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 2018 AND CONTINUED SUSPENSION OF TRADING

FINANCIAL HIGHLIGHTS

- Revenue increased by 2.4% to RMB536.6 million
- Gross profit increased by 2.9% to RMB122.2 million
- Profit for the year attributable to owners of the Company was RMB31.1 million
- Basic earning per share was RMB3.65 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 2018 as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2018

	Notes	**2018**	2017
		RMB'000	*RMB'000*
REVENUE	*5*	**536,619**	523,799
Cost of sales		**(414,440)**	(405,002)
GROSS PROFIT		**122,179**	118,797
Other income and gains	*6*	**17,454**	7,038
Selling and distribution costs		**(16,480)**	(14,375)
Administrative expenses		**(76,895)**	(60,564)
Other expenses		**(2,181)**	(4,085)
Fair value loss on investment properties		**(200)**	(160)
Impairment of various assets		**(5,727)**	(7,275)
Finance costs	*7*	**(7,048)**	(7,879)
PROFIT BEFORE TAX	*8*	**31,102**	31,497
Income tax credit/(expense)	*9*	**23**	(3,101)
PROFIT FOR THE YEAR ATTRIBUTABLE TO OWNERS OF THE COMPANY		**31,125**	28,396
Other comprehensive income/(expenses) after tax:			
Items that may not be reclassified to profit or loss:			
Exchange differences on translation of non-PRC operations		**6,139**	(8,688)
Items that may be reclassified to profit or loss:			
Exchange differences on translation of non-PRC operations		**(6,063)**	8,613
TOTAL COMPREHENSIVE INCOME FOR THE YEAR ATTRIBUTABLE TO OWNERS OF THE COMPANY		**31,201**	28,321
EARNING PER SHARE (RMB cents)	*10*		
— Basic		**3.65**	3.33
— Diluted		**3.65**	3.33

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2018

	Notes	2018 RMB'000	2017 RMB'000
Non-current assets			
Property, plant and equipment		**408,627**	428,618
Prepaid land lease payments		**16,404**	17,049
Investment properties		**14,640**	14,840
Intangible assets		**13,643**	14,005
Deposits paid for acquisition of property, plant and equipment		**717**	581
Equity investments at fair value through other comprehensive income		**4,140**	4,140
Deferred tax assets		**3,361**	3,697
Total non-current assets		**461,532**	482,930
Current assets			
Inventories		**106,637**	81,689
Trade receivables	*12*	**89,704**	89,607
Prepayments, deposits and other receivables		**10,002**	12,715
Due from ultimate holding company		**263**	—
Pledged bank deposits		**50,260**	55,975
Cash and cash equivalents		**28,200**	31,930
		285,066	271,916
Non-current assets classified as held for sale		**4,537**	28,437
Total current assets		**289,603**	300,353
Current liabilities			
Trade and bills payables	*13*	**263,583**	266,663
Contract liabilities		**12,983**	13,950
Other payables and accruals		**55,105**	84,846
Interest-bearing borrowings		**105,000**	130,000
Deferred income		**360**	360
Due to a related party		**10,000**	10,000
Due to directors		**12,747**	11,102
Finance lease payables		**537**	3,666
Tax payable		**13,813**	15,993
Total current liabilities		**474,128**	536,580

	Notes	**2018** *RMB'000*	2017 *RMB'000*
Net current liabilities		**(184,525)**	(236,227)
Total assets less current liabilities		**277,007**	246,703
Non-current liabilities			
Finance lease payables		**—**	537
Deferred income		**330**	690
Deferred tax liabilities		**2,711**	2,711
Total non-current liabilities		**3,041**	3,938
NET ASSETS		**273,966**	242,765
Capital and reserves			
Issued capital	*14*	**747**	747
Reserves		**273,219**	242,018
TOTAL EQUITY		**273,966**	242,765

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018

1. GENERAL INFORMATION

The Company is a limited company incorporated in the Cayman Islands on 7 October 2009. The address of its registered office is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands. The Company's principal place of business is located at Room 617, 6/F., Seapower Tower, Concordia Plaza, 1 Science Museum Road, Tsimshatsui East, Kowloon, Hong Kong. The Company's shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited and have been suspended for trading since 14 February 2013.

The Company acts as an investment holding company. The Company, through its major subsidiaries, is principally engaged in the design, development, manufacture and sale of (i) polymer processed high strength polyester fabric composite materials and other reinforced composite materials ("Reinforced Materials"), (ii) conventional materials ("Conventional Materials") and (iii) PVC elastic flooring product ("PVC Floor") during the year.

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 (the "HKICPA"), 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 RMB184,525,000 as at 31 December 2018 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 Hong Kong Financial Reporting Standards ("HKFRSs") issued by the HKICPA that are relevant to its operations and effective for its accounting year beginning on 1 January 2018. HKFRSs comprise Hong Kong Financial Reporting Standards ("HKFRS"); Hong Kong Accounting Standards ("HKAS"); and Interpretations. The adoption of these new and revised HKFRSs did not result in significant changes to the Group's accounting policies, presentation of the Group's consolidated financial statements and amounts reported for the current year and prior years except as stated below.

A. HKFRS 9 (2014) "Financial Instruments"

Available-for-sale investments are now classified as equity investments at fair value through other comprehensive income.

HKFRS 9 (2014) has been applied retrospectively and resulted in changes in the consolidated amounts reported in the consolidated financial statements as follows:

	31 December 2017 *RMB'000*	1 January 2017 *RMB'000*
Decrease in available-for-sale investments	(4,140)	(4,140)
Increase in equity investments at fair value through other comprehensive income	4,140	4,140

B. HKFRS 15 "Revenue from Contracts with Customers"

HKFRS 15 has been applied retrospectively and resulted in changes in the consolidated amounts reported in the consolidated financial statements as follows:

	31 December 2017 *RMB'000*	1 January 2017 *RMB'000*
Decrease in other payables and accruals	(13,950)	(12,971)
Increase in contract liabilities	13,950	12,971

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) Reinforced Materials, (ii) Conventional Materials and (iii) PVC Floor.

Geographical information

	Revenue from external customers		**Non-current assets**	
	Year ended 31 December		**As at 31 December**	
	2018	2017	**2018**	2017
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
PRC	**353,467**	354,746	**454,031**	475,093
Others	**183,152**	169,053	—	—
	536,619	523,799	**454,031**	475,093

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 equity investments at fair value through other comprehensive income 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 (2017: 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 (2017: Nil).

5. **REVENUE**

	2018	2017
	RMB'000	*RMB'000*
Sales of goods	**536,619**	523,799

There is only one operating segment which is principally engaged in the design, development, manufacture and sale of (i) Reinforced Materials, (ii) Conventional Materials and (iii) PVC Floor during the year. Sales are recognised when control of the products has transferred, being when the products are delivered to a customer, there is no unfulfilled obligation that could affect the customer's acceptance of the products and the customer has obtained legal titles to the products.

Sales to customers are normally made with credit terms of 30 to 90 days. For new customers, payment in advance is normally required. Deposits received are recognised as a contract liability.

A receivable is recognised when the products are delivered to the customers as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due.

Disaggregation of revenue from contracts with customers:

	2018	2017
	RMB'000	*RMB'000*
Geographical markets		
PRC	**353,467**	354,746
United States	**48,794**	40,205
Russia	**30,677**	33,853
Others	**103,681**	94,995
Total	**536,619**	523,799

	2018	2017
	RMB'000	*RMB'000*
Major products		
Reinforced Materials	**518,518**	505,399
Conventional Materials	**12,758**	18,400
PVC Floor	**5,343**	—
Total	**536,619**	523,799

The revenue was recognised at a point in time.

6. OTHER INCOME AND GAINS

	2018	2017
	RMB'000	*RMB'000*
Interest income	**298**	205
Government subsidies *(note)*	**5,291**	4,601
Gross rental income	**1,719**	976
Dividend income from equity investments at fair value through other comprehensive income	**—**	136
Recovery of bad debts	**7,850**	450
Sundry income	**2,296**	670
	17,454	7,038

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 2018 and 2017.

7. FINANCE COSTS

	2018	2017
	RMB'000	*RMB'000*
Interest on bank loans	**6,728**	7,788
Finance leases charges	**320**	91
	7,048	7,879

8. PROFIT BEFORE TAX

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

	2018	2017
	RMB'000	*RMB'000*
Cost of inventories sold *	**414,440**	405,002
Depreciation of property, plant and equipment	**33,316**	30,810
Amortisation of prepaid land lease payments	**645**	645
Amortisation of intangible assets	**562**	561
Loss on disposals of property, plant and equipment	**443**	1,619
Staff costs (including directors' remuneration):		
Wages and salaries	**27,571**	19,922
Retirement benefit scheme contributions	**1,620**	1,101
Staff welfare expenses	**1,211**	706
	30,402	21,729
Operating lease charges on land and buildings	**1,565**	1,194
Research and development costs	**56,013**	44,488
Exchange (gain)/loss, net	**(547)**	1,552
Fair value loss on investment properties	**200**	160
Impairment of deposits paid for acquisition of property, plant and equipment	**—**	578
Impairment of trade receivables	**995**	1,166
Impairment of other receivables	**—**	669
Impairment of inventories	**4,732**	4,862
Auditors' remuneration	**1,317**	1,301

* Cost of inventories sold includes RMB48,562,000 (2017: RMB40,857,000) 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 (CREDIT)/EXPENSE

	2018	2017
	RMB'000	*RMB'000*
Current tax — the PRC		
Charge for the year	**—**	1,513
Over-provision in prior years	**(359)**	—
Deferred tax	**336**	1,588
	(23)	3,101

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 2018 and 2017.

Pursuant to the approval of the tax bureau, in accordance with the Enterprise Income Tax Law of the PRC(中華人民共和國企業所得稅法), Fujian Sijia Industrial Material Co., Ltd.#(福建思嘉環保材料科技有限公司)("Fujian Sijia") and Sijia New Material (Shanghai) Co., Ltd.#(思嘉環保材料科技(上海)有限公司)("Shanghai Sijia") are subject to the tax rate of 15% for being a high-tech enterprise. Other subsidiaries are subject to a corporate income tax rate of 25% according to the Enterprise Income Tax Law of the PRC(中華人民共和國企業所得稅法).

The English name is for identification only

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 RMB31,125,000 (2017: RMB28,396,000) and the weighted average number of approximately 852,612,000 (2017: 852,612,000) ordinary shares in issue during the year.

Diluted earning per share

Diluted earning per share for the years ended 31 December 2018 and 2017 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 2018 (2017: Nil).

12. TRADE RECEIVABLES

	2018	2017
	RMB'000	*RMB'000*
Trade receivables	**94,688**	93,596
Provision for loss allowance	**(4,984)**	(3,989)
Carrying amount	**89,704**	89,607

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:

	2018	2017
	RMB'000	*RMB'000*
Within 3 months	**84,111**	80,502
More than 3 months but within 6 months	**2,930**	4,707
More than 6 months but within 1 year	**376**	3,984
More than 1 year	**2,287**	414
	89,704	89,607

Reconciliation of loss allowance for trade receivables:

	2018	2017
	RMB'000	*RMB'000*
At 1 January	**3,989**	2,823
Increase in loss allowance for the year	**995**	1,166
At 31 December	**4,984**	3,989

The Group applies the simplified approach under HKFRS 9 to provide for expected credit losses using the lifetime expected loss provision for all trade receivables. To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due. The weighted average expected credit losses also incorporate forward looking information.

	Current	Within 30 days past due	31-60 days past due	61-120 days past due	Over 120 days past due	Total
At 31 December 2018						
Weighted average expected loss rate	0%	0%	4%	12%	64%	
Receivable amount *(RMB'000)*	74,325	7,786	3,572	1,744	7,261	94,688
Loss allowance *(RMB'000)*	—	—	134	216	4,634	4,984
At 31 December 2017						
Weighted average expected loss rate	0%	0%	0%	0%	53%	
Receivable amount *(RMB'000)*	75,031	4,986	2,044	4,019	7,516	93,596
Loss allowance *(RMB'000)*	—	—	—	—	3,989	3,989

13. TRADE AND BILLS PAYABLES

	2018	2017
	RMB'000	*RMB'000*
Trade payables	**93,879**	76,874
Bills payables	**169,704**	189,789
	263,583	266,663

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

	2018	2017
	RMB'000	*RMB'000*
Within 3 months	**162,067**	156,485
More than 3 months but within 6 months	**99,515**	108,357
More than 6 months but within 1 year	**1,881**	1,540
More than 1 year	**120**	281
	263,583	266,663

14. SHARE CAPITAL

	2018	2017
	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 2018

An extract of the Company's independent auditor's report for the year ended 31 December 2018 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 2018, 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 RMB184,525,000 as at 31 December 2018 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 renowned as one of the pioneers in the industry of producing new reinforced material in the PRC, providing new materials for professional use along with eco-friendly and renewable super core 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 this experienced management team, the Group implemented a market-oriented strategy. The Group also engaged in the development and sales of new products developed by its research and development ("R&D") team and academic institutions. A number of these newly developed products and their production techniques were granted 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 for invention, to produce new materials, including drop stitch fabric, architectural membrane, waterproofing membrane, marquees materials, air tightness materials, inflatable boats materials and inflatable materials. These 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. Their flame retardancy meets the standards of EU EN 13501, Germany DIN 4102 B1, France NF P 92-507 M2, US NFPA 701, ASTM E84 Class A, CPAI-84, Canada CAN/ULC-S109, national standard GB8624 Grade B1; UV resistance meets the standards of ISO4892-3 672H 4-5; anti-bacteria capability meets the standards of US ASTM G21 0, and international environmental standards of CE, ROHS2.0, REACh, EN71, ASTM 963 and CPSIA; and biocompatibility meets the standards of ISO 10993-5, - 10. Given the diversified applications of the Reinforced Materials and end-use products, the Group's products can be applied in fifteen major sectors including outdoor leisure, sports, renewable energy, protection, construction, logistic, packaging, medical use, safety products, advertising and daily supplies.

The operations of the Group's flooring product ("PVC Floor") business are based in Fuzhou. The product is the world's only renewable new type of lightweight decorative material for flooring. It has become the first choice for floor decorative materials throughout countries in Europe, US, as well as in Japan and Korea due to its outstanding features and eco-friendly properties. PVC Floor is sold in the global markets under the brand name "Zero Formaldehyde Super Core Flooring". It meets the environmental and technical requirements in the Europe and the US which is approved by environmental certifications including EU CE, US Floorscore, French A+, German AgBB, ROHS2.0 and REACH rules. The product quality also meets the international standard of ISO 10582, EU standards of EN 649 and EN 13329, US standards of ASTM F1066 and ASTM F1700 and national standard of GB/T 4085. Its flame retardancy is further certified with the EN 13501, ASTM E648 and GB/T 8624 certifications reaching flame retardancy Grade B1. Moreover, it obtained ISO 140-8, ASTM E492, ASTM E989-06 and other tests in terms of sound attenuation, with △IIC reaching 19dB; passed EN 14372 and CA 65 phthalate 6P tests; and passed ASTM G21 test in terms of anti-bacteria, which reaches level 0. Since PVC Floor is ecofriendly, remarkably abrasion resistant, highly elastic and shock resistant, fire-resistant and flame retardant, easy to maintain, waterproof and moisture-proof, providing extremely high quality-to-price ratio. It may be broadly used in a wide variety of fields including education, medicine, commerce, sports, office environments, industrial use, transport, and everyday household items.

Due to our strong efforts, the Group achieved a total revenue of approximately RMB536.6 million for the year ended 31 December 2018 (2017: RMB523.8 million), representing an increase of approximately RMB12.8 million, or 2.4% 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) PVC Floor. The Group generated most of its revenue from the Reinforced Materials which accounted for approximately 96.6% (2017: 96.5%) of total revenue. Domestic sales continued to be the Group's major source of revenue, representing approximately 65.9% (2017: 67.7%) of the total revenue while export sales accounted for approximately 34.1% (2017: 32.3%) of the total revenue.

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

	For the year ended 31 December			
	2018		2017	
	(RMB million)	***%***	*(RMB million)*	*%*
Reinforced Materials	**518.5**	**96.6**	505.4	96.5
Conventional Materials	**12.8**	**2.4**	18.4	3.5
PVC Floor	**5.3**	**1.0**	—	—
	536.6	**100.0**	523.8	100.0

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

	For the year ended 31 December			
	2018		2017	
	(RMB million)	***%***	*(RMB million)*	*%*
PRC	**353,467**	**65.9**	354.7	67.7
Others	**183,152**	**34.1**	169.1	32.3
	536,619	**100.0**	523.8	100.0

Reinforced Materials

The highest record of sales in 2018 is in Reinforced Materials, particularly in the Group's drop stitch fabric, followed by marquees materials and tarpaulin materials.

Drop stitch fabric is a new material successfully developed and launched on the market by the Group after several years of research and development, which has changed consumers' lifestyle and entertainment. The product was awarded the "Fuzhou Product Quality Prize 2017" by the Fuzhou Municipal Government of Fujian Province in early 2018 and applied for 17 national patents this year. Reinforced drop stitch fabric has improved downstream processing factories' efficiency in processing surfboards by nearly 20%, allowing processing factories to reduce a number of procedures as well as environmental pollution. For example, attaching reinforced tape and brush-applied coating created an undesirable operating environment filled with strong chemical smells within the workshops. Procedures such as this are now further reduced. 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 detachability, lightweightness and airtightness ranking among the top against their counterparts worldwide. This not only caters to the needs of worldwide customers but also delivers significant economic benefits. The Group is hitherto the world's sole supplier that produces both wrap-knitted and plain-weave drop stitch fabric, and at the same time it is the 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 and capitalise on its leading position in the market by offering competitively-priced products.

As at 31 December 2018, the Group owned a total of 56 patents with respect to Reinforced Materials. Among these, Fujian Sijia owned 36 patents (32 patents on inventions, 4 patents on practical new models) whereas Shanghai Sijia owned 20 patents (9 patents on inventions, 6 patents on practical new models and 5 patents on software copyrights). The Group has been proactive in patent application each year, thereby ensuring continued protection for the brand's intellectual property rights.

During 2018, the Group's revenue generated from Reinforced Materials amounted to approximately RMB518.5 million (2017: RMB505.4 million) which accounted for approximately 96.6% (2017: 96.5%) of the Group's total revenue, representing an increase in sales of approximately 2.6%. The increase in revenue from Reinforced Materials is mainly due to increase in demand for drop stitch fabric. This contributed to approximately RMB137.9 million (2017: RMB131.8 million) of revenue for the year, which accounted for 26.6% (2017: 26.1%) of the total revenue of Reinforced Materials for the year under review.

The Sino-US trade war during the year led to a multitude of challenges in the global market environment. A large number of competitors emerged to imitate the Group's products in the market with competitive pricing in order to increase their market shares. The Group is bound to encounter further difficulties and challenges, yet a challenging market may also lead to new innovations and opportunities. Crisis often gives rise to opportunities, whereas pressure and motivation are the two sides of the same coin.

The Group will continue to step up its structural adjustment for Reinforced Materials by promoting the drop stitch fabric, inflatable boat materials, airtight materials, and inflatable materials to high-end customers with a particular focus on the flooring products and new application products of drop stitch fabric materials, with an aim to expand the market of drop stitch fabric products which enjoys excellent gross profit margin so as to maintain the Group's competitiveness.

In addition, the Group plans to implement a flooring project in the Shanghai plants. It will also expand the production capacity of LVT, SPC, ESPC and TPU flooring products in the Fuzhou plants. By making its best efforts to develop the global markets for the super core flooring of Sijia, the Group aims to build the brand name of Sijia, so as to increase operating profit for the Group.

Conventional Materials

During 2018, the Group's revenue generated from the Conventional Materials amounted to approximately RMB12.8 million (2017: RMB18.4 million) which accounted for approximately 2.4% (2017: 3.5%) of total revenue, representing a decrease of approximately 30.4%.

PVC Floor

The Group commenced trial manufacture of PVC Floor at the end of 2017. During the year, the Group's revenue generated from the PVC Floor amounted to approximately RMB5.3 million (2017: Nil) which accounted for approximately 1.0% (2017: Nil) of total revenue.

Financial Review

Overview

Revenue

The Group's revenue for the year ended 31 December 2018 was approximately RMB536.6 million, representing an increase of approximately RMB12.8 million, or 2.4%, compared to revenue of approximately RMB523.8 million for last year. For the year under review, the Group's major sales segments, namely, (1) Reinforced Materials reported revenue of approximately RMB518.5 million (2017: RMB505.4 million); and (2) Conventional Materials recorded a revenue of approximately RMB12.8 million (2017: RMB18.4 million) and PVC Floor recorded a revenue of approximately RMB5.3 million (2017: Nil). 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 RMB122.2 million for the year under review (2017: RMB118.8 million), with the gross profit margin of approximately 22.8% (2017: 22.7%).

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

	For the year ended 31 December	
	2018	2017
	%	%
Reinforced Materials	**23.6**	23.4
Conventional Materials	**3.2**	3.0
PVC Floor	**(13.0)**	—
Overall	**22.8**	22.7

Profit for the Year

The Group recorded a profit attributable to equity holders of approximately RMB31.1 million, or RMB3.7 cents for basic earning per share for the year ended 31 December 2018 (2017: RMB28.4 million or RMB3.3 cents for basic earning per share).

Dividends

The Board did not recommend the payment of a final dividend for the year ended 31 December 2018 (2017: Nil).

Selling and Distribution Costs

Selling and distribution costs were approximately RMB16.5 million (2017: RMB14.4 million). An increase in selling and distribution costs was mainly due to expenses incurred for the promotion of new product and an increase in marketing staff.

Administrative Expenses

Administrative expenses were approximately RMB76.9 million (2017: RMB60.6 million). The increase in administrative expenses was mainly due to increase in research and development cost for new PVC Floor project.

Research and Development

Research and development (the "R&D") costs were approximately RMB56.0 million (2017: RMB44.5 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 2018, the impairment of deposits paid for the acquisition of property, plant and equipment amounted to approximately RMB Nil (2017: RMB0.6 million).

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 2018, impairments have been recognized in respect of trade and other receivables in the amount of approximately RMB1.0 million (2017: RMB1.8 million).

Impairment of inventories

Impairment of inventories of approximately RMB4.7 million (2017: RMB4.9 million) for the year ended 31 December 2018 was recognized by the Group. It was mainly attributable to write down the slow moving and obsolete stocks.

Finance Costs

Finance costs were approximately RMB7.0 million (2017: RMB7.9 million). The decrease of the finance cost was mainly due to decrease in bank loans.

Liquidity and Financial Resources

Total Equity

As at 31 December 2018, total equity were approximately of RMB274.0 million, representing an increase of 12.9%, as compared to approximately RMB242.8 million as at 31 December 2017.

Financial Position

As at 31 December 2018, the Group had total current assets of approximately RMB289.6 million (2017: RMB300.4 million) and total current liabilities of approximately RMB474.1 million (2017: RMB536.6 million), with net current liabilities of approximately RMB184.5 million (2017: net current liabilities of RMB236.2 million).

As at 31 December 2018, the Group's net gearing ratio (expressed as a percentage of total interest-bearing liabilities to total assets) was at 14.1%, compared to 17.1% as at 31 December 2017.

Cash and Cash Equivalents

As at 31 December 2018, the Group had cash and cash equivalents of approximately RMB28.2 million (2017: RMB31.9 million), most of which were denominated in Renminbi.

Bank Borrowings

The Group had interest-bearing bank borrowings of approximately RMB105.0 million (2017: RMB130.0 million) while total banking facilities amounted to approximately RMB200.0 million (2017: RMB283.0 million).

Contingent Liabilities

As at 31 December 2018, the Group had no material contingent liabilities (2017: Nil).

Capital Commitments

As at 31 December 2018, capital commitments of the Group were approximately RMB0.4 million (2017: RMB0.7 million). The capital commitments will be funded partly by internal resources and partly by bank borrowings.

Pledge of Assets

As at 31 December 2018, the Group mortgaged its buildings, plant and machinery of approximately RMB289.3 million (2017: RMB320.3 million), leasehold land of approximately RMB16.9 million (2017: RMB17.5 million), investment properties of approximately RMB14.6 million (2017: RMB14.8 million) in PRC and bank deposits of approximately RMB50.3 million (2017: RMB56.0 million) were pledged to banks to secure bank loans and general banking facilities granted.

Human Resources

As at 31 December 2018, the Group employed a total of 430 employees (2017: 307 employees). The increased number of staff was mainly due to the Group's new production sector in PVC Floor 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. stabilise the business development of new materials, and actively develop new products;

2. further develop business relationships with domestic and foreign customers of the Reinforced Materials and the flooring products, for the expansion of the Group's market share;

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

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

The Company has engaged professionals in 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 progress of the Resumption as and when appropriate.

Once the Group has resumed its trading of 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. Shanghai Sijia will add an additional coating product production line and several production lines of the eco-friendly new material TPU, to expand the production capacity of new materials of Sijia by leveraging on the existing plant scale, so as to further enhance the competitiveness of the Group's products;

2. Fujian Sijia will continue to deepen the development of drop stitch fabric, and accelerate the technical research and upgrade of reinforced drop stitch fabric and plain-weaved drop stitch fabric to explore more applications of drop stitch fabric;

3. Fujian Sijia will increase its efforts in the technical development and research of PVC flooring products, diversify flooring product lines and explore more applications of PVC flooring;

4. increase the publicity of foreign professional exhibitions, expand the market share of inflatable boat materials in Russia, and increase the market share of flooring in the Europe and US;

5. plan for the operation of zero-formaldehyde super core flooring of Sijia in the Chinese market;

6. engage with well-known institutions to make plans for the improvement of site lean management, the upgrade of technical quality system and the improvement of quality control system, with service focusing on quality technology innovation, in respect of technology development, new product research and development, manufacturing quality improvement, service quality evaluation, quality diagnosis evaluation and early warning and forecasting, in order to build competitiveness and lay the foundation for building Sijia brand of new materials;

7. plan to recruit 50 undergraduates, graduates and doctoral students majoring in high polymer materials and undergraduates in management for Sijia, to construct a talent echelon, cultivate outstanding technicians and establish a management team, so as to sustain technological and management innovation;

8. 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;

9. plan to establish an enterprise technology center at the national level and cooperate with universities to establish post-doctoral workstations; and

10. work hard to create better living and working conditions and further improve the quality of physical and spiritual life of Sijia employees.

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 2018, 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 2018 (2017: Nil).

EVENTS AFTER THE REPORTING PERIOD

As at 31 December 2018, the Group had no significant events after the reporting period (2017: Nil).

MATERIAL ACQUISITION AND DISPOSAL

At 31 December 2018, the disposal of property, plant and equipment and prepaid land lease payments with an aggregate carrying amount of RMB23,900,000 was completed.

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 2018.

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 2018.

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 2018 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 2018. 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 2018 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 2018 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 2019

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.