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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 2022

The board of directors (the “Board”) of China Longevity Group Company Limited (the “Company”) is pleased to announce the unaudited condensed consolidated interim results of the Company and its subsidiaries (the “Group”) for the six months ended 30 June 2022, together with the comparative figures for the corresponding period in 2021. The interim results had been reviewed by the audit committee of the Company and approved by the Board.

RESULTS HIGHLIGHT:

- Revenue decreased by approximately 26.5% to approximately RMB530.7 million
- Gross profit margin decreased from 18.4% to 15.0%
- Profit for the six months ended 30 June 2022 attributable to owners of the Company decreased by approximately 52.2% to approximately RMB23.7 million
- Basic earnings per share was approximately RMB2.78 cents (six months ended 30 June 2021: RMB5.83 cents)
- The Board did not declare an interim dividend (six months ended 30 June 2021: Nil)

Note: Compared to the six months ended 30 June 2021

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2022

	Notes	Six months ended 30 June	
		2022 RMB'000 (Unaudited)	2021 RMB'000 (Unaudited)
REVENUE	4	530,658	721,675
Cost of sales		<u>(450,972)</u>	<u>(588,575)</u>
GROSS PROFIT		79,686	133,100
Other income and gains	5	11,653	4,996
Selling and distribution costs		(17,517)	(21,402)
Administrative expenses		(40,725)	(49,104)
Share of loss of an associate		(10)	(6)
Other expenses		<u>(866)</u>	<u>(4,286)</u>
PROFIT FROM OPERATIONS		32,221	63,298
Loss on fair value changes at financial assets at fair value through profit or loss		(20)	—
Finance costs	6	<u>(7,892)</u>	<u>(7,457)</u>
PROFIT BEFORE TAX	7	24,309	55,841
Income tax expense	8	<u>(1,199)</u>	<u>(6,402)</u>
PROFIT FOR THE PERIOD		23,110	49,439
Other comprehensive income/(expense) after tax:			
<i>Items that will not be reclassified to profit or loss:</i>			
Exchange differences on translation of the Company		5,032	(1,091)
<i>Items that may be reclassified to profit or loss:</i>			
Exchange differences on translation of the non-PRC operations		<u>(5,668)</u>	<u>1,124</u>
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		<u><u>22,474</u></u>	<u><u>49,472</u></u>
PROFIT/(LOSS) FOR THE PERIOD ATTRIBUTABLE TO:			
Owners of the Company		23,732	49,689
Non-controlling interests		<u>(622)</u>	<u>(250)</u>
		<u><u>23,110</u></u>	<u><u>49,439</u></u>

		Six months ended 30 June	
		2022	2021
	<i>Notes</i>	RMB'000	RMB'000
		(Unaudited)	(Unaudited)
TOTAL COMPREHENSIVE INCOME/(EXPENSE)			
Owners of the Company		23,096	49,722
Non-controlling interests		(622)	(250)
		<u>22,474</u>	<u>49,472</u>
EARNINGS PER SHARE (RMB cents)			
	<i>10</i>		
— Basic		<u>2.78</u>	<u>5.83</u>
— Diluted		<u>2.78</u>	<u>5.83</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2022

		As at 30 June 2022 <i>RMB'000</i> (Unaudited)	As at 31 December 2021 <i>RMB'000</i> (Audited)
	<i>Notes</i>		
Non-current assets			
Property, plant and equipment	11	462,427	458,525
Right-of-use assets		92,581	90,178
Investment properties		35,366	35,366
Intangible assets		684	684
Interest in an associate		7,293	1,361
Deposits paid for acquisition of property, plant and equipment		33,555	14,560
Equity investments at fair value through other comprehensive income		4,140	4,140
Deferred tax assets		2,782	2,797
		<u>638,828</u>	<u>607,611</u>
Total non-current assets			
Current assets			
Inventories		213,324	203,775
Trade and bills receivables	12	242,043	327,857
Prepayments, deposits and other receivables		49,379	35,495
Pledged bank deposits		80,935	138,658
Cash and cash equivalents		95,326	77,994
		<u>681,007</u>	<u>783,779</u>
Total current assets			
Current liabilities			
Trade and bills payables	13	379,837	486,664
Lease liabilities		3,545	3,198
Contract liabilities		2,650	4,709
Other payables and accruals		45,682	52,003
Interest-bearing borrowings	14	185,969	216,275
Deferred income		380	200
Due to a director		—	9,050
Tax payable		6,374	12,633
		<u>624,437</u>	<u>784,732</u>
Total current liabilities			
Net current assets/(liabilities)		<u>56,570</u>	<u>(953)</u>
Total assets less current liabilities		<u>695,398</u>	<u>606,658</u>

		As at 30 June 2022	As at 31 December 2021
	<i>Notes</i>	<i>RMB'000</i> (Unaudited)	<i>RMB'000</i> (Audited)
Non-current liabilities			
Interest-bearing borrowings	14	90,022	33,429
Lease liabilities		3,439	2,552
Deferred income		3,170	1,650
Deferred tax liabilities		9,212	9,296
		<u>105,843</u>	<u>46,927</u>
Total non-current liabilities		<u>105,843</u>	<u>46,927</u>
NET ASSETS		<u>589,555</u>	<u>559,731</u>
Capital and reserves			
Issued capital		747	747
Reserves		553,523	530,427
		<u>554,270</u>	<u>531,174</u>
Non-controlling interests		<u>35,285</u>	<u>28,557</u>
TOTAL EQUITY		<u>589,555</u>	<u>559,731</u>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2022

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 and conventional materials ("Material Products") and (ii) PVC and Non-PVC composite materials of floorings and wall panels ("Building Material Products", formerly known as "Flooring Products") during the period.

In the opinion of the directors of the Company (the "Directors"), as at the date of issue of these consolidated 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 include all the information and disclosures required in a full set of financial statements, and should be read in conjunction with the Group's 2021 annual consolidated financial statements for the year ended 31 December 2021 ("2021 Annual Report"). The accounting policies and methods of computation used in the preparation of the Interim Financial Statements are consistent with those used in 2021 Annual Report.

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 2022. 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.

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

	Six months ended 30 June	
	2022	2021
	(Unaudited)	(Unaudited)
	<i>RMB'000</i>	<i>RMB'000</i>
Sales of goods	530,658	721,675

There is only one operating segment which is principally engaged in the design, development, manufacture and sale of (i) Material Products and (ii) Building Material Products 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:

	Six months ended 30 June	
	2022	2021
	(Unaudited)	(Unaudited)
	<i>RMB'000</i>	<i>RMB'000</i>
Geographical markets		
The People's Republic of China (the "PRC")	375,950	572,008
Others	154,708	149,667
Total	530,658	721,675

	Six months ended 30 June	
	2022	2021
	(Unaudited)	(Unaudited)
	<i>RMB'000</i>	<i>RMB'000</i>
Major products		
Material products	486,838	677,799
Building Material Products	43,820	43,876
Total	530,658	721,675

The revenue was recognised at a point in time.

Information about major customers

Revenue from customers of corresponding periods contributing over 10% of the total revenue of the Group are as follows:

	Six months ended 30 June	
	2022 (Unaudited) RMB'000	2021 (Unaudited) RMB'000
Customer A	<u>54,264</u>	<u>N/A</u>

5. OTHER INCOME AND GAINS

	Six months ended 30 June	
	2022 (Unaudited) RMB'000	2021 (Unaudited) RMB'000
Interest income	985	223
Government subsidies (<i>note</i>)	3,960	1,377
Gain on lease termination	108	67
Gross rental income	2,047	1,444
Dividend income from equity investments at fair value through other comprehensive income	335	217
Reversal of allowance for receivables, net	—	999
Exchange gain, net	3,866	—
Sundry income	<u>352</u>	<u>669</u>
	<u>11,653</u>	<u>4,996</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 2022 and 2021.

6. FINANCE COSTS

	Six months ended 30 June	
	2022 (Unaudited) RMB'000	2021 (Unaudited) RMB'000
Lease interest	256	104
Interest on bank loans	4,992	4,322
Interest on other loans	3,835	3,031
	<hr/>	<hr/>
Total borrowing cost	9,083	7,457
Less: interests capitalised	(1,191)	—
	<hr/>	<hr/>
	7,892	7,457
	<hr/> <hr/>	<hr/> <hr/>

7. PROFIT BEFORE TAX

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

	Six months ended 30 June	
	2022 (Unaudited) RMB'000	2021 (Unaudited) RMB'000
Directors' remuneration	1,740	1,653
Depreciation of property, plant and equipment	31,701	26,655
Depreciation on right-of-use assets	2,038	1,079
Net loss on disposals of property, plant and equipment	53	2,665
	<hr/>	<hr/>

8. INCOME TAX EXPENSE

	Six months ended 30 June	
	2022 (Unaudited) RMB'000	2021 (Unaudited) RMB'000
Current tax – the PRC		
Charge for the period	1,268	6,302
Deferred tax	(69)	100
	<hr/>	<hr/>
	1,199	6,402
	<hr/> <hr/>	<hr/> <hr/>

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 during the year. No provision for Hong Kong profits tax has been made as the Group has no assessable profits arising in Hong Kong for the six months ended 30 June 2022 and 2021.

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 2022 (six months ended 30 June 2021: Nil).

10. EARNINGS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY

Earnings per share

The calculation of basic earnings per share attributable to owners of the Company is based on the profit for the six months ended 30 June 2022 attributable to owners of the Company of approximately RMB23,732,000 (six months ended 30 June 2021: RMB49,689,000) and the weighted average number of approximately 852,612,000 (six months ended 30 June 2021: 852,612,000) ordinary shares in issue during the period.

Diluted earning per share

Diluted earnings per share for the six months ended 30 June 2022 and 2021 is the same as the basic earning per share as the Company did not have any dilutive potential ordinary shares during the periods.

11. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2022, the Group acquired property, plant and equipment at a total cost of RMB35,663,000 (six months ended 30 June 2021: RMB38,411,000).

During the six months ended 30 June 2022, property, plant and equipment with a carrying amount of RMB60,000 (six months ended 30 June 2021: RMB2,678,000) were disposed of by the Group, resulting in a loss on disposals of RMB53,000 (six months ended 30 June 2021: loss on disposals of RMB2,665,000).

12. TRADE AND BILLS 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 30 June 2022 (Unaudited) RMB'000	As at 31 December 2021 (Audited) RMB'000
Within 3 months	173,059	302,053
More than 3 months but within 6 months	60,803	20,148
More than 6 months but within 1 year	8,181	5,656
	<u>242,043</u>	<u>327,857</u>

13. TRADE AND BILLS PAYABLES

	As at 30 June 2022 (Unaudited) RMB'000	As at 31 December 2021 (Audited) RMB'000
Trade payables	183,957	221,500
Bills payables	195,880	265,164
	<u>379,837</u>	<u>486,664</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 30 June 2022 (Unaudited) RMB'000	As at 31 December 2021 (Audited) RMB'000
Within 3 months	223,595	330,472
More than 3 months but within 6 months	154,980	148,350
More than 6 months but within 1 year	1,262	7,838
More than 1 year	—	4
	379,837	486,664

14. INTEREST-BEARING BORROWINGS

During the period ended 30 June 2022, the Group obtained new interest-bearing borrowings of RMB137,000,000 as additional working capital (six months ended 30 June 2021: RMB108,998,000) and made repayments of interest-bearing borrowings of RMB110,713,000 (six months ended 30 June 2021: RMB68,603,000).

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

The Company and its subsidiaries (collectively referred to as the “Group”) are principally engaged in the design, development, manufacture and sale of (i) polymer processed high strength polyester fabric composite materials and other reinforced composite and conventional materials (“Material Products”) and (ii) PVC and Non-PVC composite materials of floorings and wall panels (“Building Material Products”) during the period.

Contributing to the global fight against COVID-19: During the past six months, our Group supplied anti-bacterial membrane materials for fast installation nucleic acid testing laboratories, supported the fight against COVID-19 in Hong Kong, Suzhou and other cities, and fully supported the construction of the makeshift hospital in Lingang, Shanghai.

Supporting Winter Olympics with low carbon: Temporary facilities at the Winter Olympics were built using the Group’s materials at three of the major competition venues, including spectator area system, athlete service system, television broadcasting rooms, pandemic prevention and control, logistics and others. The facilities were convenient to dismantle and generated minimal building waste, thus taking into account both the convenience of recycling and sustainable development.

New developments in smart industrial park: The news broadcasting agency, Xinwen Lianbo, did a news special on our major projects in Fujian, including Sijia (Fuqing) Industrial Park. The Group made arrangements for a new product line and will take advantage of the chemical new material industry cluster in Jiangyin Port to create China’s first multi-process, eco-friendly new material production base for upstream and downstream industry chains.

Innovation and technological strength to promote research and development: The Group participated in the key project of “Preparation and application of high-performance textile-based structural flexible materials” under the National Key Research and Development Program, “Technical upgrading and industrialisation of key basic materials”. It passed the comprehensive performance evaluation, boosting development of the industry and promoting innovation and evolution of new products.

Gathering strength in intelligentisation and digitalisation to enhance competitiveness: The Group has smoothly put its fully automatic digital functional film production line into operation, which will demonstrate its competitive advantage in the production of thin film products.

Honour and recognition: Fujian Sijia was awarded as the “Demonstration base of business secret protection in Fujian” and an “Outstanding company in innovation and development in Fuzhou”.

Revenue for the period under review was approximately RMB530.7 million, representing a decrease of approximately RMB191.0 million, or 26.5%, compared to revenue of approximately RMB721.7 million for the same period last year. The decrease was primarily attributable to COVID-19 pandemic’s severe impact on Chinese economy during the early half of 2022 in China and the contraction of market economy arising from the Russia-Ukraine war.

The Group's products can be categorised into two types: (i) Material Products and (ii) Building Material Products (formerly known as Flooring Products). The Group generated most of its revenue from the Material Products which accounted for approximately 91.7% (30 June 2021: 93.9%) of total revenue. Local sales continued to be the Group's major source of revenue, representing approximately 70.8% (30 June 2021: 79.3%) of the total revenue while export sales only accounted for approximately 29.2% (30 June 2021: 20.7%) of the total revenue.

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

	For the six months ended 30 June			
	2022		2021	
	(RMB million)	% of Total Revenue	(RMB million)	% of Total Revenue
Material Products	486.84	91.74	677.80	93.92
Building Material Products	43.82	8.26	43.88	6.08
	<u>530.66</u>	<u>100.00</u>	<u>721.68</u>	<u>100.00</u>

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

	For the six months ended 30 June	
	2022 (RMB million)	2021 (RMB million)
PRC	375.95	572.01
Others	<u>154.71</u>	<u>149.67</u>
	<u>530.66</u>	<u>721.68</u>

During the period under review, the Group faced severe tests due to the pandemic, the Russia-Ukraine War, rising global inflation and the energy crisis. Supply prices of the Company's main raw materials continuously went up, resulting in a year-on-year increase in product costs. A decrease in downstream customer demand led to a decline in sales revenue.

Despite the impact on performance, the Group rose to the challenges and dealt with the situation. The Group carried out an active response to new policies and established an internal and external ecological chain. On the basis of the original 18 fields, the Group carried out product upgrading and iteration to accelerate the progress of high-quality development and the pace of deepening the domestic market.

The structure of the industrial chain will gradually formalise with the construction of Sijia (Fuqing) Industrial Park. With the geographical advantage of Jiangyin Port, the Group will utilise three production bases at the new development stage to optimise the layout in the global market and further expand market share.

As at 30 June 2022, the Group owned a total of 109 patents with respect to the Material Products, of which 47 patents on inventions, 57 patents on practical new models and 5 patents on software copyrights.

Material Products

For the period under review, the Group's revenue generated from Material Products amounted to approximately RMB486.8 million (30 June 2021: RMB677.8 million) which accounted for approximately 91.7% (30 June 2021: 93.9%) of the Group's total revenue, representing a decrease in sales of approximately 28.2%. The decrease in revenue was mainly due to COVID-19 pandemic's severe impact on Chinese economy during the early half of 2022 in China and the contraction of market economy arising from the Russia-Ukraine war.

Building Material Products

For the period under review, the Group's revenue generated from the Building Material Products amounted to approximately RMB43.8 million (30 June 2021: RMB43.9 million) which accounted for approximately 8.3% (30 June 2021: 6.1%) of total revenue, representing a slight decrease in sales of approximately 0.14%.

FINANCIAL REVIEW

Financial Results

Revenue

The Group's revenue for the six months ended 30 June 2022 was approximately RMB530.7 million, representing a decrease of approximately RMB191.0 million, or 26.5%, compared to revenue of approximately RMB721.7 million for the same period last year. For the period under review, the Group's major sales segments, namely, (1) Material Products reported revenue of approximately RMB486.8 million (30 June 2021: RMB677.8 million) and (2) Building Material Products recorded a revenue of approximately RMB43.8 million (30 June 2021: RMB43.9 million).

Gross Profit and Gross Margin

Gross profit was approximately RMB79.7 million for the period under review (30 June 2021: approximately RMB133.1 million), with the gross profit margin of approximately 15.0% (30 June 2021: 18.4%). The decrease in gross profit margin was mainly due to increase in cost of raw materials of the products.

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

	For the six months ended	
	30 June	
	2022	2021
	%	%
Material Products	14.9	21.2
Building Material Products	15.9	7.8
Overall	15.0	18.4

Selling and Distribution Costs

For the period under review, selling and distribution costs decrease by approximately RMB3.9 million to approximately RMB17.5 million, or 3.3% of revenue for the period under review, from approximately RMB21.4 million, or 3% of revenue for the same period last year. This was mainly due to the decrease in sales and thereby decrease in transportation expenses.

Administrative Expenses

For the period under review, administrative expenses decreased by approximately RMB8.4 million or by 17.1%, from approximately RMB49.1 million to approximately RMB40.7 million. The decrease in administrative expenses was mainly due to a decrease in research and development expenses.

Research and Development

For the period under review, research and development (the “R&D”) costs amounted to approximately RMB22.5 million, or 4.2% of revenue (30 June 2021: RMB33.6 million, or 4.7% 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.

Finance Costs

Finance costs for the period under review was approximately RMB7.9 million (30 June 2021: RMB7.5 million). The increase was mainly due to increase in interest-bearing borrowings.

Other Income and gains

Other income and gains amounted to approximately RMB11.7 million for the period under review (30 June 2021: approximately RMB5.0 million). The increase for the period was mainly due to increase in government subsidies and exchange gain.

Income Tax

For the period under review, the Group had an overall income tax expense of approximately RMB1.2 million (30 June 2021: RMB6.4 million). The decrease was mainly due to a drop in net profit for the period.

Profit for the Period

For the period ended 30 June 2022, the Group recorded a profit attributable to owners of the Company approximately RMB23.7 million, or RMB2.78 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 RMB49.7 million, or RMB5.83 cents for basic earnings per share. The decrease in profit for the year was mainly due to decrease in revenue and gross profit margin. The weighted average number of ordinary shares of 852,612,470 in issue during the period ended 30 June 2022 (30 June 2021: 852,612,470).

Dividends

The Board has resolved not to pay any interim dividend for the six months ended 30 June 2022 (30 June 2021: Nil).

Liquidity and Financial Resources

Total Equity

As at 30 June 2022, total equity amounted to approximately RMB589.6 million, representing an increase of 5.3%, compared to approximately RMB559.7 million as at 31 December 2021.

Financial Position

As at 30 June 2022, the Group had total current asset of approximately RMB681.0 million (31 December 2021: RMB783.8 million) and total current liabilities of approximately RMB624.4 million (31 December 2021: RMB784.7 million), with net current assets of approximately RMB56.6 million (31 December 2021: net current liabilities of RMB1.0 million).

As at 30 June 2022, the Group's net gearing (expressed as a percentage of total interest-bearing liabilities to total assets) was at 21.4%, as compared to 19.0% as at 31 December 2021.

Cash and Cash Equivalents

As at 30 June 2022, the Group had cash and cash equivalents of approximately RMB95.3 million (31 December 2021: RMB78.0 million), most of which were denominated in Renminbi (“RMB”).

Bank Borrowings

As at 30 June 2022, the Group had interest-bearing bank borrowings of approximately RMB213.8 million (31 December 2021: RMB193.8 million).

Contingent Liabilities

As at 30 June 2022, the Group did not have any significant contingent liabilities (31 December 2021: Nil).

Capital Commitments

As at 30 June 2022, capital commitment of the Group amounted to approximately RMB353.6 million (31 December 2021: RMB74.0 million). The capital commitment will be funded partly by internal resources and partly by bank borrowings.

Pledge of Assets

As at 30 June 2022, the Group’s buildings, plant and machinery of approximately RMB281.3 million (31 December 2021: RMB300.0 million), right-of-use assets of approximately RMB19.9 million (31 December 2021: RMB20.3 million), investment properties of approximately RMB20.5 million (31 December 2021: RMB20.5 million) and bank deposits of approximately RMB80.9 million (31 December 2021: RMB138.7 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 2022, the Group employed a total of 498 employees (31 December 2021: 536 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 employees.

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 2021.

Material Acquisitions or Disposals

There were no other material acquisitions or disposals during the six months ended 30 June 2022.

FUTURE PROSPECTS

Facing the severe global pandemic, geopolitical conflicts and rising global inflation, by actively responding to national policies, the Group has made strategic deployment and changes and leveraged a dual-driver model consisting of international and domestic sales markets. Looking forward, the Group will clarify its development direction and tap market potential by capitalising on innovative technologies and its professional technical team recognised by domestic and foreign peers. Efforts will be made to accelerate the construction of the smart industrial park and make all-round presence worldwide:

- 1. Enhancing core competitiveness:** Developing new high-performance products and special materials suitable for special scenarios.
- 2. Consolidating development foundation:** Building Sijia (Fuqing) Industrial Park to turn it into China’s first multi-process, eco-friendly new material production base for upstream and downstream industry chains, which will create advantageous conditions for upstream and downstream cooperation in the research and development of new material technology, shorten the matching time for upstream raw materials, and achieve more efficient and high-quality development.
- 3. Upgrading the Group’s business and operation model:** Developing innovative eco-friendly building materials and actively popularising the brand of Ecore Ultra Floorings of Sijia, as moves to enter China’s building material market.

4. **Implementing major strategy:** Based on the “10+” Jia culture system, the Group looks to foster positive and merit-oriented corporate culture and spirits, and lead the management in terms of talent, quality, safety, market and others of the Group, so as to drive the Group’s high-quality development.
5. **Promoting digital development via specialty, refinement, uniqueness and novelty:** Tracking the supply chain developments of industrial leaders to achieve the strategic goal of high efficiency, correctness, sustainability and digitalisation.
6. **Cutting cost and increasing efficiency:** Continuously promoting the optimisation of internal control processes such as procurement, production, sales and finance to improve operational efficiency.
7. **Talent reserve:** Cultivating a team of high-level technical talents to further strengthen its competitiveness, enhance the competitive strength in respect of talents, and promote sustainable development.
8. **Creating the future:** Striving onwards to create better living and working conditions for the Group’s employees for the sake of further improving the quality of their physical and spiritual lives; and
9. **Remaining true to the original aspiration:** Actively fulfilling its corporate responsibilities, participating in activities to help revitalise the countryside and repay the hometown, as well as activities such as “1,000 enterprises helping 1,000 villages” and targeted poverty alleviation through education.

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 2022, 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 2022.

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 2022.

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 2022 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 2022 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, 26 August 2022

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