledge on the rights to collect revenue from the treatment services	2022/7/1	25,534,000 *(Note 2)*	12%	18	To promote the development progress of certain sewage treatment projects
Borrower F	Potential joint venture, please refer to the announcement of the Company dated 26 January 2021	Pledge of equity interests in Borrower F, personal guarantee by shareholders of the Borrower F, Mortgage of machinery and equipment of Borrower F	2020/11/20	2,585,000 *(Note 3)*	18%	18	To promote the development progress of the solid waste treatment and environmental protection projects of a potential joint venture of the Group. Please refer to the announcement of the Company dated 26 January 2021 for further details.
				88,027,000			

Notes:

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

(2) The principal amount represented outstanding balance as at 30 June 2023 of a supply chain financing loan granted by the Group. Borrower E renewed its loan agreement for 18 months upon expiry in June 2022.

(3) The original principal amount was RMB9.95 million. During 2022, Borrower F repaid RMB7.36 million. The outstanding principal amount was overdue and the Group has been charging 18% overdue interest pursuant to the loan agreement. In light of (i) the partial repayment of principal; (ii) charging of 18% overdue interest; and (iii) the provision of mortgage of tangible assets, the Group was of the view that credit risk involved in this loan was low and no impairment provision was required during the Period.

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 2023.

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 2022: HK$ Nil) for the six months ended 30 June 2023.

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

As at 30 June 2023, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's securities.

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 of Hong Kong limited (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 Cheng-ying 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, 16 August 2023

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.