永盛新材料
YS Advanced Materials

Yongsheng Advanced Materials Company Limited
永盛新材料有限公司
(Incorporated in the Cayman Islands with limited liability)
(Stock Code: 3608)

FINAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2016

FINANCIAL HIGHLIGHTS FOR THE YEAR ENDED 31 DECEMBER 2016

Revenue increased by approximately 18.2% to approximately RMB580.7 million.

Gross profit increased by approximately 18.2% to approximately RMB167.2 million.

Gross profit margin remained stable at approximately 28.8%.

Profit for the year increased by approximately 38.1% to approximately RMB88.6 million.

Profit attributable to shareholders of the Company increased by approximately 40.7% to approximately RMB79.1 million.

Profit attributable to shareholders of the Company (excluding share-based payments*) increased by approximately 43.9% to approximately RMB86.9 million.

* *Profit attributable to shareholders of the Company (excluding share-based payments) is calculated by adding back share-based payments of approximately RMB7.8 million (2015: approximately RMB4.2 million) to the profit attributable to shareholders of the Company.*

The Board recommended a final dividend of HK$0.035 per share for the year ended 31 December 2016, together with interim dividend of HK$0.03 per share for the six months ended 30 June 2016, representing a full year dividend payout ratio of 28.7%.

PROSPECTS

In August 2016, the Group entered into an investment agreement with Nantong Economic Technology Development Area Management Committee in relation to a development project of a type of differentiated composite and functional fiber: "Bio-based Highly Stabilized Elastic Polyester-based Composite Fiber" with an estimated extra annual production capacity of around 11,000 tonnes. The total investment amount of the project is approximately RMB100 million and the project is expected to be completed in June 2017.

The board (the "**Board**") of directors (the "**Directors**") of Yongsheng Advanced Materials Company Limited (the "**Company**") is pleased to present the audited consolidated results of the Company and its subsidiaries (collectively, the "**Group**") for the financial year ended 31 December 2016 (the "**Review Period**"), together with the comparative figures in 2015.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

Year ended 31 December 2016

	Note	2016 RMB'000	2015 RMB'000
CONTINUING OPERATIONS			
Revenue	3	**580,651**	491,165
Cost of sales	5	**(413,446)**	(349,742)
Gross profit		**167,205**	141,423
Other income and gains, net	4	**13,223**	7,902
Selling and distribution expenses	5	**(9,346)**	(8,544)
Administrative expenses	5	**(59,450)**	(57,435)
Finance costs	6	**(1,350)**	(975)
PROFIT BEFORE TAX FROM CONTINUING OPERATIONS		**110,282**	82,371
Income tax expense	7	**(21,711)**	(18,578)
PROFIT FOR THE YEAR FROM CONTINUING OPERATIONS		**88,571**	63,793
DISCONTINUED OPERATION			
Profit after tax for the year from a discontinued operation		**–**	363
PROFIT FOR THE YEAR		**88,571**	64,156
OTHER COMPREHENSIVE INCOME			
Other comprehensive income not to be reclassified to profit or loss in subsequent periods:			
Exchange differences on translation of financial statements		**116**	291
Other comprehensive income for the year, net of tax		**116**	291
TOTAL COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX		**88,687**	64,447

	Note	2016	2015
		RMB'000	*RMB'000*
Profit attributable to:			
Shareholders of the Company		**79,128**	56,230
Non-controlling interests		**9,443**	7,926
		88,571	64,156
Total comprehensive income attributable to:			
Shareholders of the Company		**79,244**	56,521
Non-controlling interests		**9,443**	7,926
		88,687	64,447
EARNINGS PER SHARE ATTRIBUTABLE TO THE SHAREHOLDERS OF THE COMPANY	*8*		
Basic			
– For profit for the year		**RMB19.8 cents**	RMB14.1 cents
– For profit from continuing operations		**RMB19.8 cents**	RMB14.0 cents
Diluted			
– For profit for the year		**RMB19.7 cents**	RMB14.0 cents
– For profit from continuing operations		**RMB19.7 cents**	RMB13.9 cents

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2016

	Note	**2016**	2015
		RMB'000	*RMB'000*
NON-CURRENT ASSETS			
Property, plant and equipment		**151,654**	143,053
Prepayments for property, plant and equipment		**906**	2,561
Prepaid land lease payments		**29,336**	30,150
Intangible assets		**5,962**	6,395
Deferred tax assets		**441**	795
Total non-current assets		**188,299**	182,954
CURRENT ASSETS			
Inventories	*10*	**47,593**	40,059
Trade and bills receivables	*11*	**130,337**	91,506
Prepayments, deposits and other receivables	*12(a)*	**10,682**	6,195
Trust loan receivable	*12(b)*	**50,000**	–
Financial assets at fair value through profit or loss		**173,852**	30,448
Amounts due from related parties		**3,002**	50,888
Pledged deposits		**1,705**	5,133
Cash and cash equivalents		**67,362**	139,487
Total current assets		**484,533**	363,716
CURRENT LIABILITIES			
Trade and bills payables	*13*	**92,767**	67,092
Amounts due to a related party		**2,375**	–
Other payables, advances from customers and accruals	*14*	**50,945**	40,054
Government grants		**1,225**	1,100
Income tax payable		**11,075**	2,724
Total current liabilities		**158,387**	110,970

	Note	2016 RMB'000	2015 RMB'000
NET CURRENT ASSETS		**326,146**	252,746
TOTAL ASSETS LESS CURRENT LIABILITIES		**514,445**	435,700
NON-CURRENT LIABILITIES			
Government grants		**13,735**	13,507
Deferred tax liabilities		**3,497**	2,101
Total non-current liabilities		**17,232**	15,608
Net assets		**497,213**	420,092
EQUITY			
Equity attributable to shareholders of the Company			
Share capital		**3,165**	3,165
Share premium		**195,859**	216,330
Other reserves		**249,044**	161,975
		448,068	381,470
Non-controlling interests		**49,145**	38,622
Total equity		**497,213**	420,092

NOTES:

1. General information

The Company was incorporated in the Cayman Islands on 19 April 2012 as an exempted company with limited liability under the Companies Law (2010 Revision) of the Cayman Islands. The address of the Company's registered office is Clifton House, 75 Fort Street, PO Box 1350, Grand Cayman KY1-1108, Cayman Islands.

The Company and its subsidiaries (the "**Group**") are principally engaged in the development and manufacturing of polyester filament yarns and three-dimensional ("**3D**") printing materials, the provision of dyeing services of differentiated polyester filament fabric and the trading of polyester filament yarns in the People's Republic of China (the "**PRC**"). In the opinion of the Directors, the holding company and the ultimate holding company of the Company is Ever Thrive Global Limited ("**Ever Thrive**"), a company incorporated in the British Virgin Islands (the "**BVI**") and controlled by Mr. Li Cheng (the "**Controlling Shareholder**").

The financial statements were approved and authorised for issue by the Board on 23 March 2017.

2. Summary of significant accounting policies

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

2.1 Basis of preparation

These financial statements have been prepared in accordance with International Financial Reporting Standards ("**IFRSs**") (which include all International Financial Reporting Standards, International Accounting Standards ("**IASs**") and Interpretations) issued by the International Accounting Standards Board ("**IASB**") and the disclosure requirements of Hong Kong Companies Ordinance (Cap.622). They have been prepared under the historical cost convention except for financial assets at fair value through profit or loss which have been measured at fair value. These financial statements are presented in Renminbi ("**RMB**") and all values are rounded to the nearest thousand except when otherwise indicated.

2.2 Changes in accounting policies and disclosures

The Group applied for the first time certain standards and amendments, which are effective for annual periods beginning on or after 1 January 2016. The nature of each new standard and amendment is described below:

Amendments to IFRS 10, IFRS 12 and IAS 28	*Investment Entities: Applying the Consolidation Exception*
Amendments to IFRS 11	*Joint Operations: Accounting for Acquisitions of Interests*
IFRS 14	*Regulatory Deferral Accounts*
Amendments to IAS 1	*Disclosure Initiative*
Amendments to IAS 16 and IAS 38	*Clarification of Acceptable Methods of Depreciation and Amortisation*
Amendments to IAS 16 and IAS 41	*Agriculture: Bearer Plants*
Amendments to IAS 27	*Equity Method in Separate Financial Statements*
Annual Improvements 2012-2014 Cycle	Amendments to a number of IFRSs

The above new standards and amendments have had no significant impact on the consolidated financial statements of the Group.

2.3 Issued but not yet effective International Financial Reporting Standards

The standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Group's consolidated financial statements are disclosed below. The Group intends to adopt these standards, if applicable, when they become effective.

Amendments to IFRS 2	*Classification and Measurement of Share-based Payment Transactions*[2]
Amendments to IFRS 4	*Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts*[2]
IFRS 9	*Financial Instruments*[2]
Amendments to IFRS 10 and IAS 28	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[4]
IFRS 15	*Revenue from Contracts with Customers*[2]
Amendments to IFRS 15	*Clarifications to IFRS 15 Revenue from Contracts with Customers*[2]
IFRS 16	*Leases*[3]
Amendments to IAS 7	*Disclosure Initiative*[1]
Amendments to IAS 12	*Recognition of Deferred Tax Assets for Unrealised Losses*[1]
Amendments to IAS 40	*Transfer of Investment Property*[2]
IFRIC 22	*Foreign Currency Transactions and Advance Consideration*[2]
Amendments to IFRS 12 Included in *Annual Improvements 2014-2016 Cycle*	*Disclosure of Interests in Other Entities*[1]
Amendments to IFRS 1 Included in *Annual Improvements 2014-2016 Cycle*	*First-time Adoption of International Financial Reporting Standards*[2]
Amendments to IAS 28 Included in *Annual Improvements 2014-2016 Cycle*	*Investments in Associates and Joint Ventures*[2]

[1] Effective for annual periods beginning on or after 1 January 2017
[2] Effective for annual periods beginning on or after 1 January 2018
[3] Effective for annual periods beginning on or after 1 January 2019
[4] No mandatory effective date yet determined but available for adoption

The Group is in the process of making an assessment of the impact of these new and revised IFRSs upon initial application.

IFRS 15 establishes a new five-step model to account for revenue arising from contracts with customers. Under IFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in IFRS 15 provide a more structured approach for measuring and recognising revenue. The standard also introduces extensive qualitative and quantitative disclosure requirements, including disaggregation of total revenue, information about performance obligations, changes in contract asset and liability account balances between periods and key judgements and estimates. The standard will supersede all current revenue recognition requirements under IFRSs. In April 2016, the IASB issued amendments to IFRS 15 to address the implementation issues on identifying performance obligations, application guidance on principal versus agent and licences of intellectual property, and transition. The amendments are also intended to help ensure a more consistent application when entities adopt IFRS 15 and decrease the cost and complexity of applying the standard. The Group expects to adopt IFRS 15 on 1 January 2018 and is currently assessing the impact of IFRS 15 upon adoption.

3. Revenue and operating segment information

(i) Revenue recognition

Revenue, which is also the Group's turnover, represents the net invoiced value of services provided and goods sold, after allowances for returns and trade discounts during the year.

Revenue is recognised when it is probable that the economic benefits will flow to the Group and when the revenue can be measured reliably, on the following basis:

(a) from the rendering of services, when the services have been rendered and it is probable that the economic benefits will flow to the Group and the relevant fees can be measured reliably;

(b) from the sale of goods, when the significant risks and rewards of ownership have been transferred to the buyer, provided that the Group maintains neither managerial involvement to the degree usually associated with ownership, nor effective control over the goods sold;

(c) rental income, on a time proportion basis over the lease terms; and

(d) interest income, on an accrual basis using the effective interest method by applying the rate that exactly discounts the estimated future cash receipts over the expected life of the financial instrument or a shorter period, when appropriate, to the net carrying amount of the financial asset.

(ii) ***Operating segment information***

For management purposes, the Group is organised into business units based on their products and services and has three reportable operating segments as follows:

– Production: Production of polyester filament yarns and 3D printing materials;

– Processing: Dyeing and processing of differentiated polyester filament fabric; and

– Trading: Trading of polyester filament yarns.

Management monitors the results of the Group's operating segments separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on profit before tax without allocation of finance income/(costs) and other expenses which are not occurred directly for operating segments.

Segment assets exclude corporate cash and deferred tax assets as these assets are managed on a group basis.

Segment liabilities exclude corporate accruals, payroll payable, deferred tax liabilities and income tax payable as these liabilities are managed on a group basis.

Intersegment sales and transfers are transacted with reference to the selling prices used for sales made to third parties at the then prevailing market prices.

No further geographical segment information is presented as the Group's revenue from external customers is derived mainly from its operation in the PRC and no non-current assets are located outside the PRC.

(a) *Revenue from continuing operations*

An analysis of revenue from continuing operations is as follows:

	Year ended 31 December	
	2016	2015
	RMB'000	*RMB'000*
Revenue		
Production	**377,469**	310,024
Processing	**175,781**	176,863
Trading	**27,401**	4,278
	580,651	491,165

(b) *Operating segment information*

	Year ended 31 December 2016			
	Production	**Processing**	**Trading**	**Total**
	RMB'000	***RMB'000***	***RMB'000***	***RMB'000***
Segment revenue				
Sales to external customers	**377,469**	**175,781**	**27,401**	**580,651**
Revenue from continuing operations				**580,651**
Segment results	**57,085**	**55,352**	**682**	**113,119**
Reconciliations:				
Corporate and other unallocated expenses				**(6,780)**
Interest income				**5,293**
Finance costs				**(1,350)**
Profit before tax from continuing operations				**110,282**
Segment assets	**336,614**	**394,224**	**–**	**730,838**
Reconciliations:				
Corporate and other unallocated assets				**40,110**
Elimination of intersegment receivables				**(98,116)**
Total assets				**672,832**
Segment liabilities	**122,970**	**149,745**	**–**	**272,715**
Reconciliations:				
Corporate and other unallocated liabilities				**1,020**
Elimination of intersegment payables				**(98,116)**
Total liabilities				**175,619**
Other segment information				
Depreciation and amortisation	**9,426**	**7,403**	**–**	**16,829**
Reversal of provision for impairment of receivables	**(57)**	**–**	**–**	**(57)**
Capital expenditure*	**17,276**	**7,562**	**–**	**24,838**

* *Capital expenditure consists of additions to property, plant and equipment and intangible assets.*

	Year ended 31 December 2015			
	Production	Processing	Trading	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Segment revenue				
Sales to external customers	310,024	176,863	4,278	491,165
Revenue from continuing operations				491,165
Segment results	47,083	40,568	314	87,965
Reconciliations:				
Corporate and other unallocated expenses				(9,727)
Interest income				5,108
Finance costs				(975)
Profit before tax from continuing operations				82,371
Segment assets	269,200	373,573	–	642,773
Reconciliations:				
Corporate and other unallocated assets				5,979
Elimination of intersegment receivables				(102,082)
Total assets				546,670
Segment liabilities	108,197	117,090	–	225,287
Reconciliations:				
Corporate and other unallocated liabilities				3,373
Elimination of intersegment payables				(102,082)
Total liabilities				126,578
Other segment information				
Depreciation and amortisation	7,294	7,011	–	14,305
Provision for write-down of inventories	–	304	–	304
Reversal of provision for impairment of receivables	(9)	(78)	–	(87)
Capital expenditure*	20,193	6,463	–	26,656

* *Capital expenditure consists of additions to property, plant and equipment and intangible assets.*

4. Other income and gains, net

	2016	2015
	RMB'000	*RMB'000*
Bank and other interest income	**5,293**	5,108
Fair value gains on financial assets at fair value through profit or loss	**6,444**	448
Rental income	**570**	439
Government grants	**1,996**	2,911
Foreign exchange differences, net	**(509)**	(654)
Others	**(571)**	(350)
Other income and gains, net	**13,223**	7,902

5. Profit before tax

The Group's profit before tax from continuing operations is arrived at after charging/(crediting):

	2016	2015
	RMB'000	*RMB'000*
Cost of inventories sold	**318,449**	243,220
Cost of services provided	**94,997**	106,522
Depreciation*	**14,949**	12,549
Amortisation of other intangible assets*	**1,066**	942
Amortisation of prepaid land lease payments*	**814**	814
Reversal of provision for impairment of trade receivables	**–**	(78)
Reversal of provision for impairment of other receivables	**(57)**	(9)
Minimum lease payments under operating leases:		
– Land and buildings	**251**	416
Auditors' remuneration	**1,167**	1,050
Employee benefit expense (including directors' and chief executive's remuneration)*:		
Wages and salaries	**54,426**	53,339
Pension scheme contributions (defined contribution schemes)	**4,134**	3,433
Equity-settled share option expense	**7,825**	4,189
	66,385	60,961
Research and development costs	**15,436**	12,584
Foreign exchange differences, net	**509**	654
Fair value gains, net:		
Financial assets at fair value through profit or loss	**(6,444)**	(448)
Bank interest income	**(5,293)**	(5,108)
Gain on disposal of items of property, plant and equipment	**(408)**	(36)

* *Part of the depreciation, the amortisation of other intangible assets, prepaid land lease payments and employee benefit expense for the year are included in "Cost of sales" in the consolidated statement of profit or loss and other comprehensive income.*

6. Finance costs

An analysis of finance costs as follows:

	2016	2015
	RMB'000	*RMB'000*
Interest on bank loans, overdrafts and other loans	**1,350**	975

7. Income tax expense

	2016	2015
	RMB'000	*RMB'000*
Current tax	**19,961**	12,349
Deferred tax	**1,750**	6,229
Total tax charge for the year	**21,711**	18,578

Pursuant to the applicable rules and regulations of the Cayman Islands and BVI, the Group is not subject to any income tax in the Cayman Islands and BVI.

All of the Group's subsidiaries incorporated in Hong Kong are subject to profits tax at a rate of 16.5% (2015: 16.5%).

All of the Group's subsidiaries registered in the PRC and only having operations in the PRC are subject to PRC enterprise income tax on the taxable income as reported in their PRC statutory accounts adjusted in accordance with relevant PRC income tax laws. The PRC Enterprise Income Tax Law effective from 1 January 2008 introduces a wide range of changes which include, but are not limited to, the unification of the income tax rates for domestic-invested and foreign-invested enterprises at 25%.

Pursuant to the relevant laws and regulations in the PRC and with approval from the tax authorities in charge:

- Hangzhou Huvis Yongsheng Dyeing and Finishing Company Limited and Nantong Yongsheng Fiber Advanced Materials Company Limited, qualified as High and New Technology Enterprises ("**HNTE**"), are entitled to the preferential enterprise income tax rate of 15% for three years from 2015 to 2017.

- Hangzhou Huvis Yongsheng Chemical Fiber Company Limited, qualified as a HNTE, is entitled to the preferential enterprise income tax rate of 15% for three years from 2014 to 2016.

8. Earnings per share attributable to shareholders of the Company

Basic earnings per share ("**EPS**") amounts are calculated by dividing the profit for the year attributable to shareholders of the Company by the weighted average number of ordinary shares in issue during the year.

Diluted EPS amounts are calculated by dividing the profit attributable to shareholders of the Company by the weighted average number of ordinary shares in issue during the year, as used in the basic earnings per share calculation plus the weighted average number of ordinary shares that would be issued on the deemed exercise of all the dilutive potential ordinary shares into ordinary shares.

The following reflects the income and share data used in the basic and diluted EPS computations:

	2016	2015
	RMB'000	*RMB'000*
Earnings:		
Profit attributable to shareholders of the Company		
– basic and diluted		
From continuing operations	**79,128**	55,867
From a discontinued operation	**–**	363
	79,128	56,230

	Number of Shares	
	2016	2015
Shares:		
Weighted average number of ordinary shares for EPS calculation	**400,000,000**	400,000,000
Effect of dilution – weighted average number of ordinary shares:		
Share options	**1,723,950**	2,173,120
Weighted average number of ordinary shares adjusted for the effect of dilution	**401,723,950**	402,173,120

9. Dividends

A final dividend in respect of the year ended 31 December 2016 of HK$0.035 (equivalent to RMB0.0310) per share, amounting to a total dividend of HK$14,000,000 (equivalent to RMB12,411,000), is to be proposed at the annual general meeting on 25 May 2017. These financial information do not reflect this dividend payable.

	2016	2015
	RMB'000	*RMB'000*
Interim – HK$0.03 (equivalent to RMB0.02576) per ordinary share (2015: HK$0.02 (equivalent to RMB0.0164)) per ordinary share	**10,305**	6,560
Proposed final – HK$0.035 (equivalent to RMB0.0310) (2015: HK$0.03 (equivalent to RMB0.0254)) per ordinary share	**12,411**	10,166
	22,716	16,726

10. Inventories

	2016	2015
	RMB'000	*RMB'000*
Raw materials	**28,581**	14,107
Work in progress	**2,401**	1,123
Finished goods	**17,803**	26,605
Less: provision	**(1,192)**	(1,776)
	47,593	40,059

11. Trade and bills receivables

	2016	2015
	RMB'000	*RMB'000*
Trade receivables	**21,641**	16,106
Bills receivable	**109,894**	76,598
	131,535	92,704
Impairment	**(1,198)**	(1,198)
Net trade and bills receivables	**130,337**	91,506

The Group's trading terms with its customers are mainly on credit, except for new customers, where payment in advance is normally required. The credit period is generally 3 months.

An aged analysis of the trade receivables as at the end of the reporting period, based on the invoice date, is as follows:

	2016	2015
	RMB'000	*RMB'000*
Within 3 months	**17,174**	13,403
3 months to 6 months	**2,912**	934
6 months to 1 year	**104**	502
1 year to 2 years	**253**	69
2 years to 3 years	**–**	150
Over 3 years	**1,198**	1,048
	21,641	16,106

12.(a) Prepayments, deposits and other receivables

	2016	2015
	RMB'000	*RMB'000*
Prepayment to suppliers	**8,655**	5,330
Deposits and other receivables	**1,594**	534
Prepaid expense	**165**	379
Interest receivables	**69**	3
Value-added tax recoverable	**294**	101
	10,777	6,347
Less: provision for impairment	**(95)**	(152)
	10,682	6,195

12.(b) Trust loan receivable

	2016	2015
	RMB'000	*RMB'000*
Trust loan receivable	**50,000**	–

Trust loan receivable represents a six-month trust loan lending arrangement with a commercial bank with an interest rate of 6.5% per annum. The trust loan receivable matured and was received on 6 January 2017.

13. Trade and bills payables

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

	2016	2015
	RMB'000	*RMB'000*
Within 6 months	**90,760**	66,708
6 months to 1 year	**1,321**	108
1 year to 2 years	**686**	276
2 years to 3 years	**–**	–
More than 3 years	**–**	–
	92,767	67,092

The trade payable are non-interest bearing and are normally settled on 60-day terms.

14. Other payables, advances from customers and accruals

	2016	2015
	RMB'000	*RMB'000*
Advanced from customers	**16,049**	6,642
Accrued payroll	**20,066**	20,191
Accruals	**1,842**	1,429
Value-added and other taxes payable	**6,446**	6,585
Payables for purchase of property, plant and equipment	**4,802**	2,964
Others	**1,740**	2,243
	50,945	40,054

The above balances are unsecured, non-interest bearing and repayable on demand.

15. Commitments

(a) Capital commitments

The Group had the following capital commitments at the reporting date:

	2016	2015
	RMB'000	*RMB'000*
Contracted, but not provided for:		
Property, plant and equipment	**48,424**	3,860

(b) Operating lease commitments

The Group leases certain office properties under non-cancellable operating lease agreements. Leases for properties are negotiated for terms ranging from one to two years.

At 31 December 2016, the Group's had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	2016	2015
	RMB'000	*RMB'000*
Within one year	**28**	411
In the second to fifth years, inclusive	**6**	19
	34	430

MARKET REVIEW

The global economy faced multiple challenges in 2016, including political incidents such as the BREXIT vote in June and the presidential election in the United States of America in November. In addition, the drop in annual growth rate of the gross domestic product in the PRC to approximately 6.7%, its lowest in 26 years, the continuous depreciation of Renminbi and the rebound of crude oil price had all contributed to a complicated and changing business operating environment. The integration of the textile industry in the PRC accelerated the transformation and upgrade of the industry. Leveraged on the Group's relentless technical innovation and expanded production capacity, the Group managed to deliver excellent results continuously by effectively responding to market challenges and opportunities, and successfully fortified its position in the high value-added synthetic fiber and textile market during the Review Period.

BUSINESS REVIEW

During the Review Period, the Group had breakthroughs in product development. The Group obtained patents for its newly-developed "Nylon Ultrafine Fabric Filament and Leather-feel Velvet Fabric" and "Ultrafine Fabric Filament and Naked Shammy Fabric" during the Review Period. The newly-patented products are mainly applied to high-end fashion leather-like fabrics, household cloth, decoration materials, shoes and hats, luggage cases and handbags. The Nylon Ultrafine Fabric Filament and Leather-Feel Velvet Fabric are manufactured with lower temperature printing and dyeing methods which significantly reduced energy consumption and emissions, as compared with the manufacturing of regular polyester ultrafine fiber. Meanwhile, the microfiber filaments of Ultrafine Fabric and Naked Shammy Fabric require less or no dyestuff in production result in less or no sewage being discharged during the production process. The two patented products illustrated the mixture of new fiber material development technology and energy-saving technology which achieves product innovation and environmental protection simultaneously. The Group was renowned for its relentless innovation, and was recognised as a national base of the differential fibers and dyeing product development and the vice-chairman unit of the Chinese Chemical Fiber Association during the Review Period. Nantong Yongsheng was also granted additional tax benefits as it was accredited for the first time as a National High and New Technology Enterprise in 2015.

During the Review Period, the Group recorded a revenue of approximately RMB580.7 million, which represented an increase of approximately 18.2% from approximately RMB491.2 million in 2015. In the meantime, the Group recorded gross profit of approximately RMB167.2 million, representing an increase of approximately 18.2% from approximately RMB141.4 million in 2015, and gross profit margin remained stable at approximately 28.8% during the Review Period. The results were mainly contributed by the Group's strategy to focus on differentiated polyester filament yarn products, which are with higher profit margin, as well as an increase in production capacity by investing more resources to accommodate the increasing demand in the market. At the same time, the profit margin of the dyeing and processing of differentiated polyester fabric segment further improved due to the technical edges of the Group. All these contributed to the growth of the Group's overall profitability. As a result of the above, the Group recorded profit attributable to the shareholders of the Company of approximately RMB79.1 million during the Review Period, representing an increase of approximately 40.7% from approximately RMB56.2 million for 2015. Profit attributable to shareholders of the Company (excluding share-based payments) increased by approximately 43.9% to approximately RMB86.9 million as compared to the same in 2015. Earnings per share was approximately RMB0.198 (2015: approximately RMB0.141).

During the Review Period, revenue derived from the three business segments: (1) production of polyester filament yarns and the new 3D printing materials; (2) the dyeing and processing of differentiated polyester filament fabric; and (3) trading of polyester filament yarns accounted for approximately 65.0%, 30.3% and 4.7% of the Group's total revenue, respectively. Operating profit of the three business segments accounted for approximately 50.5%, 48.9% and 0.6% of the Group's operating profit, respectively.

PRODUCTION OF POLYESTER FILAMENT YARNS

The Group produces and sells regular and differentiated polyester filament yarns. Differentiated polyester filament yarn is a type of synthetic fiber that carries special features such as dry, elastic and wrinkle-free. It is widely used in the production of end-products including high-end garments, sportswear and household products. Since its gross profit margin is higher than regular polyester filament yarn products, it is the major revenue source and major development focus of this segment. Nantong Yongsheng and Yongsheng Chemical Fiber, which are recognised as "National High and New Technology Enterprises", are the production bases of the polyester filament yarns of the Group. In 2016, the two production bases were accredited as Municipal-Level Research and Development Center of Engineering Technology and Municipal-Level Research and Development Center, respectively.

Revenue derived from the polyester filament yarn production segment accounted for approximately 64.9% of the Group's revenue during the Review Period, which increased substantially by approximately 21.7% to approximately RMB377.1 million over the Review Period. Revenue derived from differentiated polyester filament yarn products contributed approximately 94.7% of the revenue of this segment during the Review Period, comparing with approximately 85.1% in 2015, whereas the share of segment revenue derived from regular polyester filament yarn products decreased to approximately 5.3% from approximately 14.9% in 2015. Gross profit margin of the polyester filament yarn production segment maintained at a high level of approximately 22.7% during the Review Period. The growth in overall gross profit was caused by (i) the Group's continuous focus on the production and sale of differentiated polyester filament yarn products which have higher profit margin; (ii) expansion in production capacity; and (iii) capture of business opportunities by launching new products timely.

During the Review Period, the utilisation rate of machineries of Nantong Yongsheng was improved by the operation of the five differentiated polyester filament yarn production lines, which were built or upgraded in 2015, at their full capacities and the installation of a new circular knitting machine and the addition and upgrade of two extra production lines. In relation to Yongsheng Chemical Fiber, the addition of 11 units of new production equipment and the expansion of production workshop significantly expanded production outputs. The Group has also continued developing new products with innovative technology to fill the gaps in the market. During the Review Period, since the launch of the SST, CEY, SQH-X and CEH series, the knitting series of polyester filament yarns, the dyed and processed D400 elastic shammy, wrinkled shammy and polyester-nylon shammy, they have been widely sought after by customers since their launch and have soon achieved mass production.

To maintain its competitive edges, the Group has been conducting scientific researches on high quality products continuously and worked in collaboration with Jiangnan University, Donghua University, Lutai Textile Joint Stock Company Limited and other leading enterprises in the industry during the Review Period in relation to a key research on "Key Technology for the Production of Highly-stabilized Textiles" under the 13th Five-year Plan of the PRC government. The Group also signed a cooperation agreement with China Textile Academy and other key players in the industry to develop the key technologies and equipment for "Bi-component Composite Elastic Filament", with an aim to maintain the leading position of the Group in the industry.

DYEING AND PROCESSING OF DIFFERENTIATED POLYESTER FILAMENT YARN

Yongsheng Dyeing was accredited as a "National High and New Technology Enterprise". It was further accredited as an Municipal-level Technological Center during the Review Period.

The segment revenue derived from the polyester filament yarn dyeing and processing business slightly decreased to approximately RMB175.8 million, being approximately 0.6% year-on-year. Gross profit derived from the segment, however, increased by approximately 14.8% year-on-year reaching approximately RMB80.8 million in 2016. Gross profit margin increased substantially by approximately 6.2% to 46.0% during the Review Period. The substantial increase in gross profit margin was mainly caused by the unique dyeing and processing techniques of the Group, which brought the Group advantage in pricing. During the Review Period, the Group further improved its factory facilities by adding a new production line and supporting equipment in April 2016. The relentless technological upgrade and stable number of orders also enhanced the overall economies of scale. The adaptation of energy saving and water-recycling initiatives as well as the replacement of coal by natural gas for the generation of steam during production significantly reduced production costs. Such measures did not only contribute to higher profit margin, but also illustrated that the Group has undertaken more corporate social responsibilities in relation to environment preservation.

PRODUCTION OF 3D PRINTING NEW MATERIALS

The new material industry is one of the PRC's seven strategic new industries and one of the top ten priority industries of "Made in China 2025". The PRC will focus on the development of new materials, such as 3D printing and biomimetics intelligence in the future. As mentioned in the "Guiding Opinions for the Comprehensive and In-depth Promotion of Education Information during the 13th Five-year Plan period (Comments Draft)" published by the Ministry of Education of the PRC in 2015, the "Exploration of STEAM (Science, Technology, Engineering, Arts and Mathematics) and Creative Education" is an important item. Recently, many educational institutions pay close attention to the application of 3D printing technology, as they believe 3D printing technology would inspire students' imagination. Therefore, it is expected that there are enormous business opportunities for 3D printing in the future.

Jiangsu Yongsheng 3D Printing Advanced Materials Company Limited ("**Yongsheng 3D Printing**"), a joint venture company of the Group has developed PLA printing materials. This material is environmentally-friendly, non-toxic and with not much odour. It is suitable for home, secondary and primary education. The Group has developed several product series that carry special features, such as the luminous, colour-changing and carbon fiber series to cater the creative education trend in PRC and other parts of the world. The 3D printing materials production business of the Group began to generate revenue since the fourth quarter of 2015. During the Review Period, the 3D printing materials production business grew steadily and recorded revenue and gross profit margin of approximately RMB354,000 and 35.6%, respectively.

PROSPECTS

We expect the global market will remain volatile due to the change in the policies in a number of countries in 2017. The Group will closely monitor the market conditions and prudently capture the opportunities brought by the rising demand in upgraded and high quality products in the PRC market. In the coming year, the Group will emphasise on product innovation, capacity expansions, risk control and service upgrade.

In terms of innovation, the Group has continued to innovate at the technical, management and product level. Through its own research and development and cooperation with other parties, the Group will increase its unique market value and competitiveness, exert its core competitive edges and explore the potentials of the synthetic fiber market. In terms of production capacity, in light of the undersupply market condition, the Group will keep investing in production capacity and explore measures and strategies to improve efficiency so as to satisfy the market demand. In August 2016, the Group entered into an investment agreement with Nantong Economic Technology Development Area Management Committee in relation to a development project of a type of differentiated composite and functional fiber: "Bio-based Highly Stabilized Elastic Polyester-based Composite Fiber" with an estimated extra annual production capacity of around 11,000 tonnes. The total investment amount of the project is approximately RMB100 million and the project is expected to be completed in June 2017. Under the trend of industrial integration and upgrade, the Group is actively exploring business opportunities along the synthetic fibers and textile production chains, and identifying investment projects that can create synergy with existing businesses in order to enlarge the scale of the Group and the maximise interests of the shareholders of the Company. At the same time, the Group will strictly follow the risk control policies and guard against policy and operational risks to ensure smooth operation and to cope with the rapid changing market together with our customers and create greater value for them.

In 2017, the Group will continue to consolidate its established business foundation and advantages, capture investment opportunities around the world, act in the best interests of the shareholders of the Company, implement pragmatic and effective strategies and aim at achieving sustainable development and maximizing shareholders' benefit.

FINANCIAL REVIEW

Revenue and gross profit

The following table sets forth a breakdown of the Group's revenue and gross profit by the Group's business segment for the year ended 31 December 2016:

	Year ended 31 December			
Revenue	**2016**	**% of sales**	2015	% of sales
	RMB'000		*RMB'000*	
1) Production	**377,469**	**65.0%**	310,024	63.1%
– Polyester filament yarn ("**PFY**")	**377,115**	**64.9%**	309,936	63.1%
– 3D printing materials	**354**	**0.1%**	88	–
2) Dyeing and processing	**175,781**	**30.3%**	176,863	36.0%
3) Trading of PFY	**27,401**	**4.7%**	4,278	0.9%
	580,651	**100.0%**	491,165	100.0%

Revenue of the Group in 2016 was approximately RMB580.7 million, representing an increase of approximately 18.2% as compared with the previous year. The increase in revenue of the Group was mainly contributed by the increase in revenue derived from the production business and the trading of PFY business of approximately RMB67.4 million and approximately RMB23.1 million, respectively, which was partially offset by the decrease in revenue derived from the dyeing and processing by approximately RMB1.1 million. Details of the fluctuations of revenue in each business segment were discussed separately in the section below.

	Year ended 31 December			
		Gross Profit		Gross Profit
Gross profit	**2016**	**Margin**	2015	Margin
	RMB'000	*%*	*RMB'000*	*%*
1) Production	**85,739**	**22.7%**	70,768	22.8%
– PFY	**85,613**	**22.7%**	70,740	22.8%
– 3D printing materials	**126**	**35.6%**	28	31.8%
2) Dyeing and processing	**80,784**	**46.0%**	70,341	39.8%
3) Trading of PFY	**682**	**2.5%**	314	7.3%
	167,205	**28.8%**	141,423	28.8%

Gross profit of the Group in 2016 was approximately RMB167.2 million, representing an increase of approximately 18.2% as compared with the previous year. The increase was mainly attributable to the increase in gross profit of approximately RMB15.0 million and approximately RMB10.4 million derived from the Group's production business and dyeing and processing business, respectively. Details of the fluctuations of gross profit in each business segment were discussed separately in the section below.

1) Production

a) PFY production

Revenue	Year ended 31 December 2016	% of sales	2015	% of sales
	RMB'000		*RMB'000*	
Differentiated	**357,311**	**94.7%**	263,862	85.1%
Regular	**19,804**	**5.3%**	46,074	14.9%
	377,115	**100.0%**	309,936	100.0%

Gross Profit	Year ended 31 December 2016	Gross Profit Margin	2015	Gross Profit Margin
	RMB'000	*%*	*RMB'000*	*%*
Differentiated	**83,045**	**23.2%**	63,077	23.9%
Regular	**2,568**	**13.0%**	7,663	16.6%
	85,613	**22.7%**	70,740	22.8%

Revenue and gross profit derived from the PFY production business for the Review Period were approximately RMB377.1 million and approximately RMB85.6 million, respectively, representing an increase of approximately 21.7% and approximately 21.0% respectively as compared with the previous year, and were mainly attributable to the following:

The increase in the Group's sale of PFY by approximately RMB67.2 million for the Review Period was mainly attributable to the increase in the sale of differentiated products of approximately RMB93.4 million, offset by the decrease in the sale of regular products of approximately RMB26.3 million. In line with the Group's strategy to focus on differentiated products with higher gross profit margin, the percentage of the revenue derived from the sale of differentiated PFY increased from approximately 85.1% in 2015 to approximately 94.7% for the Review Period. The Group's gross profit margin remained stable at approximately 22.7% for the Review Period.

i) The average selling price of differentiated PFY decreased slightly from RMB15,600/tonne to RMB14,600/tonne as the Group lowered the price of differentiated products in order to secure more market share in view of the unstable commodities market. Sales volume of differentiated PFY increased by approximately 45.1% from 16,864 tonnes in 2015 to 24,465 tonnes in 2016. Due to the increase in the demand for premium grade PFYs, in particular SPH, SQH and REN Series, and the increase in sales volume has a stronger impact than the decrease in selling price, the Group's revenue for differentiated PFY, as a result, increased in 2016. The Group also promoted new products, such as SST, CEY, SQH-X and CEH Series during the Review Period. Since a significant portion of cost of sales comprised of raw material costs for PET chips and POY, the general decrease in raw material price decreased the Group's cost of sale. The Group maintained a stable gross profit margin for differentiated PFY of approximately 23.2% for the Review Period, as compared to approximately 23.9% in 2015 for the same.

ii) Sales volume of regular PFY decreased by approximately 52.8% from 4,917 tonnes in 2015 to 2,320 tonnes in 2016. In line with the Group's strategy to focus on differentiated products, it keeps its sale of regular products at a relatively low level during the Review Period. The Group produced and sold regular products mainly for the purpose of utilizing its production facilities to maximise the usage of the plant and machineries and to share manufacturing fixed costs, such as depreciation of plant and equipment. The decrease in the Group's gross profit margin for regular PFY of approximately 13.0% for the Review Period, as compared to approximately 16.6% in 2015 in the regular PFY, was mainly because the Group produced and sold certain types of regular PFY which had lower gross profit margin.

b) 3D printing materials production

	2016	2015
	RMB'000	*RMB'000*
Revenue	**354**	88
Gross profit	**126**	28
Gross profit margin (%)	**35.6%**	31.8%

In the 4th quarter of 2015, the Group commenced the production and sale of 3D printing materials sample to its joint venture partner, namely Shining 3D Tech Co. Limited. In 2016, the Group recorded a revenue of approximately RMB354,000 (2015: approximately RMB88,000), with the sales volume of approximately 2.7 tonne (2015: 1 tonne) and gross profit margin of approximately 35.6% (2015: 31.8%).

2) Dyeing and processing

	Year ended 31 December			
Revenue	**2016**	**% of sales**	2015	% of sales
	RMB'000		*RMB'000*	
Processing activity	**139,895**	**79.6%**	132,479	74.9%
Direct sales	**35,886**	**20.4%**	44,384	25.1%
	175,781	**100.0%**	176,863	100.0%

	Year ended 31 December			
		Gross Profit		Gross Profit
Gross Profit	**2016**	**Margin**	2015	Margin
	RMB'000	***%***	*RMB'000*	*%*
Processing activity	**76,718**	**54.8%**	65,140	49.2%
Direct sales	**4,066**	**11.3%**	5,201	11.7%
	80,784	**46.0%**	70,341	39.8%

Revenue and gross profit derived from dyeing and processing business in 2016 were approximately RMB175.8 million and approximately RMB80.8 million, respectively, for the Review Period, representing a decrease of approximately 0.6% and an increase of approximately 14.8%, respectively, as compared with the previous year. Such changes were mainly attributable to the following:

i) Processing volume in dyeing and processing activity increased from approximately 38,007,000 meters in 2015 to approximately 38,752,000 meters in 2016 due to the increase in the number of processing orders the Group received during the Review Period. The average processing income increased from approximately RMB3.5/meter in 2015 to approximately RMB3.6/meter in 2016. We achieved a record high gross profit margin of approximately 54.8% in 2016 as compared to approximately 49.2% in 2015 in the processing activity. The increase in gross profit margin was due to (i) the economies of scale in operation of the plant; and (ii) the decrease in cost of production as part of the energy savings and water recycle initiatives.

ii) Sales volume in direct sale decreased approximately by 20.1% from approximately 4,415,000 meters in 2015 to approximately 3,529,000 meters in 2016 as the Group focused on processing instead of direct sale in 2016. The average selling price for direct sale remained stable at approximately RMB10.2/meter in 2016 as compared to approximately RMB10.1/meter in 2015. The Group maintained gross profit margin at approximately 11.3% in 2016 as compared to approximately 11.7% in 2015 for direct sales.

3) Trading of PFY

	2016	2015
	RMB'000	*RMB'000*
Revenue	**27,401**	4,278
Gross profit	**681**	314
Gross profit margin (%)	**2.5%**	7.3%

Revenue and gross profit derived from PFY trading business in 2016 were approximately RMB27.4 million and approximately RMB0.7 million, respectively and were mainly due to the (i) increase in sales volume in PFY trading from approximately 407 tonnes in 2015 to approximately 1,973 tonnes in 2016; and (ii) increase in average selling price from approximately RMB10,500/tonne in 2015 to approximately RMB13,900/tonne in 2016. There was an increase in trading volume of PFY in the market during 2016 as compared to 2015. The Group's gross profit margin decreased from approximately 7.3% in 2015 to approximately 2.5% in 2016 according to the market trend.

Other income and gains, net

Net other income and gains increased by approximately RMB5.3 million from approximately RMB7.9 million for the year ended 31 December 2015 to approximately RMB13.2 million for the year ended 31 December 2016, primarily due to an increase in fair value gain from financial assets at fair value through profit or loss.

Selling and distribution expenses

	Year ended 31 December	
	2016	2015
	RMB'000	*RMB'000*
Selling and distribution expenses total	**9,346**	8,544

Selling and distribution expenses increased by approximately RMB0.8 million, or approximately 9.4% from approximately RMB8.5 million for the year ended 31 December 2015 to approximately RMB9.3 million for the year ended 31 December 2016, primarily attributable to the increase in freight costs.

Administrative expenses

	Year ended 31 December	
	2016	2015
	RMB'000	*RMB'000*
Administrative expenses total	**59,450**	57,435

Administrative expenses increased by approximately RMB2.0 million, or approximately 3.5% from approximately RMB57.4 million for the year ended 31 December 2015 to approximately RMB59.5 million for the year ended 31 December 2016, primarily due to the (1) increase in staff costs arising from the increase in reward of employees as a result of the improvement in profitability of the Group for the Review Period; and (2) increase in share-based payment expenses of approximately RMB7.8 million (2015: approximately RMB4.2 million).

Finance costs

Finance costs increased by approximately RMB0.4 million from approximately RMB1.0 million for the year ended 31 December 2015 to approximately RMB1.4 million for the year ended 31 December 2016, primarily due to the increase in interest expenses on bills payable issued by the Company in 2016.

Profit before tax

Profit before tax increased by approximately RMB27.9 million or approximately 33.9% from approximately RMB82.4 million for the year ended 31 December 2015 to approximately RMB110.3 million for the year ended 31 December 2016, which was mainly due to (1) an increase in gross profit by approximately RMB25.8 million; and (2) an increase in net other income and gains of approximately RMB5.3 million.

Income tax expense

Income tax expense increased by approximately 16.9% from 2015 to 2016, which was lower than the increase in profit before tax of approximately 33.9%. The Group's effective income tax rate decreased from approximately 22.6% in 2015 to approximately 19.7% in 2016 due to the increase in the profit contributed by the Group's High and New Technology Enterprises subsidiaries, partially offset by the non-deductable impact of the share-based payments.

Profit for the year

The Group's profit during the Review Period increased by approximately RMB24.4 million, or approximately 38.1% from approximately RMB64.2 million for 2015 to approximately RMB88.6 million for the Review Period. The Group's net profit margin increased from approximately 13.0% for 2015 to approximately 15.3% for 2016, mainly due to the increase in other net income over administrative expenses and decrease in effective tax rate.

Property, plant and equipment

Property, plant and equipment as at 31 December 2016 increased by approximately RMB8.6 million, or approximately 6.0% as compared to the same as at 31 December 2015, mainly attributable to the additions of property, plant and equipment of approximately RMB24.2 million which are mainly construction-in-progress and plant and machinery for production. The increase was partially offset by depreciation and disposal of approximately RMB14.9 million and approximately RMB0.7 million, respectively.

Inventories

	Year ended 31 December	
	2016	2015
	RMB'000	*RMB'000*
Finished goods	**17,803**	26,605
Raw materials	**28,581**	14,107
Work in progress	**2,401**	1,123
	48,785	41,835
Less: provision	**(1,192)**	(1,776)
	47,593	40,059
Inventory turnover days *(Note)*	**28 days**	29 days

Note: Inventory turnover days equal to the average of beginning and ending inventory balances of the year divided by revenue of the year and multiplied by the total number of days for the respective year. (2015: Opening inventories balances of Hangzhou Xiaoshan Yongsheng Foreign Trading Company and Yongsheng (HK) International Co., Limited ("**Trading Business**") amounting to RMB50.5 million was excluded as a result of the disposal of Trading Business (the "**Disposals**")).

Inventories as at 31 December 2016 increased by approximately RMB7.5 million, or approximately 18.8% as compared to the same as at 31 December 2015, mainly due to the increase in inventories of PFY business during the Review Period.

Inventory turnover days decreased from 29 days in 2015 to 28 days in 2016 as a result of the increase in revenue growth over finished goods for production business.

Trade and bills receivables

	Year ended 31 December	
	2016	2015
	RMB'000	*RMB'000*
Trade receivables	**21,641**	16,106
Bills receivable	**109,894**	76,598
	131,535	92,704
Less: Provision for impairment	**(1,198)**	(1,198)
Trade and bills receivables – net	**130,337**	91,506
Debtors' turnover days *(Note)*	**70 days**	48 days

Note: Debtors' turnover days equal to the average of the beginning and ending trade receivable balances of the year divided by revenue and multiplied by the total number of days for the respective year. (2015: Opening trade and bills receivable balances of Trading Business amounting to approximately RMB91.8 million was excluded as a result of the Disposals.)

Trade and bills receivable as at 31 December 2016 increased by approximately RMB38.8 million, or approximately 42.4% as compared to the same as at 31 December 2015, mainly attributable to the increase in bills receivable of approximately RMB33.3 million and the increase in trading accounts receivables by approximately RMB5.5 million as a result of the further expansion of the Group's PFY production business.

Debtors' turnover days increased from 48 days in 2015 to 70 days in 2016, mainly due to the increase in bills receivables of approximately RMB33.3 million, or approximately 43.5% for the year ended 31 December 2016.

Trade and bills payables

	Year ended 31 December	
	2016	2015
	RMB'000	*RMB'000*
Trade and bills payables	**92,767**	67,092
Creditors' turnover days *(Note)*	**71 days**	46 days

Note: Creditors' turnover days equal to the average of the beginning and ending trade and bills payables balances of the year divided by cost of sales and multiplied by the actual number of days in respective year. (2015: Opening trade and bills payables balances of Trading Business amounting to RMB91.0 million was excluded as a result of the Disposals.)

Trade and bills payables as at 31 December 2016 increased by approximately RMB25.7 million, or approximately 38.3% as compared to the same as at 31 December 2015 as a result of the increase in purchase amount regarding the PFY production business in the fourth quarter.

Creditors' turnover days increased from 46 days in 2015 to 71 days in 2016, mainly due to the increase in trade and bills payables of approximately RMB25.7 million more than the increase in total cost of sales for the year ended 31 December 2016.

Capital Structure

The Company's issued share capital as at 31 December 2016 is HK$4,000,000 divided into 400,000,000 shares of HK$0.01 each.

The Group adopts a prudent treasury policy, and its debt to equity ratio (calculated by dividing the total interest-bearing bank loans by total equity) as at 31 December 2016 and 2015 was 0%. The current ratio (calculated as current assets divided by current liabilities) as at 31 December 2016 was approximately 3.06 times (31 December 2015: approximately 3.28 times).

Liquidity, financial resources, and use of the IPO proceeds

As at 31 December 2016, the total amount of the borrowings by the Group was nil (31 December 2015: nil). The Group's cash and bank balances, including pledged deposits amounted to approximately RMB69.1 million as at 31 December 2016 (31 December 2015: approximately RMB144.6 million).

The Group has received net proceeds of approximately HK$81.5 million (approximately RMB63.7 million) from issuance of ordinary shares under the share offer on 27 November 2013. The Group has utilised all of the net proceeds as at 31 December 2016 in the manner consistent with that disclosed in the announcement of the Company dated 8 July 2016 in relation to the change of use in proceeds.

Pledge of the Group's assets

Save as disclosed in the balance of pledged deposits set out in the consolidated statement of financial position on page 5 of this announcement, letter of credit facilities of approximately RMB35.8 million were secured by buildings with net carrying amount of approximately RMB8.1 million and a portion of land use rights with net carrying amount of approximately RMB4.3 million as at 31 December 2016. As at 31 December 2015, the Company has not pledged other assets.

Capital commitments

The Group had the following capital commitments as at 31 December 2016:

	2016	2015
	RMB'000	*RMB'000*
Contracted, but not provided for:		
Property, plant and equipment	**48,424**	3,860

Operating lease commitments

The Group's future aggregate minimum lease payments to be paid under non-cancellable operating leases were as follows:

	2016	2015
	RMB'000	*RMB'000*
Within one year	**28**	411
In the second to fifth years, inclusive	**6**	19
	34	430

Contingent liabilities

As at 31 December 2016, the Group has no material contingent liabilities.

Material acquisition and disposals

Save as the Disposals in 2015, details of which are set out in the announcement of the Company dated 5 May 2015 and the circular of the Company dated 8 July 2015, the Group did not have any material acquisition or disposal of subsidiaries or associates during the Review Period.

EXPOSURE TO FLUCTUATIONS IN EXCHANGE RATES AND RELATED HEDGE

Most transactions of the Group are settled in RMB since the operations of the Group are mainly carried out in the PRC, and the major subsidiaries of the Group are operating in the PRC and the functional currency of the major subsidiaries is RMB. The reporting currency of the Group is RMB. The Group carried on trading of textile products from overseas and most of the transactions were settled in United States Dollars. The Group's cash and bank deposits are predominantly in RMB. The Company will pay dividends in Hong Kong Dollars if dividends are declared. The Directors are of the view that RMB is relatively stable against other currencies and the Group will closely monitor the fluctuations in exchange rates, and that hedging by means of derivative instruments is therefore not necessary. RMB is currently not a freely convertible currency. A portion of the Group's RMB revenue or profit may be converted into other currencies to meet foreign currency obligations of the Group such as the payment of dividends, if declared.

EMPLOYEE BENEFITS AND REMUNERATION POLICIES

As at 31 December 2016, the Group had a total of 560 employees (31 December 2015: 572 employees). The employees of the Group were remunerated based on their experience, qualifications, the Group's performance and the prevailing market conditions.

During the Review Period, staff costs (including Directors' remunerations) amounted to approximately RMB66.4 million (31 December 2015: approximately RMB61.0 million). Moreover, the share option scheme of the Company (the "**Scheme**") was adopted on 7 November 2013 in order to retain staff members who have made contributions to the success of the Group. During the year ended 31 December 2016, no options were granted (31 December 2015, 15,000,000 share options and 16,300,000 share options were granted on 6 January 2015 and 30 December 2015, respectively, under the Scheme (collectively, the "**Grants**")). Details of the Grants are as follows:

Date of grant	Number of share options granted in 2015	Number of outstanding share options as at 31 December 2016	Exercisable period	Grant date exercise price per share
6 January 2015	15,000,000	11,618,000 *(Note 1)*	Upon satisfaction of the Performance Conditions A (as defined in the announcement of the Company dated 6 January 2015), 50% of the share options granted will be vested and exercisable from 2 April 2016 to 5 January 2025 and the remaining 50% of the share options granted will be vested and exercisable from 1 April 2017 to 5 January 2025.	HK$1.48
30 December 2015	16,300,000	15,000,000 *(Note 2)*	Upon satisfaction of the Performance Conditions B (as defined in the announcement of the Company dated 30 December 2015), 50% of the share options granted will be vested and exercisable from 2 April 2017 to 30 December 2025 and the remaining 50% of the share options granted will be vested and exercisable from 1 April 2018 to 30 December 2025.	HK$1.52
	31,300,000	26,618,000		

Note:

(1) Regarding the Company's 15,000,000 share options granted on 6 January 2015: 2,300,000 share options and 1,082,000 share options have lapsed because the relevant employees resigned before the expiry of the vesting period and performance conditions had not been achieved, respectively.

(2) Regarding the Company's 16,300,000 share options granted on 30 December 2015: 1,120,000 share options and 180,000 share options have lapsed because the relevant employees resigned before the expiry of the vesting period and performance conditions had not been achieved, respectively.

As required by the relevant PRC regulations regarding social insurance, during the Relevant Period, the Group participated in the social insurance schemes operated by the relevant local government authorities which include retirement pension, medical insurance, unemployment insurance, industrial injuries insurance and maternity insurance.

ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURES

Save for the Scheme, at no time during the Review Period was the Company, its subsidiaries or its ultimate holding company or any subsidiary of that ultimate holding company a party to any arrangement to enable the Directors to acquire benefits by means of acquisition of shares in or debentures of the Company or any other body corporate.

SIGNIFICANT INVESTMENTS HELD

	Assets manager	Custodian	Investment amount as of 31 December *RMB'000*	Date of agreement	Effective date	Expected annual rate of return *(per annum)*	Management/ custodian fees *(per annum)*	Maturity	Type of investment *(Note)*
	2016								
1.	Shenzhen Sidaoke Investment Limited*（深圳市思道科投資有限公司）("**SZ Sidaoke Investment**")	Ping An Bank Co., Limited, Shenzhen Branch*（平安銀行股份有限公司深圳分行）("**Ping An Bank Shenzhen**")	20,000	4 Jul 2016	4 Jul 2016	6.62%	1.02%	8 months	1
2.	SZ Sidaoke Investment	Ping An Bank Shenzhen	65,000	12 Jul 2016	13 Jul 2016	6.62%	1.02%	8 months	1
3.	LJZ Wealth Management (Shanghai) Co., Limited*（陸家嘴財富管理（上海）有限公司）("**LJZ Wealth Management**")	China Merchant Bank Co., Limited, Shanghai Branch*（招商銀行股份有限公司上海分行）("**CMB Shanghai**")	15,000	11 Jul 2016	14 Jul 2016	5.50%	0.04%	7 months	2
4.	LJZ Wealth Management	CMB Shanghai	20,000	16 Aug 2016	18 Aug 2016	5.40%	0.04%	6 months	2
5.	LJZ Wealth Management	CMB Shanghai	30,000	20 Sep 2016	23 Sep 2016	5.30%	0.04%	6 months	2
6.	China Foreign Economy and Trade Trust Co., Limited*（中國對外經濟貿易信託有限公司）	Shanghai Pudong Development Bank Co. Limited Beijing Changan Avenue East Branch*（上海浦東發展銀行股份有限公司北京東長安街支行）	20,000	20 Sep 2016	21 Sep 2016	6.30%	–	12 months	3
			170,000						
	2015								
1.	Shanghai International Trust Co., Limited*（上海國際信托有限公司）	China Construction Bank Corporation Limited, Shanghai 4th Branch*（中國建設銀行股份有限公司上海第四支行）	30,000	12 Aug 2015	12 Aug 2015	3.00%	0.30%	Any time, the amount was fully redeemed in 2016	4

Note:

1. Type 1 investment refers to (i) monetary instruments; (ii) bonds; (iii) public equity funds; (iv) fixed income products; (v) fixed income-like products; and (vi) other low-risk investment products including subscription of new shares, etc.

2. Type 2 investment refers to (i) bank deposits; (ii) money market funds; (iii) bond funds and low risk fixed income assets; and (iv) other fixed income assets approved by the regulatory bodies.

3. Type 3 investment refers to (i) bank deposits; (ii) money market funds; (iii) bond funds; (iv) transferable depositary notes; (v) bond repurchases; (vi) corporate bonds with AA– rating or above; and (vii) short-term notes with A-1 rating or above.

4. Type 4 investment refers to (i) inter-bank deposits; (ii) short-term bonds (within 3 years) with fixed interest rates; (iii) bonds with floating rates traded on the stock exchange; and (iv) repurchases of bonds within 1 year, etc.

Save as disclosed above, there were no significant investments held by the Company as at 31 December 2016.

DIVIDEND

Based on the Group's operating performance in 2016 and taking into consideration of its long-term future development, the Board recommended the payment of a final dividend of HK$0.035 per share for the financial year ended 31 December 2016. Together with the interim dividend paid of HK$0.03 per share for the six months ended 30 June 2016, the total dividend per share for the financial year ended 31 December 2016 is HK$0.065 per share, representing a dividend payout ratio of 28.7%. The Board believes that the Group's sound financial condition will enable the Group to provide sufficient support to its future development, while providing the shareholders of the Company (the "**Shareholders**") with a favorable return.

PROPOSED FINAL DIVIDEND AND CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from 22 May 2017 to 25 May 2017, both days inclusive, for the purpose of determining the Shareholders' entitlement to attend the forthcoming annual general meeting, which shall be held on Thursday, 25 May 2017 (the "**Annual General Meeting**"), during such period no transfer of shares of the Company will be registered. In order to qualify for attending the Annual General Meeting, the Shareholders should ensure that all transfers accompanied by the relevant share certificates and transfer forms are lodged with the Company's Hong Kong branch share registrar, Tricor Investor Services Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong no later than 4:30 p.m. on 19 May 2017.

The Board recommended the payment of a final dividend of HK$0.035 per share of the Company to the Shareholders whose names appear on the register of members of the Company on Monday, 5 June 2017 (the "**Final Dividend**"). The payment of the proposed final dividend is subject to approval by the Shareholders at the Annual General Meeting. If the resolution for the proposed final dividend is passed at the Annual General Meeting, the register of members will be closed from 1 June 2017 to 5 June 2017, both days inclusive, and the proposed final dividend is expected to be paid on Tuesday, 27 June 2017. In order to qualify for the proposed final dividend, the Shareholders should ensure that all transfers accompanied by the relevant share certificates and transfer forms are lodged with the Company's Hong Kong branch share registrar, Tricor Investor Services Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong no later than 4:30 p.m. on 31 May 2017.

PURCHASE, SALE OR REDEMPTION OF SHARES

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any listed securities of the Company during the Review Period.

SUBSEQUENT IMPORTANT EVENT AFTER THE REVIEW PERIOD

On 9 January 2017, Yongsheng Dyeing entered into the second entrusted loan agreement with China Merchant Bank Co. Limited Hangzhou Xiaoshan Branch ("**CMB Xiaoshan**"), pursuant to which Yongsheng Dyeing has entrusted CMB Xiaoshan with an amount of RMB50,000,000 for the purpose of lending the same to an independent third party, Saintyear Holding Co., Ltd for a period of six months. The interest rate of the entrusted loan is 6.5% per annum and the loan period is six months. Please refer to the announcement of the Company dated 9 January 2017 for further details.

On 9 February 2017, the registered office address of the Company was changed to P.O. Box 10008, Willow House, Cricket Square, Grand Cayman KY1-1001, Cayman Islands. The principal share registrar and transfer office of the Company was changed from Estera Trust (Cayman) Limited to Tricor Services (Cayman Islands) Limited at P.O. Box 10008, Willow House, Cricket Square, Grand Cayman KY1-1001, Cayman Islands. The Company's branch share registrar and transfer office in Hong Kong is still maintained by Tricor Investor Services Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong.

On 15 February 2017, Yongsheng Dyeing entered into an asset management agreement with LJZ Wealth Management and China Merchant Bank Co. Limited Shanghai Branch ("**CMB Shanghai**"), pursuant to which Yongsheng Dyeing agreed to participate in the asset management plan operated by LJZ Wealth Management and to deposit to the designated account with CMB Shanghai Branch an investment amount of RMB30,000,000. The term is eight months from the date of depositing the investment amount into the designated custodian account with CMB Shanghai Branch. Please refer to the announcement of the Company dated 15 February 2017 for further details.

CORPORATE GOVERNANCE CODE

The Company was committed to achieving and maintaining high standards of corporate governance, the principles of which serve to uphold transparency, accountability and independence in all aspects of business and endeavours to ensure that affairs are conducted in accordance with applicable laws and regulations. The Board comprises four executive Directors and three independent non-executive Directors. The Group's corporate governance practices are based on the Corporate Governance Code (the "**Code**") as set out in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**"). During the Review Period, the Board considered that the Company had complied with the Code.

CODE OF CONDUCT REGARDING DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted a code of conduct regarding directors' securities transactions on terms no less exacting than the required standard as set out in the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules (the "**Model Code**"). Specific enquiry has been made to all Directors and the Directors have confirmed that they had complied with the Model Code during the Review Period.

AUDIT COMMITTEE

The Company established an audit committee under the Board (the "**Audit Committee**") on 7 November 2013 with written terms of reference in compliance with the Listing Rules. The Audit Committee currently comprises three independent non-executive Directors, namely Ms. Wong Wai Ling (Chairlady), Mr. James Shiping Wang and Dr. Wang Huaping. The primary duties of the Audit Committee are to review the Company's financial information, review and supervise the Company's financial reporting process and internal control procedures, nominate and monitor external auditors and provide advice and comments to the Board.

The Audit Committee has reviewed the audited financial statements of the Group for the year ended 31 December 2016 before such documents were tabled for the Board's review and approval, and is of the opinion that the audited financial statements of the Group for the year ended 31 December 2016 complied with the applicable accounting standards, the Listing Rules and other applicable legal requirements and adequate disclosures have been made.

PUBLICATION OF RESULTS ANNOUNCEMENT

This results announcement is published on the websites of the Company (www.chinaysgroup.com) and The Stock Exchange of Hong Kong Limited (www.hkexnews.hk). An annual report for the year ended 31 December 2016 containing all the information required by the Listing Rules will be dispatched to the Shareholders and available on the websites of the Company and the Stock Exchange in due course.

By order of the Board
Yongsheng Advanced Materials Company Limited
Li Cheng
Chairman and Executive Director

Hong Kong, 23 March 2017

As at the date of this announcement, the executive Directors are Mr. Li Cheng, Mr. Zhao Jidong, Mr. Li Conghua and Mr. Ma Qinghai; and the independent non-executive Directors are Ms. Wong Wai Ling, Mr. Shiping James Wang and Dr. Wang Huaping.

* *For identification purposes only*