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)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2016 AND CONTINUED SUSPENSION OF TRADING

FINANCIAL HIGHLIGHTS

- Revenue increased by 1.3% to RMB472.7 million
- Gross profit increased by 1,626.5% to RMB94.3 million
- Profit for the year attributable to owners of the Company was RMB22.3 million
- Basic earning per share was RMB2.61 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 2016 as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2016

	Notes	**2016** **RMB'000**	2015 RMB'000
REVENUE	5	**472,688**	466,531
Cost of sales		**(378,421)**	(461,071)
GROSS PROFIT		**94,267**	5,460
Other income and gains	6	**22,208**	7,509
Selling and distribution costs		**(15,393)**	(17,445)
Administrative expenses		**(53,287)**	(77,574)
Other expenses		**(8,380)**	(2,308)
PROFIT/(LOSS) FROM OPERATIONS		**39,415**	(84,358)
Fair value loss on investment properties		**(2,100)**	—
Gain on disposal of a subsidiary		**—**	1,506
Loss on dissolution of a subsidiary		**—**	(1,983)
Impairment of various assets		**(7,489)**	(582,989)
Finance costs	7	**(11,024)**	(17,312)
PROFIT/(LOSS) BEFORE TAX	8	**18,802**	(685,136)
Income tax credit/(expense)	9	**3,450**	(7,308)
PROFIT/(LOSS) FOR THE YEAR		**22,252**	(692,444)
Other comprehensive income/(expenses) after tax:			
Items that may be reclassified to profit or loss:			
Fair value gain on revaluation of property, plant and equipment		**—**	8,133
Exchange differences on translation of non-PRC operations		**(2,524)**	1,320
TOTAL COMPREHENSIVE INCOME/(EXPENSES) FOR THE YEAR		**19,728**	(682,991)
PROFIT/(LOSS) FOR THE YEAR ATTRIBUTABLE TO:			
Owners of the Company		**22,252**	(692,217)
Non-controlling interests		**—**	(227)
		22,252	(692,444)
TOTAL COMPREHENSIVE INCOME/(EXPENSES) FOR THE YEAR ATTRIBUTABLE TO:			
Owners of the Company		**19,728**	(682,764)
Non-controlling interests		**—**	(227)
		19,728	(682,991)
EARNING/(LOSS) PER SHARE (RMB cents)			
— Basic	10	**2.61**	(81.19)
— Diluted		**2.61**	(81.19)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2016

	Notes	2016 *RMB'000*	2015 *RMB'000*
Non-current assets			
Property, plant and equipment		**456,947**	459,236
Prepaid land lease payments		**17,694**	18,264
Investment properties		**15,000**	17,100
Intangible assets		**550**	1,898
Deposits paid for acquisition of property, plant and equipment		**6,722**	14,137
Available-for-sale investment		**4,140**	4,140
Deferred tax assets		**5,285**	5,756
Total non-current assets		**506,338**	520,531
Current assets			
Inventories		**74,007**	60,938
Trade receivables	*12*	**86,476**	89,699
Prepayments, deposits and other receivables		**12,955**	31,868
Pledged deposits		**41,927**	42,750
Cash and cash equivalents		**15,008**	27,583
		230,373	252,838
Non-current assets classified as held for sale		**28,437**	28,437
Total current assets		**258,810**	281,275
Current liabilities			
Trade and bills payables	*13*	**232,312**	239,244
Other payables and accruals		**112,281**	90,012
Interest-bearing borrowings		**152,000**	209,980
Deferred income		**360**	360
Due to a related party		**14,000**	—
Due to a director		**21,510**	5,000
Tax payable		**14,480**	18,373
Total current liabilities		**546,943**	562,969

	Notes	**2016**	2015
		RMB'000	*RMB'000*
Net current liabilities		**(288,133)**	(281,694)
Total assets less current liabilities		**218,205**	238,837
Non-current liabilities			
Interest-bearing borrowings		**—**	40,000
Deferred income		**1,050**	1,410
Deferred tax liabilities		**2,711**	2,711
Total non-current liabilities		**3,761**	44,121
NET ASSETS		**214,444**	194,716
Capital and reserves			
Issued capital	*14*	**747**	747
Reserves		**213,697**	193,969
TOTAL EQUITY		**214,444**	194,716

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2016

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 principal place of business is located at Room 701, 7/F, New East Ocean Centre, 9 Science Museum Road, Tsim Sha Tsui East, Kowloon, Hong Kong. The Company's shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited and have been suspended for trading since 14 February 2013.

The Company acts as an investment holding company. The Company, through its major subsidiaries, is principally engaged in the design, development, manufacture and sale of (i) polymer processed high strength polyester fabric composite materials and other reinforced composite materials, (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 of Hong Kong Limited (the "Listing Rules").

The Group had net current liabilities of RMB288,133,000 as at 31 December 2016 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 consolidated 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 consolidated 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 2016. 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 consolidated 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**	
	2016	2015	**2016**	2015
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
PRC	**355,094**	263,125	**496,913**	510,617
United States ("US")	**21,867**	50,086	**—**	—
Others	**95,727**	153,320	**—**	18
	472,688	466,531	**496,913**	510,635

In presenting the geographical information, the revenue information is based on the locations of the customers while the non-current asset 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 (2015:PRC and US) amounted to 10% or more of the Group's total sales for the year (2015: 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 (2015: Nil).

5. REVENUE

	2016	2015
	RMB'000	*RMB'000*
Sales of goods	**472,688**	466,531

6. OTHER INCOME AND GAINS

	2016	2015
	RMB'000	*RMB'000*
Bank interest income	**95**	758
Government subsidies *(note)*	**1,571**	3,126
Gain on disposals of property, plant and equipment	**—**	235
Gross rental income	**1,087**	449
Dividend income from available-for-sale investment	**424**	283
Reversal of allowance for receivables	**9,346**	—
Waiver of remunerations payables to directors	**4,098**	—
Exchange gain, net	**4,153**	1,467
Sundry income	**1,434**	1,191
	22,208	7,509

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 years ended 31 December 2016 and 2015.

7. FINANCE COSTS

	2016	2015
	RMB'000	*RMB'000*
Interest on bank loans	**11,024**	17,312

8. PROFIT/(LOSS) BEFORE TAX

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

	2016	2015
	RMB'000	*RMB'000*
Cost of inventories sold *	**378,421**	461,071
Depreciation of property, plant and equipment	**36,062**	67,371
Amortisation of prepaid land lease payments	**646**	937
Amortisation of intangible assets	**220**	844
Loss/(gain) on disposals of property, plant and equipment	**6,144**	(235)
Written off of intangible assets	**1,128**	—
Staff costs (including directors' remuneration):		
Wages and salaries	**22,310**	20,996
Retirement benefits scheme contributions	**978**	1,635
Staff welfare expenses	**1,360**	911
	24,648	23,542
Operating lease charges on land and buildings	**1,775**	2,099
Research and development costs	**31,892**	51,040
Exchange gain, net	**(4,153)**	(1,467)
Fair value loss on investment properties	**2,100**	—
Impairment of property, plant and equipment	**18**	323,146
Impairment of prepaid land lease payments	**—**	5,784
Impairment of trade receivables	**2,823**	193,339
Impairment of other receivables	**—**	7,125
Impairment of advances to suppliers	**1,503**	51,402
Impairment of inventories	**3,145**	2,193
Auditors' remuneration	**1,430**	1,655

* Cost of inventories sold includes RMB47,561,000 (2015: RMB64,851,000) 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 (CREDIT)/EXPENSE

	2016	2015
	RMB'000	*RMB'000*
Current tax — the PRC		
Charge for the year	**1,309**	2,547
Over-provision in prior years	**(5,230)**	—
Deferred tax	**471**	4,761
	(3,450)	7,308

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 been provided at the rate of 16.5% for the year ended 31 December 2016 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 2016 and 2015.

Pursuant to the approval of the tax bureau, in accordance with the Corporate Tax Law of the PRC, Fujian Sijia Industrial Material Co., Ltd.# (福建思嘉環保材料科技有限公司) ("Fujian Sijia") subject to the tax rates being a high-tech enterprise, was levied at the tax rate of 15% for the year (2015: 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 (2015: 25%).

10. EARNING/(LOSS) PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY

Earning/(loss) per share

The calculation of basic earnings/(loss) per share attributable to owners of the Company is based on the profit for the year attributable to owners of the Company of approximately RMB22,252,000 (2015: loss for the year attributable to owners of the Company of approximately RMB692,217,000) and the weighted average number of approximately 852,612,000 (2015: 852,612,000) ordinary shares in issue during the year.

Diluted earning/(loss) per share

Diluted earning/(loss) per share for the years ended 31 December 2016 and 2015 is the same as the basic profit/(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 dividend for the year ended 31 December 2016 (2015: 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:

	2016	2015
	RMB'000	*RMB'000*
Within 3 months	**65,212**	67,973
More than 3 months but within 6 months	**14,417**	12,935
More than 6 months but within 1 year	**4,818**	7,288
More than 1 year	**2,029**	1,503
	86,476	89,699

13. TRADE AND BILLS PAYABLES

	2016	2015
	RMB'000	*RMB'000*
Trade payables	**101,066**	96,886
Bills payables	**131,246**	142,358
	232,312	239,244

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

	2016	2015
	RMB'000	*RMB'000*
Within 3 months	**137,545**	122,390
More than 3 months but within 6 months	**86,585**	95,449
More than 6 months but within 1 year	**6,895**	12,647
More than 1 year	**1,287**	8,758
	232,312	239,244

14. SHARE CAPITAL

	2016	2015
	RMB'000	*RMB'000*
Authorised:		
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 meeting 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.

Note:

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 2016

ZHONGHUI ANDA CPA Limited has expressed qualified opinion on the audited consolidated financial statements of our Group for the financial year ended 31 December 2016, an extract of which is as follows:

Qualified Opinion

We have audited the consolidated financial statements of China Longevity Group Company Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 51 to 107, which comprise the consolidated statement of financial position as at 31 December 2016, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, except for the possible effects of the matter described in the Basis for Qualified Opinion section of our report, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2016, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

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 2015, 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 30 March 2016. 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 2015 or years before.

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

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the HKICPA. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants (the "Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified opinion.

Material Uncertainty Related to Going Concern

We draw attention to note 2 to the consolidated financial statements which mentions that the Group had net current liabilities of RMB288,133,000 as at 31 December 2016 and the Company's shares have been suspended for trading since 14 February 2013. These conditions indicate a material uncertainty which may cast significant doubt on the Group's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

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

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

Due to our great effort, the Group achieved a total revenue of approximately RMB472.7 million for the year ended 31 December 2016 (2015: RMB466.5 million), representing an increase of approximately RMB6.2 million, or 1.3% over the last corresponding year. The overall increase in revenue was mainly attributable to the increase in demand for Reinforced Materials.

The Group's products can be categorised into three types: (i) Reinforced Materials; (ii) Conventional Materials; and (iii) End Products. The Group generated most of its revenue from the Reinforced Materials which accounted for approximately 90.6% (2015: 85.3%) of total revenue. Local sales continued to be the Group's major source of revenue, representing approximately 75.1% (2015: 56.4%) of the total revenue while export sales accounted for approximately 24.9% (2015: 43.6%) of the total revenue.

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

	For the year ended 31 December			
	2016		2015	
	(RMB million)	*%*	*(RMB million)*	*%*
Reinforced Materials	**428.2**	**90.6**	397.7	85.3
Conventional Materials	**44.5**	**9.4**	38.3	8.2
End Products	**—**	**—**	30.5	6.5
	472.7	**100.0**	466.5	100.0

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

	For the year ended 31 December			
	2016		2015	
	(RMB million)	*%*	*(RMB million)*	*%*
PRC	**355.1**	**75.1**	263.1	56.4
Others	**117.6**	**24.9**	203.4	43.6
	472.7	**100.0**	466.5	100.0

Reinforced Materials

During 2016, in respect of the Reinforced Materials, the Group delivered the most in tarpaulin materials, inflatable materials and drop stitch fabric. Drop stitch fabric is a new material successfully developed and launched in the market after two years of research and development. The strategy of the Group is to innovate more new products and to leverage its leading marketing position and offer products at a competitive price.

As at 31 December 2016, the Group owned a total of 70 patents with 31 on innovations, 35 on new applications and 4 on exterior designs for Reinforced Materials.

During 2016, the Group's revenue generated from Reinforced Materials amounted to approximately RMB428.2 million (2015: RMB397.7 million) which accounted for approximately 90.6% (2015: 85.3%) of the Group's total revenue, representing an increase in sales of approximately 7.7%. The increase in revenue from Reinforced Materials is mainly due to increase in demand for drop stitch fabric. This contributed to approximately RMB64 million (2015: RMB20.4 million) of revenue for the year, which accounted for 15.1% (2015: 5.1%) of the total revenue of Reinforced Materials for the year under review.

Due to the increasingly stringent market environment for years, many competitors imitated the Group's products on the market and utilized low-price strategy in order to squeeze market share. The Group continued to further structural adjustment of Reinforced Materials, and promote inflatable boat materials, air tightness materials and inflatable materials for high-end customers, in particular, focus on the promotion of the new product, drop stitch fabric, so as to maintain the Group's competitiveness.

Conventional Materials

During 2016, the Group's revenue generated from the Conventional Materials amounted to approximately RMB44.5 million (2015: RMB38.3 million) which accounted for approximately 9.4% (2015: 8.2%) of total revenue, representing an increase of approximately 16.2%.

End Products

As the Group had closed down all its local sales offices of the promotion of the End Products and stopped the manufacturing of End Products since 31 December 2015, there was no revenue generated from the End Products for the year under review (2015: RMB30.5 million).

Financial Review

Overview

Revenue

The Group's revenue for the year ended 31 December 2016 was approximately RMB472.7 million, representing an increase of approximately RMB6.2 million, or 1.3%, compared to revenue of approximately RMB466.5 million for last year. For the year under review, the Group's major sales segments, namely, (1) Reinforced Materials reported revenue of approximately RMB428.2 million (2015: RMB397.7 million); (2) Conventional Materials recorded a revenue of approximately RMB44.5 million (2015: RMB38.3 million); and (3) End Products recorded a revenue of approximately RMBNil (2015: RMB30.5 million). The increase in revenue was mainly due to the increase of demand for Reinforced Materials.

Gross Profit and Gross Profit Margin

Gross profit was approximately RMB94.3 million for the year under review (2015: RMB5.5 million), with the gross profit margin of approximately 19.9% (2015: 1.2%). The increase in gross profit margin was mainly due to (i) decrease in depreciation charges, (ii) cost control (iii) increase in sales of new products with higher profit margin and (iv) discontinuance of the End Products with negative profit margin.

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

	For the year ended 31 December	
	2016	2015
	%	%
Reinforced Materials	**21.7**	2.3
Conventional Materials	**2.9**	(1.8)
End Products	—	(9.4)
Overall	**19.9**	1.2

Profit for the Year

The Group recorded a profit attributable to equity holders of approximately RMB22.3 million, or RMB2.6 cents for basic earning per share for the year ended 31 December 2016 (2015 loss: RMB692.2 million or RMB81.2 cents for basic loss per share). The reasons for the turn from loss to profit for the year, was mainly due to the increase in gross profit and the significant decrease in impairment of various assets by approximately RMB575.5 million.

Dividends

The Board did not recommend the payment of a final dividend for the year ended 31 December 2016 (2015: Nil).

Selling and Distribution Costs

Selling and distribution costs were approximately RMB15.4 million (2015: RMB17.4 million) whilst the selling and distribution expenses to revenue ratio was 3.3% (2015: 3.7%). A reduction in selling and distribution costs was mainly due to the Group completely withdrawal from the End Products business in 2015.

Administrative Expenses

Administrative expenses were approximately RMB53.3 million (2015: RMB77.6 million) whilst the administrative expenses to revenue ratio was 11.3% (2015: 16.6%). The decrease in administrative expenses was mainly due to a decrease in research and development cost.

Research and Development

Research and development (the "R&D") costs were approximately RMB31.9 million (2015: RMB51.0 million) whilst the R&D expenses to revenue ratio was 6.7% (2015: 10.9%). 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 withdrawal of End Products from the market and the scale down of sales volume of Conventional Materials last year, the Group made 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. Details of the review of the impairments of property, plant and equipment are set out in note 18 to the consolidated financial statements.

For the year ended 31 December 2016, the impairment of these assets only amounted to approximately RMB18,000.

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 2016, impairments have been recognized in respect of trade and other receivables in the amount of approximately RMB2.8 million (2015: RMB200.5 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 2016, the management of the Group took a prudent approach in assessing the collectability of the advances to suppliers and recognized approximately RMB1.5 million (2015: RMB51.4 million) on impairment of advances to suppliers.

Impairment of inventories

Impairment of inventories of approximately RMB3.1 million for the year ended 31 December 2016 (2015: RMB2.2 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 RMB11.0 million (2015: RMB17.3 million) whilst the finance costs to revenue ratio was 2.3% (2015: 3.7%). The decrease of the finance cost was mainly due to decrease in bank loans.

Interest Income

Interest income from bank were approximately RMB0.1 million for the year ended 31 December 2016 (2015: approximately RMB0.8 million).

Liquidity and Financial Resources

Total Equity

As at 31 December 2016, total equity were approximately of RMB214.4 million, representing an increase of 10.1%, as compared to approximately RMB194.7 million as at 31 December 2015.

Financial Position

As at 31 December 2016, the Group had total current assets of approximately RMB258.8 million (2015: RMB281.3 million) and total current liabilities of approximately RMB546.9 million (2015: RMB563.0 million), with net current liabilities of approximately RMB288.1 million (2015: net current liabilities of RMB281.7 million).

As at 31 December 2016, the Group's net gearing ratio (expressed as a percentage of total interest-bearing liabilities to total assets) was at 19.9%, compared to 31.2% as at 31 December 2015.

Cash and Cash Equivalents

As at 31 December 2016, the Group had cash and cash equivalents of approximately RMB15.0 million (2015: RMB27.6 million), most of which were denominated in Renminbi.

Bank Borrowings

The Group had interest-bearing bank borrowings of approximately RMB152.0 million (2015: RMB250.0 million) while total banking facilities amounted to approximately RMB285.0 million (2015: RMB316.0 million).

Contingent Liabilities

As at 31 December 2016, the Group had no material contingent liabilities (2015: Nil).

Capital Commitments

As at 31 December 2016, capital commitments of the Group were approximately RMB2.8 million (2015: RMB12.0 million). The capital commitments will be funded partly by internal resources and partly by bank borrowings.

Pledge of Assets

As at 31 December 2016, the Group mortgaged its buildings, plant and machinery of approximately RMB343.8 million (2015: RMB236.8 million) leasehold land of approximately RMB18.2 million (2015: RMB18.7 million), investment properties of approximately RMB15.0 million (2015: RMB17.1 million) in Mainland China and bank deposits of approximately RMB41.9 million (2015: RMB42.8 million) were pledged to banks to secure bank loans and general banking facilities granted.

Human Resources

As at 31 December 2016, the Group employed a total of 337 employees (2015: 355 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

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

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

2. to further explore new business relationship with domestic and foreign customers, and to expand the Group's market share;

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

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

The Company has 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 to the Company to update the latest development of the Resumption in due course.

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

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

2. Fuzhou plants will continue to deepen the development of drop stitch fabric, accelerate the research and market development of reinforced drop stitch fabric and plain-weaved drop stitch fabric, expand the LVT flooring materials production line and create economies of scale;

3. to step up the protection for the intellectual property rights of our new technology and new technique and apply for more patents on technology, establish as one of the most innovative technology enterprise in the industry, and create values for the shareholders of the Company; and

4. to continue to strengthen the cooperation with the technical experts in Europe and the United States of America, and to further increase its sales share 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 2016, 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 three independent non-executive directors were unable to attend the annual general meeting ("AGM") of the Company which was held on 11 June 2016 due to their other business engagements. Each director of the Company ("Director(s)") 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.

FINAL DIVIDEND

The Board do not recommend the payment of a final dividend for the year ended 31 December 2016 (2015: Nil).

EVENTS AFTER THE REPORTING PERIOD

As at 31 December 2016, the Group had no significant events after the reporting period (2015: Nil).

MATERIAL ACQUISITION AND DISPOSAL

The Group had no material acquisition and disposal during the year.

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 2016.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES 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 2016.

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 2016 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 2016. 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 2016 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 2016 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, 28 March 2017

As at the date of this announcement, the Board comprises four Executive Directors, namely, Mr. Lin Shengxiong , Mr. Zhang Hongwang, Mr. Huang Wanneng and Mr. Jiang Shisheng; three Independent Non-Executive Directors, namely, Mr. Lau Chun Pong, Mr. Cai Weican and Mr. Wu Jianhua.