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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 2023**

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 2023, together with the comparative figures for the corresponding period in 2022. The interim results had been reviewed by the audit committee of the Company and approved by the Board.

#### **RESULTS HIGHLIGHT:**

- Revenue decreased by approximately 15.6% to approximately RMB447.7 million
- Gross profit margin increased from 15.0% to 18.3%
- Profit for the six months ended 30 June 2023 attributable to owners of the Company decreased by approximately 17.6% to approximately RMB19.5 million
- Basic earnings per share was approximately RMB2.29 cents (six months ended 30 June 2022: RMB2.78 cents)
- The Board did not declare an interim dividend (six months ended 30 June 2022: Nil)

*Note: Compared to the six months ended 30 June 2022*

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

*For the six months ended 30 June 2023*

		<b>Six months ended 30 June</b>	
	<i>Notes</i>	<b>2023</b>	<b>2022</b>
		<b>RMB'000</b>	<b>RMB'000</b>
		<b>(Unaudited)</b>	<b>(Unaudited)</b>
<b>REVENUE</b>	4	<b>447,722</b>	530,658
Cost of sales		<b>(365,709)</b>	(450,972)
<b>GROSS PROFIT</b>		<b>82,013</b>	79,686
Other income and gains	5	<b>5,637</b>	11,653
Selling and distribution costs		<b>(19,034)</b>	(17,517)
Administrative expenses		<b>(43,084)</b>	(40,725)
Share of loss of an associate		<b>(28)</b>	(10)
Other expenses		<b>(1,406)</b>	(866)
<b>PROFIT FROM OPERATIONS</b>		<b>24,098</b>	32,221
Loss on fair value changes at financial assets at fair value through profit or loss		—	(20)
Impairment of receivables, net		<b>(158)</b>	—
Finance costs	6	<b>(4,079)</b>	(7,892)
<b>PROFIT BEFORE TAX</b>	7	<b>19,861</b>	24,309
Income tax expense	8	<b>(2,208)</b>	(1,199)
<b>PROFIT FOR THE PERIOD</b>		<b>17,653</b>	23,110
<b>Other comprehensive income/(expense) after tax:</b>			
<i>Items that will not be reclassified to profit or loss:</i>			
Exchange differences on translation of the Company		<b>250</b>	5,032
<i>Items that may be reclassified to profit or loss:</i>			
Exchange differences on translation of the non-PRC operations		<b>(201)</b>	(5,668)
<b>TOTAL COMPREHENSIVE INCOME FOR THE PERIOD</b>		<b>17,702</b>	22,474

		<b>Six months ended 30 June</b>	
		<b>2023</b>	2022
	<i>Notes</i>	<i>RMB'000</i>	<i>RMB'000</i>
		<b>(Unaudited)</b>	(Unaudited)
<b>PROFIT/(LOSS) FOR THE PERIOD</b>			
<b>ATTRIBUTABLE TO:</b>			
Owners of the Company		<b>19,545</b>	23,732
Non-controlling interests		<b>(1,892)</b>	(622)
		<u><b>17,653</b></u>	<u>23,110</u>
<b>TOTAL COMPREHENSIVE INCOME/</b>			
<b>(EXPENSE)</b>			
Owners of the Company		<b>19,594</b>	23,096
Non-controlling interests		<b>(1,892)</b>	(622)
		<u><b>17,702</b></u>	<u>22,474</u>
<b>EARNINGS PER SHARE (<i>RMB cents</i>)</b>			
	<i>10</i>		
— Basic		<u><b>2.29</b></u>	<u>2.78</u>
— Diluted		<u><b>2.29</b></u>	<u>2.78</u>

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2023

		As at 30 June 2023 <i>RMB'000</i> (Unaudited)	As at 31 December 2022 <i>RMB'000</i> (Audited)
	<i>Notes</i>		
<b>Non-current assets</b>			
Property, plant and equipment	11	713,164	589,760
Right-of-use assets		86,495	91,313
Investment properties		34,800	34,800
Intangible assets		1,569	1,263
Interest in an associate		9,334	8,872
Deposits paid for acquisition of property, plant and equipment		71,507	33,994
Equity investments at fair value through other comprehensive income		4,140	4,140
Deferred tax assets		2,712	2,740
		<hr/>	<hr/>
<b>Total non-current assets</b>		<b>923,721</b>	<b>766,882</b>
		<hr/>	<hr/>
<b>Current assets</b>			
Inventories		171,463	181,750
Trade and bills receivables	12	186,091	181,183
Prepayments, deposits and other receivables		70,564	58,749
Pledged bank deposits		40,450	55,049
Cash and cash equivalents		82,778	90,583
		<hr/>	<hr/>
<b>Total current assets</b>		<b>551,346</b>	<b>567,314</b>
		<hr/>	<hr/>
<b>Current liabilities</b>			
Trade and bills payables	13	221,928	276,138
Lease liabilities		943	2,222
Contract liabilities		4,462	3,230
Other payables and accruals		44,826	42,620
Interest-bearing borrowings	14	144,470	145,418
Deferred income		380	380
Due to a director		—	1,403
Tax payable		7,403	7,682
		<hr/>	<hr/>
<b>Total current liabilities</b>		<b>424,412</b>	<b>479,093</b>
		<hr/>	<hr/>
<b>Net current assets</b>		<b>126,934</b>	<b>88,221</b>
		<hr/>	<hr/>
<b>Total assets less current liabilities</b>		<b>1,050,655</b>	<b>855,103</b>
		<hr/>	<hr/>

		As at <b>30 June</b> <b>2023</b> <i>RMB'000</i> <b>(Unaudited)</b>	As at 31 December 2022 <i>RMB'000</i> (Audited)
<b>Non-current liabilities</b>			
Interest-bearing borrowings	<i>14</i>	<b>346,901</b>	181,962
Lease liabilities		<b>2,481</b>	2,899
Deferred income		<b>10,188</b>	10,378
Deferred tax liabilities		<b>14,104</b>	13,938
		<hr/>	<hr/>
<b>Total non-current liabilities</b>		<b>373,674</b>	209,177
		<hr/>	<hr/>
<b>NET ASSETS</b>		<b>676,981</b>	645,926
		<hr/> <hr/>	<hr/> <hr/>
<b>Capital and reserves</b>			
Issued capital		747	747
Reserves		<b>618,189</b>	598,595
		<hr/>	<hr/>
		<b>618,936</b>	599,342
<b>Non-controlling interests</b>		<b>58,045</b>	46,584
		<hr/>	<hr/>
<b>TOTAL EQUITY</b>		<b>676,981</b>	645,926
		<hr/> <hr/>	<hr/> <hr/>

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

*For the six months ended 30 June 2023*

### 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**") during the period.

In the opinion of the directors of the Company (the "**Directors**"), as at the date of issue of these condensed consolidated financial statements, Hopeland International Holdings Company Limited ("**Hopeland International**") is the ultimate holding company of the Company; and Mr. Lin Shengxiong ("**Mr. Lin**") 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 2022 annual consolidated financial statements for the year ended 31 December 2022 ("**2022 Annual Report**"). The accounting policies and methods of computation used in the preparation of the Interim Financial Statements are consistent with those used in 2022 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 2023. 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	
	2023	2022
	(Unaudited)	(Unaudited)
	<i>RMB’000</i>	<i>RMB’000</i>
Sales of goods	<u>447,722</u>	<u>530,658</u>

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 year. 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>2023</b>	<b>2022</b>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>
	<b><i>RMB'000</i></b>	<b><i>RMB'000</i></b>
<b>Geographical markets</b>		
The People's Republic of China (the "PRC")	<b>281,700</b>	375,950
Others	<b>166,022</b>	154,708
	<u><b>447,722</b></u>	<u>530,658</u>
Total	<u><b>447,722</b></u>	<u>530,658</u>

	<b>Six months ended 30 June</b>	
	<b>2023</b>	<b>2022</b>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>
	<b><i>RMB'000</i></b>	<b><i>RMB'000</i></b>
<b>Major products</b>		
Material products	<b>406,822</b>	486,838
Building Material Products	<b>40,900</b>	43,820
	<u><b>447,722</b></u>	<u>530,658</u>
Total	<u><b>447,722</b></u>	<u>530,658</u>

The revenue was recognised at a point in time.

**Information about major customers**

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

	<b>Six months ended 30 June</b>	
	<b>2023</b>	<b>2022</b>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>
	<b><i>RMB'000</i></b>	<b><i>RMB'000</i></b>
Customer A	<u><b>N/A</b></u>	<u>54,264</u>



## 5. OTHER INCOME AND GAINS

	<b>Six months ended 30 June</b>	
	<b>2023</b>	2022
	<b>(Unaudited)</b>	(Unaudited)
	<i>RMB'000</i>	<i>RMB'000</i>
Interest income	278	985
Government subsidies ( <i>note</i> )	1,642	3,960
Gain on lease termination	1	108
Gross rental income	1,362	2,047
Dividend income from equity investments at fair value through other comprehensive income	223	335
Exchange gain, net	1,892	3,866
Sundry income	239	352
	<u>5,637</u>	<u>11,653</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 2023 and 2022.

## 6. FINANCE COSTS

	<b>Six months ended 30 June</b>	
	<b>2023</b>	2022
	<b>(Unaudited)</b>	(Unaudited)
	<i>RMB'000</i>	<i>RMB'000</i>
Lease interest	117	256
Interest on bank loans	7,124	4,992
Interest on other loans	1,015	3,835
	<u>8,256</u>	<u>9,083</u>
Total borrowing cost	8,256	9,083
Less: interests capitalised	(4,177)	(1,191)
	<u>4,079</u>	<u>7,892</u>

## 7. PROFIT BEFORE TAX

The Group's profit before tax is stated after charging:

	Six months ended 30 June	
	2023	2022
	(Unaudited)	(Unaudited)
	<i>RMB'000</i>	<i>RMB'000</i>
Directors' remuneration	717	1,740
Depreciation of property, plant and equipment	33,198	31,701
Depreciation on right-of-use assets	2,019	2,038
Amortisation of intangible assets	41	—
Net loss on disposals/written off of property, plant and equipment	99	53
	<u>99</u>	<u>53</u>

## 8. INCOME TAX EXPENSE

	Six months ended 30 June	
	2023	2022
	(Unaudited)	(Unaudited)
	<i>RMB'000</i>	<i>RMB'000</i>
Current tax — the PRC		
Charge for the year	1,495	1,268
Under-provision in prior years	519	—
Deferred tax	194	69
	<u>2,208</u>	<u>1,199</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 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 2023 and 2022.

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 2023 (six months ended 30 June 2022: 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 2023 attributable to owners of the Company of approximately RMB19,545,000 (six months ended 30 June 2022: RMB23,732,000) and the weighted average number of approximately 852,612,000 (six months ended 30 June 2022: 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 2023 and 2022 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 2023, the Group acquired property, plant and equipment at a total cost of RMB152,081,000 (six months ended 30 June 2022: RMB35,663,000).

During the six months ended 30 June 2023, property, plant and equipment with a carrying amount of RMB113,000 (six months ended 30 June 2022: RMB60,000) were disposed of/written off by the Group, resulting in a loss on disposals/written off of RMB99,000 (six months ended 30 June 2022: loss on disposals of RMB53,000).

## 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 and bills 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 2023 (Unaudited) <i>RMB'000</i>	As at 31 December 2022 (Audited) <i>RMB'000</i>
Within 3 months	142,374	128,626
More than 3 months but within 6 months	26,568	21,294
More than 6 months but within 1 year	10,455	31,263
More than 1 year	6,694	—
	<u>186,091</u>	<u>181,183</u>

## 13. TRADE AND BILLS PAYABLES

	As at 30 June 2023 (Unaudited) <i>RMB'000</i>	As at 31 December 2022 (Audited) <i>RMB'000</i>
Trade payables	111,286	109,218
Bills payables	110,642	166,920
	<u>221,928</u>	<u>276,138</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 <b>30 June</b> <b>2023</b> <b>(Unaudited)</b> <b>RMB'000</b>	As at 31 December 2022 (Audited) RMB'000
Within 3 months	<b>144,737</b>	149,867
More than 3 months but within 6 months	<b>76,063</b>	105,090
More than 6 months but within 1 year	<b>1,128</b>	18,885
More than 1 year	—	2,296
	<b>221,928</b>	276,138

#### 14. INTEREST-BEARING BORROWINGS

During the period ended 30 June 2023, the Group obtained new interest-bearing borrowings of RMB221,462,000 as additional working capital (six months ended 30 June 2022: RMB137,000,000) and made repayments of interest-bearing borrowings of RMB57,471,000 (six months ended 30 June 2022: RMB110,713,000).

## MANAGEMENT DISCUSSION AND ANALYSIS

### BUSINESS REVIEW

Being one of the notable leaders among the industry of manufacturing new materials featuring eco-friendliness and special features around the globe, the Group, whose businesses cover over 100 nations and regions around the world, considers low carbon, emission reduction and technical innovation as our core value and functional new materials as our primary products. The Group is dedicated to leading the eco-friendly industrial chain development of the industry, offering technical consultancy and services for the industry, providing Sijia new materials and super core construction material products for modern transportation, medical care, architecture, outdoor leisure activities and athletic sports. The Group's high-performance PVC composite materials (“**Material Products**”) business, located in Fuzhou and Shanghai, utilizes self-developed equipment and processes that have been granted national invention patents in manufacturing new materials, including drop stitch fabric, architectural film, waterproofing film, marquees materials, air tightness materials, inflatable boats materials and inflatable materials.

The Group's eco-friendly building materials (“**Building Material Products**”) business, located in Fuzhou, sells products across the world which are applicable in a wide spectrum of public and household domains, including education, healthcare, commerce, sports, offices, industrial usage and transportation which are in compliance with EU and U.S. standards and environmental requirements under the brands of “Zero Formaldehyde Super Core Flooring” and “Carbon Crystal Stone Wall Panel”.

Revenue for the period under review was approximately RMB447.7 million, representing a decrease of approximately RMB83.0 million, or 15.6%, compared to revenue of approximately RMB530.7 million for the same period last year. The decrease was primarily attributable to the contraction of market economy arising from international economic trade tensions and the decrease in demand from consumers.

The Group's products can be categorised into two types: (i) Material Products and (ii) Building Material Products. The Group generated most of its revenue from the Material Products which accounted for approximately 90.9% (30 June 2022: 91.7%) of total revenue. Local sales continued to be the Group's major source of revenue, representing approximately 62.9% (30 June 2022: 70.8%) of the total revenue while export sales only accounted for approximately 37.1% (30 June 2022: 29.2%) of the total revenue.

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

	<b>For the six months ended 30 June</b>			
	<b>2023</b>		<b>2022</b>	
	<i>(RMB million)</i>	<i>% of Total Revenue</i>	<i>(RMB million)</i>	<i>% of Total Revenue</i>
Material Products	<b>406.82</b>	<b>90.86</b>	486.84	91.74
Building Material Products	<b>40.90</b>	<b>9.14</b>	43.82	8.26
	<b><u>447.72</u></b>	<b><u>100.00</u></b>	<b><u>530.66</u></b>	<b><u>100.00</u></b>

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

	<b>For the six months ended</b>	
	<b>30 June</b>	
	<b>2023</b>	<b>2022</b>
	<i>(RMB million)</i>	<i>(RMB million)</i>
PRC	<b>281.70</b>	375.95
Others	<b>166.02</b>	154.71
	<b><u>447.72</u></b>	<b><u>530.66</u></b>

During the period under review, the Group faced severe tests due to international economic trade tensions. The drop in sales is mainly due to a contraction in the market and as well as a decrease in demand from consumers.

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 2023, the Group owned a total of 121 patents with respect to the Material Products, of which 54 patents on inventions, 61 patents on practical new models and 1 patent on software copyrights.

### **Material Products**

For the period under review, the Group's revenue generated from Material Products amounted to approximately RMB406.8 million (30 June 2022: RMB486.8 million) which accounted for approximately 90.9% (30 June 2022: 91.7%) of the Group's total revenue, representing a decrease in sales of approximately 16.4%. The decrease in revenue was mainly due to the contraction of market economy arising from international economic trade tensions and the decrease in demand from consumers.

### **Building Material Products**

For the period under review, the Group's revenue generated from the Building Material Products amounted to approximately RMB40.9 million (30 June 2022: RMB43.8 million) which accounted for approximately 9.1% (30 June 2022: 8.3%) of total revenue, representing a decrease in sales of approximately 6.7%.

## **FINANCIAL REVIEW**

### **Financial Results**

#### ***Revenue***

The Group's revenue for the six months ended 30 June 2023 was approximately RMB447.7 million, representing a decrease of approximately RMB83.0 million, or 15.6%, compared to revenue of approximately RMB530.7 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 RMB406.8 million (30 June 2022: RMB486.8 million) and (2) Building Material Products recorded a revenue of approximately RMB40.9 million (30 June 2022: RMB43.8 million).



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

Gross profit was approximately RMB82.0 million for the period under review (30 June 2022: RMB79.7 million), with the gross profit margin of approximately 18.3% (30 June 2022: 15.0%). The increase in gross profit margin was mainly due to decrease in costs and increase in gross profit as a result of the lower raw material prices.

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

	<b>For the six months ended</b>	
	<b>30 June</b>	
	<b>2023</b>	<b>2022</b>
	<b>%</b>	<b>%</b>
Material Products	<b>17.9</b>	14.9
Building Material Products	<b>22.7</b>	15.9
Overall	<b>18.3</b>	15.0

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

For the period under review, selling and distribution costs increase by approximately RMB1.5 million to approximately RMB19.0 million, or 4.3% of revenue for the period under review, from approximately RMB17.5 million, or 3.3% of revenue for the same period last year. This was mainly due to the increase in exhibition costs.

### ***Administrative Expenses***

For the period under review, administrative expenses increased by approximately RMB2.4 million or by 5.8%, from approximately RMB40.7 million to approximately RMB43.1 million. The increase in administrative expenses was mainly due to an increase in staff cost.

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

For the period under review, research and development (the “**R&D**”) costs amounted to approximately RMB18.8 million, or 4.2% of revenue (30 June 2022: RMB22.5 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 RMB4.1 million (30 June 2022: RMB7.9 million). The decrease was mainly due to decrease in bank borrowing interest rate and partly interest capitalised.

### ***Other Income and gains***

Other income and gains amounted to approximately RMB5.6 million for the period under review (30 June 2022: approximately RMB11.7 million). The decrease for the period was mainly due to decrease in government subsidies and exchange gain.

### ***Income Tax***

For the period under review, the Group had an overall income tax expense of approximately RMB2.2 million (30 June 2022: RMB1.2 million). The increase was mainly due to an underprovision of approximately RMB0.5 million recognised for the period.

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

For the period ended 30 June 2023, the Group recorded a profit attributable to owners of the Company approximately RMB19.5 million, or RMB2.29 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 RMB23.7 million, or RMB2.78 cents for basic earnings per share. The decrease in profit for the year was mainly due to decrease in other income and gain and increase in selling and distribution costs and administrative expenses. The weighted average number of ordinary shares of 852,612,470 in issue during the period ended 30 June 2023 (30 June 2022: 852,612,470).

### ***Dividends***

The Board has resolved not to pay any interim dividend for the six months ended 30 June 2023 (30 June 2022: Nil).

### **Liquidity and Financial Resources**

#### ***Total Equity***

As at 30 June 2023, total equity amounted to approximately RMB677.0 million, representing an increase of 4.8%, compared to approximately RMB645.9 million as at 31 December 2022.

#### ***Financial Position***

As at 30 June 2023, the Group had total current asset of approximately RMB551.3 million (31 December 2022: RMB567.3 million) and total current liabilities of approximately RMB424.4 million (31 December 2022: RMB479.1 million), with net current assets of approximately RMB126.9 million (31 December 2022: net current assets of RMB88.2 million).

As at 30 June 2023, the Group's net gearing (expressed as a percentage of total interest-bearing liabilities to total assets) was at 33.5%, as compared to 24.9% as at 31 December 2022.

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

As at 30 June 2023, the Group had cash and cash equivalents of approximately RMB82.8 million (31 December 2022: RMB90.6 million), most of which were denominated in Renminbi (“**RMB**”).

#### ***Bank Borrowings***

As at 30 June 2023, the Group had interest-bearing bank borrowings of approximately RMB474.4 million (31 December 2022: RMB302.0 million). During the year, a new bank loan of approximately RMB221.5 million was obtained.

#### ***Contingent Liabilities***

As at 30 June 2023, the Group did not have any significant contingent liabilities (31 December 2022: Nil).

### ***Capital Commitments***

As at 30 June 2023, capital commitment of the Group amounted to approximately RMB248.9 million (31 December 2022: RMB341.2 million). The capital commitment will be funded partly by internal resources and partly by bank borrowings.

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

As at 30 June 2023, the Group's buildings, plant and machinery of approximately RMB255.3 million (31 December 2022: RMB268.7 million), leasehold land of approximately RM67.6 million (31 December 2022: RMB68.5 million), investment properties of approximately RMB20.1 million (31 December 2022: RMB20.1 million) and bank deposits of approximately RMB40.5 million (31 December 2022: RMB55.1 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 2023, the Group employed a total of 605 employees (31 December 2022: 510 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 2022.

### ***Material Acquisitions or Disposals***

There were no other material acquisitions or disposals during the six months ended 30 June 2023.

## **FUTURE PROSPECTS**

Trade tensions between China and the West, coupled with 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 LAWS AND REGULATIONS

The Group is dedicated to compliance with the requirements of relevant laws and regulations. Any failure to comply with such requirements may result in termination of the operation permit. The Group has allocated financial and human resources to ensure continuing compliance with the applicable rules and regulations and to maintain good working relationship with regulators through effective communications. During the year under review, the Group has complied with the Listing Rules, the Securities and Futures Ordinance, the Companies Ordinance, the Patent Law of the People’s Republic of China, the Contract Law and the Labour Law of the People’s Republic of China and other relevant laws and regulations.

## **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 2023.

## **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 2023.

## **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 2023 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 2023 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**  
**Liu Jun**  
*Chairman*

Hong Kong, 25 August 2023

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