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 2017 AND CONTINUED SUSPENSION OF TRADING

FINANCIAL HIGHLIGHTS

- Revenue increased by 10.8% to RMB523.8 million
- Gross profit increased by 26.0% to RMB118.8 million
- Profit for the year attributable to owners of the Company was RMB28.4 million
- Basic earning per share was RMB3.33 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 2017 as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2017

	Notes	**2017**	2016
		RMB'000	*RMB'000*
REVENUE	*5*	**523,799**	472,688
Cost of sales		**(405,002)**	(378,421)
GROSS PROFIT		**118,797**	94,267
Other income and gains	*6*	**7,038**	22,208
Selling and distribution costs		**(14,375)**	(15,393)
Administrative expenses		**(60,564)**	(53,287)
Other expenses		**(4,085)**	(8,380)
PROFIT FROM OPERATIONS		**46,811**	39,415
Fair value loss on investment properties		**(160)**	(2,100)
Impairment of various assets		**(7,275)**	(7,489)
Finance costs	*7*	**(7,879)**	(11,024)
PROFIT BEFORE TAX	*8*	**31,497**	18,802
Income tax (expense)/credit	*9*	**(3,101)**	3,450
PROFIT FOR THE YEAR ATTRIBUTABLE TO OWNERS OF THE COMPANY		**28,396**	22,252
Other comprehensive income/(expenses) after tax:			
Items that may not be reclassified to profit or loss:			
Exchange differences on translation of non-PRC operations		**(8,688)**	30,562
Items that may be reclassified to profit or loss:			
Exchange differences on translation of non-PRC operations		**8,613**	(33,086)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR ATTRIBUTABLE TO OWNERS OF THE COMPANY		**28,321**	19,728
EARNING PER SHARE (RMB cents)	*10*		
— Basic		**3.33**	2.61
— Diluted		**3.33**	2.61

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2017

	Notes	2017 RMB'000	2016 RMB'000
Non-current assets			
Property, plant and equipment		**428,618**	456,947
Prepaid land lease payments		**17,049**	17,694
Investment properties		**14,840**	15,000
Intangible assets		**14,005**	550
Deposits paid for acquisition of property, plant and equipment		**581**	6,722
Available-for-sale investment		**4,140**	4,140
Deferred tax assets		**3,697**	5,285
Total non-current assets		**482,930**	506,338
Current assets			
Inventories		**81,689**	74,007
Trade receivables	12	**89,607**	86,476
Prepayments, deposits and other receivables		**12,715**	12,955
Pledged bank deposits		**55,975**	41,927
Cash and cash equivalents		**31,930**	15,008
		271,916	230,373
Non-current assets classified as held for sale		**28,437**	28,437
Total current assets		**300,353**	258,810
Current liabilities			
Trade and bills payables	13	**266,663**	232,312
Other payables and accruals		**98,796**	112,281
Interest-bearing borrowings		**130,000**	152,000
Deferred income		**360**	360
Due to a related party		**10,000**	14,000
Due to directors		**11,102**	21,510
Finance lease payables		**3,666**	—
Tax payable		**15,993**	14,480
Total current liabilities		**536,580**	546,943

	Notes	2017 RMB'000	2016 RMB'000
Net current liabilities		**(236,227)**	(288,133)
Total assets less current liabilities		**246,703**	218,205
Non-current liabilities			
Finance lease payables		**537**	—
Deferred income		**690**	1,050
Deferred tax liabilities		**2,711**	2,711
Total non-current liabilities		**3,938**	3,761
NET ASSETS		**242,765**	214,444
Capital and reserves			
Issued capital	*14*	**747**	747
Reserves		**242,018**	213,697
		242,765	214,444
TOTAL EQUITY		**242,765**	214,444

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2017

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 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 and (ii) conventional materials.

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

2. BASIS OF PREPARATION

The 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 RMB236,227,000 as at 31 December 2017 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 consolidated 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 2017. 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 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 and (ii) conventional materials.

Geographical information

	Revenue from external customers		**Non-current assets**	
	Year ended 31 December		**As at 31 December**	
	2017	2016	**2017**	2016
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
PRC	**354,746**	355,094	**475,093**	496,913
Others	**169,053**	117,594	**—**	—
	523,799	472,688	**475,093**	496,913

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 available-for-sale investment and deferred tax assets. No revenue from transactions with a single country other than PRC amounted to 10% or more of the Group's total sales for the year (2016: 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 (2016: Nil).

5. REVENUE

	2017	2016
	RMB'000	*RMB'000*
Sales of goods	**523,799**	472,688

6. OTHER INCOME AND GAINS

	2017	2016
	RMB'000	*RMB'000*
Bank interest income	**205**	95
Government subsidies *(note)*	**4,601**	1,571
Gross rental income	**976**	1,087
Dividend income from available-for-sale investment	**136**	424
Reversal of allowance for receivables	**450**	9,346
Waiver of remuneration payables to directors	**—**	4,098
Exchange gain, net	**—**	4,153
Sundry income	**670**	1,434
	7,038	22,208

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 2017 and 2016.

7. FINANCE COSTS

	2017	2016
	RMB'000	*RMB'000*
Interest on bank loans	**7,788**	11,024
Finance leases charges	**91**	—
	7,879	11,024

8. PROFIT BEFORE TAX

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

	2017	2016
	RMB'000	*RMB'000*
Cost of inventories sold *	**405,002**	378,421
Depreciation of property, plant and equipment	**30,810**	36,062
Amortisation of prepaid land lease payments	**645**	646
Amortisation of intangible assets	**561**	220
Loss on disposals of property, plant and equipment	**1,619**	6,144
Written off of intangible assets	**—**	1,128
Staff costs (including directors' remuneration):		
Wages and salaries	**19,922**	22,310
Retirement benefits scheme contributions	**1,101**	978
Staff welfare expenses	**706**	1,360
	21,729	24,648
Operating lease charges on land and buildings	**1,194**	1,775
Research and development costs	**44,488**	31,892
Exchange loss/(gain), net	**1,552**	(4,153)
Fair value loss on investment properties	**160**	2,100
Impairment of property, plant and equipment	**—**	18
Impairment of deposits paid for acquisition of property, plant and equipment	**578**	—
Impairment of trade receivables	**1,166**	2,823
Impairment of other receivables	**669**	—
Impairment of advances to suppliers	**—**	1,503
Impairment of inventories	**4,862**	3,145
Auditors' remuneration	**1,301**	1,430

* Cost of inventories sold includes RMB40,857,000 (2016: RMB47,561,000) relating to staff costs and depreciation expenses, which amount is also included in the respective total amounts disclosed separately above for each of these types of expenses.

9. INCOME TAX EXPENSE/(CREDIT)

	2017	2016
	RMB'000	*RMB'000*
Current tax — the PRC		
Charge for the year	**1,513**	1,309
Over-provision in prior years	**—**	(5,230)
Deferred tax	**1,588**	471
	3,101	(3,450)

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 years ended 31 December 2017 and 2016.

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") (2016: Fujian Sijia) are subject to the tax rates for being a high-tech enterprise, levied at the tax rate of 15% for the year (2016: 15%). Other subsidiaries are subject to a corporate income tax rate of 25% during the year according to the Enterprise Income Tax Law of the PRC(中華人民共和國企業所得稅法)(2016: 25%).

The English name is for identification only

10. EARNING PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY

Earning per share

The calculation of basic earning per share attributable to owners of the Company is based on the profit for the year attributable to owners of the Company of approximately RMB28,396,000 (2016: RMB22,252,000) and the weighted average number of approximately 852,612,000 (2016: 852,612,000) ordinary shares in issue during the year.

Diluted earning per share

Diluted earning per share for the years ended 31 December 2017 and 2016 is the same as the basic earning 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 2017 (2016: 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:

	2017	2016
	RMB'000	*RMB'000*
Within 3 months	**80,502**	65,212
More than 3 months but within 6 months	**4,707**	14,417
More than 6 months but within 1 year	**3,984**	4,818
More than 1 year	**414**	2,029
	89,607	86,476

13. TRADE AND BILLS PAYABLES

	2017	2016
	RMB'000	*RMB'000*
Trade payables	**76,874**	101,066
Bills payables	**189,789**	131,246
	266,663	232,312

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

	2017	2016
	RMB'000	*RMB'000*
Within 3 months	**156,485**	137,545
More than 3 months but within 6 months	**108,357**	86,585
More than 6 months but within 1 year	**1,540**	6,895
More than 1 year	**281**	1,287
	266,663	232,312

14. SHARE CAPITAL

	2017	2016
	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.

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 2017

An extract of the Company's independent auditor's report for the year ended 31 December 2017 is as follows:

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2017, 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.

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 RMB236,227,000 as at 31 December 2017 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

As one of the recognised industry leaders in the PRC in providing new reinforced materials. The Group provides new materials for professional use along with eco-friendly and renewable PVC elastic flooring products for a broad spectrum of industries including modern transportation, construction, renewable energy, agriculture, healthcare, sports, outdoor leisure and daily supplies. The management team of the Group has vast experience in proprietary technology, product innovation and marketing. With 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.

The operations of the Group's PVC elastic flooring product ("PVC material") business are based in Fuzhou. The product is the world's only renewable new type of lightweight decorative material for floors. It has become the first choice for floor decorative materials throughout European countries, America, Japan, and Korea, due to its capacity for outstanding performance and eco-friendly properties, PVC flooring material is eco-friendly, remarkably abrasion resistant, highly elastic, shock resistant, fire-resistant and flame retardant, low maintenance, waterproof and moisture-proof, enjoying extremely high quality-to-price ratio, and may be broadly used in various fields including education, medicine, commerce, sports, office environments, industrial use, transport, and everyday household items.

Due to our great effort, the Group achieved a total revenue of approximately RMB523.8 million for the year ended 31 December 2017 (2016: RMB472.7 million), representing an increase of approximately RMB51.1 million, or 10.8% 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 two types: (i) Reinforced Materials; and (ii) Conventional Materials. The Group generated most of its revenue from the Reinforced Materials which accounted for approximately 96.5% (2016: 90.6%) of total revenue. Local sales continued to be the Group's major source of revenue, representing approximately 67.7% (2016: 75.1%) of the total revenue while export sales accounted for approximately 32.3% (2016: 24.9%) of the total revenue.

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

	For the year ended 31 December			
	2017		2016	
	(RMB million)	*%*	*(RMB million)*	*%*
Reinforced Materials	**505.4**	**96.5**	428.2	90.6
Conventional Materials	**18.4**	**3.5**	44.5	9.4
	523.8	**100.0**	472.7	100.0

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

	For the year ended 31 December			
	2017		2016	
	(RMB million)	*%*	*(RMB million)*	*%*
PRC	**354.7**	**67.7**	355.1	75.1
Others	**169.1**	**32.3**	117.6	24.9
	523.8	**100.0**	472.7	100.0

Reinforced Materials

In 2017, in respect of the Reinforced Materials, the Group delivered the most in drop stitch fabric, followed by inflatable materials and inflatable boat materials. Drop stitch fabric is a new material successfully developed and launched in the market by the Group after three years of research and development. In particular, reinforced drop stich fabric could improve downstream processing factories' efficiency in processing surfboards by nearly 20%, allowing processing factories to reduce a number of procedures, such as attaching reinforced tape and brush-applied coating, which generate a strong solvent smell of throughout workshops, creating an undesirable operating environment for staff members, as well as reduce negative environmental impacts from emissions of solvents. Moreover, TPU drop stitch fabric weights 10% lighter than comparable lightweight chemical-based fabric products offered by other industry players around the world. At present, the indexes of all physical properties of TPU drop stitch fabric products outperform products provided by other domestic manufacturers with being detached, lightweight and airtight, ranking it among the top amid their worldwide counterparts. This not only caters to the needs of worldwide customers but also delivers significant economic benefit. The Group is hitherto the world's sole supplier that produces both wrap-knitted and plain-weave drop stitch fabric as well as a designated supplier of materials for the world's top five brands of stand up paddle (SUP) boards. The Group is set out to develop strategies to further invent new products as well as capitalising on its leading position in the market to offer competitively-priced products.

As at 31 December 2017, the Group owned a total of 53 patents with respect to Reinforced Materials, 35 of which on inventions, 13 of which on practical new models, and 5 of which on software copyrights. Among these, Fujian Sijia owned 29 patents (25 patents on inventions, 4 patents on practical new models) whereas Shanghai Sijia owned 24 patents (10 patents on inventions, 9 patents on practical new models and 5 patents on software copyrights). The "Sijia" brand was endorsed as a "Well-Known Trademark" in the PRC. The Group has been proactive in patent application each year, thereby ensuring continued protection for the brand's intellectual property rights.

During 2017, the Group's revenue generated from Reinforced Materials amounted to approximately RMB505.4 million (2016: RMB428.2 million) which accounted for approximately 96.5% (2016: 90.6%) of the Group's total revenue, representing an increase in sales of approximately 18.0%. The increase in revenue from Reinforced Materials is mainly due to increase in demand for drop stitch fabric. This contributed to approximately RMB131.8 million (2016: RMB64 million) of revenue for the year, which accounted for 26.1% (2016: 15.1%) of the total revenue of Reinforced Materials for the year under review.

A multitude of challenges rose in the current year's market environment where a horde of competitors sprang to imitate the Group's products on the market through competitive pricing in order to increase market share. The Group shall encounter more and newer difficulties and challenges, yet a challenging market will also give rise to new developments and opportunities. Crisis and opportunities can work in tandem, whereas pressure and motive are two sides of the same coin. The Group continued to further structural adjustment of reinforced materials, promote inflatable boat materials, airtight materials, and inflatable materials to high-end customers with a particular focus on promoting the new product – drop stitch fabric so as to maintain the Group's competitiveness. In the meantime, efforts to develop PVC flooring materials were in full swing.

Conventional Materials

During 2017, the Group's revenue generated from the Conventional Materials amounted to approximately RMB18.4 million (2016: RMB44.5 million) which accounted for approximately 3.5% (2016: 9.4%) of total revenue, representing a decrease of approximately 58.7%.

End Products

The Group commenced trial manufacturing of PVC flooring materials at the end of 2017 whereas the business is scheduled to operate at full capacity in 2018.

Financial Review

Overview

Revenue

The Group's revenue for the year ended 31 December 2017 was approximately RMB523.8 million, representing an increase of approximately RMB51.1 million, or 10.8%, compared to revenue of approximately RMB472.7 million for last year. For the year under review, the Group's major sales segments, namely, (1) Reinforced Materials reported revenue of approximately RMB505.4 million (2016: RMB428.2 million); and (2) Conventional Materials recorded a revenue of approximately RMB18.4 million (2016: RMB44.5 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 RMB118.8 million for the year under review (2016: RMB94.3 million), with the gross profit margin of approximately 22.7% (2016: 19.9%). The increase in gross profit margin was mainly due to increase in sales of new products with higher profit margin.

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

	For the year ended 31 December	
	2017	2016
	%	*%*
Reinforced Materials	**23.4**	21.7
Conventional Materials	**3.0**	2.9
Overall	**22.7**	19.9

Profit for the Year

The Group recorded a profit attributable to equity holders of approximately RMB28.4 million, or RMB3.3 cents for basic earning per share for the year ended 31 December 2017 (2016: RMB22.3 million or RMB2.6 cents for basic earning per share).

Dividends

The Board did not recommend the payment of a final dividend for the year ended 31 December 2017 (2016: Nil).

Selling and Distribution Costs

Selling and distribution costs were approximately RMB14.4 million (2016: RMB15.4 million). A decrease in selling and distribution costs was mainly due to reduction of some export expenses.

Administrative Expenses

Administrative expenses were approximately RMB60.6 million (2016: RMB53.3 million). The increase in administrative expenses was mainly due to increase in research and development cost for new PVC Flooring project.

Research and Development

Research and development (the "R&D") costs were approximately RMB44.5 million (2016: RMB31.9 million). 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 deposits paid for acquisition of property, plant and equipment

For the year ended 31 December 2017, the impairment of deposits paid for the acquisition of property, plant and equipment amounted to approximately RMB0.6 million (2016: Nil).

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 2017, impairments have been recognized in respect of trade and other receivables in the amount of approximately RMB1.8 million (2016: RMB2.8 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 2017, the management of the Group took a prudent approach in assessing the collectability of the advances to suppliers and recognized RMB Nil (2016: RMB1.5 million) on impairment of advances to suppliers.

Impairment of inventories

Impairment of inventories of approximately RMB4.9 million for the year ended 31 December 2017 (2016: RMB3.1 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 RMB7.9 million (2016: RMB11.0 million). The decrease of the finance cost was mainly due to decrease in bank loans.

Interest Income

Interest income from bank were approximately RMB0.2 million for the year ended 31 December 2017 (2016: approximately RMB0.1 million).

Liquidity and Financial Resources

Total Equity

As at 31 December 2017, total equity were approximately of RMB242.8 million, representing an increase of 13.2%, as compared to approximately RMB214.4 million as at 31 December 2016.

Financial Position

As at 31 December 2017, the Group had total current assets of approximately RMB300.4 million (2016: RMB258.8 million) and total current liabilities of approximately RMB536.6 million (2016: RMB546.9 million), with net current liabilities of approximately RMB236.2 million (2016: net current liabilities of RMB288.1 million).

As at 31 December 2017, the Group's net gearing ratio (expressed as a percentage of total interest-bearing liabilities to total assets) was at 17.1%, compared to 19.9% as at 31 December 2016.

Cash and Cash Equivalents

As at 31 December 2017, the Group had cash and cash equivalents of approximately RMB31.9 million (2016: RMB15.0 million), most of which were denominated in Renminbi.

Bank Borrowings

The Group had interest-bearing bank borrowings of approximately RMB130.0 million (2016: RMB152.0 million) while total banking facilities amounted to approximately RMB283.0 million (2016: RMB285.0 million).

Contingent Liabilities

As at 31 December 2017, the Group had no material contingent liabilities (2016: Nil).

Capital Commitments

As at 31 December 2017, capital commitments of the Group were approximately RMB0.7 million (2016: RMB2.8 million). The capital commitments will be funded partly by internal resources and partly by bank borrowings.

Pledge of Assets

As at 31 December 2017, the Group mortgaged its buildings, plant and machinery of approximately RMB320.3 million (2016: RMB343.8 million), leasehold land of approximately RMB17.5 million (2016: RMB18.2 million), investment properties of approximately RMB14.8 million (2016: RMB15.0 million) in PRC and bank deposits of approximately RMB56.0 million (2016: RMB41.9 million) were pledged to banks to secure bank loans and general banking facilities granted.

Human Resources

As at 31 December 2017, the Group employed a total of 307 employees (2016: 337 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 PRC economy, the Group will actively adapt to the national policy of "adjusting economic structure; transforming traditional manufacturing industries into new manufacturing industries". It will adhere to the development principles of "stay on its original business, steady development, structure optimisation and continuous innovation", and 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 2017, the Company has complied with the code provisions under the CG Code.

FINAL DIVIDEND

The Board do not recommend the payment of a final dividend for the year ended 31 December 2017 (2016: Nil).

EVENTS AFTER THE REPORTING PERIOD

As at 31 December 2017, the Group had no significant events after the reporting period (2016: 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 2017.

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 2017.

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 2017 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 2017. 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 2017 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 2017 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, 29 March 2018

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