

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 2023

FINANCIAL HIGHLIGHTS

- Revenue increased by 0.8% to RMB933.9 million
- Gross profit increased by 27.1% to RMB186.0 million
- Profit for the year attributable to owners of the Company was RMB63.0 million
- Basic earning per share was RMB7.39 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 2023, together with the comparative figures for the year of 2022 as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2023

		2023	2022
	<i>Notes</i>	<i>RMB'000</i>	<i>RMB'000</i>
REVENUE	5	933,930	926,621
Cost of sales		<u>(747,892)</u>	<u>(780,301)</u>
GROSS PROFIT		186,038	146,320
Other income and gains	6	13,250	23,822
Selling and distribution costs		(36,267)	(31,579)
Administrative expenses		(83,188)	(77,116)
Share of loss of an associate		(38)	(65)
Other expenses		<u>(1,754)</u>	<u>(1,996)</u>
PROFIT FROM OPERATIONS		78,041	59,386
Fair value loss on investment properties		(2,061)	(566)
(Loss)/gain on revaluation of property, plant and equipment		(2,184)	4,426
Gain/(loss) on fair value changes at financial assets at fair value through profit or loss		13	(20)
Impairment of trade receivables		(158)	–
Impairment of inventory		(1,212)	(1,274)
Finance costs	7	<u>(7,786)</u>	<u>(13,094)</u>
PROFIT BEFORE TAX	8	64,653	48,858
Income tax expense	9	<u>(6,008)</u>	<u>(4,339)</u>
PROFIT FOR THE YEAR		58,645	44,519
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		2,613	3,616
Gain on revaluation of property, plant and equipment		16,362	26,734
Deferred tax effect arising on revaluation of property, plant and equipment		(2,455)	(4,024)
<i>Items that may be reclassified to profit or loss:</i>			
Exchange differences on translation of the foreign operations		<u>(2,438)</u>	<u>(4,346)</u>
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		<u>72,727</u>	<u>66,499</u>

	<i>Notes</i>	2023 <i>RMB'000</i>	2022 <i>RMB'000</i>
PROFIT/(LOSS) FOR THE YEAR			
ATTRIBUTABLE TO:			
Owners of the Company		63,000	46,188
Non-controlling interests		(4,355)	(1,669)
		<u>58,645</u>	<u>44,519</u>
TOTAL COMPREHENSIVE INCOME/ (EXPENSE)			
Owners of the Company		77,082	68,168
Non-controlling interests		(4,355)	(1,669)
		<u>72,727</u>	<u>66,499</u>
EARNINGS PER SHARE (<i>RMB cents</i>)			
	<i>11</i>		
– Basic		<u>7.39</u>	<u>5.42</u>
– Diluted		<u>7.39</u>	<u>5.42</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2023

	<i>Notes</i>	2023 <i>RMB'000</i>	2022 <i>RMB'000</i>
Non-current assets			
Property, plant and equipment	<i>12</i>	903,117	589,760
Right-of-use assets		85,187	91,313
Investment properties		34,822	34,800
Intangible assets		1,505	1,263
Interest in an associate		12,900	8,872
Deposits paid for acquisition of property, plant and equipment		28,616	33,994
Equity investments at fair value through other comprehensive income		4,140	4,140
Deferred tax assets		2,683	2,740
Total non-current assets		1,072,970	766,882
Current assets			
Inventories	<i>13</i>	232,334	181,750
Trade and bills receivables	<i>14</i>	226,689	181,183
Prepayments, deposits and other receivables		74,623	58,749
Pledged bank deposits		38,978	55,049
Cash and cash equivalents		64,355	90,583
Total current assets		636,979	567,314
Current liabilities			
Trade and bills payables	<i>15</i>	241,932	276,138
Lease liabilities		867	2,222
Contract liabilities		7,315	3,230
Other payables and accruals		45,676	42,620
Interest-bearing borrowings		156,494	145,418
Deferred income		380	380
Due to a director		17	1,403
Tax payable		7,593	7,682
Total current liabilities		460,274	479,093

	<i>Notes</i>	2023 <i>RMB'000</i>	2022 <i>RMB'000</i>
Net current assets		<u>176,705</u>	<u>88,221</u>
Total assets less current liabilities		<u>1,249,675</u>	<u>855,103</u>
Non-current liabilities			
Interest-bearing borrowings		460,064	181,962
Lease liabilities		2,141	2,899
Deferred income		12,998	10,378
Deferred tax liabilities		<u>16,316</u>	<u>13,938</u>
Total non-current liabilities		<u>491,519</u>	<u>209,177</u>
NET ASSETS		<u><u>758,156</u></u>	<u><u>645,926</u></u>
Capital and reserves			
Issued capital	16	747	747
Reserves		<u>675,677</u>	<u>598,595</u>
		676,424	599,342
Non-controlling interests		<u>81,732</u>	<u>46,584</u>
TOTAL EQUITY		<u><u>758,156</u></u>	<u><u>645,926</u></u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

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 1307, 13/F, New East Ocean Centre, 9 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 2023. 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.

The Group has not applied to new HKFRSs that have been issued but are not yet effective. The application of these new HKFRSs will not have material impact on the financial statement of the Group.

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	
	2023	2022	2023	2022
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
PRC	605,699	622,668	1,066,147	760,002
Others	328,231	303,953	–	–
	933,930	926,621	1,066,147	760,002

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 (2022: Nil).

5. REVENUE

	2023 <i>RMB'000</i>	2022 <i>RMB'000</i>
Sales of goods	<u>933,930</u>	<u>926,621</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:

	2023 <i>RMB'000</i>	2022 <i>RMB'000</i>
Geographical markets		
PRC	605,699	622,668
United States	55,261	56,539
Russia	60,282	40,749
Others	<u>212,688</u>	<u>206,665</u>
Total	<u>933,930</u>	<u>926,621</u>

	2023 <i>RMB'000</i>	2022 <i>RMB'000</i>
Major products		
Material products	849,252	841,648
Building Material Products	<u>84,678</u>	<u>84,973</u>
Total	<u>933,930</u>	<u>926,621</u>

The revenue was recognised at a point in time.

6. OTHER INCOME AND GAINS

	2023 <i>RMB'000</i>	2022 <i>RMB'000</i>
Interest income	597	1,467
Government subsidies (<i>note</i>)	7,239	7,518
Gross rental income	2,782	3,842
Dividend income from equity investments at fair value through other comprehensive income	223	335
Reversal of impairment for receivables, net	–	163
Exchange gain, net	1,182	6,983
Sundry income	1,227	3,514
	<u>13,250</u>	<u>23,822</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 2023 and 2022, 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

	2023 <i>RMB'000</i>	2022 <i>RMB'000</i>
Lease interest	198	451
Interest on bank loans	15,680	8,489
Interest on other loans	1,686	8,725
Total borrowing cost	17,564	17,665
<i>Less:</i> interests capitalised	<u>(9,778)</u>	<u>(4,571)</u>
	<u>7,786</u>	<u>13,094</u>

8. PROFIT BEFORE TAX

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

	2023 <i>RMB'000</i>	2022 <i>RMB'000</i>
Cost of inventories sold *	747,892	780,301
Depreciation of property, plant and equipment	51,409	52,142
Depreciation on right-of-use assets	3,794	4,122
Amortisation of intangible assets	105	10
Net loss/(gain) on disposals of property, plant and equipment	1	(10)
Written-off of property, plant and equipment	99	66
Staff costs (including directors' remuneration):		
Wages and salaries	53,091	47,469
Retirement benefit scheme contributions	3,133	2,257
Staff welfare expenses	4,963	2,793
	<u>61,187</u>	<u>52,519</u>
Research and development costs	38,288	41,166
Exchange gain, net	(1,182)	(6,983)
Fair value loss on investment properties	2,061	566
Loss/(gain) on revaluation of property, plant and equipment	2,184	(4,426)
Impairment of/(reversal of impairment on) trade receivables, net	158	(163)
Impairment of inventories, net	1,212	1,274
Auditors' remuneration	<u>1,364</u>	<u>1,297</u>

* Cost of inventories sold includes RMB68,084,000 (2022: RMB72,054,000) 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

	2023	2022
	<i>RMB'000</i>	<i>RMB'000</i>
Current tax – the PRC		
Charge for the year	5,784	3,884
Under/(over)-provision in prior years	244	(220)
Deferred tax	<u>(20)</u>	<u>675</u>
	<u>6,008</u>	<u>4,339</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 2023 and 2022.

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:

	2023	2022
	<i>RMB'000</i>	<i>RMB'000</i>
Profit before tax	<u>64,653</u>	<u>48,858</u>
Tax at the applicable tax rate of 25% (2022: 25%)	16,163	12,214
Lower tax rate for specific province or enacted by local authority	(7,906)	(5,683)
Tax effect of income not taxable and expenses not deductible	(3,288)	(2,453)
Tax effect of tax losses not recognised	795	481
Under/(over)-provision in prior years	<u>244</u>	<u>(220)</u>
Income tax expense	<u>6,008</u>	<u>4,339</u>

10. DIVIDEND

The Directors do not recommend the payment of a dividend for the year ended 31 December 2023 (2022: 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 RMB63,000,000 (2022: RMB46,188,000) and the weighted average number of approximately 852,612,000 (2022: 852,612,000) ordinary shares in issue during the year.

Diluted earning per share

Diluted earning per share for the years ended 31 December 2023 and 2022 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	Plant and machinery	Leasehold improvements	Office equipment	Motor vehicles	Construction in progress	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Cost or valuation							
At 1 January 2022	298,562	130,878	11,761	2,701	7,149	17,098	468,149
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 and 1 January 2023	312,899	136,067	19,520	3,233	7,362	124,548	603,629
Additions	38,300	4,763	2,984	1,002	1,263	297,756	346,068
Disposals	–	–	–	–	(54)	–	(54)
Written off	–	(22)	–	(506)	–	(27)	(555)
Transfer from ROU	–	5,664	–	–	–	–	5,664
Transfer from CIP	2,030	21,466	936	532	10	(24,974)	–
Revaluation	(10,322)	(21,956)	–	–	–	–	(32,278)
At 31 December 2023	342,907	145,982	23,440	4,261	8,581	397,303	922,474
Accumulated depreciation and impairment							
At 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 and 1 January 2023	–	–	7,955	1,991	3,923	–	13,869
Charge for the year	20,518	24,907	4,323	514	1,147	–	51,409
Disposals	–	–	–	–	(40)	–	(40)
Written off	–	–	–	(456)	–	–	(456)
Transfer from ROU	–	1,031	–	–	–	–	1,031
Write back on revaluation	(20,518)	(25,938)	–	–	–	–	(46,456)
At 31 December 2023	–	–	12,278	2,049	5,030	–	19,357
Carrying amount							
At 31 December 2023	342,907	145,982	11,162	2,212	3,551	397,303	903,117
At 31 December 2022	312,899	136,067	11,565	1,242	3,439	124,548	589,760

At 31 December 2023, certain buildings, plant and machinery and construction in progress with an aggregate carrying amount of approximately RMB505,859,000 (2022: certain buildings and plant and machinery, amount for RMB268,743,000) were pledged to secure bank loan facilities granted to the Group.

The Group's buildings, plant and machinery were revalued at 31 December 2023 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

	2023	2022
	<i>RMB'000</i>	<i>RMB'000</i>
Raw materials	125,863	86,528
Work in progress	25,893	19,831
Finished goods	80,578	75,391
	<u>232,334</u>	<u>181,750</u>

14. TRADE AND BILLS RECEIVABLES

	2023	2022
	<i>RMB'000</i>	<i>RMB'000</i>
Trade receivables	232,065	186,216
Provision for loss allowance	(5,429)	(5,271)
	<u>226,636</u>	<u>180,945</u>
Bills receivables	53	238
	<u>226,689</u>	<u>181,183</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:

	2023	2022
	<i>RMB'000</i>	<i>RMB'000</i>
Within 3 months	177,062	128,626
More than 3 months but within 6 months	28,449	21,294
More than 6 months but within 1 year	21,178	31,263
	<u>226,689</u>	<u>181,183</u>

Reconciliation of loss allowance for trade receivables:

	2023	2022
	<i>RMB'000</i>	<i>RMB'000</i>
At 1 January	5,271	5,434
Impairment of/(reversal of impairment on) trade receivable, net	158	(163)
At 31 December	<u>5,429</u>	<u>5,271</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 2023						
Weighted average expected loss rate	0%	0%	0%	0%	45%	
Receivable amount (<i>RMB'000</i>)	181,445	18,464	10,109	10,094	12,006	232,118
Loss allowance (<i>RMB'000</i>)	–	–	–	–	5,429	5,429
At 31 December 2022						
Weighted average expected loss rate	0%	0%	0%	0%	17%	
Receivable amount (<i>RMB'000</i>)	116,069	21,081	7,570	9,815	31,919	186,454
Loss allowance (<i>RMB'000</i>)	–	–	–	–	5,271	5,271

15. TRADE AND BILLS PAYABLES

	2023 <i>RMB'000</i>	2022 <i>RMB'000</i>
Trade payables	128,276	109,218
Bills payables	<u>113,656</u>	<u>166,920</u>
	<u>241,932</u>	<u>276,138</u>
Represented by:		
– third parties	239,287	276,138
– a related party (<i>note</i>)	<u>2,645</u>	<u>–</u>
	<u>241,932</u>	<u>276,138</u>

Note: The Group has payable to a related party at the end of reporting period for purchase of raw materials.

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

	2023 <i>RMB'000</i>	2022 <i>RMB'000</i>
Within 3 months	183,968	149,867
More than 3 months but within 6 months	53,049	105,090
More than 6 months but within 1 year	4,915	18,885
More than 1 year	<u>–</u>	<u>2,296</u>
	<u>241,932</u>	<u>276,138</u>

16. SHARE CAPITAL

	Number of Shares	Amount RMB '000
Authorised:		
Ordinary shares of HK\$0.001 each		
At 1 January 2022, 31 December 2022 and 31 December 2023	<u>2,000,000,000</u>	<u>1,760</u>
Issued and fully paid:		
At 1 January 2022, 31 December 2022 and 31 December 2023	<u>852,612,470</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 were 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			
	2023		2022	
	<i>(RMB million)</i>	<i>% of total revenue</i>	<i>(RMB million)</i>	<i>% of total revenue</i>
Material Products	849.2	90.9	841.6	90.8
Building Material Products	84.7	9.1	85.0	9.2
	<u>933.9</u>	<u>100.0</u>	<u>926.6</u>	<u>100.0</u>

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

	For the year ended 31 December			
	2023		2022	
	<i>(RMB million)</i>	<i>% of total revenue</i>	<i>(RMB million)</i>	<i>% of total revenue</i>
PRC	605.7	64.9	622.6	67.2
Others	328.2	35.1	304.0	32.8
	<u>933.9</u>	<u>100.0</u>	<u>926.6</u>	<u>100.0</u>

By virtue of our team's efforts, the Group achieved a total revenue of approximately RMB933.9 million for the year ended 31 December 2023 (2022: RMB926.6 million), representing an increase of approximately RMB7.3 million, or 0.8% over last 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 90.9% (2022: 90.8%) of total revenue. Domestic sales continued to be the Group's major source of revenue, representing approximately 64.9% (2022: 67.2%) of the total revenue while export sales accounted for approximately 35.1% (2022: 32.8%) of the total revenue.

Being approved as the supplier of architectural marquees materials necessary for the temporary stadium of Hangzhou Olympics and University games for students from all over the world, the Group actively participated in the demand-oriented R&D and the upgrading of the performance of marquees materials for each project.

In 2023, the Group's top selling products, drop stitch fabric and inflatable materials, were developed through continuous technological innovation.

As at 31 December 2023, the Group owned a total of 123 patents and/or copyrights. Among these, Fujian Sijia owned 80 patents (45 invention patents and 35 utility model patents), Shanghai Sijia owned 25 patents (10 invention patents, 15 utility model patents) and five software copyrights, and Fuqing Sijia owned 13 patents (one invention patent and 12 utility model patents). The Group is proactive in renewing their patent applications annually, in order to secure the continued protection of its intellectual property rights.

Due to geopolitical tensions in 2023 and the decline in consumption in Europe and the United States, the global market environment is fraught with challenges. The Group will continue to face challenges in 2024, but the challenging market will also give rise to new developments and opportunities. The Group will further adjust the material product structure, strengthen the research and development of green products, and vigorously develop green technology and digital management capabilities, to maintain the competitiveness of the Group.

Material Products

During the year ended 31 December 2023, the Group's revenue generated from Material Products amounted to approximately RMB849.2 million (2022: RMB841.6 million) which accounted for approximately 90.9% (2022: 90.8%) of the Group's total revenue, representing an increase of approximately 0.9%.

Building Material Products

During the year ended 31 December 2023, the Group's revenue generated from Building Material Products amounted to approximately RMB84.7 million (2022: RMB85.0 million) which accounted for approximately 9.1% (2022: 9.2%) of the total revenue representing a slight decrease of approximately 0.3%.

FINANCIAL REVIEW

Revenue

The Group's revenue for the year ended 31 December 2023 was approximately RMB933.9 million, representing an increase of approximately RMB7.3 million, or 0.8%, compared to the revenue of approximately RMB926.6 million for last year. For the year under review, the Group's major sales segments, namely, (1) Material Products recorded a revenue of approximately RMB849.2 million (2022: RMB841.6 million); and (2) Building Material Products recorded a revenue of approximately RMB84.7 million (2022: RMB85.0 million).

Gross Profit and Gross Profit Margin

Gross profit was approximately RMB186.0 million for the year under review (2022: RMB146.3 million), with the gross profit margin of approximately 19.9% (2022: 15.8%). The increase in gross profit margin was mainly attributable to the decrease in purchase costs.

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

	For the year ended	
	31 December	
	2023	2022
	%	%
Material Products	19.0	14.1
Building Material Products	22.2	21.2
Total	19.9	15.8

Profit for the Year

The Group recorded a profit attributable to equity holders of approximately RMB63.0 million, or approximately RMB7.39 cents for basic earning per share for the year ended 31 December 2023 (2022: RMB46.2 million or RMB5.42 cents for basic earning per share).

Selling and Distribution Costs

Selling and distribution costs were approximately RMB36.3 million (2022: RMB31.6 million). The increase in selling and distribution costs was in line with the increase in revenue.

Administrative Expenses

Administrative expenses were approximately RMB83.2 million (2022: RMB77.1 million). The increase in administrative expenses was mainly attributable to the increase in staff cost.

Research and Development

Research and development (the “**R&D**”) costs were approximately RMB38.3 million (2022: RMB41.2 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 develop 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 and initiate R&D cooperation with strategic partners, 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 takes 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 2023, an impairment on trade receivables have been recognised in respect of trade receivables in the amount of approximately RMB0.2 million (2022: reversal of impairment of RMB0.2 million).

— *Impairment of Inventories*

Impairment of inventories amounted to approximately RMB1.2 million (2022: RMB1.3 million) for the year ended 31 December 2023 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 RMB7.8 million (2022: RMB13.1 million). The decrease in the finance costs was mainly attributable to the decrease in interest on other loans and the interest on bank loans being partly capitalised.

(Loss)/gain on revaluation of property, plant and equipment

During the year, the Group revalued plant and machinery and recognised a revaluation loss of approximately RMB2.2 million (2022: revaluation gain of RMB4.4 million) by reference to a professional valuation report.

Liquidity and Financial Resources

Total Equity

As at 31 December 2023, total equity was approximately RMB758.2 million, representing an increase of 17.4%, as compared to approximately RMB645.9 million as at 31 December 2022.

Financial Position

As at 31 December 2023, the Group had total current assets of approximately RMB637.0 million (2022: RMB567.3 million) and total current liabilities of approximately RMB460.3 million (2022: RMB479.1 million), with net current assets of approximately RMB176.7 million (2022: net current assets of approximately RMB88.2 million).

As at 31 December 2023, the Group's net gearing ratio (expressed as a percentage of total interest-bearing liabilities to total assets) was at 36.2%, compared to 24.9% as at 31 December 2022.

Cash and Cash Equivalents

As at 31 December 2023, the Group had cash and cash equivalents of approximately RMB64.4 million (2022: RMB90.6 million), most of which were denominated in Renminbi.

Bank Borrowings

As at 31 December 2023, the Group had interest-bearing bank borrowings of approximately RMB605.0 million (2022: RMB302.0 million).

Contingent Liabilities

As at 31 December 2023, the Group did not have any significant contingent liabilities (2022: Nil).

Capital Commitments

As at 31 December 2023, capital commitments of the Group were approximately RMB152.3 million (2022: RMB330.7 million). The capital commitments will be funded partly by internal resources and partly by bank borrowings.

Pledge of Assets

As at 31 December 2023, the Group mortgaged its buildings, plant and machinery, and construction in progress of approximately RMB505.9 million (2022: mortgaged over the Group's buildings and plant and machinery of approximately RMB268.7 million), leasehold land of approximately RMB66.6 million (2022: RMB68.5 million), investment properties of approximately RMB20.3 million (2022: RMB20.1 million) in the PRC and bank deposits of approximately RMB39.0 million (2022: RMB55.1 million) were pledged to banks to secure bank loans and general banking facilities granted.

Dividends

The Board does not recommend the payment of a final dividend for the year ended 31 December 2023 (2022: Nil).

Human Resources

As at 31 December 2023, the Group had a total of 549 employees (2022: 510 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 provides 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

In the year 2023, in the face of global inflation, geopolitical tensions, energy crises, and other challenges, the Group actively responded to national policies by determining and adhering to the development policy of “prudent operation, green development, continuous innovation, and pursuit of excellence.” The Group ensured its stable operation through prudent operational strategies while seeking breakthroughs in green development, technological innovation, and other aspects to prepare for various challenges.

In the report on the implementation of the 2023 National Economic and Social Development Plan and the draft for the 2024 National Economic and Social Development Plan by the National Development and Reform Commission, the main tasks for the 2024 National Economic and Social Development Plan include leading the development of a modern industrial system through technological innovation, accelerating the formation of new productive forces, expanding domestic demand, and further leveraging the key role of consumption and investment. The development of the Group’s products is closely related to national economic development, and the industry will also see new development opportunities.

Looking ahead to the year 2024, the Group will upgrade its overall business and operating models with innovative technologies and up to date management:

1. vigorously developing ecological building materials products, further expanding overseas markets, speeding up deployment in the Chinese building materials market, and promoting the “Sijia super energy core” brand;
2. reinforcing the development of new materials business while developing new products actively, and exploring new application areas and new markets;
3. achieving 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;
4. comprehensively implementing seven major development strategies: talent, safety, green, R&D, digitalization, supply chain management, and cultural strategies;
5. completing the first phase of the Fuqing Industrial Park project, with production operations entering the right track in the first phase;
6. establishing a safety management center of the Group to promote the informationization and centralized management of safety management in various subsidiaries;
7. implementing a high-level talent training plan, nurturing technical R&D and digital talents to lead the future development of business units;
8. establishing an internal control audit center to continuously optimize internal control processes in procurement, production, sales, finance, and to improve operational efficiency;

9. establishing an Intelligent Manufacturing Technology Research Institute to promote the intelligent and automated transformation of production equipment in various subsidiaries;
10. enhancing the protection of intellectual property rights for new technologies and new processes, applying for more technology patents, building up the most innovative technology-based group in the industry, and creating value for the shareholders of the Company;
11. deepening the corporate culture construction of “Jia culture,” optimizing employee care work, conducting more cultural and sports activities, training activities, and promoting employees’ growth with the Group; and
12. actively fulfilling due corporate responsibilities, and actively participate in events of rural revitalization and hometown caring, participating in activities such as “1,000 enterprises helping 1,000 villages” and targeted education assistance for poverty alleviation.

IMPORTANT EVENTS SINCE 31 DECEMBER 2023

Based on the information currently available to the Company, no important events affecting the Group have occurred since 31 December 2023.

MATERIAL ACQUISITION AND DISPOSAL OF SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES

During the year ended 31 December 2023, 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 2023.

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 shares for the year ended 31 December 2023.

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 C1 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 2023, 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 C3 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 2023.

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 2023 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 2023. 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 the accounting principles and practices adopted by the Group and discussed with the management of the Company on auditing, internal control and financial reporting matters. The Group’s audited consolidated financial statements for the year ended 31 December 2023 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 2023 containing all the information required by the Listing Rules will be despatched to the 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 2024

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.