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 2019

FINANCIAL HIGHLIGHTS

- Revenue increased by 23.1% to RMB660.5 million
- Gross profit increased by 18.7% to RMB145.0 million
- Profit for the year attributable to owners of the Company was RMB40.4 million
- Basic earning per share was RMB4.74 cents

CONTINUED SUSPENSION OF TRADING

Trading in the shares of the Company on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") has been suspended since 14 February 2013 and will remain suspended until further notice.

ANNUAL RESULTS

Reference is made to the announcements dated 19 March 2020 and 31 March 2020 (the "**Announcements**") of China Longevity Group Company Limited (the "**Company**"), respectively.

As stated in the Announcements, due to the travel restrictions and other anti-COVID-19 pandemic measures implemented in the People's Republic of China (the "**PRC**") as a result of the outbreak of COVID-19 pandemic, the audit work was subject to a significant delay. The board of directors of the Company (the "**Board**") is pleased to announce that the audited consolidated financial statements of the Company and its subsidiaries (the "**Group**") have been completed and as agreed and confirmed by the auditors of the Company, there is no material difference as compared with the unaudited annual results contained in the announcement dated 31 March 2020 published by the Company.

The Board hereby publishes the audited consolidated annual results of the Group for the year ended 31 December 2019 as set out below:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2019

	Notes	2019 RMB'000	2018 RMB'000
REVENUE	5	**660,482**	536,619
Cost of sales		**(515,495)**	(414,440)
GROSS PROFIT		**144,987**	122,179
Other income and gains	6	**7,765**	17,454
Selling and distribution costs		**(23,058)**	(16,480)
Administrative expenses		**(70,578)**	(76,895)
Other expenses		**(1,781)**	(2,181)
PROFIT FROM OPERATIONS		**57,335**	44,077
Fair value loss on investment properties		**(460)**	(200)
Gain on disposal of a subsidiary		**587**	—
Impairment of various assets		**(7,615)**	(5,727)
Finance costs	7	**(5,600)**	(7,048)
PROFIT BEFORE TAX	8	**44,247**	31,102
Income tax (expense)/credit	9	**(3,799)**	23
PROFIT FOR THE YEAR ATTRIBUTABLE TO OWNERS OF THE COMPANY		**40,448**	31,125
Other comprehensive income/(expenses) after tax:			
Items that will not be reclassified to profit or loss:			
Exchange differences on translation of non-PRC operations		**1,953**	6,139
Fair value gain on revaluation of property, plant and equipment		**4,102**	—
Items that may be reclassified to profit or loss:			
Exchange differences on translation of non-PRC operations		**(2,262)**	(6,063)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR ATTRIBUTABLE TO OWNERS OF THE COMPANY		**44,241**	31,201
EARNING PER SHARE (RMB cents)	11		
— Basic		**4.74**	3.65
— Diluted		**4.74**	3.65

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2019

	Notes	2019 RMB'000	2018 RMB'000
Non-current assets			
Property, plant and equipment	*12*	**364,821**	408,627
Prepaid land lease payments		—	16,404
Right-of-use assets		**39,240**	—
Investment properties		**35,710**	14,640
Intangible assets		**684**	13,643
Deposits paid for acquisition of property, plant and equipment		**236**	717
Equity investments at fair value through other comprehensive income		**4,140**	4,140
Deferred tax assets		**3,297**	3,361
Total non-current assets		**448,128**	461,532
Current assets			
Inventories	*13*	**115,160**	106,637
Trade and bills receivables	*14*	**117,415**	89,704
Prepayments, deposits and other receivables		**20,058**	10,002
Due from ultimate holding company		—	263
Pledged bank deposits		**57,415**	50,260
Cash and cash equivalents		**26,414**	28,200
		336,462	285,066
Non-current assets classified as held for sale		—	4,537
Total current assets		**336,462**	289,603
Current liabilities			
Trade and bills payables	*15*	**278,144**	263,583
Lease liabilities		**745**	—
Contract liabilities		**21,743**	12,983
Other payables and accruals		**47,752**	55,105
Interest-bearing borrowings		**89,729**	105,000
Deferred income		**330**	360
Due to a related party		**4,000**	10,000
Due to directors		**3,640**	12,747
Finance lease payables		—	537
Tax payable		**15,642**	13,813
Total current liabilities		**461,725**	474,128
Net current liabilities		**(125,263)**	(184,525)
Total assets less current liabilities		**322,865**	277,007

	Notes	**2019** *RMB'000*	2018 *RMB'000*
Non-current liabilities			
Lease liabilities		**580**	—
Deferred income		—	330
Deferred tax liabilities		**4,078**	2,711
Total non-current liabilities		**4,658**	3,041
NET ASSETS		**318,207**	273,966
Capital and reserves			
Issued capital	*16*	**747**	747
Reserves		**317,460**	273,219
TOTAL EQUITY		**318,207**	273,966

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

1. GENERAL INFORMATION

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

The Company acts as an investment holding company. The Company, through its major subsidiaries, is principally engaged in the design, development, manufacture and sale of (i) polymer processed high strength polyester fabric composite materials and other reinforced composite and conventional materials ("**Material Products**") and (ii) PVC elastic flooring product and Non-PVC floor products ("**Flooring Products**") 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 RMB125,263,000 as at 31 December 2019 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 2019. 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.

HKFRS 16

On adoption of HKFRS 16, the Group recognised right-of-use assets and lease liabilities in relation to leases which had previously been classified as 'operating leases' under HKAS 17 "Leases", resulted in changes in the consolidated amounts reported in the financial statement as follows:

	1 January 2019 *RMB'000*
At 1 January 2019:	
Increase in right-of-use assets	39,490
Increase in lease liabilities	(2,173)
Decrease in property, plant and equipments	(7,876)
Decrease in prepaid land lease payments	(16,404)
Decrease in intangible assets	(13,093)
Decrease in prepayments, deposits and other receivables	(481)
Decrease in finance lease payables	537

The reconciliation of operating lease commitment to lease liabilities as at 1 January 2019 is set out below:

	RMB'000
Operating lease commitment at 31 December 2018:	1,849
Add:	
Finance lease payables	537
Less:	
Commitment relating to leases with a remaining lease term ending on or before 31 December 2019 and low-value assets	(95)
Discounting	(118)
Lease liabilities as at 1 January 2019	2,173

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 in 2018. In 2019, Reinforced Materials and Conventional Materials are regrouped under (i) "Material Products" as Conventional Materials are no longer considered as significant component. PVC floor is renamed as (ii) "Flooring Products", due to the extension of scope to include Non-PVC floor.

Geographical information

	Revenue from external customers		Non-current assets	
	Year ended 31 December		As at 31 December	
	2019	2018	**2019**	2018
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
PRC	**450,287**	353,467	**440,691**	454,031
Others	**210,195**	183,152	**—**	—
	660,482	536,619	**440,691**	454,031

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 (2018: 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 (2018: Nil).

5. REVENUE

	2019	2018
	RMB'000	*RMB'000*
Sales of goods	**660,482**	536,619

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

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

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

Disaggregation of revenue from contracts with customers:

	2019	2018
	RMB'000	*RMB'000*
Geographical markets		
PRC	**450,287**	353,467
United States	**58,736**	48,794
Russia	**36,488**	30,677
Others	**114,971**	103,681
Total	**660,482**	536,619

	2019	2018
	RMB'000	*RMB'000*
Major products		
Material Products	**622,252**	531,276
Flooring Products	**38,230**	5,343
Total	**660,482**	536,619

The revenue was recognised at a point in time.

6. OTHER INCOME AND GAINS

	2019	2018
	RMB'000	*RMB'000*
Interest income	**387**	298
Government subsidies *(note)*	**3,001**	5,291
Gain on disposal of a subsidiary	**587**	—
Gross rental income	**2,139**	1,719
Recovery of bad debts	**—**	7,850
Reversal of allowance for receivables	**369**	—
Sundry income	**1,282**	2,296
	7,765	17,454

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 2019 and 2018.

7. FINANCE COSTS

	2019	2018
	RMB'000	*RMB'000*
Lease interest	**138**	—
Interest on bank loans	**5,462**	6,728
Finance leases charges	**—**	320
	5,600	7,048

8. PROFIT BEFORE TAX

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

	2019	2018
	RMB'000	*RMB'000*
Cost of inventories sold *	**515,495**	414,440
Depreciation of property, plant and equipment	**35,639**	33,316
Depreciation on right-of-use assets	**2,529**	—
Amortisation of prepaid land lease payments	**—**	645
Amortisation of intangible assets	**—**	562
Loss on disposals of property, plant and equipment	**436**	443
Staff costs (including directors' remuneration):		
Wages and salaries	**35,359**	27,571
Retirement benefit scheme contributions	**2,175**	1,620
Staff welfare expenses	**2,266**	1,211
	39,800	30,402
Operating lease charges on land and buildings	**—**	1,565
Research and development costs	**45,968**	56,013
Exchange gain, net	**(688)**	(547)
Fair value loss on investment properties	**460**	200
Impairment of trade receivables, net	**3,209**	995
Impairment of inventories	**4,037**	4,732
Auditors' remuneration	**1,234**	1,317

* Cost of inventories sold includes RMB56,814,000 (2018: RMB48,562,000) 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)

	2019	2018
	RMB'000	*RMB'000*
Current tax — the PRC		
Charge for the year	**3,258**	—
Under/(over)-provision in prior years	**640**	(359)
Deferred tax	**(99)**	336
	3,799	(23)

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 2019 and 2018.

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 reconciliation between income tax expense/(credit) and profit before tax is as follows:

	2019	2018
	RMB'000	*RMB'000*
Profit before tax	**44,247**	31,102
Tax at the applicable tax rate of 25% (2018: 25%)	**11,062**	7,776
Lower tax rate for specific province or enacted by local authority	**(2,393)**	(3,961)
Tax effect of income not taxable and expenses not deductible	**(5,510)**	(9,105)
Under/(over)-provision in prior years	**640**	(359)
Tax effect of tax losses not recognised	**—**	5,626
Income tax expense/(credit)	**3,799**	(23)

The English name is for identification only

10. DIVIDEND

The Directors do not recommend the payment of a dividend for the year ended 31 December 2019 (2018: Nil).

11. 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 RMB40,448,000 (2018: RMB31,125,000) and the weighted average number of approximately 852,612,000 (2018: 852,612,000) ordinary shares in issue during the year.

Diluted earning per share

Diluted earning per share for the years ended 31 December 2019 and 2018 is the same as the basic earning per share as the Company did not have any dilutive potential ordinary shares during the years.

12. PROPERTY, PLANT AND EQUIPMENT

	Buildings *RMB'000*	Plant and machinery *RMB'000*	Leasehold improvements *RMB'000*	Office equipment *RMB'000*	Motor vehicles *RMB'000*	Construction in progress *RMB'000*	Total *RMB'000*
Cost							
At 1 January 2018	568,239	561,734	3,941	2,694	4,738	8,035	1,149,381
Additions	2,230	8,308	661	—	377	2,192	13,768
Disposals	(1,107)	(36)	—	—	—	—	(1,143)
Transfer	—	9,418	663	—	—	(10,081)	—
At 31 December 2018 and 1 January 2019	**569,362**	**579,424**	**5,265**	**2,694**	**5,115**	**146**	**1,162,006**
Additions	**568**	**8,198**	**446**	**14**	**517**	**7,284**	**17,027**
Disposals	**(20)**	**(2,874)**	**—**	**(410)**	**(1,673)**	**—**	**(4,977)**
Transfer to right-of-use assets	**—**	**(8,312)**	**—**	**—**	**—**	**(1,402)**	**(9,714)**
Transfer from CIP	**—**	**143**	**—**	**—**	**—**	**(143)**	**—**
Transfer to investment properties	**(25,698)**	**—**	**—**	**—**	**—**	**—**	**(25,698)**
Fair value gains on revaluation	**5,469**	**—**	**—**	**—**	**—**	**—**	**5,469**
At 31 December 2019	**549,681**	**576,579**	**5,711**	**2,298**	**3,959**	**5,885**	**1,144,113**
Accumulated depreciation and impairment							
At 1 January 2018	223,979	486,811	3,941	2,429	3,603	—	720,763
Charge for the year	20,256	12,747	55	98	160	—	33,316
Disposals	(672)	(28)	—	—	—	—	(700)
At 31 December 2018 and 1 January 2019	**243,563**	**499,530**	**3,996**	**2,527**	**3,763**	**—**	**753,379**
Charge for the year	**20,097**	**14,691**	**560**	**38**	**253**	**—**	**35,639**
Disposals	**(11)**	**(2,368)**	**—**	**(389)**	**(1,543)**	**—**	**(4,311)**
Transfer to right-of-use assets	**—**	**(1,247)**	**—**	**—**	**—**	**—**	**(1,247)**
Transfer to invesment properties	**(4,168)**	**—**	**—**	**—**	**—**	**—**	**(4,168)**
At 31 December 2019	**259,481**	**510,606**	**4,556**	**2,176**	**2,473**	**—**	**779,292**
Carrying amount							
At 31 December 2019	**290,200**	**65,973**	**1,155**	**122**	**1,486**	**5,885**	**364,821**
At 31 December 2018	325,799	79,894	1,269	167	1,352	146	408,627

At 31 December 2019, certain buildings and plant and machinery with an aggregate carrying amount of approximately RMB257,899,000 (2018: RMB289,261,000) were pledged to secure bank loan facilities granted to the Group.

13. INVENTORIES

	2019	2018
	RMB'000	*RMB'000*
Raw materials	**53,183**	54,587
Work in progress	**11,238**	10,047
Finished goods	**50,739**	42,003
	115,160	106,637

14. TRADE AND BILLS RECEIVABLES

	2019	2018
	RMB'000	*RMB'000*
Trade receivables	**125,308**	94,688
Bills receivables	**300**	—
Provision for loss allowance	**(8,193)**	(4,984)
Carrying amount	**117,415**	89,704

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:

	2019	2018
	RMB'000	*RMB'000*
Within 3 months	**113,371**	84,111
More than 3 months but within 6 months	**2,713**	2,930
More than 6 months but within 1 year	**38**	376
More than 1 year	**1,293**	2,287
	117,415	89,704

Reconciliation of loss allowance for trade receivables:

	2019	2018
	RMB'000	*RMB'000*
At 1 January	**4,984**	3,989
Increase in loss allowance for the year	**3,209**	995
At 31 December	**8,193**	4,984

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 2019						
Weighted average expected loss rate	**0%**	**6%**	**66%**	**46%**	**81%**	
Receivable amount *(RMB'000)*	**107,648**	**7,506**	**1,752**	**1,424**	**7,278**	**125,608**
Loss allowance *(RMB'000)*	**—**	**467**	**1,160**	**651**	**5,915**	**8,193**
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

15. TRADE AND BILLS PAYABLES

	2019	2018
	RMB'000	*RMB'000*
Trade payables	**106,344**	93,879
Bills payables	**171,800**	169,704
	278,144	263,583

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

	2019	2018
	RMB'000	*RMB'000*
Within 3 months	**174,600**	162,067
More than 3 months but within 6 months	**103,333**	99,515
More than 6 months but within 1 year	**198**	1,881
More than 1 year	**13**	120
	278,144	263,583

16. SHARE CAPITAL

	2019	2018
	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.

17. EVENTS AFTER THE REPORTING PERIOD

The outbreak of COVID-19 pandemic has brought about additional uncertainties to the global macroeconomy, which may impact the Group's financial performance for the first half of 2020. However, the degree of impact remains difficult to gage at this early stage. The Group will remain vigilant over COVID-19 and access its impact on the Group's financial position and operating results.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

Being one of the notable leaders among the industry of manufacturing new materials featuring eco-friendliness and special features around the globe, the Group provides skillful and functional new materials and super core flooring of Sijia for 18 industries, including healthcare, modern transportation, construction, renewable energy, agriculture, outdoor leisure sports and daily supplies. With their extensive industry experience, the management team of the Group does not only adhere to market orientation, but also hones in on patented technology, product innovation and market exploration. The Group also engages in the production and sale of path-breaking products, which are the joint development efforts of its technology research and development ("**R&D**") team and academic institutions. A number of new products and production processes of the Group are also granted with independent intellectual property rights and national patents for invention.

The Group's material products ("**Material Products**") business is located in Fuzhou and Shanghai. It utilizes self-developed equipment and processes that have been granted with the national invention patents in the manufacturing of new materials, such as drop stitch fabric, architectural membrane, waterproofing membrane, marquees materials, air tightness materials, inflatable boats materials and inflatable materials. These materials exhibit 9 key characteristics, including high tensile strength, anti-tearing, anti-stripping, flame retardant, anti-bacterial, anti-corrosive, durable, low temperature resistant and sunlight resistant. With their flame retardancy performance complying the standards of EU, U.S., Canada and national standards and gradings, these materials' anti-UV capacity has also met the standard of ISO4892-3 672H 4-5. Their anti-mold and anti-bacterial characteristics conform to the U.S. standard of ASTM G21 0. These products are certified by a series of international environmental standards such as CE, ROHS2.0, REACh, EN71, ASTM 963, CPSIA and CA65, and their biocompatibility also complies with the standards of ISO 10993-5, — 10. The diversified applications of the Material Products and end-use products are applicable in 18 major sectors, including healthcare, modern transportation, construction, renewable energy, agriculture, outdoor leisure sports and daily supplies.

The operations of the Group's flooring products ("**Flooring Products**") business are based in Fuzhou. Capitalising on their premium quality and eco-friendly properties, the Flooring Products are now the preferred floor decorative materials amongst buyers around Europe, U.S., Japan and Korea. Flooring Products are globally marketed under the brand of "Zero Formaldehyde Super Core Flooring". These products were granted with a number of environmental certifications since they are in compliance with EU and U.S. regulations and environmental requirements, including EU CE, U.S. Floorscore, French A+, German AgBB, ROHS2.0 and REACH rules. The quality of these products are accredited by international/ EU/ U.S./ national standards, with their flame retardancy performance being accredited with various certifications reaching as high as Grade B1. Moreover, the sound attenuation of these products also passed a series of tests, including ΔIIC reaching a maximum of 24dB. These products also passed EN 14372 and CA 65 phthalate 6P tests, when their anti-bacterial characteristics passed ASTM G21, reaching an excellence of level 0. Because the

Flooring Products are eco-friendly, remarkably abrasion resistant, anti-bacterial, non-slip, highly elastic, shock resistant, fire-resistant, flame retardant, low-maintenance, water and moist-repellent, they have an outstanding price-performance ratio and are applicable in a wide spectrum of public and household domains, including education, healthcare, commerce, sports, offices, industrial usage and transportation.

Due to our efforts, the Group achieved a total revenue of approximately RMB660.5 million for the year ended 31 December 2019 (2018: RMB536.6 million), representing an increase of approximately RMB123.9 million, or 23.1% over the last corresponding year. The overall increase in revenue was mainly attributable to the increase in demand for Material Products.

The Group's products were categorized into three types in 2018: (i) Reinforced Materials; (ii) Conventional Materials; and (iii) PVC Floor. In 2019, Conventional Materials is no longer a significant component due to its decrease in production. The Group has thus regrouped Reinforced Materials and Conventional Materials under one umbrella as "Material Products". Furthermore, the Group successfully developed EUF flooring at the end of 2019, extending the scope of Flooring Products from PVC Floor to Non-PVC Floor. The two products are merged and classified as "Flooring Products" this year. The Group generated most of its revenue from the Material Products which accounted for approximately 94.2% (2018: 99%) of total revenue. Domestic sales continued to be the Group's major source of revenue, representing approximately 68.2% (2018: 65.9%) of the total revenue while export sales accounted for approximately 31.8% (2018: 34.1%) of the total revenue.

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

	For the year ended 31 December			
	2019		2018	
	(RMB million)	**%**	*(RMB million)*	%
Material Products	**622.3**	**94.2**	531.3	99.0
Flooring Products	**38.2**	**5.8**	5.3	1.0
	660.5	**100.0**	536.6	100.0

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

	For the year ended 31 December			
	2019		2018	
	(RMB million)	***%***	*(RMB million)*	*%*
PRC	**450.3**	**68.2**	353.5	65.9
Others	**210.2**	**31.8**	183.1	34.1
	660.5	**100.0**	536.6	100.0

Market Prospects of Material Products and Flooring Products

In 2019, the success of our research and development efforts over the past two years, brought about the Group's the highest record of sales, including the sales of new products for drop stitch fabric and inflatable boats materials.

Drop stitch fabric is a new material that was successfully developed and launched onto the market in recent years. It has been widely used in fields such as outdoor water sports, entertainment and military industry. Furthermore, reinforced drop stitch fabric has demonstrated its success in lifting the downstream processing factories' efficiency in processing surfboards by nearly 20%. It also solved the issue of overwhelming solvent smell in workshops and the operating environmental issues caused by processes such as attaching reinforced tape and brush-applied coating. At present, the indexes of physical properties of TPU drop stitch fabric products have already outperformed those of products launched by our domestic and overseas industry peers, with the quality of these products even ranking on top of the list among our industry peers globally. These fabric products do not only cater to the needs of our global customers, but also deliver significant economic benefits. When the Group has now become the sole supplier around the world to deliver the largest production volume of both wrap-knitted and plain-weave drop stitch fabric, it has also become the preferred material supplier for the world-renowned French sports brand Decathlon in 2019, and the designated material supplier for the top ten brands in the world. Forging ahead, the Group is confident to deploy resources strategically to invent and develop more new products.

In 2019, the Group marked its success by developing the Flooring Materials for the construction of medical isolation wards, which in turn have been applied to the manufacturing of negative pressure medical isolation wards for the prevention and control of the coronavirus outbreak in the PRC. The product has been used as the protected commodities for the prevention and control of the coronavirus outbreak in early 2020. Moreover, the Group's Fuzhou factory was one of the first companies approved by the National Development and Reform Commission to implement epidemic prevention and control in February 2020. The same factory was also approved by the Fujian Provincial Department of Industry and Information Technology as one of the companies to implement epidemic prevention and control in the Fujian Province. On the other hand, the newly developed products in

2019, particularly Zero Formaldehyde Super Core Flooring and SPC lock flooring products, were used to renovate sterile factories to manufacture hazmat suits during the outbreak.

As at 31 December 2019, the Group owned a total of 62 patents with respect to the Material Products. Among these, Fujian Sijia owned 40 patents (29 patents on inventions, 11 patents on practical new models) whereas Shanghai Sijia owned 22 patents (9 patents on inventions, 8 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.

In 2019, the Sino-US trade war 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 and adopted a low pricing strategy in order to increase their market shares. Consequently, the Group will encounter further unprecedented 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 promote Material Products and Flooring Products, including drop stitch fabric, eco-friendly TPU materials, inflatable boat materials, airtight materials, and inflatable materials, to high-end customers with a particular focus on promoting Flooring Products and new application products of drop stitch fabric materials and eco-friendly TPU 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.

Material Products

During 2019, the Group's revenue generated from Material Products amounted to approximately RMB622.3 million (2018: RMB531.3 million) which accounted for approximately 94.2% (2018: 99%) of the Group's total revenue, representing an increase in sales of approximately 17.1%. The increase in revenue from the Material Products is mainly due to increase in demand.

Flooring Products

During the year, the Group's revenue generated from the Flooring Products amounted to approximately RMB38.2 million (2018: RMB5.3 million) which accounted for approximately 5.8% (2018: 1.0%) of total revenue.

FINANCIAL REVIEW

Revenue

The Group's revenue for the year ended 31 December 2019 was approximately RMB660.5 million, representing an increase of approximately RMB123.9 million, or 23.1%, compared to revenue of approximately RMB536.6 million for last year. For the year under review, the Group's major sales segments, namely, (1) Material Products recorded revenue of approximately RMB622.3 million (2018: RMB531.3 million); and (2) Flooring Products recorded a revenue of approximately RMB38.2 million (2018: RMB5.3 million). The increase in revenue was mainly due to the increase in demand for Material Products.

Gross Profit and Gross Profit Margin

Gross profit was approximately RMB145.0 million for the year under review (2018: RMB122.2 million), with the gross profit margin of approximately 22.0% (2018: 22.8%).

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

	For the year ended 31 December	
	2019	2018
	%	*%*
Material Products	**23.7**	23.1
Flooring Products	**(7.0)**	(13.0)
Overall	**22.0**	22.8

Profit for the Year

The Group recorded a profit attributable to equity holders of approximately RMB40.4 million, or RMB4.7 cents for basic earning per share for the year ended 31 December 2019 (2018: RMB31.1 million or RMB3.7 cents for basic earning per share).

Selling and Distribution Costs

Selling and distribution costs were approximately RMB23.1 million (2018: RMB16.5 million). An increase in selling and distribution costs was mainly due to expenses incurred for the promotion of new products and an increase in transportation expenses.

Administrative Expenses

Administrative expenses were approximately RMB70.6 million (2018: RMB76.9 million). The decrease in administrative expenses was mainly due to the decrease in research and development costs. The large injection of investment in research and development for new products in the previous year is no longer necessary this year as they have reached the completion stage.

Research and Development

Research and development (the "**R&D**") costs were approximately RMB46.0 million (2018: RMB56.0 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 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 2019, impairments have been recognized in respect of trade and other receivables in the amount of approximately RMB3.2 million (2018: RMB1.0 million).

Impairment of inventories

Impairment of inventories of approximately RMB4.0 million (2018: RMB4.7 million) for the year ended 31 December 2019 was recognized by the Group. It was mainly attributable to write down the slow moving and obsolete stocks.

Finance Costs

Finance costs were approximately RMB5.6 million (2018: RMB7.0 million). The decrease of the finance costs was mainly due to the decrease in bank loans.

Liquidity and Financial Resources

Total Equity

As at 31 December 2019, total equity were approximately of RMB318.2 million, representing an increase of 16.1%, as compared to approximately RMB274.0 million as at 31 December 2018.

Financial Position

As at 31 December 2019, the Group had total current assets of approximately RMB336.5 million (2018: RMB289.6 million) and total current liabilities of approximately RMB461.7 million (2018: RMB474.1 million), with net current liabilities of approximately RMB125.3 million (2018: RMB184.5 million).

As at 31 December 2019, the Group's net gearing ratio (expressed as a percentage of total interest-bearing liabilities to total assets) was at 11.6%, compared to 14.1% as at 31 December 2018.

Cash and Cash Equivalents

As at 31 December 2019, the Group had cash and cash equivalents of approximately RMB26.4 million (2018: RMB28.2 million), most of which were denominated in Renminbi.

Bank Borrowings

The Group had interest-bearing bank borrowings of approximately RMB89.7 million (2018: RMB105.0 million) while total banking facilities amounted to approximately RMB245.0 million (2018: RMB200.0 million).

Contingent Liabilities

As at 31 December 2019, the Group had no material contingent liabilities (2018: Nil).

Capital Commitments

As at 31 December 2019, capital commitments of the Group were approximately RMB11.1 million (2018: RMB0.4 million). The capital commitments will be funded partly by internal resources and partly by bank borrowings.

Pledge of Assets

As at 31 December 2019, the Group mortgaged its buildings, plant and machinery of approximately RMB257.9 million (2018: RMB289.3 million), leasehold land of approximately RMB16.2 million (2018: RMB16.9 million), investment properties of approximately RMB35.7 million (2018: RMB14.6 million) in PRC and bank deposits of approximately RMB57.4 million (2018: RMB50.3 million) were pledged to banks to secure bank loans and general banking facilities granted.

Dividends

The Board did not recommend the payment of a final dividend for the year ended 31 December 2019 (2018: Nil).

Human Resources

As at 31 December 2019, the Group had a total of 445 employees (2018: 430 employees). The increase in the number of employees was mainly due to the Group's new production sector in Flooring Products 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 staff, based on the performance of the employees.

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 severe global pandemic of COVID-19 with Europe becoming the new coronavirus epicenter, the continuing downturn of Eurozone economy, the Sino-US trade tensions 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 has implemented a series of adjustment measures:

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

2. further develop special functional materials for domestic and foreign customers to expand the Group's market shares;

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 the Shareholders to update the latest progress of the Resumption as and when appropriate.

Looking forward, the Group will upgrade its business and operation in 2020 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 introduce domestic and international state-of-the-art production lines to expand the growth of upstream and downstream industrial chains;

2. Fujian Sijia will increase its efforts to facilitate technical transformation, and will lay plans for the addition of a production line exclusively for handling orders from Decathlon;

3. Fujian Sijia will continue to deepen the developments of drop stitch fabric, meanwhile to expedite the development of such fabric to become more applicable across different fields;

4. Fujian Sijia will speed up the product R&D of TPU materials for healthcare usage, and continue to push forward the advancement of eco-friendly TPU materials;

5. Fujian Sijia will increase its R&D efforts regarding the super core flooring products of Sijia for the purposes of diversifying its flooring products and exploring more applications of these products;

6. Fujian Sijia will conduct the intelligent transformation of its flooring production line to streamline its manpower in order to slash its labor costs and perk up its production efficiency. It will also continue to invest in expanding the production capacity of its flooring production line so as to bolster the new operating profit of the Group;

7. increase the publicity of foreign professional exhibitions, meanwhile to expand the market shares of our inflatable boat materials in Europe and our Flooring Products on global markets;

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

9. continue to engage well-known institutions to assist in the improvement of site lean management, the upgrade of technical quality system and the improvement of quality control system, with our service focusing on quality technology innovation; meanwhile to provide quality innovation techniques to enterprises for assisting them in technology development, new product R&D, product quality improvement, service quality rating, quality diagnosis and assessment , as well as forecast and warning, in order to build the core competitiveness and lay the foundation for the new materials under the Sijia brand;

10. plan to recruit 30 undergraduates, postgraduates and doctoral students majoring in polymer materials and chemical engineering to join Sijia and nurture these skillful talents in order to further enhance the competitiveness of the enterprise, so do the competitive advantages of these talents for propelling the sustainable development of the enterprise;

11. step up the protection for the intellectual property rights of our new technology and new techniques, and apply for more patents on technology in order to equip the Group to become one of the most innovative high-tech enterprises in the industry and create values for the Shareholders;

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

13. strive onwards to create better living and working conditions for Sijia employees for the sake of further improving the quality of their physical and spiritual lives; and

14. actively observe the corporate responsibilities that we shall bear, proactively participate in activities to help villages thrive and pay back to our home villages, and support campaigns such as “Thousand Enterprises Helping Thousand Villages” and “Precision Poverty Alleviation by Education”.

MATERIAL ACQUISITION AND DISPOSAL

During the year, the Group disposed of an indirect wholly owned subsidiary, at a disposal gain of approximately RMB587,000.

DETAILS OF FUTURE PLANS FOR MATERIAL INVESTMENT OR CAPITAL ASSETS

Save as disclosed herein, the Group did not have any details of future plans for material investment or capital assets as at 31 December 2019.

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 2019.

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 2019, the Company has complied with the code provisions under the CG Code.

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 2019.

SCOPE OF WORK OF ZHONGHUI ANDA CPA LIMITED

The figures in respect of the Group's consolidated statement of profit or loss and other comprehensive income, consolidated statement of financial position, consolidated statement of changes in equity and the related notes thereto for the year ended 31 December 2019 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 2019. 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, comprising three independent non-executive Directors, has reviewed with the management the accounting principles and practices adopted by the Group and discussed auditing, internal control and financial reporting matters. The Group's audited consolidated financial statements for the year ended 31 December 2019 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.

By order of the Board
China Longevity Group Company Limited
Lin Shengxiong
Executive Director

Hong Kong, 8 May 2020

As at the date of this announcement, the Board comprises three executive Directors, namely, Mr. Lin Shengxiong, Mr. Huang Wanneng and Mr. Jiang Shisheng, and three independent non-executive Directors, namely, Mr. Lau Chun Pong, Mr. Lu Jiayu and Ms. Jiang Ping.