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**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 2019  
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 2019, together with the comparative figures for the corresponding period in 2018. 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 2019

|                                                                                        |       | Six months ended 30 June |                  |
|----------------------------------------------------------------------------------------|-------|--------------------------|------------------|
|                                                                                        |       | 2019                     | 2018             |
|                                                                                        |       | RMB'000                  | RMB'000          |
|                                                                                        | Notes | (Unaudited)              | (Unaudited)      |
| <b>REVENUE</b>                                                                         | 4     | <b>318,133</b>           | 260,939          |
| Cost of sales                                                                          |       | <u>(245,290)</u>         | <u>(204,963)</u> |
| <b>GROSS PROFIT</b>                                                                    |       | <b>72,843</b>            | 55,976           |
| Other income and gains                                                                 | 5     | <b>3,834</b>             | 2,747            |
| Selling and distribution costs                                                         |       | <b>(9,950)</b>           | (6,101)          |
| Administrative expenses                                                                |       | <b>(45,960)</b>          | (32,115)         |
| Other expenses                                                                         |       | <u><b>(671)</b></u>      | <u>(2,369)</u>   |
| <b>PROFIT FROM OPERATIONS</b>                                                          |       | <b>20,096</b>            | 18,138           |
| Impairment of trade receivables                                                        |       | —                        | (175)            |
| Finance costs                                                                          | 6     | <u><b>(3,024)</b></u>    | <u>(3,844)</u>   |
| <b>PROFIT BEFORE TAX</b>                                                               | 7     | <b>17,072</b>            | 14,119           |
| Income tax expenses                                                                    | 8     | <u><b>(537)</b></u>      | <u>(2,356)</u>   |
| <b>PROFIT FOR THE PERIOD ATTRIBUTABLE TO OWNERS OF THE COMPANY</b>                     |       | <b>16,535</b>            | 11,763           |
| <b>Other comprehensive income/(expenses) after tax:</b>                                |       |                          |                  |
| <i>Items that may not be reclassified to profit or loss:</i>                           |       |                          |                  |
| Exchange differences on translation of non-PRC operations                              |       | <b>5,678</b>             | 1,339            |
| <i>Items that may be reclassified to profit or loss:</i>                               |       |                          |                  |
| Exchange differences on translation of non-PRC operations                              |       | <u><b>(5,738)</b></u>    | <u>(1,265)</u>   |
| <b>TOTAL COMPREHENSIVE INCOME FOR THE PERIOD ATTRIBUTABLE TO OWNERS OF THE COMPANY</b> |       | <u><b>16,475</b></u>     | <u>11,837</u>    |
| <b>EARNING PER SHARE (RMB cents)</b>                                                   | 10    |                          |                  |
| — Basic                                                                                |       | <u><b>1.94</b></u>       | <u>1.38</u>      |
| — Diluted                                                                              |       | <u><b>1.94</b></u>       | <u>1.38</u>      |

# CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2019

|                                                                     |       | As at<br>30 June<br>2019<br>RMB'000<br>(Unaudited) | As at<br>31 December<br>2018<br>RMB'000<br>(Audited) |
|---------------------------------------------------------------------|-------|----------------------------------------------------|------------------------------------------------------|
|                                                                     | Notes |                                                    |                                                      |
| <b>Non-current assets</b>                                           |       |                                                    |                                                      |
| Property, plant and equipment                                       |       | 388,178                                            | 408,627                                              |
| Prepaid land lease payments                                         |       | —                                                  | 16,404                                               |
| Right-of-use assets                                                 |       | 27,138                                             | —                                                    |
| Investment properties                                               |       | 14,640                                             | 14,640                                               |
| Intangible assets                                                   |       | 13,655                                             | 13,643                                               |
| Deposits paid for acquisition of property, plant and equipment      |       | 2,661                                              | 717                                                  |
| Equity investments at fair value through other comprehensive income |       | 4,140                                              | 4,140                                                |
| Deferred tax assets                                                 |       | 3,372                                              | 3,361                                                |
| <b>Total non-current assets</b>                                     |       | <b>453,784</b>                                     | <b>461,532</b>                                       |
| <b>Current assets</b>                                               |       |                                                    |                                                      |
| Inventories                                                         |       | 117,213                                            | 106,637                                              |
| Trade receivables                                                   | 11    | 82,347                                             | 89,704                                               |
| Prepayments, deposits and other receivables                         |       | 6,770                                              | 10,002                                               |
| Due from ultimate holding company                                   |       | —                                                  | 263                                                  |
| Pledged bank deposits                                               |       | 49,059                                             | 50,260                                               |
| Cash and cash equivalents                                           |       | 36,013                                             | 28,200                                               |
|                                                                     |       | <b>291,402</b>                                     | <b>285,066</b>                                       |
| <b>Non-current assets classified as held for sale</b>               |       | <b>4,537</b>                                       | <b>4,537</b>                                         |
| <b>Total current assets</b>                                         |       | <b>295,939</b>                                     | <b>289,603</b>                                       |
| <b>Current liabilities</b>                                          |       |                                                    |                                                      |
| Trade and bills payables                                            | 12    | 257,428                                            | 263,583                                              |
| Contract liabilities                                                |       | 20,075                                             | 12,983                                               |
| Lease liabilities                                                   |       | 1,202                                              | —                                                    |
| Other payables and accruals                                         |       | 55,069                                             | 55,105                                               |
| Interest-bearing borrowings                                         | 13    | 86,000                                             | 105,000                                              |
| Deferred income                                                     |       | 360                                                | 360                                                  |
| Due to a related party                                              |       | 10,000                                             | 10,000                                               |
| Due to directors                                                    |       | 12,384                                             | 12,747                                               |
| Finance lease payables                                              |       | —                                                  | 537                                                  |
| Tax payable                                                         |       | 12,489                                             | 13,813                                               |
| <b>Total current liabilities</b>                                    |       | <b>455,007</b>                                     | <b>474,128</b>                                       |
| <b>Net current liabilities</b>                                      |       | <b>(159,068)</b>                                   | <b>(184,525)</b>                                     |
| <b>Total assets less current liabilities</b>                        |       | <b>294,716</b>                                     | <b>277,007</b>                                       |

|                                      | As at<br>30 June<br>2019<br><i>RMB'000</i><br><i>(Unaudited)</i> | As at<br>31 December<br>2018<br><i>RMB'000</i><br><i>(Audited)</i> |
|--------------------------------------|------------------------------------------------------------------|--------------------------------------------------------------------|
| <i>Notes</i>                         |                                                                  |                                                                    |
| <b>Non-current liabilities</b>       |                                                                  |                                                                    |
| Lease liabilities                    | 1,414                                                            | —                                                                  |
| Deferred income                      | 150                                                              | 330                                                                |
| Deferred tax liabilities             | 2,711                                                            | 2,711                                                              |
|                                      | <hr/>                                                            | <hr/>                                                              |
| <b>Total non-current liabilities</b> | 4,275                                                            | 3,041                                                              |
|                                      | <hr/>                                                            | <hr/>                                                              |
| <b>NET ASSETS</b>                    | 290,441                                                          | 273,966                                                            |
|                                      | <hr/>                                                            | <hr/>                                                              |
| <b>Capital and reserves</b>          |                                                                  |                                                                    |
| Issued capital                       | 747                                                              | 747                                                                |
| Reserves                             | 289,694                                                          | 273,219                                                            |
|                                      | <hr/>                                                            | <hr/>                                                              |
| <b>TOTAL EQUITY</b>                  | 290,441                                                          | 273,966                                                            |
|                                      | <hr/>                                                            | <hr/>                                                              |

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2019

## 1. GENERAL INFORMATION

The Company is a limited company incorporated in the Cayman Islands on 7 October 2009. The address of its registered office is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands. The Company's principal place of business is located at Room 617, 6/F., Seapower Tower, Concordia Plaza, 1 Science Museum Road, Tsimshatsui East, Kowloon, Hong Kong. The Company's shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited and have been suspended for trading since 14 February 2013.

The Company acts as an investment holding company. The Company, through its major subsidiaries, 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 ("Reinforced Materials"), (ii) conventional materials ("Conventional Materials") and (iii) PVC elastic flooring product ("PVC Floor") during the period.

In the opinion of the directors of the Company (the "Directors"), as at the date of issue of the condensed consolidated interim financial statements ("Interim Financial Statements"), Hopeland International Holdings Company Limited ("Hopeland International") is the ultimate holding company of the Company; and Mr. Lin Shengxiong ("Mr. Lin"), the Chairman and an executive director, is the ultimate controlling party of the Company.

## 2. BASIS OF PREPARATION

The 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 included all the information and disclosures required in a full set of financial statements, and should be read in conjunction with the Group's 2018 annual consolidated financial statements for the year ended 31 December 2018 ("2018 Annual Report"). The accounting policies and methods of computation used in the preparation of the Interim Financial Statements are consistent with those used in 2018 Annual Report except as stated below.

### Leases

#### *The Group as lessee*

Leases are recognised as right-of-use assets and corresponding lease liabilities when the leased assets are available for use by the Group. Right-of-use assets are stated at cost less accumulated depreciation and impairment losses. Depreciation of right-of-use assets is calculated at rates to write off their cost over the shorter of the asset's useful life and the lease term on a straight-line basis. The principal annual rates are as follows:

|                    |          |
|--------------------|----------|
| Land and buildings | 2% — 60% |
| Machinery          | 10%      |

Right-of-use assets are measured at cost comprising the amount of the initial measurement of the lease liabilities, lease payments prepaid, initial direct costs and the restoration costs. Lease liabilities include the net present value of the lease payments discounted using the interest rate implicit in the lease if that rate can be determined, or otherwise the Group's incremental borrowing rate. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease term so as to produce a constant periodic rate of interest on the remaining balance of the lease liability.

Payments associated with short-term leases and leases of low-value assets are recognised as expenses in profit or loss on a straight-line basis over the lease terms. Short-term leases are leases with an initial lease term of 12 months or less. Low-value assets are assets of value below US\$ 5,000.

## **The Group as lessor**

### ***Operating leases***

Leases that do not substantially transfer to the lessees all the risks and rewards of ownership of assets are accounted for as operating leases. Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease.

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

In the current period, the Group has adopted all the new and revised Hong Kong Financial Reporting Standards ("HKFRSs") issued by the HKICPA that are relevant to its operations and effective for its accounting year beginning on 1 January 2019. HKFRSs comprise Hong Kong Financial Reporting Standards ("HKFRS"); Hong Kong Accounting Standards ("HKAS"); 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 Group's financial statements and amounts reported for the current period and prior years.

### **HKFRS 16**

On adoption of HKFRS 16, the Group recognised right-of-use assets and lease liabilities in relation to leases which had previously been classified as 'operating leases' under HKAS 17 "Leases", resulted in changes in the consolidated amounts reported in the financial statement as follows:

**1 January  
2019  
RMB'000**

#### **At 1 January 2019:**

|                                                         |                   |
|---------------------------------------------------------|-------------------|
| Increase in right-of-use assets                         | 26,934            |
| Increase in lease liabilities                           | (2,173)           |
| Decrease in property, plant and equipments              | (7,876)           |
| Decrease in prepaid land lease payments                 | (16,404)          |
| Decrease in prepayments, deposits and other receivables | (481)             |
| Decrease in finance lease payables                      | 537               |
|                                                         | <u><u>537</u></u> |

The reconciliation of operating lease commitment to lease liabilities as at 1 January 2019 is set out below:

*RMB'000*

|                                                                                                                    |              |
|--------------------------------------------------------------------------------------------------------------------|--------------|
| Operating lease commitment at 31 December 2018:                                                                    | 1,849        |
| <b>Add:</b>                                                                                                        |              |
| Finance lease payables                                                                                             | 537          |
| <b>Less:</b>                                                                                                       |              |
| Commitment relating to leases with a remaining lease term ending on or before<br>30 June 2019 and low-value assets | (95)         |
| Discounting                                                                                                        | (118)        |
| Lease liabilities as at 1 January 2019                                                                             | <u>2,173</u> |

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. REVENUE

|                | <b>Six months ended 30 June</b> |                       |
|----------------|---------------------------------|-----------------------|
|                | <b>2019</b>                     | <b>2018</b>           |
|                | <b>(Unaudited)</b>              | <b>(Unaudited)</b>    |
|                | <b><i>RMB'000</i></b>           | <b><i>RMB'000</i></b> |
| Sales of goods | <u>318,133</u>                  | <u>260,939</u>        |

There is only one operating segment which is principally engaged in the design, development, manufacture and sale of (i) Reinforced Materials, (ii) Conventional Materials and (iii) PVC Floor during the periods. Sales are recognised when control of the products has transferred, being when the products are delivered to a customer, there is no unfulfilled obligation that could affect the customer's acceptance of the products and the customer has obtained legal titles to the products.

Sales to customers are normally made with credit terms of 30 to 90 days. For new customers, payment in advance is normally required. Deposits received are recognised as a contract liability.

A receivable is recognised when the products are delivered to the customers as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due.

Disaggregation of revenue from contracts with customers:

|                                            | <b>Six months ended 30 June</b>      |                                      |
|--------------------------------------------|--------------------------------------|--------------------------------------|
|                                            | <b>2019</b>                          | <b>2018</b>                          |
|                                            | <b>(Unaudited)</b><br><b>RMB'000</b> | <b>(Unaudited)</b><br><b>RMB'000</b> |
| <b>Geographical markets</b>                |                                      |                                      |
| The People's Republic of China (the "PRC") | <b>213,264</b>                       | 168,642                              |
| Others                                     | <b>104,869</b>                       | 92,297                               |
|                                            | <hr/>                                | <hr/>                                |
| Total                                      | <b>318,133</b>                       | 260,939                              |
|                                            | <hr/> <hr/>                          | <hr/> <hr/>                          |

|                        | <b>Six months ended 30 June</b>      |                                      |
|------------------------|--------------------------------------|--------------------------------------|
|                        | <b>2019</b>                          | <b>2018</b>                          |
|                        | <b>(Unaudited)</b><br><b>RMB'000</b> | <b>(Unaudited)</b><br><b>RMB'000</b> |
| <b>Major products</b>  |                                      |                                      |
| Reinforced Materials   | <b>301,416</b>                       | 254,601                              |
| Conventional Materials | <b>3,150</b>                         | 6,255                                |
| PVC Floor              | <b>13,567</b>                        | 83                                   |
|                        | <hr/>                                | <hr/>                                |
| Total                  | <b>318,133</b>                       | 260,939                              |
|                        | <hr/> <hr/>                          | <hr/> <hr/>                          |

The revenue was recognised at a point in time.

#### **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 2019 (six months ended 30 June 2018: Nil).



## 5. OTHER INCOME AND GAINS

|                                                                                          | Six months ended 30 June |                        |
|------------------------------------------------------------------------------------------|--------------------------|------------------------|
|                                                                                          | 2019                     | 2018                   |
|                                                                                          | (Unaudited)<br>RMB'000   | (Unaudited)<br>RMB'000 |
| Bank interest income                                                                     | 194                      | 109                    |
| Government subsidies ( <i>note</i> )                                                     | 2,347                    | 541                    |
| Gross rental income                                                                      | 959                      | 466                    |
| Dividend income from equity investments at fair value through other comprehensive income | —                        | 67                     |
| Recovery of bad debts                                                                    | —                        | 1,395                  |
| Sundry income                                                                            | 334                      | 169                    |
|                                                                                          | <u>3,834</u>             | <u>2,747</u>           |

*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 2019 and 2018.

## 6. FINANCE COSTS

|                        | Six months ended 30 June |                        |
|------------------------|--------------------------|------------------------|
|                        | 2019                     | 2018                   |
|                        | (Unaudited)<br>RMB'000   | (Unaudited)<br>RMB'000 |
| Leases interest        | 103                      | —                      |
| Interest on bank loans | 2,921                    | 3,668                  |
| Finance leases charges | —                        | 176                    |
|                        | <u>3,024</u>             | <u>3,844</u>           |

## 7. PROFIT BEFORE TAX

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

|                                                           | Six months ended 30 June |                        |
|-----------------------------------------------------------|--------------------------|------------------------|
|                                                           | 2019                     | 2018                   |
|                                                           | (Unaudited)<br>RMB'000   | (Unaudited)<br>RMB'000 |
| Directors' remuneration                                   | 1,251                    | 1,197                  |
| Depreciation of property, plant and equipment             | 17,580                   | 16,722                 |
| Amortisation of intangible assets                         | 288                      | 316                    |
| (Gain)/loss on disposals of property, plant and equipment | (8)                      | 1                      |

## 8. INCOME TAX EXPENSE

|                       | Six months ended 30 June |                        |
|-----------------------|--------------------------|------------------------|
|                       | 2019                     | 2018                   |
|                       | (Unaudited)<br>RMB'000   | (Unaudited)<br>RMB'000 |
| Current tax — the PRC |                          |                        |
| Charge for the period | 575                      | 2,395                  |
| Deferred tax          | (38)                     | (39)                   |
|                       | <u>537</u>               | <u>2,356</u>           |

The Group is subject to income tax on an entity basis on profits arising in or derived from the jurisdictions in which members of the Group 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 to be 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 has no assessable profits arising in Hong Kong during the six months ended 30 June 2019 and 2018.

Pursuant to the approval of the tax bureau, in accordance with the Enterprise Income Tax Law of the PRC (中華人民共和國企業所得稅法), Fujian Sijia Industrial Material Co., Ltd.# (福建思嘉環保材料科技有限公司) ("Fujian Sijia") and Sijia New Material (Shanghai) Co., Ltd.# (思嘉環保材料科技(上海)有限公司) ("Shanghai Sijia") are subject to the tax rate of 15% for being a high-tech enterprise. Other subsidiaries are subject to a corporate income tax rate of 25% according to the Enterprise Income Tax Law of the PRC (中華人民共和國企業所得稅法).

# The English name is for identification only

## 9. DIVIDEND

The Directors do not recommend the payment of any interim dividend for the six months ended 30 June 2019 (six months ended 30 June 2018: Nil).

## 10. EARNING PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY

### Earning per share

The calculation of basic earning per share attributable to owners of the Company is based on the profit for the six months ended 30 June 2019 attributable to owners of the Company of approximately RMB16,535,000 (six months ended 30 June 2018: RMB11,763,000) and the weighted average number of approximately 852,612,000 (six months ended 30 June 2018: 852,612,000) ordinary shares in issue during the period.

### Diluted earning per share

Diluted earning per share for the six months ended 30 June 2019 and 2018 is the same as the basic earning per share as the Company did not have any dilutive potential ordinary shares during the periods.

## 11. 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:

|                                        | As at<br>30 June<br>2019<br>(Unaudited)<br>RMB'000 | As at<br>31 December<br>2018<br>(Audited)<br>RMB'000 |
|----------------------------------------|----------------------------------------------------|------------------------------------------------------|
| Within 3 months                        | 77,391                                             | 84,111                                               |
| More than 3 months but within 6 months | 2,529                                              | 2,930                                                |
| More than 6 months but within 1 year   | 76                                                 | 376                                                  |
| More than 1 year                       | 2,351                                              | 2,287                                                |
|                                        | <u>82,347</u>                                      | <u>89,704</u>                                        |

## 12. TRADE AND BILLS PAYABLES

|                | As at<br>30 June<br>2019<br>(Unaudited)<br>RMB'000 | As at<br>31 December<br>2018<br>(Audited)<br>RMB'000 |
|----------------|----------------------------------------------------|------------------------------------------------------|
| Trade payables | 90,589                                             | 93,879                                               |
| Bills payables | <u>166,839</u>                                     | <u>169,704</u>                                       |
|                | <u><b>257,428</b></u>                              | <u><b>263,583</b></u>                                |

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

|                                        | As at<br>30 June<br>2019<br>(Unaudited)<br>RMB'000 | As at<br>31 December<br>2018<br>(Audited)<br>RMB'000 |
|----------------------------------------|----------------------------------------------------|------------------------------------------------------|
| Within 3 months                        | 170,474                                            | 162,067                                              |
| More than 3 months but within 6 months | 86,147                                             | 99,515                                               |
| More than 6 months but within 1 year   | 373                                                | 1,881                                                |
| More than 1 year                       | <u>434</u>                                         | <u>120</u>                                           |
|                                        | <u><b>257,428</b></u>                              | <u><b>263,583</b></u>                                |

## 13. INTEREST-BEARING BORROWINGS

During the period under review, the Group obtained new bank loans of RMB19,000,000 as additional working capital (six months ended 30 June 2018: Nil) and made repayments of bank loans of RMB38,000,000 (six months ended 30 June 2018: RMB25,000,000)

## MANAGEMENT DISCUSSION AND ANALYSIS

### Business Review

The Group is renowned as one of the pioneers in the industry of producing new reinforced material in the PRC, providing new materials for professional use along with eco-friendly and renewable super core flooring products for a broad spectrum of industries including 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 this experienced management team, the Group implemented a market-oriented strategy. The Group also engaged in the development and sales of new products developed by its research and development (“R&D”) team and academic institutions. A number of these newly developed products and their production techniques were granted 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 for invention, to produce new materials, including drop stitch fabric, architectural membrane, waterproofing membrane, marquees materials, air tightness materials, inflatable boats materials and inflatable materials. These 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 eleven major sectors including outdoor leisure, sports, renewable energy, protection, construction, logistic, packaging, medical use, safety products, advertising and daily supplies.

The operations of the Group’s flooring product (“PVC Floor”) business are based in Fuzhou. The product is the world’s only renewable new type of lightweight decorative material for flooring. It has become the first choice for floor decorative materials throughout countries in Europe, US, as well as in Japan and Korea due to its outstanding features and eco-friendly properties. PVC Floor is sold in the global markets under the brand name “Zero Formaldehyde Super Core Flooring”. It meets the environmental and technical requirements in the Europe and the US which is approved by environmental certifications including EU CE, US Floorscore, French A+, German AgBB, ROHS2.0 and REACH rules. The product quality also meets the several international standards, allowing it to be broadly used in a wide variety of fields including education, medicine, commerce, sports, office environments, industrial use, transport, and everyday household items.

Revenue for the period under review was approximately RMB318.1 million, representing an increase of approximately RMB57.2 million, or 21.9%, compared to revenue of approximately RMB260.9 million for the same period last year. The increase was primarily attributable to the increase in demand for Reinforced Materials.

The Group's products can be categorised into three types: (i) Reinforced Materials, (ii) conventional materials ("Conventional Materials") and (iii) PVC Floor. The Group generated most of its revenue from the Reinforced Materials which accounted for approximately 94.75% (30 June 2018: 97.57%) of total revenue. Local sales continued to be the Group's major source of revenue, representing approximately 67% (30 June 2018: 65%) of the total revenue while export sales only accounted for approximately 33% (30 June 2018: 35%) of the total revenue.

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

|                        | For the six months ended 30 June |                               |                          |                               |
|------------------------|----------------------------------|-------------------------------|--------------------------|-------------------------------|
|                        | 2019                             |                               | 2018                     |                               |
|                        | <i>(RMB<br/>million)</i>         | <i>% of Total<br/>Revenue</i> | <i>(RMB<br/>million)</i> | <i>% of Total<br/>Revenue</i> |
| Reinforced Materials   | 301.41                           | 94.75                         | 254.60                   | 97.57                         |
| Conventional Materials | 3.15                             | 0.99                          | 6.26                     | 2.40                          |
| PVC Floor              | 13.57                            | 4.26                          | 0.08                     | 0.03                          |
|                        | <u>318.13</u>                    | <u>100.00</u>                 | <u>260.94</u>            | <u>100.00</u>                 |

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

|        | For the six months ended<br>30 June |                                  |
|--------|-------------------------------------|----------------------------------|
|        | 2019<br><i>(RMB<br/>million)</i>    | 2018<br><i>(RMB<br/>million)</i> |
| PRC    | 213.26                              | 168.64                           |
| Others | <u>104.87</u>                       | <u>92.30</u>                     |
|        | <u>318.13</u>                       | <u>260.94</u>                    |

## Reinforced Materials

For the period under review, in respect of the Reinforced Materials, the Group delivered the most in drop stitch fabric, tarpaulin materials and inflatable materials. Drop stitch fabric is a new material successfully developed and launched in the market after three 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 2019, the Group owned a total of 62 patents of which 38 on invention and 19 on practical new models and 5 on software copyright.

For the period under review, the Group's revenue generated from Reinforced Materials amounted to approximately RMB301.4 million (30 June 2018: RMB254.6 million) which accounted for approximately 94.8% (30 June 2018: 97.6%) of the Group's total revenue, representing an increase in sales of approximately 18.4%. An increase in revenue generated from Reinforced Material is mainly attributable to the increase in demand for the high-end new product, especially in drop stitch fabric. The Group achieved revenue from sale of drop stitch fabric of approximately RMB100.9 million (30 June 2018: RMB69 million). This revenue was accounted for 31.7% (30 June 2018: 26.5%) of the Group's total revenue for the period under review with a gross profit margin of approximately 44.72%, representing an increase of 45.65% as compared with the revenue in the same period in 2018.

### **Conventional Materials**

For the period under review, the Group's revenue generated from the Conventional Materials amounted to approximately RMB3.2 million (30 June 2018: RMB6.3 million) which accounted for approximately 0.99% (30 June 2018: 2.4%) of total revenue, representing a decrease in sales of approximately 49.7%, which was mainly due to the structural adjustment of Conventional Materials to Reinforced Materials.

### **PVC Floor**

The Group commenced trial manufacture of PVC Floor in 2018 and during the period under review, generated revenue of approximately RMB13.6 million (30 June 2018: RMB0.1 million), which accounted for approximately 4.3% of the total revenue (30 June 2018: 0.03%).

## **FINANCIAL REVIEW**

### **Financial Results**

#### ***Revenue***

The Group's revenue for the six months ended 30 June 2019 was approximately RMB318.1 million, representing an increase of approximately RMB57.2 million, or 21.9%, compared to revenue of approximately RMB260.9 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 RMB301.4 million (30 June 2018: RMB254.6 million), (2) Conventional Materials recorded a revenue of approximately RMB3.2 million (30 June 2018: RMB6.3 million), and (3) PVC Floor generated a revenue of approximately RMB13.6 million (30 June 2018: RMB0.1 million) from its new products, PVC flooring materials.

### ***Gross Profit and Gross Margin***

Gross profit was approximately RMB73 million for the period under review (30 June 2018: approximately RMB56 million), with the gross profit margin of approximately 22.9% (30 June 2018: 21.5%). The increase in gross profit margin was mainly due to attributable to the higher profit margin from the product of drop stitch fabric.

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

|                        | For the six months ended<br>30 June |             |
|------------------------|-------------------------------------|-------------|
|                        | 2019<br>%                           | 2018<br>%   |
| Reinforced Materials   | 24.9                                | 21.9        |
| Conventional Materials | 5.5                                 | 4.9         |
| PVC Floor              | (17.1)                              | (5.0)       |
| Overall                | <u>22.9</u>                         | <u>21.5</u> |

### ***Selling and Distribution Costs***

For the period under review, selling and distribution costs increased by approximately RMB3.8 million to approximately RMB10 million, or 3.1% of revenue for the period under review, from approximately RMB6.1 million, or 2.3% of revenue for the same period last year. The increase was mainly due to an increase in salaries, advertising and marketing expenses.

### ***Administrative Expenses***

For the period under review, administrative expenses increased by approximately RMB13.9 million or 43% to approximately RMB46.0 million. The increase in administrative expenses was mainly due to an increase in research and development and consultancy expenses.

### ***Research and Development***

For the period under review, research and development (the "R&D") costs amounted to approximately RMB29.1 million, or 9.1% of revenue (30 June 2018: RMB22.4 million, or 8.6% 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, develop high value-added new materials, and expand new application of the products and customer sales market.



### ***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 for trade receivables in the amount of RMBNil (30 June 2018: RMB0.2 million) due to long outstanding.

### ***Finance Costs***

Finance costs for the period under review was approximately RMB3.0 million (30 June 2018: RMB3.8 million). The decrease was mainly due to decrease in interest-bearing bank borrowings.

### ***Interest Income***

Interest income amounted to approximately RMB0.2 million for the period under review (30 June 2018: approximately RMB0.1 million).

### ***Income Tax***

For the period under review, the Group had an overall income tax expense of approximately RMB0.5 million (30 June 2018: RMB2.4 million).

### ***Profit for the Period***

For the period ended 30 June 2019, the Group recorded a profit attributable to owners of the Company approximately RMB16.5 million, or RMB1.94 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 RMB11.8 million, or RMB1.38 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 2019 (30 June 2018: 852,612,470).

### ***Dividends***

The Board has resolved not to pay any interim dividend for the six months ended 30 June 2019 (30 June 2018: Nil).

## **Liquidity and Financial Resources**

### ***Total Equity***

As at 30 June 2019, total equity amounted to approximately RMB290.4 million, representing an increase of 6%, compared to approximately RMB274.0 million as at 31 December 2018.

### ***Financial Position***

As at 30 June 2019, the Group had total current asset of approximately RMB295.9 million (31 December 2018: RMB289.6 million) and total current liabilities of approximately RMB455.0 million (31 December 2018: RMB474.1 million), with net current liabilities of approximately RMB159.1 million. (31 December 2018: RMB184.5 million)

As at 30 June 2019, the Group's net gearing (expressed as a percentage of total interest-bearing liabilities to total assets) was at 11.8%, as compared to 14.1% as at 31 December 2018.

### ***Cash and Cash Equivalents***

As at 30 June 2019, the Group had cash and cash equivalents of approximately RMB36.0 million (31 December 2018: RMB28.2 million), most of which were denominated in Renminbi ("RMB").

### ***Bank Borrowings***

As at 30 June 2019, the Group had interest-bearing bank borrowings of approximately RMB86.0 million (31 December 2018: RMB105.0 million).

### ***Contingent Liabilities***

As at 30 June 2019, the Group did not have any significant contingent liabilities (31 December 2018: Nil).

### ***Capital Commitments***

As at 30 June 2019, capital commitment of the Group amounted to approximately RMB2.5 million (31 December 2018: RMB0.4 million). The capital commitment will be funded partly by internal resources and partly by bank borrowings.

### ***Pledge of Assets***

As at 30 June 2019, the Group's buildings, plant and machinery of approximately RMB278.5 million (31 December 2018: RMB289.3 million), right-of-use assets of approximately RMB16.6 million (31 December 2018: prepaid land lease payments of RMB16.9 million), investment properties of approximately RMB14.6 million (31 December 2018: RMB14.6 million) and bank deposits of approximately RMB49.1 million (31 December 2018: RMB50.3 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 2019, the Group employed a total of 504 employees (31 December 2018: 430 employees).

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 2018.

## **FUTURE PROSPECTS**

Facing the continuing downturn of Eurozone economy and the slowing down of PRC economy, the Group will actively adapt to the national policy of “adjusting economic structure; transforming traditional manufacturing industries into new manufacturing industries”. It will adhere to the development principles of “stay on its original business, steady development, structure optimisation and continuous innovation”, and has implemented a series of adjustment measures:

1. stabilise the business development of new materials, and actively develop new products;
2. further develop business relationships with domestic and foreign customers of the Reinforced Materials and the flooring products, for the expansion of the Group’s market share;

3. establish more stable and reasonable strategic cooperation relationship with suppliers, so as to significantly lower procurement costs; and
4. all staff of the Group participate in the optimisation of internal control processes in relation to procurement, production, sales, and finance, in order to enhance the operation efficiency of the Group.

The Company has engaged professionals in 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 of the Company to update the latest progress of the Resumption as and when appropriate.

Once the Group has resumed its trading of 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. Shanghai Sijia will add an additional coating product production line and several production lines of the eco-friendly new material TPU, to expand the production capacity of new materials of Sijia by leveraging on the existing plant scale, so as to further enhance the competitiveness of the Group’s products;
2. Fujian Sijia will continue to deepen the development of drop stitch fabric, and accelerate the technical research and upgrade of reinforced drop stitch fabric and plain-weaved drop stitch fabric to explore more applications of drop stitch fabric;
3. Fujian Sijia will increase its efforts in the technical development and research of PVC flooring products, diversify flooring product lines and explore more applications of PVC flooring;
4. increase the publicity of foreign professional exhibitions, expand the market share of inflatable boat materials in Russia, and increase the market share of flooring in the Europe and US;
5. plan for the operation of zero-formaldehyde super core flooring of Sijia in the Chinese market;
6. engage with well-known institutions to make plans for the improvement of site lean management, the upgrade of technical quality system and the improvement of quality control system, with service focusing on quality technology innovation, in respect of technology development, new product research and development, manufacturing quality improvement, service quality evaluation, quality diagnosis evaluation and early warning and forecasting, in order to build competitiveness and lay the foundation for building Sijia brand of new materials;

7. plan to recruit 50 undergraduates, graduates and doctoral students majoring in high polymer materials and undergraduates in management for Sijia, to construct a talent echelon, cultivate outstanding technicians and establish a management team, so as to sustain technological and management innovation;
8. step up the protection for the intellectual property rights of our new technology and new technique and apply for more patents on technology, establish as one of the most innovative technology enterprise in the industry, and create values for the shareholders of the Company;
9. plan to establish an enterprise technology center at the national level and cooperate with universities to establish post-doctoral workstations; and
10. work hard to create better living and working conditions and further improve the quality of physical and spiritual life of Sijia employees.

The future business activities will be funded internally by the revenue generated from the established business operations.

## **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 2019, 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 2019.

## **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 2019.

## **MATERIAL ACQUISITION OR DISPOSALS**

There was no material acquisition or disposal of subsidiaries by the Group during the six months ended 30 June 2019.

## 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 2019 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 2019 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, 29 August 2019

*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.*