

*Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.*



## **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 2022**

#### **FINANCIAL HIGHLIGHTS**

- Revenue decreased by 35.7% to RMB926.6 million
- Gross profit decreased by 43.8% to RMB146.3 million
- Profit for the year attributable to owners of the Company was RMB46.2 million
- Basic earning per share was RMB5.42 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 2022, together with the comparative figures for the year of 2021 as follows:

## CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

*For the period ended 31 December 2022*

	<i>Notes</i>	<b>2022</b> <i>RMB'000</i>	2021 <i>RMB'000</i>
<b>REVENUE</b>	5	<b>926,621</b>	1,441,015
Cost of sales		<u><b>(780,301)</b></u>	<u>(1,180,547)</u>
<b>GROSS PROFIT</b>		<b>146,320</b>	260,468
Other income and gains	6	<b>23,822</b>	10,941
Selling and distribution costs		<b>(31,579)</b>	(42,319)
Administrative expenses		<b>(77,116)</b>	(92,877)
Share of loss of an associate		<b>(65)</b>	(11)
Other expenses		<u><b>(1,996)</b></u>	<u>(6,518)</u>
<b>PROFIT FROM OPERATIONS</b>		<b>59,386</b>	129,684
Fair value loss on investment properties		<b>(566)</b>	(1,004)
Gain on revaluation of property, plant and equipment		<b>4,426</b>	5,594
Loss on fair value changes at financial assets at fair value through profit or loss		<b>(20)</b>	(40)
Impairment of inventories, net		<b>(1,274)</b>	(745)
Finance costs	7	<u><b>(13,094)</b></u>	<u>(15,673)</u>
<b>PROFIT BEFORE TAX</b>	8	<b>48,858</b>	117,816
Income tax expense	9	<u><b>(4,339)</b></u>	<u>(11,631)</u>
<b>PROFIT FOR THE YEAR</b>		<b>44,519</b>	106,185
<b>Other comprehensive income/(expense) after tax:</b> <i>Items that will not be reclassified to profit or loss:</i>			
Exchange differences on translation of the Company		<b>3,616</b>	1,666
Gain on revaluation of property, plant and equipment		<b>26,734</b>	27,682
Deferred tax effect arising on revaluation of property, plant and equipment		<b>(4,024)</b>	(4,152)
<i>Items that may be reclassified to profit or loss:</i>			
Exchange differences on translation of the Company		<u><b>(4,346)</b></u>	<u>(1,420)</u>
<b>TOTAL COMPREHENSIVE INCOME FOR THE YEAR</b>		<u><b>66,499</b></u>	<u>129,961</u>
<b>PROFIT/(LOSS) FOR THE YEAR ATTRIBUTABLE TO:</b>			
Owners of the Company		<b>46,188</b>	106,932
Non-controlling interests		<u><b>(1,669)</b></u>	<u>(747)</u>
		<u><b>44,519</b></u>	<u>106,185</u>
<b>TOTAL COMPREHENSIVE INCOME/(EXPENSE)</b>			
Owners of the Company		<b>68,168</b>	130,708
Non-controlling interests		<u><b>(1,669)</b></u>	<u>(747)</u>
		<u><b>66,499</b></u>	<u>129,961</u>
<b>EARNINGS PER SHARE (RMB cents)</b>	<i>11</i>		
– Basic		<u><b>5.42</b></u>	<u>12.54</u>
– Diluted		<u><b>5.42</b></u>	<u>12.54</u>

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2022

	<i>Notes</i>	<b>2022</b> <i>RMB'000</i>	2021 <i>RMB'000</i>
<b>Non-current assets</b>			
Property, plant and equipment	<i>12</i>	<b>589,760</b>	458,525
Right-of-use assets		<b>91,313</b>	90,178
Investment properties		<b>34,800</b>	35,366
Intangible assets		<b>1,263</b>	684
Interest in an associate		<b>8,872</b>	1,361
Deposits paid for acquisition of property, plant and equipment		<b>33,994</b>	14,560
Equity investments at fair value through other comprehensive income		<b>4,140</b>	4,140
Deferred tax assets		<b>2,740</b>	2,797
		<hr/>	<hr/>
<b>Total non-current assets</b>		<b>766,882</b>	607,611
		<hr/>	<hr/>
<b>Current assets</b>			
Inventories	<i>13</i>	<b>181,750</b>	203,775
Trade and bills receivables	<i>14</i>	<b>181,183</b>	327,857
Prepayments, deposits and other receivables		<b>58,749</b>	35,495
Pledged bank deposits		<b>55,049</b>	138,658
Cash and cash equivalents		<b>90,583</b>	77,994
		<hr/>	<hr/>
<b>Total current assets</b>		<b>567,314</b>	783,779
		<hr/>	<hr/>
<b>Current liabilities</b>			
Trade and bills payables	<i>15</i>	<b>276,138</b>	486,664
Lease liabilities		<b>2,222</b>	3,198
Contract liabilities		<b>3,230</b>	4,709
Other payables and accruals		<b>42,620</b>	52,003
Interest-bearing borrowings		<b>145,418</b>	216,275
Deferred income		<b>380</b>	200
Due to a director		<b>1,403</b>	9,050
Tax payable		<b>7,682</b>	12,633
		<hr/>	<hr/>
<b>Total current liabilities</b>		<b>479,093</b>	784,732
		<hr/>	<hr/>

	<i>Notes</i>	<b>2022</b> <b><i>RMB'000</i></b>	2021 <i>RMB'000</i>
<b>Net current assets/(liabilities)</b>		<b>88,221</b>	(953)
<b>Total assets less current liabilities</b>		<b>855,103</b>	606,658
<b>Non-current liabilities</b>			
Interest-bearing borrowings		<b>181,962</b>	33,429
Lease liabilities		<b>2,899</b>	2,552
Deferred income		<b>10,378</b>	1,650
Deferred tax liabilities		<b>13,938</b>	9,296
<b>Total non-current liabilities</b>		<b>209,177</b>	46,927
<b>NET ASSETS</b>		<b>645,926</b>	559,731
<b>Capital and reserves</b>			
Issued capital	<i>16</i>	<b>747</b>	747
Reserves		<b>598,595</b>	530,427
		<b>599,342</b>	531,174
<b>Non-controlling interests</b>		<b>46,584</b>	28,557
<b>TOTAL EQUITY</b>		<b>645,926</b>	559,731

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

*For the year ended 31 December 2022*

### 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**") 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**") 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 2022. 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	
	2022	2021	2022	2021
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
PRC	<b>622,668</b>	1,135,889	<b>760,002</b>	600,674
Others	<b>303,953</b>	305,126	–	–
	<b>926,621</b>	1,441,015	<b>760,002</b>	600,674

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 (2021: 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 ended 31 December 2022 (2021: contributing over 10% of the total revenue of the Group are as follows):

	2022	2021
	<i>RMB’000</i>	<i>RMB’000</i>
Customer A	<b>N/A</b>	145,920

## 5. REVENUE

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Sales of goods	<u>926,621</u>	<u>1,441,015</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:

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
<b>Geographical markets</b>		
PRC	622,668	1,135,889
United States	56,539	68,017
Russia	40,749	51,846
Others	<u>206,665</u>	<u>185,263</u>
Total	<u>926,621</u>	<u>1,441,015</u>

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
<b>Major products</b>		
Material products	841,648	1,347,962
Building Material Products	<u>84,973</u>	<u>93,053</u>
Total	<u>926,621</u>	<u>1,441,015</u>

The revenue was recognised at a point in time.

## 6. OTHER INCOME AND GAINS

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Interest income	1,467	800
Government subsidies ( <i>note</i> )	7,518	3,827
Gross rental income	3,842	3,396
Dividend income from equity investments at fair value through other comprehensive income	335	217
Reversal of allowance for receivables, net	163	1,569
Exchange gain, net	6,983	–
Sundry income	3,514	1,132
	<u>23,822</u>	<u>10,941</u>

*Note:* Government subsidies are received and used for development of new products, implementation of environmental protection development programmes and acquire long-term assets. During the years ended 31 December 2022 and 2021, the Group recognised the subsidies with no other specific conditions attached upon receipt, and the subsidies related to assets on a systematic basis over the useful life of the assets.

## 7. FINANCE COSTS

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Lease interest	451	367
Interest on bank loans	8,489	8,941
Interest on other loans	8,725	7,415
	<u>17,665</u>	<u>16,723</u>
Total borrowing cost	17,665	16,723
<i>Less:</i> interests capitalised	(4,571)	(1,050)
	<u>13,094</u>	<u>15,673</u>



## 8. PROFIT BEFORE TAX

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

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Cost of inventories sold*	780,301	1,180,547
Depreciation of property, plant and equipment	52,142	54,918
Depreciation on right-of-use assets	4,122	2,868
Amortisation of intangible assets	10	–
Net (gain)/loss on disposals of property, plant and equipment	(10)	952
Written-off of property, plant and equipment	66	1,762
Staff costs (including directors' remuneration):		
Wages and salaries	47,469	44,922
Retirement benefit scheme contributions	2,257	2,125
Staff welfare expenses	2,793	2,784
	<u>52,519</u>	<u>49,831</u>
Research and development costs	41,166	59,976
Exchange (gain)/loss, net	(6,983)	1,795
Fair value loss on investment properties	566	1,004
Gain on revaluation of property, plant and equipment	(4,426)	(5,594)
Reversal of loss allowance of trade receivables, net	(163)	(1,569)
Impairment of inventories, net	1,274	745
Auditors' remuneration	1,297	1,312
	<u><u>52,519</u></u>	<u><u>49,831</u></u>

\* Cost of inventories sold includes RMB72,054,000 (2021: RMB70,003,000) 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

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Current tax – the PRC		
Charge for the year	3,884	10,981
Over-provision in prior years	(220)	(933)
Deferred tax	675	1,583
	<u>4,339</u>	<u>11,631</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 2022 and 2021.

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

# The English name is for identification only

The reconciliation between income tax expense and profit before tax is as follows:

	<b>2022</b>	2021
	<b><i>RMB'000</i></b>	<i>RMB'000</i>
Profit before tax	<b>48,858</b>	117,816
Tax at the applicable tax rate of 25% (2021: 25%)	<b>12,214</b>	29,454
Lower tax rate for specific province or enacted by local authority	<b>(5,683)</b>	(13,556)
Tax effect of income not taxable and expenses not deductible	<b>(1,972)</b>	(3,334)
Over-provision in prior years	<b>(220)</b>	(933)
Income tax expense	<b>4,339</b>	11,631

## 10. DIVIDEND

The Directors do not recommend the payment of a dividend for the year ended 31 December 2022 (2021: 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 RMB46,188,000 (2021: RMB106,932,000) and the weighted average number of approximately 852,612,000 (2021: 852,612,000) ordinary shares in issue during the year.

### Diluted earning per share

Diluted earning per share for the years ended 31 December 2022 and 2021 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
<b>Cost or valuation</b>							
At 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)
At 31 December 2021 and 1 January 2022	<b>298,562</b>	<b>130,878</b>	<b>11,761</b>	<b>2,701</b>	<b>7,149</b>	<b>17,098</b>	<b>468,149</b>
Additions	1,613	4,078	2,582	409	378	143,958	153,018
Disposals	–	(766)	–	–	(165)	–	(931)
Written off	–	(18)	–	–	–	(48)	(66)
Transfer from CIP	9,602	21,558	5,177	123	–	(36,460)	–
Revaluation	3,122	(19,663)	–	–	–	–	(16,541)
At 31 December 2022	<b>312,899</b>	<b>136,067</b>	<b>19,520</b>	<b>3,233</b>	<b>7,362</b>	<b>124,548</b>	<b>603,629</b>
<b>Accumulated depreciation and impairment</b>							
At 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 and 1 January 2022	–	–	4,822	1,746	3,056	–	9,624
Charge for the year	26,058	21,685	3,133	245	1,021	–	52,142
Disposals	–	(42)	–	–	(154)	–	(196)
Write back on revaluation	(26,058)	(21,643)	–	–	–	–	(47,701)
At 31 December 2022	–	–	7,955	1,991	3,923	–	13,869
<b>Carrying amount</b>							
At 31 December 2022	<b>312,899</b>	<b>136,067</b>	<b>11,565</b>	<b>1,242</b>	<b>3,439</b>	<b>124,548</b>	<b>589,760</b>
At 31 December 2021	<b>298,562</b>	<b>130,878</b>	<b>6,939</b>	<b>955</b>	<b>4,093</b>	<b>17,098</b>	<b>458,525</b>

At 31 December 2022, certain buildings and plant and machinery with an aggregate carrying amount of approximately RMB268,743,000 (2021: RMB299,948,000) were pledged to secure bank loan facilities granted to the Group.

The Group's buildings, plant and machinery were revalued at 31 December 2022 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

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Raw materials	86,528	110,642
Work in progress	19,831	21,332
Finished goods	75,391	71,801
	<u>181,750</u>	<u>203,775</u>

### 14. TRADE AND BILLS RECEIVABLES

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Trade receivables	186,216	332,891
Bills receivables	238	400
Provision for loss allowance	(5,271)	(5,434)
	<u>181,183</u>	<u>327,857</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:

	<b>2022</b>	2021
	<b>RMB'000</b>	RMB'000
Within 3 months	<b>128,626</b>	302,053
More than 3 months but within 6 months	<b>21,294</b>	20,148
More than 6 months but within 1 year	<b>31,263</b>	5,656
	<b>181,183</b>	327,857

Reconciliation of loss allowance for trade receivables:

	<b>2022</b>	2021
	<b>RMB'000</b>	RMB'000
At 1 January	<b>5,434</b>	7,003
Decrease in loss allowance for the year	–	(1,569)
Reversal of allowance for receivables	<b>(163)</b>	–
At 31 December	<b>5,271</b>	5,434

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 2022						
Weighted average expected loss rate	0%	0%	0%	0%	17%	
Receivable amount (RMB'000)	116,069	21,081	7,570	9,815	31,919	186,454
Loss allowance (RMB'000)	–	–	–	–	5,271	5,271
At 31 December 2021						
Weighted average expected loss rate	0%	0%	0%	0%	84%	
Receivable amount (RMB'000)	304,858	15,649	1,809	4,479	6,496	333,291
Loss allowance (RMB'000)	–	–	–	–	5,434	5,434

## 15. TRADE AND BILLS PAYABLES

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Trade payables	109,218	221,500
Bills payables	166,920	265,164
	<u>276,138</u>	<u>486,664</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:

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Within 3 months	149,867	330,472
More than 3 months but within 6 months	105,090	148,350
More than 6 months but within 1 year	18,885	7,838
More than 1 year	2,296	4
	<u>276,138</u>	<u>486,664</u>

## 16. SHARE CAPITAL

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
<b>Authorised:</b>		
2,000,000,000 ordinary shares of HK\$0.001 each	<u>1,760</u>	<u>1,760</u>
<b>Issued and fully paid:</b>		
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, considers low carbon, emission reduction and technical innovation as our core value and functional new materials as our primary 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 materials (“**Material Products**”) business, located in Fuzhou and Shanghai, utilizes self-developed equipment and processes that have been granted 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 (“**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 which 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”.

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

	For the year ended 31 December			
	2022		2021	
	(RMB million)	% of total revenue	(RMB million)	% of total revenue
Material Products	841.6	90.8	1,347.9	93.5
Building Material Products	85.0	9.2	93.1	6.5
	<u>926.6</u>	<u>100.0</u>	<u>1,441.0</u>	<u>100.0</u>

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

	<b>For the year ended 31 December</b>			
	<b>2022</b>		<b>2021</b>	
	<i>(RMB million)</i>	<i>% of total revenue</i>	<i>(RMB million)</i>	<i>% of total revenue</i>
PRC	<b>622.6</b>	<b>67.2</b>	1,135.9	78.8
Others	<b>304.0</b>	<b>32.8</b>	305.1	21.2
	<b>926.6</b>	<b>100.0</b>	1,441.0	100.0

By virtue of our team’s efforts, the Group achieved a total revenue of approximately RMB926.6 million for the year ended 31 December 2022 (2021: RMB1,441.0 million), representing a decrease of approximately RMB514.4 million, or 35.7% over last year. The Board considers such decrease was attributable to: (i) the global impact of coronavirus disease 2019 (“COVID-19”) and geopolitical tensions arising from the Russian-Ukraine war; (ii) the continuous rise of US dollar debt leading to global inflation and an exponential decline in consumption ability; and (iii) a significant decline in customer purchasing power in Europe due to various issues such as energy shortages.

The above factors led to a decline in the sales of outdoor leisure products in European and American markets due to the decline in purchasing power of those from abroad, thus leading to a decrease in demand from downstream customers, which directly affected the sales of the Group’s business, resulting in a year-on-year decrease in production, sales revenue and gross profit margin, and a substantial decrease in operating results for the year.

The Group’s products can be categorized into two: (i) Material Products; and (ii) Building Material Products. The Group generated most of its revenue from Material Products which accounted for approximately 90.8% (2021: 93.5%) of total revenue. Domestic sales continued to be the Group’s major source of revenue, representing approximately 67.2% (2021: 78.8%) of the total revenue while export sales accounted for approximately 32.8% (2021: 21.2%) of the total revenue.

COVID-19 brought about a number of challenges to the global economy in 2022. Active steps were taken to continuously provide the anti-bacteria film for medical use. The Group cooperated with customers in setting up five-compartment-into-one hard air-inflated nucleic acid test laboratories to support different areas in the country during sudden outbreaks of COVID-19, and to improve pandemic prevention and control efficiency across the country.

Honored as the supplier of architectural film necessary for the temporary stadium of the Beijing Winter Olympic Games, the Group actively participated in the R&D and testing of materials used in national sports and fitness gyms in various locations across the country, temporary stadiums of the three major competition venues of the Beijing Winter Olympic Games and a nucleic acid test laboratory in Zhangjiakou Competition Venue.

In 2022, the Group's top selling products, drop stitch fabric and inflatable materials, were developed through continuous technological innovation.

As at 31 December 2022, the Group owned a total of 115 patents and/or copyrights. Among these, Fujian Sijia owned 73 patents (39 invention patents and 34 utility model patents), Shanghai Sijia owned 25 patents (nine invention patents, 16 utility model patents) and five software copyrights, and Fuqing Sijia owned 12 patents (one invention patents and 11 utility model patents). The Group is proactive in renewing their patent applications annually, in order to secure the continued protection of the brand's intellectual property rights.

In 2023, as the global market confronted multiple challenges arising from the Sino-US trade war and geopolitical tensions, the Group is expected to encounter further difficulties and challenges. However, a challenging market may also produce 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 further its structural adjustment of its Material Products to maintain the Group's competitiveness.

## **Material Products**

During the year ended 31 December 2022, the Group's revenue generated from Material Products amounted to approximately RMB841.6 million (2021: RMB1,347.9 million) which accounted for approximately 90.8% (2021: 93.5%) of the Group's total revenue, representing a decrease of approximately 37.6%. The decrease in revenue from Material Products was mainly due to the decrease in revenue of drop stitch fabric arising from the pandemic's severe impact and the Russian-Ukraine war.

## **Building Material Products**

During the year ended 31 December 2022, the Group's revenue generated from Building Material Products amounted to approximately RMB85.0 million (2021: RMB93.1 million) which accounted for approximately 9.2% (2021: 6.5%) of the total revenue. The decrease in revenue from Building Material Products was mainly attributable to the impact of COVID-19 and decline in customers' purchasing power due to global economy downturn result from geopolitical conflicts.

## FINANCIAL REVIEW

### Revenue

The Group's revenue for the year ended 31 December 2022 was approximately RMB926.6 million, representing an decrease of approximately RMB514.4 million, or 35.7%, compared to the revenue of approximately RMB1,441.0 million for last year. For the year under review, the Group's major sales segments, namely, (1) Material Products recorded a revenue of approximately RMB841.6 million (2021: RMB1,347.9 million); and (2) Building Material Products recorded a revenue of approximately RMB85.0 million (2021: RMB93.1 million). The decrease in revenue was mainly due to the pandemic's severe impact on the Chinese economy and the contraction of market economies arising from the Russian-Ukraine war.

### Gross Profit and Gross Profit Margin

Gross profit was approximately RMB146.3 million for the year under review (2021: RMB260.5 million), with the gross profit margin of approximately 15.8% (2021: 18.1%). The drop in gross project margin was mainly due to the increase in purchase costs.

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

	For the year ended 31 December	
	2022	2021
	%	%
Material Products	14.1	18.7
Building Material Products	21.2	7.6
	<hr/>	<hr/>
Total	15.8	18.1
	<hr/> <hr/>	<hr/> <hr/>

### Profit for the Year

The Group recorded a profit attributable to equity holders of approximately RMB46.2 million, or approximately RMB5.42 cents for basic earning per share for the year ended 31 December 2022 (2021: RMB106.9 million or RMB12.54 cents for basic earning per share).

## **Selling and Distribution Costs**

Selling and distribution costs were approximately RMB31.6 million (2021: RMB42.3 million). The decrease in selling and distribution costs was in line with the decrease in revenue.

## **Administrative Expenses**

Administrative expenses were approximately RMB77.1 million (2021: RMB92.9 million). The decrease in administrative expenses was mainly due to the decrease in research and development costs.

## **Research and Development**

Research and development (the “**R&D**”) costs were approximately RMB41.2 million (2021: RMB60.0 million). The Group believes that its ongoing R&D efforts are critical in maintaining its 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 2022, reversal of allowance have been recognised in respect of trade receivables in the amount of approximately RMB0.2 million (2021: RMB1.6 million).

### **— *Impairment of Inventories***

Impairment of inventories amounted to approximately RMB1.3 million (2021: RMB0.7 million) for the year ended 31 December 2022 was recognised by the Group. It was mainly attributable to the written down of the slow moving and obsolete stocks.

## **Finance Costs**

Finance costs were approximately RMB13.1 million (2021: RMB15.7 million). The decrease in the finance costs was mainly due to the decrease in the bank borrowing interest rate and the interest on bank loans being partly capitalised.

## **Gain on revaluation of property, plant and equipment**

During the year, the Group revalued plant and machinery and recognised a revaluation gain of approximately RMB4.4 million (2021: RMB5.6 million) by reference to a professional valuation report.

## **Liquidity and Financial Resources**

### ***Total Equity***

As at 31 December 2022, total equity was approximately RMB645.9 million, representing an increase of 15.4%, as compared to approximately RMB559.7 million as at 31 December 2021.

### ***Financial Position***

As at 31 December 2022, the Group had total current assets of approximately RMB567.3 million (2021: RMB783.8 million) and total current liabilities of approximately RMB479.1 million (2021: RMB784.7 million), with net current assets of approximately RMB88.2 million (2021: net current liabilities RMB1.0 million).

As at 31 December 2022, the Group's net gearing ratio (expressed as a percentage of total interest-bearing liabilities to total assets) was at 24.9%, compared to 19.0% as at 31 December 2021.

### ***Cash and Cash Equivalents***

As at 31 December 2022, the Group had cash and cash equivalents of approximately RMB90.6 million (2021: RMB78.0 million), most of which were denominated in Renminbi.

### ***Bank Borrowings***

The Group had interest-bearing bank borrowings of approximately RMB302.0 million (2021: RMB193.8 million), while total banking facilities amounted to approximately RMB927.7 million (2021: RMB313.6 million).

### ***Contingent Liabilities***

As at 31 December 2022, the Group had no material contingent liabilities (2021: Nil).

### ***Capital Commitments***

As at 31 December 2022, capital commitments of the Group were approximately RMB341.2 million (2021: RMB74.0 million). The capital commitments will be funded partly by internal resources and partly by bank borrowings.

### **Pledge of Assets**

As at 31 December 2022, the Group mortgaged its buildings, plant and machinery of approximately RMB268.7 million (2021: RMB300.0 million), leasehold land of approximately RMB68.5 million (2021: RMB15.2 million), investment properties of approximately RMB20.1 million (2021: RMB20.5 million) in the PRC and bank deposits of approximately RMB55.1 million (2021: RMB138.7 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 2022 (2021: Nil).

### **Human Resources**

As at 31 December 2022, the Group had a total of 510 employees (2021: 471 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 this global pandemic, continued decline in the economy, Sino-U.S. trade tensions and geopolitical tensions, the Group has responded to national policies by upholding fundamental principles and breaking new ground. The Group is prepared to face risks and challenges with strategic deployment and flexibility by leveraging on a dual-driver model consisting of the international and domestic sales market.

The Central Economic Work Conference held in December 2022 billed “striving to increase domestic demand” as the top priority of economic work for 2023 by promulgating the Strategic Plan for Expanding Domestic Demand (2022-2035) (《擴大內需戰略規劃綱要(2022-2035年)》) and the Implementation Plan for the Strategy for Expanding Domestic Demand in the 14th Five-Year Plan (《「十四五」擴大內需戰略實施方案》) by the State Council, as well as shifting in the nation’s domestic pandemic prevention and control measures. China’s economy is accelerating its economic recovery, and the development of the Group’s products is closely related to the national economic growth, while the industry will also enjoy new development opportunities.



## **Breaking New Grounds, Operation with Soundness**

Looking forward into 2023, 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 which are recognized by domestic and international peers:

1. to develop the domestic and foreign markets simultaneously, and explore vigorously the international and local markets through extensive participation in exhibitions at home and aboard and visits to domestic and overseas customers;
2. to reinforce the development of new materials business while developing new products actively;
3. to innovate new eco-friendly building materials products, actively market the brand of “Sijia Supercore” and make deployment in the Chinese building material market;
4. to achieve the goals of digitalization of operation, efficient horizontal/vertical collaboration, integration of business and finance, as well as “refinement, profitability and standardization” of management in a phased manner, in order to capture the high ground in the new competitive dimension of the industry;
5. to implement major strategic deployment in a continuous manner: on the basis of the “10+” Jia culture system, 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, so as to drive the Group’s high-quality development. Meanwhile, the Group will continue to focus on sales growth, product layout, technological innovation, organizational structure change, team building and other aspects;
6. to construct Fuqing Industrial Park: to complete the construction of the first phase of the project, and realize the production and operation of some product items, so as to gradually create advantageous conditions for upstream and downstream cooperation in research and development on new material technologies. All of these shall help to achieve a more efficient and high-quality development mode;
7. to deepen innovation of management, and make breakthroughs in lean management and security and environmental protection management;
8. to track the supply chain developments of industrial leaders to achieve the strategic goal of high efficiency, correctness, sustainability and digitalization;

9. to continuously promote the optimization of internal control processes such as procurement, production, sales and finance to improve operational efficiency;
10. to cultivate a team of high-level technical talents to further strengthen the Group's competitiveness, enhance the competitive strength in respect of talents, and promote sustainable development;
11. to enhance the protection of intellectual property rights for new technologies and processes, apply for more technology patents, build up the most innovative technology-based group in the industry, and create value for the shareholders of the Company;
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 revitalizing 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.

#### **IMPORTANT EVENTS SINCE 31 DECEMBER 2022**

Save as disclosed on this announcement, there were no other important events affecting the Group which have occurred since 31 December 2022.

#### **MATERIAL ACQUISITION AND DISPOSAL OF SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES**

During the year ended 31 December 2022, there were no material acquisitions and disposals of subsidiaries, associates and joint ventures.

#### **DETAILS OF FUTURE PLANS FOR MATERIAL INVESTMENT OR CAPITAL ASSETS**

Save as disclosed herein, the Group did not have any future plans for material investment or capital assets as at 31 December 2022.

#### **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 2022.

## **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 adopted the code provisions set out in Part 2 of the CG Code as the Company’s code of corporate governance practices. During the year ended 31 December 2022, the Company has complied with the code provisions set out in Part 2 of 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**”) 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 2022.

## **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 2022 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 2022. 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 of the Board (the “**Audit Committee**”), comprises three independent non-executive Directors, has reviewed with the management the accounting principles and practices adopted by the Group and discussed auditing, internal control and financial reporting matters. The Group’s audited consolidated financial statements for the year ended 31 December 2022 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 the 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 OF HONG KONG LIMITED**

This annual results announcement is published on the websites of The Stock Exchange of Hong Kong Limited (<http://www.hkexnews.hk>) and the Company (<http://www.chinalongevity.hk>). The annual report for the year ended 31 December 2022 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**  
**Liu Jun**  
*Chairman and Executive Director*

Hong Kong, 27 March 2023

*As at the date of this announcement, the Board comprises three executive Directors, namely, Mr. Liu Jun, Mr. Jiang Shisheng and Mr. Gao Juwen, and three independent non-executive Directors, namely, Mr. Lau Chun Pong, Mr. Lu Jiayu and Ms. Jiang Ping.*