长安仁恒

# Zhejiang Chang'an Renheng Technology Co., Ltd.*

# 浙江長安仁恒科技股份有限公司

*(A joint stock limited company incorporated in the People's Republic of China with limited liability)*

**(Stock Code: 8139)**

## ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2017

**CHARACTERISTICS OF THE GROWTH ENTERPRISE MARKET ("GEM") OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE "STOCK EXCHANGE")**

**GEM has been positioned as a market designed to accommodate companies to which a higher investment risk may be attached than other companies listed on the Stock Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.**

**Given the emerging nature of the companies listed on GEM, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board of the Stock Exchange and no assurance is given that there will be a liquid market in the securities traded on GEM.**



*This announcement, for which the directors (the "**Directors**") of Zhejiang Chang'an Renheng Technology Co., Ltd.* (the "**Company**") collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on GEM of the Stock Exchange ("**the GEM Listing Rules**") for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this announcement is accurate and complete in all material respects and is not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this announcement misleading.*

* *For identification purpose only*

## RESULTS HIGHLIGHTS

- Revenue increased by 7.1% to approximately RMB80,583,000 (2016: RMB75,260,000).
- Gross profit decreased by 11.5% to approximately RMB37,213,000 (2016: RMB42,053,000).
- Gross profit margin down by 9.7% points to 46.2% (2016: 55.9%).
- Loss before taxation was approximately RMB7,297,000 (2016: Profit before taxation was approximately RMB2,059,000).
- Loss for the year ended 31 December 2017 was approximately RMB6,364,000 (2016: Profit for the year was approximately RMB1,836,000).
- Basic loss per share was approximately RMB0.20 (2016: Basic earnings per share was RMB0.06).
- The Board did not recommend the payment of any final dividends for the year ended 31 December 2017 (2016: nil).

The board (the "**Board**") of directors (the "**Directors**") of Zhejiang Chang'an Renheng Technology Co., Ltd. (the "**Company**") is pleased to announce the audited consolidated results of the Company and its subsidiaries (the "**Group**") for the year ended 31 December 2017 (the "**Year Under Review**") and selected explanatory notes, together with the comparative figures of the corresponding year in 2016 as follows:

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

*for the year ended 31 December 2017*

| | | Year ended 31 December | |
|---|---|---|---|
| | | **2017** | 2016 |
| | *Note* | ***RMB*** | *RMB* |
| **Revenue** | *3* | **80,582,825** | 75,259,548 |
| Cost of sales | *5* | **(43,370,136)** | (33,206,553) |
| **Gross profit** | | **37,212,689** | 42,052,995 |
| Distribution costs | *5* | **(17,999,306)** | (16,527,458) |
| Administrative expenses | *5* | **(16,887,403)** | (15,852,686) |
| Research and development expenses | *5* | **(5,216,662)** | (3,743,530) |
| Other gains - net | *4* | **645,335** | 1,129,228 |
| **Operating (loss)/profit** | | **(2,245,347)** | 7,058,549 |
| Finance income | *6* | **16,298** | 108,061 |
| Finance expenses | *6* | **(5,067,475)** | (5,107,287) |
| Finance expenses – net | *6* | **(5,051,177)** | (4,999,226) |
| **(Loss)/profit before income tax** | | **(7,296,524)** | 2,059,323 |
| Income tax expense | *7* | **932,550** | (223,561) |
| **(Loss)/profit for the year attributable to the equity holders of the Company** | | **(6,363,974)** | 1,835,762 |
| **Other comprehensive income** | | **–** | – |
| **Total comprehensive (loss)/income for the year attributable to the equity holders of the Company** | | **(6,363,974)** | 1,835,762 |
| **(Loss)/earnings per share for (loss)/profit attributable to the equity holders of the Company during the year (expressed in RMB per share)** | | | |
| – Basic and diluted | *8* | **(0.20)** | 0.06 |

**CONSOLIDATED BALANCE SHEET**
*as at 31 December 2017*

| | | As at 31 December | |
|---|---|---|---|
| | | **2017** | 2016 |
| | *Note* | ***RMB*** | *RMB* |
| **ASSETS** | | | |
| **Non-current assets** | | | |
| Property, plant and equipment | | **85,019,650** | 75,742,781 |
| Prepaid leasing expenses | | **6,357,709** | 6,538,698 |
| Mining rights | | **78,796** | 110,318 |
| Leasehold improvements | | **2,097,769** | 2,287,722 |
| Deferred income tax assets | | **2,614,562** | 1,568,085 |
| Trade and other receivables | *10* | **1,156,226** | 1,120,524 |
| | | **97,324,712** | 87,368,128 |
| **Current assets** | | | |
| Inventories | *9* | **32,936,345** | 25,597,938 |
| Trade and other receivables | *10* | **52,262,990** | 68,620,671 |
| Prepaid income tax | | **1,005,515** | 913,816 |
| Restricted cash | *11* | **–** | 3,500,000 |
| Cash and cash equivalents | *11* | **1,845,424** | 13,193,021 |
| | | **88,050,274** | 111,825,446 |
| **Total assets** | | **185,374,986** | 199,193,574 |
| **EQUITY** | | | |
| **Capital and reserve attributable to equity holders of the Company** | | | |
| Share capital | *12* | **32,000,000** | 32,000,000 |
| Other reserves | | **36,634,147** | 36,572,844 |
| Retained earnings | | **19,753,251** | 26,178,528 |
| **Total equity** | | **88,387,398** | 94,751,372 |

| | Note | As at 31 December 2017 RMB | 2016 RMB |
|---|---|---|---|
| **LIABILITIES** | | | |
| **Non-current liabilities** | | | |
| Deferred government grants | | **1,597,399** | 681,305 |
| Provisions for environmental rehabilitation | | **1,142,607** | 964,454 |
| Borrowings | | **–** | 14,800,000 |
| | | **2,740,006** | 16,445,759 |
| **Current liabilities** | | | |
| Deferred government grants | | **83,953** | 84,000 |
| Trade and other payables | *13* | **29,113,629** | 27,821,277 |
| Current income tax liabilities | | **–** | 279,773 |
| Borrowings | | **65,050,000** | 59,811,393 |
| | | **94,247,582** | 87,996,443 |
| **Total liabilities** | | **96,987,588** | 104,442,202 |
| **Total equity and liabilities** | | **185,374,986** | 199,193,574 |

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
*For the year ended 31 December 2017*

## 1 GENERAL INFORMATION

Zhejiang Chang'an Renheng Technology Co., Ltd. (浙江長安仁恒科技股份有限公司, the "**Company**") and its subsidiaries (together, the "**Group**") are principally engaged in the business of development, production and sale of bentonite fine chemicals. The Group uses bentonite as its basic raw materials to manufacture paper chemicals, bentonite for metallurgy pellet, quality calcium-bentonite and other products.

The Company was established as a company with limited liability under the name of Changxing Renheng Fine Bentonite Co., Ltd. (長興仁恒精製膨潤土有限公司) in the People's Republic of China (the "**PRC**") on 4 December 2000. Mr. Zhang Youlian (張有連) is the controlling shareholder of the Company (the "**Controlling Shareholder**").

On 31 December 2008, the Company was converted into a joint stock company with limited liability and changed to its current name.

The address of the Company is Laoyatang, Si'an, Changxing, Zhejiang Province, PRC.

The English names of companies mentioned in this report represented the best effort by directors of the Company in translating their Chinese names as they may not have official English names.

The Company issued a total of 8,000,000 H shares with a per value of RMB1.00 each at a price of HKD9.70 per share on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited on 16 January 2015 (the "**Listing**").

The consolidated financial statements are presented in Renminbi ("**RMB**"), unless otherwise stated. These financial statements have been approved for issue by the Board of Directors on 24 March 2018.

## 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 Going concern

The Group incurred a net loss of RMB6,363,974 for the year then ended 31 December 2017 and the Group's current liabilities exceeded its current assets by RMB6,197,308 as at 31 December 2017 which included current bank loans of RMB63,800,000 due for payment within one year. In addition, the Group's cash and cash equivalent decreased significantly from RMB13,193,021 as at 31 December 2016 to RMB1,845,424 as at 31 December 2017. These conditions indicate the existence of a material uncertainties which may cast significant doubt about the Group's ability to continue on a going concern.

In view of such circumstances, the directors have given careful consideration to the future liquidity and performance of the Group and its available sources of financing in assessing whether the Group will have sufficient financial resources to continue as a going concern, and have taken the following measures to mitigate the liquidity pressure and to improve its cash flows:

- As at 31 December 2017, the Group's bank loans amounted to RMB46,000,000 were guaranteed by a third party. On 28 February 2018, the third party confirmed its intention to renew the guarantee for another year from the expiry dates of each of these bank loans;

- Subsequent to 31 December 2017, the Group has been negotiating with various banks for renewal of its existing bank loans that would be due for repayment in 2018 and for granting of new loans. In this connection, the Group was able to secure a new bank loan of RMB5,000,000 in January 2018, and one of its banks has in February 2018 indicated its intention to renew certain existing bank loans of RMB36,000,000 upon their maturity to 31 March 2019. The directors believe that the Group will be able to renew the existing bank loans as well as to secure new bank loans when needed given the Group's good credit history, the intended renewal of the third party guarantee described above, and the availability of the Group's property, plant and equipment as security for these loans;

- The Group has obtained a financial support from Mr. Zhang Youlian, the controlling shareholder of the Company, who pursuant to his letter to the Group dated 24 March 2018 confirmed his intention to provide financial supports to the Group to meet its working capital and other needs for a period from 1 January 2018 to 31 March 2019; and

- The Group expects to generate a stable cash inflow from its operating activities. It also plans to enhance its inventory management by further reducing the inventory level and strengthen its collection of receivables to meet its cash flow demand. In addition, the Group will further control its operating expenses and capital expenditures.

The directors have reviewed the Group's cash flow projections prepared by management, which cover a period of not less than twelve months from 31 December 2017. They are of the opinion that, taking into account the above-mentioned planned measures, the Group will have sufficient working capital to finance its operations and to meet its financial obligations when they fall due within the next twelve months from the end of the reporting period. Accordingly, the directors are satisfied that it is appropriate to prepare the consolidated financial statements on a going concern basis.

Notwithstanding the above, material uncertainties exist as to whether the Group can achieve its plans and measures as described above. Whether the Group will be able to continue as a going concern would depend upon whether: (1) the third party will renew the guarantee to the Group upon maturity of the relevant bank loans; (2) the Group will be able to timely renew its existing bank loans and secure new bank loans at terms acceptable to the Group; (3) Mr Zhang Youlian will and has sufficient financial resources to provide financial supports to the Group as and when needed; and (4) the Group will be able to successfully implement its operational plans to generate adequate operating cash inflows and control its costs and expenditures. Should the Group be unable to achieve its plans and measures and operate as a going concern, adjustments would have to be made to reduce the carrying values of the Group's assets to their recoverable amounts, to provide for financial liabilities which might arise and to reclassify non-current assets and non-current liabilities as current assets and current liabilities. The effect of these adjustments has not been reflected in the consolidated financial statements.

## 2.2 Basis of preparation

The consolidated financial statements have been prepared in accordance with all applicable International Financial Reporting Standards ("**IFRSs**") and under the historical cost convention.

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.

### *(a) New and amended standards adopted by the Group*

The Group has applied the following standards and amendments for the first time for their annual reporting period commencing 1 January 2017:

- Annual improvements to IFRSs 2014 – 2016 cycle, and
- Disclosure initiative – amendments to IAS 7.

The amendments are not material to the Group.

### *(b) New standards and interpretations not yet adopted*

Certain new accounting standards and interpretations have been published that are not mandatory for 31 December 2017 reporting periods and have not been early adopted by the group. The group's assessment of the impact of these new standards and interpretations is set out below.

- *IFRS 9, 'Financial instruments'*

  Nature of change

  IFRS 9 addresses the classification, measurement and derecognition of financial assets and financial liabilities, introduces new rules for hedge accounting and a new impairment model for financial assets.

  Impact

  The Group has reviewed its financial assets and liabilities and is expecting the following impact from the adoption of the new standard on 1 January 2018:

  Financial assets included cash and cash equivalents, restricted cash and trade and other receivables. There will be no impact on the Group's accounting for these financial assets.

  There will be no impact on the Group's accounting for financial liabilities, as the new requirements only affect the accounting for financial liabilities that are designated at fair value through consolidated statement of comprehensive income and the Group does not have any such liabilities. The derecognition rules have been transferred from IAS 39 Financial Instruments: Recognition and Measurement and have not been changed.

The new impairment model requires the recognition of impairment provisions based on expected credit losses (ECL) rather than only incurred credit losses as is the case under IAS 39. It applies to financial assets classified at amortised cost, debt instruments measured at FVOCI, contract assets under IFRS 15 Revenue from Contracts with Customers, lease receivables, loan commitments and certain financial guarantee contracts. Based on the assessments undertaken to date, the Group does not expect material change of the loss allowance for the Group's trade debtors.

The new standard also introduces expanded disclosure requirements and changes in presentation. These are expected to change the nature and extent of the Group's disclosures about its financial instruments particularly in the year of the adoption of the new standard.

Date of adoption by Group

Must be applied for financial years commencing on or after 1 January 2018. The Group will apply the new rules retrospectively from 1 January 2018, with the practical expedients permitted under the standard. Comparatives for 2017 will not be restated, except in relation to changes in the fair value of foreign exchange forward contracts attributable to forward points, which will be recognised in the costs of hedging reserve.

- *IFRS 15, 'Revenue from contracts with customers'*

Nature of change

The IASB has issued a new standard for the recognition of revenue. This will replace IAS 18 which covers contracts for goods and services and IAS 11 which covers construction contracts and the related literature. The new standard is based on the principle that revenue is recognised when control of a good or service transfers to a customer. The standard permits either a full retrospective or a modified retrospective approach for the adoption.

Impact

IFRS 15 establishes a comprehensive framework for determining when to recognise revenue and how much revenue to recognize through a 5-step approach:

(1) Identify the contract(s) with customer;

(2) Identify separate performance obligations in a contract;

(3) Determine the transaction price;

(4) Allocate transaction price to performance obligations; and

(5) Recognise revenue when performance obligation is satisfied.

The core principle is that the Group should recognise revenue to depict the transfer of promised goods or services to the customer in an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services. It moves away from a revenue recognition model based on an "earnings process" to an "asset-liability" approach" based on transfer of control.

Management has assessed the effects of applying the new standard on the Group's financial statements and does not expect a significant impact on the recognition of revenue.

Date of adoption by Group

The Group intends to adopt this new standard for the financial year commencing on 1 January 2018, using the modified retrospective approach which means that the cumulative impact of the adoption will be recognised in retained earnings as of 1 January 2018 and that comparatives will not be restated.

- *IFRS 16, 'Leases'*

  Nature of change

  IFRS 16 was issued in January 2016. It will result in almost all leases being recognised on the balance sheet, as the distinction between operating and finance leases is removed. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognised. The only exceptions are short-term and low-value leases. The accounting for lessors will not significantly change.

  Impact

  The standard will affect primarily the accounting for Group's operating leases. As at the reporting date, the Group has no non-cancellable operating lease commitments. There will be no impact on the Group's accounting as lessor.

  The Group has not yet assessed what other adjustments, if any, are necessary for example because of the change in the definition of the lease term and the different treatment of variable lease payments and of extension and termination options. It is therefore not yet possible to estimate the amount of right-of-use assets and lease liabilities that will have to be recognised on adoption of the new standard and how this may affect the Group's profit or loss and classification of cash flows going forward.

  Date of adoption by Group

  The new standard is mandatory for financial years commencing on or after 1 January 2019. At this stage, the Group does not intend to adopt the standard before its effective date. The Group intends to apply the simplified transition approach and will not restate comparative amounts for the year prior to first adoption.

There are no other standards that are not yet effective and that would be expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

## 3 REVENUE

| | Year ended 31 December | |
|---|---|---|
| | **2017** | 2016 |
| | ***RMB*** | *RMB* |
| Papermaking chemicals series | **56,034,228** | 68,409,430 |
| Organic bentonite | **17,840,319** | 863,047 |
| Quality calcium-bentonite | **3,248,274** | 1,459,723 |
| Bentonite for metallurgy pellet | **1,584,774** | 2,525,160 |
| Other chemicals *(i)* | **1,875,230** | 2,002,188 |
| | **80,582,825** | 75,259,548 |

*(i)* Other chemicals mainly comprise inorganic gel and flocculating agent, which are principally applied in the coating preparation industry.

For the year ended 31 December 2017, only one external customer, Hangzhou Henyue New Material Co., Ltd. contributed 10% or above of the Group's revenue amounted to RMB8,840,576.

For the year ended 31 December 2016, only one external customer, Anhui Shanying Paper Industry Co., Ltd. contributed 10% or above of the Group's revenue amounted to RMB7,670,352.

## 4 OTHER GAINS – NET

| | Year ended 31 December | |
|---|---|---|
| | **2017** | 2016 |
| | ***RMB*** | *RMB* |
| (Loss)/profit on disposal of property, plant and equipment – net | **(3,963)** | 218,133 |
| Government grants | | |
| – Relating to assets *(Note 23)* | **83,953** | 87,160 |
| – Relating to costs *(i)* | **905,229** | 860,300 |
| Fine | **(182,130)** | (55,300) |
| Donations | **(169,300)** | – |
| Others | **11,546** | 18,935 |
| | **645,335** | 1,129,228 |

*(i)* The government grants relating to costs were certain cost-related unconditional subsidies which were granted to award the Group's effort on environmental production, product development and innovation.

## 5 EXPENSES BY NATURE

| | Year ended 31 December | |
|---|---|---|
| | **2017** | 2016 |
| | ***RMB*** | *RMB* |
| Changes in finished goods | **(1,277,621)** | (1,237,494) |
| Raw materials used | **30,873,369** | 22,870,483 |
| Employee benefit expenses | **11,046,716** | 11,842,585 |
| Utilities | **4,102,190** | 3,085,017 |
| Transportation expenses | **13,298,809** | 14,992,015 |
| Depreciation | **7,462,951** | 5,827,613 |
| Travelling and communication expenses | **4,637,892** | 3,969,139 |
| Taxes and levies | **1,038,848** | 1,539,867 |
| Amortisation of prepaid leasing expenses | **180,989** | 179,402 |
| Amortisation of mining rights | **31,522** | 31,522 |
| Audit remuneration | **1,100,000** | 1,000,000 |
| Professional service fee | **992,748** | 1,512,267 |
| Amortisation of leasehold improvements | **624,854** | 492,710 |
| Maintenance expenses | **646,662** | 631,918 |
| Entertainment expenses | **4,422,876** | 1,315,126 |
| Provision for impairment of receivables | **2,480,255** | 108,980 |
| Provision for impairment of inventories | **627,569** | – |
| Miscellaneous | **1,182,878** | 1,169,077 |
| Total cost of sales, distribution costs, administrative expenses and research and development expenses | **83,473,507** | 69,330,227 |

## 6 FINANCE EXPENSES – NET

| | Year ended 31 December | |
|---|---|---|
| | **2017** | 2016 |
| | ***RMB*** | *RMB* |
| Finance income | | |
| – Interest income derived from bank deposits | **16,298** | 108,061 |
| Finance expenses | | |
| – Interest expenses | **(5,265,212)** | (5,368,608) |
| – Capitalised interest expenses | **295,541** | 239,314 |
| | **(4,969,671)** | (5,129,294) |
| – Foreign exchange gains on borrowings and cash and cash equivalents – net | **(133,506)** | 66,086 |
| – Unrealised financial charges from financial assets measured at amortised cost | **35,702** | (44,079) |
| | **(5,067,475)** | (5,107,287) |
| Finance expenses – net | **(5,051,177)** | (4,999,226) |

## 7 INCOME TAX EXPENSE

| | Year ended 31 December | |
|---|---|---|
| | **2017** | 2016 |
| | ***RMB*** | *RMB* |
| Current income tax | **113,927** | 237,807 |
| Deferred income tax | **(1,046,477)** | (14,246) |
| | **(932,550)** | 223,561 |

The Company renewed the certificates of High and New Tech Enterprises from the Ministry of Science and Technology, Ministry of Finance and office of the State Administration of Taxation and local taxation bureau of Zhejiang province, which granted tax preferential rate of 15% for three years from 27 October 2014 to 26 October 2017.

The other subsidiaries are subject to income tax rate of 25% for the years ended 31 December 2017 and 2016.

The difference between the actual income tax charge in the consolidated statement of comprehensive income and the amounts which would result from applying the enacted tax rate to profit before income tax can be reconciled as follows:

| | Year ended 31 December | |
|---|---|---|
| | **2017** | 2016 |
| | ***RMB*** | *RMB* |
| (Loss)/profit before tax | **(7,296,524)** | 2,059,323 |
| Calculated at statutory tax rate | **(1,824,131)** | 514,831 |
| Expenses not deductible for tax purposes | **1,079,923** | 325,044 |
| Additional deduction for research and development expense *(i)* | **(652,083)** | (548,329) |
| Preferential tax rate of the Company | **463,741** | (67,984) |
| Income tax expense | **(932,550)** | 223,561 |

*(i)* Pursuant to the Corporate Income Tax Law, the Company can enjoy an additional tax deduction calculated at 50% of the actual research and development expenses recognised under PRC GAAP. The tax deduction can be charged to the consolidated statement of comprehensive income after obtaining approval from tax authorities.

## 8 EARNINGS PER SHARE

### (a) Basic

Basic earnings per share is calculated by dividing the profit attributable to equity holders of the Company by the weighted average number of ordinary shares in issue for the years ended 31 December 2017 and 2016.

| | Year ended 31 December | |
|---|---|---|
| | **2017** | 2016 |
| (Loss)/profit attributable to the equity holders of the Company *(RMB)* | **(6,363,974)** | 1,835,762 |
| Weighted average number of ordinary shares in issue | **32,000,000** | 32,000,000 |
| Basic (loss)/earnings per share *(RMB per share)* | **(0.20)** | 0.06 |

### (b) Diluted

The fully diluted (loss)/earnings per share for the years ended 31 December 2017 and 2016 is the same as the basic (loss)/earnings per share as there is no dilutive potential ordinary share for the years ended 31 December 2017 and 2016.

## 9 INVENTORIES

| | As at 31 December | |
|---|---|---|
| | **2017** | 2016 |
| | ***RMB*** | *RMB* |
| Raw materials | **25,110,583** | 19,087,600 |
| Finished goods | **7,653,809** | 6,376,188 |
| Low value consumables | **171,952** | 134,150 |
| | **32,936,345** | 25,597,938 |

The amount of the provision for impairment of inventories was RMB627,569 at 31 December 2017 (2016: nil).

The cost of inventories recognised as cost of sales amounted to RMB42,412,710 and RMB32,619,127 for the years ended 31 December 2017 and 2016, respectively.

## 10 TRADE AND OTHER RECEIVABLES

| | As at 31 December | |
|---|---|---|
| | **2017** | 2016 |
| | ***RMB*** | *RMB* |
| Trade receivables | **47,052,403** | 47,218,149 |
| Less: provision for impairment | **(6,260,379)** | (3,887,109) |
| Trade receivables – net *(1)* | **40,792,024** | 43,331,040 |
| Bills receivable *(2)* | **5,087,857** | 13,647,221 |
| Other receivables | **6,301,650** | 10,934,250 |
| Less: provision for impairment | **(309,608)** | (213,409) |
| Other receivables – net *(3)* | **5,992,042** | 10,720,841 |
| Prepayments *(4)* | **1,547,293** | 1,987,614 |
| Interest receivables on time deposits | **–** | 54,479 |
| Trade and other receivables – net | **53,419,216** | 69,741,195 |
| Less: non-current portion *(3)* | **(1,156,226)** | (1,120,524) |
| Current portion | **52,262,990** | 68,620,671 |

As at 31 December 2017 and 2016, the fair values of the trade and other receivables of the Group, except for the prepayments and prepaid value added tax which are not financial assets, approximated their carrying amounts.

As at 31 December 2017 and 2016, the trade and other receivables are all denominated in RMB.

*(1)* The ageing analysis of trade receivables based on the invoice date is as follows:

| | **As at 31 December** | |
|---|---|---|
| | **2017** | 2016 |
| | ***RMB*** | *RMB* |
| – Within 180 days | **34,009,079** | 30,731,910 |
| – Over 180 days and within 1 year | **3,636,600** | 4,997,349 |
| – Over 1 year and within 2 years | **2,295,873** | 4,842,864 |
| – Over 2 years and within 3 years | **3,218,180** | 6,119,627 |
| – Over 3 years | **3,892,671** | 526,399 |
| | **47,052,403** | 47,218,149 |

The credit period granted to customers is normally up to 180 days. No interest is charged on the trade receivables. Provision for impairment of trade receivables has been made for estimated irrecoverable amounts from the sales of goods. This provision has been determined by reference to past default experience.

As at 31 December 2017 and 2016, trade receivables of RMB34,009,079 and RMB30,731,910 were fully performing, respectively.

As at 31 December 2017 and 2016, trade receivables of RMB13,043,324 and RMB16,486,239 respectively were partially impaired. The amounts of the provisions were RMB6,260,379 and RMB3,887,109 as at 31 December 2017 and 2016, respectively. The individually impaired receivables mainly relate to customers, which are in unexpectedly difficult economic situations. It was assessed that a portion of the receivables is expected to be recovered.

The ageing of these receivables is as follows:

| | **As at 31 December** | |
|---|---|---|
| | **2017** | 2016 |
| | ***RMB*** | *RMB* |
| – Over 180 days and within 1 year | **3,636,600** | 4,997,349 |
| – Over 1 year and within 2 years | **2,295,873** | 4,842,864 |
| – Over 2 years and within 3 years | **3,218,180** | 6,119,627 |
| – Over 3 years | **3,892,671** | 526,399 |
| | **13,043,324** | 16,486,239 |

Movements in the provision for impairment of trade receivables are as follows:

| | Year ended 31 December | |
|---|---|---|
| | **2017** | 2016 |
| | ***RMB*** | *RMB* |
| At beginning of the year | **3,887,109** | 4,028,283 |
| Provision for impairment | **2,384,056** | 292,281 |
| Write-off against uncollectible receivables | **(10,786)** | (433,455) |
| At the end of the year | **6,260,379** | 3,887,109 |

Impairment provision for trade receivables is charged to administrative expenses in the consolidated statement of comprehensive income.

*(2)* The ageing of bills receivable is within 180 days, which is within the credit term. Bills receivable of RMB1,250,000 and RMB8,611,393 have been discounted to financial institutions to obtain working capital of RMB1,226,283 and RMB8,468,855 as at 31 December 2017 and 2016, respectively (Note 26(2)).

*(3)* As at 31 December 2017 and 2016, details of other receivables are as follows:

| | As at 31 December | |
|---|---|---|
| | **2017** | 2016 |
| | ***RMB*** | *RMB* |
| **Non-current:** | | |
| Guaranteed deposits for environmental rehabilitation | **1,156,225** | 1,120,524 |
| **Current:** | | |
| Staff advances | **3,604,488** | 6,789,693 |
| Other deposits | **1,128,793** | 1,165,116 |
| Others | **412,144** | 1,858,917 |
| **Current subtotal** | **5,145,425** | 9,813,726 |
| **Total** | **6,301,650** | 10,934,250 |

Movements in the provision for impairment of other receivables are as follows:

| | Year ended 31 December | |
|---|---|---|
| | **2017** | 2016 |
| | ***RMB*** | *RMB* |
| At beginning of the year | **213,409** | 396,710 |
| Provision for/(reversal of) impairment | **96,199** | (183,301) |
| At the end of the year | **309,608** | 213,409 |

Impairment provision for other receivables is charged to administrative expenses in the consolidated statement of comprehensive income.

*(4)* As at 31 December 2017 and 2016, prepayments are in connection with:

| | As at 31 December | |
|---|---|---|
| | **2017** | 2016 |
| | ***RMB*** | *RMB* |
| Purchase of raw materials | **1,301,861** | 1,311,248 |
| Service fees | **245,432** | 676,366 |
| | **1,547,293** | 1,987,614 |

## 11 CASH AND BANK BALANCES

| | As at 31 December | |
|---|---|---|
| | **2017** | 2016 |
| | ***RMB*** | *RMB* |
| Cash at bank and on hand *(1)* | **1,845,424** | 16,693,021 |
| Less: Restricted cash *(2)* | **–** | (3,500,000) |
| Cash and cash equivalents | **1,845,424** | 13,193,021 |

Cash at bank and in hand are denominated in:

| | As at 31 December | |
|---|---|---|
| | **2017** | 2016 |
| | ***RMB*** | *RMB* |
| – RMB | **1,845,392** | 15,460,061 |
| – HKD | **32** | 1,232,960 |
| | **1,845,424** | 16,693,021 |

(1) Cash and cash equivalents are deposits with original maturity within 3 months. The Group earns interest on cash and cash equivalents, at fixed annual rates of 0.35% for both the years ended 31 December 2017 and 2016.

(2) As at 31 December 2017 and 2016, details of restricted cash are as follows:

| | As at 31 December | |
|---|---|---|
| | **2017** | 2016 |
| | ***RMB*** | *RMB* |
| Time deposits | **–** | 3,500,000 |

## 12 SHARE CAPITAL

On 31 December 2008, the Company was converted into a joint stock company with limited liability by converting total equity as at 30 November 2008 into 12,000,000 ordinary shares of RMB1 each at par value. The difference of RMB1,128,932 between the total equity as at 30 November 2008 of RMB13,128,932 and nominal value of total issued ordinary shares of RMB12,000,000 was recorded in share premium (Note 22).

On 12 May 2011, as approved by the shareholders, the share capital of the Company was increased by 12,000,000 ordinary shares of RMB1 by way of capitalisation of retained earnings of RMB12,000,000 to share capital, which has the same characteristics with the shares previously issued.

The Company issued a total of 8,000,000 H shares with a per value of RMB1.00 each at a price of HK$9.70 per share on the Growth Enterprise Market of the Stock Exchange of Hong Kong Limited on 16 January 2015. The listing proceeds to the Company, netting off listing expenses, were HK$47,334,829 (equivalent to RMB37,394,515), resulting in an increase of share capital of the Company by RMB8,000,000 and the share premium by RMB29,394,515.

Ordinary shares, issued and fully paid:

| | **Number of shares** | **Share capital** *RMB* |
|---|---|---|
| At 31 December 2015 | 32,000,000 | 32,000,000 |
| **At 31 December 2017 and 2016** | 32,000,000 | 32,000,000 |

## 13 TRADE AND OTHER PAYABLES

| | As at 31 December | |
|---|---|---|
| | **2017** | 2016 |
| Trade payables | **15,869,462** | 16,483,286 |
| Other payables | **8,231,848** | 6,541,855 |
| Staff salaries and welfare payables | **2,691,909** | 2,896,693 |
| Advances from customers | **1,113,120** | 877,118 |
| Accrued taxes other than income tax | **1,207,290** | 1,022,325 |
| | **29,113,629** | 27,821,277 |

As at 31 December 2017 and 2016, all trade and other payables of the Group were non-interest bearing, and their fair value, except for the advance from customers, staff salaries and welfare payables and accrued taxes other than income tax which are not financial liabilities, approximate their carrying amounts due to their short maturities.

As at 31 December 2017 and 2016, trade and other payables were all denominated in RMB.

The ageing analysis of the trade payables is as follows:

| | As at 31 December | |
|---|---|---|
| | **2017** | 2016 |
| | ***RMB*** | *RMB* |
| Trade payables | | |
| – Within 6 months | **10,237,283** | 12,633,636 |
| – Over 6 months and within 1 year | **1,516,393** | 321,151 |
| – Over 1 year and within 2 years | **714,516** | 121,343 |
| – Over 2 years and within 3 years | **38,902** | 3,331,198 |
| – Over 3 years | **3,362,368** | 75,958 |
| | **15,869,462** | 16,483,286 |

## 14 DIVIDENDS

The Board did not recommend the payment of any final dividends for the year ended 31 December 2017 (2016: nil).

## CHAIRMAN'S STATEMENT

On behalf of the board (the "**Board**") of directors (the "**Directors**") of Zhejiang Chang'an Renheng Technology Co., Limited (the "**Company**"), I hereby present the annual report of the Company and its subsidiaries (collectively, the "**Group**") for the year ended 31 December 2017 (the "**Year Under Review**") to shareholders (the "**Shareholders**") for your review.

In 2017, the Board committed to focus in development of new products' project and application of product marketing. The overall condition of production and operation of the Group remained stable, and the balance of production and sale was generally kept. Under the set development plan, the Group implemented the "adjusting structure, promoting development" plan step by step. During the Year Under Review, three industry fields planned by the Group, namely fields of paper chemicals, water treatment chemicals and organic bentonite have come into being initially.

## RESULTS OF OPERATION

The Group recorded an aggregate revenue of approximately RMB80,583,000 for the year ended 31 December 2017, representing an increase of approximately RMB5,323,000 or 7.1% as compared to the previous year. Loss for the year attributable to the equity holders of the Company was approximately RMB6,364,000, while there was a profit of approximately RMB1,836,000 for the year ended 31 December 2016. The overall gross profit margin was down to 46.2% and loss per share was approximately RMB0.20, while the earnings per share was approximately RMB0.06 for the previous year. The Board believes that the existing financial position and cash flow of the Group are sufficient to support the long-term development of the Group.

## BROADEN SALES MARKETS

During the Year Under Review, the Group concentrated to develop the promotion and marketing of the organic bentonite products while Shanghai's sales centers had stable operating. It began to be applied in certain customers and had a good response. The Group's Department for Major Clients had a stable operation to mantain the business relationship with quality clients. We will gradually eliminate relatively small-scale clients with outdated facilities to ensure safe operation of the Group, and actively explored oversea market, such as, the sale of bentonite products for manufacturing paper had been taken a shape in Southeast Asia.

## DEVELOP NEW PRODUCTS

During the Year Under Review, the Group developed the application of bentonite in the field of water treatment in accordance with development plan. We cooperated with colleges and universities at home and overseas on the platform of academician expert team. The products of bentonite in the field of water treatment included wastewater in manufacturing paper, printing and dyeing aquaculture.

## FUTURE OUTLOOK AND DEVELOPMENT STRATEGY

The Group will carry on its efforts to consolidate its principal business as determined by the Board, increase investment in research and development, technology innovation and plan for optimizing our product range structure. On the basis of stabilizing the existing products, the Group will add new products and reduce manufacturing cost to enhance the Group's profitability. We will also further reduce its manufacturing cost through the transformation and upgrading of products and raw materials and developing new technology and new craft. The Group will also continuously broaden its company's sales channel and enhance its comprehensive competitiveness.

## ACKNOWLEDGEMENT

Here, on behalf of the Board of the Company, I hereby wish to extend my gratitude for the hard work contributed by all staff and the Directors, as well as the support to the Company from all the Shareholders. We will adhere to advanced development concept, follow development trend, grasp market opportunities, and make continuous efforts to create greater value for our Shareholders and make new contribution to the community.

## MANAGEMENT DISCUSSION AND ANALYSIS

## INDUSTRY REVIEW

In 2017, the economic situation of China slowed down steadily but with improvement; the economic structure continued to be optimized; the reform achieved initial results; and the green development started to make improvements.

Papermaking industry has become an important industry in China's national economy. During the "13th Five-Year-Plan", China's papermaking industry has stepped into a period of adjustment of the overall industrial structure, and efforts must be made to solve three prominent problems, namely resources, environment and structure so as to promote industrial upgrading. In the medium and long term, the implementation of the papermaking industry policy and the new environmental protection standards will increase the barriers to entry of the industry, thus the elimination of companies with outdated production capacity and small and medium-sized enterprises will increase. Sized, intensive and environment-friendly large-scale enterprises will become the main body in the market. The general guiding principle is to build a green papermaking industry. There is still room for development in the papermaking industry on the basis of stable development.

The papermaking fine chemicals industry in which the Group is located has benefited from the positive impact of such factors as national environmental remediation and reform, accelerating the elimination of backward production capacity and resource integration in the industry and mitigating the periodic conflict between the supply and demands of the industry. Meanwhile, the positive impact of the steady growth of the domestic economy and on market demand and the promotion of product costs has resulted in a relatively stable product price and a good trend of recovery in the industry.

In recent years, the international bentonite market is widely favored. With the strengthening of environmental protection in various countries in the world, bentonite is used more and more widely to remove various harmful ions and molecules from the sewage system. International oil prices is expensive in result of geo and political factors, and all countries are intensely seeking and exploring oil and natural gas. The usage of bentonite in the field of paint and coatings and other applications made a substantial increase in the added value of bentonite products. These factors will lead to the further increase of bentonite demand.

## BUSINESS REVIEW

During the Year Under Review, the Group stepped up the promotion of new products. The organic bentonite products market had taken a shape which began to be applied in customers at home and overseas and had a good reflecting. The Group continued to focus in the development of overseas markets. The sales of bentonite for manufacturing paper in the Southeast Asia market have been taken shape during the Year Under Review.

The Group attaches great importance to the research and development of new products and continues to research and develop several projects for the environmental protection field with Jilin Design and Research Institute for Petrochemical Engineering during the Year Under Review. In 2017, the Group obtained 7 invention patents and undertook the development of 2 new products which were on provincial-level.

## FINANCIAL REVIEW

### 1. Revenue

The following table sets out revenue by product categories and the corresponding percentage of total revenue for the Year Under Review:

| | **For the year ended 31 December** | | | |
|---|---|---|---|---|
| | **2017** | | 2016 | |
| **Product** | ***RMB'000*** | *%* | *RMB'000* | *%* |
| Papermaking chemicals series | **56,034** | **69.6** | 68,410 | 90.9 |
| Organic bentonite | **17,841** | **22.1** | 863 | 1.1 |
| Quality calcium-bentonite | **3,248** | **4.0** | 1,460 | 1.9 |
| Bentonite for metallurgy pellet | **1,585** | **2.0** | 2,525 | 3.4 |
| Others *(i)* | **1,875** | **2.3** | 2,002 | 2.7 |
| Total | **80,583** | **100.0** | 75,260 | 100.0 |

*(i)* Other chemicals mainly comprise inorganic gel and flocculating agent, which are principally applied in the coating preparation industry.

Revenue from sales of papermaking chemicals series decreased by approximately RMB12,376,000 or 18.1% from approximately RMB68,410,000 for the year ended 31 December 2016 to approximately RMB56,034,000 for the year ended 31 December 2017. As the average unit selling price remained stable for the comparative periods, the decrease in revenue was mainly due to the decrease in sales volume, which decreased by approximately 17.9% from approximately 14,500 tonnes for the year ended 31 December 2016 to approximately 11,900 tonnes for the year ended 31 December 2017.

Revenue from sales of organic bentonite increased by approximately RMB16,978,000 or 1,967.3% from approximately RMB863,000 for the year ended 31 December 2016 to approximately RMB17,841,000 for the year ended 31 December 2017. The increase was mainly due to the fact that the Group sold more products with lower gross profit margin to the customer in order to increase the sales volume.

Revenue of quality calcium-bentonite for the year ended 31 December 2017 increased by approximately RMB1,788,000 or 122.5% to approximately RMB3,248,000 as compared to approximately RMB1,460,000 for the year ended 31 December 2016. While the average unit selling price remained steady for these two periods, the increase in revenue was mainly due to the increase in sales volume.

Revenue of bentonite for metallurgy pellet decreased by approximately RMB940,000 or 37.2% from approximately RMB2,525,000 for the year ended 31 December 2016 to approximately RMB1,585,000 for the year ended 31 December 2017.

Revenue of others for the year ended 31 December 2017 decreased by approximately RMB127,000 or 6.3% to approximately RMB1,875,000 as compared to approximately RMB2,002,000 for the year ended 31 December 2016. Others mainly comprise inorganic gel and flocculating agent, which are principally applied in the coating preparation industry.

## 2. Cost of sales

The cost of sales mainly comprised cost of raw materials, direct labour costs and manufacturing overhead costs such as depreciation and utility charges. The following table sets out the breakdown of the cost of sales of the Group for the Year Under Review:

| | **For the year ended 31 December** | | | |
|---|---|---|---|---|
| | **2017** | | 2016 | |
| | ***RMB'000*** | *%* | *RMB'000* | *%* |
| Cost of raw materials and consumable | **32,561** | **75.1** | 24,336 | 73.3 |
| Direct labour costs | **3,483** | **8.0** | 2,350 | 7.1 |
| Manufacturing overhead cost | **6,073** | **14.0** | 5,765 | 17.4 |
| Others | **1,253** | **2.9** | 756 | 2.2 |
| Total | **43,370** | **100.0** | 33,207 | 100.0 |

The cost of sales increased approximately RMB10,163,000 or 30.6% from approximately RMB33,207,000 for the year ended 31 December 2016 to approximately RMB43,370,000 for the year ended 31 December 2017.

Cost of raw materials accounted for approximately 73.3% and 75.1% of cost of sales for the year ended 31 December 2016 and 2017 respectively. The cost of raw materials increased by approximately RMB8,225,000 or 33.8% from approximately RMB24,336,000 for the year ended 31 December 2016 to approximately RMB32,561,000 for the year ended 31 December 2017 was mainly due to the increase of quantity consumed of CPAM. CPAM was the major raw material for a kind of product in papermaking chemicals with a relatively high unit price. As sales volume of this kind of product increased for the year ended 31 December 2017, the cost of sales for CPAM increased accordingly.

Direct labour costs accounted for approximately 7.1% and 8.0% of cost of sales for the year ended 31 December 2016 and 2017 respectively. Direct labour costs increased by approximately RMB1,133,000 or 48.2% from approximately RMB2,350,000 to RMB3,483,000 during the comparative years.

Manufacturing overhead costs accounted for approximately 17.4% and 14.0% of cost of sales for the year ended 31 December 2016 and 2017 respectively. Manufacturing overhead costs increased by approximately RMB308,000 or 5.3% from approximately RMB5,765,000 for the year ended 31 December 2016 to approximately RMB6,073,000 for the year ended 31 December 2017.

### 3. Gross profit and gross profit margin

Gross profit margin decreased from 55.9% in 2016 to 46.2% in 2017. The decrease in gross profit margin was mainly attributable to the drop in gross profit margin of organic bentonite and quality calcium-bentonite by selling more products with lower gross profit margin to the customers in order to increase the sales volume.

The table below sets out the Group's gross profit and gross profit margin by product for the Year Under Review:

| | **For the year ended 31 December** | | | |
|---|---|---|---|---|
| | **2017** | | 2016 | |
| **Product** | ***RMB'000*** | *%* | *RMB'000* | *%* |
| Papermaking chemicals series | **32,222** | **57.5** | 38,945 | 56.9 |
| Organic bentonite | **2,570** | **14.4** | 591 | 68.5 |
| Quality calcium-bentonite | **1,261** | **38.8** | 1,235 | 84.6 |
| Bentonite for metallurgy pellet | **614** | **38.8** | 866 | 34.3 |
| Others | **546** | **25.9** | 416 | 20.8 |
| Total | **37,213** | **46.2** | 42,053 | 55.9 |

The gross profit margin of papermaking chemicals series increased slightly from 56.9% for the year ended 31 December 2016 to 57.5% for the year ended 31 December 2017. The increase in gross profit margin was mainly due to the change of product mix in response to the market demand. The Group sold more products with higher gross profit margin for the year ended 31 December 2017.

The gross profit margin of organic bentonite was 68.5% and 14.4% for the year ended 31 December 2016 and 2017. The gross profit margin decreased by 54.1% points during the comparative years. The decrease was mainly due to the fact that the Group sold more products with lower gross profit margin to the customers in order to increase the sales volume.

The gross profit margin of quality calcium – bentonite was 84.6% and 38.8% for the year ended 31 December 2016 and 2017 respectively. The gross profit margin decreased by 45.8% points during the comparative years. The decrease was mainly due to the fact that the Group sold more products with lower gross profit margin to the customers in order to increase the sales volume.

The gross profit margin of bentonite for metallurgy pellet was 34.3% and 38.8% for the year ended 31 December 2016 and 2017 respectively. The gross profit margin remained stable during the comparative years.

The gross profit margin of other products was 20.8% and 25.9% for the year ended 31 December 2016 and 2017 respectively. The gross profit margin increased by 5.1% points during the comparative years.

**4. Distribution costs**

The distribution costs for the year ended 31 December 2016 and 2017 amounted to approximately RMB16,527,000 and RMB17,999,000 respectively. The distribution costs increased by approximately RMB1,472,000 or 8.9% mainly because of the increase in business development expenses during the Year Under Review.

**5. Administrative expenses**

The administrative expenses increased by approximately RMB1,034,000 or 6.5% from approximately RMB15,853,000 for the year ended 31 December 2016 to approximately RMB16,887,000 for the year ended 31 December 2017. The increase was mainly due to the increase in provision for trade receivables.

6. **Research and development expenses**

The research and development expenses increased by approximately RMB1,474,000 or 39.4% from approximately RMB3,744,000 for the year ended 31 December 2016 to approximately RMB5,217,000 for the year ended 31 December 2017. The increase was mainly due to the starting of new research and development project for the environmental protection field with Jilin Design and Research Institute for petrochemical engineering.

7. **Other gains – net**

Other gains for the year ended 31 December 2016 and 2017 amounted to approximately RMB1,129,000 and RMB645,000 respectively. The decrease in other gains was mainly due to the loss on disposal of property, plant and equipment of approximately RMB4,000 for the year ended 31 December 2017 while there was a gain of approximately RMB218,000 for the year ended 31 December 2016.

8. **Finance income and expenses**

The net finance expenses increased slightly by approximately RMB52,000 or 1.0% from approximately RMB4,999,000 for the year ended 31 December 2016 to approximately RMB5,051,000 for the year ended 31 December 2017. The increase was mainly due to the increase of interest expenses on borrowings as a result of the increase in average bank borrowings. The borrowings were financed for working capital and capital investments in the production facilities.

9. **Income tax expense**

The income tax expense was a tax credit of RMB933,000 for the year ended 31 December 2017 while the income tax expense was RMB224,000 for the year ended 31 December 2016. The tax credit was a result of the loss before income tax.

The effective tax rates were 10.9% and (12.8)% for the years ended 31 December 2016 and 2017, respectively.

10. **(Loss)/profit for the year attributable to the equity holders of the Company**

The loss for the year attributable to the equity holders of the Company was approximately RMB6,364,000 for the year ended 31 December 2017 while there was a profit of approximately RMB1,836,000 for the year ended 31 December 2016. The decrease in net profit of the Group was mainly due to the decrease in gross profit and increase in operating expenses during the Year Under Review.

## ANALYSIS OF MAJOR BALANCE SHEET ITEMS

### 1. Inventories

The inventories comprise raw materials, finished goods and low-value consumables. The following table sets out the inventories as at balance sheet dates indicated:

| | As at 31 December | |
|---|---|---|
| | **2017** | 2016 |
| | ***RMB'000*** | *RMB'000* |
| Raw materials | **25,110** | 19,088 |
| Finished goods | **7,654** | 6,376 |
| Low-value consumables | **172** | 134 |
| Total | **32,936** | 25,598 |

Raw materials mainly comprised bentonite and CPAM. Finished goods are bentonite fine chemicals mainly applied in the papermaking industries. The Group customizes the formulas for bentonite fine chemicals based on customers' requirements and makes enhancement in response to customers' production conditions.

***Provision for impairment of inventories***

The Group has established policies to evaluate the amount of provision required for impairment of inventories. The Group inspects and reviews the aging and conditions of inventories on a regular basis. If the Group considers that the inventories have become obsolete or damaged, provision for impairment of inventories will be provided against these inventories to reflect the net realisable value of these inventories.

The amount of the provision for impairment of inventories was approximately RMB627,000 at 31 December 2017 (at 31 December 2016: nil).

*Inventory turnover*

The following table sets out the average inventory turnover days for the year indicated:

| | Year ended 31 December | |
|---|---|---|
| | **2017** | 2016 |
| Average inventory turnover days *(note)* | **246** | 260 |

*Note:*

Average inventory turnover days are equal to the average inventory divided by cost of sales and multiplied by 365 days. Average inventory equals inventory at the beginning of the financial year plus inventory at the end of the financial year and divided by 2.

The average inventory turnover days decreased from 260 days for the year ended 31 December 2016 to 246 days for the year ended 31 December 2017. The decrease in average inventory turnover days in 2017 was primarily due to the increase in cost of sales.

## 2. Trade and other receivables

The following table sets out an analysis of the trade and other receivables as at the balance sheet dates indicated:

| | As at 31 December | |
|---|---|---|
| | **2017** | 2016 |
| | ***RMB'000*** | *RMB'000* |
| Trade receivables | **47,052** | 47,218 |
| Less: provision for impairment | **(6,260)** | (3,887) |
| Trade receivables – net | **40,792** | 43,331 |
| Other receivables | **6,302** | 10,934 |
| Less: provision for impairment | **(310)** | (213) |
| Other receivables – net | **5,992** | 10,721 |
| Interest receivables on time deposits | **–** | 54 |
| Bills receivable | **5,088** | 13,647 |
| Prepayments | **1,547** | 1,988 |
| Trade and other receivables – net | **53,419** | 69,741 |
| Less: non-current portion | **(1,156)** | (1,120) |
| Current portion | **52,263** | 68,621 |

### *Trade receivables*

Trade receivables as at 31 December 2016 and 2017 mainly represented the outstanding amounts of receivable from customers less any provision for impairment of trade receivables. The following table sets out an analysis of the trade receivables as at the balance sheet dates indicated:

| | **As at 31 December** | |
|---|---|---|
| | **2017** | 2016 |
| | ***RMB'000*** | *RMB'000* |
| Trade receivables | **47,052** | 47,218 |
| Less: provision for impairment | **(6,260)** | (3,887) |
| Trade receivables – net | **40,792** | 43,331 |

The customers are normally required to make payment pursuant to the credit terms which is determined by the length of the customers' relationship with the Group and the contract value. The Group generally provides a credit term up to 180 days to its customers.

The table below sets out the aging breakdown of trade receivables as at the balance sheet dates indicated:

| | **As at 31 December** | |
|---|---|---|
| | **2017** | 2016 |
| | ***RMB'000*** | *RMB'000* |
| Within 180 days | **34,009** | 30,732 |
| Over 180 days and within 1 year | **3,637** | 4,997 |
| Over 1 year and within 2 years | **2,296** | 4,843 |
| Over 2 years and within 3 years | **3,218** | 6,120 |
| Over 3 years | **3,892** | 526 |
| Total | **47,052** | 47,218 |

The Group's trade receivables decreased slightly by approximately RMB166,000 or 0.35% from approximately RMB47,218,000 as at 31 December 2016 to approximately RMB47,052,000 as at 31 December 2017. The trade receivables due over 180 days decreased by approximately RMB3,443,000 or 20.9% from approximately RMB16,486,000 as at 31 December 2016 to approximately RMB13,043,000 as at 31 December 2017. The decrease was mainly due to the fact that less customers delayed their settlements during the Year Under Review.

### *Trade receivable turnover days*

The following table sets out the Group's trade receivables turnover days for the year indicated:

| | Year ended 31 December | |
|---|---|---|
| | **2017** | 2016 |
| Trade receivable turnover days *(note)* | **214** | 232 |

*Note:*

The number of trade receivables turnover days is calculated as average trade receivables (trade receivables at the beginning of the year plus trade receivables at the end of the year then divided by 2) divided by total revenue for the year multiplied by 365.

The Group's trade receivables turnover days for the years ended 31 December 2016 and 2017 were approximately 232 days and 214 days respectively. The decrease of turnover days was mainly due to the increase in revenue and decrease in trade receivables.

### *Provision for impairment of trade receivables*

The Group determines the provision for impairment of trade receivables based on credit history of the customers and the current market condition. The Group reassesses the provision at each balance sheet date.

Thus, significant judgment is exercised in assessing the collectability of trade receivables from each customer. In making the judgment, the Group takes into consideration the following factors when assessing the recoverability of the trade receivables from individual customer: (i) indications that the debtor is experiencing significant financial difficulty; (ii) history or indication of default in payment; and (iii) relationship with the debtor and subsequent settlement of receivables. If the financial conditions of the customers of the Group were to deteriorate, which resulted in an impairment of their ability to make payments, additional provision of impairment may be required.

## 3. Trade and other payables

The following table sets out an analysis of the trade and other payables as at the balance sheet dates indicated:

| | **As at 31 December** | |
|---|---|---|
| | **2017** | 2016 |
| | ***RMB'000*** | *RMB'000* |
| Trade payables | **15,869** | 16,483 |
| Other payables | **8,232** | 6,542 |
| Staff salaries and welfare payables | **2,692** | 2,897 |
| Advances from customers | **1,113** | 877 |
| Accrued taxes other than income tax | **1,208** | 1,022 |
| Total | **29,114** | 27,821 |

As at 31 December 2016 and 2017, all trade and other payables of the Group were non-interest bearing, and their fair values, except for the advances from customers, staff salaries and welfare payables and accrued taxes other than income tax which are not financial liabilities, approximate their carrying amounts due to their short maturities.

The trade payables decreased by approximately RMB614,000 or 3.7% from approximately RMB16,483,000 as at 31 December 2016 to approximately RMB15,869,000 as at 31 December 2017.

***Trade payables turnover days***

The following table sets out the Group's trade payables turnover days for the year indicated:

| | **Year ended 31 December** | |
|---|---|---|
| | **2017** | 2016 |
| Trade payable turnover days *(note)* | **136** | 160 |

*Note:*

The number of trade payables turnover days is calculated as average trade payables (trade payables at the beginning of the year plus trade payables at the end of the year then divided by 2) divided by cost of sales for the year multiplied by 365. The trade payables turnover days decreased from 160 days for the year ended 31 December 2016 to 136 days for the year ended 31 December 2017, which was due to the increase in payment to our suppliers during the Year Under Review.

## CASH FLOW

The Group's cash is primarily used to meet the demand of financing its working capital requirement, repaying interest and principal due on its indebtedness and providing funds for capital expenditures and growth of the Group's operations.

### 1. Cash flows from operating activities

The net cash inflow from operating activities for the year ended 31 December 2016 amounted to approximately RMB14,733,000, which was mainly attributable to the cash generated from operating activities amounted to approximately RMB15,292,000, as adjusted by the payment of income tax of approximately RMB559,000.

The cash generated from operating activities of approximately RMB15,292,000 was primarily attributable to the operating cash before changes in working capital of approximately RMB13,481,000, as adjusted by (i) a decrease in trade and other receivables of approximately RMB1,029,000 due to the collection of overdue trade receivables, (ii) an increase in inventories of approximately RMB3,853,000, and (iii) an increase in trade and other payables of approximately RMB4,635,000.

The net cash inflow from operating activities for the year ended 31 December 2017 amounted to approximately RMB12,214,000 which was mainly attributable to the cash generated from operating activities amounting to approximately RMB12,699,000, as adjusted by the payment of income tax of approximately RMB485,000.

The cash generated from operating activities of approximately RMB12,699,000 was primarily attributable to the operating cash before changes in working capital of approximately RMB9,202,000 as adjusted by (i) a decrease in trade and other receivables of approximately RMB13,787,000, (ii) an increase in inventories of approximately RMB7,966,000, and (iii) a decrease in trade and other payables of approximately RMB2,325,000.

### 2. Cash flows from investing activities

For the year ended 31 December 2016, the Group had net cash outflow from investing activities of approximately RMB19,690,000, which was primarily attributable to purchase of property, plant and equipment of approximately RMB20,355,000.

For the year ended 31 December 2017, the Group had net cash outflow from investing activities of approximately RMB8,897,000, which was primarily attributable to (i) payment of prepaid leasing expenses and leasehold improvements of approximately RMB435,000, and (ii) purchase of property, plant and equipment of approximately RMB12,033,000, partially offset by (i) withdraw of guaranteed deposits and time deposits of approximately RMB3,500,000 and (ii) interest income received from time deposits of approximately RMB71,000.

### 3. Cash flows from financing activities

For the year ended 31 December 2016, the Group had net cash inflow from financing activities of approximately RMB1,060,000, which was primarily attributable to the proceeds from borrowings of approximately RMB74,611,000, partially off-set by repayment of borrowings of approximately RMB68,422,000 and payments of interest expenses of RMB5,129,000.

For the year ended 31 December 2017, the Group had net cash outflow from financing activities of approximately RMB14,531,000, which was primarily attributable to (i) repayment of borrowings of approximately RMB73,811,000, and (ii) payment of interest expenses of approximately RMB4,970,000, partially offset by the proceed from borrowings of approximately RMB64,250,000.

## CAPITAL STRUCTURE

### 1. Indebtedness

The total indebtedness of the Group as at 31 December 2017 was approximately RMB65,050,000 (31 December 2016: approximately RMB74,611,000). During the Year Under Review, the Group did not experience any difficulties in renewing its banking facilities with its lenders.

### 2. Asset-liability ratio

As at 31 December 2017, the Group's asset-liability ratio was approximately 35.1% (31 December 2016: 37.5%), calculated as the total borrowings divided by total assets multiplied by 100%. The decrease was mainly due to a decrease in bank borrowings.

### 3. Pledge of assets

As at 31 December 2017, the Group had pledged certain buildings, fixtures and facilities, land use right and time deposits with aggregate carrying amount of approximately RMB25,165,000 (31 December 2016: approximately RMB13,118,000).

### 4. Capital expenditures

The capital expenditures of the Group primarily included purchases of plant and equipment, construction in progress. The Group's capital expenditures amounted to approximately RMB21,567,000 and RMB16,744,000 for the year ended 31 December 2016 and 2017 respectively.

## LIQUIDITY AND CAPITAL RESOURCES

The Group has met its working capital needs mainly through cash generated from operations and various long and short-term bank borrowings and other borrowings. Other borrowings were obtained from financial institutions by discounting bank acceptance notes. For the Year Under Review, the weight average effective annual interest rate of bank borrowings was 7.4% and the weight average effective annual interest rate of other borrowings was 4.8%. The currency of the borrowings is in Renminbi. Taking into account the cash flow generated from operations and the long and short-term bank borrowing facilities available to the Group, the Directors are of the view that the Group has sufficient working capital to meet its current liquidity demand and the liquidity demand within at least 12 months from the date of this announcement.

As at 31 December 2017, the Group had cash and cash equivalents of RMB1,845,000 (31 December 2016: approximately RMB13,193,000) which was mainly generated from operations of the Group.

## CONTINGENT LIABILITIES, LEGAL AND POTENTIAL PROCEEDINGS

As at 31 December 2017, the Group did not have any material contingent liabilities, legal proceedings or potential proceedings.

## CAPITAL COMMITMENT

As at 31 December 2017, the Group had capital commitment of approximately RMB5,865,000 (31 December 2016: approximately RMB1,626,000).

## SEGMENT INFORMATION

The chief operating decision-maker of the Group assesses the performance and allocates the resources of the Group as a whole, as all of the Group's activities are considered to be primarily dependent on the performance of production and sales of bentonite clay products. Therefore, management considers there is only one operating segment, under the requirements of Rule 18.41(6) of GEM Listing Rules. In this regard, no segment information is presented.

## MATERIAL ACQUISITION AND DISPOSAL BY THE GROUP

For the year ended 31 December 2017, the Group had not made any material acquisition or disposal.

## SIGNIFICANT INVESTMENTS

The Company had not held any significant investments during the year ended 31 December 2017.

## FUTURE OUTLOOK

In 2017, the gradually steady macro economy provided a favorable external environment for the development of the industry. While the industry bottomed out, the dual role of reform and environmental protection led to a large number of small and medium-sized enterprises being eliminated. The effect of eliminating the bad and remaining the good began to show; the existing enterprises were forced to transform and upgrade; the adjustment and upgrading of the industrial product structure became faster; and the concentration of the industry improved step by step.

The China fine paper chemical industry will present a favorable development while remain steady. However, due to the remaining stress of steady increase of the macro economic, weak growth from the demand side plus the new round of the investment momentum and capacity release as a result of the expected improvement of the profits, it will take more time to enter the sound development track.

In 2018, the competition in the market will become more intense with challenge and uncertainty. Faced with the new situation, the Group will continue to adhere to the market-oriented and make the company's business to a higher level by sticking together, working hard and establishing a sense of crisis and innovation and carrying forward the corporate spirit of cultivating the body through the man himself.

The Group's overall mind set of work: profit-centered, innovation-driven, market-oriented, sales as a leader to improve the market's rapid response capability. To this end, the Group will formulate and implement the following strategies:

(1) The Group's work focuses on promoting organic bentonite products, opening up the market scale for new products and establishing new profit growth points;

(2) The Group further perfects the management of "the Department for Major Clients" and gradually eliminated backward small customers to ensure the safety of funds; and

(3) Promoting the market application of water treatment bentonite products and the development of a series of products to be used in a variety of water treatment areas, such as paint and aquaculture waste water.

## HUMAN RESOURCES AND TRAINING

For the year ended 31 December 2017, the Group had a total of 118 employees, of which 47 worked at the Group's headquarter in Changxing, and 71 stationed in Yangyuan and various regions with main responsibility of production, sales and marketing. Total staff cost for the Year Under Review amounted to RMB11,047,000 (2016: RMB11,843,000). The Group releases an annual sales guideline at the beginning of each year, formulates the sales strategies and sets out the sales targets of different sales areas after discussing with sales representatives. At the end of each year, the Group makes performance appraisal for sales personnel based on the review results and the achievement of sales target.

During the Year Under Review, the Group adhered to the "human-oriented" management concept to have its staff closely involved in the development of the Group and provided them with skills training. The Group formulates workflow and service specifications for its employees, conducts periodic performance review on its employees, and revises their salaries and bonuses accordingly.

## DIVIDENDS

The Board did not recommend the payment of any final dividends for the year ended 31 December 2017 (2016: nil).

## CLOSURE OF THE REGISTER OF MEMBERS OF H SHARES

### To be eligible to attend and vote in the forthcoming annual general meeting

The register of members of the Company will be closed from Thursday, 12 April 2018 to Saturday, 12 May 2018 (both days inclusive) during which period no transfer of H shares will be registered. To be qualified for attending and voting at the forthcoming annual general meeting, all share transfer documents must be lodged with the Company's H share registrar in Hong Kong, Union Registrars Limited, at Suites 3301-04, 33/F, Two Chinachem Exchange Square, 338 King's Road, North Point, Hong Kong, for registration no later than 4:00 p.m. on Wednesday, 11 April 2018.

## OTHER CORPORATE INFORMATION

### Directors' and Supervisors' Service Contracts

Each of the Directors and supervisors has entered into a service agreement with the Company for a term of three years. No Director and supervisor has entered into a service contract with the Company which is not determinable by the Company within one year without payment of compensation, other than statutory compensation.

**Directors', Supervisors' and Controlling Shareholders' Interests in Transaction, Arrangement and Contract**

None of the Directors, the supervisors, the controlling shareholders, nor their respective associates had a material interest, either directly or indirectly, in any transaction, arrangement and contract of significance to the business of the Group to which the Company, or any of its subsidiaries was a party during the Year Under Review.

**Directors', Supervisors' and Chief Executive's Interests in Shares, Debentures and Underlying Shares of the Company or any Associated Corporation**

As at 31 December 2017, the interests and short positions of the Directors, supervisors and the chief executive of the Company in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO), which were required (i) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO); or (ii) pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (iii) pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**"), to be notified to the Company and the Stock Exchange, were as follows:

Long positions in ordinary shares of the Company:

| Name of Director/supervisor | Nature of interest | Number of shares in the Company held | Approximate percentage of Issued Share Capital |
|---|---|---|---|
| Mr. Zhang Youlian | Beneficial owner | 19,220,600 (Domestic Shares) | 60.06% |
| Ms. Zhang Jinhua | Beneficial owner | 398,400 (Domestic Shares) | 1.25% |
| Mr. Xu Qinsi(i) | Interest of spouse | 100,000 (Domestic Shares) | 0.31% |

(i) Mr. Xu Qinsi, the supervisor of the Company, is deemed (by virtue of the SFO) to be interested in 100,000 domestic shares in the Company held by his spouse. Ms. Ling Weixing.

Save as disclosed above, as at 31 December 2017, none of the Directors, supervisors and chief executive had registered an interest or short position in the shares, underlying shares of the Company or any of its associated corporations that was required to be recorded pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Hong Kong Stock Exchange pursuant to Rule 5.46 to 5.67 of the GEM Listing Rules.

**Directors' and Supervisors' Rights to Acquire Shares or Debentures**

During the Year Under Review, no rights to acquire benefits by means of the acquisition of shares in or debentures of the Company were granted to any directors or supervisors or their respective spouse or minor children, or were any such rights exercised by them; nor was the Company, or any of its subsidiaries a party to any arrangement which enabled the directors or supervisors of the Company to acquire such rights in any other body corporate.

**Substantial Shareholders' and Other Persons' Interests in Shares and Underlying Shares**

As at 31 December 2017, so far as the Directors, having made all reasonable enquiries, are aware, the following interests of 5% or more of the issued share capital of the Company (other than the interests of the directors, supervisors and chief executive of the Company as disclosed above) were recorded in the register of interests required to be kept by the Company pursuant to Section 336 of the SFO:

Long positions:

| Name of Shareholder | Nature of interest | Number of shares in the Company held | Interest in Underlying Shares | Total number of shares in the Company held | Approximate percentage of Issued Share Capital |
|---|---|---|---|---|---|
| Ms. Yu Hua | Beneficial owner | 3,576,000 (Domestic Shares) | – | 3,576,000 (Domestic Shares) | 11.18% |

Save as disclosed above, no other parties were recorded in the register of the Company required to be kept under section 336 of the SFO as having interests or short positions in the shares or underlying shares of the Company as at 31 December 2017.

**Corporate governance report**

The Board strives to uphold the principles of corporate governance set out in the Corporate Governance Code (the "**CG Code**") contained in Appendix 15 to the GEM Listing Rules, and adopted various measures to enhance the internal control system, the Directors' continuous professional development and other areas of practice of the Company. While the Board strives to maintain a high level of corporate governance, it also works hard to create value and achieve maximum return for its Shareholders. The Board will continue to conduct review and improve the quality of corporate governance practices with reference to local and international standards.

During the Year Under Review, the Company has complied with the code provisions, other than code provisions A.2.1 and A.1.8 of the CG Code.

According to code provision A.2.1 of the CG Code, the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. Currently, Mr. Zhang Youlian is the Chairman of the Board and the chief executive officer. The Board is in the opinion that having Mr. Zhang to carry out both roles can bring about strong and consistent leadership for the Group, and can be more effective in planning and implementing long-term business strategies. The Board also considers that since members of the Board include competent and independent non-executive Directors, this structure will not impair the balance of power and authority between the Board and its management in the business of the Group. The Board is in the opinion that the structure described above will be beneficial to the Company and its business.

In addition, according to the code provision A.1.8 of the CG Code, the Company should arrange appropriate insurance cover in respect of legal action against its directors and officers. As the Board needed time to consider quotes from different insurers, during the Year Under Review, the Company did not take out directors and officers liability insurance to cover liabilities arising from legal action against its directors.

**Audit Committee**

The Company established an Audit Committee (the "**Audit Committee**") on 26 March 2014 and has formulated its written terms of reference, which have from time to time been modified in accordance with the prevailing provisions of the CG Code. The Audit Committee has three members, namely Mr. Shao Chen, Dr. Huang Zemin, and Mr. Chau Kam Wing, Donald, who are Independent Non-executive Directors. Mr. Chau, who has appropriate professional qualifications and experience in accounting matters, has been appointed as the chairman of the Audit Committee.

The primary duties of the Audit Committee are (among other things) to provide an independent review and supervision of financial reporting, and examine the effectiveness of the internal controls of the Group and to ensure the external auditor is independent and the audit process is effective. The Audit Committee examines all matters relating to the accounting principles and policies adopted by the Group, auditing functions, internal controls, risk management and financial reporting. The Audit Committee also serves as a channel of communication between the Board and the external auditor. External auditor and the Directors are invited to attend the committee meetings as and when necessary.

During the Year Under Review, the Audit Committee had held four meetings and all the members attended the meetings. The attendance record of committee members at these meetings are set out in the section headed "Board Proceedings and Individual Attendance" of this report. Pursuant to the meeting of the Audit Committee held on 24 March 2018, the Audit Committee has, together with the management of the Company and external independent auditor, reviewed the consolidated financial statements for the year ended 31 December 2017, this results announcement, the 2017 annual report and accounting principles and practices adopted for the Group for the Year Under Review, and agreed with the accounting treatments adopted by the Group.

## Model Code for Securities Transactions

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers on terms no less exacting than the required standard of dealings as set out in Rules 5.48 to 5.67 of the GEM Listing Rules (the "**Model Code**") as its own code governing securities transactions of the Directors. Specific enquiries have been made to all Directors and all Directors have confirmed that they have fully complied with the required standard of dealings as set out in the Model Code during the Year Under Review.

## Purchases, Sale or Redemption of the Company's Listed Securities

For the year ended 31 December 2017, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities.

## Events After the Reporting Period

There is no material events after the reporting period as at the date of this announcement.

## Use of Proceeds from Placing of H Shares

The H shares of the Company were listed on the GEM Board of The Hong Kong Stock Exchange on 16 January 2015. Net proceeds from the placing of H shares were approximately RMB37,395,000 (equivalent to approximately HK$47,335,000), after deduction of the underwriting commission and relevant expenses. As at 31 December 2017, the Group had used up all the net proceeds of approximately 37,395,000.

# EXTRACT OF INDEPENDENT AUDITOR'S REPORT

The following is an extract of the independent auditor's report on the Group's consolidated financial statements for the year ended 31 December 2017.

## Material Uncertainty Related to Going Concern

We draw attention to Note 2.1.1 of the consolidated financial statements, which states that the Group incurred a net loss of RMB6,363,974 for the year then 31 December 2017, and as at that date, the Group's current liabilities exceeded its current assets by RMB6,197,308 which included current bank borrowings of RMB63,800,000 due for payment within one year. In addition, the Group's cash and cash equivalent decreased significantly from RMB13,193,021 as at 31 December 2016 to RMB1,845,424 as at 31 December 2017. Such conditions, along with other matters as set forth in Note 2.2.1, indicate the existence of a material uncertainty which may cast significant doubt regarding the Group's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

## REVIEW OF ANNUAL RESULTS

The Audit Committee of the Company has reviewed the annual results for the year ended 31 December 2017 before the results were submitted to the Board for approval. The figure in respect of the preliminary announcement of the Group's results for the year ended 31 December 2017 have been agreed by the Group's auditor, PricewaterhouseCoopers, to the amounts of 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 Engagement or Hong Kong Standards on Assurance Engagement issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by PricewaterhouseCoopers on the preliminary announcement.

### Publication of results

This announcement of results has been published on our website at www.renheng.com and the website of the Stock Exchange at www.hkexnews.hk. The annual report of our Company for the year ended 31 December 2017 containing all the information required by the GEM Listing Rules will be dispatched to the Shareholders of our Company and published on our website at www.renheng.com and the website of the Stock Exchange at www.hkexnews.hk in due course.

By order of the Board
**Zhejiang Chang'an Renheng Technology Co., Ltd.***
**Zhang Youlian**
*Chairman*

Zhejiang, PRC, 24 March 2018

*As at the date of this announcement, the executive Directors are Mr. Zhang Youlian, Mr. Sun Wensheng and Mr. Fan Fang; the non-executive Director is Ms. Zhang Jinhua and the independent non-executive Directors are Mr. Shao Chen, Dr. Huang Zemin and Mr. Chau Kam Wing, Donald.*

*This announcement, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the GEM Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this announcement is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this announcement misleading.*

*This announcement will remain on the "Latest Company Announcements" page of the GEM website at www.hkgem.com for at least 7 days from the date of its publication.*