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

(formerly known as Sijia Group Company Limited 思嘉集團有限公司)

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1863)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2015 AND CONTINUED SUSPENSION OF TRADING

FINANCIAL HIGHLIGHTS

- Revenue decreased by 31.7% to RMB466.5 million
- Gross profit decreased by 88.7% to RMB5.5 million
- Loss for the year attributable to owners of the Company was RMB692.2 million
- Basic loss per share was RMB81.19 cents

CONTINUED 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.

ANNUAL RESULTS

The board of directors (the "Board") of China Longevity Group Company Limited (the "Company") is pleased to announce the audited consolidated results of the Company and its subsidiaries (the "Group") for the year ended 31 December 2015 as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2015

	Notes	**2015**	2014
		RMB'000	*RMB'000*
REVENUE	*5*	**466,531**	682,858
Cost of sales		**(461,071)**	(634,746)
GROSS PROFIT		**5,460**	48,112
Other income and gains	*6*	**7,509**	7,769
Selling and distribution costs		**(17,445)**	(21,423)
Administrative expenses		**(77,574)**	(84,126)
Other expenses		**(2,308)**	(7,995)
LOSS FROM OPERATIONS		**(84,358)**	(57,663)
Gain on disposal of a subsidiary		**1,506**	—
Loss on dissolution of a subsidiary		**(1,983)**	—
Impairments of various assets		**(582,989)**	(74,822)
Finance costs	*7*	**(17,312)**	(16,543)
LOSS BEFORE TAX	*8*	**(685,136)**	(149,028)
Income tax expense	*9*	**(7,308)**	(10,545)
LOSS FOR THE YEAR		**(692,444)**	(159,573)
Other comprehensive income/(expenses) after tax:			
Items that may be reclassified to profit or loss:			
Fair value gains on revaluation of property, plant and equipment		**8,133**	—
Exchange differences on translation of non-PRC operations		**1,320**	(263)
TOTAL COMPREHENSIVE EXPENSES FOR THE YEAR		**(682,991)**	(159,836)
LOSS FOR THE YEAR ATTRIBUTABLE TO:			
Owners of the Company		**(692,217)**	(159,227)
Non-controlling interests		**(227)**	(346)
		(692,444)	(159,573)
TOTAL COMPREHENSIVE EXPENSES FOR THE YEAR ATTRIBUTABLE TO:			
Owners of the Company		**(682,764)**	(159,490)
Non-controlling interests		**(227)**	(346)
		(682,991)	(159,836)
LOSS PER SHARE (RMB cents)			
— Basic	*10*	**(81.19)**	(18.68)
— Diluted		**(81.19)**	(18.68)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2015

	Notes	**2015**	2014
		RMB'000	*RMB'000*
Non-current assets			
Property, plant and equipment		**459,236**	875,797
Prepaid land lease payments		**18,264**	28,063
Investment properties		**17,100**	—
Intangible assets		**1,898**	2,742
Deposits paid for acquisition of property, plant and equipment		**14,137**	26,488
Available-for-sale investment		**4,140**	4,140
Deferred tax assets		**5,756**	24,810
Total non-current assets		**520,531**	962,040
Current assets			
Inventories		**60,938**	112,758
Trade receivables	*12*	**89,699**	268,221
Prepayments, deposits and other receivables		**31,868**	98,603
Pledged deposits		**42,750**	70,075
Cash and cash equivalents		**27,583**	69,940
		252,838	619,597
Non-current assets classified as held for sale		**28,437**	108,212
Total current assets		**281,275**	727,809
Current liabilities			
Trade and bills payables	*13*	**239,244**	328,101
Other payables and accruals		**90,012**	129,629
Interest-bearing borrowings		**209,980**	203,000
Deferred income		**360**	360
Due to a director		**5,000**	—
Tax payable		**18,373**	15,957
		562,969	677,047
Liabilities associated with assets classified as held for sale		**—**	42,666
Total current liabilities		**562,969**	719,713

	Notes	**2015**	2014
		RMB'000	*RMB'000*
Net current (liabilities)/assets		**(281,694)**	8,096
Total assets less current liabilities		**238,837**	970,136
Non-current liabilities			
Interest-bearing borrowings		**40,000**	60,000
Deferred income		**1,410**	1,770
Deferred tax liabilities		**2,711**	14,293
Total non-current liabilities		**44,121**	76,063
NET ASSETS		**194,716**	894,073
Capital and reserves			
Equity attributable to owners of the Company			
Issued capital	*14*	**747**	747
Reserves		**193,969**	876,733
		194,716	877,480
Non-controlling interests		**—**	16,593
TOTAL EQUITY		**194,716**	894,073

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2015

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 located at Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands. The principal place of business is located at Unit 11A, 6th Floor, Silvercord Tower Two, 30 Canton Road, Tsim Sha Tsui, Hong Kong. The Company's shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") 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, (ii) conventional materials and (iii) downstream related inflatable and waterproof products targeting the outdoor leisure, recreation and sports consumer market.

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

2. BASIS OF PREPARATION

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants, accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance and applicable disclosure requirements of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules").

The Group incurred loss attributable to owners of the Company of RMB692,217,000 and RMB159,227,000 respectively for two consecutive years of year ended 31 December 2015 and 31 December 2014, the Group had net current liabilities of RMB281,694,000 as at 31 December 2015, incurred a negative operating cashflow of RMB33,714,000 for the year ended 31 December 2015 and the Company's shares have been suspended for trading since 14 February 2013. These conditions indicate the existence of a material uncertainty which may cast significant doubt on the Group's ability to continue as a going concern. Therefore, the Group may be unable to realise its assets and discharge its liabilities in the normal course of business.

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

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

In the current year, the Group has adopted all the new and revised HKFRSs that are relevant to its operations and effective for its accounting year beginning on 1 January 2015. HKFRSs comprise Hong Kong Financial Reporting Standards; Hong Kong Accounting Standards; and Interpretations. The adoption of these new and revised HKFRSs did not result in significant changes to the Group's accounting policies, presentation of the Group's financial statements and amounts reported for the current year 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. SEGMENT INFORMATION

There is only one operating segment which is principally engaged in the design, development, manufacture and sale of (i) polymer processed high strength polyester fabric composite materials and other reinforced composite materials, (ii) conventional materials and (iii) downstream related inflatable and waterproof products targeting the outdoor leisure, recreation and sports consumer market.

Geographical information

	Revenue from external customers		**Non-current assets**	
	Year ended 31 December		**As at 31 December**	
	2015	2014	**2015**	2014
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
People's Republic of China ("PRC")	**263,125**	562,527	**510,617**	933,090
United States ("US")	**50,086**	25,831	**—**	—
Others	**153,320**	94,500	**18**	—
	466,531	682,858	**510,635**	933,090

In presenting the geographical information, the revenue information is based on the locations of the customers while the non-current assets information is based on the location of assets and excludes financial instruments and deferred tax assets. No revenue from transactions with a single country other than PRC and US (2014: PRC) amounted to 10% or more of the Group's total sales for the year (2014: Nil).

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 year (2014: Nil).

5. REVENUE

The Group's revenue which represents sales of goods to customers is as follows:

	2015	2014
	RMB'000	*RMB'000*
Sales of goods	**466,531**	682,858

6. OTHER INCOME AND GAINS

	2015	2014
	RMB'000	*RMB'000*
Bank interest income	**758**	1,106
Government subsidies *(note)*	**3,126**	4,088
Gain on disposals of property, plant and equipment	**235**	—
Gross rental income	**449**	48
Dividend income from available-for-sale investment	**283**	232
Sundry income	**2,658**	2,295
	7,509	7,769

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 were no other specific conditions attached to the subsidies. Therefore, the Group recognised the subsidies upon receipt during the years ended 31 December 2015 and 2014.

7. FINANCE COSTS

	2015	2014
	RMB'000	*RMB'000*
Interest on bank loans wholly repayable within five years	**17,312**	23,179
Less: interests capitalised	**—**	(6,636)
	17,312	16,543

8. LOSS BEFORE TAX

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

	2015	2014
	RMB'000	*RMB'000*
Cost of inventories sold *	**461,071**	634,746
Depreciation of property, plant and equipment	**67,371**	71,623
Amortisation of prepaid land lease payments	**937**	941
Amortisation of intangible assets	**844**	1,140
(Gain)/ Loss on disposals of property, plant and equipment	**(235)**	6,455
Staff costs (including directors' remuneration):		
Wages and salaries	**20,996**	38,411
Retirement benefits scheme contributions	**1,635**	2,481
Staff welfare expenses	**911**	1,397
	23,542	42,289
Operating lease charges on land and buildings	**2,099**	2,259
Research and development costs	**51,040**	37,548
Exchange (gain)/losses, net	**(1,467)**	222
Impairment of property, plant and equipment	**323,146**	40,251
Impairment of prepaid land lease payments	**5,784**	—
Impairment of deposits paid for acquisition of property, plant and equipment	**—**	1,110
Impairment of trade receivables	**193,339**	5,680
Impairment of other receivables	**7,125**	—
Impairment of advances to suppliers	**51,402**	—
Impairment of inventories	**2,193**	27,781
Auditors' remuneration	**1,655**	2,744

* Cost of inventories sold includes RMB64,851,000 (2014: RMB89,913,000) relating to staff costs, depreciation expenses and operating lease charges, which amount is also included in the respective total amounts disclosed separately above for each of these types of expenses.

9. INCOME TAX EXPENSE

	2015	2014
	RMB'000	*RMB'000*
Current tax — the PRC		
Charge for the year	**2,547**	3,435
Under provision in prior year	**—**	3,358
Deferred tax	**4,761**	3,752
	7,308	10,545

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 operated.

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

Pursuant to the relevant tax law of the Hong Kong Special Administrative Region, Hong Kong profits tax has been provided at the rate of 16.5% for the year ended 31 December 2015 on the estimated assessable profits arising in Hong Kong during the period. No provision for Hong Kong profits tax has been made as the Group has no assessable profits arising in Hong Kong for each of the years ended 31 December 2015 and 2014.

Pursuant to the approval of the tax bureau, in accordance with the Corporate Income Tax Law of the PRC, Fujian Sijia Industrial Material Co., Ltd.# (福建思嘉環保材料科技有限公司) ("Fujian Sijia"), subject to the tax rates being a high-tech enterprise, was levied at the tax rate of 15% for the year (2014: 15%) according to the New Corporate Income Tax Law. Other subsidiaries are subject to a corporate income tax rate of 25% during the year according to the PRC Corporate Income Tax Law (2014: 25%).

10. LOSS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY

Loss per share

The calculation of basic loss per share attributable to owners of the Company is based on the loss for the year attributable to owners of the Company of approximately RMB692,217,000 (2014: approximately RMB159,227,000) and the weighted average number of approximately 852,612,000 ordinary shares (2014: approximately 852,612,000 ordinary shares) in issue during the year.

Diluted loss per share

Diluted loss per share for the years ended 31 December 2015 and 2014 is the same as the basic loss per share as the Company did not have any dilutive potential ordinary shares during the years.

11. DIVIDEND

The Directors do not recommend the payment of a final dividend for the year ended 31 December 2015 (2014: Nil).

12. TRADE RECEIVABLES

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

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

	2015	2014
	RMB'000	*RMB'000*
Within 3 months	**67,973**	50,084
More than 3 months but within 6 months	**12,935**	24,444
More than 6 months but within 1 year	**7,288**	43,355
More than 1 year	**1,503**	150,338
	89,699	268,221

13. TRADE AND BILLS PAYABLES

	2015	2014
	RMB'000	*RMB'000*
Trade payables	**96,886**	128,397
Bills payables	**142,358**	199,704
	239,244	328,101

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

	2015	2014
	RMB'000	*RMB'000*
Within 3 months	**122,390**	181,769
More than 3 months but within 6 months	**95,449**	128,749
More than 6 months but within 1 year	**12,647**	10,859
More than 1 year	**8,758**	6,724
	239,244	328,101

14. SHARE CAPITAL

	2015	2014
	RMB'000	*RMB'000*
Authorized:		
2,000,000,000 ordinary shares of HK$0.001 each	**1,760**	1,760
Issued and fully paid:		
852,612,470 ordinary shares of HK$0.001 each	**747**	747

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at general meetings of the Company. All ordinary shares rank equally with regard to the Company's residual assets.

There is no movement of the number of shares issued and the share capital during the year.

Notes:

(i) Share options

Details of the Company's share option scheme and the share options issued under the scheme are included in note 37 to the financial statements of the annual report.

(ii) Capital management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern and to maximise the return to the shareholders through the optimisation of the debt and equity balance.

The Group sets the amount of capital in proportion to risk. The Group manages the capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Group may adjust the payment of dividends, issue new shares, buy-back shares, raise new debts, redeem existing debts or sell assets to reduce debts.

EXTRACT OF INDEPENDENT AUDITOR'S REPORT ON THE COMPANY'S CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

ZHONGHUI ANDA CPA Limited has expressed qualified opinion on the audited consolidated financial statements of our Group for the financial year ended 31 December 2015, an extract of which is as follow:

Basis for qualified opinion

Corresponding figures and impairment loss

Our opinion on the consolidated financial statements of the Group for the year ended 31 December 2014, which forms the basis for the corresponding figures presented in the current year's consolidated financial statements, was qualified because of the possible effects of the limitations on the scope of our audit, details of which are set out in our audit report dated 31 March 2015. Included in the impairment loss for the year ended 31 December 2015 were amounts of approximately RMB158 million and RMB51 million relating to trade receivables and advances to supplier, respectively, brought forward from 31 December 2014. We have not been provided with sufficient appropriate audit evidence whether the impairment loss should be recorded in the current year or prior years.

Any adjustments to the figures mentioned above might have consequential effects on the Group's financial performance for the year ended 31 December 2015 and 2014, the Group's cash flows for the year ended 31 December 2015 and 2014, the financial position of the Group as at 31 December 2014, and the related disclosures thereof in the consolidated financial statements.

Qualified opinion

In our opinion, except for the possible effects of the matter as described in the basis for qualified opinion paragraphs, the consolidated financial statements give a true and fair view of the financial position of the Group as at 31 December 2015, and of its financial performance and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

Emphasis of Matter — Going Concern Basis

Without further qualifying our opinion, we draw attention to note 2 to the consolidated financial statements which indicate the Group incurred loss attributable to owners of the Company of RMB692,217,000 and RMB159,227,000 respectively for two consecutive years of year ended 31 December 2015 and 31 December 2014, the Group had net current liabilities of RMB281,694,000 as at 31 December 2015, incurred a negative operating cashflow of RMB33,714,000 for the year ended 31 December 2015 and the Company's shares have been suspended for trading since 14 February 2013. These conditions indicate the existence of a material uncertainty which may cast significant doubt on the Group's ability to continue as a going concern.

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

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

The Group's reinforced materials (the "Reinforced Materials") business, located in Fuzhou and Shanghai, utilises self-developed facilities and techniques, which has acquired national patents on innovation, to produce new materials, including architectural membrane, waterproofing membrane, thermoplastic polyurethane ("TPU") materials, air tightness materials, inflatable materials, biogas tank materials, tarpaulin materials, wader and protective garment materials, etc. Such materials exhibit nine characteristics, including high tensile strength, anti-tearing, anti-stripping, flame retardancy, anti-bacteria, anti-corrosive, durable, low temperature resistance and sunlight resistance. Given the diverse applications of the Reinforced Materials, the Group's products can be applied in eleven major markets including outdoor, sports, renewable energy, protection, construction, logistic, packaging, medical use, safety, advertising and daily supplies.

During the year under review, the Group faced a challenging and competitive business environment. Also, the suspension of the trading in the Company's shares on the Stock Exchange (the "Suspension") caused adverse effect on the confidence of local customers which reduced in demand for the Group's products. Moreover, the low price competition among competitors and the increase of production costs greatly reduced the revenue as well as the gross profit margin of the Group's products.

The Group recorded total revenue of approximately RMB466.5 million for the year ended 31 December 2015 (2014: approximately RMB682.9 million), representing a decrease of approximately RMB216.4 million, or 31.7% over the last corresponding year. The overall decrease in revenue was mainly attributable to the fierce market competition, high production cost and a change in product mix to offer less conventional materials (the "Conventional Materials") and a withdraw from the end products (the "End Products") market.

The Group's products can be categorised into three types: (i) Reinforced Materials; (ii) Conventional Materials; and (iii) End Products during the year. The Group generated most of its revenue from the Reinforced Materials which accounted for approximately 85.3% (2014: approximately 70.3%) of total revenue. Local sales continued to be the Group's major source of revenue, representing approximately 56.4% (2014: approximately 82.4%) of the total revenue while export sales accounted for approximately 43.6% (2014: approximately 17.6%) of the total revenue. The Group expanded its market segment overseas successfully during the year. Export sales increased approximately 69.1% while compared with the last corresponding year.

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

	For the year ended 31 December			
	2015		2014	
	(RMB million)	**%**	*(RMB million)*	%
Reinforced Materials	**397.7**	**85.3**	480.2	70.3
Conventional Materials	**38.3**	**8.2**	129.5	19.0
End Products	**30.5**	**6.5**	73.2	10.7
	466.5	**100.0**	682.9	100.0

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

	For the year ended 31 December			
	2015		2014	
	(RMB million)	**%**	*(RMB million)*	%
PRC	**263.1**	**56.4**	562.6	82.4
US	**50.1**	**10.7**	25.8	3.8
Others	**153.3**	**32.9**	94.5	13.8
	466.5	**100.0**	682.9	100.0

Reinforced Materials

During 2015, in respect of the Reinforced Materials, the Group delivered the most in inflatable, airtightness and tarpaulin materials. 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 31 December 2015, the Group owned a total of 87 patents with 30 on innovations, 39 on new applications and 18 on exterior designs for Reinforced Materials.

During 2015, the Group's revenue generated from Reinforced Materials amounted to approximately RMB397.7 million (2014: approximately RMB480.2 million) which accounted for approximately 85.3% (2014: approximately 70.3%) of the Group's total revenue, representing a decrease in sales of approximately 17.2%. Due to fierce competition in the industry, low price strategy were adopted by the competitors that caused a decrease in the selling price of certain products. With the Group's effort to build up its brand image and reputation, the Group started to deliver the drop stitch fabric and concentrate to produce the air tightness materials and tarpaulin materials to serve its high-end customers.

Conventional Materials

During 2015, the Group's revenue generated from the Conventional Materials amounted to approximately RMB38.3 million (2014: approximately RMB129.5 million) which accounted for approximately 8.2% (2014: approximately 19.0%) of total revenue, representing a decrease in sales of approximately 70.4%.

End Products

During 2015, the Group's revenue generated from the End Products amounted to approximately RMB30.5 million (2014: approximately RMB73.2 million) which accounted for approximately 6.5% (2014: approximately 10.7%) of total revenue, representing a decrease in sales of approximately 58.3% as compared to last year. As at 31 December 2015, the Group had closed down all local sales offices of the promotion of the End Products.

The decrease in the revenue of Conventional Materials and End Products was mainly due to the Group's strategy to withdraw from the labour intensive End Products business which encountered increasing labour cost and fierce competition. The Group segmented its business based on market development as well as the profit margin of the products. During the year, the Group scale down the sales volume of the low selling price products that made by Conventional Materials and withdrawn completely from the End Products market. The Group also sold the aged inventories of the End Products at cost or even lower than the cost of goods sold that reduced the revenue drastically while compared with the last corresponding year. In the future, our Group will focus more on its Reinforced Materials business with higher barrier of entry and better profit margin.

To cope with this strategy, the Group had completed the disposal of 51% equity interest in Hubei Sijia Outdoor Products Co., Ltd., which was in the business of the production of the highly labour intensive End Products on 3 March 2015. Furthermore, the manufacturing plant of End Products in Xiamen has stopped production since February 2015. Hence, the aforesaid were the main reasons that lead to a significant reduction in the sales of the Conventional Materials and End Products of the Group in 2015.

Financial Review

Overview

Revenue

The Group's revenue of approximately RMB466.5 million for the year ended 31 December 2015 representing a decrease of approximately RMB216.4 million, or 31.7% over the last corresponding year. During 2015, the business segments of the Group are the sales of: (i) Reinforced Materials; (ii) Conventional Materials; and (iii) End Products. The Group generated most of its revenue from the Reinforced Materials which accounted for approximately 85.3% (2014: approximately 70.3%) of total revenue.

The overall decrease in revenue was mainly attributable to the fierce market competition, high production cost and a change in product mix that offer less Conventional Materials and a withdraw from the End Products market.

Gross Profit and Gross Profit Margin

Gross profit was approximately RMB5.5 million for the year under review (2014: approximately RMB48.1 million), with the gross profit margin of approximately 1.2% (2014: 7.0%). The reduction in gross profit margin was caused by an increase of production costs and a general decrease in selling price of the products of the Group that arisen from intense market competition. In addition, the Group sold the aged inventories of the End Products at cost or even lower than the cost of goods sold that enlarged the negative gross profit margin of End Products during the year and reduced the overall gross profit margin of the Group while compared with the last corresponding year.

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

	For the year ended 31 December	
	2015	2014
	%	%
Reinforced Materials	**10.4**	10.1
Conventional Materials	**0.2**	0.2
End Products	**(9.4)**	(3.3)
Overall	**1.2**	7.0

Loss for the Year

The Group recorded a loss attributable to equity holders of approximately RMB692.2 million, or RMB81.2 cents for basic loss per share for the year ended 31 December 2015 (2014 loss: approximately RMB159.2 million or RMB18.7 cents for basic loss per share). The increase in loss for the year was due to the decrease in revenue and the drop in gross profit margin. Moreover, the impairment of various assets amounting to RMB583.0 million as at 31 December 2015 (2014: approximately RMB74.8 million) was a critical condition that caused a substantial increase of loss for the year.

The weighted average number of ordinary shares outstanding was 852,612,470 as at 31 December 2015 (2014: 852,612,470 ordinary shares).

Dividends

The Board did not recommend the payment of a final dividend for the year ended 31 December 2015 (2014: Nil).

Selling and Distribution Costs

Selling and distribution costs were approximately RMB17.4 million (2014: approximately RMB 21.4 million) whilst the selling and distribution expenses to revenue ratio was 3.7% (2014: 3.1%). A reduction in selling and distribution costs was mainly due to the Group completely withdrawn from the End Products business in 2015.

Administrative Expenses

Administrative expenses were approximately RMB77.6 million (2014: approximately RMB84.1 million) whilst the administrative expenses to revenue ratio was 16.6% (2014: 12.3%). A reduction of administrative expenses of approximately RMB6.5 million or 7.8% while compared with the last corresponding year due to stop production of manufacturing plant in Xiamen since February 2015. However, the research and development cost increased approximately 35.9% while compared with the last corresponding year.

Research and Development

Research and development (the "R&D") costs were approximately RMB51.0 million (2014: approximately RMB37.5 million) whilst the R&D expenses to revenue ratio was 10.9% (2014: 5.5%). The Group believes that its on-going R&D efforts are critical in maintaining long-term competitiveness and retaining existing customers. To explore new technologies and new products in order to attract new customers and developing new markets, the Group continues to dedicate resources to the R&D activities in its Fuzhou and Shanghai plants aiming to lower the cost of raw materials, streamline manufacturing processes, increase production capacities, and develop high value-added new materials.

Impairment of various assets

Impairment of property, plant and equipment and prepaid land lease payments

Due to the changes of marketing strategies from sales of End Products and Conventional Materials in previous years to withdrawn from the market of End Products completely and scale down the sales volume of Conventional Materials during the year, the Group incurred a huge amount of approximately RMB328.9 million of the impairment of property, plant and equipment and prepaid land lease payments for the year ended 31 December 2015 (2014: approximately RMB40.3 million). Such impairment provisions were based on the valuation values that stated in the latest independent valuation report on 29 March 2016.

During the year, Hubei Sijia Industrial Material Company Limited (the "Hubei Sijia") which is a subsidiary of the Company entered into a sales and purchase agreement to dispose of certain property, plant and equipment and prepaid land lease payments at a consideration of approximately RMB23.9 million. Subsequent to the end of the reporting period, Hubei Sijia entered into another sales and purchase agreement to dispose the remaining property, plant and equipment and prepaid land lease payments at a consideration of approximately RMB4.5 million. The disposal of property, plant and equipment associated with prepaid land lease payments, which are expected to be completed in 2016.

The proceeds of disposal are expected less than the net book value of the relevant property, plant and equipment and prepaid land lease payments. Accordingly, the impairment loss of approximately RMB46.9 million and RMB5.8 million has been recognized during the year.

Impairment of trade and other receivables

The management of the Group took a prudent approach in assessing the collectability of trade and other receivables and would review the status of the receivables. This includes taking into consideration, the credit history of the customers of the Group and the prevailing market condition.

During 2015, impairments have been recognized in respect of trade and other receivables in the amount of approximately RMB200.5 million (2014: approximately RMB5.7 million).

Impairment of advances to suppliers

The Group would sign the cooperation contracts for an innovation of new materials with suppliers in order to innovate new materials and new market segments. However, a change of the marketing strategies of the Group caused some innovate projects to be abandoned.

During 2015, the management of the Group took a prudent approach in assessing the collectability of the advances to suppliers and recognized approximately RMB51.4 million (2014: Nil) on impairment of advances to suppliers.

Impairment of inventories

Impairment of inventories of approximately RMB2.2 million for the year ended 31 December 2015 (2014: approximately RMB27.8 million) was recognized by the Group. It was mainly attributable to write down the slow moving and obsolete stocks.

Finance Costs

Finance costs were approximately RMB17.3 million (2014: approximately RMB16.5 million net off the interest capitalized of approximately RMB6.6 million) whilst the finance costs to revenue ratio was 3.7% (2014: 2.4%). The nature of finance costs were mainly attributable to interest on bank loans during the year. An increase of the finance cost was mainly caused by no capitalization of loan interest incurred for the year.

Interest Income

Interest income from bank were approximately RMB0.8 million for the year ended 31 December 2015 (2014: approximately RMB1.1 million).

Liquidity and Financial Resources

Total Equity

As at 31 December 2015, total equity were approximately of RMB194.7 million, representing a decrease of 78.2%, as compared to approximately RMB894.1 million as at 31 December 2014.

Financial Position

As at 31 December 2015, the Group had total current assets of approximately RMB281.3 million (31 December 2014: approximately RMB727.8 million) and total current liabilities of approximately RMB563.0 million (31 December 2014: approximately RMB719.7 million), with net current liabilities of approximately RMB281.7 million (31 December 2014: net current assets of approximately RMB8.1 million).

As at 31 December 2015, the Group's net gearing ratio (expressed as a percentage of total interest-bearing liabilities to total assets) was at 31.2%, compared to 15.5% as at 31 December 2014.

Cash and Cash Equivalents

As at 31 December 2015, the Group had cash and cash equivalents of approximately RMB27.6 million (31 December 2014: approximately RMB69.9 million), most of which were denominated in Renminbi.

Bank Borrowings

The Group had interest-bearing bank borrowings of approximately RMB250.0 million (31 December 2014: approximately RMB263.0 million) while total banking facilities amounted to approximately RMB316.0 million (31 December 2014: approximately RMB484.0 million).

Contingent Liabilities

As at 31 December 2015, the Group had no material contingent liabilities (31 December 2014: Nil).

Capital Commitments

As at 31 December 2015, capital commitments of the Group were approximately RMB12.0 million (31 December 2014: approximately RMB43.3 million). The capital commitments will be funded partly by internal resources and partly by bank borrowings.

Pledge of Assets

As at 31 December 2015, the Group mortgaged its buildings, plant and machinery of approximately RMB236.8 million (2014: approximately RMB226.6 million) leasehold land of approximately RMB 18.7 million (2014: approximately RMB20.3 million), investment properties of approximately RMB 17.1 million (2014: Nil) in Mainland China and bank deposits of approximately RMB42.8 million (2014: approximately RMB70.1 million) were pledged to banks to secure bank loans and general banking facilities granted.

Human Resources

As at 31 December 2015, the Group employed a total of 355 employees (31 December 2014: 586 employees). The reduction of staff headcount was mainly due to the Group completely withdrawn from the End Products business during the year.

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 and the individual employee.

Exposure to fluctuations in exchange rates and related hedge

Most business transactions of the Group are settled in Renminbi ("RMB") since the operations of the Group are mainly carried out in the PRC, and the major subsidiaries of the Group are operating in a RMB environment and the functional currency of the major subsidiaries is RMB. The reporting currency of the Group 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 the 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.

FUTURE PROSPECTS

In 2015, although the global economy slightly strengthened, the slowing down of China's economy was still causing difficulties in the industry of the Group. Fierce competition between competitors and high labor costs were the main elements that lead the Group totally withdrawn from the End-Products market and scale down the production of Conventional Materials that involved labor intensive production processes.

Looking ahead at year 2016, the slowdown of economic in China and a forecast of rising interest rates in the US are the elements that contribute uncertainty and volatile in the worldwide economic. The Group would expect to struggle with the tough and challenging economic environment in 2016. The Group will actively adapt to the national policy of "adjusting economic structure; transforming traditional manufacturing industries into new manufacturing industries". The Group will be continuing implement of a series of adjustment measures:

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

2. To further develop domestic and foreign customers, and to expand the market segments of the Group;

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

4. All staff of the Group should enthusiastic to implement the optimization process in internal control procedures of respectively areas of procurement, production, sales, and finance in order to enhance the operation efficiency of the Group.

In 2016, the Company will cooperate with the engaged professional parties to plan 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 development of the Resumption in due course.

Once if the Group has been successful in applying for the Resumption of trading of its shares on The Stock Exchange of Hong Kong Limited, the Group will comprehensively be upgraded its business and operation by capitalizing on its continuous innovative technologies and its professional technical team, which is well-recognized both in domestic and foreign industries:

1. The Shanghai plants will add the second and the third production lines, which are engaged in the research, development, production and sales of materials for high-end broaden automotives' windows, double membrane gas holders materials, architectural membrane structure materials, marquees materials, inflatable materials; drop stitch fabric and materials for auto-rolling curtains, in order to create economies of scale.

2. Fuzhou plants will adjust its production and service business, and be engaged in the production and sales of inflatable materials, inflatable boats materials, water pools materials, air tightness materials for water sports and leisure, swimsuit materials and packaging materials, so as to create scale operation.

3. To continue the research and development of new products, apply for invention patents for projects, increase products' additional values, establish as one of the most innovative technology enterprises in the industry, and create values for the Shareholders.

4. To continue to strengthen the cooperation with the technical experts in Europe and US, and to further expand its market segment in the international market.

COMPLIANCE WITH CORPORATE GOVERNANCE CODE OF THE LISTING RULES

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 year ended 31 December 2015, the Company has complied with the code provisions under the CG Code, save and except for the following:

Code provision A.6.3 stipulates that executive directors, independent non-executive directors and other non-executive directors should attend general meeting and develop a balanced understanding of the views of shareholders. Two executive directors and two independent non-executive directors were unable to attend the annual general meeting ("AGM") and the extraordinary general meeting ("EGM") of the Company which were held on 6 June 2015 and 3 November 2015 respectively due to their other business engagements. Each Director has been reminded of his duty and each of them has indicated that he will use his best endeavors to attend the general meetings to be held in the future.

COMPLIANCE WITH THE MODEL CODE FOR DIRECTORS' SECURITIES TRANSACTIONS

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 for the year ended 31 December 2015.

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 for the year ended 31 December 2015.

SCOPE OF WORK OF ZHONGHUI ANDA CPA LIMITED

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year ended 31 December 2015 as set out in this preliminary announcement have been agreed by the Group's auditor, ZHONGHUI ANDA CPA Limited, to the amounts set out in the Group's audited consolidated financial statements for the year ended 31 December 2015. The work performed by ZHONGHUI ANDA CPA Limited in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by ZHONGHUI ANDA CPA Limited on the preliminary announcement.

REVIEW OF ANNUAL RESULTS BY THE AUDIT COMMITTEE

The audit committee, comprises three independent non-executive directors of the Company, 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 audited consolidated financial statements for the year ended 31 December 2015 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

At the request of the Company, 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 ANNUAL RESULTS ON THE WEBSITES OF THE COMPANY AND THE STOCK EXCHANGE

This annual results announcement is published on the websites of the Stock Exchange (http://www.hkexnews.hk) and the Company (http://www.chinalongevity.hk). The annual report for the year ended 31 December 2015 containing all the information required by the Listing Rules will be despatched to shareholders of the Company and available on the above websites in due course.

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

Hong Kong, 30 March 2016

As at the date of this announcement, the executive Directors are Mr. Lin Shengxiong, Mr. Zhang Hongwang and Mr. Huang Wanneng, and the independent non-executive Directors are Mr. Chong Chi Wah, Mr. Cai Weican and Mr. Wu Jianhua.