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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 2020

FINANCIAL HIGHLIGHTS

- Revenue increased by 23.0% to RMB812.1million
- Gross profit increased by 30.2% to RMB188.7 million
- Profit for the year attributable to owners of the Company was RMB45.0 million
- Basic earning per share was RMB5.28 cents

ANNUAL RESULTS

The board (the “**Board**”) of directors (the “**Directors**”, each a “**Director**”) of China Longevity Group Company Limited (the “**Company**”) is pleased to present the consolidated results of the Company and its subsidiaries (collectively referred to as the “**Group**”) for the year ended 31 December 2020, together with the comparative figures for the year of 2019 as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2020

	Notes	2020 RMB'000	2019 RMB'000
REVENUE	5	812,141	660,482
Cost of sales		<u>(623,431)</u>	<u>(515,495)</u>
GROSS PROFIT		188,710	144,987
Other income and gains	6	30,106	7,765
Selling and distribution costs		(28,577)	(23,058)
Administrative expenses		(73,232)	(70,578)
Other expenses		<u>(16,819)</u>	<u>(1,781)</u>
PROFIT FROM OPERATIONS		100,188	57,335
Fair value loss on investment properties		(4,663)	(460)
Loss on revaluation of property, plant and equipment		(43,644)	—
Gain on disposal of a subsidiary		—	587
Gain on dissolution of a subsidiary	7	6,776	—
Impairment of various assets		(5,301)	(7,615)
Finance costs	8	<u>(9,076)</u>	<u>(5,600)</u>
PROFIT BEFORE TAX	9	44,280	44,247
Income tax credit/(expense)	10	<u>751</u>	<u>(3,799)</u>
PROFIT FOR THE YEAR ATTRIBUTABLE TO OWNERS OF THE COMPANY		45,031	40,448
Other comprehensive (expenses)/income after tax:			
<i>Items that will not be reclassified to profit or loss:</i>			
Exchange differences on translation of non-PRC operations		(6,498)	1,953
Gain on revaluation of property, plant and equipment		43,745	5,469
Deferred tax effect arising on revaluation of property, plant and equipment		(6,569)	(1,367)
<i>Items that may be reclassified to profit or loss:</i>			
Exchange differences on translation of non-PRC operations		<u>6,550</u>	<u>(2,262)</u>
TOTAL COMPREHENSIVE INCOME FOR THE YEAR ATTRIBUTABLE TO OWNERS OF THE COMPANY		<u>82,259</u>	<u>44,241</u>
EARNINGS PER SHARE (RMB cents)	12		
— Basic		<u>5.28</u>	<u>4.74</u>
— Diluted		<u>5.28</u>	<u>4.74</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2020

	<i>Notes</i>	2020 RMB'000	2019 RMB'000
Non-current assets			
Property, plant and equipment	13	420,375	364,821
Right-of-use assets		33,068	39,240
Investment properties		36,370	35,710
Intangible assets		684	684
Deposits paid for acquisition of property, plant and equipment		15,228	236
Equity investments at fair value through other comprehensive income		4,140	4,140
Deferred tax assets		3,444	3,297
Total non-current assets		513,309	448,128
Current assets			
Inventories	14	146,066	115,160
Trade and bills receivables	15	190,289	117,415
Prepayments, deposits and other receivables		26,731	20,058
Pledged bank deposits		58,930	57,415
Cash and cash equivalents		34,899	26,414
Total current assets		456,915	336,462
Current liabilities			
Trade and bills payables	16	288,997	278,144
Lease liabilities		876	745
Contract liabilities		3,717	21,743
Other payables and accruals		55,191	47,752
Interest-bearing borrowings		165,741	89,729
Deferred income		—	330
Due to a related party		—	4,000
Due to a director		3,100	3,640
Tax payable		11,313	15,642
Total current liabilities		528,935	461,725

	<i>Notes</i>	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Net current liabilities		<u>(72,020)</u>	<u>(125,263)</u>
Total assets less current liabilities		<u>441,289</u>	<u>322,865</u>
Non-current liabilities			
Interest-bearing borrowings		34,239	—
Lease liabilities		2,376	580
Deferred tax liabilities		<u>4,208</u>	<u>4,078</u>
Total non-current liabilities		<u>40,823</u>	<u>4,658</u>
NET ASSETS		<u>400,466</u>	<u>318,207</u>
Capital and reserves			
Issued capital	<i>17</i>	747	747
Reserves		<u>399,719</u>	<u>317,460</u>
TOTAL EQUITY		<u>400,466</u>	<u>318,207</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

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 ("**Floor 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 RMB72,020,000 as at 31 December 2020 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 2020. 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.

4. SEGMENT INFORMATION

There is only one operating segment which is principally engaged in the design, development, manufacture and sale of Material Products and Flooring Products.

Geographical information

	Revenue from external customers		Non-current assets	
	Year ended 31 December		As at 31 December	
	2020	2019	2020	2019
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
PRC	591,135	450,287	505,725	440,691
Others	221,006	210,195	—	—
	<u>812,141</u>	<u>660,482</u>	<u>505,725</u>	<u>440,691</u>

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 (2019: 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 (2019: Nil).

5. REVENUE

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Sales of goods	<u>812,141</u>	<u>660,482</u>

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:

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Geographical markets		
PRC	591,135	450,287
United States	52,061	58,736
Russia	39,814	36,488
Others	<u>129,131</u>	<u>114,971</u>
Total	<u>812,141</u>	<u>660,482</u>

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Major products		
Material products	743,415	622,252
Flooring Products	<u>68,726</u>	<u>38,230</u>
Total	<u>812,141</u>	<u>660,482</u>

The revenue was recognised at a point in time.

6. OTHER INCOME AND GAINS

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Interest income	241	387
Government subsidies (<i>note</i>)	5,851	3,001
Gain on disposal of a subsidiary	—	587
Gross rental income	3,084	2,139
Dividend income from equity investments at fair value through other comprehensive income	52	—
Recovery of bad debts	19,018	—
Reversal of allowance for receivables, net	1,181	369
Sundry income	679	1,282
	<u>30,106</u>	<u>7,765</u>

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 2020 and 2019.

7. GAIN ON DISSOLUTION OF A SUBSIDIARY

During the year, the Directors resolved to dissolve Fujian Hausa Import and Export Co., Ltd.# (福建浩思进出口贸易有限公司) (“**Fujian Hausa**”), an indirect wholly-owned subsidiary of the Company. During the year, the progress of deregistration was completed and a gain on dissolution of approximately RMB6,776,000 was recognised during the year ended 31 December 2020, being calculated as follows:

	2020 <i>RMB'000</i>
Net liabilities at the date of disposal of Fujian Hausa were as follows:	
Tax payable	(6,776)
Gain on dissolution	<u>6,776</u>
Total consideration	<u>—</u>

The English names are for identification only

8. FINANCE COSTS

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Lease interest	114	138
Interest on bank loans	7,975	5,462
Interest on other loans	987	—
	<u>9,076</u>	<u>5,600</u>

9. PROFIT BEFORE TAX

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

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Cost of inventories sold*	623,431	515,495
Depreciation of property, plant and equipment	37,007	35,639
Depreciation on right-of-use assets	1,904	2,529
Net loss on disposals of property, plant and equipment	1,408	1
Written-off of property, plant and equipment	10,894	435
Staff costs (including directors' remuneration):		
Wages and salaries	37,109	35,359
Retirement benefit scheme contributions	923	2,175
Staff welfare expenses	2,227	2,266
	<u>40,259</u>	<u>39,800</u>
Research and development costs	48,137	45,968
Exchange loss/(gain), net	3,777	(688)
Fair value loss on investment properties	4,663	460
Loss on revaluation of property, plant and equipment	43,644	—
(Reversal)/impairment of trade receivables, net	(1,181)	3,209
Impairment of inventories	5,301	4,037
Auditors' remuneration	1,290	1,234

* Cost of inventories sold includes RMB54,834,000 (2019: RMB56,814,000) 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.

10. INCOME TAX (CREDIT)/EXPENSE

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Current tax — the PRC		
Charge for the year	6,503	3,258
(Over)/under-provision in prior years	(668)	640
Deferred tax	<u>(6,586)</u>	<u>(99)</u>
	<u><u>(751)</u></u>	<u><u>3,799</u></u>

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 2020 and 2019.

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 and profit before tax is as follows:

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Profit before tax	<u>44,280</u>	<u>44,247</u>
Tax at the applicable tax rate of 25% (2019: 25%)	11,070	11,062
Lower tax rate for specific province or enacted by local authority	(4,166)	(2,393)
Tax effect of income not taxable and expenses not deductible	(6,987)	(5,510)
(Over)/under-provision in prior years	<u>(668)</u>	<u>640</u>
Income tax (credit)/expense	<u><u>(751)</u></u>	<u><u>3,799</u></u>

[#] The English name is for identification only

11. DIVIDEND

The Directors do not recommend the payment of a dividend for the year ended 31 December 2020 (2019: Nil).

12. EARNINGS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY

Earnings per share

The calculation of basic earnings per share attributable to owners of the Company is based on the profit for the year attributable to owners of the Company of approximately RMB45,031,000 (2019: RMB40,448,000) and the weighted average number of approximately 852,612,000 (2019: 852,612,000) ordinary shares in issue during the year.

Diluted earning per share

Diluted earning per share for the years ended 31 December 2020 and 2019 is the same as the basic earning per share as the Company did not have any dilutive potential ordinary shares during the years.

13. PROPERTY, PLANT AND EQUIPMENT

	Buildings	Plant and machinery	Leasehold improvements	Office equipment	Motor vehicles	Construction in progress	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Cost or valuation							
At 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	—	(1,007)	—	—	(1,673)	—	(2,680)
Written off	(20)	(1,867)	—	(410)	—	—	(2,297)
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)
Revaluation	5,469	—	—	—	—	—	5,469
	<u>569,362</u>	<u>579,424</u>	<u>5,265</u>	<u>2,694</u>	<u>5,115</u>	<u>146</u>	<u>1,162,006</u>
At 31 December 2019 and 1 January 2020	549,681	576,579	5,711	2,298	3,959	5,885	1,144,113
Additions	10,056	25,547	1,593	533	1,780	64,696	104,205
Disposals	(3,462)	(1,459)	—	—	—	(5,004)	(9,925)
Written off	(10,350)	(60,910)	(3,725)	(537)	(460)	—	(75,982)
Transfer from right-of-use assets	—	8,311	—	—	—	—	8,311
Transfer from CIP	27,081	16,669	1,117	—	—	(44,867)	—
Transfer to investment properties	(5,114)	—	—	—	—	—	(5,114)
Reclassification	—	(815)	—	—	815	—	—
Revaluation	(277,455)	(461,542)	—	—	—	—	(738,997)
	<u>549,681</u>	<u>576,579</u>	<u>5,711</u>	<u>2,298</u>	<u>3,959</u>	<u>5,885</u>	<u>1,144,113</u>
At 31 December 2020	290,437	102,380	4,696	2,294	6,094	20,710	426,611

	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
Accumulated depreciation and impairment							
At 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	—	(906)	—	—	(1,543)	—	(2,449)
Written off	(11)	(1,462)	—	(389)	—	—	(1,862)
Transfer to right-of-use assets	—	(1,247)	—	—	—	—	(1,247)
Transfer to investment properties	(4,168)	—	—	—	—	—	(4,168)
At 31 December 2019 and 1 January 2020	259,481	510,606	4,556	2,176	2,473	—	779,292
Charge for the year	21,292	14,318	765	55	577	—	37,007
Disposals	(2,359)	(470)	—	—	—	—	(2,829)
Written off	(6,494)	(54,030)	(3,571)	(612)	(381)	—	(65,088)
Transfer from right-of-use assets	—	1,246	—	—	—	—	1,246
Transfer to investment properties	(1,968)	—	—	—	—	—	(1,968)
Reclassification	—	(198)	—	—	198	—	—
Write back on revaluation	(269,952)	(471,472)	—	—	—	—	(741,424)
At 31 December 2020	—	—	1,750	1,619	2,867	—	6,236
Carrying amount							
At 31 December 2020	290,437	102,380	2,946	675	3,227	20,710	420,375
At 31 December 2019	290,200	65,973	1,155	122	1,486	5,885	364,821

At 31 December 2020, certain buildings and plant and machinery with an aggregate carrying amount of approximately RMB286,190,000 (2019: RMB257,899,000) were pledged to secure bank loan facilities granted to the Group.

The Group's buildings, plant and machinery were revalued at 31 December 2020 on the open market value basis by reference to market evidence of recent transactions for similar assets and net replacement cost by 福建聯合中和資產評估房地產估價有限公司, an independent professional valuer.

14. INVENTORIES

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Raw materials	92,020	53,183
Work in progress	12,747	11,238
Finished goods	41,299	50,739
	<u>146,066</u>	<u>115,160</u>

15. TRADE AND BILLS RECEIVABLES

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Trade receivables	197,292	125,308
Bills receivables	—	300
Provision for loss allowance	(7,003)	(8,193)
Carrying amount	<u>190,289</u>	<u>117,415</u>

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:

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Within 3 months	180,891	113,371
More than 3 months but within 6 months	9,173	2,713
More than 6 months but within 1 year	225	38
More than 1 year	—	1,293
	<u>190,289</u>	<u>117,415</u>

Reconciliation of loss allowance for trade receivables:

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
At 1 January	8,193	4,984
(Decrease)/increase in loss allowance for the year	(1,181)	3,209
Amounts written off	(9)	—
	<u>7,003</u>	<u>8,193</u>

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 2020						
Weighted average expected loss rate	0%	1%	13%	24%	97%	
Receivable amount (<i>RMB'000</i>)	183,974	5,682	186	479	6,971	197,292
Loss allowance (<i>RMB'000</i>)	—	81	25	116	6,781	7,003
At 31 December 2019						
Weighted average expected loss rate	0%	6%	66%	46%	81%	
Receivable amount (<i>RMB'000</i>)	107,648	7,506	1,752	1,424	7,278	125,608
Loss allowance (<i>RMB'000</i>)	—	467	1,160	651	5,915	8,193

16. TRADE AND BILLS PAYABLES

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Trade payables	120,357	106,344
Bills payables	168,640	171,800
	<u>288,997</u>	<u>278,144</u>

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

	2020	2019
	RMB'000	<i>RMB'000</i>
Within 3 months	202,398	174,600
More than 3 months but within 6 months	86,308	103,333
More than 6 months but within 1 year	291	198
More than 1 year	—	13
	288,997	278,144

17. SHARE CAPITAL

	2020	2019
	RMB'000	<i>RMB'000</i>
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.

18. EVENTS AFTER THE REPORTING PERIOD

On 19 January 2021, the Group and Mr. Gao Junlen, a third party, formed a company namely Fujian Sijia Materials Technology Co., Ltd. (福建思嘉新材料科技有限公司) with registered capital of RMB100 million to engage in the design, development, manufacture and sale of polymer processed high strength polyester fabric composite materials, PVC elastic floor products and non-PVC flooring products. Pursuant to the Article, the Group will contribute RMB51 million representing 51% of the total registered capital.

Details of this is set out in the Company's announcement dated 24 February 2021.

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 (the “**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 utilises 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, eco-friendly TPU materials, 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, antistripping, flame retardant, anti-bacterial, anti-corrosive, durable, low temperature resistant and sunlight resistant. Due to the diversified applications of the Material Products and end-use products, the Group’s 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 performance and eco-friendly properties, the Flooring Products have become 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 are in compliance with EU and U.S. standards and environmental requirements. 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 RMB812.1 million for the year ended 31 December 2020 (2019: RMB660.5 million), representing an increase of approximately RMB151.6 million, or 23.0% 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 can be categorised into two types: (i) Material Products; and (ii) Flooring Products. The Group generated most of its revenue from Material Products which accounted for approximately 91.5% (2019: 94.2%) of total revenue. Domestic sales continued to be the Group's major source of revenue, representing approximately 72.8% (2019: 68.2%) of the total revenue while export sales accounted for approximately 27.2% (2019: 31.8%) of the total revenue.

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

	For the year ended 31 December			
	2020		2019	
	<i>(RMB million)</i>	%	<i>(RMB million)</i>	%
Material Products	743.4	91.5	622.3	94.2
Flooring Products	68.7	8.5	38.2	5.8
	<u>812.1</u>	<u>100.0</u>	<u>660.5</u>	<u>100.0</u>

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

	For the year ended 31 December			
	2020		2019	
	<i>(RMB million)</i>	%	<i>(RMB million)</i>	%
PRC	591.1	72.8	450.3	68.2
Others	221.0	27.2	210.2	31.8
	<u>812.1</u>	<u>100.0</u>	<u>660.5</u>	<u>100.0</u>

Market Prospects of Material Products and Flooring Products

During 2020, drop stitch fabric and inflatable boats material have become the top selling products, which are the new developed Material Products over the past two years.

Drop stitch fabric is a new material that was developed and successfully launched onto the market by the Group in recent years. It has been widely used in various fields, such as outdoor water sports, entertainment and military industry. At present, the indexes of physical properties of drop stitch fabric products under the Group's brand 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. The product was selected as the single champion product by the Fujian Provincial Department of Industry and Information Technology. 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 firstclass 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. The Group has devised strategies to invent more new products.

During the COVID-19 pandemic, orders for the Group's materials (such as drop stitch fabric materials, eco-friendly TPU materials, anti-bacterial tent materials and membrane structure materials) used in the products applied in the medical, construction and fitness sectors, have increased. Sijia Medical's medical isolation wards were widely used when processing and manufacturing the main bodies of isolation wards, and the isolation wards produced by the customers were delivered Wuhan's front line. Sijia's marquee materials were widely used when manufacturing medical temporary tents and hospitals, in order to tackle hospital shortages in Europe during the pandemic. From Qingdao to Shijiazhuang, Sijia and its clients jointly built the "Fire Eye" laboratory for Polymerase Chain Reaction with the application of membrane. Due to the anti-mold and anti-bacterial features of Sijia's super core flooring, Sijia's super core flooring was also used in the floor covering works of the sterile production workshop for protective clothing and the production of medical protective clothing during the outbreak of the pandemic in 2020.

As at 31 December 2020, the Group owned a total of 62 patents with respect to Material Products. Among these, Fujian Sijia owned 40 patents (26 patents on inventions and 14 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 is constantly proactive in patent application every year, thereby ensuring continued protection for the brand's intellectual property rights.

Carrying on into 2020, the Sino-US trade war and the COVID-19 outbreak led to a multitude of challenges in the global market environment. Also, 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, it is expected that 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 step up the structural adjustment of materials and promote Material Products, 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 the year ended 31 December 2020, the Group's revenue generated from Material Products amounted to approximately RMB743.4 million (2019: RMB622.3 million) which accounted for approximately 91.5% (2019: 94.2%) of the Group's total revenue, representing an increase of approximately 19.5%. The increase in revenue from Material Products was mainly due to the increase in sales revenue of drop stitch fabric.

Flooring Products

During the year ended 31 December 2020, the Group's revenue generated from Flooring Products amounted to approximately RMB68.7 million (2019: RMB38.2 million) which accounted for approximately 8.5% (2019: 5.8%) of the total revenue.

FINANCIAL REVIEW

Revenue

The Group's revenue for the year ended 31 December 2020 was approximately RMB812.1 million, representing an increase of approximately RMB151.6 million, or 23.0%, compared to the revenue of approximately RMB660.5 million for last year. For the year under review, the Group's major sales segments, namely, (1) Material Products recorded a revenue of approximately RMB743.4 million (2019: RMB622.3 million); and (2) Flooring Products recorded a revenue of approximately RMB68.7 million (2019: RMB38.2 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 RMB188.7 million for the year under review (2019: RMB145.0 million), with the gross profit margin of approximately 23.2% (2019: 22.0%).

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

	For the year ended	
	31 December	
	2020	2019
	%	%
Material Products	24.4	23.7
Flooring Products	10.1	(7.0)
Total	23.2	22.0

Profit for the Year

The Group recorded a profit attributable to equity holders of approximately RMB45.0 million, or approximately RMB5.3 cents for basic earning per share for the year ended 31 December 2020 (2019: RMB40.4 million or RMB4.7 cents for basic earning per share).

Selling and Distribution Costs

Selling and distribution costs were approximately RMB28.6 million (2019: RMB23.1 million). An increase in selling and distribution costs was mainly due to an increase in transportation expenses and patent royalty fees of the products.

Administrative Expenses

Administrative expenses were approximately RMB73.2 million (2019: RMB70.6 million). The increase in administrative expenses was mainly due to the increase in research and development costs for Material Products.

Research and Development

Research and development (the “**R&D**”) costs were approximately RMB48.0 million (2019: RMB46.0 million). The Group believes that its ongoing 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 develop 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 the year ended 31 December 2020, reversal of allowance have been recognised in respect of trade receivables in the amount of approximately RMB1.2 million (2019: impairment of trade receivable RMB3.2 million).

Impairment of Inventories

Impairment of inventories amounted to approximately RMB5.3 million (2019: RMB4.0 million) for the year ended 31 December 2020 was recognised by the Group. It was mainly attributable to write down the slow moving and obsolete stocks.

Finance Costs

Finance costs were approximately RMB9.1 million (2019: RMB5.6 million). The increase in the finance costs was mainly due to the increase in bank loans.

Liquidity and Financial Resources

Total Equity

As at 31 December 2020, total equity was approximately RMB400.5 million, representing an increase of 25.9%, as compared to approximately RMB318.2 million as at 31 December 2019.

Financial Position

As at 31 December 2020, the Group had total current assets of approximately RMB456.9 million (2019: RMB336.5 million) and total current liabilities of approximately RMB528.9 million (2019: RMB461.7 million), with net current liabilities of approximately RMB72.0 million (2019: RMB125.3 million).

As at 31 December 2020, the Group's net gearing ratio (expressed as a percentage of total interest-bearing liabilities to total assets) was at 20.9%, compared to 11.6% as at 31 December 2019.

Cash and Cash Equivalents

As at 31 December 2020, the Group had cash and cash equivalents of approximately RMB34.9 million (2019: RMB26.4 million), most of which were denominated in Renminbi.

Bank Borrowings

The Group had interest-bearing bank borrowings of approximately RM166.0 million (2019: RMB89.7 million), while total banking facilities amounted to approximately RMB295.6 million (2019: RMB245.0 million).

Contingent Liabilities

As at 31 December 2020, the Group had no material contingent liabilities (2019: Nil).

Capital Commitments

As at 31 December 2020, capital commitments of the Group were approximately RMB11.5 million (2019: RMB11.1 million). The capital commitments will be funded partly by internal resources and partly by bank borrowings.

Pledge of Assets

As at 31 December 2020, the Group mortgaged its buildings, plant and machinery of approximately RMB286.2 million (2019: RMB257.9 million), leasehold land of approximately RMB15.6 million (2019: RMB16.2 million), investment properties of approximately RMB21.0 million (2019: RMB35.7 million) in the PRC and bank deposits of approximately RMB58.9 million (2019: RMB57.4 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 2020 (2019: Nil).

Human Resources

As at 31 December 2020, the Group had a total of 457 employees (2019: 445 employees). There was no significant change in number of staff as compared to last 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, 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 “staying 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 and Flooring Products 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.

The Company has engaged professionals in its ongoing 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 of the Company to update the latest progress of the Resumption as and when appropriate.

Looking forward, the Group will upgrade its business and operation in 2021 by capitalising on its innovative technologies and its professional technical team, which is well-recognised both in domestic and foreign industries:

1. expand production capacity: It will establish new Fuqing Production Base for capacity upgrade, new product development and scale-up of its industry; Shanghai Sijia and Fujian Sijia will introduce advanced intelligent production lines to expand the growth of upstream and downstream industrial chains;
2. promote intelligent development: Fujian Sijia will step up its efforts in technical transformation, continue to carry out intelligent transformation of flooring production line to slash its labor costs by streamlining its manpower 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, continue to conduct the intelligent transformation, and build intelligent warehouses to maximise efficiency and production capacity;

3. upgrade product technology: Fujian Sijia will continue to deepen the development of drop stitch fabric, meanwhile to expedite the development of such fabric to become more applicable across different fields. We will continue to conduct product R&D of TPU materials for medical usage and continue to push forward the advancement of eco-friendly TPU materials. It 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. It will also conduct innovative R&D, strengthen industry-university research cooperation, and achieve breakthroughs in product technologies including drop stitch fabric PVF fluorinated functional composite materials and super core flooring;
4. expand the market shares of our inflatable boat materials in Europe and Flooring Products on global markets;
5. plan for the operation under the brand of zero-formaldehyde super core flooring of Sijia in the Chinese market;
6. 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, in order to build the core competitiveness and lay the foundation for the new materials under the Sijia brand;
7. plan to recruit 30 undergraduates, postgraduates and doctoral students majoring in polymer materials 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;
8. 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 of the Company;
9. plan to establish an enterprise technology center at the national level and cooperate with colleges to establish post-doctoral workstations;
10. 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
11. 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 ended 31 December 2020, the Group dissolved an indirect wholly-owned subsidiary, at a gain on dissolution of approximately RMB6.8 million.

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 2020.

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 2020.

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 2020, 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 2020.

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 2020 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 2020. 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 2020 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 2020 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
Executive Director

Hong Kong, 31 March 2021

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.