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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 2021

FINANCIAL HIGHLIGHTS

- Revenue increased by 77.4% to RMB1,441.0 million
- Gross profit increased by 38.0% to RMB260.5 million
- Profit for the year attributable to owners of the Company was RMB106.9 million
- Basic earning per share was RMB12.54 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 2021, together with the comparative figures for the year of 2020 as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2021

	Notes	2021 RMB'000	2020 RMB'000
REVENUE	5	1,441,015	812,141
Cost of sales		(1,180,547)	(623,431)
GROSS PROFIT		260,468	188,710
Other income and gains	6	10,941	30,106
Selling and distribution costs		(42,319)	(28,577)
Administrative expenses		(92,877)	(73,232)
Share of loss of an associate		(11)	—
Other expenses		(6,518)	(16,819)
PROFIT FROM OPERATIONS		129,684	100,188
Fair value loss on investment properties		(1,004)	(4,663)
Gain/(loss) on revaluation of property, plant and equipment		5,594	(43,644)
Loss on fair value changes at financial assets at fair value through profit or loss		(40)	—
Gain on dissolution of a subsidiary		—	6,776
Impairment of various assets		(745)	(5,301)
Finance costs	7	(15,673)	(9,076)
PROFIT BEFORE TAX	8	117,816	44,280
Income tax (expense)/credit	9	(11,631)	751
PROFIT FOR THE YEAR		106,185	45,031
Other comprehensive income/(expense) after tax:			
<i>Items that will not be reclassified to profit or loss:</i>			
Exchange differences on translation of the Company		1,666	(6,498)
Gain on revaluation of property, plant and equipment		27,682	43,745
Deferred tax effect arising on revaluation of property, plant and equipment		(4,152)	(6,569)
<i>Items that may be reclassified to profit or loss:</i>			
Exchange differences on translation of the Company		(1,420)	6,550
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		129,961	82,259
PROFIT/(LOSS) FOR THE YEAR ATTRIBUTABLE TO:			
Owners of the Company		106,932	45,031
Non-controlling interests		(747)	—
		106,185	45,031
TOTAL COMPREHENSIVE INCOME/(EXPENSE)			
Owners of the Company		130,708	82,259
Non-controlling interests		(747)	—
		129,961	82,259
EARNINGS PER SHARE (RMB cents)	11		
– Basic		12.54	5.28
– Diluted		12.54	5.28

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2021

	<i>Notes</i>	2021 <i>RMB '000</i>	2020 <i>RMB '000</i>
Non-current assets			
Property, plant and equipment	<i>12</i>	458,525	420,375
Right-of-use assets		90,178	33,068
Investment properties		35,366	36,370
Intangible assets		684	684
Interest in an associate		1,361	—
Deposits paid for acquisition of property, plant and equipment		14,560	15,228
Equity investments at fair value through other comprehensive income		4,140	4,140
Deferred tax assets		2,797	3,444
		<hr/>	<hr/>
Total non-current assets		607,611	513,309
		<hr/>	<hr/>
Current assets			
Inventories	<i>13</i>	203,775	146,066
Trade and bills receivables	<i>14</i>	327,857	190,289
Prepayments, deposits and other receivables		35,495	26,731
Pledged bank deposits		138,658	58,930
Cash and cash equivalents		77,994	34,899
		<hr/>	<hr/>
Total current assets		783,779	456,915
		<hr/>	<hr/>
Current liabilities			
Trade and bills payables	<i>15</i>	486,664	288,997
Lease liabilities		3,198	876
Contract liabilities		4,709	3,717
Other payables and accruals		52,003	55,191
Interest-bearing borrowings		216,275	165,741
Due to a director		9,050	3,100
Tax payable		12,633	11,313
		<hr/>	<hr/>
Total current liabilities		784,732	528,935
		<hr/>	<hr/>

		2021	2020
	<i>Notes</i>	RMB'000	<i>RMB'000</i>
Net current liabilities		<u>(953)</u>	<u>(72,020)</u>
Total assets less current liabilities		<u>606,658</u>	<u>441,289</u>
Non-current liabilities			
Interest-bearing borrowings		33,429	34,239
Lease liabilities		2,552	2,376
Deferred income		1,650	—
Deferred tax liabilities		<u>9,296</u>	<u>4,208</u>
Total non-current liabilities		<u>46,927</u>	<u>40,823</u>
NET ASSETS		<u><u>559,731</u></u>	<u><u>400,466</u></u>
Capital and reserves			
Issued capital	16	747	747
Reserves		<u>530,427</u>	<u>399,719</u>
		531,174	400,466
Non-controlling interests		<u>28,557</u>	<u>—</u>
TOTAL EQUITY		<u><u>559,731</u></u>	<u><u>400,466</u></u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

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 and Non-PVC composite materials of floorings and wall panels (“**Building Material Products**”, formerly known as “**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 preparation of consolidated financial statements in conformity with HKFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates. The estimates and assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

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 2021. 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 Building Material Products.

Geographical information

	Revenue from external customers		Non-current assets	
	Year ended 31 December		As at 31 December	
	2021	2020	2021	2020
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
PRC	1,135,889	591,135	600,674	505,725
Others	305,126	221,006	—	—
	<u>1,441,015</u>	<u>812,141</u>	<u>600,674</u>	<u>505,725</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 (2020: Nil).

Information about major customers

Revenue from customers of the year ended 31 December 2021 contributing over 10% (2020: Nil) of the total revenue of the Group are as follows:

	2021	2020
	<i>RMB’000</i>	<i>RMB’000</i>
Customer A	<u>145,920</u>	<u>N/A</u>

5. REVENUE

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Sales of goods	<u>1,441,015</u>	<u>812,141</u>

There is only one operating segment which is principally engaged in the design, development, manufacture and sale of (i) Material Products and (ii) Building Material 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:

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Geographical markets		
PRC	1,135,889	591,135
United States	68,017	52,061
Russia	51,846	39,814
Others	<u>185,263</u>	<u>129,131</u>
Total	<u>1,441,015</u>	<u>812,141</u>

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Major products		
Material products	1,347,962	743,415
Building Material Products	<u>93,053</u>	<u>68,726</u>
Total	<u>1,441,015</u>	<u>812,141</u>

The revenue was recognised at a point in time.

6. OTHER INCOME AND GAINS

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Interest income	800	241
Government subsidies (<i>note</i>)	3,827	5,851
Gross rental income	3,396	3,084
Dividend income from equity investments at fair value through other comprehensive income	217	52
Recovery of bad debts	—	19,018
Reversal of allowance for receivables, net	1,569	1,181
Sundry income	1,132	679
	<u>10,941</u>	<u>30,106</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 2021 and 2020.

7. FINANCE COSTS

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Lease interest	367	114
Interest on bank loans	8,941	7,975
Interest on other loans	7,415	987
	<u>16,723</u>	<u>9,076</u>
Total borrowing cost	16,723	9,076
Less: interests capitalised	(1,050)	—
	<u>15,673</u>	<u>9,076</u>

8. PROFIT BEFORE TAX

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

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Cost of inventories sold *	1,180,547	623,431
Depreciation of property, plant and equipment	54,918	37,007
Depreciation on right-of-use assets	2,868	1,904
Net loss on disposals of property, plant and equipment	952	1,408
Written-off of property, plant and equipment	1,762	10,894
Staff costs (including directors' remuneration):		
Wages and salaries	44,922	37,109
Retirement benefit scheme contributions	2,125	923
Staff welfare expenses	2,784	2,227
	<u>49,831</u>	<u>40,259</u>
Research and development costs	59,976	48,137
Exchange loss, net	1,795	3,777
Fair value loss on investment properties	1,004	4,663
(Gain)/loss on revaluation of property, plant and equipment	(5,594)	43,644
Reversal of loss allowance of trade receivables, net	(1,569)	(1,181)
Impairment of inventories, net	745	5,301
Auditors' remuneration	1,312	1,290

* Cost of inventories sold includes RMB66,709,000 (2020: RMB54,834,000) 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)

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Current tax – the PRC		
Charge for the year	10,981	6,503
Over-provision in prior years	(933)	(668)
Deferred tax	<u>1,583</u>	<u>(6,586)</u>
	<u><u>11,631</u></u>	<u><u>(751)</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 2021 and 2020.

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:

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Profit before tax	<u>117,816</u>	<u>44,280</u>
Tax at the applicable tax rate of 25% (2020: 25%)	29,454	11,070
Lower tax rate for specific province or enacted by local authority	(13,556)	(4,166)
Tax effect of income not taxable and expenses not deductible	(3,334)	(6,987)
Over-provision in prior years	<u>(933)</u>	<u>(668)</u>
Income tax expense/(credit)	<u><u>11,631</u></u>	<u><u>(751)</u></u>

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 2021 (2020: Nil).

11. 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 RMB106,932,000 (2020: RMB45,031,000) and the weighted average number of approximately 852,612,000 (2020: 852,612,000) ordinary shares in issue during the year.

Diluted earning per share

Diluted earning per share for the years ended 31 December 2021 and 2020 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 or valuation							
At 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 to 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)
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At 31 December 2020 and 1 January 2021	290,437	102,380	4,696	2,294	6,094	20,710	426,611
Additions	5,864	27,452	5,900	415	1,444	20,278	61,353
Disposals	(103)	—	—	(8)	(288)	(596)	(995)
Written off	—	(2,077)	—	—	(101)	—	(2,178)
Transfer from right-of-use assets	—	1,402	—	—	—	—	1,402
Transfer from CIP	4,817	17,312	1,165	—	—	(23,294)	—
Revaluation	(2,453)	(15,591)	—	—	—	—	(18,044)
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At 31 December 2021	298,562	130,878	11,761	2,701	7,149	17,098	468,149

	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 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 to 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 and 1 January 2021	—	—	1,750	1,619	2,867	—	6,236
Charge for the year	25,008	26,133	3,072	134	571	—	54,918
Disposals	(4)	—	—	—	—	—	(4)
Written off	—	(27)	—	(7)	(382)	—	(416)
Transfer from right-of-use assets	—	210	—	—	—	—	210
Write back on revaluation	(25,004)	(26,316)	—	—	—	—	(51,320)
At 31 December 2021	—	—	4,822	1,746	3,056	—	9,624
Carrying amount							
At 31 December 2021	<u>298,562</u>	<u>130,878</u>	<u>6,939</u>	<u>955</u>	<u>4,093</u>	<u>17,098</u>	<u>458,525</u>
At 31 December 2020	<u>290,437</u>	<u>102,380</u>	<u>2,946</u>	<u>675</u>	<u>3,227</u>	<u>20,710</u>	<u>420,375</u>

At 31 December 2021, certain buildings and plant and machinery with an aggregate carrying amount of approximately RMB299,948,000 (2020: RMB286,190,000) were pledged to secure bank loan facilities granted to the Group.

The Group's buildings, plant and machinery were revalued at 31 December 2021 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.

13. INVENTORIES

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Raw materials	110,642	92,020
Work in progress	21,332	12,747
Finished goods	71,801	41,299
	<u>203,775</u>	<u>146,066</u>

14. TRADE AND BILLS RECEIVABLES

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Trade receivables	332,891	197,292
Bills receivables	400	—
Provision for loss allowance	(5,434)	(7,003)
	<u>327,857</u>	<u>190,289</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:

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Within 3 months	302,053	180,891
More than 3 months but within 6 months	20,148	9,173
More than 6 months but within 1 year	5,656	225
	<u>327,857</u>	<u>190,289</u>

Reconciliation of loss allowance for trade receivables:

	2021	2020
	<i>RMB'000</i>	<i>RMB'000</i>
At 1 January	7,003	8,193
Decrease in loss allowance for the year	(1,569)	(1,181)
Amounts written off	<u>—</u>	<u>(9)</u>
At 31 December	<u>5,434</u>	<u>7,003</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 2021						
Weighted average						
expected loss rate	0%	0%	0%	0%	84%	
Receivable amount (<i>RMB'000</i>)	304,858	15,649	1,809	4,479	6,496	333,291
Loss allowance (<i>RMB'000</i>)	—	—	—	—	5,434	5,434
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>)	<u>—</u>	<u>81</u>	<u>25</u>	<u>116</u>	<u>6,781</u>	<u>7,003</u>

15. TRADE AND BILLS PAYABLES

	2021	2020
	<i>RMB'000</i>	<i>RMB'000</i>
Trade payables	221,500	120,357
Bills payables	<u>265,164</u>	<u>168,640</u>
	<u>488,664</u>	<u>288,997</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:

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Within 3 months	330,472	202,398
More than 3 months but within 6 months	148,350	86,308
More than 6 months but within 1 year	7,838	291
More than 1 year	4	—
	<u>486,664</u>	<u>288,997</u>

16. SHARE CAPITAL

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Authorised:		
2,000,000,000 ordinary shares of HK\$0.001 each	<u>1,760</u>	<u>1,760</u>
Issued and fully paid:		
852,612,470 ordinary shares of HK\$0.001 each	<u>747</u>	<u>747</u>

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

There will be no significant events after the reporting period.

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, whose businesses cover over 100 nations and regions around the world, takes low carbon and emission reduction and technical innovation as the core value and functional new materials as the dominant products. The Group is dedicated to leading the eco-friendly industrial chain development of the industry, offering technical consultancy and services for the industry, providing Sijia new materials and super core construction material products for modern transportation, medical care, architecture, outdoor leisure activities and athletic sports. The Group's high-performance PVC composite material ("**Material Products**") business, located in Fuzhou and Shanghai, utilizes self-developed equipment and processes that have been granted the national invention patents in manufacturing new materials, including drop stitch fabric, architectural film, waterproofing film, marquees materials, air tightness materials, inflatable boats materials and inflatable materials. The Group's eco-friendly building materials (formerly known as Flooring Products) ("**Building Material Products**") business, located in Fuzhou, sells products across the world which are applicable in a wide spectrum of public and household domains, including education, healthcare, commerce, sports, offices, industrial usage and transportation because they are in compliance with EU and U.S. standards and environmental requirements under the brands of "Zero Formaldehyde Super Core Flooring" and "Carbon Crystal Stone Wall Panel".

By virtue of our team's efforts, the Group achieved a total revenue of approximately RMB1,441.0 million for the year ended 31 December 2021 (2020: RMB812.1 million), representing an increase of approximately RMB628.9 million, or 77.4% over last year.

The increase in revenue was mainly attributable to: (i) sales growth from efforts in consolidating the market shares of existing products; (ii) sales growth from developing new products drop stitch fabric; (iii) sales growth from material products with positive net margin because we managed to maximize sales scale and minimize costs.

The decrease in the gross margin is attributable to the increase in the cost of raw materials (such as polyvinylchloride powder and plasticizer).

The Group's products can be categorized into two: (i) Material; and (ii) Building Material. The Group generated most of its revenue from Material Products which accounted for approximately 93.5% (2020: 91.5%) of total revenue. Domestic sales continued to be the Group's major source of revenue, representing approximately 78.8% (2020: 72.8%) of the total revenue while export sales accounted for approximately 21.2% (2020: 27.2%) of the total revenue.

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

	For the year ended 31 December			
	2021		2020	
	(RMB million)	% of total revenue	(RMB million)	% of total revenue
Material Products	1,347.9	93.5	743.4	91.5
Building Material Products (formerly known as Flooring Products)	93.1	6.5	68.7	8.5
	<u>1,441.0</u>	<u>100.0</u>	<u>812.1</u>	<u>100.0</u>

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

	For the year ended 31 December			
	2021		2020	
	(RMB million)	% of total revenue	(RMB million)	% of total revenue
PRC	1,135.9	78.8	591.1	72.8
Others	305.1	21.2	221.0	27.2
	<u>1,441.0</u>	<u>100.0</u>	<u>812.1</u>	<u>100.0</u>

Market Prospects of Material Products and Building Material Products

Prospect of Material Product and Building Material Product Markets

In 2021, the Group's top sellers were the products developed through continuous technological innovation: drop stitch fabric and inflatable boat materials.

As at 31 December 2021, the Group owned a total of 78 patents. Among these, Fujian Sijia owned 51 patents (35 invention patents and 16 utility model patents), and Shanghai Sijia owned 27 patents (9 invention patents, 13 utility model patents and 5 software copyrights). The Group has been proactive in patent application every year, to secure the continued protection of the brand's intellectual property interests.

In 2021, as the global market confronted multiple challenges arising from the Sino-US trade war and the COVID-19 outbreak, a large number of competitors rushed to imitate the Group's products in the market and adopted a low pricing strategy in order to increase their market shares. The Group will encounter further unprecedented difficulties and challenges. Yet a challenging market may also unleash 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 its Material Products and promote Building Material Products, drop stitch fabric, inflatable boat materials, airtight materials and inflatable materials, to high-end customers with a particular focus on promoting Building Material and new application products of drop stitch fabric materials, with an aim of expanding the market of drop stitch fabric products so as to maintain the Group's competitiveness.

Material Products

During the year ended 31 December 2021, the Group's revenue generated from Material Products amounted to approximately RMB1,347.9 million (2020: RMB743.4 million) which accounted for approximately 93.5% (2020: 91.5%) of the Group's total revenue, representing an increase of approximately 81.3%. The increase in revenue from Material Products was mainly due to the increase in revenue of drop stitch fabric.

Building Material Products

During the year ended 31 December 2021, the Group's revenue generated from Building Material Products amounted to approximately RMB93.1 million (2020: RMB68.7 million) which accounted for approximately 6.5% (2020: 8.5%) of the total revenue.

FINANCIAL REVIEW

Revenue

The Group's revenue for the year ended 31 December 2021 was approximately RMB1,441 million, representing an increase of approximately RMB628.9 million, or 77.4%, compared to the revenue of approximately RMB812.1 million for last year. For the year under review, the Group's major sales segments, namely, (1) Material Products recorded a revenue of approximately RMB1,347.9 million (2020: RMB743.4 million); and (2) Building Material Products recorded a revenue of approximately RMB93.1 million (2020: RMB68.7 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 RMB260.5 million for the year under review (2020: RMB188.7 million), with the gross profit margin of approximately 18.1% (2020: 23.2%).

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

	For the year ended	
	31 December	
	2021	2020
	%	%
Material Products	18.7	24.4
Building Material Products	7.6	10.1
	<hr/>	<hr/>
Total	18.1	23.2
	<hr/> <hr/>	<hr/> <hr/>

Profit for the Year

The Group recorded a profit attributable to equity holders of approximately RMB106.9 million, or approximately RMB12.5 cents for basic earning per share for the year ended 31 December 2021 (2020: RMB45.0 million or RMB5.3 cents for basic earning per share).

Selling and Distribution Costs

Selling and distribution costs were approximately RMB42.3 million (2020: RMB28.6 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 RMB92.9 million (2020: RMB73.2 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 RMB60.0 million (2020: RMB48.0 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 2021, reversal of allowance have been recognised in respect of trade receivables in the amount of approximately RMB1.6 million (2020: RMB1.2 million).

— *Impairment of Inventories*

Impairment of inventories amounted to approximately RMB0.7 million (2020: RMB5.3 million) for the year ended 31 December 2021 was recognised by the Group. It was mainly attributable to write down the slow moving and obsolete stocks.

Finance Costs

Finance costs were approximately RMB15.7 million (2020: RMB9.1 million). The increase in the finance costs was mainly due to the increase in bank loans.

Gain on revaluation of property, plant and equipment

During the year, the Group revalued plant and machinery and recognised a revaluation gain of approximately RMB5.6 million (2020: loss of RMB43.6 million) by reference to a professional valuation report.

Liquidity and Financial Resources

Total Equity

As at 31 December 2021, total equity was approximately RMB559.7 million, representing an increase of 40%, as compared to approximately RMB400.5 million as at 31 December 2020.

Financial Position

As at 31 December 2021, the Group had total current assets of approximately RMB783.8 million (2020: RMB456.9 million) and total current liabilities of approximately RMB784.7 million (2020: RMB528.9 million), with net current liabilities of approximately RMB1.0 million (2020: RMB72.0 million).

As at 31 December 2021, the Group's net gearing ratio (expressed as a percentage of total interest-bearing liabilities to total assets) was at 19.0%, compared to 20.9% as at 31 December 2020.

Cash and Cash Equivalents

As at 31 December 2021, the Group had cash and cash equivalents of approximately RMB78.0 million (2020: RMB34.9 million), most of which were denominated in Renminbi.

Bank Borrowings

The Group had interest-bearing bank borrowings of approximately RMB193.8 million (2020: RMB166.0 million), while total banking facilities amounted to approximately RMB313.6 million (2020: RMB295.6 million).

Contingent Liabilities

As at 31 December 2021, the Group had no material contingent liabilities (2020: Nil).

Capital Commitments

As at 31 December 2021, capital commitments of the Group were approximately RMB74.0 million (2020: RMB11.5 million). The capital commitments will be funded partly by internal resources and partly by bank borrowings.

Pledge of Assets

As at 31 December 2021, the Group mortgaged its buildings, plant and machinery of approximately RMB300.0 million (2020: RMB286.2 million), leasehold land of approximately RMB15.2 million (2020: RMB15.6 million), investment properties of approximately RMB20.5 million (2020: RMB21.0 million) in the PRC and bank deposits of approximately RMB138.7 million (2020: RMB58.9 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 2021 (2020: Nil).

Human Resources

As at 31 December 2021, the Group had a total of 471 employees (2020: 457 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

Prospects

Amid the current severe global pandemic, the continuous economic weakness, China-U.S. trade tensions and political tensions in Europe, by responding to national policies, the Group has made strategic deployment and changes and leveraged on a dual-driver model consisting of international and domestic sales market. Looking forward into 2022, the Group is determined to upgrade its businesses and operation models in a holistic way by relying on its innovative technologies and the professional technical team who are recognized by domestic and international peers:

1. to reinforce the development of new materials business while develop new products actively.
2. to innovate new eco-friendly building materials products, actively market the brand of super core flooring of Sijia and made deployment in Chinese building material market.

3. to deploy the SRM platform and build up the eco-friendly supply chain, in particular: to deploy the SRM platform to connect with upstream suppliers; to build up digital connection with downstream customers to exchange production and sales information; to establish EnMS platform to connect with resource management platform of Ministry of Industry and Information Technology; to establish MES platform to connect with the PLC of production equipment through MQTT protocol to grasp real-time production data; to collect real-time production data and to promote standardization and upgrade of production process. The Group endeavors to establish a closed-loop for all links and connect with upstream and downstream industrial chains in a digitalized and information-oriented manner, to achieve mutual success and win-win situation.
4. to implement major strategic deployment: Sijia Group, based on the “10+” Jia culture system, looks to foster positive and merit-oriented corporate culture and spirits, lead the management in terms of talent, quality, safety, market and others of the Group, spread the culture of Sijia via “Sijia People (思嘉人)” and various WeChat official accounts of the Group, build an eco-friendly, civilized and healthy Sijia Industrial Park (思嘉工業園), so as to drive the Group’s high-quality development. Meanwhile, during the “14th Five-Year Plan” period, Sijia will focus on sales growth, product layout, technological innovation, organizational structure change, team building and other aspects.
5. To construct Fuqing Industrial Park: The first phase of the project will cover an area of 300 acres, and after completion, it will mainly carry out large-scale production and operation of super core flooring products, carbon crystal stone wall panels, TPU commercial coils, high-performance fibers and composite materials, purchase a part of the production raw materials from local upstream enterprises, form an upstream-and-downstream industrial chain of new chemical materials, create advantageous conditions for upstream and downstream cooperation in research and development on new material technologies, and greatly reduce the time on matching of upstream raw material. All of these shall help to achieve a more efficient and high-quality development mode, and facilitate the synergy between the upstream and downstream industries in Jiangyin Port Economic Zone.
6. to deepen innovation of management, and make breakthroughs in lean management and security and environmental protection management.
7. to track the supply chain developments of industrial leaders to achieve the strategic goal of high efficiency, correctness, sustainability and digitalization.
8. to continuously promote the optimization of internal control processes such as procurement, production, sales and finance to improve operational efficiency.
9. to cultivate a team of high-level technical talents to further strengthen our competitiveness, enhance the competitive strength in respect of talents, and promote sustainable development.
10. to enhance the protection of intellectual property rights for new technologies and processes, apply for more technology patents, build up a most innovative technology-based group in the industry, and create value for the shareholders of the Company.

11. to plan to create a national enterprise technology center and cooperate with universities to establish a post-doctoral workstation.
12. to endeavor to create better living and working conditions to further improve the quality of material and spiritual life of Sijia employees; and
13. to actively fulfill our corporate responsibilities, actively participate in activities to help revitalize the countryside and repay our hometown, as well as activities such as “1,000 enterprises helping 1,000 villages” and precise education and poverty relief.

MATERIAL ACQUISITION AND DISPOSAL

During the year ended 31 December 2021, the Company invested approximately RMB30 million (representing 51% of the total registered capital) in a newly formed subsidiary, Fujian Sijia New Materials Technology Co., Limited.

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 2021.

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 2021.

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 2021, 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 2021.

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 2021 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 2021. 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 opinion or assurance conclusion 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 2021 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.

CONTINUED SUSPENSION IN TRADING

Trading in the Shares of our Company was suspended with effect from 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 2021 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, 30 March 2022

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