YOUYUAN INTERNATIONAL HOLDINGS LIMITED
優源國際控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 2268)

2016 ANNUAL RESULTS ANNOUNCEMENT

Financial Highlights

- Revenue increased by approximately 5.7% to approximately RMB1,799.5 million
- Profit and total comprehensive income attributable to owners of the Company increased by approximately 38.7% to RMB310.6 million
- Basic earnings per share were RMB0.262
- The Board does not recommend declaration and payment of any final dividend

The board of directors (the "Board") of Youyuan International Holdings Limited (the "Company") is pleased to announce the audited and consolidated annual results of the Company and its subsidiaries (hereinafter collectively referred to as the "Group") for the year ended 31 December 2016.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2016

	NOTES	**2016**	**2015**
		RMB'000	*RMB'000*
Revenue	4	**1,799,488**	1,702,664
Cost of sales		**(1,244,966)**	(1,205,243)
Gross profit		**554,522**	497,421
Other income and other gains and losses		**(65,919)**	(17,193)
Share of profit of an associate		**94,000**	—
Selling and distribution expenses		**(10,603)**	(10,510)
Administrative expenses		**(82,479)**	(82,406)
Finance costs		**(72,032)**	(67,907)
Other expenses		**(30,241)**	(33,565)
Profit before tax	5	**387,248**	285,840
Income tax expense	6	**(76,615)**	(61,959)
Profit and total comprehensive income for the year attributable to owners of the Company		**310,633**	223,881
		RMB	RMB
Earnings per share			
Basic	8	**0.262**	0.189

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AT 31 DECEMBER 2016

	NOTES	**2016**	**2015**
		RMB'000	*RMB'000*
NON-CURRENT ASSETS			
Property, plant and equipment		**2,296,248**	2,138,911
Prepaid lease payments		**325,504**	334,110
Investment in an associate		**627,000**	—
Derivative financial assets		**7,969**	—
Deposits paid for acquisition of property, plant and equipment		**110,143**	74,092
Deposits paid for acquisition of prepaid lease payments		**39,855**	39,855
		3,406,719	2,586,968
CURRENT ASSETS			
Inventories		**74,662**	115,643
Trade and other receivables	9	**740,072**	704,053
Prepaid lease payments		**8,229**	7,916
Bank balances and cash		**465,179**	735,222
		1,288,142	1,562,834
CURRENT LIABILITIES			
Trade and other payables	10	**248,629**	235,757
Income tax payables		**19,231**	16,077
Bank borrowings		**519,631**	873,226
		787,491	1,125,060
NET CURRENT ASSETS		**500,651**	437,774
TOTAL ASSETS LESS CURRENT LIABILITIES		**3,907,370**	3,024,742
NON-CURRENT LIABILITIES			
Bank borrowings		**1,161,467**	590,130
Deferred taxation		**24,500**	17,500
		1,185,967	607,630
NET ASSETS		**2,721,403**	2,417,112
CAPITAL AND RESERVES			
Share capital		**102,501**	102,501
Reserves		**2,618,902**	2,314,611
TOTAL EQUITY		**2,721,403**	2,417,112

NOTES
FOR THE YEAR ENDED 31 DECEMBER 2016

1. GENERAL

The Company was incorporated in the Cayman Islands on 12 October 2009 as an exempted company with limited liability under the Companies Law of the Cayman Islands. The shares of the Company have been listed on the Main Board of the Stock Exchange of Hong Kong Limited (the "Stock Exchange") with effect from 27 May 2010. Its immediate and ultimate parent is Smart Port Holdings Limited (incorporated in the British Virgin Islands) and its ultimate controlling shareholder is Mr. Ke Wentuo who is also the Chairman of the Company. The address of the registered office of the Company is situated at Cricket Square, Hutchins Drive, PO Box 2681, Grand Cayman, KY1-1111, Cayman Islands and its principal place of business in the People's Republic of China (the "PRC") is Xibin Industrial Zone, Jinjiang City, Fujian Province, the PRC.

The consolidated financial statements are presented in Renminbi ("RMB"), which is also the functional currency of the Company.

The Company acts as an investment holding company. The principal activities of its subsidiaries are manufacturing and trading of wrapping tissue paper, wall paper backing paper, copy paper and other products.

2. BASIS OF PREPARATION

The consolidated financial statements have been prepared in accordance with all applicable International Financial Reporting Standards ("IFRSs"). IFRSs comprise International Financial Reporting Standards ("IFRS"); International Accounting Standards ("IAS"); and Interpretations. The consolidated financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on the Stock Exchange and with the disclosure requirements of the Hong Kong Companies Ordinance (Cap. 622).

3. ADOPTION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS

Application of new and revised IFRSs

International Accounting Standard Board has issued a number of new and revised IFRSs that are first effective for annual periods beginning on or after 1 January 2016. Of these, the following new or revised IFRSs are relevant to the Group:

Amendments to IAS 1 Presentation of Financial Statements: Disclosure Initiative

The amendments to IAS 1 clarify, rather than significantly change, existing IAS 1 requirements. The amendments clarify various presentation issues relating to:

- Assessment of materiality versus minimum disclosure requirements of a standard.
- Disaggregation of specific line items in the statement(s) of profit or loss and other comprehensive income and the statement of financial position. There is also new guidance on the use of subtotals.
- Confirmation that the notes do not need to be presented in a particular order.
- Presentation of other comprehensive income items arising from equity-accounted associates and joint ventures.

None of these 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.

New and revised IFRSs in issue but not yet effective

The Group has not early applied new and revised IFRSs that have been issued but are not yet effective for the financial year beginning 1 January 2016. These new and revised IFRSs include the following which may be relevant to the Group.

	Effective for accounting periods beginning on or after
Amendments to IAS 7 Statement of Cash Flows: Disclosure initiative	1 January 2017
Amendments to IAS 12 Income Taxes: Recognition of deferred tax assets for unrealised losses	1 January 2017
IFRS 9 Financial Instruments	1 January 2018
IFRS 15 Revenue from Contracts with Customers	1 January 2018
Amendments to IFRS 2 Share-based Payment: Classification and measurement of share-based payment transactions	1 January 2018
IFRS 16 Leases	1 January 2019
Amendments to IFRS 4: Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts	1 January 2018
Amendments to IFRS 10 Consolidated Financial Statements and IAS 28 Investments in Associates and Joint Ventures : Sale or contribution of assets between an investor and its associate or joint venture	To be determined

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. As the Group has not completed its assessment, further impacts may be identified in due course.

4. SEGMENT INFORMATION

(a) Products within each operating segment

Information reported to the Chief Executive Officer of the Company, being the chief operating decision maker, for the purposes of resources allocation and assessment of segment performance focuses on types of goods delivered. This is also the basis upon which the Group is organised. No operation segments identified by the chief operating decision maker have been aggregated in arriving at the reportable segments of the Group.

Specifically, the Group's operating segments under IFRS 8 Operating segments are as follows:

- Wrapping tissue paper - manufacturing for sale of wrapping tissue paper;
- Copy paper - manufacturing for sale of copy paper;
- Wall paper backing paper - manufacturing for sale of wall paper backing paper;
- Other products - manufacturing for sale of paper towels and ivory boards.

(b) Segment revenue and segment results

	Segment revenue		**Segment results**	
	2016	2015	**2016**	2015
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Wrapping tissue paper	**1,347,405**	1,288,531	**444,140**	409,438
Copy paper	**166,085**	159,509	**52,979**	47,967
Wall paper backing paper	**131,652**	101,159	**35,376**	21,664
Other products	**154,346**	153,465	**22,027**	18,352
	1,799,488	1,702,664	**554,522**	497,421
Other income and other gains and losses			**(65,919)**	(17,193)
Share of profit of an associate			**94,000**	—
Selling and distribution expenses			**(10,603)**	(10,510)
Administrative expenses			**(82,479)**	(82,406)
Finance costs			**(72,032)**	(67,907)
Other expenses			**(30,241)**	(33,565)
Profit before tax			**387,248**	285,840

Revenue reported above represents revenue generated from external customers. There were no intersegment sales during both years. Segment results represent the gross profit of each operating segment.

(c) **Geographical information**

The Group principally operates in the PRC (country of domicile of the operating subsidiaries). All non-current assets of the Group are located in the PRC.

All of the Group's revenue from external customers is attributed to the group entities' countries of domicile (i.e. the PRC).

5. PROFIT BEFORE TAX

Profit before tax has been arrived at after charging:

	2016	2015
	RMB'000	*RMB'000*
Employee benefits expenses (including directors):		
Salaries and other benefits	**65,279**	60,505
Retirement benefits scheme contributions	**3,240**	2,748
	68,519	63,253
Depreciation of property, plant and equipment	**108,049**	97,713
Release of prepaid lease payments	**8,293**	8,005
Total depreciation and amortisation expenses	**116,342**	105,718
Auditors' remuneration	**2,998**	2,241
Research and development cost recognised as an expense (included in other expenses)	**30,241**	33,565
Cost of inventories recognised as expenses	**1,244,966**	1,205,243

6. INCOME TAX EXPENSE

	2016	2015
	RMB'000	*RMB'000*
Income tax expense:		
Current tax		
Charge for the year	**69,615**	54,959
	69,615	54,959
Deferred tax		
Charge for the year	**7,000**	7,000
	76,615	61,959

The Company and Xi Yuan Paper Limited were incorporated in the Cayman Islands and British Virgin Islands, respectively, and are not subject to income tax.

Sunwell Trading (HK) Company Limited was incorporated in Hong Kong and has had no assessable profit subject to Hong Kong Profits Tax for both years.

The income tax expense for the year represents the PRC Enterprise Income Tax ("EIT") which is calculated at the prevailing tax rate on the taxable income of the group entities in the PRC.

Quanzhou Huaxiang Paper Industry Co., Ltd., Fujian Xiyuan Paper Co., Ltd. ("Xiyuan") and Youlanfa Paper Co., Ltd. Fujian ("Youlanfa") are Foreign Investment Enterprises registered in the PRC and are subject to the PRC statutory EIT tax rate of 25% for both years.

Xiyuan obtained a high and new technology enterprise certificate in 2016 and was approved in 2016 to entitle to a preferential tax rate of 15% for three years period from 2016 to 2018, subject to annual review by the relevant tax authority.

Youlanfa obtained a high and new technology enterprise certificate in 2015 and was approved in 2015 to entitle to a preferential tax rate of 15% for three years period from 2015 to 2017, subject to annual review by the relevant tax authority.

In current year, the preferential tax rate of 15% has applied to Xiyuan and Youlanfa.

7. DIVIDENDS

	2016	**2015**
	RMB'000	*RMB'000*
Dividends recognised as distribution during the year:		
2015 final dividend of Nil (2015: 2014 final dividend of HK8.0 cents per share)	—	69,500
2016 interim dividend of Nil (2015: 2015 interim dividend of HK4.1 cents per share)	—	39,900
	—	109,400

On 8 May 2015, a final dividend of HK8.0 cents per share in respect of the year ended 31 December 2014 was approved by shareholders at annual general meeting of the Company. Shareholders were given an option to elect to receive the final dividend in the form of newly issued shares, in lieu of cash (the "Scrip Dividend Scheme"). Pursuant to the Scrip Dividend Scheme, 436,339 shares at market price of HK$1.94 per share, amounting to HK$847,000 (equivalent to approximately RMB683,000), were issued and allotted and cash dividend of approximately HK$85,393,000 (equivalent to approximately RMB68,817,000) was paid.

On 14 March 2017, the Board does not recommend declaration and payment of any final dividend in respect of the year ended 31 December 2016 (2015: Proposed final dividend of Nil).

8. EARNINGS PER SHARE - BASIC

The calculation of basic earnings per share attributable to the owners of the Company is based on the following data:

	2016	2015
	RMB'000	*RMB'000*
Earnings		
Profit for the year attributable to owners of the Company for the purpose of calculating basic earnings per share	**310,633**	223,881

	2016	2015
Number of shares		
Weighted average number of ordinary shares for the purpose of calculating basic earnings per share	**1,186,072,075**	1,186,039,090

No diluted earnings per share are presented as there were no potential ordinary shares outstanding during both years.

9. TRADE AND OTHER RECEIVABLES

	2016	2015
	RMB'000	*RMB'000*
Trade receivables	**730,241**	702,496
Other prepayments	**993**	967
Other tax recoverable	**8,838**	590
	740,072	704,053

The Group allows an average credit period of 120 days to its trade customers. The ageing of trade receivables presented based on the invoice date, which approximated the respective revenue recognition dates, at the end of the reporting period is as follows:

	2016	2015
	RMB'000	*RMB'000*
0 to 30 days	**197,312**	194,276
31 to 60 days	**190,996**	189,485
61 to 90 days	**193,832**	171,323
91 to 120 days	**148,101**	147,412
	730,241	702,496

As at 31 December 2016 and 2015, no trade receivable balance was past due nor impaired. The Group does not hold any collateral over the trade balances.

10. TRADE AND OTHER PAYABLES

	2016	2015
	RMB'000	*RMB'000*
Trade payables	**175,641**	186,789
Other payables for acquisition of plant and equipment	**22,883**	10,136
Other tax payables	**28,896**	19,030
Accrued staff costs and employee social security fund	**7,436**	7,443
Accrued electricity expenses	**5,761**	8,194
Other accrued expenses	**8,012**	4,165
	248,629	235,757

The following is an aged analysis of trade payables presented based on the invoice date at the end of the reporting period:

	2016	2015
	RMB'000	*RMB'000*
Within 30 days	**80,140**	99,618
31 to 90 days	**95,501**	87,171
	175,641	186,789

BUSINESS REVIEW

During 2016, the paper manufacturing industry in China maintained a steadier and healthier development than in the previous years as it started to reap initial benefits from years of adjustments and consolidation.

Meanwhile consumption of paper products recorded a modest recovery as competition became less intense as a result of the industry consolidation.

Prices of raw pulp strengthened from their low levels seen previously and remained steady, again due to consolidation within this segment of the industry, as part of the deepening supply-side reforms implemented nationwide in China depleted inventories and eliminated excessive capacities. Meanwhile, prices of imported recycled pulp also bottomed out due to depleting inventories and the depreciation of Renminbi.

As for finished paper products, the stabilizing economy in China and depleting inventories supported prices of finished products at reasonably healthy levels. Online shopping and electronic commerce continued to be a major driver that sustained demand for package-use paper products, machine-finished tissue paper and cardboard paper.

China continued to pursue deepened enactment of new laws and regulations on environmental protection and sewage treatment during the year under review, prompting accelerated closures of obsolete capacities which had failed to comply with the new requirements.

As for sales, electronic commerce remained as the strongest demand driver for package-use paper products, which sustained demand for both machine-finished tissue paper and cardboard paper.

These are in agreement with the headline economic figures of the country during the year. Retail sales for the whole year of 2016 in China rose 9.6% year on year, according to the National Bureau of Statistics. Yet retail sales via electronic commerce rose 25.6% year on year during the same period.

At the same time, the recovery of residential property market in China had sustained demand for wall paper products.

In addition, the Group's newly acquired wall paper business had made solid contribution to its share of profit of an associate during the year.

Investment in wall paper business

On 5 February 2016, Xi Yuan Paper Limited ("Xi Yuan BVI", a wholly owned subsidiary of the Company) completed its acquisition of 41.0% equity interest in Xin Wing Enterprises Limited ("Xin Wing"). Xin Wing and its subsidiaries (together with Xin Wing, "Xin Wing Group") are principally engaged in manufacturing and trading of wall paper in China under their own branded wall paper and also on an OEM basis.

For the year ended 31 December 2016, the total revenue of Xin Wing Group was approximately RMB800.3 million and the net profit of Xin Wing Group was approximately RMB250.5 million. The share of profit of Xin Wing Group as an associate of the Group from the date of completion of acquisition up to 31 December 2016 was approximately RMB94.0 million and was credited to profit and loss of the Group during this reporting period.

On 26 July 2016, Xi Yuan BVI had issued a notice of offer to purchase the 20.0% equity interest in Xin Wing held by Cathay Capital Holdings III, L.P. ("Cathay Fund") and Cathay Fund had accepted the offer on the same date (the "Further Acquisition"). On 10 August 2016, Xi Yuan BVI entered into a memorandum of understanding with Xin Wing Group and Ms. Ke Jinzhen pursuant to which Xi Yuan BVI will purchase the 39.0% equity interest in Xin Wing held by Ms. Ke (the "Possible Acquisition"). As at the date of this announcement, the parties have not yet entered into definitive sale and purchase agreements and related documents to formalize the Further Acquisition and the Possible Acquisition. The Company will make further announcements regarding the Further Acquisition and the Possible Acquisition as required under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") upon the parties entering into any definitive agreement(s) regarding the same.

Segmental Analysis

Wrapping tissue paper

Wrapping tissue paper includes double-sided machine-finished ("MF") tissue paper, single-sided MF tissue paper, food wrapping tissue paper, semi-transparent wrapping tissue paper and colour wrapping tissue paper.

Total revenue generated from wrapping tissue paper was RMB1,347.4 million, contributed to approximately 74.9% of the Group's revenue for this reporting period.

Copy paper

Revenue generated from copy paper remained relatively stable at RMB166.1 million, contributed to approximately 9.2% of the Group's revenue for this reporting period. One production line with designed annual production capacity of 22,000 tonnes resumed operation after maintenance and upgrade works in the fourth quarter of the year.

Wall paper backing paper

Revenue generated from wall paper backing paper was RMB131.7 million, contributed to approximately 7.3% of the Group's revenue for this reporting period.

Other products

Other products, comprising paper towel and ivory boards, generated revenue of RMB154.3 million during the year and contributed to approximately 8.6% of the Group's revenue for this reporting period.

Geographical Analysis

The entire Group's revenue was generated from mainland China. Eastern China and Southern China are the largest markets of the Group (by breakdown of locations from which sales were originated), with over 92.0% of the Group's revenue for the reporting period being derived from these two regions.

Operational Analysis

As at 31 December 2016, the Group operated 35 production lines with designed annual production capacities aggregating 358,000 tonnes, including 225,000 tonnes for wrapping tissue paper, 52,000 tonnes for copy paper, 35,000 tonnes for wall paper backing paper and 46,000 tonnes for other products.

The Group is also equipped with 3 in-house de-inked pulp production lines with designed annual production capacities aggregating 150,000 tonnes for its own use.

MANAGEMENT DISCUSSION AND ANALYSIS

Results

Revenue of the Group for the year ended 31 December 2016 was RMB1,799.5 million, representing an increase of approximately 5.7% from RMB1,702.7 million for the year ended 31 December 2015. Profit and total comprehensive income attributable to owners of the Company increased by approximately 38.7% from RMB223.9 million for the year ended 31 December 2015 to RMB310.6 million for the year ended 31 December 2016. The increases in profit and total comprehensive income attributable to owners of the Company were attributable to the share of profit of an associate and increase in sales volume of the Group's products, the impact of which was partly offset by a higher income tax charged for the current year and foreign exchange loss due to appreciation of USD against RMB.

Basic earnings per share for the year ended 31 December 2016 increased by 38.6% to RMB0.262 per share compared with RMB0.189 per share for the year ended 31 December 2015, based on the profit and total comprehensive income attributable to owners of the Company of RMB310.6 million (For the year ended 31 December 2015: RMB223.9 million) and the weighted average of 1,186,072,075 shares (For the year ended 31 December 2015: 1,186,039,090 shares) in issue during this reporting period.

Gross profit

Gross profit of the Group increased modestly to RMB554.5 million for the year ended 31 December 2016 from RMB497.4 million for the year ended 31 December 2015. Overall gross profit margin of the Group increased from 29.2% for the year ended 31 December 2015 to 30.8% for the year ended 31 December 2016.

Other income and other gains and losses

Other income and other gains and losses of the Group increased from a net loss of RMB17.2 million for the year ended 31 December 2015 to a net loss of RMB65.9 million for the year ended 31 December 2016, mainly due to foreign exchange losses as a result of the appreciation of USD against RMB for the bank borrowings denominated in USD.

Share of profit of an associate

Share of profit of an associate of the Group was approximately RMB94.0 million for the year ended 31 December 2016.

Selling and distribution expenses

Selling and distribution expenses of the Group increased by approximately 0.9% from RMB10.5 million for the year ended 31 December 2015 to RMB10.6 million for the year ended 31 December 2016, representing approximately 0.6% of the Group's revenue for both reporting periods.

Administrative expenses

Administrative expenses of the Group increased by approximately 0.1% from RMB82.4 million for the year ended 31 December 2015 to RMB82.5 million for the year ended 31 December 2016, representing approximately 4.8% and 4.6% of the Group's revenue for the reporting periods, respectively.

Finance costs

Finance costs of the Group increased by approximately 6.1% from RMB67.9 million for the year ended 31 December 2015 to RMB72.0 million for the year ended 31 December 2016, primarily due to an increase in the average balance of bank borrowings and a reduction of the amount of capitalized interest for qualifying assets during this reporting period.

Interest rates of bank loans ranged from 2.13% to 8.00% for the year ended 31 December 2016, compared with 1.50% to 8.0% for the year ended 31 December 2015.

Other expenses

Other expenses mainly comprise research and development expenses on energy conservation, consumption reduction, environmental protection system and application of recycled materials as raw materials across the production process.

Taxation

Tax charge increased by approximately 23.7% from RMB62.0 million for the year ended 31 December 2015 to RMB76.6 million for year ended 31 December 2016. The increase in tax charge was mainly due to increase in profit from operating subsidiaries in the PRC. The Group's effective tax rates for the years ended 31 December 2015 and 2016 were 21.7% and 19.8%, respectively.

Profit and total comprehensive income attributable to owners of the Company

Profit and total comprehensive income attributable to owners of the Company increased from RMB223.9 million for the year ended 31 December 2015 to RMB310.6 million for the year ended 31 December 2016. The ratio of profit and total comprehensive income attributable to owners of the Company to revenue increased from approximately 13.1% for the year ended 31 December 2015 to approximately 17.3% for the year ended 31 December 2016.

Inventories, trade receivables and payables turnover cycle

The Group's inventories mainly comprise raw materials including wood pulp, recovered paper for de-inked pulp production. For the year ended 31 December 2016, the inventory turnover cycle was approximately 27.9 days (For the year ended 31 December 2015: 34.8 days). The improvement in inventory turnover cycle was mainly due to better control on inventory management exercised by the Group.

The turnover cycle of trade receivables for the year ended 31 December 2016 was 145.3 days (For the year ended 31 December 2015: 141.7 days). With deep understandings in its customers, the Group does not envisage any acute deterioration of credit quality of its trade receivables.

The turnover cycle for trade payables for the year ended 31 December 2016 lengthened to 53.1 days (For the year ended 31 December 2015: 47.9 days), which was similar with the 60 days credit period granted by the Group's suppliers.

Borrowings

As at 31 December 2016, the Group's bank borrowings balance amounted to RMB1,681.1 million, of which RMB519.6 million would be due for repayment within the next twelve months (As at 31 December 2015: RMB1,463.4 million, of which RMB873.2 million would be due for repayment within the next twelve months).

As at 31 December 2016, the Group's bank borrowings amounted to RMB1,570.2 million, carried at variable interest rates (As at 31 December 2015: RMB1,416.4 million).

As at 31 December 2016, the Group's net gearing ratio, which was calculated on the basis of total borrowings less bank balances and cash as a percentage of shareholder equity, was 44.7% (As at 31 December 2015: 30.1 %).

Pledge of assets

As at 31 December 2016, the Group pledged certain of its property, plant and equipment and land use rights with an aggregate carrying value of RMB237.9 million (As at 31 December 2015: RMB460.7 million) as collaterals to back the credit facilities granted to the Group.

Capital expenditure

For the year ended 31 December 2016, the Group invested RMB265.4 million (For the year ended 31 December 2015: RMB148.0 million) in construction of production facilities and equipment and prepaid lease payments.

PROSPECTS

Looking ahead into 2017, demand for paper products is expected to return to more robust levels, reflecting the stabilizing economic growth in China that is precipitating modest upside potential. The paper manufacturing industry has proven to have benefitted from the supply-side reforms by eliminating obsolete and non-environmental friendly capacities since many years ago, resulting in better prices for raw pulp, recycled pulp, finished paper products and much lower inventories of both raw materials and finished products.

Meanwhile, gradual revival in demand for the industry as a whole will continue to support prices for finished products.

As far as the Group's business is concerned, the Group has reinforced its presence in the traditional areas of wrapping tissue paper as ongoing industry consolidation has decommissioned capacities of some of the Group's peers in a move that is restoring order in the sector. Meanwhile, the continuing boom in electronic commerce and the fresh income stream from the newly acquired wall paper business will contribute to the better resilience of the Group's revenue and profit for the remainder of the year.

CORPORATE GOVERNANCE AND OTHER INFORMATION

Human resources management

As at 31 December 2016, the Group employed approximately 1,500 staff members (As at 31 December 2015: approximately 1,500) and the total remuneration for the year ended 31 December 2016 amounted to approximately RMB68.5 million (For the year ended 31 December 2015: RMB63.3 million). The Group's remuneration packages commensurate with experiences and qualifications of individual employees and general market conditions. Bonuses are linked to the Group's financial results as well as individual performances. The Group also ensures that all employees are provided adequate training and professional development opportunities to satisfy their career development needs.

Dividend

The Board does not recommend declaration and payment of any final dividend for the year ended 31 December 2016 (For the year ended 31 December 2015: NIL).

Closure of register of members

The register of members of the Company will be closed from 20 May 2017 to 25 May 2017 (both days inclusive), during which period no transfer of shares will be registered. In order to qualify for the right to attend and vote at the annual general meeting of the Company, all transfers accompanied by the relevant share certificates must be lodged with the Company's share registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, no later than 4:30 pm on 19 May 2017 for registration of transfer.

Corporate governance code

The Company has adopted the Corporate Governance Code (the "CG Code") as set out in Appendix 14 to the Listing Rules as its own code of corporate governance. The directors of the Company (the "Directors") consider that the Company had complied with all the code provisions as set out in the CG Code for the year ended 31 December 2016, except for a deviation from code provision A6.7.

Under code provision A.6.7, independent non-executive directors and other non-executive directors should attend general meetings and develop a balanced understanding of the view of the shareholders. Due to other pre-arranged business commitments, Prof. Zhang Daopei and Prof. Chen Lihong, both independent non-executive Directors, were not able to attend the annual general meeting of the Company held on 13 May 2016.

The Directors are committed to upholding the corporate governance standards of the Company to ensure that formal and transparent procedures are in place to protect and maximize the interests of the shareholders of the Company (the "Shareholders").

Model code for securities transactions by Directors

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules as the code of conduct for Directors in their dealings in the securities of the Company. Having made specific enquiry to all Directors, all Directors confirmed that they had complied with the required standard of dealings as set out in the Model Code throughout the year ended 31 December 2016.

Purchase, sale or redemption of the listed securities of our Company

On 25 October 2016, the Company announced that the Directors had approved a share buy-back program pursuant to which the Company will repurchase the shares of the Company (the "Shares") from the open market, with immediate effect, until expiry of the prevailing share buy-back mandate granted to the Board at the annual general meeting of the Company held on 13 May 2016 upon conclusion of the forthcoming annual general meeting of the Company.

During the year ended 31 December 2016, the Company repurchased a total of 3,671,000 Shares of HK$0.10 per share from the open market at an aggregate consideration of approximately RMB6,342,000 (including transaction costs) and all of the repurchased Shares were subsequently cancelled on 19 January 2017. Details of the repurchased Shares during the year are set out as follows:

Month of repurchases	Number of ordinary shares of HK$0.10 each	Price paid per share Highest	Price paid per share Lowest	Aggregate consideration paid (including expenses)
		HK$	*HK$*	*RMB'000*
November 2016	352,000	1.83	1.78	563
December 2016	3,319,000	2.01	1.90	5,779
	3,671,000			6,342

The Directors believed that repurchases of Shares were in the best interests of the Company and the Shareholders and that such repurchases of Shares would lead to an enhancement of the earnings per share of the Company.

Save as disclosed above, 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.

Auditor

With effect from 22 June 2016, Deloitte Touche Tohmatsu ("Deloitte") had resigned as auditor of the Group as Deloitte and the Company could not reach a consensus on the audit fees for the financial year ending 31 December 2016. Deloitte had confirmed that there were no circumstances connected with its resignation which it considered should be brought to the attention of the Shareholders. The Board had confirmed that there was no disagreement between Deloitte and the Company, and there were no other matters in relation to the resignation of the auditor that needed to be brought to the attention of the Shareholders.

RSM Hong Kong has been appointed as auditor of the Company to fill the casual vacancy following the resignation of Deloitte and shall hold office until the conclusion of the coming annual general meeting the Company.

Audit committee

The Company established an audit committee (the "Audit Committee") on 30 April 2010 with written terms of reference based upon the provisions and recommended practices of the CG Code. The primary responsibilities of the Audit Committee are to review and supervise financial reporting processes, risk management and internal control system of the Group. As at 31 December 2016, the Audit Committee comprised Mr. Chow Kwok Wai, Prof. Zhang Daopei and Prof. Chen Lihong, being the three independent non-executive Directors. Mr. Chow Kwok Wai was the chairman of the Audit Committee.

The Audit Committee had reviewed the Company's financial reporting, risk management and internal control system, and the Group's consolidated financial statements for the year ended 31 December 2016 and the unaudited condensed consolidated financial statements for the six months period ended 30 June 2016 in conjunction with the Company's external auditor. The Audit Committee is of the opinion that these statements had complied with the applicable accounting standards, rules and regulations, and that adequate disclosures had been made.

Publication of results announcement and annual report

This announcement is published on the websites of the Company (www.youyuan.com.hk) and The Stock Exchange of Hong Kong Limited (www.hkexnews.hk). The annual report of the Company for the year ended 31 December 2016 will be dispatched to the Shareholders and made available on the same websites in due course.

By Order of the Board
Youyuan International Holdings Limited
KE Wentuo
Chairman

Hong Kong, 14 March 2017

As at the date of this announcement, the executive directors of the Company are Mr. Ke Wentuo, Mr. Ke Jixiong, Mr. Cao Xu and Mr. Zhang Guoduan; and the independent non-executive directors of the Company are Prof. Zhang Daopei, Prof. Chen Lihong and Mr. Chow Kwok Wai.