Wang Tai Holdings Limited
宏太控股有限公司
(Incorporated in the Cayman Islands with limited liability)
(Stock Code: 1400)

ANNOUNCEMENT OF ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2016

HIGHLIGHTS

— The Group's total revenue was approximately RMB780.3 million in 2016, increased from the total revenue of approximately RMB670.3 million in 2015.

— The Group experienced a gross loss of approximately RMB20.8 million in 2016, as compared to a gross profit of approximately RMB8.4 million in 2015. Excluding the impairment loss, the gross loss in 2016 was approximately RMB5.3 million. The gross loss in 2016 included impairment loss on property, plant and equipment of approximately RMB15.5 million.

— The Group's loss increased to approximately RMB331.0 million in 2016, from approximately RMB23.3 million in 2015.

— Basic and diluted earnings per share decreased from loss per share of RMB1.90 cents in 2015 to loss per share of RMB21.70 cents in 2016.

— As at 31 December 2016, the Group's total cash and bank balances and restricted bank deposits amounted to approximately RMB25.0 million (2015: approximately RMB398.4 million), representing a decrease of 93.7% as compared to that as at 31 December 2015.

— The Board did not propose the payment of a final dividend.

The board ("Board") of directors (the "Directors") of Wang Tai Holdings Limited ("Wang Tai" or the "Company") is pleased to present the audited consolidated full year results of the Company together with its subsidiaries (collectively, the "Group") for the year ended 31 December 2016 (the "Year" or "Year under Review").

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2016

		As at 31 December	
		2016	2015
	Note	***RMB'000***	*RMB'000*
ASSETS			
Non-current assets			
Leasehold land and land use rights	*4*	**24,338**	24,896
Property, plant and equipment	*5*	**405,430**	477,453
Deferred income tax assets		**29,746**	13,007
Available-for-sale financial assets		**4,500**	4,500
Investment accounted for using equity method	*6*	**86,856**	–
Other non-current assets	*6*	**–**	80,000
		550,870	599,856
Current assets			
Inventories	*7*	**49,937**	64,019
Trade and other receivables and prepayments	*8*	**686,189**	415,306
Cash and bank balances		**4,082**	374,983
Restricted bank deposits		**20,960**	23,368
		761,168	877,676
Total assets		**1,312,038**	1,477,532
EQUITY AND LIABILITIES			
Equity attributable to owners of the Company			
Share capital	*9*	**124,010**	119,745
Other reserves	*10*	**638,406**	616,404
Accumulated loss/Retained earnings		**(158,683)**	172,340
Total equity		**603,733**	908,489
LIABILITIES			
Non-current liabilities			
Borrowings	*11*	**277,988**	300,955
Other payables	*12*	**–**	8,160
Deferred income		**18,104**	19,232
		296,092	328,347

		As at 31 December	
		2016	2015
	Note	***RMB'000***	*RMB'000*
Current liabilities			
Borrowings	*11*	**261,609**	104,111
Trade and other payables	*12*	**149,618**	135,758
Current income tax liabilities		**986**	827
		412,213	240,696
Total liabilities		**708,305**	569,043
Total equity and liabilities		**1,312,038**	1,477,532

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2016

	Note	Year ended 31 December 2016 RMB'000	2015 RMB'000
Revenue	3	**780,310**	670,255
Cost of sales	14	**(801,153)**	(661,859)
Gross (loss)/profit		**(20,843)**	8,396
Selling and distribution costs	14	**(4,425)**	(5,374)
General and administrative expenses	14	**(211,537)**	(29,990)
Other income		**11,153**	17,488
Other losses	13	**(9,820)**	(1,492)
Operating loss		**(235,472)**	(10,972)
Finance income	15	**4,122**	2,138
Finance costs	15	**(53,268)**	(25,527)
Finance costs — net	15	**(49,146)**	(23,389)
Share of loss of investment accounted for using equity method	6	**(3,144)**	–
Impairment for investment accounted for using equity method	6	**(60,000)**	–
Loss before income tax		**(347,762)**	(34,361)
Income tax credit	16	**16,739**	11,044
Loss for the year and attributable to owners of the Company		**(331,023)**	(23,317)
Other comprehensive income for the year		**–**	–
Total comprehensive loss for the year and attributable to owners of the Company		**(331,023)**	(23,317)
Losses per share for loss attributable to owners of the Company			
Basic losses per share (RMB' cents)	17	**RMB(21.70) cents**	RMB(1.90) cents
Diluted losses per share (RMB' cents)	17	**RMB(21.70) cents**	RMB(1.90) cents

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

1. GENERAL INFORMATION

Wang Tai Holdings Limited (the "Company") was incorporated in the Cayman Islands on 29 April 2013 as an exempted company with limited liability under the Companies Law, Cap 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands. The address of the Company's registered office is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1–1111, Cayman Islands. The principal place of business of the Company in Hong Kong is at Unit 02, 15th Floor, Convention Plaza Office Tower, 1 Harbour Road, Wanchai, Hong Kong.

The Company is an investment holding company and its subsidiaries in the PRC (together the "Group") are principally engaged in the design, manufacturing and sales of fabrics and yarns. The Group commenced the trading of polyetherimide during the year ended 31 December 2016.

The Company's shares have been listed on The Stock Exchange of Hong Kong Limited since 25 April 2014.

The consolidated financial statements are presented in Renminbi ("RMB"), unless otherwise stated. These consolidated financial statements have been approved for issue by the Board of Directors of the Company on 31 March 2017.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these consolidated 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

The consolidated financial statements of the Company have been prepared in accordance with all applicable International Financial Reporting Standards (IFRS). The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of available for sale financial assets at fair value through consolidated statement of comprehensive income.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements.

Going concern

The Group incurred a net loss attributable to owners of the Company of RMB331,023,000 and a net operating cash outflow of RMB425,765,000 for the year ended 31 December 2016. Furthermore, bank loans totalled RMB261,609,000 as at 31 December 2016 were due for renewal or repayment within the next twelve months and as disclosed in Note 12. These events and conditions indicate the existence of a material uncertainty which may cast significant doubt on the Group's ability to continue as a going concern.

The directors of the Company have been undertaking a number of plans and measures to improve the Group's liquidity and financial position, including:

(i) As mentioned in Note 8(a), the Group has reached settlement confirmations with certain customers with overdue trade receivables. The directors will continue its efforts to expedite its trade receivables collection to enhance its operating cash inflows;

(ii) The Group's current bank borrowings totalled RMB261,609,000 as at 31 December 2016 were borrowings from banks in China that are subject to renewal. On 16 March 2017, the Group has received a confirmation from a bank regarding the provision of an uncommitted banking facility amounted to RMB120,000,000, pursuant to which a short-term bank borrowing of RMB30,000,000 has been renewed. The directors will continue to negotiate with other banks and believe that the Group will successfully renew or extend repayment of its short-term borrowings before they are due; and

(iii) The Group has reengineered certain of its production facilities from production of cotton fabric to chemical fabric which is expected to improve its yarns and fabric operations. The Group will continue to its PEI trading which is expected to generate profit to the Group.

The directors of the Company have reviewed the Group's cash flow projection prepared by management, which covered a period of not less than twelve months from 31 December 2016. In the opinion of the directors, the Group will have sufficient working capital to meet its financial liabilities as and when they fall due and carry on its business without a significant curtailment of operations of not less than twelve months from the balance sheet date. Accordingly, the consolidated financial statements have been prepared on a going concern basis.

Notwithstanding the above, significant uncertainties exist as to whether the Group is able to achieve its plans and measures as described above. Whether the Group will be able to continue as a going concern would depends on whether: (i) The Group's customers will timely settle trade receivables following the agreed settlement schedules; (ii) The Group will be able to timely renew or extend its existing bank borrowings; and (iii) the Group will be able to improve its business operations. Should the Group be unable to continue as a going concern, adjustments would have to be made to the consolidated financial statements, to write down the value of assets to their recoverable amounts, to provide for further liabilities which might arise and to reclassify non-current assets and non-current liabilities as current assets and current liabilities, respectively. The effect of these adjustments has not been reflected in the consolidated financial statements.

Changes in accounting policies and disclosures

(a) New standard and amendments of IFRS adopted by the Group in 2016

The following new standard and amendments which are relevant to the Group's operations are effective for the first time for the financial year beginning on 1 January 2016.

- Amendment to IFRS 7 'Financial instruments: Disclosures' clarifies that the additional disclosure required by the amendments to IFRS 7 "Disclosure – Offsetting financial assets and financial liabilities" is not specifically required for all interim periods, unless required by IAS 34.

- Amendment to IAS 34 'Interim financial reporting' clarifies that what is meant by the reference in the standard to 'information disclosed elsewhere in the interim financial report'. It also amends IAS 34 to require a cross-reference from the interim financial statements to the location of that information.

The following new standards and amendments are effective for the first time for the financial year beginning on 1 January 2016 and not relevant to the Group's operations (although they may affect the accounting for future transactions and events).

Standards and amendments	**Effective for annual periods beginning on or after**
Annual improvements 2014: IFRS 5, 'Non-current assets held for sale and discontinued operations'	1 January 2016
IFRS 14 'Regulatory Deferral Accounts'	1 January 2016
Amendment to IFRS 11 'Accounting for acquisitions of interests in joint operations'	1 January 2016
Amendments to IAS 16 and IAS 38 'Clarification of acceptable methods of depreciation and amortisation'	1 January 2016
Amendments to IAS 16 and IAS 41 'Agriculture: bearer plants'	1 January 2016
Annual improvements 2014: IAS 19, 'Employee benefits'	1 January 2016
Amendment to IAS 27 'Equity method in separate financial statements'	1 January 2016
Amendments to IFRS 10, IFRS 12 and IAS 28 'Investment entities: applying the consolidation exception'	1 January 2016
Annual improvements 2014: IFRS 7, 'Financial instruments: Disclosures' – Application of the disclosure requirements to a servicing contract	1 January 2016
Amendments to IAS 1 'Disclosure initiative'	1 January 2016

The adoption of the above new standard and amendments did not give rise to any significant impact on the Group's results of operations and financial position for the year ended 31 December 2016.

(b) *New standards and amendments of IFRS issued but are not effective for the financial year beginning on 1 January 2016 and have not been early adopted by the Group*

A number of new standards and amendments to existing standards have been issued but are not yet effective for the financial year beginning on 1 January 2016, and have not been early adopted by the Group in preparing these consolidated financial statements. The Group is yet to assess the full impact of these new standards and amendments and intents to adopt them no later than the respective effective dates of these new standards and amendments. These new standards and amendments are set out below:

Amendments to IAS 12 'Income Taxes', effective for annual periods beginning on or after 1 January 2017.

Amendments to IAS 7 'Statement of Cash Flows', effective for annual periods beginning on or after 1 January 2017.

Amendment to IFRS2, "Share-based payment", effective for annual periods beginning on or after 1 January 2018.

IFRS 15 'Revenue from Contracts with Customers', effective for annual periods beginning on or after 1 January 2018

IFRS 9 'Financial Instruments', effective for annual periods beginning on or after 1 January 2018.

IFRS 16 'Leases', effective for annual periods beginning on or after 1 January 2019.

Amendments to IFRS 10 and IAS 28 'Sale or Contribution of Assets between an Investor and Its Associate or Joint Venture', originally intended to be effective for annual periods beginning on or after 1 January 2016. The effective date has now been deferred/removed.

The Group will apply the new standards and amendments described above when they become effective. The Group is in the process of making an assessment on the impact of these new standards and amendments and does not anticipate that the adoption when they become effective will result in any material impact on the Group's results of operations and financial position.

3. REVENUE AND SEGMENT INFORMATION

The chief operating decision-maker has been identified as the executive directors of the Company. The directors review the Group's internal reporting in order to assess performance and allocate resources. The directors have determined the operating segments based on these reports. The directors consider the business from both a product and geographical perspectives. In 2015, the management assesses the performance from sales of fabrics and cotton yarns. From 2016, the Group entered into the trading of polyetherimide ("PEI") and assess it as a new business segment.

The operations are further evaluated on a geographic basis including Mainland China and Hong Kong.

Segment assets consist primarily of land use rights, property, plant and equipment, inventories, trade and other receivables and prepayments. They exclude deferred income tax assets, restricted bank deposits and cash and bank balances.

Segment liabilities comprise operating liabilities. They exclude borrowings from banks and other financial institutions.

The segment information for the year ended 31 December 2016 is as follows:

	Fabrics		Yarns	PEI	Total
	Mainland China	Hong Kong			
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Year ended 31 December 2016					
Segment results					
Total segment revenue	**394,356**	**227,805**	**48,923**	**332,593**	**1,003,677**
Inter-segment revenue	**(174,444)**	**–**	**(48,923)**	**–**	**(223,367)**
Revenue from external customers	**219,912**	**227,805**	**–**	**332,593**	**780,310**
Segment (loss)/profit	**(53,795)**	**28,468**	**(15,533)**	**20,017**	**(20,843)**
Other operating expenses					**(215,962)**
Other income and other losses — net					**1,333**
Finance costs — net					**(49,146)**
Share of loss of investments accounted for using equity method					**(63,144)**
Loss before income tax					**(347,762)**
Income tax credit					**16,739**
Loss for the period					**(331,023)**
Other segment items					
Capital expenditure	**7,453**	**–**	**–**	**–**	**7,453**
Amortisation of leasehold land and land use right	**495**	**–**	**62**	**–**	**557**
Depreciation of property, plant and equipment	**35,450**	**14**	**6,792**	**–**	**42,256**
Impairment losses	**159,509**	**85,266**	**15,533**	**–**	**260,308**
As at 31 December 2016					
Segment asset and liabilities					
Segment assets	**634,825**	**261,216**	**28,616**	**332,593**	**1,257,250**
Unallocated assets					**54,788**
Total assets					**1,312,038**
Segment liabilities	**87,638**	**75,836**	**3,908**	**340**	**167,722**
Unallocated liabilities					**540,583**
					708,305

The segment information for the year ended 31 December 2015 is as follows:

	Fabrics		Yarns	Total
	Mainland China	Hong Kong		
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Year ended 31 December 2015				
Segment results				
Total segment revenue	582,769	162,586	87,022	832,377
Inter-segment revenue	(147,827)	–	(14,295)	(162,122)
Revenue from external customers	434,942	162,586	72,727	670,255
Segment (loss)/profit	(2,455)	9,318	1,533	8,396
Other operating expenses				(35,364)
Other income — net				15,996
Finance costs — net				(23,389)
Loss before income tax				(34,361)
Income tax credit				11,044
Loss for the period				(23,317)
Other segment items				
Capital expenditure	36,583	–	4,124	40,707
Amortisation of leasehold land and land use right	497	–	60	557
Depreciation of property, plant and equipment	36,186	–	4,369	40,555
As at 31 December 2015				
Segment asset and liabilities				
Segment assets	649,645	244,107	74,904	968,656
Unallocated assets				508,876
Total assets				1,477,532
Segment liabilities	101,713	–	11,971	113,684
Unallocated liabilities				455,359
				569,043

The information for sales customers who covered over 10% of the total sales is as follows:

	2016		2015	
	RMB'000	**%**	*RMB'000*	%
JLQ MERCHANDISING	**120,283**	**15%**	–	–
LMF MERCHANDISING	**83,228**	**11%**	–	–
STANDARD ESSENTIALS MERCHANDISING	**84,769**	**11%**	–	–
	288,280	**37%**	–	–

4. LEASEHOLD LAND AND LAND USE RIGHTS

Leasehold land and land use rights represent the net book amount of prepaid operating lease payments. All the land use rights of the Group are located in the PRC and are held on leases with remaining periods of 50 years.

	2016	2015
	RMB'000	*RMB'000*
Opening amount	**24,895**	25,453
Amortisation *(Note 14)*	**(557)**	(557)
Closing amount	**24,338**	24,896
Cost	**27,868**	27,868
Accumulated amortisation	**(3,530)**	(2,972)
Net book amount	**24,338**	24,896

The leasehold land and land use rights with net book value of approximately RMB24,338,000 (2015: RMB24,896,000) as at 31 December 2016 were pledged as collaterals for certain bank borrowings of the Group (Note 11).

Amortisation expense has been charged to "general and administrative expenses" in the consolidated statement of comprehensive income.

The Group has obtained land use right certificates of all the leasehold land of the Group.

5. PROPERTY, PLANT AND EQUIPMENT

	Buildings	Machinery and equipment	Office Equipment, Furniture and vehicle	Construction in-progress	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January 2015					
Cost or valuation	**294,792**	**277,122**	**6,144**	**36,919**	**614,977**
Accumulated depreciation	**(42,747)**	**(91,588)**	**(2,212)**	**–**	**(136,547)**
Net book amount	**252,045**	**185,534**	**3,932**	**36,919**	**478,430**
Year ended 31 December 2015					
Opening net book amount	252,045	185,534	3,932	36,919	478,430
Additions	13	184	1,199	39,311	40,707
Disposals	–	(685)	(444)	–	(1,129)
Depreciation charges *(Note 14)*	(13,144)	(26,439)	(972)	–	(40,555)
Closing net book amount	238,914	158,594	3,715	76,230	477,453
At 31 December 2015					
Cost or valuation	294,805	259,515	5,132	76,230	635,682
Accumulated depreciation	(55,891)	(100,921)	(1,417)	–	(158,229)
Net book amount	238,914	158,594	3,715	76,230	477,453

	Buildings *RMB'000*	Machinery and equipment *RMB'000*	Office Equipment, Furniture and vehicle *RMB'000*	Construction in-progress *RMB'000*	Total *RMB'000*
Year ended 31 December 2016					
Opening net book amount	**238,914**	**158,594**	**3,715**	**76,230**	**477,453**
Additions	**–**	**248**	**65**	**2**	**315**
Disposals	**–**	**(14,549)**	**–**	**–**	**(14,549)**
Transfers	**76,232**	**–**	**–**	**(76,232)**	**–**
Depreciation charges *(Note 14)*	**(16,590)**	**(24,856)**	**(810)**	**–**	**(42,256)**
Impairment for the year	**–**	**(15,533)**	**–**	**–**	**(15,533)**
Closing net book amount	**298,556**	**103,904**	**2,970**	**–**	**405,480**
At 31 December 2016					
Cost or valuation	**371,037**	**232,915**	**5,197**	**–**	**609,149**
Accumulated depreciation	**(72,481)**	**(113,478)**	**(2,227)**	**–**	**(188,186)**
Impairment	**–**	**(15,533)**	**–**	**–**	**(15,533)**
Net book amount	**298,556**	**103,904**	**2,970**	**–**	**405,480**

During the year ended 31 December 2016, the Group did not capitalise interest on borrowings (2015: RMB324,000) on qualifying assets. Borrowing costs were capitalised at the weighted average rate of 7.9% per annum for 2015.

In 2016, the amounts of depreciation expense charged to cost of sales and general and administrative expenses were RMB36,232,000 and RMB6,024,000, respectively (2015: RMB34,386,000 and RMB6,169,000).

In December 2016, the Group disposed of four production lines' machinery and equipment for the production of cotton yarns at the Fujian Shishi production plant. The net book value of the machinery and equipment was RMB14,531,000 and the selling price was RMB5,000,000, resulting in a loss of RMB9,541,000 from the disposal which was charged to "other losses" (Note 13) in the consolidated statement of comprehensive income. In view of the sluggish cotton yarn market, the Group decided to temporarily suspend its cotton yarn production at the Fujian Shishi production plant until the market recovers. The carrying amounts of the machinery and equipment of the remaining cotton yarns production lines and the related auxiliary equipment have been reduced to their recoverable amounts through the recognition of an impairment loss of RMB15,533,000. This has been included in "cost of sales" in the consolidated statement of comprehensive income (Note 14).

As at 31 December 2016, buildings of the Group with net book value of approximately RMB198,351,000 (2015: RMB209,969,000) and machinery and equipment of the Group with net book value of approximately RMB43,025,000 (2015: RMB55,995,000), were pledged as collaterals for certain bank borrowings of the Group (Note 11).

6. INVESTMENT ACCOUNTED FOR USING EQUITY METHOD

The amounts recognised in the statement of financial position is as follows:

	2016	2015
	RMB'000	*RMB'000*
Share of net assets of unlisted associate	**85,954**	–
Goodwill	**60,909**	–
Impairment provision	**(60,000)**	–
	86,863	–

The amount recognised in the consolidated income statement is as follows:

	2016	2015
	RMB'000	*RMB'000*
Share of loss of investments accounted for using equity method	**3,144**	–
Impairment for investment accounted for using equity method	**60,000**	–
	63,144	–

Movements of the share of net assets are as follows:

	2016	2015
	RMB'000	*RMB'000*
Transferred from other non-current assets	**80,000**	–
Addition	**70,000**	–
Share of loss based on equity method	**(3,137)**	–
Impairment provision	**(60,000)**	–
Closing amount	**86,863**	–

At end of 2015, the Group started the negotiation with third parties regarding the investment in Baixin (China) Co., Ltd. ("Baixin"). Baixin is a company in Hubei province of China principally engaged in the manufacturing and sales of yarn and cotton fabric products which management believe will bring synergy to the operations of the Group's production plant in Hubei. A deposit payment of RMB80,000,000 was made as at 31 December 2015 and recorded in "other non-current assets".

On 18 July 2016, the Group completed the transaction to acquire a 50% equity interests in Baixin at a consideration of RMB150,000,000. Baixin became an associated company of the Group. The Group's share of the fair value of the identifiable assets and liabilities of the associate acquired at acquisition date was amounted to RMB89,091,000. As a result of the acquisition, the Group recognized a goodwill amounted to RMB60,909,000.

There are no contingent liabilities relating to the Group's interest in the associate.

Impairment test

The associate incurred loss for 2016 and the demand for cotton fabric in the region decreased which was out of the expectation of management. In view of these impairment indicators, as at 31 December 2016, management carried out an impairment assessment of the investment in the associate. In assessing the recoverability of investment in the associate, management identified the associate as one cash generating unit ("CGU"). The recoverable amount was determined based on value in use calculation of the CGU which was considered higher than its fair value less costs of disposal. The value in use calculation was the present value of the future cash flows expected to be derived from the CGU determined by using a discounted cash flow model. These calculations use pre-tax cash flow projections based on certain assumptions made by management covering a five-year period. Cash flows beyond the five year period are extrapolated using the estimated growth rates stated below. The growth rate does not exceed the long-term average growth rate for the business in which the CGU operates.

The key assumptions used for value-in-use calculations are as follows:

Growth rates to extrapolate cash flows beyond the budget period	2%
Gross margin	13%-16%
Discount rate	14.4%

Management determined budgeted gross margin and growth rates based on past performance and its expectations of market development. The discount rate used are the pretax after reflecting specific risks of the relevant operating segments of cost of equity.

Based on the impairment testing of the recoverable amount of the investment in the associate, an impairment of RMB60,000,000 was recognized and is include in "Impairment for investment accounted for using equity method" in the consolidated statement of comprehensive income.

Set out below are the summarised financial information for Baixin (China) Co., Ltd.

Summarised statement of financial position

	Baixin (China) Co., Ltd.	
	2016	2015
	RMB'000	*RMB'000*
Current		
Total current assets	**137,290**	–
Total current liabilities	**(166,382)**	–
Non-current		
Total non-current assets	**328,953**	–
Total non-current liabilities	**(126,251)**	–
Net assets	**173,610**	–

Summarised statement of comprehensive income

	Baixin (China) Co., Ltd.	
	2016	2015
	RMB'000	*RMB'000*
Revenue	**68,143**	–
Profit before income tax	**(7,590)**	–
Income tax expense	**1,302**	–
Loss for the year	**(6,288)**	–

7. INVENTORIES

	2016 RMB'000	2015 RMB'000
Raw materials	**7,327**	19,681
Work-in-progress	**19,373**	13,618
Finished goods	**23,237**	30,720
	49,937	64,019

The cost of inventories recognised as expense and included in 'cost of sales' amounted to RMB716,268,000 (2015: RMB574,181,000).

The Group did not recognise a provision in respect of the obsolete inventories and write down of inventories to their net realisable value for the year ended 31 December 2015 and 2016.

8. TRADE AND OTHER RECEIVABLES AND PREPAYMENTS

	2016 RMB'000	2015 RMB'000
Bills receivables	**100**	–
Trade receivables *(a)*		
– From sales of yarns and fabrics	**327,541**	256,583
– From sales of PEI	**332,593**	–
	660,134	256,583
Less: provision for impairment of trade receivables		
– From sales of yarns and fabrics	**(129,888)**	–
Net trade and bills receivables	**530,346**	256,583
Prepayments to suppliers for purchase of raw materials *(b)*	**207,295**	155,598
Less: provision for unrecoverable prepayments	**(59,387)**	(4,500)
Net prepayments for purchase of raw materials	**147,908**	151,098
Other receivables:		
Deductible value-added tax ("VAT")	**2,858**	7,549
Receivable for disposal of machinery and equipment	**5,000**	–
Others	**77**	76
	155,843	158,723
	686,189	415,306

(a) Trade receivables

From sales of yarns and fabrics

	2016 RMB'000	2015 RMB'000
Trade receivables	**327,541**	256,583
Less: provision for impairment	**(129,888)**	–
Net receivables	**197,653**	256,583

The maximum exposure to credit risk at the reporting date is the carrying value of each class of receivables mentioned above. In respect of sales of yarns and fabrics, the Group generally grants credit terms of less than 90 days to its customers in Mainland China and 120 days to its customers in other countries. The ageing analysis of the trade and bills receivables arising from sale of yarns and fabrics based on invoice date is as follows:

	2016	2015
	RMB'000	*RMB'000*
Within 3 months	**63,277**	133,623
4 to 6 months	**44,178**	122,476
7 to 12 months	**90,084**	484
Over 1 year	**130,002**	–
Trade and bills receivables	**327,541**	256,583

As at 31 December 2016, trade receivables from sales of yarns and fabrics of RMB121,507,000 (2015: RMB122,960,000) were neither past due nor impaired. This relates to a number of independent customers for whom there is no significant financial difficulty and based on past experience, the overdue amounts can be recovered. The aging analysis of these trade receivables is as follows:

	2016	2015
	RMB'000	*RMB'000*
Within 6 months	**107,455**	122,476
6 to 12 months	**9,089**	–
Over 12 months	**4,963**	484
	121,507	122,960

As at 31 December 2016, trade receivables of RMB206,034,000 were impaired, and the amount of provision thereon was RMB129,888,000. The aging of these receivables is as follows:

	2016	2015
	RMB'000	*RMB'000*
6 to 12 months	**80,995**	–
Over 12 months	**125,039**	–
	206,034	–

The movements in provision for impairment are as follows:

	2016	2015
	RMB'000	*RMB'000*
As 1 January	**–**	–
Provision for impairment of trade receivables	**129,888**	–
As 31 December	**129,888**	–

The aging profile of the Group's trade receivables in relation to yarns and fabric sales had been much deteriorated since the Group commenced sales to overseas customers in the second half year of 2015. Given the significant overdue of receivables, the Group had reached settlement confirmations with certain customers with trade receivables balances amounting to RMB232,913,000, and a provision of RMB41,257,000 was made against unrecoverable receivable amounts. Regarding the remaining receivables balances of RMB94,628,000, the Group set aside a provisions for impairment totalling RMB88,631,000 based on ageing profile of the receivables.

From sales of PEI trading

As disclosed in Note 3 above, the Group started a new business of trading of polyetherimide products ("PEI") during the year ended 31 December 2016. The sales from trading of PEI during the year amounted to RMB344,308,000 (before the discount described below), which remained unsettled as at 31 December 2016. The sales of PEI were originally on credit terms of 270 days after shipment date which were revised to one year after the date of customers' confirmation of sales according to supplemental agreements entered subsequently in July 2016. The earliest due date of settlement of receivables will be in May 2017. Moreover, in November 2016, the Group was informed by customers that the PEI goods related to sales transactions amounting to RMB234,301,000 were found to have quality issues and requested the Group to offer a discount on the sales amount. After various negotiations with the customers, in March 2017, the Group reached agreements with the relevant customers and a discount of 5% on the original billed amount was granted. The discount of RMB11,715,000 was recorded as a reduction to the gross sales revenue, and the receivables as at 31 December 2016 was adjusted to RMB332,593,000 as a result.

The aging analysis of the receivables from PEI sales, based on dates of sales confirmations, is as follows:

	2016	2015
	RMB'000	*RMB'000*
Within 3 months	**222,586**	–
4 to 6 months	**–**	–
6 to 12 months	**110,007**	–
	332,593	–

All the receivables from PEI sales were not over due as at 31 December 2016.

(b) Prepayments for purchase of raw materials

As at 31 December 2016, the Group made prepayments to suppliers for purchase of raw materials amounted to RMB207,295,000 (2015: RMB155,598,000).

Among the prepayments to suppliers balance as at 31 December 2016, the Group had a balance of prepayments of RMB91,627,000 with a major supplier of cotton and yarns raw materials. In March 2017, the Group reached the purchase agreement with this supplier for a total commitment of RMB55,780,000 purchases for year 2017. A provision of RMB35,847,000 was made for the remaining balance as at 31 December 2016 given the potential financial difficulty of this supplier.

A full provision of RMB19,040,000 was made for the unrecoverable prepayments to another supplier which also has been in financial difficulty and from which the Group has ceased purchases since April 2016.

The directors considered that the Group is able to recover the receivable and prepayment amounts net of provisions made.

The provisions for impairment of trade receivables and for unrecoverable prepayments were included in "general and administrative expenses" in the consolidated statement of comprehensive income.

Trade and other receivables and prepayments are denominated in the following currencies:

	2016	2015
	RMB'000	*RMB'000*
RMB	**424,973**	312,376
USD	**261,216**	107,430
Trade receivables	**686,189**	419,806

9. SHARE CAPITAL

(a) Share capital

	Number of shares	**Share capital**
	(thousands)	*HKD'000*
Authorised:		
As at 1 January 2016 and 31 December 2016	10,000,000	1,000,000

	Number of shares	**Share capital**	
	(thousands)	*HKD'000*	*RMB'000*
Issued and fully paid:			
As at 1 January 2015	1,010,000	101,000	80,215
Issue of placing shares *(i)*	440,000	44,000	35,590
Proceeds from share issued for exercise of share option scheme *(ii)*	50,000	5,000	3,940
As at 31 December 2015	1,500,000	150,000	119,745
As at 1 January 2016	1,500,000	150,000	119,745
Proceeds from share issued for exercise of share option scheme *(iii)*	50,000	5,000	4,265
As at 31 December 2016	1,550,000	155,000	124,010

Notes:

(i) On 19 May 2015, an aggregate of 200,000,000 shares of the Company were successfully placed by a placing agent to the investors at the placing price of HKD0.76 per placing share. The proceeds of HKD20,000,000 (equivalent to approximately RMB15,760,000), representing par value of the ordinary shares, were credited to the Company's share capital account and after deducting insurance expenses, the remaining proceeds of HKD131,091,000 (equivalent to approximately RMB103,107,000) were credited to the Company's share premium account.

On 28 August 2015, an aggregate of 240,000,000 shares of the Company were successfully placed by a placing agent to the investors at the placing price of HKD1.50 per placing share. The proceeds of HKD24,000,000 (equivalent to approximately RMB19,830,000), representing par value of the ordinary shares, were credited to the Company's share capital account, and after deducting insurance expenses, the remaining proceeds of HKD332,338,000 (equivalent to approximately RMB274,116,000) were credited to the Company's share premium account.

(ii) In 2015, 50,000,000 shares were issued pursuant to the exercise of share options granted in 2014. The proceeds of HKD5,000,000 (equivalent to approximately RMB3,940,000), representing par value of the ordinary shares, were credited to the Company's share capital account, and the remaining proceeds of HKD43,900,000 (equivalent to approximately RMB34,593,000) were credited to the Company's share premium account. The related weighted average price at the time of exercise was HKD1.5 per share.

(iii) The Company adopted a share option scheme (the "Scheme") on 25 May 2016. Pursuant to the Scheme, share options to subscribe for an aggregate of 50,000,000 ordinary shares of the Company were granted to certain employees of the Company and selected customers and suppliers on 30 June 2016. The options granted are exercisable from the date of grant for a period of three years, and at an exercise price of HKD0.5 per share.

The value of the options granted during the period was determined using the Binomial Model. The significant inputs into the model included the weighted average share price of HKD0.468 at the grant date, exercise price of HKD0.5 per share, volatility of 39.72%. The total share based compensation expense recognised in the income statement for the share options granted amounted to HKD5,844,000 (equivalent to RMB4,942,000) of which HKD1,753,000 (equivalent to RMB1,483,000) was charged to general and administrative expenses and HKD2,336,000 (equivalent to RMB1,976,000) was charged to offset sales revenue and HKD1,753,000 (equivalent to RMB1,483,000) was charged to cost of sales for the year ended 31 December 2016.

By the end of 31 December 2016, 50,000,000 shares were issued pursuant to exercise of share options granted on 25 May 2016.

The proceeds of HKD5,000,000 (equivalent to approximately RMB4,265,000) representing par value of the ordinary shares, were credited to the Company's share capital account and the remaining proceeds of HKD20,000,000 (equivalent to approximately RMB17,060,000) were credited to the Company's share premium account. The related weighted average price at the time of exercise was HKD0.50 per share.

10. OTHER RESERVES

	Share Premium account *RMB'000*	Capital reserve *RMB'000*	Share-based Compensation reserve *RMB'000*	Statutory reserves (a) *RMB'000*	Total *RMB'000*
At 1 January 2015	61,863	113,510	5,064	24,151	204,588
Issue of placing shares *(9(i))*	377,223	–	–	–	377,223
Share-based compensation *(9(ii))*	39,657	–	(5,064)	–	34,593
At 31 December 2015	478,743	113,510	–	24,151	616,404

	Share premium account *RMB'000*	Capital reserve *RMB'000*	Share-based Compensation reserve *RMB'000*	Statutory reserves(a) *RMB'000*	Total *RMB'000*
At 1 January 2016	**478,743**	**113,510**	**–**	**24,151**	**616,404**
Share-based compensation *(9(iii))*	–	–	4,942	–	4,942
Share issued for share-based compensation *(9(iii))*	22,002	–	(4,942)	–	17,060
At 31 December 2016	**500,745**	**113,510**	**–**	**24,151**	**638,406**

Statutory reserves shall only be used to make up losses of the corresponding subsidiaries, to expand the corresponding subsidiaries' production operations, or to increase the capital of the corresponding subsidiaries. Upon approval by resolutions of the corresponding subsidiaries' shareholders in general meetings, the corresponding subsidiaries may convert their statutory reserves into registered capital and issue bonus capital to existing owners in proportion to their existing ownership structure. In 2016, no statutory reserve was accrued due to the losses of corresponding subsidiaries in Mainland China.

11. BORROWINGS

	2016 *RMB'000*	2015 *RMB'000*
Current		
Bank borrowings (a)		
— short term — secured	**114,851**	64,000
— short term — unsecured	**33,328**	35,000
— current portion of long term — unsecured	**113,430**	2,500
Other borrowings — secured	**–**	2,611
	261,609	104,111
Non-current		
Bank borrowings — secured	**–**	123,147
Bonds — unsecured (b)	**277,988**	177,808
	277,988	300,955
Total borrowings	**539,597**	405,066

(a) Bank borrowings

The Group's bank borrowings were repayable as follows:

	As at 31 December	
	2016 *RMB'000*	2015 *RMB'000*
Within one year	**261,609**	101,500
Between 1 and 2 years	**–**	123,147
	261,609	224,647

The bank borrowings were secured by the Group's leasehold land and land use rights (Note 4) and property, plants and equipment (Note 5).

The weighted average effective interest rate on bank borrowings was 8.33% (2015: 9.18%) per annum for the years ended 31 December 2016.

The carrying amounts of the Group's bank borrowings approximated their fair value as at the balance sheet dates, and were all denominated in RMB.

The Group had the following undrawn bank borrowing facilities as at the balance sheet dates:

	As at 31 December	
	2016	2015
	RMB'000	*RMB'000*
– Expiring within one year	**13,660**	96,800
– Expiring beyond one year	**4,150**	13,650
	17,810	110,450

(b) Bonds – unsecured

On 22 January and 25 June 2015, the Company issued three years corporate bonds with principal amount of HKD84,000,000 and HKD57,900,000, respectively. The bonds were unsecured, interest bearing at a rate of 7% per annum and payable semiannually.

In 2015, the Company issued several seven years immigrant bonds with principal amounts totalling HKD52,000,000, all of which will be due in 2022. The bonds are unsecured and carry a nominal interest at a rate 7% per annum, with the interest being payable annually. All corporate bonds and immigrant bonds are denominated in HKD.

In 2016, the Company issued several immigrant bonds with total principal amount of HKD 163,600,000, with terms from 2 years to 7.5 years, due in 2018 to 2024. The bonds are unsecured and carry nominal interests at rates 5%-8% per annum, with the interest being payable annually.

The fair value of the liability component of the corporate bond and immigrant bond at 31 December 2016 amounted to HK$297,589,000 (equivalent to RMB266,197,000). The fair value is calculated using cash flows discounted at a rate based on the borrowings rate of 7.5%.

All corporate bonds and immigrant bonds are denominated in HKD.

12. TRADE AND OTHER PAYABLES

	2016	2015
	RMB'000	*RMB'000*
Non-current		
Payables for purchase of property, plant and equipment	**–**	8,160
Current		
Trade payables	**66,969**	44,350
Bills payables	**25,600**	48,100
	92,569	92,450
Advanced payments from customers	**6,991**	10,837
Payables for purchase of property, plant and equipment	**7,470**	6,477
Other taxes payable	**15,309**	11,482
Salary payable	**14,646**	14,225
Interest payable	**12,475**	–
Other payables	**158**	287
	57,049	43,308
	149,618	135,758
Total	**149,618**	143,918

The ageing analysis of the trade and bills payables by invoice date is as follows:

	2016	2015
	RMB'000	*RMB'000*
Within 3 months	**33,906**	41,516
4 months to 12 months	**48,486**	46,149
Over 12 months	**10,177**	4,785
	92,569	92,450

Advanced payment from customers represent cash advances received from customers for purchases of the Group's products and will be applied to settlements when sales occur.

The carrying amounts of the Group's trade and other payables approximated their fair values as at the balance sheet dates.

Trade and other payables are denominated in the following currencies:

	2016	2015
	RMB'000	*RMB'000*
RMB	**137,335**	143,918
USD	**1,841**	–
HKD	**10,442**	–
	149,618	143,918

13. OTHER LOSSES

	2016	2015
	RMB'000	*RMB'000*
Net loss from disposal of property, plant and equipment	**9,541**	1,129
Others	**279**	363
	9,820	1,492

14. EXPENSES BY NATURE

	2016	2015
	RMB'000	*RMB'000*
Raw materials and consumables used	**716,268**	574,181
Change of inventories of finished goods and work in progress	**1,728**	4,067
Employee benefit expenses	**26,053**	30,054
Amortisation of leasehold land and land use rights *(Note 4)*	**557**	557
Depreciation of property, plant and equipment *(Note 5)*	**42,256**	40,555
Impairment of trade receivables	**129,888**	–
Impairment of prepayments	**54,887**	4,500
Impairment of property, plant and equipment	**15,533**	–
Repairs and maintenance expenses	**207**	924
Miscellaneous tax charges other than VAT and income tax	**3,988**	4,202
Utility expenses	**18,121**	30,881
Auditors' remuneration	**1,717**	2,000
Office and other expenses	**5,912**	5,302
Total of cost of sales, selling and distribution costs and general and administrative expenses	**1,017,115**	697,223

15. FINANCE INCOME AND COSTS

	2016	2015
	RMB'000	*RMB'000*
Finance income:		
Interest income on bank deposits	**(4,122)**	(2,138)
Finance cost:		
Interest expense on bank borrowings	**19,049**	21,418
Interest expense on bond and other borrowings	**23,503**	12,670
Less: capitalised interest expense	**–**	(324)
Exchange losses/(gains) on financing activities	**9,508**	(9,189)
Bank charges	**1,208**	952
Finance costs–net	**53,268**	25,527
Net finance costs	**49,146**	23,389

16. INCOME TAX CREDIT

The amount of income tax charged to the consolidation income statement represents:

	2016	2015
	RMB'000	*RMB'000*
Current income tax	**–**	–
Deferred income tax	**(16,739)**	(11,044)
	(16,739)	(11,044)

The tax on the Group's (losses)/profit before income tax differs from the theoretical amount that would arise using the weighted average tax rate applicable to profits of the consolidated entities, as follows:

	2016	2015
	RMB'000	*RMB'000*
Losses before income tax, after excluding share of profit of an associate	**(347,762)**	(34,361)
Tax calculated at domestic tax rates applicable to profits of the respective subsidiaries	**(99,245)**	(14,188)
Expenses not deductible for tax purposes	**89**	117
Impairment provision for which no deferred tax assets was recognised	**38,946**	–
Tax loss for which deferred tax assets were recognized	**43,471**	3,027
	(16,739)	(11,044)

The weighted average applicable tax rate was 4.8% (2015: 19.0%).

(a) Cayman Islands profits tax

The Company is not subject to any taxation in the Cayman Islands.

(b) Hong Kong profits tax

Subsidiaries established in Hong Kong are subject to income tax at rate of 16.5% (2015: 16.5%).

(c) Mainland China enterprise income tax ("EIT")

In accordance with the Corporate Income Tax Law of the PRC, subsidiaries of the Group established in Mainland China are subject to EIT at rate of 25% (2015: 25%) during the year.

(d) PRC withholding income tax

According to the New CIT Law, starting form 1 January 2008, a 10% withholding tax will be levied on the immediate holding company established out of the PRC when their PRC subsidiary declares dividends out of their profits earned after 1 January 2008. A lower withholding tax rate of 5% may be applied if there is a tax treaty arrangement between the PRC and the jurisdiction of the foreign immediate holding company.

As at 31 December 2016, due to the accumulated loss in subsidiaries in the PRC, there is no need to calculate deferred income tax liabilities for unremitted earnings of the PRC subsidiaries.

17. LOSSES PER SHARE

(a) Basic

Basic losses per share is calculated by dividing the losses attributable to owners of the Company by the weighted average number of ordinary shares in issue during the period.

	2016	2015
Losses attributable to equity holders of the Company (RMB'000)	**(331,023)**	(23,317)
Weighted average number of ordinary shares in issue (thousands)	**1,525,792**	1,230,000
Basic losses per share (RMB' cents)	**(21.70)**	(1.90)

(b) Diluted

Diluted losses per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. The Company has no share options as at 31 December 2016, so the Company's share options have no dilutive effect on the earnings per share as at 31 December 2016, and considering the share options exercised in 2016, the diluted impact is minimal. Calculations are done to determine the number of shares that could have been acquired at fair value (determined by using average market share price of the Company's shares for the year ended 31 December 2016) based on the monetary value of the subscription rights attached to outstanding share options. Diluted earnings per share is therefore equal to basic earnings per share.

18. DIVIDEND

No dividend was declared by the Board to the shareholders during the year ended 31 December 2016.

AUDIT OPINION

The auditors of the Company issue a qualified opinion on the financial statements of the Group for the year under review. An extract of the auditor's report is set out in the section headed "Extract of report of the auditors" below.

EXTRACT OF REPORT OF THE AUDITORS

The following is an extract of the independent auditor's report on the Group's consolidated financial statements for the year ended 31 December 2016.

Basis for qualified opinion

1. *Recoverability of Trade Receivables*

   As described in Notes 3 and 8 to the consolidated financial statements, the Group started a new business of trading of polyetherimide products ("PEI") during the year ended 31 December 2016. Despite the original credit term offered to customers of this PEI business was 270 days after shipment date, it was further revised to one year after customers' confirmations on receipt of goods. As a result, all of the related receivables from the PEI trading during the year remained unsettled at 31 December 2016, and they will not be due for settlement until May 2017 or later. Furthermore, after various negotiations a 5% sales discount was offered by the Group and recorded in connection with a majority of these trading transactions following quality claims from certain customers. No impairment was provided against these PEI receivables of RMB332,593,000 as at 31 December 2016.

   In addition, as described in Note 8 to the consolidated financial statements, the Group had trade receivables arising from sales of yarns and fabrics amounted to RMB327,541,000, against which an impairment provision of RMB129,888,000 was made as at 31 December 2016. The aging profile of the these receivables had been much deteriorated in 2016, such that total receivables of RMB206,034,000 were past due as at that date. The Group had reached settlement confirmations with a majority of the customers with overdue receivables balances amounting to RMB232,913,000, and an impairment provision of RMB41,257,000 was made against amounts not covered by the settlement confirmations. For the remaining trade receivables of RMB94,628,000, the Group was either unable to contact the customers or reach settlement confirmations, and therefore set aside a provision of RMB88,631,000 based on the ageing profile of these receivables.

In respect of the receivables arising from sales of PEI and yarns and fabric described above, management was not able to provide us with satisfactory explanation and adequate information to support their recoverability assessment, including but not limited to, information about the financial strength of the customers to honour the settlement obligations, and the details and reasons for the Group not being able to reach settlement confirmations with certain customers. Moreover, some of these customers were not contactable. Furthermore, given the short history of the PEI sales and the overseas sales of yarns and fabric, management was not able to provide to us with adequate information on the credit history and settlement patterns of these customers. As such, we were unable to obtain sufficient appropriate evidence to ascertain the valuation assessment made by the directors of the Company on these receivables. There were no alternative audit procedures that we could perform to satisfy ourselves as to whether the impairment charge of RMB129,888,000 recognised during the year ended 31 December 2016 and the balance of impairment provision of the same amount as at the year end date were fairly stated. Consequently, we were unable to determine whether any adjustment to these amounts was necessary.

2. *Nature of Recoverability of Prepayments to Raw Materials Suppliers*

As described in Note 8 to the consolidated financial statements, as at 31 December 2016, the Group had prepayment of RMB91,627,000 with a major supplier of cotton and yarns raw materials. During the year ended 31 December 2016, the Group made total prepayments of RMB83,799,000 to the supplier which was significantly larger than the actual purchase amount of RMB34,310,000 for year 2016. The Group noted in November 2016 that this supplier was in financial difficulty and hence made a provision of RMB35,847,000 as at 31 December 2016, taking into consideration a purchase agreement amounting to RMB55,780,000 for year 2017 that was entered into in March 2017. In addition, the Group also made a full provision of RMB19,040,000 for the prepayment made to another supplier which is also in financial difficulty based on management's understanding .

Management was not able to provide us with satisfactory explanation and evidence to support the business rationale and commercial substance of the excessive prepayments made to the above-mentioned major cotton and yarns raw materials supplier as compared to the Group's purchase commitments. In addition, management was not able to provide us with sufficient supporting evidence to justify the basis of provisions made in 2016 for these suppliers, or enable us to evaluate the financial strength of these suppliers to honour their delivery or repayment obligations. As such, we were unable to obtain sufficient and adequate documentary evidence to ascertain the nature and classification and recoverability of these prepayments. There were no alternative audit procedures that we could perform to satisfy ourselves as to whether the impairment charge of RMB54,887,000 recognised during the year ended 31 December 2016, and the balance of impairment provision of RMB59,387,000 as at the year end date were fairly stated. Consequently, we were unable to determine whether any adjustment to these amounts was necessary.

Qualified opinion

In our opinion, except for the possible effects of the matters described in the Basis for Qualified Opinion section of our report, the consolidated financial statements give a true and fair view of the financial position of the Group as at 31 December 2016, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

Material uncertainty relating to the going concern basis

We draw attention to Note 2.1 to the consolidated financial statements, which indicates that the Group incurred a net loss attributable to owners of the Company of RMB331,023,000 and a net operating cash outflow of RMB425,765,000 for the year ended 31 December 2016. Furthermore, bank borrowings totalled RMB261,609,000 as at 31 December 2016 were due for renewal or repayment within the next twelve months, while its cash and bank balances amounted to RMB4,082,000 only as at the same date. These events and conditions, along with other matters as set forth in Note 2.1 to the consolidated financial statements, indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

AUDIT COMMITTEE'S VIEW

The Group's consolidated financial statements for the year ended 31 December 2016 have been reviewed by the audit committee of the Company (the "Audit Committee").

CHAIRMAN'S STATEMENT

Results

During 2016, the China economy remained challenging with persistently sluggish demand in the garment and apparels industry. On the industry side, demand for textile products from domestic and overseas markets remained weakened, and the selling price of Chinese textile products remained stationary at a low level.

During the Year under Review, a number of adverse factors including slow recovery of the domestic economy, reduction of demand in domestic fabric and yarn products market, a more cautious purchasing approach adopted by downstream customers and declining sales price of textile products caused a decline in sales revenue and a reduction of gross profit margin. In order to meet the challenge of slowing down economic pressure, the Group commenced an extensive size international trading of business articles such as polyetherimide on the early 2016. The expected higher profit from this area can reduce the negative impact from the sluggish market demand for the fabrics and yarns products. The Group will avail of this new business to enhance the profitability.

The Group recorded revenue of approximately RMB780.3 million for the Year, representing an increase of approximately 16.4% on a year-on-year basis, and the gross loss margin of the Group's products was approximately 2.7%, representing a decrease of approximately 4% points over the previous year. Profit attributable to owners of the company for the Year declined significantly from loss of approximately RMB23.3 million in 2015 to loss of approximately RMB331.0 million in 2016, representing a decrease of approximately 13 times over the previous year. Earnings per share also decreased from loss of RMB1.90 cents in 2015 to loss of RMB21.70 cents per Share in 2016, representing a decrease of approximately 10 times as compared with the corresponding period of last year, which was mainly attributable to the substantial decrease in gross profit and increase in general and administrative expenses resulted from impairments made. Sales of fabrics and yarns decreased significantly from approximately RMB597.5 million and RMB72.7 million, respectively, for the year 2015 to approximately RMB447.7 million and nil in 2016, respectively, for the year. Sales of PEI commenced in early 2016 and brought approximately RMB332.6 million to the Group's revenue and segment profit of RMB20.0 million in 2016. During the Year, the Group reviewed the operations and changed the strategies regularly to strive for survival and look for opportunities to break through the worsening situation. In the future, the Group will continue to enhance the competitive strength and innovation, improve the value added products, upgrade the fabric products and look for breakthrough, continuously carry out extensive scale international trade of PEI and extend the channels to improve the profitability.

Outlook

Looking forward to 2017, despite all the challenges faced by the industry such as uncertainties around the growth of the global economy, lackluster demand in the textile product market, rising labor costs and shortage in quality cotton supply, the Chinese textile product and apparel industry is well posed to maintain an overall stable operation. Specifically, mild recovery is in sight for the European and U.S. economy, while growth-stabilizing policies, especially the advancement of supply-side structural reform, will lend support for the PRC economy to maintain growth within the reasonable range. The general trend of steady growth in domestic consumption will also provide primary market support for development of the textile industry. The ongoing depreciation of RMB against the US Dollar and the implementation of measures to stabilize foreign trades will improve the resistance of Chinese textile enterprises to market pressure, maintaining stable performance in exports. Meanwhile, the national cotton reserve auction will increase the effective supply of cotton raw materials, significantly narrowing the gap between domestic and overseas cotton prices as compared to the previous years, and help to strengthen the export competitiveness of the Chinese textile enterprises.

In 2016, the Group's faced difficulties to meet the challenges of all adverse factors including sluggish demand for the textile products, rising cost of production and operating expenses, problem of recoverability of the receivables, strategic management of the products segment and mixture, management of a new production base in Hubei as well as the new investment in an associate. Looking forward to 2017, the textile industry is expected to continuously face challenges and certainties. The Group will still focus on the revenue generating segments such as sales of PEI with higher gross profit margin and diversify the existing fabric product series to raise the gross profit margin of the mixture. In order to reverse the Company's worsening situation, the Group entered into conditional sales and purchase agreements with a Mongolian iron ore company to acquire its shareholding in January and March 2017. If the proposed acquisition proceeds, the Company intends to carry out a new business of iron ore mining and trading business which will generate higher profits with an industry which carries higher barrier of entries of competitors and new business entrants after the completion of the proposed acquisition. For details of the proposed acquisition, please refer to the announcements of the Company dated 13 March 2017 and 21 March 2017.

MANAGEMENT DISCUSSION AND ANALYSIS

Overview

During the Year, the Group recorded revenue of approximately RMB780.3 million, representing an increase of approximately 16.4% as compared with the corresponding period of last year, and profit attributable to owners of the company declined from loss of approximately RMB23.3 million in 2015 to loss of approximately RMB331.0 million in 2016, representing a decrease of approximately 13 times as compared with last year. The increase in revenue was mainly attributable to the introduction of new business of sales of PEI which carried approximately RMB332.6 million. Trading sales of PEI was commenced in the early 2016 which was carried out by the overseas trade department of the Group with a number of customers in the Philippines. Sales of PEI brought forth gross profit margin of 6.0% in 2016, after a discount of 5% was offered to the customers of PEI as the quality of the products was unsatisfactory which was amounted to be approximately RMB11.7 million. The decrease in net profit attributable to owners of the Company was mainly due to impairment of trade receivables of approximately RMB129.9 million, impairment of prepayments of approximately RMB54.9 million, impairment of property, plant and equipment of approximately RMB15.5 million, impairment of an investment in an associate which is accounted for using equity method of RMB60 million, and the increase in finance cost for higher borrowings to finance the working capital.

Industry review

During the Year, the PRC economy was at the stage of transformation with structural adjustment, showing increasing downward pressure. The growth of GDP for the year was only 6.7%. Negatively affected by the macro economy, the Chinese textile industry was also under growing pressure, featuring a shift in growth drivers, continuous adjustments and an overall stable performance.

According to the statistics released by the China Cotton Textile Association, the production volume of the yarns increased by 5.5% to approximately 37.33 million tonnes in 2016 whereas the production volume of fabrics decreased by 1.6% to approximately 714.46 billion meters in 2016. This demonstrated a slowing down production volume of textile products in 2016 mainly because of sluggish demand from the garment manufacturing customers.

In terms of raw materials, as implementation of the cotton policy reform by the PRC government drove cotton prices being increasingly market-oriented and narrowed the gap between domestic and overseas prices, coupled with the growth in end-user spending, cotton prices showed an improving trend. According to the Cotton A Index, the average price for cotton in China during the year was approximately RMB15,863 per ton, representing a year-on-year increase of approximately 15.2%. Overseas cotton prices also increased due to stronger demand. The average global market price for cotton, according to the Cotlook A Index, was approximately 75.62 US cents per pound, representing a year-on-year increase of approximately 7.4%. In the long run, the narrowing gap between domestic and overseas cotton prices will help improve the overall competitiveness of China’s exporting textile manufacturing industry.

Business review

During 2016, as the domestic cotton price was on a decline path due to weak recovery of the global economy, sluggish textile demand and impact from imported textile products, the selling price of China's textile products decreased accordingly, narrowing down the gross profit margin of textile products of the Group.

Revenue of the Group comprises sales of grey and dyed garment fabrics, cotton yarns and PEI. During the Year, fabrics continued to be the major products of the Group, which contributed to approximately 57.4% of the Group's total revenue for the year, amounting to approximately RMB447.7 million, representing a decrease of approximately 25.2% when compared to that of last year. Sluggish demand dragged down the sales volume. The Group's production capacities were similar to the last year's level whereas the utilisation rate decreased given the decreasing the sales volume. For the year ended 31 December 2016, the production of yarn was hindered by the staged market demand and no revenue was derived from yarn compared to RMB72.7 million in last year for internal transfer of all yarn products as part of raw materials to manufacture the fabrics products. The Group started the sales of PEI in early 2016 and the sales revenue amounted to approximately RMB332.6 million.

The average selling price of fabrics decreased by approximately 8.5% to RMB14.0 per meter (2015: RMB15.3 meter) when compared with the last year. The average unit cost of fabrics and yarns maintained at similar level over the last two years (2016: RMB13.99 per meter whereas 2015: RMB15.0 per meter). The sales of PEI brought forth the gross margin upward with its high gross profit margin of around 6.0% for the year ended 31 December 2016. The gross profit margin for the year ended 31 December 2016 turned from gross profit margin 1.3% in 2015 to gross loss margin of 2.7% in 2016 because of the above mentioned reason.

Increase in general and administrative expenses and finance costs outweighed by decrease in selling and distribution expenses pulled loss attributable to the owners of the Company further to loss of approximately RMB331.0 million for the year ended 31 December 2016 from loss of approximately RMB23.3 million for the year ended 31 December 2015. Significant increase in general and administrative expenses was mainly due to impairment of prepayments of approximately RMB54.9 million, impairment of trade receivables of approximately RMB129.9 and impairment of property, plant and equipment of approximately RMB15.5 million.

During the Year, the Group adjusted product portfolio in response to the ever-changing market, resulting in a reduction of its inventory level.

Proposed very substantial acquisition

On 11 January 2017 and 20 March 2017, a wholly-owned subsidiary of the Company entered into certain conditional sale and purchase agreements to acquire an aggregate of 96.7% equity interest in Iron Mining International (Mongolia) Company ("Iron Mining") by way of the allotment and issue of new shares of the Company (the "Acquisition"). Iron Mining and its subsidiaries (the "Target Group") are principally engaged in the exploration, mining, processing, sale and marketing of iron ore in Mongolia.

The Board is of the view that the Acquisition will be beneficial to the Shareholders of the Company. The Board of Directors is aware that the recent financial performance of the Group was negatively impacted by the volatile textile industry and will face various challenges and uncertainties ahead. The Board intends to diversify and navigate the adverse effect of such challenges and uncertainties with the potential of the business of the Target Group. The industry of the Target Group is heavily regulated and supervised by the relevant authorities and therefore the mining industry has high entrance barriers to the competitors and constraints on carrying out the mining business in Mongolia which is favourable to the Company upon completion of the Acquisition ("Completion"). The settlement of the consideration of the Acquisition through the issue of consideration shares allows the Company to minimise its funding costs.

The Acquisition constitutes a very substantial acquisition, a connected transaction and a reverse takeover involving a new listing application to the Company, as such, the Completion is subject to certain conditions precedent including the approval of deemed new listing of the Group including the Target Group and the approval from the independent shareholders of the Company. For details of the Acquisition, please refer to the announcements of the Company dated 13 March 2017 and 21 March 2017.

Prospect

This is still a fierce competition in the PRC's textile industry, yet the market is immense and highly fragmented. A number of players in the textile industry are consolidated with survival of relatively strong competitive manufacturers in the industry. In 2017, the Group will remain focusing on extending its reach into domestic market, retain the existing market presence and step forward to the overseas trading market. The Group is more determined than ever to enhance its profitability to optimising the existing product portfolio and developing new invented and improved quality products that meet market demand.

The Group will continue to develop its overseas trading activities through its Hong Kong subsidiary.

The Group has already completed the construction of the second phase of Hubei Production Facilities in the second quarter of 2016, but as the textile industry is still gloomy, the Group is finding a suitable time to arrange installation of production equipment and commence production. The Group will make further announcement as and when appropriate.

Looking forward, the Group still focuses on the Group's three existing business segments, namely production of fabrics and yarns as well as trading of PEI. The Group will also restructure the fabric products series mix from existing five series, interwoven fabric with multi-fibres series, slub series, blended series, stretch fabric series and pure cotton series to a new fabric products series mix to retain the series with stable gross profit margin, add some new potential product series with higher gross profit margin and eliminate those series with low or even negative gross profit margin. The Group will also develop new fabric products with synthetic fiber, diversify the product types and enhance the gross profit margins. Acquisition of an associate, Baixin (China) Co., Ltd. can expand the production scale, benefit from the synergy effect and enhance the Group's profitability. The Group will also actively carry out the sales and marketing activities through the Group's sales and marketing department in Shishi and Hubei. The Group intends to establish the sales offices in Guangzhou and Changshu for promotion of the Group's products in Guangdong and Jiangsu provinces.

The Group is now undertaking a very substantial acquisition as described above, but the Group will endeavour to improve the operations during the course.

With the above strategies, we hope not only to maintain the strategic position but to enhance the quality of products, boost our revenue and improve the profitability and customer loyalty.

FINANCIAL REVIEW

Turnover

The Group's revenue increased by 16.4% from approximately RMB670.3 million for the year ended 31 December 2015 to approximately RMB780.3 million for the year ended 31 December 2016. Such increase in the revenue was mainly due to following factors:

(i) revenue of our fabrics products decreased from approximately RMB597.5 million in 2015 to approximately RMB447.7 million in 2016. Such decrease in the revenue of our fabric products was primarily due to decline in the average selling price from around RMB15.3 per meter in 2015 to RMB14.0 per meter in 2016 mainly due to downward market trend of domestic prices;

(ii) revenue of yarn products decreased from approximately RMB72.7 million in 2015 to nil in 2016. Such decrease in the revenue of our yarn products was primarily due to internal transfer of all yarn products as part of raw materials to manufacture the fabric products during 2016.

(iii) revenue of trading of PEI was approximately RMB332.6 million. As the quality of PEI was in dispute with certain customers, the Group agreed to offer a discount of 5% which was amounted to be approximately RMB11.7 million.

Cost of sales

The cost of sales increased to approximately RMB801.2 million for the year ended 31 December 2016 from approximately RMB661.9 million for the year ended 31 December 2015, mainly due to more raw materials and consumables used for growth in sales revenue.

Gross profit and gross profit margin

The decrease in gross profit by 147.6% from approximately gross profit of RMB8.4 million for the year ended 31 December 2015 to gross loss of approximately RMB20.8 million for the year ended 31 December 2016 was mainly due to gross losses incurred from sales of fabric products of approximately RMB25.3 million and provision for impairment of yarn production equipment of approximately RMB15.5 million.

In view of slowing down cotton yarns production activities and sluggish demand for the yarns, the carrying amount of the machinery and equipment using for cotton yarns production has been reduced to its recoverable amount through recognition of an impairment loss of approximately RMB15.5 million during the year.

The gross profit margin decreased from gross profit margin of 1.3% for the year ended 31 December 2016 to gross loss margin of 2.7% for the year ended 31 December 2016. Such decrease was mainly due to gross loss margin of 5.7% incurred by fabrics products segment and provision for impairment made.

Selling and distribution expenses

The decrease in selling and distribution expenses by 18.5% from approximately RMB5.4 million for the year ended 31 December 2015 to approximately RMB4.4 million for the year ended 31 December 2016 was mainly due to lower expenses of approximately RMB1.0 million on transportation of grey yarns for dyeing incurred by our Hubei Production Facilities.

General and administrative expenses

The significant increase in general and administrative expenses by 638.3% from approximately RMB30.0 million for the year ended 31 December 2015 to approximately RMB221.5 million for the year ended 31 December 2016 was mainly due to impairment of trade receivables of approximately RMB129.9 million, impairment of prepayments of approximately RMB54.9 million were made during the Year.

A provision of RMB129.9 million based on the provision policies for trade receivable of the Group, being provision of approximately RMB41.3 million made for long overdue customers with another provision of approximately RMB88.6 million made for based on ageing profile of the receivables.

Prepayments for purchase of raw materials were made to a number of suppliers during 2016 who had financial difficulty and/or under the compulsory property preservation orders by November 2016. The management made effort to collect the prepayments but unsuccessful, so full provision of approximately RMB54.9 million was made for such prepayment amount.

Other income

Decrease in other income by 36.0% from approximately RMB17.5 million for the year ended 31 December 2015 to approximately RMB11.2 million for the year ended 31 December 2016 was mainly due to decrease in government grants received of approximately RMB10.2 million.

Other losses

Increase in other losses from approximately RMB1.5 million for the year ended 31 December 2015 to approximately RMB9.8 million was mainly due to net loss of disposal of property, plant and equipment of approximately RMB9.5 million.

Finance costs

The increase in finance costs by 109.0% from approximately RMB25.5 million for the year ended 31 December 2015 to approximately RMB53.3 million for the year ended 31 December 2016 was mainly due to increase in the average balance of borrowings in order to meet our needs of working capital as a result of our business expansion to finance the construction of the second phase of our Hubei Production Facilities as well as to finance the acquisition of an associate, Baixin (China) Co., Ltd., during the year.

Share of loss of investment accounted for using equity method

By application of equity method, the Group incurred a share of loss of investment in an associate of approximately RMB3.1 million as the market demand for the associate's products was lower than the expectation of the Group.

Impairment for investment accounted for using equity method

As the associate's financial performance was lower than the expectation of the Group, an impairment for investment of approximately RMB60.0 million was calculated by application of discounted cash flows projection model to write down the carrying amount to the recoverable amount of the balance of investment accounted for using equity method.

Income tax credit

The Group's income tax credit increased by 51.8% to tax credit of approximately RMB16.7 million in 2016 from tax credit of approximately RMB11.0 million in 2015. The increase was primarily due to increase in deferred tax income from RMB11.0 million in 2015 to approximately RMB16.7 million in 2016.

Leasehold land, property, plant and equipment

The Group's leasehold land, property, plant and equipment situated at Shishi and Hubei Production Facilities are land and various buildings in the manufacturing plants. The Group has 100% interest of 2 parcels of land located at Da Sheng Guan Shan Industrial Zone, Huangmei County, Huanggang City, Hubei Province, the PRC with gross floor area of approximately 99,903 square meters. The construction of Hubei Production Facilities was finished and the construction in-progress of approximately RMB76.2 million was transferred to buildings.

Investment accounted for using equity method

On 18 July 2016, the Group completed the transaction to acquire a 50% equity interests in Baixin at a consideration of RMB150,000,000. Baixin became an associated company of the Group. The Group's share of the fair value of the identifiable assets and liabilities of the associate acquired at acquisition date was amounted to RMB89,091,000. As a result of the acquisition, the Group recognised a goodwill amounted to RMB60,909,000.

The associate incurred loss for 2016 and the demand for cotton fabric in the region decreased which was out of the expectation of management. In view of these impairment indicators, as at 31 December 2016, management carried out an impairment assessment of the investment in the associate. Based on the impairment testing of the recoverable amount of the investment in the associate, an impairment of RMB60,000,000 was recognised and is include in "Impairment for investment accounted for using equity method" in the consolidated statement of comprehensive income.

Inventories

Decrease in inventories by 22.0% from approximately RMB64.0 million as at 31 December 2015 to approximately RMB49.9 million as at 31 December 2016 was mainly due to decrease of raw materials, work-in-progress and finished goods inventories by approximately RMB12.4 million, approximately RMB5.8 million and approximately RMB7.5 million, respectively, for the effective inventory management.

Trade and other receivables and prepayments

Increase in trade and other receivables and prepayments by 65.2% from approximately RMB415.3 million as at 31 December 2015 to approximately RMB686.2 million as at 31 December 2016 was mainly due to (1) increase of net trade and bills receivables from approximately RMB256.6 million as at 31 December 2015 to approximately RMB530.3 million as at 31 December 2016 for the extension of the average credit period to the customers from 110 days to 181 days offered to the regular loyal customers and (2) lower prepayments of approximately RMB147.9 million after impairment of approximately RMB54.9 million made in 2016 (2015: approximately RMB151.1 million). Provision for impairment of trade receivables of approximately RMB129.9 million was accrued for the year ended 31 December 2016.

The aging profile of the Group's trade receivables in relation to yarns and fabric sales had been much deteriorated since the Group commenced sales to overseas customers in the second half year of 2015. Given the significant overdue of receivables, the Group had reached settlement confirmations with certain customers with trade receivables balances amounting to RMB232,913,000, and a provision of RMB41,257,000 was made against unrecoverable amounts. Regarding the remaining receivables balances of RMB94,628,000, the Group set aside a provisions for impairment totalling RMB88,631,000 based on ageing profile of the receivables.

The Group's new business of trading of PEI had a gross sales of RMB344,308,000 (before the discount described below), which remained unsettled as at 31 December 2016. The sales of PEI were originally on credit terms of 270 days after shipment date which were revised to one year after the date of customer's confirmations according to supplemental agreements entered subsequently in July 2016. The earliest due date of settlement of these receivables will be in May 2017. Moreover, in November 2016, the Group was informed by customers that the PEI products related to sales transactions amounting to RMB234,301,000 were found to have quality issues and requested the Group to offer a discount on the sales amount. After various negotiations with the customers, in March 2017, the Group reached agreements with the relevant customers and a discount of 5% on the original billed amount was granted. The discount of RMB11,715,000 was recorded as a reduction to the gross sales revenue, and the receivables as at 31 December 2016 was adjusted to RMB332,593,000 as a result.

As at 31 December 2016, the Group had made prepayment to suppliers amounted to approximately RMB207.3 million, mainly the prepayments for purchase of cotton yarns for production of fabrics. A number of suppliers during 2016 incurred financial difficulty and the prepayments which may be unrecoverable were fully provided for impairment amounted to approximately RMB54.8 million.

Cash flow

During the year ended 31 December 2016, net cash outflow from operating activities was approximately RMB425.8 million. Compared with the net cash outflow in the last year of approximately RMB127.6 million, the decrease in net cash inflow from the operating activities of approximately RMB298.2 million was mainly due to decrease in profit before income tax by approximately RMB313.4 million, the increase of trade and other receivables of approximately RMB403.6 million and impairment of prepayment of approximately RMB54.9 million, impairment of trade receivables of approximately RMB129.9 million and impairment of property, plant and equipment of approximately RMB15.5 million.

Net cash inflow from the investing activities in 2016 was approximately RMB246.3 million. Increase of net cash inflow from the investing activities of approximately RMB692.6 million as compared with the last year was mainly due to net decrease in time deposit of approximately RMB319.6 million.

The net cash inflow from the financing activities in the year 2016 was approximately RMB128.2 million which was lower than approximately RMB494.1 million in 2015 was mainly due to no issuance of placing share during 2016.

Liquidities and financial resources

Our primary uses of cash are to satisfy our working capital needs and our capital expenditure needs. Since our establishment, our working capital needs and capital expenditure requirements have been principally financed through a combination of shareholders' equity, cash generated from operations, bank borrowing and other borrowings.

The Group adopts a prudent cash and financial management policy. In order to achieve better cost control and minimize the cost of funds, the Group's treasury activities and centralised and cash and cash equivalents are generally deposited with certain financial institutions such as banks denominated mostly in Renminbi and Hong Kong dollars.

Net current assets and working capital

The following table sets forth our current assets, current liabilities, current ratio, quick ratio, gearing ratio and debt to equity ratio as at 31 December 2016:

	As at 31 December	
	2016	2015
	RMB'000	*RMB'000*
Current assets		
Inventories	**49,937**	64,019
Trade and other receivables and prepayments	**686,189**	415,306
Cash and bank balances	**4,082**	374,983
Restricted bank deposits	**20,960**	23,368
Total current assets	**761,168**	877,676
Current liabilities		
Borrowings	**261,609**	104,111
Trade and other payables	**149,618**	135,758
Current income tax liabilities	**986**	827
Total current liabilities	**412,213**	240,696
Net current assets	**348,955**	636,980
Current ratio	**184.7%**	364.6%
Quick ratio	**172.5%**	338.0%
Gearing ratio	**89.4%**	44.6%
Debt to equity ratio	**85.2%**	0.7%

Bank and other borrowings

Particulars of borrowings of the Company and the Group as at 31 December 2016 are set out in note 11 to the consolidated financial statements.

Pledge of assets

As at 31 December 2016, the Group's land use rights and buildings, machinery and equipment with an aggregate net book value of approximately RMB265.7 million were pledged to secure banking facilities for purposes of working capital and purchases of fixed assets for the Group (as at 31 December 2015: approximately RMB290.9 million).

Paid in capital

During the Year, 50,000,000 shares were issued pursuant to the exercise of share options granted in 2015. The amount of proceeds from the exercise of the share options were approximately RMB21.3 million.

Upon completion of the share placements and exercise of share options, the total number of issued shares of the Company has increased to 1,550,000,000.

Foreign exchange risk

The Group mainly operates in the mainland China with most of the revenue and expenditure transactions denominated and settled in RMB, where its foreign exchange risk is limited. The Group's exposure to foreign exchange risk is mainly on its sales and purchase transactions (i.e., export or import of products) in Hong Kong which are mainly denominated in USD, and the bonds denominated in HKD. The functional currency of the Company and its subsidiaries is RMB.

Contingent liabilities

The Group did not have any material contingent liabilities as at 31 December 2016.

Significant investment, material acquisitions and disposal of subsidiaries and associated companies

On 18 July 2016, the Group entered into the agreement to acquire 50% equity interests in Baixin (China) Co., Ltd. which is principally engaged in the manufacture and local and export sales of cotton yarn and textile products. The acquisition was completed in 2016. For details of the acquisition, please refer to the announcements of the Company dated 29 December 2015 and 18 July 2016.

USE OF PROCEEDS AND EXPANSION PLAN

From 25 April 2014 (the "Listing Date") to the date of this announcement, the Group has been following the pattern of application of the net proceeds as described in the prospectus of the Company dated 10 April 2014 (the "Prospectus"). In addition, the Group does not intend to change its expansion plan as described in the Prospectus save as the reschedule of the second phase of Hubei Production Facilities. As at 31 December 2016, all net proceeds have been utilised.

SIGNIFICANT EVENTS AFTER THE REPORTING PERIOD

Proposed very substantial acquisition

As disclosed in the paragraph head "Proposed very substantial acquisition" under the section headed "Management Discussion and Analysis – Business Review" in this announcement, on 11 January 2017 and 20 March 2017, a wholly-owned subsidiary of the Company entered into conditional sale and purchase agreements to an aggregate 96.7% equity interest in Iron Mining International (Mongolia) Limited, a company incorporated in the British Virgin Islands which is principally engaged in the exploration, mining, processing, sales and marketing of iron ore mainly in Eruu Gol Mining Area in Mongolia. Completion of the acquisition of Iron Mining International (Mongolia) Limited is subject to certain conditions precedent including the approval from the independent shareholders of the Company. For details of the proposed very substantial acquisition, please refer to the announcements of the Company dated 13 March 2017 and 21 March 2017.

Issue of bond

From the year end date of 31 December 2016 to the date of announcement, the Company issued corporate bond of approximately HKD10.0 million, HKD10.0 million and HKD10.0 million, respectively, on 19 January, 17 February and 21 February 2017, respectively, for the raising of working capital purpose.

ANNUAL GENERAL MEETING (THE "AGM")

The AGM will be held on 26 May 2017 and a notice convening the AGM will be published and dispatched in the manner as required by the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") in due course.

HUMAN RESOURCES

As at 31 December 2016, the Group had a total workforce of 516 (as at 31 December 2015: 785). The Group successfully follows a higher ratio of the number of operating staff to the number of machines to scale down the total workforce. New employees were recruited to cater for the Group's business expansion during the year. The Group offers its staff competitive remuneration schemes. In addition, discretionary bonuses and share options may also be granted to eligible staff based on individual and Group's performance. The Group is committed to nurturing a learning and sharing culture in the organization. Heavy emphasis is placed on the training and development of individual staff and team building, as the Group's success is dependent on the contribution of all functional divisions comprising skilled and motivated staff.

DIVIDEND POLICY

The Board has resolved not to recommend the payment of any final dividend for the year ended 31 December 2016 (2015 : Nil). As there is no interim dividend payable during the year, there will be no dividend distribution for the whole year of 2016.

PURCHASE, SALE AND REDEMPTION OF THE LISTED SECURITIES OF THE COMPANY

There was no purchase, sale or redemption of the Company's shares by the Company or its subsidiaries during the Year.

CORPORATE GOVERNANCE

The Company was committed to maintaining high level of corporate governance and has steered its development and protected the interests of its shareholders in an enlightened and open manner. The Board comprises three executive Directors and three independent non-executive Directors. The Board has adopted the code provisions of the Corporate Governance Code (the "Code Provisions") set out in Appendix 14 to the Listing Rules. Throughout the year 2016, the Company had complied with the Code Provisions.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 to the Listing Rules (the "Model Code") as its own code of conduct for dealing in securities of the Company by the Directors. After specific enquiry made by the Company, all of the Directors confirmed that they had complied with the required standards set out in the Model Code and the Company's code of conduct regarding the Directors' securities transactions throughout the Year.

AUDIT COMMITTEE

The Company has established the Audit Committee on 27 March 2014. The Audit Committee comprises three independent non-executive Directors, including Mr. Chan Sui Wa, Mr. Yu Yubin and Mr. Ma Chongqi. Mr. Chan Sui Wa is the chairman of the Audit Committee. The rights and duties of the Audit Committee are consistent with those set out in the Code Provisions. The Audit Committee is responsible for reviewing and supervising the Group's financial reporting process and internal control system and providing advice and recommendations to the Board. The Audit Committee met on a semi-annual basis and the review covers the findings of internal auditors, internal control, risk management and financial reporting matters.

The Audit Committee has discussed with the management and reviewed the annual results for the year ended 31 December 2016.

REMUNERATION COMMITTEE

The Company has established a remuneration committee (the "Remuneration Committee") on 27 March 2014. The Remuneration Committee comprises three independent non-executive Directors, namely Mr. Chan Sui Wa, Mr. Yu Yubin and Mr. Ma Chongqi. Mr. Ma Chongqi is the chairman of the Remuneration Committee. The Remuneration Committee has rights and duties consistent with those set out in the Code Provisions. The Remuneration Committee is principally responsible for formulating the Group's policy and structure for all remunerations of the Directors and senior management and providing advice and recommendations to the Board.

NOMINATION COMMITTEE

The Company has established a nomination committee (the "Nomination Committee") on 27 March 2014. The Nomination Committee comprises three independent non-executive Directors, namely Mr. Chan Sui Wa, Mr. Yu Yubin and Mr. Ma Chongqi. The chairman of the Nomination Committee is Mr. Yu Yubin. The Nomination Committee has adopted terms of reference which are in line with the Code Provisions. The Nomination Committee is provided with sufficient resources to discharge its duties and has access to independent professional advice in accordance with the Company's policy if considered necessary.

REGULATORY COMPLIANCE COMMITTEE

The regulatory compliance committee was established by the Company on 26 February 2014, which is led by Mr. Qiu Zhiqiang, the executive director of the Company, Mr. Deng Qinghui, the executive director and Mr. Siu Kai Chun, the Chief Financial Officer and Company Secretary. The committee directly reports to our Board and is primarily responsible for ensuring that our business operations and activities are in compliance with the relevant laws and regulations.

SCOPE OF WORK OF PRICEWATERHOUSECOOPERS

The figures in respect of the announcement of the Group's results for the year ended 31 December 2016 have been agreed by the Group's auditor, PricewaterhouseCoopers, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by PricewaterhouseCoopers in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing. Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by PricewaterhouseCoopers on the results announcement.

CLOSURE OF REGISTERED MEMBERS

In order to determine the entitlement to attend the AGM, the register of members of the Company will be closed from 23 May 2017 to 26 May 2017 (both days inclusive), during which period no transfer of Shares can be registered. In order to qualify for attending the AGM, all transfer of Shares accompanied by the relevant share certificates must be lodged with the Company's Hong Kong share registrar, Tricor Investor Services Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration by not later than 4:30 p.m. on 22 May 2017.

PUBLICATIONS OF RESULTS ANNOUNCEMENT

This results announcement is published on the websites of the Company (www.texitm.com) and the Stock Exchange (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 of the Company and available on the websites of the Company and the Stock Exchange in due course.

ACKNOWLEDGEMENT

The Directors would like to take this opportunity to express our sincere thanks to all the shareholders and business associates for their continuous support and the entire staff for their dedication and contribution to the Group during the Year.

By order of the Board
Wang Tai Holdings Limited
Lin Qingxiong
Chairman

Hong Kong
31 March 2017

As at the date of this announcement, the Board comprises the following directors:

Executive Directors:	Mr. Lin Qingxiong Mr. Qiu Zhiqiang Mr. Deng Qinghui
Independent non-executive Directors:	Mr. Chan Sui Wa Mr. Yu Yubin Mr. Ma Chongqi