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 2017

HIGHLIGHTS

– The Group's total revenue was approximately RMB271.9 million in 2017, decreased from the total revenue of approximately RMB780.3 million in 2016.

– The Group experienced a gross loss of approximately RMB16.6 million in 2017, as compared to a gross loss of approximately RMB20.8 million in 2016.

– The Group's loss increased to approximately RMB732.8 million in 2017, from approximately RMB331.0 million in 2016.

– Basic and diluted loss per share decreased from loss per share of RMB21.70 cents in 2016 to loss per share of RMB47.27 cents in 2017.

– As at 31 December 2017, the Group's total bank and cash balances and restricted bank deposits amounted to approximately RMB1.3 million (2016: approximately RMB25.0 million), representing a decrease of 94.8% as compared to that as at 31 December 2016.

– 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 2017 (the "Year" or "Year under Review").

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2017

	Notes	**2017** *RMB'000*	2016 *RMB'000*
Revenue	3	**271,858**	780,310
Cost of sales		**(288,462)**	(801,153)
Gross loss		**(16,604)**	(20,843)
Other income		**8,345**	11,153
Other losses		**(211)**	(9,820)
Selling and distribution costs		**(2,090)**	(4,425)
General and administrative expenses		**(621,788)**	(211,537)
Loss from operation		**(632,348)**	(235,472)
Share of loss of investment accounted for using equity method		**(15,350)**	(3,144)
Impairment for investment accounted for using equity method		**–**	(60,000)
Finance costs – net	5	**(53,253)**	(49,146)
Loss before tax		**(700,951)**	(347,762)
Income tax (expense)/credit	6	**(31,814)**	16,739
Loss and total comprehensive loss for the year attributable to owners of the Company	7	**(732,765)**	(331,023)
Loss per share	8		
Basic and diluted *(RMB cents)*		**(47.27)**	(21.70)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2017

	Notes	2017 RMB'000	2016 RMB'000
Non-current assets			
Property, plant and equipment	9	**396,372**	405,430
Leasehold land and land use right	10	**23,781**	24,338
Available-for-sale financial assets		**–**	4,500
Investment accounted for using equity method	11	**71,506**	86,856
Deferred income tax assets		**–**	29,746
		491,659	550,870
Current assets			
Inventories	12	**52,213**	49,937
Trade and other receivables	13	**225,825**	686,189
Amount due from an associate		**7,290**	–
Restricted bank deposits		**–**	20,960
Bank and cash balances		**1,254**	4,082
		286,582	761,168
Current liabilities			
Trade and other payables	14	**162,806**	149,618
Current income tax liabilities		**–**	986
Borrowings	15	**438,324**	261,609
		601,130	412,213
Net current (liabilities)/assets		**(314,548)**	348,955
Total assets less current liabilities		**177,111**	899,825

	Notes	**2017** *RMB'000*	2016 *RMB'000*
Non-current liabilities			
Borrowings	15	**287,337**	277,988
Deferred income	16	**17,237**	18,104
Deferred income tax liabilities		**1,569**	–
		306,143	296,092
NET (LIABILITIES)/ASSETS		**(129,032)**	603,733
Capital and reserves			
Share capital	17	**124,010**	124,010
Reserves	18	**(253,042)**	479,723
TOTAL (DEFICIT)/EQUITY		**(129,032)**	603,733

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2017

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 located 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 (together the "Group") are principally engaged in the design, manufacturing and sales of fabrics and yarns and trading of polyetherimide ("PEI").

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

These consolidated financial statements are presented in Renminbi ("RMB") and all values are rounded to the nearest thousand unless otherwise stated. These consolidated financial statements have been approved for issue by the Board of Directors of the Company on 29 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 Basis of preparation

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (the "IFRSs"), the applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and by the Hong Kong Companies Ordinance.

These consolidated financial statements have been prepared under the historical cost convention, as modified by available-for-sale financial assets which are carried at their fair value.

The preparation of consolidated financial statements in conformity with IFRSs requires the use of key assumptions and estimates. It also requires the directors to exercise their judgements in the process of applying the accounting policies. The areas involving critical judgements and areas where assumptions and estimates are significant to these consolidated financial statements.

Going concern

The Group incurred a loss of approximately RMB732,765,000 for the year ended 31 December 2017 and as at 31 December 2017, the Group had net current liabilities and net liabilities of approximately RMB314,548,000 and RMB129,032,000, respectively. Furthermore, as at 31 December 2017, the Group's bank borrowings of approximately RMB195,991,000 were overdue and its bonds of approximately RMB186,563,000 are subject to renewal or to be fully repaid within the next twelve months. These conditions indicate the existence of a material uncertainty which may cast significant doubt on the Group's ability to continue as a going concern. Therefore, the Group may be unable to realise its assets and discharge its liabilities in the normal course of business.

The directors of the Company are of the opinion that it is appropriate to prepare the consolidated financial statements on going concern basis. These consolidated financial statements have been prepared on a going concern basis, the validity of which depends upon that the Group will be able to successfully negotiate and agree with the creditors to renew or extend the existing borrowings or complete debt financing to meet its liabilities as they fall due.

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.

3. REVENUE

The Group's revenue recognised during the year represents sales of fabrics and yarns and trading of PEI. An analysis of the Group's revenue for the year is as follows:

	2017	2016
	RMB'000	*RMB'000*
Sales of fabrics and yarns	**271,858**	447,717
Trading of PEI	**–**	332,593
	271,858	780,310

4. SEGMENT INFORMATION

The Group's reportable segments are strategic business units that offer different products. They are managed separately because each business requires different technology and marketing strategies. The Group has three reportable segments: (i) sales of fabrics; (ii) sales of cotton yarns; and (iii) trading of PEI.

Segment profit or loss do not include other income, other losses, selling and distribution costs, general and administrative expenses, finance costs – net, share of loss of investment accounted for using equity method and related impairment. Segment assets do not include deferred income tax assets, restricted bank deposits and bank and cash balances. Segment liabilities do not include current and deferred income tax liabilities and borrowings.

Segment results	Fabrics *RMB'000*	Yarns *RMB'000*	PEI *RMB'000*	Total *RMB'000*
Year ended 31 December 2017:				
Reportable segment revenue	**365,783**	**–**	**–**	**365,783**
Inter-company revenue	**(93,925)**	**–**	**–**	**(93,925)**
Reportable segment revenue derived from external customers	**271,858**	**–**	**–**	**271,858**
Reportable segment loss	**(16,604)**	**–**	**–**	**(16,604)**
Other operating expenses				**(623,878)**
Other income and other losses – net				**8,134**
Finance costs – net				**(53,253)**
Share of loss of investment accounted for using equity method				**(15,350)**
Loss before tax				**(700,951)**
Income tax expense				**(31,814)**
Loss for the year				**(732,765)**
Other segment items				
Capital expenditure	**28,774**	**–**	**–**	**28,774**
Amortisation of leasehold land and land use right	**557**	**–**	**–**	**557**
Depreciation of property, plant and equipment	**32,158**	**1,499**	**–**	**33,657**
Impairment losses	**242,071**	**–**	**309,605**	**551,676**
Year ended 31 December 2016:				
Reportable segment revenue	622,161	48,923	332,593	1,003,677
Inter-company revenue	(174,444)	(48,923)	–	(223,367)
Reportable segment revenue derived from external customers	447,717	–	332,593	780,310
Reportable segment (loss)/profit	(25,327)	(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 and impairment for investment accounted for using equity method				(63,144)
Loss before tax				(347,762)
Income tax credit				16,739
Loss for the year				(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	35,464	6,792	–	42,256
Impairment losses	244,775	15,533	–	260,308

Segment assets and liabilities	**Fabrics** *RMB'000*	**Yarns** *RMB'000*	**PEI** *RMB'000*	**Total** *RMB'000*
At 31 December 2017:				
Segment assets	**776,987**	**–**	**–**	**776,987**
Unallocated assets				**1,254**
Total assets				**778,241**
Segment liabilities	**177,423**	**2,620**	**–**	**180,043**
Unallocated liabilities				**727,230**
Total liabilities				**907,273**
At 31 December 2016:				
Segment assets	896,041	28,616	332,593	1,257,250
Unallocated assets				54,788
Total assets				1,312,038
Segment liabilities	163,474	3,908	340	167,722
Unallocated liabilities				540,583
Total liabilities				708,305

Geographical information:

The following table sets out information about the geographical location of the Group's revenue from external customers. The geographical location of customers is based on the location at which the goods delivered.

	2017 *RMB'000*	2016 *RMB'000*
The People's Republic of China (the "PRC")	**192,974**	219,912
Hong Kong	**78,884**	560,398
Consolidated revenue	**271,858**	780,310

Revenue from major customers:

	2017 *RMB'000*	2016 *RMB'000*
Customer A	–*	120,283
Customer B	–*	83,228
Customer C	–*	84,769
Customer D	**40,723**	–*
Customer E	**29,334**	–*

* Revenue from these customers did not exceed 10% of total revenue for the year. These amounts were shown for comparative purpose.

5. FINANCE COSTS – NET

	2017	2016
	RMB'000	*RMB'000*
Interest income on bank deposits	**(246)**	(4,122)
Interest expense on bank borrowings	**18,625**	19,049
Interest expense on bonds	**50,053**	23,503
Net foreign exchange (gain)/loss	**(15,991)**	9,508
Bank charges	**812**	1,208
	53,253	49,146

6. INCOME TAX EXPENSE/(CREDIT)

	2017	2016
	RMB'000	*RMB'000*
Current tax:		
– Hong Kong Profits Tax under-provision in prior years	**232**	–
– PRC Enterprise Income Tax under-provision in prior years	**267**	–
	499	–
Deferred tax	**31,315**	(16,739)
	31,814	(16,739)

The Group is not subject to any taxation in the Cayman Islands and the British Virgin Islands.

No provision for Hong Kong Profits Tax is required since the Group did not generate any assessable profits raising in Hong Kong during the year (2016: Nil).

In accordance with an additional payment of Hong Kong Profits Tax issued by Hong Kong Inland Revenue Department for the year of assessment of 2014/2015, the Group is obliged to pay an amount of approximately RMB232,000 based on the revised assessable profits for the year of assessment.

In accordance with an additional assessment of Corporate Income Tax Law (the "CIT Law") issued by State Administration of Taxation of PRC for the year of assessment of 2014, the Group is obliged to pay an amount of approximately RMB267,000 based on the revised assessable profits for the year of assessment.

In accordance with the CIT Law of the PRC, subsidiaries of the Group established in the PRC are subject to Corporate Income Tax at rate of 25% (2016: 25%) during the year.

According to the New CIT Law, starting from 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 2017, due to the accumulated losses in subsidiaries in the PRC, there is no need to calculate deferred income tax liabilities for unremitted earnings of the PRC subsidiaries.

As at 31 December 2017, the Group has unused tax losses of approximately RMB173,709,000 (2016: RMB102,836,000) available for offset against future assessable profits. No deferred tax asset has been recognised in respect of the tax losses due to the unpredictability of future profit streams of the respective entities.

The reconciliation between income tax expense/(credit) and loss before tax are as follows:

	2017	2016
	RMB'000	*RMB'000*
Loss before tax	**(700,951)**	(347,762)
Notional tax on loss before taxation, calculated at the rates applicable in the tax jurisdictions concerned	**(137,264)**	(99,245)
Tax effect income not taxable and expenses not deductible	**46,005**	89
Impairment provision for which no deferred tax assets was recognised	**103,864**	38,946
Tax effect of tax losses not recognised	**18,710**	43,471
Under-provision in prior years	**499**	–
Income tax expense/(credit)	**31,814**	(16,739)

7. LOSS FOR THE YEAR

The Group's loss for the year is stated after charging/(crediting) the following:

	2017	2016
	RMB'000	*RMB'000*
Auditor's remuneration	**1,041**	1,717
Raw materials and consumables used	**246,826**	716,268
Change of inventories of finished goods and work in progress	**(4,530)**	1,728
Depreciation	**33,657**	42,256
Amortisation of leasehold land and land use right	**557**	557
Minimum lease payments under operating leases in respect of office premises	**946**	944
Loss on disposal of property, plant and equipment	**459**	9,541
Gain on disposal of available-for-sale financial assets	**(300)**	–
Net foreign exchange loss included in general and administrative expenses	**31,338**	–
Impairment loss of inventories	**1,529**	–
Impairment loss of trade receivables	**445,544**	129,888
Impairment loss of prepayments	**104,603**	54,887
Impairment loss of property, plant and equipment	**–**	15,533
Staff costs (including directors' remuneration):		
Salaries, bonuses and other benefits	**16,745**	23,679
Contributions to defined contribution retirement schemes	**6,811**	2,374

8. LOSS PER SHARE

Basic loss per share

The calculation of basic loss per share is based on the loss attributable to owners of the Company of approximately RMB732,765,000 (2016: RMB331,023,000) and the weighted average of 1,550,000,000 (2016: 1,525,792,000) ordinary shares in issue during the year.

Diluted loss per share

No diluted loss per share is presented as the Group did not have any dilutive potential ordinary shares during the years ended 31 December 2017 and 2016.

9. PROPERTY, PLANT AND EQUIPMENT

	Buildings *RMB'000*	Machinery and equipment *RMB'000*	Office equipment, furniture and vehicles *RMB'000*	Construction in progress *RMB'000*	Total *RMB'000*
Cost					
At 1 January 2016	294,805	259,515	5,132	76,230	635,682
Additions	–	248	65	2	315
Disposals	–	(26,848)	–	–	(26,848)
Transfer	76,232	–	–	(76,232)	–
At 31 December 2016 and 1 January 2017	371,037	232,915	5,197	–	609,149
Additions	–	6,274	–	22,500	28,774
Disposals	–	(35,458)	(407)	–	(35,865)
At 31 December 2017	371,037	203,731	4,790	22,500	602,058
Accumulated depreciation and impairment					
At 1 January 2016	55,891	100,921	1,417	–	158,229
Charge for the year	16,590	24,856	810	–	42,256
Disposals	–	(12,299)	–	–	(12,299)
Impairment	–	15,533	–	–	15,533
At 31 December 2016 and 1 January 2017	72,481	129,011	2,227	–	203,719
Charge for the year	16,590	16,515	552	–	33,657
Disposals	–	(31,365)	(325)	–	(31,690)
At 31 December 2017	89,071	114,161	2,454	–	205,686
Carrying amounts					
At 31 December 2017	281,966	89,570	2,336	22,500	396,372
At 31 December 2016	298,556	103,904	2,970	–	405,430

As at 31 December 2017, buildings of the Group with net book value of approximately RMB186,733,000 (2016: RMB198,351,000) and machinery and equipment of the Group with net book value of approximately RMB34,689,000 (2016: RMB43,025,000) were pledged as collateral for certain bank borrowings of the Group.

The Group has carried out a review of the recoverable amount of its property, plant and equipment as at 31 December 2017 with reference to the independent valuation performed by an independent valuer, Castores Magi (Hong Kong) Limited. The recoverable amount is assessed based on fair value less cost of disposal by using replacement cost basis under level 3 fair value measurement. No impairment loss is recognised for the year ended 31 December 2017 as the recoverable amount of the subject property, plant and equipment is larger than and close to its carrying amount as at 31 December 2017.

10. LEASEHOLD LAND AND LAND USE RIGHT

	2017	2016
	RMB'000	*RMB'000*
At 1 January	**24,338**	24,895
Amortisation for the year	**(557)**	(557)
At 31 December	**23,781**	24,338

Leasehold land and land use right represent the net book amount of prepaid operating lease payments. All land use right is located in the PRC.

As at 31 December 2017, the Group's leasehold land and land use right with carrying amount of approximately RMB23,781,000 (2016: RMB24,338,000) were pledged as collateral for certain bank borrowings of the Group.

11. INVESTMENT ACCOUNTED FOR USING EQUITY METHOD

	2017	2016
	RMB'000	*RMB'000*
Unlisted investments:		
Share of net assets of an associate	**70,597**	85,947
Goodwill	**60,909**	60,909
	131,506	146,856
Impairment loss	**(60,000)**	(60,000)
	71,506	86,856

The following table shows information of the Group's associate. The associate is accounted for in the consolidated financial statements using the equity method. The summarised financial information presented is based on the financial statements of the associate.

Name	Baixin (China) Co., Ltd.
Principal place of business/country of incorporation	The PRC
Principal activities	Manufacturing and sales of yarn and cotton fabric products
% of ownership interests/voting rights held by the Group	50%/50%

	2017	2016
	RMB'000	*RMB'000*
At 31 December:		
Non-current assets	**313,178**	328,953
Current assets	**130,402**	137,290
Non-current liabilities	**(106,920)**	(126,251)
Current liabilities	**(193,750)**	(166,382)
Net assets	**142,910**	173,610
Year ended 31 December:		
Revenue	**122,988**	68,143
Loss before tax	**(30,700)**	(7,590)
Income tax credit	**–**	1,302
Loss for the year	**(30,700)**	(6,288)

As at 31 December 2017, the bank and cash balances of the Group' associate in the PRC denominated in RMB amounted to approximately RMB4,309,000 (2016: RMB3,617,000). Conversion of RMB into foreign currencies is subject to the PRC's Foreign Exchange Control Regulations.

The amount due from an associate is unsecured, interest-free and repayable within one year.

12. INVENTORIES

	2017	2016
	RMB'000	*RMB'000*
Raw materials	**6,601**	7,327
Work in progress	**7,209**	19,373
Finished goods	**38,403**	23,237
	52,213	49,937

As at 31 December 2017, the Group's inventories with carrying amount of approximately RMB14,138,000 (2016: Nil) were pledged as collateral for certain bank borrowings of the Group.

13. TRADE AND OTHER RECEIVABLES

	2017	2016
	RMB'000	*RMB'000*
Trade receivables	**731,359**	660,134
Less: allowance for trade receivables	**(575,432)**	(129,888)
	155,927	530,246
Prepayments to suppliers for purchase of raw materials	**181,716**	207,295
Less: allowance for prepayments	**(163,990)**	(59,387)
	17,726	147,908
Bills receivable	**–**	100
Receivables for disposal of machinery and equipment	**–**	5,000
Others	**52,172**	2,935
	225,825	686,189

Trade and bills receivables are normally due within 90–120 (2016: 90–270) days from the date of billing. The Group also offers revolving credit to its customers. The revolving credit, which provides for a maximum credit limit that may be outstanding at any one time, is determined based on factors such as the customers' credit history and current ability to pay. The following is an aging analysis of trade and bills receivables, presented based on the invoice date, at the end of the reporting period.

	2017	2016
	RMB'000	*RMB'000*
Within 6 months	**103,998**	330,141
Over 6 months but less than 12 months	**51,929**	73,074
Over 12 months	**–**	127,131
	155,927	530,346

Allowance for trade receivables

The movements in allowance for trade receivables are as follows:

	2017	2016
	RMB'000	*RMB'000*
At beginning of the reporting period	**129,888**	–
Allowance for the year	**445,544**	129,888
At end of the reporting period	**575,432**	129,888

The allowance for trade receivables represents individual impaired trade receivables with a total of approximately RMB575,432,000 (2016: RMB129,888,000) which are past due/or in default of payments. The Group does not hold any collateral over these balances. Impaired amounts were directly written off against trade receivables when there was no expectation of recovering any amount.

Trade and bills receivables that are not impaired

The aging analysis of trade and bills receivables that are neither individually nor collectively considered to be impaired are as follows:

	2017	2016
	RMB'000	*RMB'000*
Neither past due nor impaired	**58,186**	530,346
Less than 6 months past due	**75,755**	–
Over 6 months but less than 12 months past due	**21,986**	–
	155,927	530,346

Trade and bills receivables that were not past due relate to a number of customers who have no recent history of default. The Group does not hold any collateral over these balances.

14. TRADE AND OTHER PAYABLES

	2017	2016
	RMB'000	*RMB'000*
Trade payables	**59,270**	66,969
Bills payable	**–**	25,600
Advance payments from customers	**6,453**	6,991
Payables for purchase of property, plant and equipment	**26,845**	7,470
Salary payable	**23,783**	14,646
Interest payable	**25,109**	12,475
Other payables and accruals	**21,346**	15,467
	162,806	149,618

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

	2017	2016
	RMB'000	*RMB'000*
Within 3 months	**4,203**	33,906
Over 3 months but less than 12 months	**8,505**	48,486
Over 12 months	**46,562**	10,177
	59,270	92,569

(b) As at 31 December 2016, bills payable of approximately RMB25,600,000 were secured by pledged bank deposits.

15. BORROWINGS

	Note	2017 *RMB'000*	2016 *RMB'000*
Current:			
Secured bank borrowings	(a)	**227,475**	228,281
Unsecured bank borrowings	(a)	**24,286**	33,328
Unsecured bonds	(b)	**186,563**	–
		438,324	261,609
Non-current:			
Unsecured bonds	(b)	**287,337**	277,988
		725,661	539,597

(a) Bank borrowings

All bank borrowings are repayable on demand or within one year.

As at 31 December 2017, bank borrowings amounted to approximately RMB195,991,000 (2016: Nil) were overdue by the Group due to temporary shortage of funds. As a result, the Group is subject to a penalty interest expense during the overdue period.

The Group's bank borrowings of approximately RMB227,475,000 (2016: RMB228,281,000) were secured by its property, plant and equipment, leasehold land and land use right and inventories.

The effective interest rates on bank borrowings were ranging from 5.75% to 10.16% (2016: 7.42% to 9%) per annum for the year ended 31 December 2017.

(b) Unsecured bonds

As at 31 December 2017, the Company issued a number of HK$-denominated bonds with an aggregate principal of approximately HK$431,936,000 (2016: HK$163,000,000). The bonds are unsecured, bearing interest rates at a range of 1.5% – 14% (2016: 5% – 8%) per annum, and repayable during the period from January 2018 to June 2026. The interest expenses are calculated using the effective interest method by applying the effective rates at a range of 8.96% – 43.86% (2016: 11% – 25%). The maturity profile of the carrying amount of the bonds is analysed as follows:

	2017 *RMB'000*	2016 *RMB'000*
Within one year	**186,563**	–
In the second year	**77,613**	123,638
In the third to fifth years, inclusive	**89,996**	65,558
After five years	**119,728**	88,792
	473,900	277,988

16. DEFERRED INCOME

	2017	2016
	RMB'000	*RMB'000*
Government grants relating to leasehold land and land use right	**14,035**	14,254
Government grants relating to plant and equipment	**3,202**	3,850
	17,237	18,104

The movements of deferred income during the year are as follows:

	2017	2016
	RMB'000	*RMB'000*
At beginning of the reporting period	**18,104**	19,232
Granted during the year	**–**	1,016
Amortised as income	**(867)**	(2,144)
At the end of the reporting period	**17,237**	18,104

17. SHARE CAPITAL

	Number of shares (thousands)	**Amount**
		HK$'000
Authorised:		
Ordinary shares of HK$0.10 each		
At 1 January 2016, 31 December 2016, 1 January 2017 and 31 December 2017	10,000,000	1,000,000

	2017		2016	
	Number of shares (thousands)	**Amount**	Number of shares (thousands)	Amount
		HK$'000		*HK$'000*
Issued and fully paid:				
Ordinary shares of HK$0.10 each at beginning of reporting period	**1,550,000**	**155,000**	1,500,000	150,000
Shares issued under share option scheme	**–**	**–**	50,000	5,000
At 31 December	**1,550,000**	**155,000**	1,550,000	155,000
Equivalent to RMB'000		**124,010**		124,010

Capital management

The Group's primary objectives when managing capital are to safeguard the Group's ability to continue as a going concern, and to maximise the returns to shareholders through the optimisation of the debt and equity balance and benefits for other stakeholders, by pricing products and services commensurate with the level of risk and by securing access to financing at a reasonable cost.

The Group actively and regularly reviews and manages its capital structure to maintain a balance between the higher shareholder returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position, and makes adjustment to the capital structure in light of changes in economic conditions affecting the Group.

In order to maintain or adjust the capital structure, the Group may issue new shares, raise new debts, redeem existing debts or sell assets to redeem debt.

18. RESERVES

(a) The amounts of the Group's reserves and movements therein are presented in the consolidated statement of profit or loss and other comprehensive income and consolidated statement of changes in equity.

(b) Reserves of the Company

	Share premium *RMB'000*	**Share-based compensation reserve** *RMB'000*	**Retained earnings/ accumulated losses** *RMB'000*	**Total** *RMB'000*
At 1 January 2016	720,225	–	5,747	725,972
Total comprehensive income	–	–	70,887	70,887
Share-based compensation	–	4,942	–	4,942
Share issued for share-based compensation	17,060	(4,942)	–	12,118
At 31 December 2016	737,285	–	76,634	813,919
At 1 January 2017	**737,285**	**–**	**76,634**	**813,919**
Total comprehensive loss	**–**	**–**	**(1,175,024)**	**(1,175,024)**
At 31 December 2017	**737,285**	**–**	**(1,098,390)**	**(361,105)**

(c) Nature and purpose of reserves of the Group

(i) Share premium

The share premium represents the difference between the par value of the shares of the Company and proceeds received from the issuance of the shares of the Company.

Under the Companies Law of the Cayman Islands, the funds in the share premium account of the Company is distributable to the shareholders of the Company provided that immediately following the date on which the dividend is proposed to be distributed, the Company would be in a position to pay off its debts as they fall due in the ordinary course of business.

(ii) ***Capital reserve***

The capital reserve of the Group mainly represents the reserve arising from the Group reorganisation. In June 2013, Mr. Lin, Mr. Qiu and Mr. Cai waived the considerations payable by the Group's companies to them as the owners of the Group for the acquisition of the companies now comprising the Group during the reorganisation.

(iii) ***Share-based compensation reserve***

The share-based compensation reserve represents the fair value of the actual or estimated number of unexercised share options granted to certain employees of the Company and selected customers and suppliers of the Company recognised in accordance with the accounting policy adopted for equity-settled share-based payments.

(iv) ***Statutory reserves***

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.

AUDIT OPINION

The auditors of the Company issue a Disclaimer of 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 2017.

Basis for Disclaimer of Opinion

1. Trade and other receivables

Included in trade and other receivables as at 31 December 2017 were trade receivables of approximately RMB92,471,000 which had been overdue with no settlement up to the date of this report. Furthermore, included in trade and other receivables as at 31 December 2016 were trade receivables and prepayments to suppliers of approximately RMB445,544,000 and RMB104,603,000, respectively, which had been long outstanding with no settlement up to the date of this report. Accordingly, impairment losses of trade receivables of approximately RMB445,544,000 and impairment losses of prepayments of approximately RMB104,603,000 were recognised for the year ended 31 December 2017. In addition, impairment losses of trade receivables of approximately RMB129,888,000 and impairment losses of prepayments of approximately RMB54,887,000 were recognised for the year ended 31 December 2016. We have been unable to obtain sufficient and appropriate audit evidence to satisfy ourselves whether the aforesaid balances of trade receivables and prepayments were fairly stated as at 31 December 2017 and 31 December 2016 and whether the related impairment losses were properly recorded for the years ended 31 December 2017 and 2016.

2. Investment accounted for using equity method

We have not yet obtained sufficient and appropriate audit evidence to satisfy ourselves as to (i) the recoverability of investment accounted for using equity method of approximately RMB71,506,000 and RMB86,856,000 as at 31 December 2017 and 2016, respectively; (ii) whether the share of loss of investment accounted for using equity method of approximately RMB15,350,000 and RMB3,144,000 were properly recorded for the years ended 31 December 2017 and 2016, respectively; (iii) whether the impairment for investment accounted for using equity method of RMB60,000,000 for the year ended 31 December 2016 was properly recorded; (iv) the recoverability of the amount due from an associate of approximately RMB7,290,000 as at 31 December 2017; and (v) the related disclosure of the investment accounted for using equity method disclosed in note 18 to the consolidated financial statements.

3. Deferred income tax

We have not yet obtained sufficient and appropriate audit evidence to satisfy ourselves as to (i) the recoverability of deferred income tax assets of approximately RMB31,351,000 as at 31 December 2016; and (ii) whether the income tax expense of approximately RMB31,351,000 and income tax credit of approximately RMB16,703,000 are properly recorded for the years ended 31 December 2017 and 2016, respectively.

Any adjustments to the figures as described above might have a significant consequential effect on the Group's financial performance and cash flows for the years ended 31 December 2017 and 2016 and the financial positions of the Group as at 31 December 2017 and 2016, and the related disclosures thereof in the consolidated financial statements.

4. Material uncertainty related to going concern

We draw attention to note 2 to the consolidated financial statements which mentions that the Group incurred a loss of approximately RMB732,765,000 for the year ended 31 December 2017, and as at 31 December 2017, the Group had net current liabilities and net liabilities of approximately RMB314,548,000 and RMB129,032,000, respectively. Furthermore, as at 31 December 2017, the Group's bank borrowings of approximately RMB195,991,000 were overdue and its bonds of approximately RMB186,563,000 are subject to renewal or to be fully repaid within the next twelve months as disclosed in note 24 to the consolidated financial statements. These 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 consolidated financial statements have been prepared on a going concern basis, the validity of which depends upon that the Group will be able to successfully renew or extend the existing borrowings or complete debt financing to meet its liabilities as they fall due in the foreseeable future. The consolidated financial statements do not include any adjustments that would result from the failure to meet in full its financial obligations in the foreseeable future. We consider that the material uncertainty has been adequately disclosed in the consolidated financial statements. However, in view of the extent of the uncertainty relating to the continued support of the Group's bankers and bondholders, we disclaim our opinion in respect of the material uncertainty relating to the going concern basis.

Disclaimer of Opinion

We do not express an opinion on the consolidated financial statements of the Group. Because of the significance of the matters described in the Basis for Disclaimer of Opinion section of our report, we have not been able to obtain sufficient and appropriate audit evidence to provide a basis for an audit opinion on these consolidated financial statements. In all other respects, in our opinion, the consolidated financial statements have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

AUDIT COMMITTEE'S VIEW

The Group's consolidated financial statements for the year ended 31 December 2017 have been reviewed by the audit committee of the Company (the "Audit Committee").

CHAIRMAN'S STATEMENT

Results

The domestic textile industry experienced fierce competition in the Year. Customers demanded for diverse and differentiated products. Besides, the Chinese government stepped up enforcement of environmental protection laws, which posed tremendous pressure on dyeing and printing industry players. Some of them had to suspend operation to rectify non-compliance with the environmental protection law and some even had to shut down, and as a result, orders fluctuated for a period of time. This difficult operating environment, while testing for small and medium enterprises under the adverse condition, actually worked in favour of large scale enterprises. Price of production overhead kept high such as the prices of the raw materials of cotton and coal increased significantly. Meanwhile, as the cotton textile market remained very competitive, the Group changed to the chemical fiber textile market during the Year. However, the average selling price of the chemical fiber textile products was much lower than the average selling price of the cotton textile products. In long run, the gross profit margin of the chemical fiber textile products will be better than the gross profit margin of the cotton textile products when the production improved from infant stage to growth stage and the Group could explore higher market niche.

Under these unfavourable market conditions, the Group recorded revenue of approximately RMB271.9 million for the Year, representing a decrease of approximately 65.2% on a year-on-year basis, and the gross loss margin of the Group's products was approximately 6.1%, representing a decrease of approximately 3.4% points over the previous year. Loss attributable to owners of the Company for the Year increased significantly from loss of approximately RMB331.0 million in 2016 to loss of approximately RMB732.8 million in 2017, representing increase of approximately 121.4% over the previous year. Loss per share also increased from loss of RMB21.70 cents in 2016 to loss of RMB47.27 cents per share in 2017, representing an increase of approximately 117.8% as compared with the last year, which was mainly attributable to the substantial increase in general and administrative expenses resulted from impairments made. Sales of fabrics decreased significantly from approximately RMB447.7 million for the year 2016 to approximately RMB271.9 million for the Year. 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 extend the channels to improve the profitability.

Outlook

Looking forward to 2018, 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 production overhead and shortage in quality cotton supply, the Chinese textile product and apparel industry are 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 People's Republic of China (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 implementation of measures to stabilize foreign trades will improve the resistance of Chinese textile enterprises to market pressure, and maintain stable performance in exports. Meanwhile, the steady national cotton reserve auction will stabilise the effective supply of cotton raw materials, 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 2017, the Group faced difficulties and 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; and strategic management of the products segment and mixture. Looking forward to 2018, the textile industry is expected to continuously face challenges and uncertainties. The Group will still focus on the revenue generating segments such as production and sales of chemical fiber textile products and diversify the existing fabric product series to improve the profitability of the Group.

MANAGEMENT DISCUSSION AND ANALYSIS

Overview

During the Year, the Group recorded revenue of approximately RMB271.9 million, representing a decrease of approximately 65.2% as compared with the last year, and loss attributable to owners of the Company increased from loss of approximately RMB331.0 million in 2016 to loss of approximately RMB732.8 million in 2017, representing an increase of approximately 121.4% as compared with last year. The decrease in revenue was mainly attributable to the termination of sales and manufacturing of yarns and PEI trading businesses for the purpose of focusing on the fabric business. The increase in net loss attributable to owners of the Company was mainly due to impairment loss of inventories of approximately RMB1.5 million, impairment of trade receivables of approximately RMB445.5 million, impairment of prepayments of approximately RMB104.6 million.

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 6.9%. 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 5.6% to approximately 40.50 million tonnes in 2017 whereas the production volume of fabrics decreased by 1.2% to approximately 69.56 billion meters in 2017. This demonstrated a slowing down production volume of textile products in 2017 mainly because of sluggish demand from the garment manufacturing customers.

In terms of the raw materials, as the cotton policy has been reformed 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 RMB16,218 per ton, representing a year-on-year increase of approximately 2.2%. Overseas cotton prices also increased due to stronger demand. The average global market price for cotton, according to the Cotlook A Index, was approximately US$83.52 cents per pound, representing a year-on-year increase of approximately 10.4%. 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 2017, 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 mainly comprises sales of grey and dyed garment fabrics. During the Year, fabrics continued to be the only product of the Group, which contributed to 100.0% of the Group's total revenue for the Year, amounting to approximately RMB271.9 million, representing a decrease of approximately 65.2% when compared to the revenue of last year. The Group's production capacities were similar to the last year's level whereas the utilisation rate decreased given the decreasing of sales volume. For the year ended 31 December 2017, the production of yarn was hindered by the staged market demand and no revenue was derived from yarn for internal transfer of all yarn products as part of raw materials to manufacture the fabrics products.

The Group changed the nature of textile products from cotton textile to chemical fiber textile. The average selling price of fabrics decreased by approximately 45.7% to RMB7.6 per meter (2016: RMB14.0 per meter) when compared with the last year. The average unit cost of fabrics decreased significantly from RMB13.99 per meter for the year ended 31 December 2016 to RMB8.06 per meters representing a decrease of 42.4% for the year ended 31 December 2017. The gross loss margin for the year ended 31 December 2017 increased from gross loss margin 2.7% in 2016 to gross loss margin of 6.1% in 2017 because of greater decrease in selling price despite of decrease of costs.

Increase in general and administrative expenses was outweighed by decrease in selling and distribution expenses pulled loss attributable to the owners of the Company further decrease to loss of approximately RMB732.8 million for the year ended 31 December 2017 from loss of approximately RMB331.0 million for the year ended 31 December 2016. Significant increase in general and administrative expenses was mainly due to impairment loss of inventories of approximately RMB1.5 million, impairment of prepayments of approximately RMB104.6 million and impairment of trade receivables of approximately RMB445.5 million for the Year.

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 (the "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 26 November 2016, 26 January 2017, 13 March 2017, 21 March 2017, 3 April 2017, 2 May 2017, 2 June 2017, 30 June 2017, 31 July 2017, 31 August 2017, 29 September 2017, 31 October 2017, 30 November 2017, 29 December 2017, 29 January 2018 and 28 February 2018.

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 2018, 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 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 decreased by 65.2% from approximately RMB780.3 million for the year ended 31 December 2016 to approximately RMB271.9 million for the year ended 31 December 2017. Such decrease in the revenue was mainly due to following factors:

(i) revenue of our fabrics products decreased from approximately RMB447.7 million in 2016 to approximately RMB271.9 million in 2017. Such decrease in the revenue of our fabric products was primarily due to decline in the average selling price from around RMB14.0 per meter in 2016 to RMB7.6 per meter in 2017 mainly due to change of textile products from cotton in nature to chemical fiber in nature, which the latter has lower selling price;

(ii) yarn business was terminated in 2017 as the business was unprofitable during the years of 2017 and 2016; and

(iii) The Group has suspended the trading of PEI products since 2017 because the recoverability of the balance as at 31 December 2016 was very low.

Cost of sales

The cost of sales decreased to approximately RMB288.5 million for the year ended 31 December 2017 from approximately RMB801.2 million for the year ended 31 December 2016, mainly due to less raw materials and consumables used for decline in sales volume.

Gross loss and gross loss margin

The decrease in gross loss by 20.2% from approximately gross loss of RMB20.8 million for the year ended 31 December 2016 to gross loss of approximately RMB16.6 million for the year ended 31 December 2017 was mainly due to decrease in revenue.

The Group changed the nature of textile products from cotton textile to chemical fiber textile. The average selling price of fabrics decreased by approximately 45.7% to RMB7.6 per meter (2016: RMB14.0 per meter) when compared with the last year. The average unit cost of fabrics decreased significantly from RMB13.99 per meter for the year ended 31 December 2016 to RMB8.06 per meters representing a decrease of 42.4% for the year ended 31 December 2017.

The gross loss margin for the year ended 31 December 2017 increased from gross loss margin 2.7% in 2016 to gross loss margin of 6.1% in 2017 because of greater decrease in selling price despite of decrease of costs.

Selling and distribution expenses

The decrease in selling and distribution expenses by 52.3% from approximately RMB4.4 million for the year ended 31 December 2016 to approximately RMB2.1 million for the year ended 31 December 2017 was in line with decrease in revenue.

General and administrative expenses

The significant increase in general and administrative expenses by 194.0% from approximately RMB211.5 million for the year ended 31 December 2016 to approximately RMB621.8 million for the year ended 31 December 2017 was mainly due to impairment of inventories of approximately RMB1.5 million, impairment of trade receivables of approximately RMB445.5 million, and impairment of prepayments of approximately RMB104.6 million were made during the Year.

A provision of RMB445.5 million based on the provision policies for trade receivable of the Group, being provision for long outstanding with no settlement up to the date of this announcement.

The management made effort to collect the prepayments but unsuccessful, so full provision of approximately RMB104.6 million was made for such prepayment amount.

Other income

Decrease in other income by 25.9% from approximately RMB11.2 million for the year ended 31 December 2016 to approximately RMB8.3 million for the year ended 31 December 2017 was mainly due to decrease of net foreign exchange gain of approximately RMB7.4 million.

Other losses

Decrease in other losses from approximately RMB9.8 million for the year ended 31 December 2016 to approximately RMB0.2 million for the year ended 31 December 2017 was mainly due to decrease in net loss of disposal of property, plant and equipment of approximately RMB9.5 million.

Finance costs

The increase in finance costs by 8.6% from approximately RMB49.1 million for the year ended 31 December 2016 to approximately RMB53.3 million for the year ended 31 December 2017 was mainly due to increase in the average balance of borrowings in order to meet our needs of working capital.

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 RMB15.4 million with comparison of approximately RMB3.1 million for the year ended 31 December 2016, the increase in loss was mainly due to poor market demand for the associate's products.

Income tax (expense)/credit

The Group's income tax expense increased by 290.4% to income tax expense of approximately RMB31.8 million in 2017 from tax credit of approximately RMB16.7 million in 2016. The increase was mainly due to derecognition of deferred tax assets of approximately RMB31.3 million.

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.

Inventories

Increase in inventories by 4.6% from approximately RMB49.9 million as at 31 December 2016 to approximately RMB52.2 million as at 31 December 2017 was mainly due to increase of finished goods inventories by approximately RMB15.2 million for preparation of higher sales in the early 2018.

Trade and other receivables and prepayments

Decrease in trade and other receivables significantly from approximately RMB686.2 million as at 31 December 2016 to approximately RMB225.8 million as at 31 December 2017 was mainly due to increase in allowance for trade receivables by approximately RMB445.5 million and increase in allowance for prepayments by approximately RMB104.6 million for the year 2017.

The Group has made full provision for those trade and bills receivables of approximately RMB445.5 million which are past due/or in default of payments. Such impaired amounts were directly made against trade receivables when there was no expectation of recovering any amount.

The Group has also made full provision for prepayment to suppliers for purchase of raw materials of approximately RMB104.6 million which are past due/or in default of receivables. Such impaired amounts were also directly made against the prepayment to suppliers for purchase of raw materials when there was no expectation of recovering any amount.

Cash flows

Net cash used in operating activities amounted to approximately RMB173.6 million, mainly resulted from the net decrease of trade and other receivables amounted to approximately RMB90.7 million, together with the decrease in trade and other payables of approximately RMB23.2 million and the effect of loss before taxation of approximately RMB701.0 million.

Net cash used in investing activities amounting to approximately RMB176,000, mainly resulted from purchase of property, plant and equipment of approximately RMB4.1 million which was partially offset by the proceed from disposal of property, plant and equipment RMB3.8 million.

Net cash generated from financing activities amounted to approximately RMB171.0 million which was mainly attributable to proceeds from borrowings of approximately RMB384.3 million which was partially offset by the repayments from borrowings of approximately RMB208.4 million and interest payment of approximately RMB26.0 million.

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, and 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 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 2017:

	As at 31 December	
	2017	2016
	RMB'000	*RMB'000*
Current assets		
Inventories	**52,213**	49,937
Trade and other receivables and prepayments	**225,825**	686,189
Amount due from an associate	**7,290**	–
Bank and cash balances	**1,254**	4,082
Restricted bank deposits	**–**	20,960
Total current assets	**286,582**	761,168

	As at 31 December	
	2017	2016
	RMB'000	*RMB'000*
Current liabilities		
Borrowings	**438,324**	261,609
Trade and other payables	**162,806**	149,618
Current income tax liabilities	**–**	986
Total current liabilities	**601,130**	412,213
Net current (liabilities)/assets	**(314,548)**	348,955
Current ratio	**47.67%**	184.7%
Quick ratio	**39.00%**	172.5%
Gearing ratio	**N/A**	89.4%
Debt to equity ratio	**N/A**	85.2%

Borrowings

Particulars of borrowings of the Company and the Group as at 31 December 2017 are set out in note 15 to this result announcement.

Pledge of assets

As at 31 December 2017, the Group's land use rights and buildings, machinery and equipment with an aggregate net book value of approximately RMB245.2 million were pledged to secure banking facilities for purposes of working capital and purchases of fixed assets for the Group (as at 31 December 2016: approximately RMB265.7 million).

Paid in capital

The total number of issued shares of the Company was kept at 1,550,000,000 as at the date of this announcement.

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 2017, except for disclosed under the heading of "Significant events after the reporting period".

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

The Group did not have any material investment, acquisitions and disposal of subsidiaries and associated companies during the year 2017.

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 2017, all net proceeds have been utilised.

SIGNIFICANT EVENTS AFTER THE REPORTING PERIOD

(a) Very substantial acquisition and takeover involving a new listing application

On 28 February 2018, the Company published an announcement in relation to, among other things, a very substantial acquisition and connected transaction and a proposed reverse takeover involving a new listing application and a whitewash waiver application. The Company published that the new listing application process has been postponed and the Purchaser and Vendor A have agreed to extend the time for (i) submitting the new listing application from a date falling on or before 31 March 2018 (or such other date as may be agreed by the Purchaser and Vendor A) and (ii) issuing and despatching the Circular in accordance with the requirements under the Listing Rules and the Takeovers Code on or before 30 June 2018 (or such other date as may be agreed by the Purchaser and Vendor A). For details, please refer to the announcements of the Company dated 26 November 2016, 26 January 2017, 13 March 2017, 21 March 2017, 3 April 2017, 2 May 2017, 2 June 2017, 30 June 2017, 31 July 2017, 31 August 2017, 29 September 2017, 31 October 2017, 30 November 2017, 29 December 2017, 29 January 2018, and 28 February 2018.

(b) Demand for repayment of borrowings

On 16 January 2018, the Company received demand from Bank of China (Hong Kong) Limited for the repayment to Import Invoice Finance granted under the general banking facilities letter, with its principal amount of approximately US$423,000, interest payable as at 10 January 2018 of approximately US$5,000, and further interest accrued from

11 January 2018 to the date of payment at its rate of 10.5% per annum which subject to fluctuation. Up to the date of this announcement, the Company has settled certain amount and the outstanding amount becomes approximately HK$1.85 million of which the Company has agreed with Bank of China (Hong Kong) Limited to settle by instalments in the forthcoming three months until June 2018.

On 29 January 2018, the Company received demand from PC Securities Limited, the bondholder, in respect of repayment of the debt or secure or compound for it to the PC Securities Limited's satisfaction, with its principal amount of HK$84,000,000 and interest of approximately HK$2,980,000. With respect to the default of the foresaid bond, another bond with its principal amount of HK$57,900,000 is regarded as cross default, PC Securities also demands the Company to repay it immediately.

On 13 February 2018, the Company received demand from Zhang Hua, the bondholder, in respect of repayment of the bond principal of HK$27,000,000, interest payable from 28 December 2017 to 9 January 2018 of approximately HK$192,000 and daily default interest of approximately HK$13,000 payable until repayment.

On 13 February 2018, the Company received final demand from Well Honour Investment (Group) Limited, the bondholder, in respect of repayment of the bond principal of HK$430,000, or otherwise legal actions will be taken.

(c) Winding up petition against the Company

As disclosed in the announcement of the Company dated 8 and 9 March 2018 in relation to winding up petition against the Company, on 5 March 2018, the Company received a petition (the "Petition") entitled HCCW56/2018 presented by PC Securities Limited (the "Petitioner") to the High Court of Hong Kong S.A.R. for winding up of the Company and the hearing of the Petition is fixed for 9 May 2018 before a Master in Court. The Petitioner claimed to be the holder of a bond for the principal amount of HK$84,000,000 with coupons 7% issued by the Company on 28 January 2015 (the "Bond"). However, according to the register kept by the Registrar, the Bank of New York Depository (Nominees) Limited, the Petitioner is not the registered holder of the Bond. The Company is now making enquiry of the locus standi of the Petitioner and seeking legal advice on the matter.

ANNUAL GENERAL MEETING (THE "AGM")

The AGM will be held on 30 May 2018 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 2017, the Group had a total workforce of 455 (as at 31 December 2016: 516). 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 2017 (2016: Nil). As there is no interim dividend payable during the year, there will be no dividend distribution for the whole year of 2017.

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 2017, 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 Audit Committee, comprising of the independent non-executive Directors, has reviewed the Group's audited consolidated financial statements for the year ended 31 December 2017 and discussed with the management of the Company the accounting principles and accounting standards adopted by the Group and matters relating to risk management and internal control systems and financial reporting of the Group.

SCOPE OF WORK OF ZHONGHUI ANDA CPA LIMITED

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income, and the related notes thereto for the year ended 31 December 2017 as set out in the preliminary announcement have been agreed by the Group's auditors, ZHONGHUI ANDA CPA Limited, to the amounts set out in the Group's audited consolidated financial statements for the year ended 31 December 2017. The work performed by ZHONGHUI ANDA CPA Limited in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by ZHONGHUI ANDA CPA Limited on the preliminary 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 25 May 2018 to 30 May 2018 (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 branch 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 24 May 2018.

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 2017 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
29 March 2018

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

Executive Directors:	Mr. Lin Qingxiong Mr. Qiu Zhiqiang Ms. Li Jia Yin
Independent non-executive Directors:	Mr. Chan Sui Wa Mr. Liu Shungang Mr. Wu Jianxiong