



长安仁恒

Zhejiang Chang'an Renheng Technology Co., Ltd.\*  
浙江长安仁恒科技股份有限公司

*(A joint stock limited company incorporated in the People's Republic of China with limited liability)*  
Stock Code: 8139

2024  
INTERIM REPORT

\* For identification purpose only

## **CHARACTERISTICS OF GEM OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE “STOCK EXCHANGE”)**

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*This report, for which the directors (the “Directors”) of Zhejiang Chang'an Renheng Technology Co., Ltd.\* (the “Company”, together with its subsidiaries, the “Group”, “we”, “our” or “us”) collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on GEM of the Stock Exchange (“the GEM Listing Rules”) for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this report is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this report misleading.*

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## RESULTS HIGHLIGHTS

For the six months ended 30 June 2024, the results highlights were as follows:

- Revenue increased by 20.2% to approximately RMB91,123,000 (2023: RMB75,830,000).
- Gross profit increased by 23.2% to approximately RMB37,184,000 (2023: RMB30,177,000).
- Gross profit margin was 40.8% (2023: 39.8%).
- Profit for the period attributable to the equity holders of the Company decreased by 30.4% to approximately RMB2,805,000 (2023: RMB4,028,000).
- Basic earnings per share decreased by 30.5% to approximately RMB0.073 (2023: RMB0.105).
- The Board resolved not to recommend the payment of any interim dividends for the six months ended 30 June 2024 (2023: nil).

## UNAUDITED CONSOLIDATED INTERIM RESULTS OF 2024

The board (the “Board”) of Directors of Zhejiang Chang’an Renheng Technology Co., Ltd. is pleased to announce the unaudited consolidated results of the Group for the six months ended 30 June 2024 (the “Reporting Period”) and selected explanatory notes, together with the comparative unaudited figures of the corresponding period in 2023 as follows:

### Unaudited condensed consolidated statement of profit or loss and other comprehensive income

For the six months ended 30 June 2024

	Note	Six months ended 30 June	
		2024 RMB (unaudited)	2023 RMB (unaudited)
<b>Revenue</b>	5	<b>91,123,166</b>	75,829,682
Cost of sales		(53,939,153)	(45,652,436)
<b>Gross profit</b>		<b>37,184,013</b>	30,177,246
Distribution costs		(12,938,361)	(10,329,206)
Administrative expenses		(11,048,469)	(8,778,337)
Research and development expenses		(8,068,052)	(5,343,483)
Other gains – net	6	1,048,497	1,954,712
<b>Operating profit</b>		<b>6,177,628</b>	7,680,932
Finance income		49,628	22,868
Finance expenses		(3,189,919)	(3,500,323)
Finance expenses – net	7	(3,140,291)	(3,477,455)
<b>Profit before income tax</b>	8	<b>3,037,337</b>	4,203,477
Income tax expense	9	(232,794)	(174,996)
<b>Profit for the period attributable to the equity holders of the Company</b>		<b>2,804,543</b>	4,028,481
<b>Other comprehensive income</b>		–	–
<b>Total comprehensive income for the period attributable to the equity holders of the Company</b>		<b>2,804,543</b>	4,028,481
<b>Earnings per share for profit attributable to the equity holders of the Company during the period (expressed in RMB per share)</b>			
– Basic and diluted	10	0.073	0.105
Dividends	11	–	–

**Unaudited condensed consolidated balance sheet**

As at 30 June 2024

	Note	30 June 2024 RMB (unaudited)	31 December 2023 RMB (audited)
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	12	95,961,957	90,871,199
Right-of-use assets		5,451,367	5,584,475
Leasehold improvements and other non-current assets		30,884,320	32,096,391
Deferred income tax assets		3,079,752	3,079,752
		<b>135,377,396</b>	131,631,817
<b>Current assets</b>			
Inventories		70,897,785	65,889,150
Trade and other receivables and prepayments	13	69,209,203	72,264,302
Financial assets at fair value through other comprehensive income (FVOCI)		3,332,115	5,064,216
Prepaid income tax		1,876	344,748
Restricted cash		2,766,988	2,766,988
Cash and cash equivalents		27,318,038	14,888,159
		<b>173,526,005</b>	161,217,563
<b>Total assets</b>		<b>308,903,401</b>	292,849,380
<b>EQUITY</b>			
<b>Capital and reserve attributable to equity holders of the Company</b>			
Share capital	14	38,400,000	38,400,000
Other reserves		50,347,405	50,347,405
Retained earnings		31,486,825	28,682,282
<b>Total equity</b>		<b>120,234,230</b>	117,429,687

	<i>Note</i>	<b>30 June 2024 RMB (unaudited)</b>	31 December 2023 RMB (audited)
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Deferred government grants		<b>2,057,677</b>	2,163,057
Provisions for environmental rehabilitation		<b>2,898,170</b>	2,626,754
Borrowings		<b>21,266,000</b>	21,316,000
Lease liabilities		-	-
		<b>26,221,847</b>	26,105,811
<b>Current liabilities</b>			
Deferred government grants		<b>140,621</b>	281,241
Trade and other payables	<i>15</i>	<b>43,210,872</b>	58,851,610
Borrowings		<b>119,000,000</b>	90,085,200
Lease liabilities		<b>95,831</b>	95,831
		<b>162,447,324</b>	149,313,882
<b>Total liabilities</b>		<b>188,669,171</b>	175,419,693
<b>Total equity and liabilities</b>		<b>308,903,401</b>	292,849,380

**Unaudited condensed consolidated statement of changes in equity**

For the six months ended 30 June 2024

	(Unaudited)			
	Attributable to equity holders of the Company			
	Share capital	Other reserves	Retained earnings	Total
	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>
<b>As at 1 January 2023</b>	38,400,000	50,058,545	26,668,466	115,127,011
<b>Comprehensive income</b>				
Profit for the period	–	–	4,028,481	4,028,481
<b>Total comprehensive income for the period</b>	–	–	4,028,481	4,028,481
<b>As at 30 June 2023</b>	38,400,000	50,058,545	30,696,947	119,155,492
<b>As at 1 January 2024</b>	<b>38,400,000</b>	<b>50,347,405</b>	<b>28,682,282</b>	<b>117,429,687</b>
<b>Comprehensive income</b>				
Profit for the period	–	–	<b>2,804,543</b>	<b>2,804,543</b>
<b>Total comprehensive income for the period</b>	–	–	<b>2,804,543</b>	<b>2,804,543</b>
<b>As at 30 June 2024</b>	<b>38,400,000</b>	<b>50,347,405</b>	<b>31,486,825</b>	<b>120,234,230</b>

**Unaudited condensed consolidated cash flow statement**

For the six months ended 30 June 2024

	<b>Six months ended 30 June</b>	
	<b>2024</b> <b>RMB</b> <b>(unaudited)</b>	2023 RMB (unaudited)
<b>Net cash generated from operating activities</b>	<b>11,427,084</b>	2,126,229
<b>Net cash used in investing activities</b>	<b>(3,998,033)</b>	(4,034,335)
<b>Net cash generated from financing activities</b>	<b>5,100,483</b>	1,103,114
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>12,529,534</b>	(804,992)
Cash and cash equivalents at beginning of the period	<b>14,888,159</b>	19,355,608
Exchange difference on cash and cash equivalents	<b>(99,655)</b>	7,721
<b>Cash and cash equivalents at end of the period</b>	<b>27,318,038</b>	18,558,337



## Notes to the unaudited condensed consolidated financial statements

For the six months ended 30 June 2024

### 1 GENERAL INFORMATION

Zhejiang Chang'an Renheng Technology Co., Ltd. (浙江長安仁恒科技股份有限公司, the "Company") and its subsidiaries (together, the "Group") are principally engaged in the business of development, production and sale of bentonite fine chemicals. The Group uses bentonite as its basic raw materials to manufacture paper chemicals, bentonite for metallurgy pellet, quality calcium-bentonite and other products.

The Company was established as a company with limited liability under the name of Changxing Renheng Fine Bentonite Co., Ltd. (長興仁恒精製膨潤土有限公司) in the People's Republic of China (the "PRC") on 4 December 2000. Mr. Zhang Youlian (張有連) is the controlling shareholder of the Company (the "Controlling Shareholder").

On 31 December 2008, the Company was converted into a joint stock company with limited liability and changed to its current name.

The address of the Company is Laoyatang, Si'an, Changxing, Zhejiang Province, PRC.

The English names of companies mentioned in this report represented the best effort by the Directors of the Company in translating their Chinese names as they may not have official English names.

The Company issued a total of 8,000,000 H shares with a par value of RMB1.00 each at a price of HKD9.70 per share on the GEM of The Stock Exchange on 16 January 2015 (the "Listing").

On 29 November 2018, the Company issued 6,400,000 new shares at a price of HKD3.50 per share by way of placement to not less than six parties, who and whose ultimate beneficial owners are independent third parties.

The unaudited condensed consolidated interim financial statements are presented in Renminbi ("RMB"), unless otherwise stated.

## **2 BASIS OF PREPARATION**

This unaudited condensed consolidated interim financial information for the six months ended 30 June 2024 has been prepared in accordance with International Accounting Standard (“IAS”) 34, ‘Interim financial reporting’, and the disclosure requirements of the GEM Listing Rules. The unaudited condensed consolidated interim financial information should be read in conjunction with the annual financial statements for the year ended 31 December 2023, which have been prepared in accordance with International Financial Reporting Standards (“IFRS”).

## **3 ACCOUNTING POLICIES**

The accounting policies applied are consistent with those of the annual financial statements for the year ended 31 December 2023, as described in those annual financial statements.

The Directors anticipate that the adoption of the amendments to IFRSs effective for the financial year ending 31 December 2024 do not have a material impact on the results and financial position of the Group.

Taxes on income in the interim periods are accrued using the tax rate that would be applicable to expected total annual earnings.

There are no other amended standards or interpretations that are effective for the first time for this interim period that could be expected to have a material impact on this Group.

#### 4 SEGMENT INFORMATION

The chief operating decision-maker of the Group assesses the performance and allocates the resources of the Group as a whole, as all of the Group's activities are considered to be primarily dependent on the performance of production and sales of bentonite clay products. Therefore, management considers there is only one operating segment, under the requirements of IFRS 8, Operating Segments. In this regard, no segment information is presented.

#### 5 REVENUE

	<b>Six months ended 30 June</b>	
	<b>2024</b> <b>RMB</b> <b>(unaudited)</b>	2023 <b>RMB</b> <b>(unaudited)</b>
Papermaking chemicals	<b>19,653,930</b>	15,021,367
Organic bentonite	<b>47,778,559</b>	50,022,734
Inorganic gel	<b>14,926,620</b>	8,907,060
Dry strength agent	<b>5,137,843</b>	252,309
Quality calcium-bentonite	<b>807,965</b>	248,675
Others ( <i>Note</i> )	<b>2,818,249</b>	1,377,537
	<b>91,123,166</b>	75,829,682

*Note:* Others mainly comprise flocculating agents which are principally applied in the coating preparation industry.

**6 OTHER GAINS – NET**

	<b>Six months ended 30 June</b>	
	<b>2024</b> <b>RMB</b> <b>(unaudited)</b>	<b>2023</b> <b>RMB</b> <b>(unaudited)</b>
Government grants		
– Relating to assets	<b>196,734</b>	26,235
– Relating to costs	<b>993,846</b>	1,888,897
Others	<b>(142,083)</b>	39,580
	<b>1,048,497</b>	1,954,712

**7 FINANCE EXPENSES – NET**

	<b>Six months ended 30 June</b>	
	<b>2024</b> <b>RMB</b> <b>(unaudited)</b>	<b>2023</b> <b>RMB</b> <b>(unaudited)</b>
Finance income		
– Interest income derived from bank deposits	<b>49,628</b>	22,868
Finance expenses		
– Interest expense	<b>(3,251,827)</b>	(3,484,126)
– Foreign exchange gains on borrowings and cash and cash equivalents – net	<b>(3,251,827)</b>	(3,484,126)
– Unrealised financial charges from financial assets measured at amortised cost	<b>61,908</b>	–
	<b>–</b>	(16,197)
	<b>(3,189,919)</b>	(3,500,323)
Finance expenses – net	<b>(3,140,291)</b>	(3,477,455)

## 8 PROFIT FOR THE PERIOD

	Six months ended 30 June	
	2024 RMB (unaudited)	2023 RMB (unaudited)
Profit for the period has been arrived after charging:		
Depreciation	3,211,070	2,479,192
Amortisation of prepaid leasing expenses	91,254	82,759
Amortisation of mining rights	57,800	57,800
Amortisation of leasehold improvements	1,212,070	659,930

## 9 INCOME TAX EXPENSE

	Six months ended 30 June	
	2024 RMB (unaudited)	2023 RMB (unaudited)
Current income tax	(232,794)	(198,637)
Deferred income tax	–	23,641
Income tax expense	(232,794)	(174,996)

The Company renewed the certificates of High and New Tech Enterprises from the Ministry of Science and Technology, Ministry of Finance and office of the State Administration of Taxation and local taxation bureau of Zhejiang province, which granted tax preferential rate of 15% for three years from 8 December 2023 to 7 December 2026.

The subsidiary “Renheng Refined Clay Co., Ltd.” obtained the certificates of High and New Tech Enterprises from the Ministry of Science and Technology, Ministry of Finance and office of the State Administration of Taxation and local taxation bureau of Hebei province, which granted tax preferential rate of 15% for three years from 1 December 2021 to 30 November 2024.

The other subsidiaries are subject to income tax rate of 25% for the six months ended 30 June 2024 and 2023.

The difference between the actual income tax expense in the unaudited condensed consolidated statement of comprehensive income and the amounts which would result from applying the enacted tax rate to profit before income tax can be reconciled as follows:

	<b>Six months ended 30 June</b>	
	<b>2024</b> <b>RMB</b> <b>(unaudited)</b>	2023 <b>RMB</b> <b>(unaudited)</b>
Profit before tax	<b>3,037,337</b>	4,203,477
Calculated at statutory tax rate	<b>(759,334)</b>	(1,047,025)
Expenses not deductible for tax purposes	<b>(199,317)</b>	(157,407)
Additional deduction for research and development expense <i>(Note)</i>	<b>716,787</b>	721,370
Preferential tax rate impact of the Company	<b>557,140</b>	570,497
Unused tax losses for which no deferred tax asset has been recognised	<b>(548,070)</b>	(262,431)
Income tax expense	<b>(232,794)</b>	(174,996)

*Note:* Pursuant to the Corporate Income Tax Law, the Company can enjoy an additional tax deduction calculated at 100% of the actual research and development expenses recognised under PRC GAAP. The tax deduction can be charged to the consolidated statement of comprehensive income after obtaining approval from tax authorities.

## 10 EARNINGS PER SHARE

### (a) Basic

Basic earnings per share is calculated by dividing the profit attributable to equity holders of the Company by the weighted average number of ordinary shares in issue for the six months ended 30 June 2024 and 2023.

	Six months ended 30 June	
	2024 (unaudited)	2023 (unaudited)
Profit attributable to the equity holders of the Company (RMB)	2,804,543	4,028,481
Weighted average number of ordinary shares in issue	38,400,000	38,400,000
Basic earnings per share (RMB per share)	<b>0.073</b>	0.105

### (b) Diluted

The fully diluted earnings per share for the six months ended 30 June 2024 and 2023 is the same as the basic earnings per share as there is no dilutive potential ordinary share for the six months ended 30 June 2024 and 2023.

## 11 DIVIDENDS

The Board resolved not to recommend the payment of any interim dividends for the six months ended 30 June 2024 (2023: nil).

## 12 PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2024, the Group acquired property, plant and equipment of approximately RMB14,035,835 (2023: RMB9,903,546).

**13 TRADE AND OTHER RECEIVABLES AND PREPAYMENTS**

	<b>30 June 2024 RMB (unaudited)</b>	31 December 2023 RMB (audited)
Trade receivables	<b>66,419,457</b>	71,469,009
Less: provision for impairment	<b>(6,445,799)</b>	(6,445,799)
Trade receivables – net	<b>59,973,658</b>	65,023,210
Other receivables	<b>491,165</b>	959,772
Less: provision for impairment	<b>(104,697)</b>	(104,697)
Other receivables – net	<b>386,468</b>	855,075
Prepayments	<b>8,849,077</b>	6,386,017
Trade and other receivables and prepayments – net	<b>69,209,203</b>	72,264,302
Less: non-current portion	–	–
Current portion	<b>69,209,203</b>	72,264,302



The ageing analysis of trade receivables based on the invoice date is as follows:

	<b>30 June 2024 RMB (unaudited)</b>	31 December 2023 RMB (audited)
– Within 180 days	<b>42,102,295</b>	47,396,394
– Over 180 days and within 1 year	<b>15,975,713</b>	16,369,448
– Over 1 year and within 2 years	<b>5,936,417</b>	3,538,361
– Over 2 years and within 3 years	<b>892,457</b>	2,271,548
– Over 3 years	<b>1,512,575</b>	1,893,258
	<b>66,419,457</b>	71,469,009

The credit period granted to customers is normally up to 180 days. No interest is charged on the trade receivables.

## 14 SHARE CAPITAL

Ordinary shares, issued and fully paid:

	<b>Ordinary shares</b>	
	<i>Number</i>	<i>RMB</i>
As at 30 June 2024 (unaudited)	38,400,000	38,400,000

On 16 January 2015, the H shares of the Company became listed on the GEM of the Stock Exchange. The Company issued a total of 8,000,000 H shares with a par value of RMB1.00 each at a price of HK\$9.70 per share. Number of total issued shares of the Company was increased from 24,000,000 to 32,000,000 shares upon completion of the Listing.

As at 29 November 2018, the Company issued 6,400,000 new H shares at a price of HKD3.50 per share by way of placement to not less than six parties, who and whose ultimate beneficial owner are independent third parties. The net proceeds was HKD22,400,000, after deducting the placing related expenses amounted to HKD22,149,965 equivalent to RMB19,407,799 translated on December 28, 2018, being credited to share capital of RMB6,400,000 and share premium of RMB13,007,799 respectively.

**15 TRADE AND OTHER PAYABLES**

	<b>30 June</b>	31 December
	<b>2024</b>	2023
	<b>RMB</b>	<b>RMB</b>
	<b>(unaudited)</b>	<b>(audited)</b>
Trade payables	<b>30,933,724</b>	39,371,472
Other payables	<b>7,932,683</b>	12,184,777
Staff salaries and welfare payables	<b>3,803,892</b>	6,051,355
Accrued taxes other than income tax	<b>540,573</b>	1,244,006
	<b>43,210,872</b>	58,851,610

The ageing analysis of the trade payables is as follows:

	<b>30 June</b>	31 December
	<b>2024</b>	2023
	<b>RMB</b>	<b>RMB</b>
	<b>(unaudited)</b>	<b>(audited)</b>
Trade payables		
– Within 6 months	<b>26,810,094</b>	35,105,842
– Over 6 months and within 1 year	<b>638,484</b>	367,291
– Over 1 year and within 2 years	<b>56,624</b>	316,111
– Over 2 years and within 3 years	<b>220,649</b>	157,970
– Over 3 years	<b>3,207,873</b>	3,424,258
	<b>30,933,724</b>	39,371,472

## MANAGEMENT DISCUSSION AND ANALYSIS

### Business Review

In 2024, the Group continued to focus on promoting bentonite for paints and coatings, and promoted and applied bentonite products with high-solid coatings. China has further raised stricter requirements for coating VOC emissions. The best solutions are to improve the solid content and reduce the use of solvents, and high-solid coatings have become the industry research and development trend. However, the traditional organic bentonite is the introduction of foreign products and application technology in the early years, with the best performance of high product viscosity, but the too much high viscosity cannot be applied in the high-solid system. The Group's bentonite products have the performance and characteristics of low viscosity and easy dispersion. The prepared coating has low viscosity and high solid content, and has excellent storage and construction performance, and reduces the use of organic solvents to a higher extent.

The Group's bentonite products such as ZW, ZL which are applied in the field of construction coatings, have been processed through fine classification and purification of raw materials. The application in the field of construction coatings has completely avoided the disadvantages of traditional bentonite, and has excellent storage stability among the new construction coating products such as water-coated sand and inorganic coating products. They can improve the construction performance.

The Group attaches great importance to investment in the research and development of new products. During the Reporting Period, the research and development expenses of the Group's was RMB8,068,000.

During the Reporting Period, the Group continue to take the development of two provincial-level new products. The Group has completed the production line of special mortar grease with an annual production capacity of 200,000 tons, which is located at the headquarter of the Company in Changxing, Zhejiang Province.

In 2024, the Group passed the re-evaluation of national high-tech enterprise and individual champion in Zhejiang Province. Our low-carbon and water-saving bentonite rheological additives have been included in the Catalogue of Industrial Water-saving Techniques, Technologies and Equipment Encouraged by the State (2023).

## Financial Review

### Revenue

The following table sets out revenue by product categories and the corresponding percentage of total revenue for the periods indicated:

Product	For the six months ended 30 June			
	2024		2023	
	RMB'000	%	RMB'000	%
Papermaking chemicals	19,654	21.6	15,021	19.8
Organic bentonite	47,778	52.4	50,023	66.0
Inorganic gel	14,927	16.4	8,907	11.7
Dry strength agent	5,138	5.6	252	0.4
Quality calcium-bentonite	808	0.9	249	0.3
Others	2,818	3.1	1,378	1.8
<b>Total</b>	<b>91,123</b>	<b>100.0</b>	75,830	100.0

Revenue from sales of papermaking chemicals increased by approximately RMB4,633,000 or 30.8% from approximately RMB15,021,000 for the six months ended 30 June 2023 to approximately RMB19,654,000 for the six months ended 30 June 2024. As the average unit selling price remained similar for the comparative periods, the increase in revenue was mainly due to the increase in sales volume, which increased by approximately 27.9% from approximately 3,779 tonnes for the six months ended 30 June 2023 to approximately 4,833 tonnes for the six months ended 30 June 2024.

Revenue from sales of organic bentonite decreased by approximately RMB2,245,000 or 4.5% from approximately RMB50,023,000 for the six months ended 30 June 2023 to approximately RMB47,778,000 for the six months ended 30 June 2024. The decrease was mainly due to the decrease in the sales volume.

Revenue from sales of inorganic gel increased by approximately RMB6,020,000 or 67.6% from approximately RMB8,907,000 for the six months ended 30 June 2023 to approximately RMB14,927,000 for the six months ended 30 June 2024. The increase was mainly due to the increase in sales volume.

Revenue of dry strength agent increased by approximately RMB4,886,000 or 1,938.9% from approximately RMB252,000 for the six months ended 30 June 2023 to approximately RMB5,138,000 for the six months ended 30 June 2024.

Revenue of quality calcium-bentonite increased by approximately RMB559,000 or 224.5% from approximately RMB249,000 for the six months ended 30 June 2023 to approximately RMB808,000 for the six months ended 30 June 2024. While the average unit selling price remained steady for these two periods, the increase in revenue was mainly due to the increase in sales volume.

Revenue of other chemicals increased by approximately RMB1,440,000 or 104.5% from approximately RMB1,378,000 for the six months ended 30 June 2023 to approximately RMB2,818,000 for the six months ended 30 June 2024. Other chemicals mainly comprise flocculating agents which are principally applied in the coating preparation industry.

**Cost of sales**

The cost of sales mainly comprised of cost of raw materials, direct labour costs and manufacturing overhead costs such as depreciation and utility charges. The following table sets out the breakdown of the cost of sales of the Group for the periods indicated:

	For the six months ended 30 June			
	2024		2023	
	RMB'000	%	RMB'000	%
Cost of raw materials	42,180	78.2	35,061	76.8
Direct labour costs	3,021	5.6	2,648	5.8
Manufacturing overhead costs	7,929	14.7	7,213	15.8
Others	809	1.5	730	1.6
<b>Total</b>	<b>53,939</b>	<b>100.0</b>	<b>45,652</b>	<b>100.0</b>

The cost of sales increased by approximately RMB8,287,000 or 18.2% from approximately RMB45,652,000 for the six months ended 30 June 2023 to approximately RMB53,939,000 for the six months ended 30 June 2024.

Cost of raw materials accounted for approximately 78.2% and 76.8% of cost of sales for the six months ended 30 June 2024 and 2023 respectively. The cost of raw materials increased by approximately RMB7,119,000 or 20.3% from approximately RMB35,061,000 for the six months ended 30 June 2023 to approximately RMB42,180,000 for the six months ended 30 June 2024. The increase was mainly due to the increase in average purchase unit cost and the increase in quantity consumed of CPAM. CPAM was the major raw material for a kind of product in bentonite with a relatively high unit price. As sales volume of this kind of product increased for the six months ended 30 June 2024, the cost of sales for CPAM increased accordingly.

Direct labour costs accounted for approximately 5.6% and 5.8% of cost of sales for the six months ended 30 June 2024 and 2023, respectively. Direct labour costs increased by approximately RMB373,000 or 14.1% during the comparative periods.

Manufacturing overhead costs accounted for approximately 14.7% and 15.8% of cost of sales for the six months ended 30 June 2024 and 2023 respectively. Manufacturing overhead costs increased by approximately RMB716,000 or 9.9% from approximately RMB7,213,000 for the six months ended 30 June 2023 to approximately RMB7,929,000 for the six months ended 30 June 2024.

***Gross profit and gross profit margin***

The gross profit increased by approximately RMB7,007,000 or 23.2% from approximately RMB30,177,000 for the six months ended 30 June 2023 to approximately RMB37,184,000 for the Reporting Period.

Gross profit margin increased from 39.8% for the six months ended 30 June 2023 to 40.8% for the six months ended 30 June 2024. The increase in gross profit margin was mainly due to the change in sales mix and the fact that the average cost of the raw materials and energy for the Reporting Period were lower than those in the prior year, which led to a relatively lower cost of sales for the six months ended 30 June 2024.

***Distribution costs***

The distribution costs for the six months ended 30 June 2024 and 2023 amounted to approximately RMB12,938,000 and RMB10,329,000, respectively. The distribution costs increased by approximately RMB2,609,000 or 25.3% mainly because of the increase in transportation costs from approximately RMB3,940,000 for the six months ended 30 June 2023 to approximately RMB5,004,000 for the six months ended 30 June 2024.

***Administrative expenses***

The administrative expenses increased by approximately RMB2,270,000 or 25.9% from approximately RMB8,778,000 for the six months ended 30 June 2023 to approximately RMB11,048,000 for the six months ended 30 June 2024. The increase was mainly due to the increase in staff cost and professional service fees.

***Research and development expenses***

The research and development expenses increased by approximately RMB2,725,000 or 51.0% from approximately RMB5,343,000 for the six months ended 30 June 2023 to approximately RMB8,068,000 for the six months ended 30 June 2024. The increase was mainly due to the increase in scale of the research and development project for the environmental protection field with Jilin Design and Research Institute for Petrochemical Engineering.

***Other gains – net***

Other gains – net for the six months ended 30 June 2024 and 2023 amounted to approximately RMB1,048,000 and RMB1,955,000, respectively. The decrease in other gains – net mainly due to the decrease in government grants from approximately RMB1,915,000 for the six months ended 30 June 2023 to approximately RMB1,191,000 for the six months ended 30 June 2024.

***Finance expenses – net***

The finance expenses – net decreased from approximately RMB3,477,000 for the six months ended 30 June 2023 to approximately RMB3,140,000 for the Reporting Period mainly as a result of decrease in average borrowing interest rate.

***Income tax expense***

The income tax expenses for the six months ended 30 June 2024 was approximately RMB233,000, while there was a income tax expense of approximately RMB175,000 for the six months ended 30 June 2023. The details are set out in note 9 to the financial statements.

***Profit for the period attributable to the equity holders of the Company***

As a result of the foregoing, profit for the period attributable to the equity holders of the Company was approximately RMB2,805,000 for the six months ended 30 June 2024, while there was a profit for the period attributable to the equity holders of the Company of approximately RMB4,028,000 for the six months ended 30 June 2023.



## Liquidity and Capital Resources

The Group has met its working capital needs mainly through cash generated from operations and various long-term and short-term bank borrowings and other borrowings. Other borrowings were obtained from financial institutions by discounting bank acceptance notes. For the Reporting Period, the weight average effective annual interest rate of bank borrowings and other borrowings was 5.01% and 2.30% respectively. The currency of the borrowings is in Renminbi. Taking into account the cash flow generated from operations and the long-term and short-term bank borrowing facilities available to the Group, the Directors are of the view that the Group has sufficient working capital to meet its current liquidity demand and the liquidity demand within at least 12 months from the date of this report.

As at 30 June 2024, the Group had cash and cash equivalents of RMB27,318,000 which was mainly generated from operations of the Group and bank borrowings.

## Cash Flows

The Group's cash is primarily used to meet the demand of financing its working capital requirement, repaying interest and principal due on its indebtedness and providing funds for capital expenditures and growth of the Group's operations.

During the Reporting Period, the Group's cash and cash equivalents increased by approximately RMB12,430,000, which mainly comprised the net cash generated from operating activities of approximately RMB11,427,000, net cash used in investing activities of approximately RMB3,998,000, net cash generated from financing activities of approximately RMB5,100,000, and the foreign exchange loss of approximately RMB99,000. Details of cash flows of the Group are set out on page 7 of the "Unaudited condensed consolidated cash flow statement" of this report.

## Capital Structure

### *Indebtedness*

The total indebtedness of the Group as at 30 June 2024 was approximately RMB140,266,000 (as at 31 December 2023: approximately RMB111,401,000). During the Reporting Period, the Group did not experience any difficulties in renewing its banking facilities with its lenders.

### ***Gearing ratio***

As at 30 June 2024, the Group's gearing ratio was approximately 93.9% (as at 31 December 2023: 82.2%), calculated as the total interest-bearing bank and other borrowings, less cash and cash equivalents, divided by total equity as at the end of relevant period/year multiplied by 100%. The decrease was mainly due to increase in total equity.

### ***Pledge of assets***

As at 30 June 2024, the Group had pledged certain buildings, fixtures and facilities, land use rights and time deposits with aggregate carrying amount of approximately RMB14,967,000 (as at 31 December 2023: approximately RMB14,967,000).

### ***Capital expenditures***

The capital expenditures of the Group primarily included purchases of plant and equipment, and construction in progress. The Group's capital expenditures amounted to approximately RMB3,918,000 and RMB9,903,000 for the six months ended 30 June 2024 and 2023, respectively.

### ***Foreign exchange risk***

The Group's principal business is located in the PRC and its major transactions are conducted in Renminbi. Most of its assets and liabilities are denominated in Renminbi, except for certain payables to professional parties that are denominated in Hong Kong dollars.

The Renminbi is not freely convertible. There is a risk that the Chinese government may take actions affecting exchange rates which may have a material adverse effect on the Group's net assets, earnings and any dividends it declares if such dividend is to be exchanged or converted into foreign exchange. The Group has not entered into any hedging transactions to manage the potential fluctuation in foreign currencies. The Group does not consider that it has any significant exposure to the risk of fluctuation in the exchange rate between HK\$, US\$ and RMB.

### **Contingent Liabilities, Legal and Potential Proceedings**

As at 30 June 2024, the Group did not have any material contingent liabilities, legal proceedings or potential proceedings.

## Major Acquisition and Disposal

For the six months ended 30 June 2024, the Group had not made any material acquisition or disposal.

## Going Concern

Based on the current financial position and financing facilities available, the Group has sufficient financial resources for ongoing operation in the foreseeable future. As such, the financial statements were prepared on a “going concern” basis.

## Future Outlook

Due to domestic industrial upgrading and the increasing demand for green environmental protection, China is currently importing a large amount of bentonite deep-processed products at high prices. The Group is committed to developing a series of bentonite products to replace foreign products and to fill the shortcomings in the domestic market. This will not only improve the technical standard of the bentonite industry in China, but also enhance its competitiveness in the world.

The Group relies on bentonite mines and their associated mines to develop strategic new products. The products are divided into three categories: highly dispersible organic bentonite series; water-based bentonite series; and inorganic gel series. Solvent-free coatings do not use organic solvents in production to reduce VOC emissions, which is a strategic direction for the development of environmental coatings in China.

At present, a large number of imported rheological additives are used. Our products can replace imported rheological additives to solve the problem of high viscosity and thickness of solvent-free coatings, reduce the viscosity of coatings, so as to regulate and balance the contradiction between leveling and hanging. Change viscosity thickening can reduce viscosity rheology, improve storage stability, enhance anti-sinking and anti-hanging performance, reduce the production cost of the coating industry, better realize energy saving and emission reduction, and improve the economic efficiency and value.

Currently, the domestic building materials market is huge and continues to grow. Bentonite products with very low added value are largely used in the low-end market, most of them are domestic raw minerals that are simply processed for use. While the high-end market has long been monopolized by foreign companies. The price of imported products is as high as several tens of thousands of dollars per ton, and the annual use of high-end products is nearly 10,000 tons.

The bentonite products developed by the Group for building materials have high dispersibility and have no effect on the strength of building materials. The performance of these products is superior to imported products and has no effect on the strength and water resistance, and the price is lower than that of foreign products.

In the second half of 2024, the Group will devote itself to the sales promotion of special mortar. At present, the production line of “200,000 tons of special mortar per year” has been completed. In the second half of 2024, the Group will continue to adhere to the development strategy of focusing on profitability and taking innovation as the driving force. On the basis of consolidating existing products, the Group will actively develop new products.

Besides, the Group plans to invest in a 5.6MW wind and photovoltaic integrated green power generation project in Yangyuan Renheng, with an estimated total investment of approximately RMB23.5 million. Upon completion of the project, in terms of the design capacity, the project will be able to produce approximately 6.5 million kWh of wind power and 3.5 million kWh of photovoltaic power, which would result in the self-production of 10 million kWh of clean energy in total. After the project is completed, it will not only satisfy Yangyuan Renheng’s own electricity demand, but also save a lot of electricity costs for the Group. Besides, by using green new energy, Yangyuan Renheng can also effectively reduce carbon emissions and make positive contributions to environmental protection.

For the Group’s business development needs, the Board of the Company has agreed and approved the establishment of an overseas U.S. branch, agreed and approved relevant operation plans and expected start-up costs, and approved the management personnel and management system of the relevant overseas company.

## Human Resources and Training

As at 30 June 2024, the Group had a total of 202 employees, of which 57 worked at the Group's headquarters in Changxing, and 145 stationed in Yangyuan and various regions with main responsibility of production, sales and marketing. Total staff cost for the Reporting Period amounted to approximately RMB13,310,000 (2023: approximately RMB10,661,000). The Group releases an annual sales guideline on a yearly basis, setting out the annual sales target and formulating quarterly sales strategies, so as to provide sales and marketing guidelines for all representative offices and their staff to observe. The Group has a management team with extensive industry experience (including the Sales Director and Product Manager). They are responsible for coordinating front-line sales and marketing teams to meet the annual sales target.

During the Reporting Period, the Group adopted a "human-oriented" management concept to have its staff closely involved in the management and development of the Group. The Group has implemented a strict selection process for hiring its employees and adopted a number of incentive mechanisms to enhance the productivity of its employees. The Group conducts periodic performance review on its employees, and revises their salaries and bonuses accordingly.

## OTHER INFORMATION

### Directors', supervisors' and chief executive's interest in shares, debentures and underlying shares of the Company or any associated corporation

As at 30 June 2024, the interests and short positions of the Directors, supervisors and the chief executive of the Company in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")), which were required (i) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO); or (ii) pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (iii) pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code"), to be notified to the Company and the Stock Exchange, were as follows:

Long positions in ordinary shares of the Company:

<b>Name of Director/ Supervisor</b>	<b>Nature of interest</b>	<b>Number of shares in the Company held</b>	<b>Approximate percentage of Issued Share Capital</b>
Mr. Zhang Youlian	Beneficial owner	19,220,600	50.05%
Ms. Zhang Jinhua	Beneficial owner	398,400	1.04%
Mr. Xu Qinsi (i)	Interest of spouse	100,000	0.26%

- (i) Mr. Xu Qinsi, the supervisor of the Company, is deemed (by virtue of the SFO) to be interested in 100,000 shares in the Company held by his spouse, Ms. Ling Weixing.

Save as disclosed above, as at 30 June 2024, none of the Directors, supervisors and chief executive had registered an interest or short position in the shares and underlying shares of the Company or any of its associated corporations that was required to be recorded pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to Rule 5.46 to 5.67 of the GEM Listing Rules.

### Substantial shareholders' and other persons' interests in shares and underlying shares

As at 30 June 2024, so far as the Directors, having made all reasonable enquiries, are aware, the following interests of 5% or more of the issued share capital of the Company (other than the interests of the Directors, supervisors and chief executive of the Company as disclosed above) were recorded in the register of interests required to be kept by the Company pursuant to Section 336 of the SFO:

Long positions:

Name of Shareholder	Nature of interest	Number of shares in the Company held	Interest in Underlying Shares	Total number of shares in the Company held	Approximate percentage of Issued Share Capital
Ms. Yu Hua	Beneficial Owner	3,576,000	-	3,576,000	9.31%

Saved as disclosed above, no other parties were recorded in the register of the Company required to be kept under section 336 of the SFO as having interests or short positions in the shares or underlying shares of the Company as at 30 June 2024.

### **Directors' and supervisors' rights to acquire shares or debentures**

During the Reporting Period, no rights to acquire benefits by means of the acquisition of shares in or debentures of the Company were granted to any Directors or supervisors or their respective spouse or minor children, or were any such rights exercised by them; nor was the Company, or any of its subsidiaries a party to any arrangement which enabled the Directors or supervisors of the Company to acquire such rights in any other body corporate.

### **Connected transaction**

During the Reporting Period, the Group had not entered into any connected transactions or continuing connected transactions which are required to be disclosed in this report pursuant to the GEM Listing Rules.

### **Directors', supervisors' and controlling shareholders' interest in competing business and conflict of interest**

During the Reporting Period, none of the Directors or supervisors or controlling shareholders' or their respective associates had engaged in or had any interest in any business which competes or may compete with the business of the Group and any other conflicts of interests with the Group.

### **Public float**

According to the information disclosed publicly and as far as the Directors are aware, during the Reporting Period and up to the date of this report, at least 25% of the issued shares of the Company was held by public shareholders.

### **Purchases, sale or redemption of the Company's listed securities**

During the Reporting Period, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities.

### **Capital commitment**

As at 30 June 2024, the Group had capital commitment amounted to approximately RMB3,742,000 (as at 31 December 2023: RMB4,677,000).



## Dividends

The Board resolved not to recommend the payment of any interim dividends for the six months ended 30 June 2024 (2023: nil).

## Corporate governance practice

The Board strives to uphold the principles of corporate governance set out in the Corporate Governance Code (the “CG Code”) contained in Appendix 15 to the GEM Listing Rules, and adopted various measures to enhance the internal control system, the Directors’ continuous professional development and other areas of practice of the Company. While the Board strives to maintain a high level of corporate governance, it also works hard to create value and achieve maximum return for its shareholders. The Board will continue to conduct review and improve the quality of corporate governance practices with reference to local and international standards.

During the Reporting Period, the Company has complied with the code provisions, other than code provisions C.2.1 and C.1.8 of the CG Code.

According to code provision C.2.1 of the CG Code, the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. Currently, Mr. Zhang Youlian is the Chairman of the Board and the chief executive officer. The Board is in the opinion that having Mr. Zhang to carry out both roles can bring about strong and consistent leadership for the Group, and can be more effective in planning and implementing long-term business strategies. The Board also considers that since members of the Board include competent and independent non-executive Directors, this structure will not impair the balance of power and authority between the Board and its management in the business of the Group. The Board is in the opinion that the structure described above will be beneficial to the Company and its business.

In addition, according to the code provision C.1.8 of the CG Code, the Company should arrange appropriate insurance cover in respect of legal action against its directors and officers. As the Board needed time to consider quotes from different insurers, during the Reporting Period, the Company did not take out directors and officers liability insurance to cover liabilities arising from legal action against its Directors.

### **Model code for securities transactions**

The Company has adopted the model code on terms no less exacting than the required standard of dealings as set out in Rules 5.48 to 5.67 of the GEM Listing Rules as its own code governing securities transactions of the Directors. Specific enquiries have been made to all Directors and all Directors have confirmed that they have fully complied with the required standard of dealings as set out in the model code during the Reporting Period.

### **Audit committee**

The Company established an audit committee (the “Audit Committee”) on 26 March 2014 and has formulated its written terms of reference, which have from time to time been modified in accordance with the prevailing provisions of the CG Code. As at the date of this report, the Audit Committee has three members, namely Mr. Zhang Lei, Mr. Chen Jianping, and Mr. Tang Jingyan, who are independent non-executive Directors. Mr. Zhang Lei, who has appropriate professional qualifications and experience in accounting matters, has been appointed as the chairman of the Audit Committee.

The primary duties of the Audit Committee are (among other things) to provide an independent review and supervision of financial reporting, and examine the effectiveness of the internal controls of the Group and to ensure the external auditor is independent and the audit process is effective. The Audit Committee examines all matters relating to the accounting principles and policies adopted by the Group, auditing functions, internal controls, risk management and financial reporting. The Audit Committee also serves as a channel of communication between the Board and the external auditor. External auditor and the Directors are invited to attend the committee meetings as and when necessary.

The Audit Committee has reviewed the unaudited consolidated financial statements, the results announcement and this interim report of the Company for the six months ended 30 June 2024 with the management of the Group and agreed with the accounting treatments adopted by the Group, and was of the opinion that the preparation of the financial statements in this interim report complies with the applicable accounting standards and the requirements under the GEM Listing Rules and adequate disclosure have been made.

### Events after the Reporting Period

There is no material events after the Reporting Period as at the date of this report.

### Disclosure of information

The interim report for the six months ended 30 June 2024 will be dispatched to shareholders of the Company and published on the Company's website at [www.renheng.com](http://www.renheng.com) and the website of the Stock Exchange at [www.hkexnews.hk](http://www.hkexnews.hk) in due course.

By order of the Board  
**Zhejiang Chang'an Renheng Technology Co., Ltd.\***  
**Zhang Youlian**  
*Chairman*

Zhejiang, the PRC, 14 August 2024

*As at the date of this report, the executive Directors are Mr. Zhang Youlian, Mr. She Wenjie and Mr. Fan Fang; the non-executive Director is Ms. Zhang Jinhua and the independent non-executive Directors are Mr. Zhang Lei, Mr. Chen Jianping and Mr. Tang Jingyan.*

\* For identification purpose only