# CHINA LONGEVITY GROUP COMPANY LIMITED
# 中國龍天集團有限公司

*(Incorporated in the Cayman Islands with limited liability)*

**(Stock Code: 1863)**

## INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2017 AND CONTINUAL SUSPENSION OF TRADING

The board of directors (the "Board") of China Longevity Group Company Limited (the "Company") is pleased to announce the unaudited consolidated results of the Company and its subsidiaries (the "Group") for the six months ended 30 June 2017, together with the comparative figures for the corresponding period in 2016. The interim results had been reviewed by the audit committee of the Company and approved by the Board.

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

*For the six months ended 30 June 2017*

| | | Six months ended 30 June | |
|---|---|---|---|
| | | **2017** | 2016 |
| | *Notes* | ***RMB'000*** | *RMB'000* |
| | | **(Unaudited)** | (Unaudited) |
| **REVENUE** | *5* | **245,065** | 240,582 |
| Cost of sales | | **(195,489)** | (196,767) |
| **GROSS PROFIT** | | **49,576** | 43,815 |
| Other income and gains | *6* | **5,343** | 6,307 |
| Selling and distribution costs | | **(6,343)** | (6,766) |
| Administrative expenses | | **(31,308)** | (28,479) |
| Other expenses | | **(838)** | (3,889) |
| **PROFIT FROM OPERATIONS** | | **16,430** | 10,988 |
| Finance costs | *7* | **(4,043)** | (6,721) |
| **PROFIT BEFORE TAX** | *8* | **12,387** | 4,267 |
| Income tax expense | *9* | **(2,147)** | (9) |
| **PROFIT FOR THE PERIOD ATTRIBUTABLE TO OWNERS OF THE COMPANY** | | **10,240** | 4,258 |
| **Other comprehensive income after tax:** | | | |
| *Items that may be reclassified to profit or loss:* | | | |
| Exchange differences on translation of non-PRC operations | | **303** | 1,176 |
| **TOTAL COMPREHENSIVE INCOME FOR THE PERIOD ATTRIBUTABLE TO OWNERS OF THE COMPANY** | | **10,543** | 5,434 |
| **EARNINGS PER SHARE (RMB cents)** | *11* | | |
| — Basic | | **1.20** | 0.50 |
| — Diluted | | **1.20** | 0.50 |

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

*As at 30 June 2017*

| | Notes | As at 30 June 2017 RMB'000 (Unaudited) | As at 31 December 2016 RMB'000 (Audited) |
|---|---|---|---|
| **Non-current assets** | | | |
| Property, plant and equipment | | **435,529** | 456,947 |
| Prepaid land lease payments | | **17,371** | 17,694 |
| Investment properties | | **15,000** | 15,000 |
| Intangible assets | | **550** | 550 |
| Deposits paid for acquisition of property, plant and equipment | | **6,625** | 6,722 |
| Available-for-sale investment | | **4,140** | 4,140 |
| Deferred tax assets | | **5,131** | 5,285 |
| **Total non-current assets** | | **484,346** | 506,338 |
| **Current assets** | | | |
| Inventories | | **85,323** | 74,007 |
| Trade receivables | *12* | **81,462** | 86,476 |
| Prepayments, deposits and other receivables | | **8,567** | 12,955 |
| Pledged deposits | | **52,260** | 41,927 |
| Cash and cash equivalents | | **40,481** | 15,008 |
| | | **268,093** | 230,373 |
| Non-current assets classified as held for sale | | **28,437** | 28,437 |
| **Total current assets** | | **296,530** | 258,810 |
| **Current liabilities** | | | |
| Trade and bills payables | *13* | **254,933** | 232,312 |
| Other payables and accruals | | **105,597** | 112,281 |
| Interest-bearing borrowings | *14* | **142,000** | 152,000 |
| Deferred income | | **360** | 360 |
| Due to directors | | **19,430** | 21,510 |
| Due to a related party | | **14,000** | 14,000 |
| Current tax liabilities | | **15,988** | 14,480 |
| **Total current liabilities** | | **552,308** | 546,943 |
| **Net current liabilities** | | **(255,778)** | (288,133) |
| **Total assets less current liabilities** | | **228,568** | 218,205 |

| | Notes | As at 30 June 2017 RMB'000 (Unaudited) | As at 31 December 2016 RMB'000 (Audited) |
|---|---|---|---|
| **Non-current liabilities** | | | |
| Deferred income | | **870** | 1,050 |
| Deferred tax liabilities | | **2,711** | 2,711 |
| **Total non-current liabilities** | | **3,581** | 3,761 |
| **NET ASSETS** | | **224,987** | 214,444 |
| **Capital and reserves** | | | |
| **Attributable to owners of the Company** | | | |
| Issued capital | | **747** | 747 |
| Reserves | | **224,240** | 213,697 |
| **TOTAL EQUITY** | | **224,987** | 214,444 |

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

*For the six months ended 30 June 2017*

### 1. GENERAL INFORMATION

China Longevity Group Company Limited (the "Company") was incorporated as an exempted company with limited liability in the Cayman Islands on 7 October 2009. The registered office of the Company is located at Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands. The Company acts as an investment holding company.

In the opinion of the directors of the Company (the "Directors"), as at the date of issue of these condensed consolidated financial statements, Hopeland International Holdings Company Limited ("Hopeland International") is the ultimate holding company and Mr. Lin Shengxiong ("Mr. Lin"), the Chairman and an executive director, is the ultimate controlling party. Hopeland International does not produce financial statements available for public use.

The shares of the Company were listed on The Stock Exchange of Hong Kong Limited (the"Stock Exchange") and have been suspended for trading since 14 February 2013.

The Group was principally engaged in the design, development, manufacture and sale of (i) polymer processed high strength polyester fabric composite materials and other reinforced composite materials, and (ii) conventional materials targeting the outdoor leisure, recreation and sports consumer market during the period under review.

### 2. BASIS OF PREPARATION

These condensed consolidated interim financial statements ("Interim Financial Statements") have been prepared in accordance with Hong Kong Accounting Standard 34 ("Interim Financial Reporting") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") and the applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules").

The Interim Financial Statements do not include all the information and disclosures required in a full set of financial statements, and should be read in conjunction with the Group's annual consolidated financial statements for the year ended 31 December 2016 ("2016 Annual Report").

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

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

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

In the current period, the Group has adopted all the new and revised HKFRSs that are relevant to its operations and effective for its accounting year beginning on 1 January 2017. HKFRSs comprise Hong Kong Financial Reporting Standards; Hong Kong Accounting Standards and Interpretations. The adoption of these new and revised HKFRSs did not result in significant changes to the Group's accounting policies, presentation of the Interim Financial Statements and amounts reported for the current and prior period.

The Group has not applied the new HKFRSs that have been issued but are not yet effective. The Group has already commenced an assessment of the impact of these new HKFRSs but is not yet in a position to state whether these new HKFRSs would have a material impact on its results of operations and financial position.

## 4. SEGMENT INFORMATION

There is only one operating segment which is principally engaged in the design, development, manufacture and sale of (i) polymer processed high strength polyester fabric composite materials and other reinforced composite materials, and (ii) conventional materials.

| | **Revenue from external customers Six months ended 30 June** | |
|---|---|---|
| | **2017** | 2016 |
| | **(Unaudited)** | (Unaudited) |
| | ***RMB'000*** | *RMB'000* |
| **Geographical information** | | |
| The People's Republic of China (the "PRC") | **167,434** | 172,995 |
| Others | **77,631** | 67,587 |
| | **245,065** | 240,582 |

**Information about major customers**

No revenue from transactions with a single customer amounted to 10% or more of the Group's total sales for the six months ended 30 June 2017 (30 June 2016: Nil).

## 5. REVENUE

| | Six months ended 30 June | |
|---|---|---|
| | **2017** | 2016 |
| | **(Unaudited)** | (Unaudited) |
| | ***RMB'000*** | *RMB'000* |
| Sales of goods | **245,065** | 240,582 |

## 6. OTHER INCOME AND GAINS

| | Six months ended 30 June | |
|---|---|---|
| | **2017** | 2016 |
| | **(Unaudited)** | (Unaudited) |
| | ***RMB'000*** | *RMB'000* |
| Bank interest income | **94** | 132 |
| Government subsidies *(note)* | **4,279** | 300 |
| Gain on disposals of property, plant and equipment | **—** | 65 |
| Rental income | **488** | 539 |
| Dividend income from available-for-sale investment | **—** | 255 |
| Reversal of allowance for receivables | **431** | 1,972 |
| Sundry income | **51** | 2,666 |
| Exchange gain, net | **—** | 378 |
| | **5,343** | 6,307 |

*Note:* Government subsidies are received and used for development of new products and implementation of environmental protection development programmes. These government subsidies are not attributable to any non-current assets and there are no other specific conditions attached to the subsidies. Therefore, the Group recognised the subsidies upon receipt during the six months ended 30 June 2017 and 2016.

## 7. FINANCE COSTS

| | Six months ended 30 June | |
|---|---|---|
| | **2017** | 2016 |
| | **(Unaudited)** | (Unaudited) |
| | ***RMB'000*** | *RMB'000* |
| Interest on bank loans | **4,043** | 6,721 |

## 8. PROFIT BEFORE TAX

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

| | Six months ended 30 June | |
|---|---|---|
| | **2017** | 2016 |
| | **(Unaudited)** | (Unaudited) |
| | ***RMB'000*** | *RMB'000* |
| Depreciation of property, plant and equipment | **18,803** | 28,434 |
| Amortisation of prepaid land lease payments | **323** | 247 |
| Amortisation of intangible assets | **—** | 380 |
| Loss/(gain) on disposals of property, plant and equipment | **540** | (65) |
| Impairment of property, plant and equipment | **4,732** | — |
| Impairment of trade receivables | **899** | — |

## 9. INCOME TAX EXPENSE

| | Six months ended 30 June | |
|---|---|---|
| | **2017** | 2016 |
| | **(Unaudited)** | (Unaudited) |
| | ***RMB'000*** | *RMB'000* |
| Current tax — the PRC | | |
| Charge for the period | **1,993** | — |
| Deferred tax | **154** | 9 |
| | **2,147** | 9 |

The Group is subject to income tax on an entity basis on profits arising in or derived from the jurisdictions in which the group entities are domiciled and operate.

Pursuant to the rules and regulations of the Cayman Islands and the British Virgin Islands, the Group is not subject to any income tax in the Cayman Islands or the British Virgin Islands.

Pursuant to the relevant tax law of the Hong Kong Special Administrative Region, Hong Kong profits tax has been provided at the rate of 16.5% on the estimated assessable profits arising in Hong Kong. No provision for Hong Kong profits tax has been made as the Group had no assessable profits arising in Hong Kong during the six months ended 30 June 2017 and 2016.

Pursuant to the approval of the tax bureau, in accordance with the Corporate Tax Law of the PRC, Fujian Sijia Industrial Material Co., Ltd.# (福建思嘉環保材料科技有限公司) ("Fujian Sijia") subject to the tax rates being a high-tech enterprise, was levied at the tax rate of 15% for the period (six months ended 30 June 2016: 15%) according to the New Corporate Income Tax Law. Other subsidiaries are subject to a corporate income tax rate of 25% during the period according to the PRC Corporate Income Tax Law (six months ended 30 June 2016: 25%).

# The English name is for identification only

## 10. DIVIDEND

The Directors do not recommend the payment of any interim dividend for the six months ended 30 June 2017 (for the six months ended 30 June 2016: Nil).

## 11. EARNINGS PER SHARE

The calculation of basic and diluted earnings per share is based on the following:

| Earnings per share | Six months ended 30 June<br>**2017**<br>**(Unaudited)**<br>***RMB'000*** | <br>2016<br>(Unaudited)<br>*RMB'000* |
|---|---|---|
| Profit attributable to owners of the Company, used in the basic and diluted earnings per share calculation | **10,240** | 4,258 |

| Number of shares | Six months ended 30 June<br>**2017** | <br>2016 |
|---|---|---|
| Weighted average number of ordinary shares in issue during the period used in the earnings per share calculation | **852,612,470** | 852,612,470 |

Diluted earnings per share for the periods ended 30 June 2017 and 2016 is the same as the basic earnings per share as the Company had no dilutive potential ordinary shares in issue during the periods.

## 12. TRADE RECEIVABLES

The Group's trading terms with customers mainly comprise credit and cash on delivery. The credit terms generally range from 30 to 90 days. Each customer has a maximum credit limit. For new customers, payment in advance is normally required. The Group seeks to maintain strict control over its outstanding receivables. Overdue balances are reviewed regularly by the management.

The aging analysis of trade receivables at the end of the reporting period, based on the date the Group is entitled to receive, and net of allowance, is as follows:

| | **30 June 2017**<br>**(Unaudited)**<br>***RMB'000*** | 31 December 2016<br>(Audited)<br>*RMB'000* |
|---|---|---|
| Within 3 months | **71,697** | 65,212 |
| More than 3 months but within 6 months | **3,831** | 14,417 |
| More than 6 months but within 1 year | **5,913** | 4,818 |
| More than 1 year | **21** | 2,029 |
| | **81,462** | 86,476 |

## 13. TRADE AND BILLS PAYABLES

| | **30 June 2017 (Unaudited)** *RMB'000* | 31 December 2016 (Audited) *RMB'000* |
|---|---|---|
| Trade payables | **80,807** | 101,066 |
| Bills payables | **174,126** | 131,246 |
| | **254,933** | 232,312 |

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

| | **30 June 2017 (Unaudited)** *RMB'000* | 31 December 2016 (Audited) *RMB'000* |
|---|---|---|
| Within 3 months | **148,846** | 137,545 |
| More than 3 months but within 6 months | **90,971** | 86,585 |
| More than 6 months but within 1 year | **15,000** | 6,895 |
| More than 1 year | **116** | 1,287 |
| | **254,933** | 232,312 |

## 14. INTEREST-BEARING BORROWINGS

During the period under review, the Group obtained new bank loans amounting to RMB92,000,000 (six months ended 30 June 2016: RMB92,000,000) as additional working capital and made repayments of bank loans of RMB102,000,000 (six months ended 30 June 2016: RMB159,980,000).

## MANAGEMENT DISCUSSION AND ANALYSIS

### Business Review

The Group is one of the recognised industry leaders in the PRC in providing reinforced new materials for a wide spectrum of industries, such as modern transportation, construction, renewable energy, agriculture, healthcare, sports, outdoor leisure and daily supplies. The management team of the Group has vast experience in proprietary technology, product innovation and marketing. With the experienced management team, the Group implemented a market – focused strategy. The Group also engaged in the manufacturing and sales of novel products developed by the research and development ("R&D") team and academic institutions. Various novel products and production techniques of the Group possess independent intellectual property rights and national patents on technology.

The Group's reinforced materials (the "Reinforced Materials") business, located in Fuzhou and Shanghai, utilizes self-developed facilities and techniques, which has acquired national patents on innovation, to produce new materials, including drop stitch fabric, architectural membrane, waterproofing membrane, marquees materials, air tightness materials, inflatable boats materials and inflatable materials. Such materials exhibit nine characteristics, including high tensile strength, anti-tearing, anti-stripping, flame retardancy, anti-bacteria, anti-corrosive, durable, low temperature resistance and sunlight resistance. Given the diversified applications of the Reinforced Materials and end-use products, the Group's products can be applied in fifteen major markets including outdoor, sports, renewable energy, protection, construction, logistic, packaging, medical use, safety, advertising and daily supplies.

Revenue for the period under review was approximately RMB245.1 million, representing an increase of approximately RMB4.5 million, or 1.9%, compared to revenue of approximately RMB240.6 million for the same period last year. The increase was primarily attributable to the structural adjustment of Reinforced Materials and focus on promotion of high-end new products.

Due to the halt in manufacturing the End Products, the Group entered into two sale and purchase agreements to dispose of certain property, plant and equipment, and prepaid land lease payments of a subsidiary, Hubei Sijia Industrial Material Company Limited, to two independent third parties at a total consideration of RMB28,437,000 last year. These assets have been classified as non-current assets held for sale as detailed in the condensed consolidated financial statements. The transactions have yet to be completed at 30 June 2017, as they are pending for the approval from the relevant PRC Government authority. We expect that these disposals to be completed by end of 2017.

The Group's products can be categorised into two types: (i) Reinforced Materials and (ii) conventional materials ("Conventional Materials"). The Group generated most of its revenue from the Reinforced Materials which accounted for approximately 96.5% (30 June 2016: approximately 86.1%) of total revenue. Local sales continued to be the Group's major source of revenue, representing approximately 68% (30 June 2016: approximately 72%) of the total revenue while export sales only accounted for approximately 32% (30 June 2016: approximately 28%) of the total revenue.

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

| | For the six months ended 30 June | | | |
|---|---|---|---|---|
| | **2017** | | 2016 | |
| | ***(RMB million)*** | **% of Total Revenue** | *(RMB million)* | % of Total Revenue |
| Reinforced Materials | **236.4** | **96.5** | 207.3 | 86.1 |
| Conventional Materials | **8.7** | **3.5** | 33.3 | 13.9 |
| | **245.1** | **100.0** | 240.6 | 100.0 |

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

| | For the six months ended 30 June | |
|---|---|---|
| | **2017** | 2016 |
| | ***(RMB million)*** | *(RMB million)* |
| PRC | **167.5** | 173.0 |
| Others | **77.6** | 67.6 |
| | **245.1** | 240.6 |

**Reinforced Materials**

For the period under review, in respect of the Reinforced Materials, the Group delivered the most in tarpaulin materials, inflatable materials and drop stitch fabric. Drop stitch fabric is a new material successfully developed and launched in the market after two years of research and development. The strategy of the Group is to innovate more new products and to leverage its leading marketing position and offer products at a competitive price.

As at 30 June 2017, the Group owned a total of 46 patents with 35 on innovations and 11 on new applications for Reinforced Materials.

For the period under review, the Group's revenue generated from Reinforced Materials amounted to approximately RMB236.4 million (30 June 2016: approximately RMB207.3 million) which accounted for approximately 96.5% (30 June 2016: approximately 86.1%) of the Group's total revenue, representing an increase in sales of approximately 14%. An increase in revenue generated from Reinforced Material is mainly attributable to the structural of Reinforced Materials and focus on promotion of high-end new products, especially in drop stitch fabric and inflatable boats materials. The Group achieved revenue from sale of drop stitch fabric of approximately RMB58 million (30 June 2016: approximately RMB33 million), which was launched in 2015. This revenue was accounted for 23.6% (30 June 2016: approximately 13.8%) of the Group's total revenue for the period under review with a gross profit margin of approximately 48%, representing an increase of 3% as compared with the same period in 2016.

**Conventional Materials**

For the period under review, the Group's revenue generated from the Conventional Materials amounted to approximately RMB8.7 million (30 June 2016: approximately RMB33.3 million) which accounted for approximately 3.5% (30 June 2016: approximately 13.9%) of total revenue, representing a decrease in sales of approximately 73.9%, which was mainly due to the structural adjustment of Conventional Materials to Reinforced Materials.

## FINANCIAL REVIEW

### Financial Results

***Revenue***

The Group's revenue for the six months ended 30 June 2017 was approximately RMB245.1 million, representing an increase of approximately RMB4.5 million, or 1.9%, compared to revenue of approximately RMB240.6 million for the same period last year. For the period under review, the Group's major sales segments, namely, (1) Reinforced Materials reported revenue of approximately RMB236.4 million (30 June 2016: approximately RMB207.3 million) and (2) Conventional Materials recorded a revenue of approximately RMB8.7 million (30 June 2016: approximately RMB33.3 million). The increase in revenue was mainly attributable to the structural adjustment of Reinforced Materials and focus on promotion of high-end new products.

***Gross Profit and Gross Margin***

Gross profit was approximately RMB49.6 million for the period under review (30 June 2016: approximately RMB43.8 million), with the gross profit margin of approximately 20.2% (30 June 2016: approximately 18.2%). The increase in gross profit margin was mainly due to decrease in cost of sales resulting from decrease in depreciation charges on the property, plant and equipment.

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

| | For the six months ended 30 June | |
|---|---|---|
| | **2017** | 2016 |
| | *%* | *%* |
| Reinforced Materials | **20.9** | 20.8 |
| Conventional Materials | **2.0** | 1.9 |
| Overall | **20.2** | 18.2 |

***Selling and Distribution Costs***

For the period under review, selling and distribution costs decreased by approximately RMB0.4 million or 6.3% to approximately RMB6.3 million, or 2.6% of revenue for the period under review, from approximately RMB6.8 million, or 2.8% of revenue for the same period last year. The decrease was mainly due to optimisation of sales cost structure.

***Administrative Expenses***

For the period under review, administrative expenses increased by approximately RMB2.8 million or 9.9% to approximately RMB31.3 million. The increase in administrative expenses was mainly due to an increase in research and development cost.

***Research and Development***

For the period under review, research and development (the "R&D") costs amounted to approximately RMB16.3 million, or 6.7% of revenue (30 June 2016: approximately RMB11.1 million, or 4.6% of revenue). The Group believes that its on-going R&D efforts are critical in maintaining long-term competitiveness, retaining existing customers, enhancing its ability to attract new customers and developing new markets. The Group continues to dedicate resources to the R&D activities in its Fuzhou and Shanghai plants aiming to lower the cost of raw materials, streamline manufacturing processes, increase production capacities, and develop high value-added new materials.

***Impairments of assets***

The Group's management took a prudent approach in assessing the values of assets and collectability of trade receivable. This includes taking into consideration the credit history of the Group's customers and the prevailing market condition.

For the period under review, impairments have been recognised in respect of:

(i) property, plant and equipment in the amount of approximately RMB4.7 million (30 June 2016: Nil) based on the review carried out by the Directors at 30 June 2017; and

(ii) trade receivables in the amount of approximately RMB 0.9 million (30 June 2016: Nil) due to long outstanding.

***Finance Costs***

Finance costs for the period under review was approximately RMB4.0 million (30 June 2016: approximately RMB6.7 million). The decrease was mainly due to decrease in interest-bearing bank borrowings.

***Interest Income***

Interest income amounted to approximately RMB0.1 million for the period under review (30 June 2016: approximately RMB0.1 million).

***Income Tax***

For the period under review, the Group had an overall income tax expense of approximately RMB2.1 million (30 June 2016: approximately RMB9,000).

***Profit for the Period***

For the period ended 30 June 2017, the Group recorded a profit attributable to owners of the Company approximately RMB10.2 million, or RMB1.2 cents for basic earnings per share. As at the same period last year, the Group recorded a profit attributable to owners of the Company of approximately RMB4.3 million, or RMB0.5 cents for basic earnings per share. The weighted average number of ordinary shares of 852,612,470 in issue during the period ended 30 June 2017 (30 June 2016: 852,612,470).

***Dividends***

The Board has resolved not to pay any interim dividend for the six months ended 30 June 2017 (30 June 2016: Nil).

**Liquidity and Financial Resources**

***Total Equity***

As at 30 June 2017, total equity amounted to approximately RMB225.0 million, representing an increase of 4.9%, compared to approximately RMB214.4 million as at 31 December 2016.

***Financial Position***

As at 30 June 2017, the Group had total current asset of approximately RMB296.5 million (31 December 2016: approximately RMB258.8 million) and total current liabilities of approximately RMB552.3 million (31 December 2016: approximately RMB546.9 million), with net current liabilities of approximately RMB255.8 million. (31 December 2016: approximately RMB288.1 million)

As at 30 June 2017, the Group's net gearing (expressed as a percentage of total interest-bearing liabilities to total assets) was at 18.2%, as compared to 19.9% as at 31 December 2016.

***Cash and Cash Equivalents***

As at 30 June 2017, the Group had cash and cash equivalents of approximately RMB40.5 million (31 December 2016: approximately RMB15.0 million), most of which were denominated in Renminbi ("RMB").

***Bank Borrowings***

As at 30 June 2017, the Group had interest-bearing bank borrowings of approximately RMB142 million (31 December 2016: approximately RMB152 million).

***Contingent Liabilities***

As at 30 June 2017, the Group did not have any significant contingent liabilities (31 December 2016: Nil).

***Capital Commitments***

As at 30 June 2017, capital commitment of the Group amounted to approximately RMB1.1 million (31 December 2016: approximately RMB2.8 million). The capital commitment will be funded partly by internal resources and partly by bank borrowings.

*Pledge of Assets*

As at 30 June 2017, the Group's buildings, plant and machinery of approximately RMB306.9 million (31 December 2016: approximately RMB343.8 million), leasehold land of approximately RMB17.9 million (31 December 2016: approximately RMB18.2 million), investment properties of approximately RMB15.0 million (31 December 2016: approximately RMB15.0 million) and bank deposits of approximately RMB52.3 million (31 December 2016: approximately RMB41.9 million) were pledged to banks to secure bank loans and general banking facilities granted.

*Events After The Reporting Period*

There were no significant events after the reporting period.

*Human Resources*

As at 30 June 2017, the Group employed a total of 313 employees (31 December 2016: 337 employees). The reduction of staff headcount was mainly due to the Group's strategy to withdraw from the End Products business during the period under review.

The Group regards human capital as vital for its continuous growth and profitability and remains committed to improving the quality, competence and skills of all employees. The Group provided job related training throughout the organisation. The Group will continue to offer competitive remuneration packages and bonuses to eligible staffs, based on the performance of the individual employee.

*Exposure to fluctuations in exchange rates and related hedge*

The Group had some high-end products operated and sold on the European market. Given the reform of the Renminbi exchange rate, depreciation of US dollars and other factors, the exchange rate for Renminbi to US dollars fluctuated, resulting in exchange loss of certain trade orders to some extent. However, as the Group is principally engaged in business in Mainland China, most of the business transactions are settled in Renminbi ("RMB"). All subsidiaries of the Group do business within the RMB sphere, and their functional currency is RMB. The Group's reporting currency is RMB.

The Group's cash and bank deposits are predominantly in RMB. Based on the aforesaid, the Group does not enter into any agreement to hedge against any foreign exchange risk. The Company will pay dividends in Hong Kong Dollars if dividends are declared and it will continue to monitor the fluctuation of RMB closely and will introduce suitable measures as and when appropriate.

Save as disclosed above, there has been no material change in the development or future development of the Group's business and financial position, and no important event affecting the Group has occurred since the publication of the annual report of the Company for the year ended 31 December 2016.

## PROSPECT

Facing the continuing downturn of general economy and the slowing down of China's economy, coupled with the stringent domestic environmental protection system ever, the new material industry is being exposed to the difficult situation between the increasingly improved upstream cost and the reluctance of downstream customers to accept the rise in price. As such, the Group will actively respond to the national policy of "adjusting economic structure; transforming traditional manufacturing industries into new manufacturing industries", and adhere to the development principles of "stay on its original business, steady development, structure optimisation and continuous innovation", while readjusting product mix in a timely manner, improving product quality, focusing on brand cultivation, precisely implementing market positioning based on quality reform and weeding out low-end products, with a series of adjustment measures put into effect:

1. to stabilise the business development of new materials, and to actively develop new products;

2. to further acquire new clients for the existing products at home and abroad, expand the market share of the sector in each region; and since 2016, by virtue of the "One Belt, One Road Initiative", the Group will commence to explore and involve in gaining market share in the countries along the "One Belt, One Road";

3. to research and develop the technology of the LVT floor material project with efforts of the research and development team, extend the industry chain of the Group, optimize the product portfolio and diversify the product category. The product is a new light floor decoration material, with polyvinyl chloride, an environment-friendly non-toxic renewable resource, as its principal raw material, it is the only renewable ground decoration material. At present, LVT floor material is widely and increasingly used in the industries such as education, commerce, sports, office, transportation and home system with a strong vitality and market popularity;

4. to establish more stable and reasonable strategic cooperation relationship with suppliers, so as to significantly decrease the procurement costs; and

5. all staff of the Group should participate in the optimisation in internal control in relation to different areas, such as procurement, production, sales, and finance, in order to enhance the operation efficiency of the Group.

The Company has engaged professional parties to prepare its application for the resumption of trading in the shares of the Company on the Stock Exchange (the "Resumption"). Further announcement will be published to shareholders to the Company to update the latest development of the Resumption in due course.

Looking forward, once the Group is successful in applying for the resumption of trading of its shares on the Stock Exchange, the Group will upgrade its business and operation by capitalising on its innovative technologies and its professional technical team, which is well-recognised both in domestic and foreign industries:

1. The Shanghai Plant will add an industrial weaving production line, not only for the use of Shanghai plants and Fuzhou plants to enhance the competitiveness of our products, but also for the use of external customers;

2. Fuzhou plants will continue to deepen the research and development of new functions and frontier of drop stitch fabric, expedite the technology update and domestic and overseas market development of enhanced drop stitch fabric and plain-weaved drop stitch fabric;

3. The Group will optimize the industrial structure in a deep-going way, newly add the production line of LVT floor material, explore the sectorial market for new products and create economies of scale, while expecting that the equipment of floor project newly acquired will be ready in November 2017;

4. The Group will increase efforts on protecting the new technology, new process and other intellectual properties, apply more patents for independent inventions, establish as one of the most innovative technology development enterprise in the industry, and create values for the shareholders of the Company; and

5. The Group will continue to strengthen the cooperation with technical experts in Europe and America and further expand the market share in the international market.

**Compliance with Corporate Governance Code**

The Board has established procedures on corporate governance that comply with the requirements of the Corporate Governance Code (the "CG Code") contained in Appendix 14 to the Listing Rules. The Board has reviewed and taken measures to adopt the CG Code as the Company's code of corporate governance practices. During the six-month period ended 30 June 2017, the Company has complied with the code provisions under the CG Code.

**Compliance with the Model Code for Securities Transactions by Directors**

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules as the standard for securities transactions by Directors. The Company has made specific enquiries to all the Directors and all the Directors have confirmed their compliance with the required standards set out in the Model Code during the six months ended 30 June 2017.

**Purchase, Sale or Redemption of Listed Shares of the Company**

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed shares during the six months ended 30 June 2017.

**Material Acquisition or Disposals**

There was no material acquisition or disposal of subsidiaries by the Group during the six months ended 30 June 2017.

**Audit Committee**

The Audit Committee, comprises three independent non-executive Directors, has reviewed with the management the accounting principles and practices adopted by the Group and discussed auditing, internal control and financial reporting matters. The Group's unaudited condensed consolidated financial statements for the six months ended 30 June 2017 have been reviewed by the audit committee, who is of the opinion that such accounts have complied with the applicable accounting standards, the Listing Rules and all legal requirements, and that adequate disclosures have been made.

## SUSPENSION OF TRADING

Trading in the shares of the Company on the Stock Exchange has been suspended since 14 February 2013 and will remain suspended until further notice.

## PUBLICATION OF INTERIM RESULTS ANNOUNCEMENT AND INTERIM REPORT

This interim results announcement is published on the websites of the Stock Exchange (http://www.hkexnews.hk) and the Company (http://www.chinalongevity.hk). The 2017 interim report of the Company will be despatched to the shareholders of the Company and will be available on the same websites in due course.

By Order of the Board
**China Longevity Group Company Limited**
**Lin Shengxiong**
*Chairman*

Hong Kong, 30 August 2017

*As at the date of this announcement, the Board of the Company comprises three Executive Directors, namely, Mr. Lin Shengxiong, Mr. Huang Wanneng and Mr. Jiang Shisheng; three Independent Non-Executive Directors, namely, Mr. Lau Chun Pong, Mr. Lu Jiayu and Ms. Jiang Ping.*