MEIGU

MEIGU Technology Holding Group Limited
美固科技控股集團有限公司

(Incorporated in the Cayman Islands with limited liability)
(Stock Code: 8349)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2016

CHARACTERISTICS OF THE GROWTH ENTERPRISE MARKET OF THE STOCK EXCHANGE OF HONG KONG LIMITED

Growth Enterprise Market ("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 of Hong Kong Limited (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 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 board of directors (the "Board") of MEIGU Technology Holding Group Limited collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on the GEM of the Stock Exchange 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: (1) the information contained in this announcement is accurate and complete in all material respects and not misleading or deceptive; (2) there are no other matters the omission of which would make any statement in this announcement misleading; and (3) all opinions expressed in this announcement have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.

FINAL RESULTS

The Board of MEIGU Technology Holding Group Limited (the "Company") presents the audited consolidated financial results of the Company and its subsidiaries (collectively referred to as the "Group") for the year ended 31 December 2016, together with the comparative figures for the year ended 31 December 2015, as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2016

	Note	**2016**	2015
		RMB'000	*RMB'000*
Revenue	4	**63,278**	56,405
Cost of sales		**(38,942)**	(35,141)
Gross profit		**24,336**	21,264
Other revenue	5	**112**	1,096
Other net income	5	**1,040**	657
Selling and distribution costs		**(5,667)**	(6,376)
Listing expenses	7(c)	**(14,382)**	(577)
Administrative expenses		**(8,123)**	(5,530)
(Loss)/profit from operations		**(2,684)**	10,534
Finance costs	7(a)	**(1,127)**	(2,447)
(Loss)/profit before taxation	7	**(3,811)**	8,087
Income tax	8	**(3,887)**	(2,762)
(Loss)/profit for the year		**(7,698)**	5,325
Other comprehensive income for the year		**–**	–
Total comprehensive (loss)/income for the year		**(7,698)**	5,325
(Loss)/profit for the year attributable to:			
Owners of the Company		**(7,771)**	4,380
Non-controlling interest		**73**	945
		(7,698)	5,325

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2016

	Note	**2016**	2015
		RMB'000	*RMB'000*
Total comprehensive (loss)/income for the year attributable to:			
Owners of the Company		**(7,771)**	4,380
Non-controlling interest		**73**	945
		(7,698)	5,325
		RMB cents	*RMB cents*
(Loss)/earnings per share			
Basic and diluted	10	**(2.59)**	1.46

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2016

	Note	**2016** **RMB'000**	2015 RMB'000
Non-current assets			
Property, plant and equipment		**14,536**	15,873
Leasehold land held for own use under an operating lease		**1,474**	1,512
Pledged bank deposits		**113**	113
Deferred tax assets		**361**	470
		16,484	17,968
Current assets			
Inventories		**3,270**	3,982
Property held for sale		**1,468**	–
Trade and other receivables	11	**44,487**	32,522
Pledged bank deposits		**400**	–
Cash and cash equivalents		**3,858**	14,716
		53,483	51,220
Current liabilities			
Trade and other payables	12	**21,869**	11,407
Bank borrowings	13	**20,000**	20,000
Amount due to a shareholder	14(b)(i)	**2,714**	–
Distributions payable to a former non-controlling shareholder of a subsidiary	14(b)(i)	**–**	756
Income tax payable		**1,758**	2,235
		46,341	34,398
Net current assets		**7,142**	16,822
Total assets less current liabilities		**23,626**	34,790
Non-current liabilities			
Deferred tax liabilities		**1,812**	1,169
NET ASSETS		**21,814**	33,621
CAPITAL AND RESERVES			
Share capital		**–**	–
Reserves		**21,814**	29,796
Total equity attributable to owners of the Company		**21,814**	29,796
Non-controlling interest		**–**	3,825
TOTAL EQUITY		**21,814**	33,621

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2016

	Attributable to owners of the Company							
	Share capital	Capital reserve	Share-based payment reserve	Statutory reserve	Retained profits	Total	Non-controlling interest	Total equity
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January 2015	–	9,557	–	2,128	13,731	25,416	4,636	30,052
Profit and total comprehensive income for the year	–	–	–	–	4,380	4,380	945	5,325
Distributions to a former non-controlling shareholder of a subsidiary	–	–	–	–	–	–	(1,756)	(1,756)
Transfer to statutory reserve	–	–	–	727	(727)	–	–	–
At 31 December 2015	–	9,557	–	2,855	17,384	29,796	3,825	33,621
At 1 January 2016	**–**	**9,557**	**–**	**2,855**	**17,384**	**29,796**	**3,825**	**33,621**
Loss and total comprehensive loss for the year	**–**	**–**	**–**	**–**	**(7,771)**	**(7,771)**	**73**	**(7,698)**
Issuance of shares	**–**	**12,584**	**–**	**–**	**–**	**12,584**	**–**	**12,584**
Repurchase of shares for cancellation	**–**	**(12,584)**	**–**	**–**	**–**	**(12,584)**	**–**	**(12,584)**
Acquisition of non-controlling interest	**–**	**–**	**–**	**–**	**(544)**	**(544)**	**(3,898)**	**(4,442)**
Equity-settled share-based payments	**–**	**–**	**333**	**–**	**–**	**333**	**–**	**333**
Transfer to statutory reserve	**–**	**–**	**–**	**403**	**(403)**	**–**	**–**	**–**
At 31 December 2016	**–**	**9,557**	**333**	**3,258**	**8,666**	**21,814**	**–**	**21,814**

Notes:

1. GENERAL INFORMATION

The Company was incorporated in the Cayman Islands on 13 January 2016 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. Its shares have been listed on the GEM of the Stock Exchange since 13 January 2017. The address of its registered office is Clifton House, 75 Fort Street, P.O. Box 1350 Grand Cayman KY1-1108, Cayman Islands and its principal place of business is 66 Oujiang Road, Haimen Economic Development Zone, Nantong City, the Jiangsu Province, the People's Republic of China (the "PRC").

The Company is an investment holding company and its subsidiaries are principally engaged in the research and development, production and sales of fibreglass reinforced plastic products in the PRC. During the year, the principal business of the Group was carried out through Nantong Meigu Composite Materials Company Limited ("Nantong Meigu"), which is an indirect wholly-owned subsidiary of the Company incorporated in the PRC.

The audited consolidated final results of the Group for the year ended 31 December 2016 are extracted from the Group's audited consolidated financial statements for the year ended 31 December 2016 (the "Financial Statements").

2. BASIS OF PREPARATION

Statement of compliance

The Financial Statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRSs"), the collective term of which includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and accounting principles generally accepted in Hong Kong and requirements of Hong Kong Companies Ordinance. The Financial Statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on the GEM of the Stock Exchange.

The HKICPA has issued a number of amendments to HKFRSs which are first effective for the current accounting period of the Group. None of those developments have had a material effect on how the Group's results and financial position for the current or prior periods have been prepared or presented.

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

Details of the reorganisation in preparation for the listing of the shares of the Company on the GEM of the Stock Exchange, which was completed on 16 March 2016 (the "Reorganisation"), are disclosed in Note 2 to the Financial Statements.

As all the entities of the Group, being the Company, Prosperous Composite Material Co., Ltd. ("Prosperous Composite") and Nantong Meigu, are ultimately controlled by the same group of individuals, being Mr. Shen Qixian and Mr. Guitang, before and after the Reorganisation, the Financial Statements are prepared as if Prosperous Composite and Nantong Meigu had been subsidiaries of the Company, to the extent of their beneficial interests held by Mr. Shen Qixian and Mr. Jiang Gartang, throughout the reporting period on the basis as set out in notes 3(c) and 3(d)(ii) to the Financial Statements and in accordance with the principles of Accounting Guideline 5 "Merger Accounting for Common Control Combinations" issued by the HKICPA.

Basis of measurement

Items included in the financial statements of each entity in the Group are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). Renminbi ("RMB") is the functional currency of the Group and Nantong Meigu is the key operating entity within the Group. The Financial Statements are presented in RMB and the figures are, rounded to the nearest thousand unit of RMB ("RMB'000"), except for per share data, because the management evaluates the performance of the Group based on RMB.

The measurement basis used in the preparation of the Financial Statements is the historical cost basis.

The preparation of the Financial Statements in conformity with HKFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying amounts of assets and liabilities not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

3. POSSIBLE IMPACT OF AMENDMENTS AND NEW STANDARDS ISSUED BUT NOT YET EFFECTIVE

Up to the date of issue of these financial statements, the HKICPA has issued the following amendments and new standards which are not yet effective for the year ended 31 December 2016 and which have not been adopted in these financial statements.

HKFRS 9	Financial Instruments[2]
HKFRS 15	Revenue from Contracts with Customers[2]
HKFRS 16	Leases[3]
Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions[2]
Amendments to HKFRS 4	Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts[2]
Amendments to HKFRS 10 and HKAS 28 (2011)	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[4]
Amendments to HKFRS 15	Clarifications to HKFRS 15 Revenue from Contracts with Customers[2]
Amendments to HKAS 7	Disclosure Initiative[1]
Amendments to HKAS 12	Recognition of Deferred Tax Assets for Unrealised Losses[1]

[1] Effective for annual periods beginning on or after 1 January 2017

[2] Effective for annual periods beginning on or after 1 January 2018

[3] Effective for annual periods beginning on or after 1 January 2019

[4] No mandatory effective date yet determined but available for adoption

HKFRS 9 Financial Instruments

HKFRS 9 issued in 2009 introduced new requirements for the classification and measurement of financial assets. HKFRS 9 was subsequently amended in 2010 to include requirements for the classification and measurement of financial liabilities and for derecognition, and in 2013 to include the new requirements for general hedge accounting. Another revised version of HKFRS 9 was issued in 2014 mainly to include a) impairment requirements for financial assets and b) limited amendments to the classification and measurement requirements by introducing a 'fair value through other comprehensive income' (FVTOCI) measurement category for certain simple debt instruments.

Key requirements of HKFRS 9 are described as follows:

– All recognised financial assets that are within the scope of HKAS 39 "Financial Instruments: Recognition and Measurement" are required to be subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. Debt instruments that are held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets, and that have contractual terms that give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, are generally measured at FVTOCI. All other debt investments and equity investments are measured at their fair value at the end of subsequent accounting periods. In addition, under HKFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognised in profit or loss.

– With regard to the measurement of financial liabilities designated as at fair value through profit or loss, HKFRS 9 requires that the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss. Under HKAS 39, the entire amount of the change in the fair value of the financial liability designated as fair value through profit or loss is presented in profit or loss.

– In relation to the impairment of financial assets, HKFRS 9 requires an expected credit loss model, as opposed to an incurred credit loss model under HKAS 39. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognised.

– The new general hedge accounting requirements retain the three types of hedge accounting mechanisms currently available in HKAS 39. Under HKFRS 9, greater flexibility has been introduced to the types of transactions eligible for hedge accounting, specifically broadening the types of instruments that qualify for hedging instruments and the types of risk components of non-financial items that are eligible for hedge accounting. In addition, the retrospective quantitative effectiveness test has been removed. Enhanced disclosure requirements about an entity's risk management activities have also been introduced.

HKFRS 15 Revenue from contracts with customers

HKFRS 15 was issued which establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. HKFRS 15 will supersede the current revenue recognition guidance including HKAS 18 Revenue, HKAS 11 Construction Contracts and the related Interpretations when it becomes effective.

The core principle of HKFRS 15 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services.

Specifically, the HKFRS 15 introduces a 5-step approach to revenue recognition:

Step 1: Identify the contract(s) with a customer

Step 2: Identify the performance obligations in the contract

Step 3: Determine the transaction price

Step 4: Allocate the transaction price to the performance obligations in the contract

Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation

Under HKFRS 15, an entity recognises revenue when (or as) a performance obligation is satisfied, i.e. when 'control' of the goods or services underlying the particular performance obligation is transferred to the customer.

HKFRS 16 Leases

This new standard provides a comprehensive model for the identification of lease arrangements and their treatment in the financial statements of both lessors and lessees. As the Group does not engage in any lease arrangements, it is not expected to be impacted by the new standard.

Amendments to HKFRS 2

The amendments specifically clarified how market and non-market vesting conditions and non-vesting conditions should be reflected in the measurement of a cash-settled share-based payment transaction.

Amendments to HKFRS 4

The amendments address concerns arising from the different effective dates of HKFRS 9 and the forthcoming insurance contracts standard. The amendments introduce the deferral approach, which temporarily exempt companies whose activities are predominantly connected with insurance from applying HKFRS 9 and Overlay approach which allows companies that issue insurance contracts to choose recognising in other comprehensive income, rather than profit or loss.

Amendments to HKFRS 10 and HKAS 28 (2011)

It addresses an inconsistency between the requirements in HKFRS 10 and in HKAS 28 (2011) in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The amendments require a full recognition of a gain or loss when the sale or contribution of assets between an investor and its associate or joint venture constitutes a business. For a transaction involving assets that do not constitute a business, a gain or loss resulting from the transaction is recognised in the investor's profit or loss only to the extent of the unrelated investor's interest in that associate or joint venture. The amendments are to be applied prospectively. The previous mandatory effective date of amendments to HKFRS 10 and HKAS 28 (2011) was removed by the HKICPA in January 2016 and a new mandatory effective date will be determined after the completion of a broader review of accounting for associates and joint ventures. However, the amendments are available for application now.

Amendments to HKFRS 15

The amendments specifically clarified certain topics on implementation of HKFRS 15, as follows:

(i) Identification of performance obligations;

(ii) Principal versus agent considerations;

(iii) Licensing;

(iv) Scope of the exception for sales-based and usage-based royalties; and

(v) Practical expedients to the transition requirements of IFRS 15.

Amendments to HKAS 7

The amendments introduce an additional disclosure that will enable users of financial statements to evaluate changes in liabilities arising from financing activities.

Amendments to HKAS 12

The amendments on the recognition of deferred tax assets for unrealized losses clarify how to account for deferred tax assets related to debt instruments measured at fair value.

The Group is in the process of making an assessment of what the impact of these amendments and new standards is expected to be in the period of initial application. So far it has concluded that the adoption of them is unlikely to have a significant impact on the Group's financial performance and positions.

4. REVENUE

The principal activities of the Group are research and development, production and sale of fibreglass reinforced plastic products in the PRC.

Revenue represents net invoiced value of goods sold, less value-added taxes, returns and discounts, during the year.

	2016	2015
	RMB'000	*RMB'000*
Sales of fibreglass reinforced plastic products		
– fibreglass reinforced plastic ("FRP") grating	**48,126**	43,978
– United States Coast Guard ("USCG") approved phenolic grating	**9,677**	6,531
– epoxy wedge strip	**5,408**	2,425
– composite subway evacuation platform	**67**	3,471
	63,278	56,405

5. OTHER REVENUE AND OTHER NET INCOME

	2016	2015
	RMB'000	*RMB'000*
Other revenue		
Interest income on bank deposits	**19**	460
Interest income on amounts due from related companies	**–**	595
Total interest income on financial assets not at fair value through profit or loss	**19**	1,055
Government grants and other subsidies	**93**	41
	112	1,096
Other net income		
Net foreign exchange gain	**604**	657
Reversal of impairment loss on trade and bills receivables	**436**	–
	1,040	657

6. SEGMENT REPORTING

In a manner consistent with the way in which information is reported internally to Nantong Meigu's directors for the purposes of resource allocation and performance assessment, no segment information is presented in respect of the Group's operating segment as the Group is principally engaged in one segment in the research and development, production and sales of fibreglass reinforced plastic products in the PRC.

(a) Geographic information

The following is an analysis of geographical location of the Group's revenue from external customers. The geographical location of customers refers to the location at which the goods were delivered.

	2016	2015
	RMB'000	*RMB'000*
Local customers		
The PRC (excluding Hong Kong)	**38,058**	29,273
Foreign customers		
The United States of America ("U.S.")	**13,549**	17,315
The United Kingdom ("U.K.")	**9,422**	6,953
France	**955**	301
Canada	**101**	473
Germany	**128**	226
Others	**1,065**	1,864
	25,220	27,132
	63,278	56,405

The geographical locations of property, plant and equipment, and leasehold land are based on the physical location of the asset under consideration. During both years, all property, plant and equipment, and leasehold land were located in the PRC.

(b) Information about major customers

Information about revenue from the Group's major customers individually contributing 10% or more of total revenue of the Group is as follows:

	2016	2015
	RMB'000	*RMB'000*
Customer A	**N/A***	6,086
Customer B	**N/A***	6,230

* The transactions with these customers did not contribute 10% or more of the total revenue of the Group during the year ended 31 December 2016.

7. (LOSS)/PROFIT BEFORE TAXATION

(Loss)/profit before taxation is arrived at after charging/(crediting) the following:

	2016	2015
	RMB'000	*RMB'000*
(a) Finance costs		
Interest on bank borrowings	**1,127**	2,447
(b) Staff costs (including directors' emoluments)		
Salaries, wages and other benefits	**8,386**	8,512
Contributions to defined contribution retirement plans	**1,566**	461
Equity-settled share-based payments	**333**	–
	10,285	8,973
(c) Other items		
Amortisation for leasehold land	**38**	38
(Reversal of impairment loss)/impairment loss on trade and bills receivables	**(436)**	770
Depreciation for property, plant and equipment	**1,821**	1,802
Cost of inventories recognised as expense *(note (i))*	**38,942**	35,141
Auditor's remuneration:		
– auditor of the Company	**724**	–
– other auditors *(note (ii))*	**19**	20
Listing expenses:		
– reporting accountant	**2,215**	415
– other professional parties	**12,167**	162
	14,382	577
Research and development costs *(note (iii))*	**2,537**	2,377

Notes:

(i) Cost of inventories recognised as expenses include RMB4,894,000 (2015: RMB5,437,000) relating to staff costs, and RMB1,029,000 (2015: RMB1,087,000) relating to depreciation for property, plant and equipment, for the year ended 31 December 2016, the amounts of which are also included in the total amount disclosed separately above for each of these types of expenses.

(ii) The amounts represent remunerations paid and payable to the PRC auditors of Nantong Meigu for statutory audit service.

(iii) Included in the research and development costs are staff cost of RMB666,000 (2015: RMB582,000) and costs of materials consumed of RMB1,426,000 (2015: RMB1,440,000) the amounts of which are also included in the total amount separately disclosed for each of these types of expenses.

8. INCOME TAX IN THE CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

(a) Income tax recognised in profit or loss:

	2016	2015
	RMB'000	*RMB'000*
Current tax		
PRC Enterprise Income Tax ("EIT") on profits of the Group's PRC subsidiary		
– current year	**2,858**	2,395
– under-provision in prior years	**277**	–
	3,135	2,395
Deferred tax		
Origination and reversal of temporary differences in respect of		
– Reversal of impairment loss/(provision for impairment loss) on trade and bills receivable	**109**	(192)
– With holding tax on distributable profits of the Group's PRC subsidiary	**643**	559
	752	367
	3,887	2,762

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

Nantong Meigu, a PRC subsidiary, is subject to PRC EIT at 25%. Dividends declared to Prosperous Composite, as a non-resident shareholder, in respect of profits earned by Nantong Meigu, are subject to PRC withholding tax at 10%.

(b) Reconciliation between tax expense and accounting (loss)/profit at applicable tax rates:

	2016	2015
	RMB'000	*RMB'000*
(Loss)/profit before taxation	**(3,811)**	8,087
Notional tax on (loss)/profit before taxation, calculated at the rates applicable to (loss)/profit in the tax jurisdictions concerned	**2,910**	2,166
Under-provision in prior years	**277**	–
Tax effect of non-deductible expenses	**57**	37
Deferred tax provided for withholding tax on distributable profits of the Group's PRC subsidiary	**643**	559
Actual tax expense	**3,887**	2,762

9. DISTRIBUTIONS

	2016	2015
	RMB'000	*RMB'000*
Final dividend declared and approved in respect of the previous financial year to a non-controlling shareholder of Nantong Meigu:		
– paid during the year	**–**	1,000
– payable at end of the year	**–**	756
	–	1,756

10. (LOSS)/EARNINGS PER SHARE

As of 31 December 2016, the Company had 750 ordinary shares in issue. On 13 January 2017, the Company was listed on the GEM of the Stock Exchange by way of placing of 100,000,000 new shares and capitalisation issue of 299,999,250 new shares, resulting in 400,000,000 ordinary shares in issue. The calculation of the basic (loss)/earnings per share for each of the years ended 31 December 2015 and 2016 is based on the following data:

	2016	2015
	RMB'000	*RMB'000*
(Loss)/earnings for the purpose of basic (loss)/earnings per share		
(Loss)/profit for the year attributable to the owners of the Company	**(7,771)**	4,380
	'000	*'000*
Number of shares		
Number of shares for the purpose of basic (loss)/earnings per share	**300,000**	300,000

Basic loss per share for the year ended 31 December 2016 amounted to 2.59 RMB cent (2015: basic earnings per share of 1.46 RMB cent) per share. The number of ordinary shares for the purpose of calculating basic loss/earnings per share has been retrospectively adjusted for the capitalisation issue of the shares of the Company completed on 12 January 2017 and assuming the corporate reorganisation as disclosed in the prospectus of the Company dated 29 December 2016 had been effective on 1 January 2014.

No diluted loss/earnings per share was presented as there was no potential ordinary shares outstanding during both years.

11. TRADE AND OTHER RECEIVABLES

	2016	2015
	RMB'000	*RMB'000*
Trade receivables	**38,076**	31,331
Less: allowance for doubtful debts	**(1,445)**	(1,881)
	36,631	29,450
Bills receivables	**1,964**	1,985
Trade and bills receivables, net *(notes (a), (b) and (c) below)*	**38,595**	31,435
Other receivables	**775**	747
Prepayments and deposits *(note (d) below)*	**5,079**	302
Current portion of leasehold land held for own use under an operating lease	**38**	38
	44,487	32,522

All of the trade and other receivables are expected to be recovered and or recognised as expenses within one year or repayment on demand.

(a) Ageing analysis

An ageing analysis of trade and bills receivables (net of allowance for doubtful debts), based on the invoice date, is as follows:

	2016	2015
	RMB'000	*RMB'000*
0 – 30 days	**10,311**	6,498
31 – 90 days	**13,547**	11,530
91 – 180 days	**6,983**	4,099
181 – 365 days	**4,919**	4,613
Over 365 days	**2,835**	4,695
	38,595	31,435

The Group generally granted credit terms to its customers ranging from cash on delivery to 180 days after invoice date.

(b) Impairment of trade and bills receivables

Impairment losses in respect of trade and bills receivables are recorded using an allowance account unless the Group is satisfied that recovery of the amount is remote, in which case the impairment loss is written off against trade and bills receivables directly.

Movements in the allowance for doubtful debts

	2016	2015
	RMB'000	*RMB'000*
At 1 January	**1,881**	1,111
(Reversal of impairment loss)/ impairment loss recognised	**(436)**	770
At 31 December	**1,445**	1,881

As at 31 December 2016, trade receivables of the Group amounting to RMB1,445,000 (2015: RMB1,881,000) was determined to be impaired. The impaired receivables were outstanding for over 180 days at the end of the reporting period or were due from customers with financial difficulties. Accordingly, reversal for doubtful debts of RMB436,000 (2015: specific allowances for doubtful debts of RMB770,000) was recognised for the year ended 31 December 2016.

(c) Trade and bills receivables that are not impaired

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

	2016	2015
	RMB'000	*RMB'000*
Neither past due nor impaired	**35,602**	28,534
Past due but not impaired		
Less than 1 month past due	**1,135**	291
1 to 3 months past due	**637**	30
Over 3 months and less than 1 year past due	**690**	821
More than 1 year past due	**531**	1,759
	2,993	2,901
	38,595	31,435

Receivables that were neither past due nor impaired relate to a wide range of customers for whom there was no recent history of default.

Receivables that were past due but not impaired relate to a number of independent customers that have good track records of settlement with the Group. Based on past experience, financial capabilities of the customers and the subsequent settlements received from the customers, management believes that no impairment allowance is necessary in respect of these balances as there has not been a significant change in credit quality or possible default in payment, and the balances are still considered fully recoverable.

On 14 January 2016, in settlement of an overdue trade receivable of RMB1,337,000, a residential property located in Chengdu, the Sichuan Province, the PRC was assigned by the relevant customer to the Group in lieu of payment. Since the property assigned to the Group was estimated to have a value greater than the balance of overdue trade receivable of RMB1,337,000 due from the relevant customer at the time of settlement, no impairment is considered necessary as at 31 December 2015.

(d) As at 31 December 2016, included in prepayments and deposits are prepaid listing expenses of RMB4,968,000 (2015: RMB192,000), which had subsequently been charged to share premium account of the Company as deduction against the proceeds raised from placing of 100,000,000 new shares of HK$0.01 each of the Company at HK$0.35 per placing share in connection with the initial listing of the Company's shares.

12. TRADE AND OTHER PAYABLES

	2016	2015
	RMB'000	*RMB'000*
Trade payables	**10,084**	8,701
Other payables	**11,785**	2,706
	21,869	11,407

The following is an ageing analysis of trade payables based on the invoice date:

	2016	2015
	RMB'000	*RMB'000*
0 – 30 days	**3,335**	1,406
31 – 90 days	**3,765**	3,450
91 – 180 days	**1,597**	2,834
Over 180 days	**1,387**	1,011
	10,084	8,701

All of the trade and other payables are expected to be settled or recognised as income within one year or repayable on demand.

13. BANK BORROWINGS

The analysis of the carrying amount of bank borrowings is as follows:

	2016	2015
	RMB'000	*RMB'000*
Fixed rate term loans from banks due for repayment within 1 year or repayable on demand *(note (a))*		
Secured *(note (b))*	**10,000**	10,000
Unsecured *(note (c))*	**10,000**	10,000
	20,000	20,000

Notes:

(a) All the bank borrowings as at 31 December 2015 were guaranteed by Mr. Shen Qixian, being the father of Mr. Shen Weixing, a director of Nantong Meigu, and Mr. Jiang Guitang, a director of the Company, Prosperous Composite and Nantong Meigu, and their respective spouses. All these guarantees were released during the year ended 31 December 2016 when the underlying bank borrowings were fully repaid. The new bank borrowings at 31 December 2016 were not guaranteed by any of related parties.

(b) As at 31 December 2016 and 2015, the bank borrowings were secured by buildings and a leasehold land of the Group.

(c) The unsecured bank borrowings were guaranteed by an independent third party guarantee company in the PRC.

14. MATERIAL RELATED PARTY TRANSACTIONS

Mr. Shen Weixing and Mr. Jiang Guitang, who are the beneficial owners of the Group acting in concert in the management of the Group, are regarded as the ultimate controlling parties of the Group during the year and up to the date of approval of the Financial Statements.

The Group has entered into the following material related party transactions in the ordinary course of its business during the year:

(a) Key management personnel remuneration

Remuneration for key management personnel of the Group, including amounts paid to the directors and certain of the highest paid employees is as follows:

	2016	2015
	RMB'000	*RMB'000*
Short-term employee benefits	**2,246**	1,507
Post-employment benefits	**219**	49
Equity-settled share-based payments	**333**	–
	2,798	1,556

(b) Other related party balances and transactions

Saved as disclosed elsewhere in the Financial Statements, the Group has the following related party transactions:

(i) Balances with other related parties

		2016	2015
	Note	***RMB'000***	*RMB'000*
Amount due to a shareholder – Munsing Developments Limited (wholly-owned by Mr. Shen Weixing)	(1)	**2,714**	–
Distribution payable to a non-controlling shareholder of a subsidiary – Nantong Jianke Engineering and Technology Service Centre ("Nantong Jianke")	(2)	**–**	756
Off-balance sheet items			
Guarantees from Mr. Shen Qixian and Mr. Jiang Guitang, the directors of the Company, and their close family members	(3)	**–**	20,000

Notes:

(1) The amount due to the related company was non-trade in nature, unsecured, interest-free and repayable on demand. The amount was fully repaid on 22 February 2017.

(2) Nantong Jianke held 14.63% equity interests in Nantong Meigu, a subsidiary of the Company, during the year up to 14 March 2016. The amount due to the related company was unsecured, interest-free and repayable within one year. The amount due to this related party was fully settled in 2016 and there was no balance due from this related party as at 31 December 2016.

(3) During the year ended 31 December 2015, guarantees have been given by Mr. Shen Qixian, who is the father of Mr. Shen Weixing and a director of Nantong Meigu, and Mr. Jiang Guitang, who is a director of the Company and Nantong Meigu, and their respective spouses, to certain financial institutions in connection with bank borrowings granted to Nantong Meigu. The directors of the Company considered the fair value of guarantees received to be insignificant because the probability of default in repayment by Nantong Meigu was low. These guarantees were fully released during the year ended 31 December 2016 when the underlying bank borrowings were fully repaid.

(ii) Transactions with other related parties

	2016	2015
	RMB'000	*RMB'000*
Interest received from related companies		
– Sichuan Rike Electronics Co., Ltd ("Sichuan Rike")	**–**	595

Note: Mr. Shen Weixing, a beneficial owner of the Company, has controlling beneficial interests in this company. As at 31 December 2014, an amount of RMB9,000,000 due from Sichuan Rike bore interest at 6.43% to 7.60% per annum. The amount due from this related party was fully settled in 2015 and there was no balance due from this related party as at 31 December 2015 and 2016.

15. CAPITAL AND LEASE COMMITMENTS

As at 31 December 2016 and 2015, the Group had no material outstanding capital and lease commitments.

16. CONTINGENT LIABILITIES

As at 31 December 2016 and 2015, the Group had no material contingent liabilities.

17. SUBSEQUENT EVENTS

Saved as disclosed elsewhere in this result announcement, the following significant events took place subsequent to 31 December 2016 and up to the date of this announcement:

(a) On 13 January 2017, the Company completed the initial listing of its 400,000,000 shares of HK$0.01 each in issue (the "Initial Listing") including 100,000,000 new shares of HK$0.01 each issued by placing at HK$0.35 per placing share on 12 January 2017, 299,999,250 new shares of HK$0.01 each issued to Munsing Developments Limited (wholly-owned by Mr. Shen Weixing) and Singa Dragon International Ventures Limited (wholly-owned by Mr. Jiang Guitang) of the Group by the way of capitalisation out of the share premium (note (b) below), and 750 shares of HK$0.01 each issued to Munsing Developments Limited (wholly-owned by Mr. Shen Weixing) and Singa Dragon International Ventures Limited (wholly-owned by Mr. Jiang Guitang), on the Growth Enterprise Market of the Stock Exchange. The net proceeds, after deducting the related share issuance costs, of approximately HK$33,247,000 (or RMB30,075,000) were raised from placing 100,000,000 new shares, which were credited to the Company's share capital of approximately HK$1,000,000 (or RMB905,000) and share premium of approximately HK$32,247,000 (or RMB29,170,000).

(b) On 12 January 2017, pursuant to the written resolution passed by the shareholders of the Company on 16 December 2016 and immediately prior to the Initial Listing on 13 January 2017, the Company issued 136,399,659 and 163,599,591 new shares of HK$0.01 each of the Company to Munsing Developments Limited (wholly-owned by Mr. Shen Weixing) and Singa Dragon International Ventures Limited (wholly-owned by Mr. Jiang Guitang), respectively by capitalisation of an aggregated amount of HK$2,999,992.50 (or RMB2,714,000) out of the share premium account of the Company.

MANAGEMENT DISCUSSION AND ANALYSIS

REVIEW AND PROSPECTS

The Group is an established and leading manufacturer in the PRC engaged in the research and development, production and sale of a variety of FRP products. The Group's major products consist of: (i) FRP Grating products; (ii) USCG Approved Phenolic Grating products; (iii) FRP Subway Evacuation Platform products; and (iv) Epoxy Wedge Strip products.

The applications for FRP are quite wide including building and construction field, electrical and telecommunications engineering. As the product is characterised by its light weight, high strength, toughness, anti-slippery, anti-erosion, flame retardant, insulation and easy to colour and artistic properties as well as its good and comprehensive economic benefits, it is widely applied in industries including petrochemical, electrical, marine engineering, plating, vessel, metallurgy, steel, papermaking, brewing and municipal industry and mainly used in operating platform, equipment platform, stair treads, trench covers, filter plates, etc, which indicates that it is an ideal components for corrosive environment.

The outstanding quality and functionality of USCG Approved Phenolic Grating products are the reasons for its wide recognition and acceptance by domestic end-users from different sectors. The Group is also one of the four manufacturers in China which hold the certificate for USCG Approved Phenolic Grating products.

The Group has successfully developed FRP Subway Evacuation Platform products and Epoxy Wedge strip products in 2013 and 2014 respectively so as to pursue growth in the market segments.

The Board believes that research and development capabilities are essential to the future growth of the Group. In the year ended 31 December 2016, the Group spent approximately RMB2.5 million in research and development expenditure for the development of new products and development of new technology solutions to improve the existing fibreglass reinforced plastic products. The Group's research and development is conducted in-house by the technical department, which is led by Mr. Jiang Guitang, an executive Director of the Company. Mr. Jiang has accumulated over 27 years of industrial experience in the composite material industry. Under the leadership of Mr. Jiang, the Group will further enhance the research and development capability by procuring new testing equipment and recruiting additional full-time technical personnel.

Leveraging on market trend information gathered by the sales and marketing team and participation in drafting the PRC industry standards, the Group constantly keeps track of developments and trends in the FRP industry worldwide. Over the past years, the Group closely followed up with the PRC government's macroeconomic stimulus when carrying out the research and development works. In respond to the latest "Belt and Road Initiatives" promulgated by Chinese government, the Group focused the research and development efforts on developing and improving products with potential to be used in the infrastructure projects. As a result, several new products such as the FRP Subway Evacuation Platform products and Epoxy Wedge strip products were developed. A new product line, composite crossties for use in railways has been developed and will be rolled out for commercial production in 2017.

It is generally believed that effective market is important in capturing the market share and attracting potential customers and as such, in the year ended 31 December 2016, the Group undertook the following marketing activities:

i. Participation in trade fairs and sales conventions including the JEC Composite Europe 2016 held in France in 2016;

ii. Placing advertisements on the internet such as Made-in-China.com (www.made-in-china.com), an online trading platform, and entering into promotion agreements with online search engine service provider to attract new customers;

iii. Identification of suitable tender invitation mainly by online advertisements and industry periodicals;

iv. Visiting existing customers regularly to enhance their knowledge on the Group's products and competitive advantages, to promote new products, to understand their specific needs, to obtain feedbacks on the products and to get a better understanding on the market trends.

With regard to the environmental aspect, the Group is committed to minimising any negative impact on the environment which may be resulted from the production process. To achieve this objective, the Group have adopted various measures including the following (i) setting environmental goals and objectives and regularly reviewing such goals and objectives; (ii) encouraging the reduction in gas emission, dust, noise and solid waste during the production process; (iii) using steam instead of coal-fired boiler for heating; (iv) installing activated carbon filtration units and planting trees around the production facilities to reduce air emission; (v) establishing a recycle system for recurring use of scraps in our production process; (vi) engaging qualified third parties to dispose of solid wastes; and (vii) providing training to our employees once a year to ensure that they work in an environmentally friendly and responsible manner. During the year ended 31 December 2016, the Group had no material non-compliance or violation on any relevant laws and regulations of the PRC on environmental protection.

The Group adopted an occupational health and safety system to comply with the relevant occupational health and safety laws and regulations imposed by the government authorities in the PRC. The following occupational health and safety measures have been implemented to maintain a safe working environment: (i) guidelines for operation and safety control procedures are documented and distributed to all employees; (ii) employees are provided with protective equipment such as gloves, dust masks, helmets and dust proof goggles; (iii) inspection and maintenance of equipment and facilities are conducted regularly to identify and eliminate safety hazard; (iv) health and work safety compliance records are maintained; and (v) trainings are provided to our employees once a year to raise their awareness as to occupational safety. During the year ended 31 December 2016, there were no material work-related injuries or fatalities at the production facilities, and no prosecution has been made against the Group by the relevant government authorities in the PRC in respect of the breach of applicable health and safety laws and regulations.

A full report on environment, social and governance will be published on the Company's website within three months after the publication of the Company's 2016 annual report in accordance with Appendix 20 of the Rules Governing the Listing of Securities on the GEM of the Stock Exchange.

Despite the fact that the FRP Grating products market grows at a slower pace, with the extensive experience and market recognition of products which the Group has accumulated since more than a decade ago, as well as the expanding customer base, the Board is of the view that it is more well-positioned than other domestic enterprises in the industry to further develop and expand its markets and products.

FINANCIAL REVIEW

The Group posted a consolidated revenue of approximately RMB63.3 million for the year ended 31 December 2016, representing an increase of approximately RMB6.9 million or 12.2% as compared to the corresponding twelve months in 2015. The increase in revenue was primarily attributable to the increase in sales revenue generated from sales of ERP Grating products, USCG Approved Phenolic Grating products and Epoxy Wedge Strip products.

Details of the Group's revenue and gross profit margin by product categories are as follows:

	For the year ended 31 December 2016		For the year ended 31 December 2015	
	Sales revenue	**Gross profit margin**	Sales revenue	Gross profit margin
	RMB'000	***%***	*RMB'000*	*%*
FRP Grating products	**48,126**	**36.9**	43,978	36.2
USCG Approved Phenolic Grating products	**9,677**	**43.2**	6,531	45.6
FRP Subway Evacuation Platform products	**67**	**22.4**	3,471	38.7
Epoxy Wedge Strip products	**5,408**	**47.5**	2,425	41.8
	63,278	**38.5**	56,405	37.7

In the year ended 31 December 2016, sales of FRP Grating products remained the largest contributor to the Group's revenue and it accounted for approximately 76.1% of the total revenue. FRP Grating products were mainly sold to corporate customers in the PRC who generally are end-users of such products, as well as distributors in the U.S. and the U.K. who generally buy the products on per purchase order basis with no distribution arrangement. Revenue derived from sales of FRP Grating products increased by 9.4% from approximately RMB44.0 million in the year ended 31 December 2015 to approximately RMB48.1 million in the year ended 31 December 2016. This is mainly attributable to: (i) increase in the total number of PRC customers placing purchase for such products; and (ii) increase in sale of such products to the existing U.K., French and PRC customers. There is no notable fluctuation in the gross profit margin on comparison between the two years.

USCG Approved Phenolic Grating products were generally sold to shipbuilders and offshore oilfields construction companies in the PRC. Revenue generated from sales of USCG Approved Phenolic Grating products has increased by 48.2% from approximately RMB6.5 million in the year ended 31 December 2015 to approximately RMB9.7 million in the year ended 31 December 2016. The increase was primarily due to increase in the total number of PRC customers placing purchase orders for such products. The gross profit margin decreased by 2.4% from 45.6% for the year ended 31 December 2015 to 43.2% for the year ended 31 December 2016. This is primarily due to the decrease in average selling price because of normal price fluctuations and the variation in the raw material composition of such products.

FRP Subway Evacuation Platform products were sold to main contractors who principally engaged in railway construction works in the PRC. There was a substantial reduction in the sales of FRP Subway Evacuation Platform Products by 98.1% from approximately RMB3.5 million for the year ended 31 December 2015 to approximately RMB67,000 only in the year ended 31 December 2016. This is mainly because of the delay in the progress of railway construction projects undertaken by the existing and potential customers. None of the customers placed any purchase order in the year ended 31 December 2016 except for an existing customer who placed a small amount of orders for replenishment on an ad hoc basis. The gross profit margin decreased by 16.3% from 38.7% for the year ended 31 December 2015 to 22.4% for the year ended 31 December 2016. This is primarily attributable to the extent of increase in average cost of sales for such products was larger than the relatively smaller increase in average sales price because of the small amount of purchase orders received for replenishment as mentioned above.

Expoxy Wedge Strip products were developed and launched in 2014 which targeted manufacturers of wind turbine blades in the PRC. The revenue derived from sales of Expoxy Wedge Strip products increased substantially by approximately RMB3.0 million or 123.0% from approximately RMB2.4 million for the year ended 31 December 2015 to approximately RMB5.4 million for the year ended 31 December 2016. This relatively substantial increase was mainly due to the increase in the total number of PRC customers placing orders for such products. The gross profit margin increased by 5.7% from 41.8% for the year ended 31 December 2015 to 47.5% for the year ended 31 December 2016. This is largely attributable to the substantial increase in sales of a kind of Expoxy Wedge Strip products with different shapes, weight and dimensions which were able to fetch a higher gross profit margin.

Details of the average selling price and the sales volume by product categories are as follows:

	For the year ended 31 December 2016		For the year ended 31 December 2015	
	Average selling price per unit	**Volume**	Average selling price per unit	Volume
	RMB	**M^2**	*RMB*	M^2
FRP Grating products	**285.2**	**168,773**	300.5	146,346
USCG Approved Phenolic Grating products	**564.3**	**17,148**	586.7	11,132
FRP Subway Evacuation Platform products	**854.7**	**78**	659.6	5,262
Epoxy Wedge Strip products	**29.2**	**185,356**	52.8	45,962

The average selling price of the FRP Grating products per m^2 decreased by 5.1% from RMB300.5 per m^2 for the year ended 31 December 2015 to RMB285.2 per m^2 for the year ended 31 December 2016, with an increase in sales in volume of 15.3% on comparison between the two years. The decrease in average selling price was mainly due to normal fluctuation in prices of different FRP Grating products and the variation in the composition of lower priced FRP Grading products sold.

The average selling price of the USCG Approved Phenolic Grating products per m^2 decreased by 3.8% from RMB586.7 per m^2 for the year ended 31 December 2015 to RMB564.3 per m^2 for the year ended 31 December 2016, with an increase in sales in volume of 54.0% on comparison between the two years. The decrease in average selling price was mainly due to: (i) normal fluctuation in prices of different USCG Approved Phenolic Grating products; (ii) variation in the raw material consumption of the products sold, using higher portion of fibre glass than resin in accordance with customers' requests; and (iii) increase in sales of pultruded USCG Approved Phenolic Grating products, which had a lower average selling price.

The Group experienced an increase of 29.6% in the average selling price of FRP Subway Evacuation Platform products from RMB659.6 per m^2 for the year ended 31 December 2015 to RMB854.7 per m^2 for the year ended 31 December 2016. This is manly attributable to the fact that the Group received a small amount of purchase orders from an existing customer for replenishment on an ad hoc basis in the year ended 31 December 2016, which allowed the Group to charge a higher average selling price.

The average selling price of the Epoxy Wedge Strip products per m^2 decreased by 44.7% from RMB52.8 per m^2 for the year ended 31 December 2015 to RMB29.2 per m^2 for the year ended 31 December 2016, with an increase in sales in volume of 303.3% on comparison between the two years. The decrease in average selling price was mainly due to: (i) adopting the strategy to lower the selling price of Epoxy Wedge Strip products so as to capture certain prospective customers and to gain more market share; (ii) the substantial increase in sale of a kind of products with different shape, weight and dimensions which had a lower average selling price.

Details of the Group's sale revenue by geographical area are as follows:

	For the year ended 31 December	
	2016	2015
	RMB'000	*RMB'000*
PRC	**38,058**	29,273
U.S.	**13,549**	17,315
U.K.	**9,422**	6,953
Others	**2,249**	2,864
Total	**63,278**	56,405

Sales in the PRC market increased by 30.0% from approximately RMB29.3 million for the year ended 31 December 2015 to approximately RMB38.1 million for the year ended 31 December 2016, mainly because of increase in sales of the FRP Grating products, USCG Approved Phenolic Grating products and Epoxy Wedge Strip products.

Sales to the U.S. market decreased by 21.7% from approximately RMB17.3 million for the year ended 31 December 2015 to approximately 13.5 million for the year ended 31 December 2016, mainly because of decrease in sales to two customers in the U.S. It is believed that the decrease in sales to these two customers was caused by the decrease in sales of FRP grating products from these two customers to their respective customers.

Sales to the U.K. market increased by 35.5% from approximately RMB7.0 million for the year ended 31 December 2015 to approximately RMB9.4 million for the year ended 31 December 2016, mainly because of increase in sales of the FRP Grating products to a customer in U.K. who was the Group's third largest and the largest customer among all the foreign customers for the years ended 31 December 2015 and 2016 respectively.

Sales to the other locations decreased by 21.5% from approximately RMB2.9 million for the year ended 31 December 2015 to approximately RMB2.2 million for the year ended 31 December 2016, mainly because of decrease in sales to Australia, Canada, Germany and Uruguay due to normal fluctuation in demand for the FRP Grating products.

The reduction in other revenue from RMB1.1 million in the year ended 31 December 2015 to only RMB112,000 in the year ended 31 December 2016 was mainly attributable to the substantial reduction of interest income by approximately RMB1.0 million due to loans of approximately RMB9.1 million granted and repaid in the year ended 31 December 2015.

The selling and distribution costs decreased by approximately RMB0.7 million, a 11% decrease to approximately RMB5.7 million in the year ended 31 December 2016 from approximately RMB6.4 million in the year ended 31 December 2015. The decrease was mainly attributed to the specific allowances for doubtful debts amounting to approximately RMB770,000 recognised in the year ended 31 December 2015.

The administrative expenses increased substantially by approximately RMB2.6 million, a 46.9% increase to approximately RMB8.1 million in the year ended 31 December 2016 from approximately RMB5.5 million in the year ended 31 December 2015. The increase was mainly attributed to the commencement to making social insurance and housing provident fund contributions for employee in full in accordance with the relevant laws and regulations since January 2016.

Finance costs decreased by approximately RMB1.3 million to approximately RMB1.1 million in the year ended 31 December 2016 from approximately RMB2.4 million in the year ended 31 December 2015. The decrease was mainly due to the general reduction in the bank interest rates and the decrease in the level of bank borrowings in the year ended 31 December 2016.

There was a swing from a profit of approximately RMB5.3 million for the year ended 31 December 2015 to a loss of approximately RMB7.7 million for the year ended 31 December 2016. This is due to the one-off listing expenses of approximately RMB14.4 million charged to the profit and loss account.

LIQUIDITY AND FINANCIAL RESOURCES

As at 31 December 2016, the Group held total assets of approximately HK$70.0 million (2015: approximately RMB69.2 million), including cash and cash equivalents of approximately HK$3.9 million (2015: approximately RMB14.7 million).

As at 31 December 2016, the Group had total liabilities of approximately HK$48.2 million (2015: RMB35.6 million) which mainly comprise of bank borrowings amounting to RMB20 million (2015: RMB20 million).

As at 31 December 2016, the gearing ratio, expressed as a percentage of net debt (bank borrowings less cash and cash equivalents) over total capital employed (net debt plus total equity attributable to owners of the Company) was about 42.5% compared to 15.1% as at 31 December 2015. This significant increase was mainly due to reduction in cash and cash equivalents by approximately RMB10.9 million from approximately RMB14.7 million as at 31 December 2015 to approximately RMB3.8 million as at 31 December 2016.

CONTINGENT LIABILITIES

As at 31 December 2016, the Group had no contingent liabilities (2015: Nil).

EXPOSURE TO FLUCTUATIONS IN EXCHANGE RATES

The Group is exposed to foreign exchange risk primarily through sales which give rise to receivables and cash balances that are denominated in US dollars, which is attributable to sales transactions entered into by the Group with overseas customers. The Group has adopted the following measures to mitigate the exposure to foreign exchange risk:

(i) the accounting and finance department would closely monitor the movement of relevant exchange rates to ensure that the net exposure is kept to an acceptable level;

(ii) quotations provided to our overseas customers are generally valid for one to three months only;

(iii) in the event that the relevant exchange rates fluctuate more than 5.0%, the Director and senior management would be notified such that appropriate actions could be carried out in a timely manner to address any foreign exchange risks;

(iv) if the fluctuation in the relevant exchange rates exceeds 8.0% for more than two months, the pricing policy would be adjusted accordingly to reflect such change; and

(v) the Directors would regularly review the analysis prepared by the accounting and finance department and assess whether there is any material and adverse impact on the Group's financial performance and whether any hedging or derivative financial instruments should be entered into for managing the foreign exchange risk exposures.

In addition to the above, the Group is generally able to pass on the cost arising from exchange rate fluctuations to the customers by adjusting the pricing. Hence, it is considered that the Group's exposure to foreign exchange risk is limited and it is not necessary to adopt any hedging strategy.

CHARGES ON GROUP ASSETS

As at 31 December 2016, the Group had the following charges on its assets:

(i) the leasehold land held for own use under operating lease with a carrying value of RMB1,512,000 as at 31 December 2016 (2015: RMB1,550,000) and the buildings with a carrying value of RMB9,335,000 as at 31 December 2016 (2015: RMB8,860,000) were pledged for a bank borrowing of RMB10,000,000;

(ii) an aggregate amount of RMB513,000 (2015: RMB113,000) was placed in a bank account and pledged in favour of customers in relation to a sales transaction.

CAPITAL STRUCTURE

As at 31 December 2016, the share capital and total equity attributable to equity holders of the Company amounted to approximately HK$8 and RMB21,814,000 respectively. As the Company was incorporated on 13 January 2016, there was no share capital and total equity attributable to equity holders of the Company was approximately HK$29,796,000 as at 31 December 2015.

EMPLOYEES AND REMUNERATION POLICIES

As at 31 December 2016, the Group had 124 employees (2015: 125). The total staff costs including Directors' remuneration for the year were approximately HK$10.3 million (2015: approximately HK$9.0 million). Remuneration is determined based on each employee's qualifications, position and seniority. In addition to a basic salary, year-end discretionary bonuses were offered with reference to our Group's performance as well as individual's performance to attract and retain appropriate and suitable personnel to serve the Group. Furthermore, the Group offers other staff benefits like provision of retirement benefits, various types of trainings and sponsorship of training courses. The Group also adopts an annual review system to assess the performance of staff, which forms the basis of decisions with respect to salary rises and promotions.

DIVIDEND

The Directors do not recommend the payment of any dividend for the year ended 31 December 2016 (2015: Nil).

SIGNIFICANT INVESTMENT, ACQUISITION AND DISPOSAL

Apart from the corporate reorganisation as disclosed in the prospectus of the Company (the "Prospectus") dated 29 December 2016, there were no significant investments held, acquisitions or disposals of subsidiaries and affiliated companies by the Group during the year ended 31 December 2016.

The Group did not have other plans for significant investments, acquisitions and disposal of subsidiaries and affiliated companies as at 31 December 2016.

BUSINESS OBJECTIVES AND IMPLEMENTATION PLAN

The Company's shares were only listed on 13 January 2017 and the proceeds from the placing of 100,000,000 shares of the Company were only received subsequent to the year ended 31 December 2016. Hence, the implementation plan for the business objectives as stated in the Prospectus has not yet commenced during the year ended 31 December 2016. The Group is in its preliminary stage of implementing its business objectives and strategies. An analysis comparing the business objectives set out in the Prospectus with the Group's actual business progress up to the date of this report is set out below:

Business objectives	**Planned use of proceeds** *(HK$'M)*	**Implementation progress**
1. The enhancement of the existing production processes, and acquisition of new production facilities		As at the date of this report, the proceeds from placing have not been used in the implementation of the business objectives.
– Enhancement of the existing pultrusion equipment and associated resin basins and pre-pre-form machine to improve product quality and optimize production costs	0.7	
– Purchase hydraulic presses to produce the parts for the FRP Subway Evacuation Platform products	*(Note 1)* 2.4	
– Automation of the cutting process of the pultrusion production process to improve the cutting precision level and reduce labour costs	0.6	
– Purchase of automated FRP moulding production facilities to further enhance the product quality and lower the labour costs	2.8	

Business objectives	**Planned use of proceeds** *(HK$'M)*	**Implementation progress**
2. The further development of the products according to the expected growth trend as a result of the PRC's macroeconomic policies in promoting "Belt and Road Initiatives"		As at the date of this report, the proceeds from placing have not been used in the implementation of the business objectives.
– Redefine the features and characteristics of the new FRP crosstie products via communication with the existing and potential customers and conduct trial production	0.9	
– Development of the relevant quality control and testing equipment of the new FRP crosstie products	*(Note 2)* 0.2	
– Development and purchase of new production equipment for the new FRP crosstie products once the products are recognized by, and mass production orders are expected from potential customers	3.7	
– Procurement of testing equipment for continuous research and development in order to further optimize the production process of the new FRP crosstie products	0.6	

Business objectives	**Planned use of proceeds** *(HK$'M)*	**Implementation progress**
3. Enhancement of the research and development capabilities by – procurement of testing equipment and raw materials for the existing product portfolio – recruitment of additional research and development staff	 0.3 0.3	As at the date of this report, the proceeds from placing have not been used in the implementation of the business objectives.
4. General working capital – Deployment of funds to accommodate the working capital needs, in particular relating to the upcoming production of the new FRP crosstie products	 1.1	
	13.6	

Note:

1. Approximately RMB52,000 has been used from the Group's own internal resources in this category.

2. Approximately RMB53,000 has been used from the Group's own internal resources in this category.

CORPORATE GOVERNANCE PRACTICES

The Company has complied with all the code provisions set out in the Corporate Governance Code and Corporate Governance Report contained in Appendix 15 to the Rules Governing the Listing of Securities on the GEM of the Stock Exchange ("GEM Listing Rules") since listing of its shares on the GEM of the Stock Exchange on 13 January 2017.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the year ended 31 December 2016.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the rules set out in Rules 5.48 to 5.67 of the GEM Listing Rules as the code for dealing in securities of the Company by the Directors. All Directors confirmed that they complied with the required standards as set out in the Rules 5.48 to 5.67 of the GEM Listing Rules since listing of the Company's shares on the GEM of the Stock Exchange on 13 January 2017.

AUDIT COMMITTEE

The Company established an audit committee (the "Audit Committee") on 16 December 2016 in accordance with the requirements of the GEM Listing Rules. The Audit Committee currently comprises all three independent non-executive Directors of the Company with Mr. Ng Sai Leung as the chairman, and Mr Tam Tak Kei Raymond and Mr. Huang Xin as the members.

The Audit Committee examined the accounting principles and practices adopted by the Group and discussed with the management its internal controls and accounts. The Audit Committee has reviewed the audited consolidated financial statements of the Group for the year ended 31 December 2016.

By order of the Board
MEIGU Technology Holding Group Limited
Jiang Guitang
Executive Director

Hong Kong, 24 March 2017

As at the date of this announcement, the executive Directors are Mr. Jiang Guitang, Mr. Cheng Dong and Ms. Shi Dongying and the independent non-executive Directors are Mr. Huang Xin, Mr. Tam Tak Kei Raymond and Mr. Ng Sai Leung.

This announcement, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on the Growth Enterprise Market of the Stock Exchange 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 Stock Exchange's website at www.hkgem.com on the "Latest Company Announcements" page for 7 days from the date of its posting and on the website of the Company at nantongrate.com