Huajin International Holdings Limited
華津國際控股有限公司

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 2738

ANNUAL REPORT
2016

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CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors
Mr. Xu Songqing *(Chairman)*
Mr. Luo Canwen *(Chief Executive Officer)*
Mr. Chen Chunniu
Mr. Xu Songman

Independent non-executive Directors
Mr. Goh Choo Hwee
Mr. Tam Yuk Sang Sammy
Mr. Wu Chi Keung

AUDIT COMMITTEE

Mr. Wu Chi Keung *(Chairman)*
Mr. Goh Choo Hwee
Mr. Tam Yuk Sang Sammy

REMUNERATION COMMITTEE

Mr. Tam Yuk Sang Sammy *(Chairman)*
Mr. Xu Songqing
Mr. Goh Choo Hwee
Mr. Wu Chi Keung

NOMINATION COMMITTEE

Mr. Xu Songqing *(Chairman)*
Mr. Goh Choo Hwee
Mr. Tam Yuk Sang Sammy
Mr. Wu Chi Keung

COMPANY SECRETARY

Mr. Wong Chak Keung

COMPLIANCE ADVISER

Shenwan Hongyuan Capital (H.K.) Limited

PRINCIPAL BANKERS

Agricultural Bank of China (Muzhou Branch)
Xinhui Rural Commercial Bank (Muzhou Branch)
Jiangmen Roughe Rural Commercial Bank (Head Office)

AUDITOR

Deloitte Touche Tohmatsu
Certified Public Accountants

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Codan Trust Company (Cayman) Limited
Cricket Square, P.O. Box 2681
Grand Cayman, KY1-1111
Cayman Islands

BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Union Registrars Limited
Suites 3301–04,
33/F., Two Chinachem Exchange Square,
338 King's Road, North Point,
Hong Kong

REGISTERED OFFICE

Cricket Square, Hutchins Drive
P.O. Box 2681, Grand Cayman
KY1-1111, Cayman Islands

HEADQUARTER IN THE PEOPLE'S REPUBLIC OF CHINA

Xinsha Industrial Zone of Muzhou Town
Xinhui District, Jiangmen City
Guangdong Province, PRC

PRINCIPAL PLACE OF BUSINESS

Room 518, Tower A
New Mandarin Plaza
No. 14 Science Museum Road
Tsim Sha Tsui East
Kowloon, Hong Kong

STOCK CODE

2738

WEBSITE

www.huajin-hk.com

DEFINITIONS

In this report, unless otherwise indicated in the context, the following expressions have the have the meanings set out below:

"Articles of Association"	the articles of association of the Company
"associates"	having the meaning as ascribed thereto under the Listing Rules
"Board"	the board of Directors of the Company
"BVI"	the British Virgin Islands
"China" or "PRC"	the People's Republic of China, excluding Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
"Company"	Huajin International Holdings Limited, a company incorporated in the Cayman Islands with limited liability and the issued Shares of which are listed on the Stock Exchange
"Controlling Shareholder(s)"	has the meaning ascribed thereto under the Listing Rules
"Deed of Non-competition"	the deed of non-competition dated 23 March 2016 and executed by our Controlling Shareholders in favour of our Company
"Director(s)"	the director(s) of the Company
"Group"	the Company and its subsidiaries
"Haiyi"	Haiyi Limited (海逸有限公司), a business company incorporated under the laws of BVI with limited liability and our Controlling Shareholder, which is owned as to 87.0% by Intrend Ventures and 12.0% by Zhong Cheng, respectively
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"Hua Bao'an Trading"	佛山市順德區華寶鞍貿易有限公司(Foshan Shunde Hua Bao'an Trading Company Limited*), a limited liability company established under the laws of PRC and which is owned as to 90% by the brother of Mr. Luo
"Hua Jin Holdings"	Hua Jin Holdings Pte. Ltd., a limited liability company incorporated in Singapore and the entire equity interest of which is owned by Mr. Xu
"Hua Jin Trading"	Hua Jin Trading Pte. Ltd., a limited liability company incorporated in Singapore and 95.0% equity interest of which is owned by Hua Jin Holdings. Hua Jin Trading Pte. Ltd. ceased the steel trading operation since December 2015
"Huajin Investments"	Huajin Investments Limited (華津投資有限公司), a limited liability company incorporated in BVI, the entire issued share capital of which is owned by our Company and is a direct wholly-owned subsidiary of our Company

DEFINITIONS

"Independent Third Party(ies)"	individual(s) or company(ies) not connected with (within the meaning of the Listing Rules) any Director, chief executive or Substantial Shareholder of our Company or any of its subsidiaries or any of their respective associates
"Inter Consortium"	Inter Consortium Holdings Limited (華滙控股有限公司), a limited liability company incorporated in Hong Kong, the entire issued shares of which is owned by Huajin Investments and is an indirect wholly-owned subsidiary of our Company
"Intrend Ventures"	Intrend Ventures Limited, a business company incorporated under the laws of BVI with limited liability and our Controlling Shareholder, which is wholly-owned by Mr. Xu
"Jiangmen Huajin"	江門市華津金屬製品有限公司(Jiangmen Huajin Metal Product Company Limited*), a limited liability company established under the laws of PRC and an indirect wholly-owned subsidiary of our Company
"Jiangmen Huamu"	江門市華睦五金有限公司(Jiangmen Huamu Metals Company Limited*), a limited liability company established under the laws of PRC and an indirect wholly-owned subsidiary of our Company
"Jiangmen Huazhi"	江門市華志金屬製品有限公司(Jiangmen Huazhi Metal Product Company Limited*), a limited liability company established under the laws of PRC, which is owned as to 60% by Mr. Xu and 40% by Mr. Chen
"Jiangmen Zhan Cheng"	江門市新會區展程制衣有限公司(Jiangmen Xinhui District Zhan Cheng Garment Limited*), a limited liability company established under the laws of PRC and the entire equity interest of which is beneficially held by Mr. Xu
"Land and Plant A"	two parcels of industrial land with an aggregate site area of approximately 40,422 square metres and the operational buildings erected thereon with an aggregate gross floor area of approximately 30,047 square metres which are situated at Chenzi Wei, Xinsha Villager's Committee, Muzhou Town, Xinhui District, Jiangmen, Guangdong Province, the PRC
"Land and Plant B"	a parcel of land with a site area of approximately 24,881 square metres located at Reng Zi Wei, the Villagers' Committee of Nan An, Muzhou Town, Xinhui District, Jiangmen City, Guangdong Province, the PRC and the plant building to be built on such land parcel as required by Jiangmen Huamu pursuant to the MOU and the formal sale and purchase agreement (which is expected to be entered into by Jiangmen Huamu and Jiangmen Zhan Cheng in relation to the possible acquisition)
"Listing" or "Listing Date"	the listing of our Shares on the Stock Exchange commenced on 15 Apirl 2016
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange
"Memorandum"	the memorandum of association of our Company

DEFINITIONS

"MOU"	the non-legally binding memorandum of understanding dated 28 December 2016 entered into between Jiangmen Huamu and Jiangmen Zhan Cheng setting out the preliminary understanding in relation to the possible acquisition of the Land and Plant B
"Mr. Chen"	Mr. Chen Chunniu (陳春牛), our executive Director
"Mr. Luo"	Mr. Luo Canwen (羅燦文), our executive Director and Controlling Shareholder
"Mr. Xu"	Mr. Xu Songqing (許松慶), our executive Director and Controlling Shareholder
"Prospectus"	the prospectus of the Company dated 5 April 2016
"SFO"	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
"Share(s)"	ordinary share(s) of HK$0.01 each in the share capital of the Company
"Shareholder(s)"	holder(s) of the Share(s)
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Substantial Shareholder(s)"	has the meaning ascribed thereto under the Listing Rules
"Workshop No. 4"	the fourth production workshop of our Group, with approximately gross floor area of 16,714.7 square metres, which commenced operation and production of zinc coated steel products in mid-2016
"Zhong Cheng"	Zhong Cheng International Limited (中誠有限公司) (formerly known as China Reliance Limited (中誠有限公司)), a business company incorporated under the laws of BVI with limited liability and wholly-owned by Mr. Luo, our Controlling Shareholder
"HK$"or "HKD"	Hong Kong dollars, the lawful currency of Hong Kong
"RMB"	Renminbi, the lawful currency of the PRC
"S$"or "SGD"	Singapore dollars, the lawful currency of Singapore
"US$"or "USD"	United States dollars, the lawful currency of the United States
"%"	per cent

* *for identification purpose only*

FINANCIAL HIGHLIGHTS

- Revenue slightly increased from approximately RMB1,875.1 million in 2015 to approximately RMB1,919.0 million in 2016 by approximately RMB43.9 million or 2.3%. Such revenue increase during the year was resulted from the increase in the sales of zinc coated steel products and scrap steel which was partially offset by the decrease in the sales of processed steel products.

- Our total sales volume of processed steel products decreased from approximately 607,476 tonnes in 2015 to approximately 555,956 tonnes in 2016 by approximately 51,520 tonnes, or 8.5%. Our total sales volume of zinc coated steel products during the year was approximately 43,973 tonnes (2015: n/a).

- Under our "cost-plus" pricing policy, in 2016, our Group achieved a lower difference of approximately RMB645 per tonne (2015: RMB740 per tonne) between the average revenue per tonne and the average cost of direct materials used per tonne on processed steel products. The zinc coated steel products earned the difference of approximately RMB1,263 per tonne (2015: n/a) between the average revenue per tonne and the average cost of direct materials used per tonne.

- Gross profit decreased from approximately RMB271.2 million in 2015 to approximately RMB226.8 million in 2016 by approximately RMB44.4 million or 16.4%.

- Gross profit margin decreased from approximately 14.5% in 2015 to approximately 11.8% by approximately 2.7 percentage points.

- After taking into account of the one-off non-recurring listing expenses charged to profit or loss of approximately RMB6.1 million (2015: 4.7 million) incurred in 2016, our profit attributable to shareholders of the Company decreased from approximately RMB96.8 million in 2015 to approximately RMB94.3 million in 2016 by approximately RMB2.5 million or 2.6%. Without the impact of the one-off non-recurring listing expenses charged to profit or loss, our profit attributable to shareholders of the Company would have decreased from approximately RMB101.5 million in 2015 to approximately RMB100.4 million in 2016 by approximately RMB1.1 million or 1.1%.

- Basic earnings per share decreased from approximately RMB21.51 cents in 2015 to approximately RMB16.94 cents in 2016. Diluted earnings per share was RMB16.83 cents in 2016 (2015: n/a).

- The Board proposed to declare a final dividend of HK3.4 cents per share for the year ended 31 December 2016, which will be subject to shareholders' approval at the annual general meeting.

CHAIRMAN'S STATEMENT

On behalf of the Board, I am pleased to present our annual results of Huajin International Holdings Limited and its subsidiaries for the year ended 31 December 2016 to our Shareholders.

REVIEW

The past year marked an important milestone for the development of our Group, during which our Group completed its global offering and eventually the Shares of the Company were successfully listed on the Main Board of the Stock Exchange on 15 April 2016.We raised net proceeds of approximately HK$330.7 million (equivalent of approximately RMB276.8 million) from the global offering. Our successful Listing not only provided sufficient funds for the Group's further expansion, but also strongly strengthened the Company's reputation and prestige in the steel processing industry.

For the year ended 31 December 2016, the Group recorded a profit before tax of approximately RMB118.1 million, representing a decrease of 15.5% as compared with RMB139.8 million in 2015. Net profit attributable to shareholders of approximately RMB94.3 million, representing a decrease of 2.6% as compared with RMB96.8 million in 2015. Our revenue slightly increased from approximately RMB1,875.1 million in 2015 to approximately RMB1,919.0 million in 2016 by approximately RMB43.9 million, or 2.3%. Our basic earnings per share decreased from approximately RMB21.51 cents in 2015 to approximately RMB16.94 cents in 2016.

Our total sales volume of processed steel products decreased from approximately 607,476 tonnes in 2015 to approximately 555,956 tonnes in 2016 by approximately 51,520 tonnes, or 8.5%. The decrease in sales volume of processed steel products in the PRC market was mainly caused by the continued deterioration in the operating environment in the PRC. As the Group put more focus on the PRC market and decrease in sales demand from oversea market, the sales volume to our overseas customers has decreased during the year.

During the year ended 31 December 2016, we acquired property, plant and equipment, prepaid lease payments and incurred construction costs of approximately RMB160.4 million. Included in the above were the acquisition of the Land and Plant A, which were occupied and used by our Group in our operation at no cost before Listing, of RMB45 million from Mr. Xu, the executive Director of the Company. We also completed the construction work of Workshop No. 4 for the production of zinc coated steel products and the capital expenditure amounted to approximately RMB70.8 million during the year. The Workshop No. 4 commenced operation and production in mid-2016. Our total sales volume of zinc coated steel products was approximately 43,973 tonnes (2015: n/a) for the year. The sales of zinc coated steel products were gradually well received by our customers in the second half of the year in 2016. The addition of zinc coated steel in our product mix allows us to further strengthen our customer base.

In February 2017, our two major PRC subsidiaries, Jiangmen Huajin and Jiangmen Huamu, were recognized as high and new technology enterprises in the PRC and enjoyed a preferential enterprise income tax rate of 15% for a term of three years commencing from 1 January 2016.

CHAIRMAN'S STATEMENT

PROSPECTS AND FUTURE PLAN

PRC's cold-rolled carbon steel market is populated with more than 400 players which include steel producers and steel processors. Majority of the market players are small-to-medium size private companies. Large-scale state-owned steel producers are dominant in the supply of mainstream and standardised steel products, whist steel processors, like our Group, are more willing and able to provide tailor-made products by meeting the precise specifications of the end users of steel in respect of thickness, width, shape and finish characteristics. With a view to expand our market share and achieve our comparative advantage, our Group will strive towards the expansion of production capacity for our processed steel products and zinc coated steel products by increasing investments in property, plant and equipments. Our Group will continue to maintain its leading position in the cold-rolled carbon steel processors in Guangdong Province, the PRC in terms of annual production volume thereby providing a solid foundation for the entrenchment of the Company's long term competitive advantage.

PROPOSED DIVIDEND

The Board proposed to declare a final dividend of HK3.4 cents per Share for the year ended 31 December 2016 to the Shareholders whose names appear on the register of members of the Company at the close of business on 31 May 2017. The proposed dividend is expected to be distributed to the Shareholders on 6 June 2016 subject to the approval of the Shareholders at the forthcoming annual general meeting of the Company.

APPRECIATION

To conclude, I would like to take this opportunity to express my heartfelt gratitude and appreciation to the Board for their support and contributions, to the devotion of our management team and staff over the past year. Last but not least, I would like to give my sincerest thanks to our Shareholders, business partners and customers for their unflagging support.

Xu Songqing
Chairman

Hong Kong
28 March 2017

DIRECTORS AND SENIOR MANAGEMENT

DIRECTORS

Executive directors

Mr. Xu Songqing (許松慶), aged 46, is the chairman of our Company and was appointed as an executive Director of our Company on 13 March 2015. Mr. Xu is also the chairman of the nomination committee and a member of remuneration committee of the Company. As a founder of our Group, Mr. Xu is also a director of Huajin Investments, Inter Consortium and Huajin (Singapore) Pte.Ltd. . Mr. Xu founded Jiangmen Huajin in July 2005 and Jiangmen Huamu in November 2006, and previously served as a director of Jiangmen Huajin and Jiangmen Huamu. He has been primarily responsible for overall strategic planning and business development. Prior to joining our Group, Mr. Xu served as a general manager at Zhongshan Guzhen Luhao Street Light Factory (中山市古鎮路豪路燈廠) from December 2001 to July 2005, responsible for managing and supervising overall production of steel poles of street light. Mr. Xu served as a factory manager at Zhongshan Guzhen Henghua Lighting & Appliances Factory (中山市古鎮恒華電器燈飾廠) from October 1999 to December 2001, responsible for managing the workshop and familiarising with characteristics and manufacturing requirements of all kinds of lamp poles. Mr. Xu worked in lighting and transportation industry as a self-employed entrepreneur from 1991 to 1999. Mr. Xu is the elder brother of Mr. Xu Songman.

Mr. Luo Canwen (羅燦文), aged 43, was appointed as an executive Director and chief executive officer of our Company on 18 December 2015. Mr. Luo joined our Group in May 2010 and currently serves as the raw material procurement director of Jiangmen Huajin and Jiangmen Huamu. Mr. Luo has been primarily responsible for the overall operation, management and raw material procurement of our Group. Mr. Luo is also a director of Inter Consortium and Huajin (Singapore) Pte.Ltd. . Prior to joining our Group, Mr. Luo has over 12 years experience in the trading industry. Mr. Luo was the chief executive officer of Foshan Shunde Jinhong Trading Company Limited (佛山市順德區晋虹貿易有限公司) (formerly known as Foshan Shunde Qianghong Trading Company Limited (佛山順德區強虹貿易有限公司)) from May 2001 to April 2010. Mr. Luo also worked in the sales department in Foushan Dongying Trading Company Limited (佛山市東盈貿易有限公司) (formerly known as Foushan Dongsheng Zhilian Trading Company Limited (佛山市東升志聯貿易有限公司)) from May 1998 to April 2001.

Mr. Chen Chunniu (陳春牛), aged 45, was appointed as an executive Director of our Company on 18 December 2015. Mr. Chen joined our Group in July 2005 and currently serves as the procurement director of ancillary materials of Jiangmen Huajin and Jiangmen Huamu. Mr. Chen is also a director of Jiangmen Huajin and Jiangmen Huamu. Mr. Chen has been primarily responsible for the overall procurement of ancillary materials for our Group. Prior to joining our Group, Mr. Chen worked in an oil pump repairing factory in Jiangmen. Mr. Chen graduated from Jiangmen Advanced Technical Institute (江門市高級技工學校) in June 1990. Mr. Chen also attained a certificate of junior safety officer in Guangdong Province (廣東省初級安全主任證書) issued by Jiangmen Administration of Work Safety on 26 October 2005.

Mr. Xu Songman, aged 40, was appointed as an executive Director of our Company on 18 December 2015. Mr. Xu Songman joined our Group in July 2005 and currently serves as the sales director of Jiangmen Huajin and Jiangmen Huamu. Mr. Xu Songman has been primarily responsible for the overall domestic and overseas marketing and logistics related services of our Group. Prior to joining our Group, Mr. Xu Songman was involved in and managed his steel trading business in the Guangdong Province, the PRC, from 2002 to 2005. Mr. Xu Songman was engaged in the restaurant industry in the U.K. from 1997 to 2001. Mr. Xu Songman completed an EMBA course at Sun Yat-sen University (中山大學) located in Guangdong Province, the PRC in April 2014. Mr. Xu Songman is the younger brother of Mr. Xu Songqing.

DIRECTORS AND SENIOR MANAGEMENT

Independent non-executive Directors

Mr. Goh Choo Hwee (吳慈飛), aged 45, was appointed as an independent non-executive Director of our Company on 23 March 2016. Mr. Goh is also a member of each of the audit, remuneration and nomination committees of the Company. Mr. Goh is a practising solicitor in Hong Kong and currently a partner at Ma Tang & Co., a law firm in Hong Kong. He graduated from The University of Hong Kong with Postgraduate Certificate in Laws in June 1995.

Mr. Goh is currently an independent non-executive director of China Ever Grand Financial Leasing Group Co., Ltd. (stock code: 379) and Tsui Wah Holdings Limited (stock code: 1314), both companies listed on the Main Board of the Stock Exchange. Mr. Goh has served as company secretary and authorised representative at Xinhua News Media Holdings Limited (stock code: 309), a company listed on the Main Board of the Stock Exchange, since 11 December 2013. From September 2013 to November 2015, Mr. Goh was also an independent non-executive director of Theme International Holdings Limited (stock code: 990), a company listed on the Main Board of the Stock Exchange.

Mr. Tam Yuk Sang Sammy (譚旭生), aged 53, was appointed as an independent non-executive Director of our Company on 23 March 2016. Mr. Tam is also the chairman of the remuneration committee and a member of each of the audit and nomination committees of the Company. Mr. Tam has over 30 years experience in accounting, auditing and finance. Mr. Tam is currently the president of Essentack Limited, a corporate strategy and management advisory company. Mr. Tam graduated from Hong Kong Polytechnic (now known as The Hong Kong Polytechnic University) with a professional diploma in accountancy in November 1986 and is a fellow member of the Association of Chartered Certified Accountants and the Hong Kong Institute of Certified Public Accountants.

Mr. Tam is currently an independent non-executive director of China Internet Investment Finance Holdings Limited (previously known as Opes Asia Development Limited) (stock code: 810) which is listed on the Main Board of the Stock Exchange. Mr. Tam was also an independent non-executive director of the following companies listed on the Stock Exchange: KEE Holdings Company Limited (stock code: 2011) from August 2010 to February 2016, Renheng Enterprise Holdings Limited (stock code: 3628) from October 2011 to October 2014, Kith Holdings Limited (stock code: 1201) from August 2010 to July 2014 and Long Success International (Holdings) Limited (stock code: 8017) from January 2013 to October 2013.

Mr. Wu Chi Keung (胡志強), aged 60, was appointed as an independent non-executive Director of our Company on 23 March 2016. Mr. Wu is also the chairman of the audit committee and a member of each of the remuneration and nomination committees of the Company. Mr. Wu was a partner of Deloitte Touche Tohmatsu until he retired in December 2008. Mr. Wu is currently a director of family-owned private company, Born Best Company Limited, engaging in property investment and provision of consultancy services. Mr. Wu obtained a high diploma in accountancy from Hong Kong Polytechnic (now known as The Hong Kong Polytechnic University) in November 1980. He is an associate of the Hong Kong Institute of Certified Public Accountants and a fellow of the Association of Chartered Certified Accountants.

Mr. Wu is currently an independent non-executive director of China Medical System Holdings Limited (stock code: 867), Jinchuan Group International Resources Co., Ltd. (stock code: 2362), Zhong Fa Zhan Holdings Limited (stock code: 475), Huabao International Holdings Limited (stock code: 336), YuanShengTai Dairy Farm Limited (stock code: 1431), COFCO Meat Holdings Limited (stock code: 1610), and Zhou Hei Ya International Holdings Company Limited (stock code: 1458), each a publicly listed company on the Main Board of the Stock Exchange. Mr. Wu was also an independent non-executive director of the following companies listed on the Stock Exchange: Link Holdings Limited (stock code: 8237) from June 2014 to October 2014, China Renji Medical Group Limited (now known as China Wah Yan Healthcare Limited) (stock code: 648) from January 2012 to July 2014 and GreaterChina Professional Services Limited (stock code: 8193) from May 2011 to July 2014.

Save as disclosed above, each of our Directors has confirmed that he did not have any relationships with any other Directors, senior management or Substantial or Controlling Shareholders, if any, of our Company as at the date of this annual report.

CHANGES IN INFORMATION OF DIRECTORS

Pursuant to Rule 13.51B of the Listing Rules, the changes in details of the Directors' information subsequent to the date of our Prospectus and 2016 interim report are set out below:

Name	Details of changes
Mr. Xu	appointed as a director of Huajin (Singapore) Pte. Ltd. in May 2016 and resigned as a director of Jiangmen Huajin and Jiangmen Huamu in December 2016, respectively
Mr. Luo	appointed as a director of Huajin (Singapore) Pte. Ltd. in June 2016
Mr. Chen	appointed as a director of Jiangmen Huajin and Jiangmen Huamu in December 2016, respectively
Mr. Wu Chi Keung	appointed as an independent non-executive director of COFCO Meat Holdings Limited (stock code: 1610) and Zhou Hei Ya International Holdings Company Limited (stock code: 1458), each a publicly listed company on the Main Board of the Stock Exchange, on 23 June 2016 and 24 October 2016, respectively

SENIOR MANAGEMENT

Mr. Lee Chi Ho (李智豪), aged 34, was appointed as chief financial officer of our Group on 6 July 2015. Mr. Lee has solid experience in audit-related disciplines and is responsible for our Group's accounting-related issues, which include financing, account, and tax matters. Prior to joining our Group, he served as the chief financial officer of Gold-Finance (Holdings) Group Company Limited (金誠財富(控股)集團有限公司) from 2014 to 2015. Mr. Lee also served in the audit departments of Deloitte Touche Tohmatsu in Hong Kong and its affiliates operating in Shenzhen and Shanghai from August 2004 to December 2013. Mr. Lee became a member and a fellow member of the Association of Chartered Certified Accountants in October 2008 and October 2013, respectively and obtained his Bachelor of Arts in Accountancy from The Hong Kong Polytechnic University in November 2004.

Mr. Zhu Huaiqing (朱懷清), aged 64, joined our Group on 5 June 2015 and currently serves as a deputy general manager of Jiangmen Huamu. Mr. Zhu has been primarily responsible for the product research and development of our Group. Prior to joining our Group, he served as general manager at Anshan Tianli Precision Strip Steel Co., Ltd. (鞍山天力精密帶鋼有限責任公司) from October 2014 to June 2015 and from February 2000 to March 2002, respectively. He also worked at Guangdong Foshan Gaoming Yunran Strip Steel Industrial Co., Ltd. (廣東佛山高明允然帶鋼實業有限公司) from March 2010 to September 2014. During 2002 to 2010, Mr. Zhu successively served as general manager of Yongxin Precision Material (Wuxi) Co., Ltd. (永鑫精密材料(無錫)有限公司), Ningbo Baori Precision Sheet Co., Ltd. (寧波寶日精密薄板有限公司) and then Beijing Yeke Magnetic Materials Co., Ltd. (北京冶科金屬有限公司). Mr. Zhu worked as general manager at Qinhuangdao Longteng Precision Strip Steel Co., Ltd. (秦皇島龍騰精密帶鋼有限公司) from June 1988 to January 2000. Mr. Zhu served as research director, department head and engineer at Anshan Research Institute of Thermo-Energy, Ministry of Metallurgical Industry (冶金工業部鞍山熱能研究院) from October 1977 to May 1988. Mr. Zhu graduated from Northeastern University of Technology (東北工學院) (currently known as Northeastern University (東北大學)) with a bachelor's degree in physical chemistry of metallurgy in September 1977. In 1992, Mr. Zhu attained a diploma for tertiary studies (accounting) from Qinhuangdao branch, Northeastern University of Technology.

DIRECTORS AND SENIOR MANAGEMENT

Mr. Xie Guanming (謝冠明), aged 46, joined our Group on 1 March 2006 and currently serves as a deputy general manager of Jiangmen Huajin. Mr. Xie has been primarily responsible for the daily operation and management of the workshops of our Group in the PRC. Prior to joining our Group, Mr. Xie worked at Nanhai branch, Industrial and Commercial Bank of China Ltd. for over twelve years. Mr. Xie obtained his certificate of accounting professional in February 2002 and attained a diploma for tertiary studies (administrative management) from Guangzhou Open University (廣州市廣播電視大學) in July 2003.

COMPANY SECRETARY

Mr. Wong Chak Keung (黃澤強), aged 50, was appointed as the company secretary of our Company on 18 December 2015. Mr. Wong has been in the accounting profession for over 15 years. In addition to his working experience in an international accounting firm in Hong Kong, Mr. Wong has also worked for listed and other companies engaged in investment, accounting, educational business, manufacturing and merger and acquisition. Mr. Wong obtained a bachelor degree in business from The University of Southern Queensland in Australia in 1995. Mr. Wong is also a member of the Hong Kong Institute of Certified Public Accountants and certified practising accountant of the Australian Society of Certified Practising Accountants, respectively.

The Board is pleased to present the Corporate Governance Report for the year ended 31 December 2016.

CORPORATE GOVERNANCE PRACTICES

The Board is committed to achieving high corporate governance standards. The Company recognises that sound and effective corporate governance practices are fundamental to the smooth, effective and transparent operation of a company and its ability to attract investment, protect the rights of shareholder and stakeholders, and enhance shareholder value.

The Company has adopted the code provisions set out in the Corporate Governance Code ("CG Code") contained in Appendix 14 to the Listing Rules as its code of corporate governance. The Company has complied with the applicable code provisions in the CG Code throughout the year ended 31 December 2016, except as noted hereunder:-

Code provision A.4.1

In respect of the code provision A.4.1 of the CG Code, non-executive directors should be appointed for a specific term, subject to re-election. All the independent non-executive Directors of the Company are not appointed for a specific term but are subject to retirement by rotation and re-election by the Shareholders at the forthcoming annual general meeting in accordance with the Articles of Association. As such, the Board considers that sufficient measures have been taken to ensure that the Company's corporate governance practices are no less exacting than those set out in the CG Code.

The Directors will continue to use their best endeavours to procure the Company to comply with the CG Code.

DIRECTORS' SECURITIES TRANSACTIONS

The Board has adopted the Model Code for Securities Transactions by Directors of Listed Issuers ("Model Code") as set out in Appendix 10 to the Listing Rules as the Company's code of conduct regarding Directors' securities transactions. Having made specific enquiry of all Directors, all the Directors confirmed that they had complied with the required standards set out in the Model Code throughout the period from the Listing Date to 31 December 2016.

BOARD OF DIRECTORS

The Board is responsible for providing high-level guidance and effective oversight of the Group's management and operation. In addition, the Board has also delegated various responsibilities to the Board committees and further details of these Board committees are set out in this report.

The Board is also responsible for performing the corporate governance duties as set out below:

1. to develop and review the Company's policies and practices on corporate governance and make recommendations to the Company;

2. to review and monitor the training and continuous professional development of Directors and senior management;

3. to review and monitor the Company's policies and practices on compliance with legal and regulatory requirements;

4. to develop, review and monitor the code of conduct applicable to Directors and employees; and

5. to review the Company's compliance with the CG Code and disclosure in the Corporate Governance Report under Appendix 14 to the Listing Rules.

(a) Board composition

The Board currently comprises a combination of four executive Directors and three independent non-executive Directors. Each executive Director has his own role and function to oversee the Group's operations. Each of the independent non-executive Directors has appropriate professional qualifications or accounting or related financial management expertise. The profile, role and function of each Director, their relationship with each other and the membership of the board committees are set out in the section headed "Directors and senior management" in this annual report. In compliance with Rule 3.10(1), the Board includes at least three independent non-executive Directors.

Other than Mr. Xu is the elder brother of Mr. Xu Songman, the Board members have no financial, business, family or other material/relevant relationship with each other. We have met recommended practice under the CG Code for the Board to have at least one-third of its members comprising independent non-executive Directors.

(b) Board meetings

During the year ended 31 December 2016, 6 board meetings were held. Prior notices convening the board meetings were despatched to the Directors setting out the matters to be discussed. At the meetings, the Directors were provided with the relevant documents to be discussed and approved. The company secretary is responsible for keeping minutes for the Board meetings.

The Directors are requested to declare their and their connected entities' direct or indirect interests, if any, in any proposals or transactions to be considered by the Board at Board meetings and abstain from voting in the as appropriate.

The attendance record of each Director at the Board meetings during the year ended 31 December 2016 is set out in the table below:

Name of Directors	Number of attendance/ number of Board meetings
Executive Directors	
Mr. Xu Songqing	6/6
Mr. Luo Canwen	6/6
Mr. Chen Chunniu	6/6
Mr. Xu Songman	6/6
Independent non-executive Directors	
Mr. Goh Choo Hwee	6/6
Mr. Tam Yuk Sang Sammy	6/6
Mr. Wu Chi Keung	6/6

(c) Responsibilities, accountabilities and contributions of the Board and management

The Board is responsible for leadership and control of the Company and oversees the Group's businesses, strategic decisions and performance and is collectively responsible for promoting the success of the Company by directing and supervising its affairs. The Board takes decisions objectively in the interests of the Company.

All Directors, including independent non-executive Directors, have brought a wide spectrum of valuable business experience, knowledge and professionalism to the Board for its efficient and effective functioning. The executive Directors are responsible for running the Group and executing the strategies adopted by the Board. They ensure that proper internal control system is in place and the Group's business conforms to applicable laws and regulations. All independent non-executive Directors bring their wealth of experience to the Board and serve the important function of advising the management on strategy development to ensure that the Board maintains high standards in financial and other mandatory reporting as well as providing adequate checks for safeguarding the interests of the Shareholders and the Company as a whole.

The Directors acknowledge their responsibilities for preparing the consolidated financial statements that gives a true and fair view of the state of affairs of the Group. The Directors aim to present a balanced and understandable assessment of the Group's position and prospects with timely publication of the financial statements of the Group. As at 31 December 2016, the Board was not aware of any material uncertainties relating to events or conditions that might cast significant doubt upon the Group's ability to continue as a going concern.

The Directors had conducted a review of the effectiveness of the internal control system of the Group for the year ended 31 December 2016.

The Directors have each confirmed that he has allocated sufficient time and attention to the affairs of the Group, and have also disclosed their offices held in other public companies and organisations and updated the Company on any subsequent changes in a timely manner.

Responsibilities relating to implementing decisions of the Board, directing and coordinating the daily operation and management of the Company are delegated to the management. The management has the obligation to supply the Board and the various Board committees with adequate information in a timely manner to enable the members to make informed decisions. All Directors have full and timely access to all the information of the Company as well as the services and advice from the company secretary and senior management. The Directors may, upon request, seek independent professional advice in appropriate circumstances, at the Company's expenses for discharging their duties to the Company.

(d) Independence of independent non-executive Directors

The Board must be satisfied itself that an independent non-executive Directors does not have any material relationship with the Group. The Board is guided by the criteria of independence as set out in the Listing Rules in determining the independence of Directors.

The independent non-executive Directors of the Company, namely Mr. Goh Choo Hwee, Mr. Tam Yuk Sang Sammy and Mr. Wu Chi Keung, have each provided annual confirmation of his independence pursuant to Rule 3.13 of the Listing Rules. The Board continues to consider these Directors to be independent.

CORPORATE GOVERNANCE REPORT

(e) Directors' training and continuous professional development

Pursuant to Code A.6.5 of the CG Code, all Directors should participate in continuous professional development to develop and refresh their knowledge and skills. This is to ensure that their contribution to the Board remains informed and relevant. On 18 December 2015, the Hong Kong legal advisor to the Company conducted training in relation to the duties and ongoing obligations of directors of listed companies to the Directors and members of senior management of the Company. For the year ended 31 December 2016, all Directors had participated in appropriate continuous professional development activities either by attending training courses or by reading materials relevant to the Company's business or to the Directors' duties and responsibilities.

(f) Directors' and officers' insurance

The Company has arranged appropriate Directors' and officers' ("D&O") insurance cover, which gives appropriate cover for any legal action brought against Directors and officers since the Listing Date. To ensure sufficient cover is provided, we review the Company's D&O insurance policy annually to ensure that the coverage is sufficient and remains appropriate in light of recent trends in the insurance market and other relevant factors.

CHAIRMAN AND CHIEF EXECUTIVE

According to the CG Code, the roles of the chairman and chief executive should be separate and performed by different individuals to ensure a balance of power and authority so that power is not concentrated in any one individual.

The chairman and chief executive officer of the Company are Mr. Xu and Mr. Luo respectively. The roles of the chairman and chief executive officer are segregated and assumed by two separate individuals who have no relationship with each other. It is aimed at striking a balance of power and authority so that the job responsibilities are not concentrated on any one individual.

The chairman of the Board is responsible for the leadership and effective running of the Board, while the chief executive officer is delegated with the authorities to manage the business of the Group in all aspects effectively.

NON-EXECUTIVE DIRECTORS

All the independent non-executive Directors have been appointed with effect from 23 March 2016, subject to retirement by rotation and re-election at annual general meetings of our Company and until terminated by not less than three months' notice in writing served by either the Company or the relevant Director.

BOARD COMMITTEES

The Board has established three Board committees and has delegated various responsibilities to the committees including the audit committee (the "Audit Committee"), the remuneration committee (the "Remuneration Committee") and the nomination committee (the "Nomination Committee"). All the Board committees perform their distinct roles in accordance with their respective terms of reference which are available to Shareholders on the websites of the Stock Exchange and the Company. The Board committees are provided with sufficient resources to discharge their duties and, upon reasonable request, are able to seek independent professional advice in appropriate circumstances, at the Company's expense.

Audit Committee

The Company has established an Audit Committee on 23 March 2016 with written terms of reference in compliance with Rule 3.21 of the Listing Rule and paragraph C.3 of the CG Code. The primary duties of the Audit Committee are to provide the Board with an independent review of the effectiveness of the financial reporting process, risk management and internal control systems of the Group, to oversee the audit process and to perform other duties and responsibilities as assigned by the Board.

The audit committee currently consists of three independent non-executive Directors, namely Mr. Goh Choo Hwee, Mr. Tam Yuk Sang Sammy and Mr. Wu Chi Keung. The chairman of the Audit Committee is Mr. Wu Chi Keung. In compliance with Rule 3.10(2) of the Listing Rules, Mr. Wu Chi Keung and Mr. Tam Yuk Sang Sammy possess the appropriate professional and accounting qualifications or accounting or related financial management expertise.

During the year ended 31 December 2016, the Audit Committee held two meetings to consider and approve the following:

(a) to review the Group's consolidated financial result for the six months ended 30 June 2016 before submission to the Board, with a focus on compliance with accounting standards, the Listing Rules and other requirements in relation to financial reporting of the Audit Committee;

(b) to discuss the effectiveness of the internal controls system throughout the Group, including financial, operational and compliance controls, and risk management;

(c) to review the accounting principles and practices adopted by the Group and other financial reporting matters.

There was no disagreement between the Board and the Audit Committee on the selection, appointment of the external auditor during the year ended 31 December 2016.

The Group's audited consolidated results for the year ended 31 December 2016 have been reviewed by the Audit Committee. The Audit Committee has been satisfied with the review of the audit scope, process and effectiveness, independence of Deloitte Touche Tohmatsu and thus recommended to the Board for the approval of the consolidated financial statements.

The individual attendance record of each member of the Audit Committee is as follows:

Name of Directors	Number of attendance/ number of meetings
Independent non-executive Directors	
Mr. Goh Choo Hwee	2/2
Mr. Tam Yuk Sang Sammy	2/2
Mr. Wu Chi Keung	2/2

Remuneration Committee

The Company established the Remuneration Committee on 23 March 2016 with written terms of reference in compliance with paragraph B.1 of the CG Code. The primary duties of the Remuneration Committee include (but not limited to): (a) making recommendations to the Board on the policy and structure for all Directors' and senior management remuneration and on the establishment of a formal and transparent procedure for developing remuneration policy; (b) making recommendations on the terms of the specific remuneration package of the executive Directors and senior management; and (c) reviewing and approving performance–based remuneration proposals with reference to corporate goals and objectives resolved by the Board from time to time.

The Remuneration Committee consists of four members, of whom three are independent non-executive Directors. The four members are Mr. Xu, Mr. Goh Choo Hwee, Mr. Tam Yuk Sang Sammy and Mr. Wu Chi Keung. Mr. Tam Yuk Sang Sammy is the chairman of the Remuneration Committee.

During the year ended 31 December 2016, the Remuneration Committee did not hold any meeting. Subsequent to the year end, the Remuneration Committee reviewed the performance of individual executive Directors and senior management for the year ended 31 December 2016.

The emolument payable to Directors depends on their respective contractual terms under the service contracts and the appointment letters, and as recommended by the Remuneration Committee. Details of the Directors' emolument are set out in note 10 to the consolidated financial statements.

Nomination Committee

The Company established the Nomination Committee on 23 March 2016 with written terms of reference in compliance with paragraph A.5 of the CG Code. The primary duties of the Nomination Committee are to review the structure, size and composition of the Board, select and make recommendations to the Board on the appointment of Directors, reappointment of Directors, succession planning for Directors and assess the independence of independent non-executive Directors.

The Nomination Committee consists of four members, of whom three are independent non-executive Directors. The four members are Mr. Xu, Mr. Goh Choo Hwee, Mr. Tam Yuk Sang Sammy and Mr. Wu Chi Keung. Mr. Xu is the chairman of the Nomination Committee.

During the year ended 31 December 2016, the Nomination Committee did not hold any meeting. Subsequent to the year end, the Nomination Committee (i) reviewed the structure, size and diversity of the Board; (ii) assessed the independence of the independent non-executive Directors; (iii) reviewed the Board diversity policy; and (iv) recommended to the Board for consideration the re-election of all the retiring Directors at the forthcoming annual general meeting.

EXTERNAL AUDITORS

Below is an analysis of remuneration in respect of audit and non-audit services provided by the external auditors for the year ended 31 December 2016 and the amount charged to profit or loss during the year ended 31 December 2016 is shown in note 9 to the consolidated financial statements on page 75 of the annual report.

	Deloitte Touche Tohmatsu *RMB'000*	**Other auditors** *RMB'000*	**Total** *RMB'000*
Audit services:			
Annual audit service	1,162	224	1,386
Reporting accountant service fees related to the global offering ("IPO")	2,424	—	2,424
Non-audit services:			
— IPO related services	269	—	269
— Non-IPO related services	794	38	832
Total	4,649	262	4,911

* The non-audit services included the review of interim consolidated financial statements and internal control of the Group and other tax advising services.

The reporting responsibilities of Deloitte Touche Tohmatsu are stated in the independent auditor's report on pages 47-50 of the annual report.

COMPANY SECRETARY

The company secretary plays an important role in supporting the Board by ensuring good information flow within the Board and that board policy and procedures are followed. The company secretary is responsible for advising the Board through the chairman and/or the chief executive on governance matters and should also facilitate induction and professional development of directors.

The appointment of company secretary is appointed by the Board. The company secretary is an employee of the Group and has day-to-day knowledge of the Company's affairs. Biographical details of the company secretary are set out in the section "Directors and Senior Management" in this annual report. The company secretary confirmed that he undertook no less than 15 hours of relevant professional training and relevant updates during the year ended 31 December 2016.

CORPORATE GOVERNANCE REPORT

SHAREHOLDER RIGHTS

(a) Convening an extraordinary general meeting ("EGM") and putting forward proposals at EGM

Pursuant to Article 58 of the Article of Association, the Board may whenever it thinks fit call EGM. Any one or more Shareholders holding at the date of deposit of the requisition not less than one-tenth of the paid up capital of the Company carrying the right of voting at general meetings of the Company shall at all times have the right, by written requisition to the Board or the company secretary of the Company, to require an EGM to be called by the Board for the transaction of any business specified in such requisition; and such meeting shall be held within two months after the deposit of such requisition. If within twenty-one days of such deposit the Board fails to proceed to convene such meeting the requisitionist(s) himself (themselves) may do so in the same manner, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed to the requisitionist(s) by the Company.

Save for the procedures for Shareholders to convene an EGM as set out above, there are no provisions allowing Shareholders to put forward proposals at the general meeting under the Articles of Association. Shareholders may follow the procedures set out above to convene an EGM for any business specified in such written requisition.

(b) Procedures for directing Shareholders' enquiries to the Board

Shareholder(s) may at any time send their enquiries and concerns to the Board in writing through the company secretary by post at Room 518, Tower A, New Mandarin Plaza, No. 14 Science Museum Road, Tsim Sha Tsui East, Kowloon, Hong Kong or via email at the contact information as provided on the website of the Company.

The company secretary shall forward the Shareholder(s)' enquiries and concerns to the Board and/or relevant Board committees of the Company, where appropriate, to respond to the Shareholder(s)' enquires.

INVESTOR RELATIONS

The Company believes that effective and proper investor relations play a vital role in creating Shareholders' value, enhancing the corporate transparency as well as establishing market confidence. The Company discloses information in compliance with the Listing Rules, and publishes periodic reports and announcements to the public via the websites of the Stock Exchange and the Company at www.huajin-hk.com in accordance with the relevant laws and regulations. The primary focus of the Company is to ensure information disclosure is timely, fair, accurate and complete, thereby enabling Shareholders, investors as well as the public to make rational and informed decisions.

The Company also endeavours to maintain an on-going dialogue with Shareholders and in particular, through general meetings which provides a forum for Shareholders to raise comments and exchange views with the Board. Our Directors will be available at the annual general meetings of the Company to address Shareholders' queries. The Company will continue to take measures to ensure effective Shareholders' communication and transparency.

The Company adopted the existing Memorandum and Articles of Association on 23 March 2016, which became effective from the listing of Shares of the Company on the Stock Exchange. There has been no change in the Memorandum and Articles of Association since the Listing Date and the Memorandum and Articles of Association is available on the websites of the Stock Exchange and the Company.

RISK MANAGEMENT AND INTERNAL CONTROL

The Board is responsible for risk management and internal control systems of the Group and for reviewing its effectiveness. Procedures have been designed for safeguarding assets against unauthorised use or disposition, the maintenance of proper accounting records for the provision of reliable financial information for internal use or for publications and the compliance of applicable laws, rules and regulations. The management, supported by the operation units and the internal audit team, are responsible for formulating, implementing and monitoring sound risk management and internal control systems, and reporting to the Board and the audit committee on the result of risk assessment, as well as the assessment on the effectiveness of risk management and internal control systems.

Principles and guidelines of our risk management framework are set for an effective and adequate approach to be applied across the Group to manage the risks associated with its business and operations. This framework is designed to enhance risk management of the Group through an integrated framework so that all material risks faced by the Group are identified and appropriately managed. Each department is responsible for identifying, assessing and managing risks within its business, ensuring that appropriate internal control for effective risk management are implemented. The management is responsible for overseeing the risk management and internal control activities of the Group. Principal risks and uncertainties facing our Group during the year are set out in the paragraph headed "Principal Risks and Uncertainties" in the Directors' report.

The internal audit department of the Group is responsible for evaluating the effectiveness of the Group's policies and procedures in relation to risk management and internal control systems and submitting their reports of their findings to the Board. The yearly internal audit plan is derived based on the assessed risk of the Group's major operations and business and, taking into account also result of internal audit activities conducted in the preceding period, are reported to the audit committee. In addition to its scheduled internal audit works, the internal audit team may be requested to conduct other review or investigative work. The results of internal audit reviews and agreed management action plans in response to recommendations of the internal audit are reported to the executive Directors and the audit committee periodically. The internal audit also follows up with management regarding the implementation of the agreed action plans to ensure that operation procedures and internal controls are continuously enhanced. The Audit Committee provides independent review on effectiveness of the risk management and internal control systems of the Group and gives their recommendation to the Board. The Board is responsible for reviewing the internal audit report and approving policies and procedures designed by the management.

During the year under review, the management assisted the Board in the implementation of the Group's policies and procedures within the Board's delegation by identifying and assessing the risks faced, and in the design, operation and monitoring of suitable internal controls to mitigate and control such risks. The Board conducted reviews and discussed with the management on the effectiveness of the Group's risk management and internal control systems as required by paragraph C.2 of the CG Code, covering adequacy of resources, staff qualifications and experience, training programmes and budget of the Group's accounting, internal audit and financial reporting functions and any resolutions for material internal control defects.

The risk management and internal control systems are reviewed and assessed on an on-going basis by the executive Directors and the Audit Committee, and will be further reviewed and assessed at least once each year by the Board. These systems were considered effective and adequate. In addition to the assessment and review of risk management and internal controls undertaken internally, the half-yearly review and annual review conducted by our external auditors will also provide to certain extent independent checks on the Group's internal controls system.

CORPORATE GOVERNANCE REPORT

The Board has implemented procedures and internal controls for handling and dissemination of inside information. Since the Shares of the Company listed on the Main Board of the Stock Exchange, the Company has adopted a policy which aims to set out guidelines to the Company's Directors, officers and all relevant employees to ensure inside information of the Company is to be disseminated to the public in equal and timely manner in accordance with the SFO and the Listing Rules.

Non-compliant bill financing arrangement

Our internal control consultant conducted reviews on the internal control measures in place to prevent recurrence of the non-compliant bill financing arrangement in July 2016 and February 2017 by performing walk-through and control testing to review our Group's bill financing arrangements for the period from the Listing Date to 31 December 2016. Based on the foregoing, it concurs with the view of our Directors that the remedial and preventive measures recommended for improving internal control in relation to bill financing arrangements have been implemented. No further deficiencies were identified by our internal control consultant in the abovementioned reviews. Our Directors confirm that our internal control procedures are adequate and effective in preventing any non-compliance in relation to the bill financing arrangement and there was no non-complaint bill financing arrangement identified during our internal review during the period from the Listing Date to 31 December 2016.

Non-compliant loans to companies controlled by our Controlling Shareholders

Our internal control consultant conducted reviews on the internal control measures in place to prevent recurrence of the non-compliant loans to companies controlled by our Controlling Shareholders in July 2016 and February 2017 by performing walk-through and control testing for the period from the Listing Date to 31 December 2016. Based on the foregoing, it concurs with the view of our Directors that we have properly designed the internal controls to address the deficiencies for the purpose of preventing non-compliant loans. No further deficiencies were identified by our internal control consultant in the abovementioned reviews. Our Directors confirm that our internal control procedures are adequate and effective in preventing any non-compliant loans to companies controlled by our Controlling Shareholders and there was no non-complaint loan identified during our internal review during the period from the Listing Date to 31 December 2016.

BUSINESS REVIEW

On 15 April 2016, the Shares of our Company have been successfully listed on the Main Board of the Stock Exchange, which marked an important milestone in the strategic development of our Group. The listing is expected to provide a more effective fund-raising platform to equip the Group with stronger financial capability and flexibility to timely capture greater opportunities for our sustainable business development and expansion in the long term.

During the year ended 31 December 2016, the Group acquired property, plant and equipment, prepaid lease payments and incurred construction costs of approximately RMB160.4 million. Included in the above were the acquisition of the Land and Plant A, which were occupied and used by our Group in our operation at no cost before Listing, of RMB45 million from Mr. Xu, the executive Director of the Company. We also completed the construction work of Workshop No. 4 for the production of zinc coated steel products and the capital expenditure amounted to approximately RMB70.8 million during the year. The Workshop No. 4 commenced operation and production in mid-2016. The total gross floor area for Workshop No. 4 is approximately 16,714.7 square metres and its maximum designed annual processing capacity for zinc coating process is 250,000 tonnes.

We are principally engaged in the processing of hot-rolled carbon steel coils into cold-rolled carbon steel products, such as cold-rolled carbon steel strips/sheets, coils and welded steel tubes with various sizes and specifications. Following commencement of operation of Workshop No. 4, our product offerings are further extended to zinc coated steel products. Our zinc coated steel products were well received by our customers in the second half of the year under review. Our Board considers that the addition of zinc coated steel in our product mix will allow us to further improve our profitability and strengthen our customer base in the long run, which in turn will enhance our competitive position.

FINANCIAL REVIEW

Revenue

Our group primarily generates revenue from the sales of processed steel products and zinc coated steel products. Our total revenue slightly increased from approximately RMB1,875.1 million for the year ended 31 December 2015 to approximately RMB1,919.0 million for the year ended 31 December 2016, representing an increase of approximately RMB43.9 million or 2.3%. Such increase was resulted from the increase in the sales of zinc coated steel products and scrap steel, which was partially offset by the decrease in the sales of processed steel products. The sales of zinc coated steel products were gradually well received by our customers in the second half of the year under review. The addition of zinc coated steel in our product mix has allowed us to further strengthen our customer base.

Our total sales volume of processed steel products decreased from approximately 607,476 tonnes in 2015 to approximately 555,956 tonnes in 2016 by approximately 51,520 tonnes, or 8.5%. The decrease in sales volume of processed steel products in the PRC market was mainly caused by the continued deterioration in the operating environment in the PRC. As the Group put more focus on the PRC market and decrease in sales demand from oversea market, the sales volume to our overseas customers has decreased during the year. Our total sales volume of zinc coated steel products was approximately 43,973 tonnes (2015: n/a) for the year.

MANAGEMENT DISCUSSION AND ANALYSIS

Our average selling price of processed steel products remained relatively stable and increased from approximately RMB3,033 per tonne in 2015 to approximately RMB3,036 per tonne in 2016 by approximately RMB3 per tonne or 0.1%. Our average selling price of zinc coated steel products was approximately RMB3,654 tonnes (2015: n/a) for the year.

Our revenue derived from the PRC market increased from approximately RMB1,636.6 million for the year ended 31 December 2015 to approximately RMB1,825.9 million for the year ended 31 December 2016 by approximately RMB189.2 million, or 11.6%, as a result of the sales of zinc coated steel products. As the Group put more focus on the PRC market and decrease in sales demand from oversea market, revenue derived from overseas market decreased from RMB238.5 million in 2015 to RMB93.1 million during the year.

The following table sets out the breakdown of our revenue for the years indicated:

	year ended 31 December			
	2016		2015	
	RMB'000	**%**	*RMB'000*	%
Sales of processed steel products	**1,687,632**	**87.9**	1,842,683	98.3
— processed steel strips and sheets	**1,510,618**	**78.7**	1,626,121	86.7
— welded steel tubes	**177,014**	**9.2**	216,562	11.6
Sales of zinc coated steel products	**160,685**	**8.4**	—	—
Others	**70,703**	**3.7**	32,436	1.7
	1,919,020	**100.0**	1,875,119	100.0

Cost of sales

Our cost of sales increased from approximately RMB1,603.9 million in 2015 to approximately RMB1,692.2 million in 2016 by approximately RMB88.3 million, or 5.5%.

The following table sets out the breakdown of our cost of sales for the years indicated:

	year ended 31 December			
	2016		2015	
	RMB'000	**%**	*RMB'000*	%
Direct materials	**1,434,271**	**84.8**	1,392,745	86.8
Utilities	**101,780**	**6.0**	92,982	5.8
Consumables	**51,421**	**3.0**	34,131	2.1
Depreciation expense	**38,806**	**2.3**	29,571	1.8
Direct labour	**55,433**	**3.3**	44,409	2.8
Others	**10,513**	**0.6**	10,093	0.7
	1,692,224	**100.0**	1,603,931	100.0

The largest component of our cost of sales was direct materials, which accounted for over 84% of our cost of sales and increased from approximately RMB1,392.7 million in 2015 to approximately RMB1,434.3 million in 2016 by approximately RMB41.6 million or 3.0%. Although the steel price decreased in the first half of 2016 as compared to the corresponding period in 2015, the increase in direct materials used was mainly attributed to the hefty rise of steel price in the PRC and the extra consumption of direct material for our zinc coated steel products in the second half of 2016.

The increase in utilities expenses from approximately RMB93.0 million in 2015 to approximately RMB101.8 million in 2016, by approximately RMB8.8 million or 9.5%, was mainly due to the increase in unit price of the utilities.

Our consumables also increased from approximately RMB34.1 million in 2015 to approximately RMB51.4 million in 2016 by approximately RMB17.3 million or 50.7%. Such increase was mainly attributable to the production of zinc coated steel products starting from mid-2016.

Depreciation expense experienced an increase from approximately RMB29.6 million in 2015 to approximately RMB38.8 million in 2016 by approximately RMB9.2 million or 31.1%. Such increase was attributable to the addition of our property, plant and equipment during the year under review.

Our direct labour increased from approximately RMB44.4 million in 2015 to approximately RMB55.4 million in 2016 by approximately RMB11.0 million or 24.7%. The increase in our direct labour was mainly due to the increase in the number of workers for the new production line on zinc coated steel products and the increase in the contribution to the social insurance funds and the housing provident funds by our PRC subsidiaries. We had made social insurance contributions and housing provident funds contributions in full compliance since December 2015 and October 2015, respectively.

Gross profit

We adopt a fixed monetary mark-up to the total estimated costs of our products rather than a fixed percentage mark-up under our pricing policy. Due to the volatility in steel prices and sluggish performance of various industries in the PRC in 2016, we witnessed a general decrease in demand for steel products and intensified competition in our industry during the year. In order to maintain our business relationship with customers and our competitiveness in the market, we reduced our fee rate for steel processing. As a result, both of our sales volume as well as difference between average revenue and average cost of direct materials per tonne on processed steel products decreased in 2016 as compared to the preceding year. The average selling price of zinc coated steel products was generally higher than that of our processed steel products. As a more value-added steel products in our product mix, the zinc coated steel products earned the difference of approximately RMB1,263 per tonne (2015: n/a) between the average revenue per tonne and the average cost of direct materials used per tonne during the year.

MANAGEMENT DISCUSSION AND ANALYSIS

The following table sets out the sale volume, average selling price of our products, average cost of direct materials used, and the difference between the average selling price and the average cost of direct materials used for the years indicated:

	year ended 31 December 2016	 2015
Sales volume of processed steel products	**555,956 tonnes**	607,476 tonnes
— processed steel strips and sheets	**498,577 tonnes**	540,258 tonnes
— welded steel tubes	**57,379 tonnes**	67,218 tonnes
Sales volume of zinc coated steel products	**43,973 tonnes**	n/a
Average selling price of processed steel products (per tonne)	**RMB3,036**	RMB3,033
— processed steel strips and sheets	**RMB3,030**	RMB3,010
— welded steel tubes	**RMB3,085**	RMB3,222
Average selling price of zinc coated steel products (per tonne)	**RMB3,654**	n/a
Average cost of direct materials used (per tonne)	**RMB2,391**	RMB2,293
Difference (per tonne) between average selling price and average cost of direct materials used		
— processed steel products	**RMB645**	RMB740
— zinc coated steel products	**RMB1,263**	n/a

As a result of the slightly increase in revenue by approximately RMB43.9 million and the increase in cost of sales by approximately RMB88.3 million, our gross profit decreased from approximately RMB271.2 million in 2015 to approximately RMB226.8 million in 2016 by approximately RMB44.4 million, representing a decrease of 16.4% year on year growth. Our gross profit margin decreased from 14.5% in 2015 to 11.8% in 2016, which was primarily due to the increase in the average cost of direct materials used per tonne during the year.

Selling expenses

Our selling expenses slightly decreased from approximately RMB37.0 million in 2015 to approximately RMB35.8 million in 2016 by approximately RMB1.2 million, or 3.2%. The decrease in selling expenses during the year was mainly attributable to (a) the decrease in export related expenses (including custom declaration fees, warehousing charges paid for storage of our products before they are loaded onto cargo vessels at the terminal, etc.) by approximately RMB4.0 million due to the decrease in sales volume in overseas sales, and offset by (b) the increase in staff cost by approximately RMB3.1 million due to the increase in the number of sales and marketing personnel and the commission rate for the promotion of newly launched zinc coated steel products.

Administrative expenses

Our administrative expenses increased from approximately RMB40.3 million in 2015 to approximately RMB45.7 million in 2016, by approximately RMB5.4 million, or 13.4%, was primarily due to the increase in staff costs by approximately RMB4.9 million due to the increase in our Directors' remuneration and administrative personnel. During the year ended 31 December 2016, the Group also made charitable and other donations amounting to approximately RMB1.2 million (2015: nil).

Listing expenses

Listing expenses in relation to the global offering primarily consist of fees paid to professional parties.

Finance costs

The finance costs comprise interest expenses on bank borrowings which were charged at interest rates ranging from 4.35% to 8.39% (2015: 4.60% to 8.40%) per annum for the year ended 31 December 2016. The decrease in finance costs from approximately RMB54.5 million in 2015 to approximately RMB29.7 million in 2016, by approximately RMB24.8 million or 45.5%, was primarily attributable to the lower interest rates on bank borrowings during the year of 2016 as compared to the year of 2015.

Income tax expense

Income tax expense decreased from approximately RMB42.3 million in 2015 to approximately RMB23.7 million in 2016 by approximately RMB18.6 million or 44.0%. The decrease was mainly attributable to the decrease in the applicable enterprise income tax rate from 25% to 15% for our two major subsidiaries in the PRC. Jiangmen Huajin and Jiangmen Huamu, with the high and new technology enterprise certificates numbered GR201644003773 and GR201644003774 respectively, are recognised as high and new technology enterprises in the PRC. The certificates are valid for a term of three years commencing from 1 January 2016. Under the relevant PRC laws and regulations, high and new technology enterprises are entitled to enjoy a preferential tax rate at the enterprise income tax rate of 15%.

Profit for the year

After taking into account of the one-off non-recurring listing expenses charged to profit or loss of approximately RMB6.1 million (2015: 4.7 million) incurred during the year, our profit attributable to shareholders of the Company decreased from approximately RMB96.8 million in 2015 to approximately RMB94.3 million in 2016 by approximately RMB2.5 million or 2.6%. The decrease in profit for the year was mainly attributed to the decrease in gross profit Without the impact of the one-off non-recurring listing expenses charged to profit or loss, our profit attributable to shareholders of the Company would have decreased from approximately RMB101.5 million in 2015 to approximately RMB100.4 million in 2016 by approximately RMB1.1 million or 1.1%.

Net profit margin decreased from approximately 5.2% in 2015 to approximately 4.9% in 2016 by approximately 0.3 percentage points. Without the impact of the one-off non-recurring listing expenses charged to profit or loss, our net profit margin would have decreased from approximately 5.5% in 2015 to approximately 5.2% in 2016 by approximately 0.3 percentage points.

MANAGEMENT DISCUSSION AND ANALYSIS

Liquidity and financial resources

As at 31 December 2016, the Group's bank balances and cash increased by approximately RMB23.1 million from approximately RMB96.2 million as at 31 December 2015 to approximately RMB119.3 million. The Group's restricted bank deposits increased by approximately RMB23.2 million from approximately RMB44.4 million as at 31 December 2015 to approximately RMB67.6 million. The increase in bank balances and cash for the year was mainly contributed from the unutilised net proceeds from the global offering.

As at 31 December 2016, the Group had the net current assets and the net assets of approximately RMB230.6 million (2015: RMB13.8 million) and approximately RMB537.3 million (2015: RMB223.5 million), respectively. As at 31 December 2016, the current ratio calculated based on current assets divided by current liabilities of the Group was 137.1% as compared with 102.3% as at 31 December 2015.

At 31 December 2016, the Group's total bank borrowings amounted to approximately RMB634.1 million (31 December 2015: RMB527.3 million) and total equity amounted to approximately RMB537.3 million (2015: RMB223.5 million). The gearing ratio of the Group, calculated based on total bank borrowings divided by total equity, as at 31 December 2016 was approximately 1.2 times (2015: 2.4 times).

As at 31 December 2016, the Group had total banking facilities in respect of bank loans, bank guarantees and/or trade financing of approximately RMB687.2 million (2015: RMB1,330.8 million), of which approximately RMB634.1 million (2015: RMB527.3 million) had been utilised for bank guarantees and trade finance. The Group believes it has sufficient unutilised banking facilities to meet its current business operation, capital expenditures and expansion.

Foreign currency exposure

As the functional currency of our PRC subsidiaries is RMB and a portion of our revenue is derived from sales to overseas customers who settle in USD, we are exposed to risks associated with fluctuations in USD against RMB. In addition, we are exposed to foreign currency risk arising from certain bank balances which are denominated in USD, RMB, HKD and SGD. Our Group currently does not have any foreign currency hedging policy. However, our management closely monitors its exposure to foreign currency risk and will consider hedging significant foreign currency exposure should the need arise.

Material acquisitions and disposal

The Group acquired property, plant and equipment, prepaid lease payments and incurred construction costs of approximately RMB160.4 million during the year ended 31 December 2016. Included in the above were the acquisition of the Land and Plant A of RMB45 million from Mr. Xu, the executive Director of the Company. Save as disclosed above, the Group had no other material acquisition or disposal during the year ended 31 December 2016.

Capital commitments

Details of the capital commitments are set out in note 25 to the consolidated financial statements.

Operating lease commitments

Details of the operating lease commitments are set out in note 26 to the consolidated financial statements.

Pledge of assets

Details of the pledge of assets are set out in note 27 to the consolidated financial statements.

Contingent liabilities

During the year under review, the Company provided guarantees to banks as securities for banking facilities granted to certain subsidiaries of the Company in the PRC. The Group did not provide any guarantee to any third parties and did not have contingent liabilities as at 31 December 2016 (2015: nil).

Employees

As at 31 December 2016, the Group had a total of 1,260 (2015: 1,094) full-time employees in mainland China, Hong Kong and Singapore. The Group's total staff costs (including Directors' remuneration) in 2016 amounted to approximately RMB89.7 million (2015: RMB68.6 million). The Group remunerated the employees based in their performance, experience and prevailing market practices. The Company has share option scheme in place as a means to encourage and reward the eligible employees (including the Directors) for their contributions to the Group's results and business development based on their individual performance. Since the adoption of the share option scheme on 23 March 2016 and up to 31 December 2016, no options have been granted by the Company. Further details of the share option scheme are set out in the section headed "Share Option Scheme" in the Director's report.

DIRECTORS' REPORT

The Directors are pleased to present this annual report together with the audited consolidated financial statements for the year ended 31 December 2016.

All references below to other sections, reports or notes in this annual report form part of this Directors' Report.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The Group is a leading cold-rolled carbon steel processor in Guangdong Province, the PRC. The Group provides processing, cutting, slitting, warehousing and delivery services on customised cold-rolled carbon steel and the Group is principally engaged in providing cold-rolled carbon steel strips, sheets, welded steel tubes and zinc coated steel products customised to the specification of the customers covering a wide range of industries, including light industrial hardware, home appliances, furniture, motorcycle/bicycle accessories, LED and lighting.

A list of the Company's subsidiaries as at 31 December 2016 and their particulars are set out in note 33 to the consolidated financial statements.

BUSINESS REVIEW

The Group's revenue is derived primarily from business activities conducted in the PRC and Southeast Asia. An analysis of the Group's performance for the year by operating segment is set out in note 5 to the consolidated financial statements.

Further discussion and analysis of these activities as required by Schedule 5 to the Hong Kong Companies Ordinance, including a fair review of the business, a description of the principal risks and uncertainties facing the Group, particulars of important events affecting the Group that have occurred since the end of this financial year, and an indication of likely future development in the Group's business, can be found in this report and the sections headed "Chairman's Statement", "Management Discussion and Analysis", and "Corporate Governance Report" of this annual report. Details about the Group's financial risk management are set out in note 31 to the consolidated financial statements.

PRINCIPAL RISKS AND UNCERTAINTIES

The following list, although not exhaustive, highlights the principal risks and uncertainties facing the Group. Besides, this report does not constitute a recommendation or an advice for anyone to invest in the securities of the Company and investors are advised to make their own judgment or consult their own investment advisors before making any investment in the securities of the Company.

Risks relating to our business and the steel processing industry

Our business depends on our customers' ability to sell their products and we rely on customers with short-term orders and it is difficult for us to forecast the volume of their purchases from us in the future. Our products are sold to end users of steel including primarily manufacturers of light industrial hardware, home appliances as well as furniture for their further production of their end products. Demand for the end products manufactured and sold by our customers to the end users derives demand for our processed steel products and zinc coated steel products.

We generally do not enter into long-term sales contracts with our customers. They directly, or through trading companies indirectly, purchase processed steel products from us on order-by-order basis for the production of their end products they sell to their customers. Therefore, they are not obliged in any way to continue placing orders with us and the quantity of our processed steel products they order from us depends on their sales forecast and/or the actual sales performance of the end products in the market. Accordingly, the volume of purchase from our customers may vary significantly from period to period, and it is difficult for us to forecast the volume of their purchases from us in the future.

Developments adverse to our major customers may have a negative impact on our business and performance. We derive a significant portion of our revenue from customers in certain end market segments. Any adverse changes in the business environment of these end market segments could materially and adversely affect our business and operating results Risks relating to our business and the steel processing industry.

Our business relationship with our major suppliers for our principal raw materials is pivotal for us to purchase the necessary quantities of steel raw materials at market price on a timely basis especially during an excess demand condition and cessation of their supply to us may affect our business and financial conditions. If there is any abrupt increase in the purchase price of our principal raw materials or labour costs and we are not able to pass on such increase to our customers, our profit margins and operating results may be adversely affected.

Our expansion plan to increase the processing capacity of our existing production facilities is subject to risks and uncertainties and if it proves to be unsuccessful, our business and operating results may be adversely affected.

Operational risks

The Group's operation is subject to a number of risk factors distinctive to the steel processing industry. Default on the part of the Group's suppliers, customers, and inadequacies or failures of internal processes, people and systems or other external factors may have various levels of negative impact on the results of operations. Our business involves the operation of heavy machineries that could result in industrial accidents which may cause injuries or loss of life. Despite we have adopted appropriate policies and are compliant with relevant health and safety laws, there is no assurance that industrial accidents, whether due to malfunctions of machineries or other reasons, will not occur in the future at our production facilities. In an event of industrial accident, it may adversely affect our business, financial condition or results of operations.

Financial risks and estimation uncertainty

The risks associated with the financial instruments of the Group include market risks (i.e. currency risk and interest rate risk), credit risk and liquidity risk. The key sources of estimation uncertainty are set out in note 4 to the consolidated financial statements.

DIRECTORS' REPORT

Past performance and forward looking statements risks

The performance and the results of operation of the Group as set out in this annual report are based on historical figures, where past performance is not a guarantee of future performance. This annual report may contain forward-looking statements and opinions that are subject to risks and uncertainties. Actual results may materially differ from expectations discussed in such forward-looking statements and opinions.

RELATIONSHIPS WITH KEY STAKEHOLDERS

The Group recognises that employees, customers and suppliers are the key to our sustainability and stable development. The Group is committed to establishing a close relationship with its employees, enhancing cooperation with our suppliers and providing processed steel products customised to the specification of the customers so as to ensure the Group's sustainable development.

(a) Employees

The remuneration packages of our employees include salary, bonuses and allowances. The Group also continues to improve and regularly review and update its policies on remuneration and benefits, training, occupational safety and health. The Group maintains a good relationship with its employees and maintains a relatively low turnover rate. To ensure the quality of our employees and to train up future generations of our management personnel, we provide in-house training to our employees to enhance their knowledge in operation and safety practice as well as training to individual employees according to specific job requirements. The goal of the in-house training is to train our employees and to identify talent, with the aim of providing promotion opportunities within our Company and fostering employee loyalty.

(b) Customers

The Group processes hot-rolled carbon steel into cold-rolled carbon steel products and zinc coated steel products for our manufacturing customers. We derived most of our revenue from domestic sales which were made mainly to customers located in Guangdong Province, the PRC. Our customers are primarily manufacturers of different industrial products which purchase our processed steel products and zinc coated steel products for the manufacture of end products, agents for manufacturers, and steel trading companies. During the year ended 31 December 2016, we served approximately 800 to 900 customers per year across a variety of industries in the PRC, including light industrial hardware, home appliances, furniture, motorcycle/bicycle accessories, LED and lighting. With a broad and diversified customer base. We are not dependent on any single customer, group of customers or any particular industry and are able to capture growth in various industries.

(c) Suppliers

Our major suppliers are primarily steel producers or their agents and steel trading companies located in the PRC. We have established stable and long-standing business relationship with our key steel raw material suppliers given our large-scale operations and the resultant demand for their products. Our business relationship with our major suppliers for our principal raw materials is pivotal for us to purchase the necessary quantities of steel raw materials at market price on a timely basis. We have an assessment and selection procedure for selecting our suppliers. Our procurement team in general conducts a background assessment which covers various aspects including scale of operation, quality control, delivery time and reputation in the industry on each potential supplier before their admission to our approved supplier list. It is our procurement policy that we only purchase raw materials from approved suppliers to ensure the quality of our raw materials. We also carry out evaluation and assessment of our existing suppliers from time to time. In order to leverage our suppliers' in-depth understanding of the industry and market trends, we closely communicate and collaborate with our major suppliers to obtain the latest market information in anticipation of our customers' future needs. We believe that our long-standing and stable relationship with our suppliers have also helped us to strengthen our relationship with our key customers and maintain our competitiveness.

RESULTS AND DIVIDENDS

The Group's results for the year ended 31 December 2016 are set out in the consolidated statement of profit or loss and other comprehensive income on page 51 of this annual report.

During the period from 1 January 2016 to the Listing Date, we declared dividends in the aggregate amount of approximately RMB52.5 million. All that dividends declared were distributed in cash out of our internally generated resources to the then Shareholders. After the Listing Date, an interim dividend of HK4.8 cents (2015: nil) per share for the six months ended 30 June 2016 amounting to HK$28.8 million (2015: nil) was distributed to the Shareholders on 15 September 2016.

The Board recommends the payment of a final dividend of HK3.4 cents (2015: nil) per share to the Shareholders whose names appear on the Company's Register of Members at the close of business on 31 May 2017, and the retention of the remaining profit for the year. Excluding the interim dividend declared and distributed before the Listing Date, the total dividend for 2016 amounts to a total of HK8.2 cents (2015: nil) per share, which represents a payout ratio of approximately 44.7 per cent (2015: nil) of the profit attributable to shareholders for the year ended 31 December 2016. Subject to the passing of the relevant resolution at the forthcoming annual general meeting, the final dividend is expected to be distributed to the Shareholders on 6 June 2017.

CLOSURE OF REGISTER OF MEMBERS

In order to determine entitlement of the Shareholders to the right to attend and vote at the forthcoming annual general meeting, the register of members of the Company will be closed from Thursday, 11 May 2017 to Tuesday, 16 May 2017, both days inclusive, during which period no share transfer will be effected. All share transfer documents accompanied by the relevant share certificates must be lodged with the Company's branch share registrar and transfer office in Hong Kong, Union Registrars Limited, at Suites 3301–04, 33/F., Two Chinachem Exchange Square, 338 King's Road, North Point, Hong Kong, for registration not later than 4:00 p.m. on Wednesday, 10 May 2017.

DIRECTORS' REPORT

The proposed final dividend is subject to the passing of an ordinary resolution by the Shareholders at the annual general meeting. In order to determine the Shareholders who are qualified for the proposed final dividend, the register of members of the Company will be closed from Friday, 26 May 2017 to Wednesday, 31 May 2017, both days inclusive, during which period no share transfer will be effected. All share transfer documents accompanied by the relevant share certificates must be lodged with the Company's branch share registrar and transfer office in Hong Kong, Union Registrars Limited, at Suites 3301–04, 33/F., Two Chinachem Exchange Square, 338 King's Road, North Point, Hong Kong, for registration not later than 4:00 p.m. on Thursday, 25 May 2017.

MAJOR SUPPLIERS AND CUSTOMERS

For the year ended 31 December 2016, the total purchases of raw materials from our five largest suppliers in aggregate accounted for approximately 40.0% (2015: 60.0%) of our total purchases and the total purchases from our largest supplier accounted for approximately 21.7% (2015: 27.6%) of our total purchases of raw materials.

For the year ended 31 December 2016, revenue from our five largest customers in aggregate accounted for approximately 15.3% (2015: 18.3%) of our revenue and revenue from our largest customer accounted for approximately 5.3% (2015: 8.7%) of our revenue.

Two of our five largest customers, during the year ended 31 December 2015, were Hua Jin Trading and Hua Bao'an Trading in which Mr. Xu is interested in 95% and the brother of Mr. Luo is interested in 90% respectively. Save as disclosed above, none of the Directors or any of their close associates or any Shareholders (which, to the best knowledge of the Directors, own more than 5% of the Company's issued share capital) had a material interest in the five largest suppliers or five largest customers of the Group during the year ended 31 December 2016.

FINANCIAL SUMMARY

A summary of the results, assets and liabilities of the Group for the past four financial years is set out in the section headed "Financial Summary" on page 100 of this annual report.

DONATIONS

During the year ended 31 December 2016, the Group's charitable and other donations amounted to RMB1.2 milion (2015: nil).

PROPERTY, PLANT AND EQUIPMENT

Details of movements in the Group's property, plant and equipment during the year ended 31 December 2016 are set out in note 13 to the consolidated financial statements.

BANK BORROWINGS

Details of the bank borrowings of the Group as at 31 December 2016 are set out in note 21 to the consolidated financial statements.

SHARE CAPITAL

Details of movements in the Company's share capitol during the year ended 31 December 2016 are set out in note 24 to the consolidated financial statements.

USE OF PROCEEDS FROM THE GLOBAL OFFERING

The Shares of the Company became listed on the Stock Exchange on 15 April 2016.

Based on the offer price of HK$2.38 per Share and the actual listing expenses incurred, the net proceeds from the global offering received by the Company amounted to approximately HK$330.7 million (equivalent of approximately RMB276.8 million) and the balance of unutilised net proceeds of approximately HK$24.1 million (equivalent of approximately RMB17.4 million) were kept at the bank accounts of the Group as at 31 December 2016.

The net proceeds from the global offering (adjusted on a pro rata basis based on the actual net proceeds) will be utilised in accordance with the purposes set out in the section "Future Plans and Use of Proceeds" of the Prospectus. The below table sets out the planned applications of the net proceeds and usage up to 31 December 2016:

Use of proceeds	Planned applications *(HK$ million)*	% of total net proceeds *(%)*	Actual usage up to 31 December 2016 *(HK$ million)*	Actual usage up to 31 December 2016 *(RMB million)*
To repay working capital loans from PRC commercial banks	150.0	45.4	150.0	126.1
To purchase production machinery and equipment *(Note)*	71.0	21.5	50.8	45.4
To finance the acquisition of two parcels of industrial lands and the operational buildings erected thereon from Mr. Xu	48.6	14.7	48.6	40.5
To finance the construction and operation of Workshop No. 4	27.3	8.2	27.3	22.7
To upgrade our ERP system	4.1	1.2	0.2	0.2
For general working capital and other general corporate purposes	29.7	9.0	29.7	24.5
Total	330.7	100.0	306.6	259.4

Note: The unutilised net proceeds of approximately HK$20.2 million (equivalent of approximately RMB14.6 million) will be used to finance the equipment supply contract as set out in note 35(ii) to the consolidated financial statements.

OVER-ALLOTMENT OPTION

In connection with the global offering (the "Global Offering") of the Company, the Company granted the sole global coordinator (the "Sole Global Coordinator") the over-allotment option (the "Over-allotment Option"), which is exercisable in full or in part by the Sole Global Coordinator within 30 days after the last day for lodging applications under the Hong Kong public offering. Pursuant to the Over-allotment Option, the Company may be required to issue and allot up to an aggregate of 22,500,000 Shares (in aggregate representing 15% of the total number of the Shares initially available under the Global Offering) at the offer price of HK$2.38 per Share to cover, among other things, over-allocation in the international placing. The Over-allotment Option lapsed on 8 May 2016.

DIRECTORS' REPORT

RESERVES

Details of the movements in the reserves of the Group and the Company during the year ended 31 December 2016 are set out in the consolidated statement of changes in equity on page 53 of this annual report and note 32 to the consolidated financial statements, respectively.

DISTRIBUTABLE RESERVES

As at 31 December 2016, the Company's reserves available for distribution to Shareholders, comprising share premium and retained profit amounted to approximately RMB284.0 million (2015: nil) calculated in accordance with the Companies Law (as revised) of the Cayman Islands.

Subject to the approval of the Shareholders at the forthcoming annual general meeting, the proposed final dividend of HK3.4 cents per Share will be distributed out of retained profit. The Directors consider that the Company's retained profit will be sufficient for distribution to Shareholder on the payment date of the proposed final dividend.

PRE-EMPTIVE RIGHTS

There is no provision for pre-emptive rights under the Articles of Association or applicable laws of the Cayman Islands where the Company is incorporated.

DIRECTORS

The Directors of the Company during the year ended 31 December 2016 and up to the date of this report were:

Executive Directors:	
Mr. Xu Songqing *(Chairman)*	(appointed on 13 March 2015)
Mr. Luo Canwen *(Chief Executive Officer)*	(appointed on 18 December 2015)
Mr. Chen Chunniu	(appointed on 18 December 2015)
Mr. Xu Songman	(appointed on 18 December 2015)
Independent non-executive Directors:	
Mr. Goh Choo Hwee	(appointed on 23 March 2016)
Mr. Tam Yuk Sang Sammy	(appointed on 23 March 2016)
Mr. Wu Chi Keung	(appointed on 23 March 2016)

Pursuant to Article 83(3) of the Article of Association of the Company, any Directors appointed by the Board as an addition to the existing Board shall hold office only until the next following annual general meeting of the Company and shall then be eligible for re-election. Since all the Directors were appointed before the Listing Date, all the Directors shall retire and, being eligible, offer themselves for re-election at the forthcoming annual general meeting.

DIRECTORS' AND SENIOR MANAGEMENT

Biographical details of the Directors and senior management of the Group and the changes in information of Directors are set out on pages 9 to 12 of this annual report.

DIRECTORS' EMOLUMENTS

Details of the Directors' emoluments are set out in note 10 to the consolidated financial statements.

No Director has waiver or has agreed to waive any emoluments and no emoluments were paid by the Group to the Directors as an inducement to join or upon joining the Group or as compensation for loss of office during the year ended 31 December 2016.

DIRECTORS' SERVICE CONTRACTS

Each of the executive Directors has entered into a service agreement with the Company for an initial term of three years with effect from the Listing Date unless terminated by not less than three months' notice in writing served by either the Director or the Company.

Each of the independent non-executive Directors has signed a letter of appointment with the Company with effect from 23 March 2016 subject to retirement by rotation and re-election at annual general meetings of our Company and until terminated by not less than three months' notice in writing served by either the Company or the relevant Director.

Apart from the foregoing, no Director proposed for re-election at the forthcoming annual general meeting has a service contract which is not determinable by the Company or any of its subsidiaries within one year without payment of compensation, other than statutory compensation.

CONFIRMATION FROM THE INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has received from each of the independent non-executive Directors the confirmation of his independence pursuant to rule 3.13 of the Listing Rules. Based on such confirmations, the Company considers each of the independent non-executive Directors is independent in accordance with rule 3.13 of the Listing Rules.

EQUITY-LINKED AGREEMENTS

During the period from the Listing Date to 31 December 2016, the Group did not entered into any equity-linked agreement.

SHARE OPTION SCHEME

Prior to the Listing, the Company conditionally adopted a share option scheme (the "Scheme") on 23 March 2016 which became effective and unconditional upon the Listing. The purpose of the Scheme is to enable the Company to grant options to the Eligible Persons (as defined below) as incentives or rewards for their contribution or potential contribution to the Group.

Details of the Scheme are as follows:

a. Purpose

The primary purpose of the Scheme is to grant options as incentives or rewards to Eligible Persons for their contribution or potential contribution to the Group.

b. Eligible Persons

The Board may, at its discretion, offer to grant an option to subscribe for such number of new Shares as the Board may determine at an exercise price determined in accordance with paragraph (h) below to any full-time or part-time employee of the Company or any member of the Group, including any executive Director, non-executive Director and independent non-executive Director, and any supplier, customer, agent, advisor and consultant of our Group who, in the sole opinion of the Board, will contribute or have contributed to the Group (collectively, the "Eligible Persons").

c. Total number of Shares available for issue

The total number of Shares which may be issued upon exercise of all options to be granted under the Scheme and any other share option schemes of the Company must not exceed 60,000,000 Shares, representing 10% of the Company's issued share capital upon Listing.

The total number of Shares available for issue under the Scheme is 60,000,000 Shares, representing 10% of the Company's issued share capital as at the date of this annual report.

Subject to the issue of a circular by the Company and the approval of the Shareholders in general meeting and/or such other requirements prescribed under the Listing Rules from time to time, the Board may: (i) renew this limit at any time to 10% of the Shares in issue as of the date of the approval by the Shareholders in general meeting; and/or (ii) grant options beyond the 10% limit to Eligible Persons specifically identified by the Board.

Notwithstanding the foregoing, the Shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Scheme and any other share option schemes of the Company at any time shall not exceed 30% of the Shares in issue from time to time. No options shall be granted under any schemes of the Company (including the Scheme) if this will result in the 30% limit being exceeded. The maximum number of Shares in respect of which options may be granted shall be adjusted, in such manner as the auditor of the Company or an approved independent financial adviser shall certify to be appropriate, fair and reasonable in the event of any alteration in the capital structure of the Company whether by way of consolidation, capitalisation issue, rights issue, sub-division or reduction of the share capital of the Company but in no event shall exceed the limit prescribed in this paragraph.

d. Maximum entitlement for each Eligible Person

The total number of Shares issued and which may fall to be issued upon exercise of the options granted under the Scheme and any other share option schemes of the Company (including both exercised and outstanding options) to each Eligible Person in any 12-month period up to the date of grant shall not exceed 1% of the Shares in issue as of the date of grant. Any further grant of options in excess of this 1% limit shall be subject to: (i) the issue of a circular by the Company which shall comply with Rules 17.03(4) and 17.06 of the Listing Rules containing the identity of the Eligible Person, the numbers and terms of the options to be granted (and options previously granted to such person, if any) the information as required under Rules 17.02(2)(d) and the disclaimer required under 17.02(4) of the Listing Rules; and (ii) the approval of the Shareholders in general meeting and/or other requirements prescribed under the Listing Rules from time to time with such Eligible Person and his/her associates (as defined in the Listing Rules) abstaining from voting. The numbers and terms (including the exercise price) of options to be granted to such person must be fixed before the Shareholders' approval and the date of the Board meeting at which the Board proposes to grant the options to such Eligible Person shall be taken as the date of grant for the purpose of calculating the subscription price of the Shares. The Board shall forward to such Eligible Person an offer document in such form as the Board may from time to time determine.

e. Time of exercise of option

Options may be exercised at any time commencing on the date as the Board may determine and ending on such date as the Board may determine but shall not exceed ten years from the date of grant (which is the date of offer of grant if the offer for the grant of the option is accepted). The period during which an option may be exercised will be determined by the Board in its absolute discretion, save that no option may be exercised more than ten years after it has been granted.

No option may be granted more than ten years after the date of adoption of the Scheme.

f. Minimum holding period of the option before it can be exercised

The Scheme does not specify any minimum holding period but the Board has the authority to determine the minimum period for which a share option in respect of some or all of the shares forming the subject of the share options must be held before it can be exercised.

g. Acceptance and payment on acceptance

Offer for the grant of options must be accepted within 28 days from the offer date. Consideration of HK$1 is required to be paid by the grantee of an option to the Company on acceptance of the offer for the grant of an option.

h. Exercise price

The exercise price is determined by the Board, and will not be less than the higher of the closing price of the Shares on the date of offer of grant and the average closing price of the shares for the five business days immediately preceding the date of offer of grant.

i. Remaining life of the Scheme

Subject to earlier termination by the Company in general meeting, the Scheme shall be valid and effective for a period of ten years from the date of its adoption and will expire on 22 March 2026.

j. Details of any options granted

No option was granted, exercised, cancelled or lapsed under the Scheme since the date of adoption of the Scheme and there was no outstanding share option as at 31 December 2016.

MANAGEMENT CONTRACTS

No contract, other than employment contracts, concerning the management and administration of the whole or any substantial part of the business of the Group was entered into or existed during the year ended 31 December 2016 since the Listing Date.

PERMITTED INDEMNITY PROVISION

Pursuant to the Articles of Association, the Directors of the Company shall be entitled to be indemnified and secured harmless out of the assets and profits of the Company from and against all actions, costs, charges, losses, damages and expenses which they may sustain or incur in or about the execution of the duties of their office or otherwise in relation thereto. The Company has maintained Directors and officers liabilities insurance and such provisions were in force during the year ended 31 December 2016 since the Listing Date and remained in force as of the date of this report.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES OF THE COMPANY

As at 31 December 2016 the interests and short positions of the Directors and the chief executive of the Company and their associates in the Shares, underlying Shares and debentures of the Company which have been notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules were as follows:

Long positions in Shares of the Company

Name of Directors	Nature of interest	Number of Shares held	Percentage of the issued share capital of the Company
Mr. Xu	Interest held jointly with another person *(note 1)*; Interest of controlled corporation *(note 2)*	450,000,000	75.00%
Mr. Luo	Interest held jointly with another person *(note 1)*; Interest of controlled corporation *(note 2)*	450,000,000	75.00%

Notes:

1. On 4 January 2016, Mr. Xu and Mr. Luo entered into the acting in concert agreement, pursuant to which, among other things, Mr. Xu and Mr. Luo acknowledged and confirmed that they, as ultimate shareholders of our Group, have been parties acting in concert throughout the period and up to the date thereof and will continue to act in concert thereafter. As such, following the completion of the global offering, our ultimate controlling shareholders together control 75.0% interest in the share capital of our Company through Intrend Ventures, Zhong Cheng and Haiyi. As a result, each of our ultimate controlling shareholders and their respective holding company is deemed to be interested in such 75.0% interest in the share capital of our Company.

2. The entire issued share capital of Intrend Ventures is legally and beneficially wholly-owned by Mr. Xu. Intrend Ventures owns 87.0% of the issued share capital of Haiyi and is taken to be interested in all the Shares held by Haiyi for the purposes of the SFO. Haiyi is legally and beneficially owned as to 12.0% by Zhong Cheng, an investment holding company wholly-owned by Mr. Luo.

3. The percentage of shareholding is calculated on the basis of the Company's issued share capital of 600,000,000 Shares as at 31 December 2016.

Save as disclosed above, as at 31 December 2016, none of the Directors or chief executive of the Company nor their associates had any interests or short positions in the Shares, underlying Shares or debentures of the Company which had to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO or which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein or which were required, pursuant to the Model Code, to be notified to the Company and the Stock Exchange.

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS IN SHARES AND UNDERLYING SHARES OF THE COMPANY

As at 31 December 2016, so far as the Directors are aware, the following persons or corporations (not being a Director or a chief executive of the Company) who had interests and/or short position in the Shares or underlying Shares of the Company which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO as recorded in the register required to be kept by the Company pursuant to section 336 of the SFO were:

Long positions in Shares of the Company

Name of shareholders	Nature of interest	Number of Shares held	Percentage of the issued share capital of the Company
Intrend Ventures	Interest held jointly with another person *(note 1)*; Interest of controlled corporation *(note 2)*	450,000,000	75.00%
Zhong Cheng	Interest held jointly with another person *(note 1)*; Interest of controlled corporation *(note 2)*	450,000,000	75.00%
Haiyi	Beneficial owner	450,000,000	75.00%

Notes:

1. On 4 January 2016, Mr. Xu and Mr. Luo entered into the acting in concert agreement, pursuant to which, among other things, Mr. Xu and Mr. Luo acknowledged and confirmed that they, as ultimate shareholders of our Group, have been parties acting in concert throughout the period and up to the date thereof and will continue to act in concert thereafter. As such, following the completion of the global offering, our ultimate controlling shareholders together control 75.0% interest in the share capital of our Company through Intrend Ventures, Zhong Cheng and Haiyi. As a result, each of our ultimate controlling shareholders and their respective holding company is deemed to be interested in such 75.0% interest in the share capital of our Company.

2. The entire issued share capital of Intrend Ventures is legally and beneficially wholly-owned by Mr. Xu. Intrend Ventures owns 87.0% of the issued share capital of Haiyi and is taken to be interested in all the Shares held by Haiyi for the purposes of the SFO. Haiyi is legally and beneficially owned as to 12.0% by Zhong Cheng, an investment holding company wholly-owned by Mr. Luo.

3. The percentage of shareholding is calculated on the basis of the Company's issued share capital of 600,000,000 Shares as at 31 December 2016.

Save as disclosed above, as at 31 December 2016, the Company has not been notified by any person nor corporation (other than Directors or the chief executive of the Company) who had interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO.

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS AND CONTRACTS

Details of the connected/continuing connected transactions and material related party transactions are set out in this report and note 29 to the consolidated financial statements.

Save for the above, no other transaction, arrangement or contract that is significant in relation to the Group's business to which the Company or any its subsidiaries was a party and in which a Director of the Company or his connected entity had, directly or indirectly, a material interest subsisted at any time during the year or at the end of the financial year.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

At no time during the period from the Listing Date to 31 December 2016 was the Company, its holding company, or any of its subsidiaries or associated corporations, a party to any arrangement which enables the Directors and chief executives of the Company (including their respective spouse and children under 18 years of age) to acquire benefits by means of acquisition of shares or underlying shares in, or debentures of, the Company or any of its associated corporations.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

Save for their respective interests in the Company, none of the Directors and Controlling Shareholders of the Company (as defined under the Listing Rules) nor their respective associates were interested in any business which competes or is likely to compete, either directly or indirectly, with the businesses of the Group pursuant to Rule 8.10 of the Listing Rules during the period from the Listing Date to the date of this annual report.

NON-COMPETITION UNDERTAKINGS BY CONTROLLING SHAREHOLDERS

Each of the Controlling Shareholders, namely Haiyi, Intrend Ventures, Zhong Cheng, Mr. Xu and Mr. Luo, has provided written confirmation (the "Confirmation") to the Company that, since the Listing Date and up to 31 December 2016, each of the Controlling Shareholders has complied with the non-competition undertakings (the "Undertakings") given under the Deed of Non-competition.

Details of the Deed of Non-competition are set out in the paragraph headed "Relationship with our Controlling Shareholders — Non-competition undertakings" in the Prospectus.

Upon receiving the Confirmation, the independent non-executive Directors of the Company had reviewed the same as part of the annual examination. In determining whether the Controlling Shareholders had fully complied with the Undertakings, the independent non-executive Directors noted that (a) the Controlling Shareholders declared that they had fully complied with the Undertakings; (b) no new competing business was reported by the Controlling Shareholders during the period from the Listing Date and up to 31 December 2016 and (c) there was no particular situation rendering the full compliance of the Undertakings being questionable. In view of the above, the independent non-executive Directors confirmed that the Controlling Shareholders had fully complied with the Deed of Non-competition during the period from the Listing Date and up to 31 December 2016.

RELATED PARTY TRANSACTIONS

Details of material related party transactions of the Group undertaken in the normal course of business are set out in note 29 to the consolidated financial statements. Upon the listing of the Shares on the Stock Exchange on 15 April 2016, certain related party transactions set out in note 29 to the consolidated financial statements are regarded as connected transactions or continuing connected transactions of the Group. Save for those as disclosed below, none of which is required to be disclosed under Chapter 14A of the Listing Rules.

CONTINUING CONNECTED TRANSACTIONS

During the year ended 31 December 2016, the Group had the following continuing connected transactions:

As disclosed in the Prospectus, on 4 January 2016, a lease agreement (the "Lease Agreement A") was entered into between Jiangmen Huazhi, as the landlord, and Jiangmen Huamu, as the tenant, in respect of the warehouses built on a parcel of land situated at Dawei, Niugutian Village Committee, Muzhou Town, XinhuiDistrict, Jiangmen, Guangdong Province, the PRC (中國廣東省江門市新會區睦洲鎮牛古田村民委員會大圍) (the "Warehouses") with an aggregate gross floor area of approximately 5,375 square metres. Under the Lease Agreement A, Jiangmen Huazhi would lease the Warehouses to Jiangmen Huamu for an initial term commencing from the Listing Date to 31 December 2018, at an aggregate monthly rent of RMB28,000, exclusive of water, electricity and gas charges which are payable by the tenant. We have the right to renew the Lease Agreement A, for consecutive terms of three years at our own discretion upon serving Jiangmen Huazhi three months' written notice, prior to the expiration of the Lease Agreement A. The monthly rent of the Warehouses for the initial term of the lease was determined after arm's length negotiation between the parties with reference to the market rent of the Warehouses as assessed by Greater China Appraisal Limited, an independent property valuer. Jiangmen Huazhi is owed as to 60% by Mr. Xu and 40% by Mr. Chen. As Mr. Xu is an executive Director and one of our Controlling Shareholders and Mr. Chen is an executive Director, Jiangmen Huazhi is a connected person pursuant to the Listing Rules.

On 1 July 2016, a lease agreement (the "Lease Agreement B") was entered into between Hua Jin Holdings, as the landlord, and the Group, as the tenant, in respect of a office in Singapore at a monthly rental of S$5,000 for a term commencing from 1 July 2016 to 30 July 2019. Mr. Xu holds the entire equity interest of Hua Jin Holdings and is a director of Hua Jin Holdings. As Mr. Xu is an executive Director and one of our Controlling Shareholders, Hua Jin Holdings is a connected person pursuant to the Listing Rules. The monthly rent of the lease was determined after arm's length negotiation between the parties with reference to the market rent of the office as assessed by an independent property consultant.

As the relevant applicable percentage ratios with respect to the transaction contemplated under each of the Lease Agreement A and the Lease Agreement B on an annual basis are less than 0.1%, pursuant to Rule 14A.76(1) of the Listing Rules, such transactions constitute de minimis continuing connected transactions which are fully exempt from the relevant reporting, announcement and Shareholders' approval requirements.

DIRECTORS' REPORT

The above continuing connected transactions have been reviewed by our independent non-executive Directors who have confirmed that the transactions have been entered into:

(1) in the ordinary and usual course of business of the Group;

(2) on normal commercial terms; and

(3) in accordance with the agreements governing them on terms that are fair and reasonable and in the interest of the Shareholders as a whole.

The Company confirms that it has compiled with the disclosure requirement in accordance with Chapter 14A of the Listing Rules in respect of the above continuing connected transactions.

CONNECTED TRANSACTIONS

During the year ended 31 December 2016, the Group had the following connected transactions:

As disclosed in the Prospectus, on 4 January 2016, Jiangmen Huajin, as purchaser, entered into a sale and purchase agreement with Mr. Xu, as vendor, pursuant to which Jiangmen Huajin agreed to purchase from Mr. Xu the Land and Plant A at an aggregate consideration of RMB45,000,000. The consideration was determined by reference to the market value of the Land and Plant A prepared by Greater China Appraisal Limited, an independent professional valuer. The transfer of the property ownership and land use right of the Land and Plant A were completed on 19 September 2016.

On 28 December 2016, Jiangmen Huamu entered into a non-legally binding MOU with Jiangmen Zhan Cheng in relation to the possible acquisition of the Land and Plant B by Jiangmen Huamu for a consideration to be agreed between both parties. Jiangmen Zhan Cheng is a limited liability company established under the laws of PRC and beneficially wholly-owned by Mr. Xu. Mr. Xu is a Substantial Shareholder and an executive Director of the Company. Therefore, Jiangmen Zhan Cheng is regarded as a connected person of the Company pursuant to Chapter 14A of the Listing Rules. The payment of the deposit in the sum of RMB6 million to Jiangmen Zhan Cheng by way of issuing acceptance bill of exchange amounting to RMB3,051,060 on 29 December 2016 and in cash of RMB2,948,940 on 30 December 2016 constitutes a connected transaction on the part of the Company under Chapter 14A of the Listing Rules. As the applicable percentage ratios is less than 5%, the payment of such deposit is subject to reporting and announcement requirements but is exempt from the independent Shareholders' approval requirement under Chapter 14A of the Listing Rules.

The Company confirms that it has compiled with the disclosure requirement in accordance with Chapter 14A of the Listing Rules in respect of the above connected transactions.

Details of the non-legally binding MOU are set out in the announcement of the Company dated 28 December 2016.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S 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 since the Listing Date.

CORPORATE GOVERNANCE

The Company recognises the importance of good corporate governance for enhancing the management of the Company as well as preserving the interests of its Shareholders as a whole. The Company has adopted and committed to the code provisions set out in the Corporate Governance Code contained in Appendix 14 to the Listing Rules and has prepared the corporate governance report, which is set out in the section headed "Corporate Governance Report" on pages 13 to 22 of this annual report. The Board will continue to review and monitor the practices of the Company with an aim to maintaining the highest standard of corporate governance.

ENVIRONMENTAL POLICIES AND PERFORMANCE

Our PRC subsidiaries are subject to the PRC national and local environmental laws, regulations and rules including, among others, the Environmental Protection Law of the PRC (《中華人民共和國環境保護法》). Our production process generates noise, liquid waste, industrial waste water and metropolitan waste water. We consider protection of the environment to be important and have implemented measures such as neutralising the waste water before disposal and recycling of the waste water. Our Directors believe that we have adopted effective measures to prevent and control pollution to the environment. During the year under review, we did not receive any complaint from our customers or any other parties in respect of any environmental protection issues, and we have not experienced any material environmental incidents arising from our production activities. During the year under review, no material administrative sanctions or penalties were imposed upon us for the violation of environmental laws or regulations which had an adverse impact on our operations. Our PRC subsidiaries have obtained the environmental permit necessary to conduct our business and have complied with the relevant environmental laws and regulations in the PRC in all material respects.

COMPLIANCE WITH APPLICABLE LAWS AND REGULATIONS

The Group's operations are mainly carried out by the Company's subsidiaries in the PRC while the Company is listed on the main board of the Stock Exchange. The Group accordingly shall comply with relevant laws and regulations in the PRC and Hong Kong and the respective places of incorporation of the Company and its subsidiaries.

During the year and up to the date of this annual report, the Board was unaware of any non-compliance with relevant laws and regulations that have a significant impact on the business and operations of the Group.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE ("ESG")

The Stock Exchange introduced ESG Reporting Guide as set out in Appendix 27 to the Listing Rules which took effect for financial years commencing on or after 1 January 2016. The Company will publish the ESG report on the websites of the Stock Exchange and the Company in due course and set out the sights and plans for the future.

SUFFICIENCY OF PUBLIC FLOAT

Based on the publicly available information to the Company and within the knowledge of the Directors as at the date of this annual report, the Company has maintained the prescribed public float under the Listing Rules.

DIRECTORS' REPORT

EVENTS AFTER THE REPORTING PERIOD

Details of events after the reporting period are set out in note 35 to the consolidated financial statement on page 99 of this annual report.

AUDITOR

The Shares were listed on the Stock Exchange on 15 April 2016, and there has been no change in auditor since the Listing Date. The consolidated financial statements for the year ended 31 December 2016 have been audited by Deloitte Touche Tohmatsu, who will retire, and being eligible, offer themselves for re-appointment at the forthcoming annual general meeting of the Company. A resolution to re-appoint Deloitte Touche Tohmatsu and to authorise the Directors to fix its remuneration will be proposed at the forthcoming annual general meeting.

On behalf of the Board

Xu Songqing
Chairman

Hong Kong, 28 March 2017

INDEPENDENT AUDITOR'S REPORT

Deloitte. 德勤

TO THE SHAREHOLDERS OF
HUAJIN INTERNATIONAL HOLDINGS LIMITED
華津國際控股有限公司
(Incorporated in the Cayman Islands with limited liability)

Opinion

We have audited the consolidated financial statements of Huajin International Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 51 to 99, which comprise the consolidated statement of financial position as at 31 December 2016, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2016, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of Hong Kong Companies Ordinance.

Basis for Opinion

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the HKICPA. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with HKICPA's Code of Ethics for Professional Accountants (the "Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	How our audit addressed the key audit matter
Provision for inventories	
We identified the provision for inventories as a key audit matter because of its significance to the consolidated financial statements and high degrees of management judgement involved in determining whether the carrying amounts of the inventories are recoverable based on the latest invoice prices, current market conditions, and estimates for cost of completion and costs to make the sale for the products. As disclosed in note 4 to the consolidated financial statements, carrying amount of the Group's inventories as at 31 December 2016 amounted to RMB195,215,000. No provision for inventories has been recognised as at 31 December 2016. As set out in note 4 to the consolidated financial statements, management of the Group reviewed the net realisable values of the inventories at the end of the reporting periods to determine any provision is required to write off or write down inventories to their net realisable values, based primarily on the latest invoice prices and current market conditions, less the estimates cost of completion and cost to make the sale for the products (if any).	Our procedures in relation to assessing the appropriateness of the provision of inventories included: • Understanding management's assessment in estimating the net realisable values of the inventories and the internal procedures for making provision to write off or write down inventories to their net realisable values. • Assessing the accuracy of management's estimates of the net realisable values of the inventories by comparing the latest invoice prices of the inventories, and management's estimates for cost of completion and costs to make the sale for the products. • Evaluating, according to the products' stages of completion, the reasonableness of management's estimates for costs of completion and costs necessary to make the sale for the products subsequent to the end of the reporting period, and tracing to the source documents. • Tracing, on a sample basis, latest invoice prices of the inventories to the relevant sale invoices and contracts. • Evaluating the historical accuracy of the provision assessment of management by comparing the historical estimates to actual selling prices, and cost of completion and cost necessary to make the sale for the products in current year, and tracing, on a sample basis, to the source documents.

Other Information

The directors of the Company are responsible for the other information. The other information comprises the information included in the annual report, but does not include the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Directors and Those Charged with Governance for the Consolidated Financial Statements

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

INDEPENDENT AUDITOR'S REPORT

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in the independent auditor's report is Chung Chi Man.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong

28 March 2017

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For year ended 31 December 2016

	Notes	2016 RMB'000	2015 RMB'000
Revenue	5	**1,919,020**	1,875,119
Cost of sales		**(1,692,224)**	(1,603,931)
Gross profit		**226,796**	271,188
Other income, other gains and losses	6	**4,162**	3,412
Selling expenses		**(35,762)**	(36,954)
Administrative expenses		**(45,747)**	(40,274)
Listing expenses		**(6,113)**	(4,742)
Profit before investment income and gain, net finance costs and taxation		**143,336**	192,630
Investment income and gain		**812**	—
Finance income	7	**3,609**	1,650
Finance costs	7	**(29,684)**	(54,487)
Finance costs, net	7	**(26,075)**	(52,837)
Profit before taxation		**118,073**	139,793
Income tax expense	8	**(23,740)**	(42,327)
Profit for the year	9	**94,333**	97,466
Other comprehensive income (expense) for the year			
— exchange differences arising on translation of foreign operations which may be subsequently reclassified to profit or loss		**6,471**	(5,716)
Total comprehensive income for the year		**100,804**	91,750
Profit for the year attributable to:			
Owners of the Company		**94,333**	96,787
Non-controlling interests		**—**	679
		94,333	97,466
Total comprehensive income for the year attributable to:			
Owners of the Company		**100,804**	91,071
Non-controlling interests		**—**	679
		100,804	91,750
Earnings per share for profit attributable to owners of the Company,	12		
— Basic (RMB cents)		**16.94**	21.51
— Diluted (RMB cents)		**16.83**	N/A

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2016

	Notes	2016 RMB'000	2015 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment	13	**428,230**	325,617
Prepaid lease payments	14	**63,227**	50,051
Deposit paid for acquisition of property, plant and equipment		**10,976**	7,249
Deposit paid for acquisition of prepaid lease payments	29(a)	**6,000**	—
		508,433	382,917
CURRENT ASSETS			
Prepaid lease payments	14	**1,450**	1,118
Inventories	15	**195,215**	125,364
Trade, bills and other receivables	16	**461,672**	216,879
Amount due from a related party	17	**—**	122,411
Restricted bank deposits	18	**67,570**	44,352
Bank balances and cash	19	**119,328**	96,190
Tax recoverable		**6,866**	—
		852,101	606,314
CURRENT LIABILITIES			
Trade, bills and other payables and accrued expenses	20	**156,765**	191,616
Tax payables		**49**	10,840
Bank borrowings — due within one year	21	**464,675**	390,027
		621,489	592,483
NET CURRENT ASSETS		**230,612**	13,831
TOTAL ASSETS LESS CURRENT LIABILITIES		**739,045**	396,748
NON-CURRENT LIABILITIES			
Bank borrowings — due more than one year	21	**169,403**	137,275
Deferred income	22	**31,350**	33,000
Deferred tax liability	23	**1,000**	3,000
		201,753	173,275
NET ASSETS		**537,292**	223,473
CAPITAL AND RESERVES			
Share capital	24	**4,999**	—
Reserves		**528,293**	223,473
Equity attributable to owners of the Company		**533,292**	223,473
Non-controlling interest		**4,000**	—
TOTAL EQUITY		**537,292**	223,473

The consolidated financial statements on pages 51 to 99 were approved and authorised for issue by the Board of Directors on 28 March 2017 and are signed on its behalf by:

Mr. Xu Songqing
Director

Mr. Luo Canwen
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For year ended 31 December 2016

	Equity attributable to owners of the Company								
	Share capital *RMB'000* *(note 24)*	**Share premium** *RMB'000*	**Statutory reserve** *RMB'000* *(note i)*	**Capital reserve** *RMB'000*	**Translation reserve** *RMB'000*	**Retained profits** *RMB'000*	**Sub-total** *RMB'000*	**Non-controlling interests** *RMB'000*	**Total** *RMB'000*
At 1 January 2015	68,179	—	9,108	—	(194)	64,792	141,885	1,568	143,453
Profit for the year	—	—	—	—	—	96,787	96,787	679	97,466
Other comprehensive expense for the year	—	—	—	—	(5,716)	—	(5,716)	—	(5,716)
Total comprehensive (expense) income for the year	—	—	—	—	(5,716)	96,787	91,071	679	91,750
Increase in non-controlling interest *(note ii)*	—	—	—	(620)	—	—	(620)	620	—
Transfer on Reorganisation	(68,179)	—	—	68,179	—	—	—	—	—
Capitalisation of amounts due to the Controlling Shareholders *(note iii)*	—	—	—	123,658	—	—	123,658	—	123,658
Distribution to the Controlling Shareholders *(note iv)*	—	—	—	(133,319)	—	—	(133,319)	—	(133,319)
Acquisition of additional interests in subsidiaries *(note v)*	—	—	—	798	—	—	798	(2,867)	(2,069)
Transfer	—	—	9,679	—	—	(9,679)	—	—	
Issue of new shares *(note 24)*	—	—	—	—	—	—	—	—	—
At 31 December 2015	—	—	18,787	58,696	(5,910)	151,900	223,473	—	223,473
Profit for the year	—	—	—	—	—	94,333	94,333	—	94,333
Other comprehensive income for the year	—	—	—	—	6,471	—	6,471	—	6,471
Total comprehensive income for the year	—	—	—	—	6,471	94,333	100,804	—	100,804
Issue of new shares *(note 24)*	1,230	297,482	—	—	—	—	298,712	—	298,712
Transaction costs attributable to issue of new shares	—	(11,090)	—	—	—	—	(11,090)	—	(11,090)
Issue of shares by capitalisation of share premium account *(note 24)*	3,769	(3,769)	—	—	—	—	—	—	—
Transfer	—	—	10,500	—	—	(10,500)	—	—	
Capital contribute to a subsidiary	—	—	—	—	—	—	—	4,000	4,000
Dividend paid *(note 11)*	—	—	—	—	—	(78,607)	(78,607)	—	(78,607)
At 31 December 2016	4,999	282,623	29,287	58,696	561	157,126	533,292	4,000	537,292

Notes:

(i) Amount represents statutory reserve of the Group's subsidiaries in the People's Republic of China (the "PRC"). According to the relevant laws in the PRC, the Group's subsidiaries in the PRC are required to transfer at least 10% of their net profit after taxation, as determined under the PRC accounting regulations, to a non-distributable reserve fund until the reserve balance reaches 50% of their registered capital. The transfer to this reserve must be made before the distribution of a dividend to owners. Such reserve fund can be used to offset the previous years' losses, if any, and is non-distributable other than upon liquidation.

(ii) Pursuant to the equity transfer agreement entered into on 18 January 2015, Famous Stand (as defined in note 1) acquired 1% equity interest in Jiangmen Huamu (as defined in note 1) from the Controlling Shareholders (as defined in note 1). Accordingly, the equity attributable to the owners of the Company decreased while that attributable to the non-controlling interests increased by the same amount.

(iii) The amount represents the waiver of the amounts due to the Controlling Shareholders (as defined in note 1) and is accounted for as deemed capital contribution therefrom.

(iv) The amount represents the consideration paid by the Group to the Controlling Shareholders (as defined in note 1) for the acquisitions of (i) 98% equity interest in Jiangmen Huajin (as defined in note 1) and (ii) 99% equity interest in Jiangmen Huamu pursuant to the Reorganisation (as defined in note 1) and is accounted for as distribution to the Controlling Shareholders.

(v) The amount of capital reserve represents the difference between the non-controlling interests acquired (1% equity interest in Jiangmen Huamu and 2% equity interest in Jiangmen Huajin) and the cash consideration paid.

CONSOLIDATED STATEMENT OF CASH FLOWS

For year ended 31 December 2016

	2016 RMB'000	2015 RMB'000
OPERATING ACTIVITIES		
Profit before taxation	118,073	139,793
Adjustments for:		
Depreciation of property, plant and equipment	42,852	31,045
Amortisation of prepaid lease payment	1,450	1,118
Interest income	(3,609)	(1,650)
Interest expense	29,684	54,487
Government grants	(1,650)	—
Loss on disposal of property, plant and equipment	—	350
Operating cash flows before movements in working capital	186,800	225,143
(Increase) decrease in inventories	(69,851)	155,438
(Increase) decrease in trade, bills and other receivables	(239,147)	134,503
Decrease in trade, bills and other payables and accrued expenses	(34,846)	(32,750)
Cash (used in) generated from operations	(157,044)	482,334
Income tax paid	(43,397)	(37,862)
NET CASH (USED IN) GENERATED FROM OPERATING ACTIVITIES	(200,441)	444,472
INVESTING ACTIVITIES		
Deposit paid for acquisition and purchase of property, plant and equipment	(149,198)	(70,776)
Placement of restricted bank deposits	(72,772)	(144,516)
Purchase of prepaid lease payments	(14,958)	—
Deposits paid for acquisition of prepaid lease payments	(6,000)	—
Repayment from related parties	122,411	1,021,741
Withdrawal of restricted bank deposits	49,554	180,537
Interest received	3,609	1,650
Proceeds from disposal of property, plant and equipment	10	108
Receipt of government grants	—	33,000
Advance to related parties	—	(846,388)
Repayment of loans to third parties	—	1,923
NET CASH (USED IN) FROM INVESTING ACTIVITIES	(67,344)	177,279

CONSOLIDATED STATEMENT OF CASH FLOWS

For year ended 31 December 2016

	2016 RMB'000	2015 RMB'000
FINANCING ACTIVITIES		
New bank borrowings raised	**907,588**	1,238,713
Proceeds from issue of shares	**298,712**	—
Capital contributed by non-controlling interest of a subsidiary	**4,000**	—
Repayment of bank borrowings	**(800,812)**	(1,682,557)
Dividend paid	**(78,607)**	—
Interest paid	**(29,684)**	(54,487)
Expense on issue of shares	**(11,090)**	—
Advance from related parties	**—**	150,779
Distribution to the Controlling Shareholders	**—**	(133,319)
Repayment to related companies	**—**	(68,661)
Repayment to third parties	**—**	(2,547)
Acquisition of additional interest in subsidiaries	**—**	(2,069)
NET CASH FROM (USED IN) FINANCING ACTIVITIES	**290,107**	(554,148)
NET INCREASE IN CASH AND CASH EQUIVALENTS	**22,322**	67,603
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR	**96,190**	28,587
EFFECTS OF EXCHANGE RATE CHANGES	**816**	—
CASH AND CASH EQUIVALENTS AT END OF THE YEAR, represented by bank balances and cash	**119,328**	96,190

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For year ended 31 December 2016

1. GENERAL, GROUP REORGANISATION AND BASIS OF PRESENTATION OF FINANCIAL INFORMATION

The Company was incorporated in the Cayman Islands as an exempted company with limited liability on 13 March 2015 under the Companies Law, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands. The initial authorised share capital of the Company was HK$380,000 divided into 38,000,000 shares of HK$0.01 each. Upon its incorporation, one subscriber share was allocated and issued, to the subscriber, which was then transferred on the same day, to Haiyi Limited ("Haiyi"), a company incorporated in the British Virgin Islands ("BVI") and ultimately controlled by two individuals, namely Mr. Xu Songqing ("Mr. Xu") and Mr. Luo Canwen ("Mr. Luo") who have been acting in concert (collectively be referred to as the "Controlling Shareholders"). Haiyi is also indirectly held as to 1% by Mr. Chen Chunniu ("Mr. Chen"), an executive director of the Company. Haiyi is considered to be the immediate and ultimate holding company of the Company.

The Company's shares were listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 15 April 2016.

Throughout a group reorganisation (the "Reorganisation") detailed below, the Company became the holding company of the companies now comprising the Group on 20 May 2015.

From 1 January 2015 to 18 January 2015, Jiangmen Huajin Metal Products Limited ("Jiangmen Huajin") was held as to 98% by the Controlling Shareholders, 1% by Mr. Chen and 1% by Mr. Ou Zhiyang, an independent third party. Pursuant to an equity transfer agreement dated 18 January 2015, Famous Stand Limited ("Famous Stand"), a company incorporated in Hong Kong and wholly owned by Mr. Xu Songman, younger brother of Mr. Xu, acquired 1% equity interest of Jiangmen Huajin from Mr. Ou Zhiyang for a consideration of RMB718,000 and Jiangmen Huajin remained to be held as to 98% by the Controlling Shareholders prior to the Reorganisation.

From 1 January 2015 to 18 January 2015, Jiangmen Huamu Metals Company Limited ("Jiangmen Huamu") was wholly owned by the Controlling Shareholders. Pursuant to another equity transfer agreement dated 18 January 2015, Famous Stand acquired 1% equity interest of Jiangmen Huamu from Mr. Luo for a consideration of RMB638,000 and Jiangmen Huamu has then became a subsidiary owned as to 99% by the Controlling Shareholders prior to the Reorganisation.

From 1 January 2015 and prior to the Reorganisation, Inter Consortium Holdings Limited ("Inter Consortium") was wholly owned by the Controlling Shareholders.

On 14 March 2015, Huajin Investments Limited ("Huajin Investments"), a then shell company issued and allotted 100 shares to the Company, pursuant to which Huajin Investments became a direct wholly owned subsidiary of the Company. As part of the Reorganisation, on 30 April 2015, Huajin Investments acquired 100% equity interest in Inter Consortium from the Controlling Shareholders by issuing of 100 shares to the Company. On 13 May 2015, Inter Consortium acquired the entire interest in Jiangmen Huajin from the Controlling Shareholders, Mr. Chen and Famous Stand for an aggregate cash consideration of RMB71,544,000. On the same day, Inter Consortium also acquired the entire interest in Jiangmen Huamu from the Controlling Shareholders and Famous Stand for an aggregate cash consideration of RMB63,844,000. The transfer of the equity interest in Jiangmen Huajin and Jiangmen Huamu were completed on 20 May 2015.

1. GENERAL, GROUP REORGANISATION AND BASIS OF PRESENTATION OF FINANCIAL INFORMATION *(Continued)*

The Company and its subsidiaries have been under the common control of the Controlling Shareholders since 1 January 2015 prior to and after the Reorganisation. Accordingly, the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year ended 31 December 2015 have been prepared using the principles of merger accounting in accordance with Accounting Guideline 5 "Merger Accounting for Common Control Combination" issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") to present the results and cash flows of the companies now comprising the Group, as if the group structure upon the completion of the Reorganisation had been in existence since 1 January 2015.

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

The principal activity of the Company is investment holding. The Group's principal subsidiaries, including Inter Consortium, Jiangmen Huajin, Jiangmen Huamu and Huajin (Singapore) Pte. Ltd., are engaged in the processing and sales of processed steel products and zinc coated steel products. The addresses of the Company's registered office and principal place of business are disclosed in the section "Corporate Information" of this annual report.

2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

The Group has applied the following amendments to the HKFRSs issued by the HKICPA for the first time in the current year.

Amendments to HKFRSs	Annual Improvements to HKFRSs 2012–2014 Cycle
Amendments to HKFRS 10, HKFRS 12 and HKAS 28	Investment Entities: Applying the Consolidation Exception
Amendments to HKFRS 11	Accounting for Acquisitions of Interests in Joint Operations
Amendments to HKAS 1	Disclosure Initiative
Amendments to HKAS 16 and HKAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation
Amendments to HKAS 16 and HKAS 41	Agriculture: Bearer Plants

The adoption of the amendments to the HKFRSs has had no material impact on the amounts reported in the consolidated financial statements or disclosure set out in the consolidated financial statements.

2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") *(Continued)*

The Group has not early adopted the following new and amendments to HKFRSs that have been issued but not yet effective.

HKFRS 9	Financial Instruments[1]
HKFRS 15	Revenue from Contracts with Customers and the related amendment[1]
HKFRS 16	Lease[2]
Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions[1]
Amendments to HKFRS 4	Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts[1]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3]
Amendments to HKAS 7	Disclosure Initiative[4]
Amendments to HKAS 12	Recognition of Deferred Tax Assets for Unrealised Losses[4]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2014–2016 Cycle[5]

1 Effective for annual periods beginning on or after 1 January 2018
2 Effective for annual periods beginning on or after 1 January 2019
3 Effective for annual periods beginning on or after a date to be determined
4 Effective for annual periods beginning on or after 1 January 2017
5 Effective for annual periods beginning on or after 1 January 2017 or 1 January 2018, as appropriate

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.

2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") *(Continued)*

Key requirements of HKFRS 9:

- 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.

2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") *(Continued)*

Key requirements of HKFRS 9: *(Continued)*

The directors of the Company anticipate that the application of HKFRS 9 in the future may have an impact on amounts reported in respect of the Group's financial assets in relation to the impairment assessment on receivables, with the potential early recognition of credit losses based on the expected loss model in relation to the Group's financial assets measured at amortised costs. However, it is not practicable to provide a reasonable estimate of the effect until the directors of the Company have performed a detailed review. Except for abovementioned, the directors of the Company anticipate that the adoption of HKFRS 9 in the future will not have other significant impact on amounts reported in respect of the Group's financial assets and financial liabilities based on an analysis of the Group's financial instruments as at 31 December 2016.

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 Standard 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. Far more prescriptive guidance has been added in HKFRS 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by HKFRS 15.

In 2016, the HKICPA issued Clarifications to HKFRS 15 in relation to the identification of performance obligations, principal versus agent consideration, as well as licensing application guidance.

Based on the current business model, the directors of the Company do not expect the adoption of HKFRS 15 would result in significant impact on the timing and amounts reported on the Group's consolidated financial statements in the future. However, there will be additional qualitative and quantitative disclosures upon the adoption of HKFRS 15.

2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") *(Continued)*

HKFRS 16 "Leases"

HKFRS 16 introduces a comprehensive model for the identification of lease arrangements and accounting treatments for both lessors and lessees. HKFRS 16 will supersede HKAS 17 Leases and the related interpretations when it becomes effective.

HKFRS 16 distinguishes lease and service contracts on the basis of whether an identified asset is controlled by a customer. Distinctions of operating leases and finance leases are removed for lessee accounting, and is replaced by a model where a right-of-use asset and a corresponding liability have to be recognised for all leases by lessees, except for short-term leases and leases of low value assets.

The right-of-use asset is initially measured at cost and subsequently measured at cost (subject to certain exceptions) less accumulated depreciation and impairment losses, adjusted for any remeasurement of the lease liability. The lease liability is initially measured at the present value of the lease payments that are not paid at that date. Subsequently, the lease liability is adjusted for interest and lease payments, as well as the impact of lease modifications, amongst others. For the classification of cash flows, the Group currently presents upfront prepaid lease payments as investing cash flows in relation to leasehold lands for owned use while other operating lease payments are presented as operating cash flows. Under the HKFRS 16, lease payments in relation to lease liability will be allocated into a principal and an interest portion which will be presented as financing cash flows.

Under HKAS 17, the Group has already recognised prepaid lease payments for leasehold lands where the Group is a lessee. The application of HKFRS 16 may result in potential changes in classification of these assets depending on whether the Group presents right-of-use assets separately or within the same line item at which the corresponding underlying assets would be presented if they were owned.

In contrast to lessee accounting, HKFRS 16 substantially carries forward the lessor accounting requirements in HKAS 17, and continues to require a lessor to classify a lease either as an operating lease or a finance lease.

Furthermore, extensive disclosures are required by HKFRS 16.

As at 31 December 2016, the Group has non-cancellable operating lease commitments of RMB2,510,000 as disclosed in note 26. A preliminary assessment indicates that these arrangements will meet the definition of a lease under HKFRS 16, and hence the Group will recognise a right-of-use asset and a corresponding liability in respect of all these leases unless they qualify for low value or short-term leases upon the application of HKFRS 16. In addition, the application of new requirements may result changes in measurement, presentation and disclosure as indicated above. However, it is not practicable to provide a reasonable estimate of the financial effect until the directors complete a detailed review.

The directors of the Company anticipate that the application of the other amendments to HKFRSs will have no material impact on the Group's financial position and financial performance and/or the disclosure of the consolidated financial statements of the Group.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For year ended 31 December 2016

3. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared in accordance with HKFRSs issued by the HKICPA. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange and by the Hong Kong Companies Ordinance.

The consolidated financial statements have been prepared on the historical cost basis. Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristic of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in the consolidated financial statement is determined on such a basis, except for share-based payment transactions that are within the scope of HKFRS 2 "Share-based Payment", leasing transactions that are within the scope of HKAS 17 "Leases", and measurements that have some similarities to fair value but are not fair value, such as net realisable value in HKAS 2 "Inventories" or value in use in HKAS 36 "Impairment of Assets".

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

The principal accounting policies are set out below.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the entities comprising the Group. Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its investment with the investee; and

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Basis of consolidation *(Continued)*

- has the ability to use its power to affect the returns of the investee.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

Consolidation of a subsidiary begins with the Company obtains control over the subsidiary and ceases when the Company loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Company gains control until the date when the Company ceases to control the subsidiary.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies.

All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

Changes in the Group's ownership interests in existing subsidiaries

Changes in the Group's ownership interests in existing subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

Merger accounting for business combination involving entities under common control

The consolidated financial statements incorporate the financial statements items of the combining entities or businesses in which the common control combination occurs as if they had been combined from the date when the combining entities or businesses first came under the control of the controlling party.

The net assets of the combining entities or businesses are consolidated using the existing book values from the controlling party's perspective. No amount is recognised in respect of goodwill or excess of acquirer's interest in the net fair value of acquiree's identifiable assets, liabilities and contingent liabilities over cost at the time of common control combination, to the extent of the continuation of the controlling party's interest.

The consolidated statement of profit or loss and other comprehensive income includes the results of each of the combining entities or businesses from the earliest date presented or since the date when the combining entities or businesses first came under the common control, where this is a shorter period, regardless of the date of the common control combination.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Investment in a subsidiary

Investment in a subsidiary is stated in the statement of financial position of the Company at cost less accumulated impairment losses. Cost includes direct attributable costs of investment.

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods sold in the normal course of business, net of sales tax and discounts.

Revenue is recognised when the amount of revenue can be reliably measured; when it is probable that future economic benefits will flow to the Group and when specific criteria have been met for each of the Group's activities, as described below.

Revenue from sales of goods is recognised when the goods are delivered.

Interest income from a financial asset is recognised when it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The Group as lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recognised at the rates of exchanges prevailing on the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences on monetary items are recognised in profit or loss in the period in which they arise.

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Group (i.e. Renminbi) using exchange rate prevailing at the end of each reporting period. Income and expenses items are translated at the average exchange rates for the year, unless exchange rates fluctuate significantly during the period, in which case, the exchange rates prevailing at the dates of transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity under the heading of translation reserve.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit before taxation as reported in the consolidated statement of profit or loss and other comprehensive income because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or tax deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of each reporting period.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statement and the corresponding tax base used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary difference to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised.

Such deferred tax assets and liabilities are not recognised if the temporary difference arises from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at the end of the reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realised, based on tax rate (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For year ended 31 December 2016

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Taxation *(Continued)*

The measurement of deferred tax assets and liabilities reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Current and deferred tax is recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets until such time as the assets are substantially ready for their intended use or sale. All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

Government grants

Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

Government grants are recognised in profit or loss on a systematic basis over the periods in which the Group recognises as expenses the related costs for which the grants are intended to compensate. Specifically, government grants whose primary condition is that the Group should purchase, construct or otherwise acquire non-current assets are recognised as deferred income in the consolidated statement of financial position and transferred to profit or loss on a systematic and rational basis over the useful lives of the related assets.

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable.

Retirement benefit costs

Payments to the retirement contribution scheme including Mandatory Provident Fund Scheme and state-managed retirement benefit schemes are charged as an expense when employees have rendered service entitling them to the contributions.

Short-term employee benefits

Short-term employee benefits are recognised at the undiscounted amount of the benefits expected to be paid as and when employees rendered the services. All short-term employee benefits are recognised as an expense unless another HKFRS requires or permits the inclusion of the benefit in the cost of an asset.

A liability is recognised for benefits accruing to employees (such as wages and salaries, and leave and sick leave) after deducting any account already paid.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Property, plant and equipment

Property, plant and equipment including buildings held for use in the production or supply of goods, or for administrative purposes (other than construction in progress as described below) are stated at cost less subsequent accumulated depreciation and accumulated impairment losses, if any.

Properties in the course of construction for production, supply or administrative purposes are carried at cost, less any recognised impairment loss. Costs include professional fees and, for qualifying assets, borrowing costs capitalised in accordance with the Group's accounting policy. Such properties are classified to the appropriate categories of property, plant and equipment when completed and ready for intended use. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

Depreciation is recognised so as to write off the cost of assets other than properties under construction less their residual values over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

Financial instruments

Financial assets and financial liabilities are recognised when a group entity becomes a party to the contractual provisions of the instruments.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition.

Financial assets

The Group classifies its financial assets as loans and receivables. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset, or, where appropriate, a shorter period to the net carrying amount on initial recognition.

Interest income is recognised on an effective interest basis for debt instruments.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial assets *(Continued)*

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, loans and receivables including trade, bills and other receivables, amount due from a related party, restricted bank deposits and bank balances and cash are carried at amortised cost using the effective interest method, less any identified impairment losses (see accounting policy on impairment loss on financial assets below).

Interest income is recognised by applying the effective interest rate, except for short-term receivables where the recognition of interest would be immaterial.

Impairment of financial assets

Financial assets are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the financial assets have been affected.

Objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- breach of contract, such as default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation.

For certain categories of financial assets, such as trade receivables, assets that are assessed not to be impaired individually are, in addition, assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period, observable changes in national or local economic conditions that correlate with default on receivables and others.

For financial assets carried at amortised cost, the amount of the impairment loss recognised is the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the financial asset's original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial assets (Continued)

Impairment of financial assets (Continued)

For financial assets measured at amortised cost, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Financial liabilities and equity instruments

Debt and equity instruments issued by the Group are classified either as financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. Equity instruments issued by the group entities are recorded at the proceeds received, net of direct issue costs.

Financial liabilities at amortised cost

Financial liabilities, including trade, bills and other payables and bank borrowings, are subsequently measured at amortised cost, using the effective interest method.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition. Interest expense is recognised on an effective interest basis of which the interest expense is included in net gains or losses.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Derecognition

The Group derecognised a financial asset only when the contractual rights to the cash flows from the assets expire or, when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity.

On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group continues to recognise the asset to the extent of its continuing involvement and recognises an associated liability. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises the collateralised borrowing for the proceeds received.

The Group derecognised financial liabilities when, and only when, the Group's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liabilities derecognised and the consideration paid and payable is recognised in profit or loss.

Inventories

Inventories are stated at the lower of costs and net realisable value. Costs of inventories are determined on a weighted average cost method. Net realisable value represents the estimated selling price for inventories less all estimated cost of completion and cost necessary to make the sale.

Impairment losses

At the end of each reporting period, the Group reviews the carrying amounts of its tangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Impairment losses *(Continued)*

If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or a cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or a cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or a cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

4. KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in note 3, the directors of the Company are required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an on-going 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.

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that may have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Estimates of provision for inventories

The Group noticed that steel market prices in the PRC in the current year have generally been volatile than those in last year, which led to fluctuations in selling prices of the Group's processed steel products and zinc coated steel products. The management of the Group considers, whilst the contracted selling prices of the Group's products are negotiated according to the market conditions with reference to its costs of inventories, the changing trends in the market imposed pressures to the net realisable values of the inventories. The management of the Group reviews the net realisable values of the inventories at the end of the reporting periods based primarily on the latest invoice prices and current market conditions, less the estimates costs of completion and costs to make the sale for the products (if any), to determine if any provision to write off or write down inventories to their net realisable values is necessary. Where the actual net realisable values of the inventories are less than expected, a material provision may arise. As at 31 December 2016, the inventories amounted to RMB195,215,000 (2015: RMB125,364,000). No provision for inventories has been recognised as at 31 December 2016 and 2015.

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5. REVENUE AND SEGMENT INFORMATION

Operating segments are identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker, being Mr. Xu and Mr. Luo (the "CODM"), in order to allocate resources to segments and to assess their performance. During the year ended 31 December 2016 and 2015, the CODM assesses the operating performance and allocates the resources of the Group as a whole as the Group is primarily engaged in processing and sales of processed steel products and zinc coated steel products. Therefore, the management considers that the Group has one operating segment only. The Group mainly operates in the PRC and the Group's non-current assets are also located in the PRC.

The CODM reviews the overall results and financial position of the Group as a whole based on the same accounting policies set out in note 3 and no further segment information is presented.

	Year ended 31 December	
	2016	2015
	RMB'000	*RMB'000*
Sales of processed steel products		
— Processed steel strips and sheets	**1,510,618**	1,626,121
— Welded steel tubes	**177,014**	216,562
Sales of zinc coated steel products	**160,685**	—
Others	**70,703**	32,436
	1,919,020	1,875,119

The Group's revenue is mainly derived from customers located in the PRC and the Southeast Asia. The Group's revenue by the geographical locations of the customers, determined based on the destination of good delivered, irrespective of the origin of goods, is detailed below:

	Year ended 31 December	
	2016	2015
	RMB'000	*RMB'000*
PRC	**1,825,928**	1,636,643
Southeast Asia	**93,092**	238,476
	1,919,020	1,875,119

No revenue from any customer of the Group contributed to over 10% of the total revenue of the Group for the year ended 31 December 2016 (2015: nil).

6. OTHER INCOME, OTHER GAINS AND LOSSES

	Year ended 31 December	
	2016	2015
	RMB'000	*RMB'000*
Government grants *(note i and ii)*	**6,624**	—
Net foreign exchange (loss) gains	**(1,642)**	3,740
Loss on disposal of property, plant and equipment	**—**	(350)
Others	**(820)**	22
	4,162	3,412

Notes:

(i) Incentives received from PRC local authorities by the Group as encouragement of its business development amounting to RMB4,974,000 (2015: nil) are recognised in the profit or loss for the year for the purpose of giving immediate financial support to the Group with no future related costs expected to be incurred nor related to any assets.

(ii) Grants amounting to RMB33,000,000 are recorded as a deferred income, of which RMB1,650,000 (2015: nil) has been recognised in the profit or loss for the year ended 31 December 2016.

7. FINANCE INCOME AND COSTS

	Year ended 31 December	
	2016	2015
	RMB'000	*RMB'000*
Interest income from:		
— bank deposits	**1,157**	1,650
— third parties	**2,452**	—
	3,609	1,650
Interest expense on bank borrowings, net of amounts capitalised in the cost of qualifying assets of RMB2,100,000 (2015: nil)	**(29,684)**	(54,487)
Finance costs, net	**(26,075)**	(52,837)

Borrowing costs capitalised during the year ended 31 December 2016 arose on the general borrowing pool and are calculated by applying a capitalisation rate of 6.2% (2015: nil) per annum to expenditure on qualifying assets.

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8. INCOME TAX EXPENSE

	Year ended 31 December	
	2016	2015
	RMB'000	*RMB'000*
Current tax:		
— Hong Kong Profits Tax	**—**	190
— PRC Enterprise Income Tax ("EIT")	**19,126**	36,137
— PRC withholding income tax	**2,950**	3,000
	22,076	39,327
Under provision in prior year:		
— PRC EIT	**664**	—
Deferred tax *(note 23)*	**1,000**	3,000
Income tax expense for the year	**23,740**	42,327

The taxation for this year can be reconciled to the profit before taxation per the consolidated statement of profit or loss and other comprehensive income as follows:

	Year ended 31 December	
	2016	2015
	RMB'000	*RMB'000*
Profit before taxation	**118,073**	139,793
Tax at the EIT rate of 25% (2015: 25%)	**29,518**	34,948
Tax effect of expenses not deductible for tax purpose	**1,181**	1,281
Under provision in prior year	**664**	—
Withholding tax on earnings of subsidiaries	**2,950**	—
Withholding tax on undistributed earnings of subsidiaries	**1,000**	6,000
Effect of different tax rates of subsidiaries operating in other jurisdictions	**—**	98
Income tax at concessionary rate	**(11,573)**	—
Income tax expense for the year	**23,740**	42,327

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit for both years.

PRC EIT is calculated based on the statutory rate of 25% of the assessable profit for those subsidiaries established in the PRC, as determined in accordance with the relevant enterprise income tax law, implementation rules and notices in the PRC, except for as set out below.

8. INCOME TAX EXPENSE *(Continued)*

Two major subsidiaries established in the PRC are approved as enterprises that satisfied the conditions as high and new technology enterprises and obtained the Certificates of High and New Technology Enterprises enjoying the preferential enterprise income tax rate of 15% for a consecutive three calendar years from 2016 to 2018.

10% withholding income tax is generally imposed on dividends declared in respect of profits earned by the Group's PRC subsidiaries to Inter Consortium. Inter Consortium entitles a reduced withholding income tax rate of 5% according to PRC tax regulations when Inter Consortium is qualified as a Hong Kong tax resident.

9. PROFIT FOR THE YEAR

	Year ended 31 December	
	2016	2015
	RMB'000	*RMB'000*
Profit for the year has been arrived at after charging (crediting):		
Directors' remuneration		
— Fees	**366**	—
— Other emoluments, salaries, bonus and other benefits	**864**	173
— Retirement benefit scheme contributions	**37**	16
	1,267	189
Other staff salaries, bonus and other benefits	**78,690**	59,564
Retirement benefit scheme contributions, excluding those of directors	**9,764**	8,807
Total employee benefits expenses	**89,721**	68,560
Auditor's remuneration		
— audit services	**1,386**	70
— non-audit services	**832**	—
Depreciation of property, plant and equipment	**42,852**	31,045
Amortisation of prepaid lease payments	**1,450**	1,118
Exchange loss (gain), net	**1,642**	(3,740)
Loss on disposal of property, plant and equipment	**—**	350

10. DIRECTORS', CHIEF EXECUTIVE'S AND EMPLOYEES' EMOLUMENTS

(a) Directors' and the chief executive's emoluments

Details of the emoluments paid or payable by entities now comprising the Group to the directors and the chief executive of the Company (including emoluments for services as employee/directors of the group entities prior to becoming the directors of the Company) during the years ended 31 December 2016 and 2015 are as follows:

For the year ended 31 December 2016

Name of directors	Fee *RMB'000*	Salaries, bonus and other benefits *RMB'000*	Retirement benefit scheme contributions *RMB'000*	Total *RMB'000*
Executive directors:				
Mr. Xu *(note i)*	—	87	9	96
Mr. Luo *(note ii)*	—	346	16	362
Mr. Chen *(note ii)*	—	174	12	186
Mr. Xu Songman *(note ii)*	—	257	—	257
Independent non-executive directors:				
Mr. Goh Choo Hwee *(note iii)*	122	—	—	122
Mr. Tam Yuk Sang Sammy *(note iii)*	122	—	—	122
Mr. Wu Chi Keung (note iii)	122	—	—	122
	366	864	37	1,267

For the year ended 31 December 2015

Name of directors	Fee *RMB'000*	Salaries, bonus and other benefits *RMB'000*	Retirement benefit scheme contributions *RMB'000*	Total *RMB'000*
Executive directors:				
Mr. Xu *(note i)*	—	52	6	58
Mr. Luo *(note ii)*	—	49	4	53
Mr. Chen *(note ii)*	—	72	6	78
Mr. Xu Songman *(note ii)*	—	—	—	—
	—	173	16	189

The executive directors' emoluments shown above were for their services in connection with the management of the affairs of the Company and the Group.

10. DIRECTORS', CHIEF EXECUTIVE'S AND EMPLOYEES' EMOLUMENTS *(Continued)*

(a) Directors' and the chief executive's emoluments *(Continued)*

The independent non-executive directors' emoluments shown above were for their services as directors of the Company.

Notes:

(i) Being appointed as a director of the Company on 13 March 2015.

(ii) Being appointed as directors of the Company on 18 December 2015. Mr. Luo is also the chief executive of the Group and his emoluments disclosed above included those for services rendered by him as the chief executive.

(iii) Being appointed as independent non-executive directors of the Company on 23 March 2016.

(b) Emoluments of senior management:

Of the 11 (2015: 8) senior management of the Company for the year ended 31 December 2016, 7 (2015: 4) of them are directors of the Company and their remuneration has been disclosed in note 10(a) above. The total emoluments of the remaining 4 (2015: 4) senior management is as follows:

	Year ended 31 December	
	2016	2015
	RMB'000	*RMB'000*
Salaries, bonus and other benefits	**1,675**	1,577
Retirement benefit scheme contributions	**40**	41
	1,715	1,618

The emoluments fell within the following bands:

	Number of senior management Year ended 31 December	
	2016	**2015**
Nil to HK$1,000,000	**3**	4
HK$1,000,001 to HK$1,500,000	**1**	—
	4	4

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For year ended 31 December 2016

10. DIRECTORS', CHIEF EXECUTIVE'S AND EMPLOYEES' EMOLUMENTS *(Continued)*

(c) Five highest paid individuals

The five highest paid individuals of the Group include 2 (2015: nil) directors of the Company and 2 (2015: 1) senior management for the year ended 31 December 2016 whose emoluments have been disclosed in note 10(a) and (b) above. The emoluments of the remaining 1 (2015: 4) individual(s) for the year ended 31 December 2016 are as follows:

	Year ended 31 December	
	2016	2015
	RMB'000	*RMB'000*
Salaries, bonus and other benefits	**669**	1,108
Retirement benefit scheme contributions	**15**	34
	684	1,142

The emoluments of the employees were within the following bands:

	Number of employee Year ended 31 December	
	2016	2015
Nil to HK$1,000,000	**1**	4

During the years ended 31 December 2016 and 2015, no emoluments were paid by the Group to any of the directors of the Company, the chief executive of the Group, or the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office. None of the directors of the Company or the chief executive of the Group waived or agreed to waive any emoluments during the years ended 31 December 2016 or 2015.

11. DIVIDENDS

During the year, the Company declared and paid an aggregate amount of dividend of RMB78,607,000 as follows:

(i) An interim dividend of HK4.8 cents per share amounting to HK$28,800,000 (equivalent to RMB26,137,000) (2015: nil) on 29 July 2016.

(ii) HK$62,907,000 (equivalent to RMB52,470,000) to the then shareholders of the Company prior to the listing of the shares of the Company on the Stock Exchange on 15 April 2016.

No dividend has been declared or paid by the Company during the year ended 31 December 2015.

At a meeting held on 28 March 2017, the Board of Directors proposed a final dividend in respect of the year ended 31 December 2016 of HK3.4 cents per share (2015: nil), in an aggregate amount of HK$20,400,000, which is subject to the approval by the shareholders in the forthcoming annual general meeting.

12. EARNINGS PER SHARE

The calculation of basic and diluted earnings per share are based on the following data:

	Year ended 31 December	
	2016	2015
	RMB'000	*RMB'000*
Earnings:		
Profit for the year attributable to owners of the Company for the purpose of basic and diluted earnings per share	**94,333**	96,787
Number of shares:		
Weighted average number of ordinary shares for the purpose of basic earnings per share (in thousands)	**556,967**	450,000
Add: Effect of diluted potential ordinary share arising from the over-allotment option (in thousands)	**3,511**	N/A
Weighted average number of ordinary shares for the purpose of diluted earnings per share (in thousands)	**560,478**	N/A

The weighted average numbers of ordinary shares for the purpose of calculating the basic and diluted earnings per share for each of the years ended 31 December 2016 and 2015 have been retrospectively adjusted to reflect the effects of the capitalisation issue of 449,999,900 ordinary shares as described in note 24 had it been effective on 1 January 2015.

No diluted earnings per share is presented for the year ended 31 December 2015 as the Group had no potential ordinary shares in issue during the year.

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13. PROPERTY, PLANT AND EQUIPMENT

	Building	Plant and Machinery	Furniture, fixture and equipment	Motor vehicles	Leasehold improvement	Construction in progress	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
COST							
At 1 January 2015	154,248	219,238	3,531	5,473	1,627	5,803	389,920
Additions	3,955	2,881	571	6,602	—	42,736	56,745
Transfer from construction in progress	1,483	—	—	—	—	(1,483)	—
Disposals	—	(1,354)	—	(998)	—	—	(2,352)
Exchange realignment	—	—	6	37	5	—	48
At 31 December 2015	159,686	220,765	4,108	11,114	1,632	47,056	444,361
Additions	39,592	10,873	1,517	1,688	5,530	86,271	145,471
Transfer from construction in progress	42,577	84,058	70	—	—	(126,705)	—
Disposals	—	—	—	(200)	—	—	(200)
Exchange realignment	—	—	7	37	6	—	50
At 31 December 2016	241,855	315,696	5,702	12,639	7,168	6,622	589,682
DEPRECIATION							
At 1 January 2015	17,464	65,862	1,855	3,998	383	—	89,562
Provided for the year	8,007	21,147	610	1,269	12	—	31,045
Disposals	—	(1,000)	—	(894)	—	—	(1,894)
Exchange realignment	—	—	3	26	2	—	31
At 31 December 2015	25,471	86,009	2,468	4,399	397	—	118,744
Provided for the year	11,333	27,446	836	1,724	1,513	—	42,852
Disposals	—	—	—	(190)	—	—	(190)
Exchange realignment	—	—	5	38	3	—	46
At 31 December 2016	36,804	113,455	3,309	5,971	1,913	—	161,452
CARRYING VALUES							
At 31 December 2016	205,051	202,241	2,393	6,668	5,255	6,622	428,230
At 31 December 2015	134,215	134,756	1,640	6,715	1,235	47,056	325,617

13. PROPERTY, PLANT AND EQUIPMENT *(Continued)*

The above items of property, plant and equipment other than construction in progress are depreciated on a straight-line basis as follows:

Building	Over the shorter of the term of the lease or 20 years
Plant and machinery	9.5% per annum
Furniture, fixtures and equipment	9.5%–19.5% per annum
Motor vehicles	19%–33 $^{1}/_{3}$% per annum
Leasehold improvement	Over the shorter of the term of the lease or 7 years

All of the building are situated on land under medium-term lease and located in the PRC.

Details of property, plant and equipment pledged as securities for the Group's bank borrowings are set out in note 27.

14. PREPAID LEASE PAYMENTS

	As at 31 December	
	2016	2015
	RMB'000	*RMB'000*
Analysed for reporting purpose as:		
Non-current asset	**63,227**	50,051
Current asset	**1,450**	1,118
	64,677	51,169

The carrying amount represents prepaid lease payments for medium-term land use rights in the PRC.

Details of the prepaid lease payments pledged as securities for the Group's bank borrowings are set out in note 27.

15. INVENTORIES

	As at 31 December	
	2016	2015
	RMB'000	*RMB'000*
Raw materials	**57,467**	10,863
Work in progress	**115,286**	60,941
Finished goods	**22,462**	53,560
	195,215	125,364

16. TRADE, BILLS AND OTHER RECEIVABLES

	As at 31 December	
	2016	2015
	RMB'000	*RMB'000*
Trade receivables:		
— third parties	**193,009**	98,005
— related parties	**—**	3,453
	193,009	101,458
Bills receivables	**138,958**	61,757
Prepayments to suppliers	**120,386**	45,020
Value-added tax recoverable	**604**	1,856
Other prepayments, deposits and other receivables	**8,715**	6,788
	461,672	216,879

No allowance for bad and doubtful was provided for each of the years ended 31 December 2016 and 2015 and no provision for bad and doubtful debt balances were recognised as at the end of each reporting periods.

The Group generally requests deposits in advance from customers (see note 20).

For long-term customers with good credit quality and payment history, the Group allows credit periods of no longer than 120 (2015: 90) days. For other customers, the Group requires full payment upon delivery of goods.

The following is an ageing analysis of trade receivables and bills receivables presented based on the invoice date at the end of each reporting period:

	As at 31 December	
	2016	2015
	RMB'000	*RMB'000*
Trade receivables:		
Within 30 days	**114,553**	60,731
31–60 days	**58,383**	9,529
61–90 days	**10,006**	12,762
91–120 days	**1,995**	11,872
121–180 days	**4,037**	2,325
181–365 days	**4,035**	4,078
Over 1 year	**—**	161
	193,009	101,458

16. TRADE, BILLS AND OTHER RECEIVABLES *(Continued)*

	As at 31 December	
	2016	2015
	RMB'000	*RMB'000*
Bills receivables:		
Within 30 days	**17,750**	10,529
31–60 days	**28,187**	1,792
61–90 days	**26,341**	9,442
91–120 days	**23,930**	12,988
121–180 days	**38,790**	25,106
181–365 days	**3,960**	1,900
	138,958	61,757

Details of the relevant transactions of the trade balances with related parties are set out in note 29(b).

Before accepting any new customer, the Group assesses the potential customer's credit quality and defines credit limits by customer. Credit limits attributed to customers and credit term granted to customers are reviewed regularly. All of the trade receivables that are neither past due nor impaired have no history of default.

Included in the Group's trade receivables balance are debtors with aggregate carrying amount of RMB8,072,000 (2015: RMB18,436,000) which were past due at the end of the reporting period for which the Group has not provided for impairment loss as the Group considered such balances could be recovered based on historical experience. The Group does not hold any collateral over these balances.

The following is an aged analysis of trade receivables which are past due but not impaired at the end of the reporting period:

	As at 31 December	
	2016	2015
	RMB'000	*RMB'000*
Days overdue:		
1–30 days	**4,037**	11,872
31–60 days	**—**	726
61–90 days	**4,035**	1,599
91–120 days		4,078
121–180 days	**—**	161
	8,072	18,436

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16. TRADE, BILLS AND OTHER RECEIVABLES *(Continued)*

Included in the Group's bills receivables are amounts of RMB109,948,000 (2015:RMB55,803,000), as at 31 December 2016, being the discounted bills receivables transferred to certain banks with full recourse. If the issuing banks of bills receivables default payment on maturity, the banks have the right of recourse to request the Group to pay the unsettled balance. As the Group has not transferred substantially all the risks and rewards relating to these bills receivables, it continues to recognise the full carrying amount of the bills receivables and has recognised the cash received on the transfer as bank borrowings from factoring of trade receivables with full recourse (note 21). The financial asset is carried at amortised cost in the consolidated statements of financial position.

	Year ended 31 December	
	2016	2015
	RMB'000	*RMB'000*
Carrying amount of transferred asset	**109,948**	55,803
Carrying amount of associated liability	**(109,948)**	(55,803)
	—	—

17. AMOUNT DUE FROM A RELATED PARTY

	As at 31 December		Maximum amount outstanding during the year	
	2016	2015	**2016**	2015
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Mr. Xu	**—**	122,411	**122,411**	389,119

The amount above as at 31 December 2015 was non-trade in nature, interest-free, unsecured and repayment on demand. Full amount has been settled during the year ended 31 December 2016.

18. RESTRICTED BANK DEPOSITS

Restricted bank deposits represents deposits pledged to banks for banking facilities granted to the Group, as set out in note 27.

Restricted bank deposits carry interest at variable interest rates at 0.35% (2015: 0.35%) per annum as quoted by the People's Bank of China as at 31 December 2016.

19. BANK BALANCES AND CASH

Bank balances and cash comprise cash held by the Group and short-term bank deposits with an original maturity of three months or less.

Bank balances carry interest at variable rates which range from nil to 0.35% (2015: 0.001% to 0.35%) per annum as at 31 December 2016.

20. TRADE, BILLS AND OTHER PAYABLES AND ACCRUED EXPENSES

	As at 31 December	
	2016	2015
	RMB'000	*RMB'000*
Trade payables to		
— related parties	**—**	639
— third parties	**21,393**	23,556
Bills payables	**13,750**	68,591
Receipts in advance from customers	**73,195**	65,699
Accrued staff costs	**7,610**	6,491
Construction payables	**20,394**	4,098
Transportation fees payable	**1,616**	1,251
Other tax payables	**337**	3,201
Other payables and accrued expenses	**18,470**	18,090
	156,765	191,616

The ageing analysis of the trade payables and bills payables presented based on the invoice date at the end of each reporting period is as follows:

	As at 31 December	
	2016	2015
	RMB'000	*RMB'000*
Trade payables:		
Within 30 days	**8,789**	14,291
31–60 days	**3,944**	2,023
61–90 days	**1,435**	2,573
91–120 days	**825**	2,107
121–180 days	**1,377**	948
181–365 days	**2,892**	1,934
Over 1 year	**2,131**	319
	21,393	24,195
Bills payables:		
Within 30 days	**—**	—
31–60 days	**—**	6,737
61–90 days	**—**	1,658
91–120 days	**—**	1,119
121–180 days	**13,750**	8,925
181–365 days	**—**	50,152
	13,750	68,591

20. TRADE, BILLS AND OTHER PAYABLES AND ACCRUED EXPENSES *(Continued)*

The average credit period granted by suppliers on purchase of goods is no longer than 30 (2015: 30) days from certain of its suppliers. For other suppliers, the Group is required to prepay in advance (see note 16) and make full payment upon receipt of the goods purchased.

Details of the relevant transactions of the trade balances with related parties are set out in note 29(b).

21. BANK BORROWINGS

	As at 31 December	
	2016	2015
	RMB'000	*RMB'000*
Fixed rate borrowings:		
Unsecured bank borrowings	**—**	90,000
Secured bank borrowings	**524,130**	381,499
Bank borrowings from factoring of bills receivables with full recourse *(note 16)*	**109,948**	55,803
	634,078	527,302
The carrying amount is repayable as per follows:		
— within one year	**464,675**	390,027
— more than one year, but not more than two years	**169,403**	137,275
	634,078	527,302
Less: amount due within one year shown under current liabilities	**(464,675)**	(390,027)
Amounts shown under non-current liabilities	**169,403**	137,275

The effective interest rate on the Group's borrowings as at 31 December 2016 were ranging from 4.35% to 8.39% (2015: 4.60% to 8.40%) per annum. As at 31 December 2015, the secured portion of the Group's borrowings were secured by certain assets of the Group as detailed in note 27, prepaid lease payments and property, plant and equipment held by Mr. Xu and the companies controlled by him. During the year, the assets held by Mr. Xu and the companies controlled by him as securities of borrowings have been released upon the repayments of the relevant borrowings.

22. DEFERRED INCOME

In previous years, the People's Government of Jiangmen Municipal Xinhui District Muzhou Town, the PRC, has approved to grant a subsidy of RMB33,000,000 to the Group to support for its developments and the listing of the shares of the Company on the Stock Exchange. The Group has received the subsidy in full during the year ended 31 December 2015. The subsidy is conditional on, among other things, (i) the listing of the shares of the Company on the Stock Exchange before November 2016 or such a later date as agreed between the Group and the PRC government and (ii) the construction of an aluminium-zinc coating factory in Muzhou Town for an amount not less than RMB100,000,000 and commencement of operations before November 2016. Accordingly, the subsidy is recorded as a deferred income and classified under non-current liabilities as at the end of reporting period, which would be recognised in the profit or loss over the useful lives of the relevant assets once all the conditions are fulfilled. The relevant conditions have been fulfilled during the year and an amount of RMB1,650,000 (2015: nil) has been recognised in the profit or loss for the year ended 31 December 2016.

23. DEFERRED TAX LIABILITY

	Undistributed earnings of subsidiaries in the PRC *RMB'000*
At 1 January 2015	—
Charge for the year *(note 8)*	3,000
At 31 December 2015	3,000
Withholding tax paid during the year	(3,000)
Charge for the year *(note 8)*	1,000
At 31 December 2016	1,000

As at 31 December 2016, the aggregate amount of temporary differences associated with undistributed earnings of PRC subsidiaries upon completion of the Reorganisation on 20 May 2015 for which deferred tax liabilities have not been recognised was approximately RMB137,081,000 (2015: RMB101,657,000). No liability has been recognised in respect of these differences because the Group is in a position to control the timing of the reversal of the temporary differences and it is probable that such differences will not reverse in the foreseeable future.

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24. SHARE CAPITAL

The balances of share capital as at 1 January 2015 represented the aggregate of share capital of Jiangmen Huajin, Jiangmen Huamu and Inter Consortium attributable to the Controlling Shareholders prior to the completion of the Reorganisation.

As set out in note 1, the Reorganisation has been completed during the year ended 31 December 2015 and the balances of share capital as at 31 December 2015 and 2016 represent the share capital of the Company. Details of movements of share capital of the Company are as fellows:

	Number of shares	Share capital *HK$ '000*
Ordinary shares of HK$0.01 each		
Authorised:		
At 13 March 2015 (date of incorporation) and 31 December 2015 *(note i)*	38,000,000	380
Increase on 23 March 2016 *(note ii)*	7,962,000,000	79,620
At 31 December 2016	8,000,000,000	80,000
Issued:		
Issued on date of incorporation *(note i)*	1	—
Issue of shares *(note i)*	99	—
At 31 December 2015	100	—
Issue of shares *(note iii)*	599,999,900	6,000
At 31 December 2016	600,000,000	6,000

	As at 31 December **2016** ***RMB'000***	 2015 *RMB'000*
Shown in the consolidated statement of financial position	**4,999**	—

Notes:

(i) The Company was incorporated in Cayman Islands on 13 March 2015 as an exempted company with an authorised capital of HK$380,000, divided into 38,000,000 shares of HK$0.01 each. On the date of incorporation, 1 share of HK$0.01 of the Company was allotted and issued to the initial subscriber and was further transferred to Haiyi. On the same day, an additional 99 shares of HK$0.01 each were allotted to Haiyi. At 31 December 2015, 100 shares of the Company were issued to Haiyi.

(ii) Pursuant to the resolution passed by the shareholders of the Company on 23 March 2016, the authorised share capital of the Company was increased from HK$380,000 to HK$80,000,000 by the creation of additional 7,962,000,000 ordinary shares of HK$0.01 each.

(iii) On 15 April 2016, the Company issued a total of 150,000,000 ordinary shares of HK$0.01 each at HK$2.38 (equivalent to RMB1.99) per share pursuant to the initial public offering of the Company's shares. On the same date, the Company allotted and issued 449,999,900 ordinary shares of HK$0.01 each credited as fully paid to the shareholders by capitalising an amount of HK$4,499,999 (equivalent to RMB3,769,000) from the share premium account of the Company.

(iv) All the shares issued during the years ended 31 December 2016 and 2015 ranked pari passu in all respects with the then existing shares in issue.

25. CAPITAL COMMITMENTS

	As at 31 December	
	2016	2015
	RMB'000	*RMB'000*
Capital expenditure contracted but not provided for in the consolidated financial statements in respect of acquisition of:		
— property, plant and equipment	**3,509**	40,503

26. OPERATING LEASE COMMITMENTS

	As at 31 December	
	2016	2015
	RMB'000	*RMB'000*
Minimum lease payments paid/payable under operating leases during the year in respect of office premises	**1,212**	499

At the end of each reporting period, the Group had commitments for future minimum lease payments under non-cancellable operating leases which fall due as follows:

	As at 31 December	
	2016	2015
	RMB'000	*RMB'000*
Within one year	**1,118**	523
In the second to fifth year inclusive	**1,392**	131
	2,510	654

Leases are negotiated for an average term of two years.

27. PLEDGE OF ASSETS

Except as disclosed in note 16, of the Group's borrowings are secured by assets of the Group and the carrying amounts of which at the end of each reporting period are stated below:

	As at 31 December	
	2016	2015
	RMB'000	*RMB'000*
Property, plant and equipment	**401,585**	201,576
Prepaid lease payments	**64,677**	51,169
Trade receivables	**4,093**	—
Restricted bank deposits	**67,570**	44,352
	537,925	297,097

In addition, certain of the Group's borrowings are secured by assets held by Mr. Xu and the companies controlled by him as at 31 December 2015. These securities were released upon the repayments of the relevant borrowings during the year ended 31 December 2016.

28. RETIREMENT BENEFIT SCHEMES

The Group participates in a defined contribution scheme which is registered under the Mandatory Provident Fund Scheme (the "MPF Scheme") established under the Mandatory Provident Fund Ordinance. The assets of the schemes are held separately from those of the Group, in funds under the control of trustees.

For members of the MPF Scheme, the Group contributes at the lower of HK$1,500 (HK$1,250 before 1 June 2014) per month or 5% of relevant payroll costs each month to the MPF Scheme, which contribution is matched by the employee.

The Group also participates in a state-managed defined contribution retirement scheme organised by the relevant local governmental authority in the PRC. PRC employees of the Group eligible to participate in the retirement scheme are entitled to retirement benefits from the scheme. The Group is required to make monthly contributions to the retirement scheme of the eligible employees at specified percentage, ranging from 13% to 15%, of the payroll and the local governmental authority is responsible for the pension liabilities to these employees upon their retirement.

The only obligation of the Group with respect to these retirement benefits schemes is to make the specified contributions. During the year ended 31 December 2016, the total amounts contributed by the Group to the schemes and cost charged to the profit or loss represents contributions paid/payable to the schemes by the Group at rates specified in the rules of the schemes. The retirement benefits scheme contributions made by the Group amounted to RMB9,801,000 (2015: RMB8,823,000) for the year ended 31 December 2016.

29. RELATED PARTY TRANSACTIONS

Except as disloсed elsewhere in the consolidated financial statements, the Group had the following transactions and balances with related parties:

(a) Related parties balances

During the year ended 31 December 2016, the Group made a deposit of RMB6,000,000 (2015: nil) to 江門市新會區展程製衣有限公司, an entity controlled by Mr. Xu, pursuant to a memorandum of understanding signed on 28 December 2016 regarding the acquisition of a parcel of industrial land and the buildings to be built on such land parcel which are situated in Jiangmen, Guangdong Province, the PRC. As at the date these consolidated financial statements are authorised for issuance, no formal sale and purchase agreement has been signed.

Details of the other outstanding balances with related parties are set out in the consolidated statement of financial position and in notes 16, 17 and 20.

29. RELATED PARTY TRANSACTIONS *(Continued)*

(b) Related party transactions

The Group entered into the following transactions with related parties, which are controlled by Mr. Xu, Mr. Luo and/or their family members:

Related Parties	Nature of transactions	Year ended 31 December **2016** ***RMB'000***	 2015 *RMB'000*
Hua Jin Trading Pte. Ltd.	Sales of processed steel products	—	162,213
佛山市順德區華寶鞍貿易有限公司	Sales of processed steel products	—	45,482
		—	207,695
江門市華集運輸有限公司	Transportation fees paid/ payable by the Group	—	2,001
江門市華順運輸有限公司	Transportation fees paid/ payable by the Group	—	3,291
佛山市順德區華寶鞍貿易有限公司	Purchase of raw material	—	713
		—	6,005
江門市華順運輸有限公司	Purchase of property, plant and equipment	—	1,025
江門市華集運輸有限公司	Purchase of property, plant and equipment	—	838
		—	1,863
江門市華志金屬制品有限公司	Rental expenditure	**238**	—
Hua Jin Holdings Pte. Ltd.	Rental expenditure	**135**	—
		373	—

During the year ended 31 December 2016, the Group acquired certain lands and buildings erected thereon which are situated in Jiangmen, Guangdong Province, the PRC from Mr. Xu (the "Xu Lands and Properties") at an aggregate consideration of RMB45,000,000 (the "Consideration"). The Consideration is determined by reference to the market value of the Xu Lands and Properties prepared by Greater China Appraisal Limited, an independent professional valuer. In previous years, the Xu Lands and Properties were occupied and used by the Group for operation at no cost. The Xu Lands and Properties have been classified as prepaid lease payment and property, plant and equipment in the consolidated statement of financial position as at 31 December 2016.

29. RELATED PARTY TRANSACTIONS *(Continued)*

(c) Compensation of key management personnel

	As at 31 December	
	2016	2015
	RMB'000	*RMB'000*
Directors' fees	**366**	—
Salaries, bonus and other benefits	**2,539**	1,750
Retirement benefit scheme contributions	**77**	57
	2,982	1,807

The remuneration of key management personnel are determined having regard to the performance of the individuals and contribution to the Group.

30. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that the group companies will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance. The overall strategy remains unchanged from prior years.

The capital structure of the Group consists of net debt, which includes bank borrowings, net of cash and cash equivalents and equity attributable to owners of the Company, comprising issued share capital, various reserves and retained profits.

The directors of the Company review the capital structure regularly. As part of this review, the directors of the Company consider the cost and the risks associated with each class of the capital. Based on the recommendations of the directors, the Group will balance its overall capital structure through the payments of dividends, new shares issue as well as issue of new debt or redemption of existing debts, if necessary.

31. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

	As at 31 December	
	2016	2015
	RMB'000	*RMB'000*
Financial assets		
Loans and receivables (including cash and cash equivalents)	**523,487**	432,956
Financial liabilities		
Amortised cost	**694,517**	643,527

31. FINANCIAL INSTRUMENTS *(Continued)*

(b) Financial risk management objectives and policies

The Group's major financial instruments include trade, bills and other receivables, amount due from a related party, restricted bank deposits, bank balances and cash, trade, bills and other payables, and bank borrowings.

Details of these financial instruments are disclosed in the respective notes. The risks associated with these financial instruments include market risks (i.e. currency risk and interest rate risk), credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Market risks

(i) *Currency risk*

The functional currencies of the Company and its subsidiaries are RMB and USD and most of their transactions are denominated in RMB and USD.

The Group's exposure to foreign currency risk related primarily to certain bank balances, trade receivables, amounts due from related parties and inter-companies balances that are denominated in HKD, RMB, USD and SGD. The Group currently does not have a foreign currency hedging policy. However, the management monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

The carrying amounts of the Group's foreign currency denominated monetary assets and liabilities at the end of each reporting period are as follows:

	As at 31 December	
	2016	2015
	RMB'000	*RMB'000*
Monetary assets		
HKD	**9,463**	580
USD	**4,042**	6,582
RMB	**16,982**	—
SGD	**659**	—
Monetary liabilities		
HKD	**384**	72

31. FINANCIAL INSTRUMENTS *(Continued)*

(b) Financial risk management objectives and policies *(Continued)*

Market risks *(Continued)*

(i) Currency risk (Continued)

Sensitivity analysis

The Group exposes foreign currency risk on fluctuation of HKD, USD and SGD during the year ended 31 December 2016 and 2015. The following table details the Group's sensitivity to a 5% increase and decrease in RMB against HKD, USD or SGD. 5% is the sensitivity rate used which represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the year end for a 5% change in foreign currency rates. A positive (negative) number below indicates increase (decrease) in post-tax profit where RMB weakened 5% against HKD, USD or SGD. For a 5% strengthening of RMB against HKD, USD or SGD, there would be an equal and opposite impact in the profit or loss.

	As at 31 December	
	2016	2015
	RMB'000	*RMB'000*
HKD	**381**	21
USD	**171**	246
RMB	**709**	—
SGP	**27**	—

In management's opinion, the sensitivity analysis is unrepresentative of the inherent foreign exchange risk as the year end exposure does not reflect the exposure during the year.

(ii) Interest rate risk

The Group is exposed to cash flow interest rate risk in relation to the restricted bank deposits (note 18) and bank balances (note 19). It is the Group's policy to keep its balances and at floating rate of interests so as to minimise the fair value interest rate risk.

The Group is also exposed to fair value interest rate risk in relation to the bank borrowings (note 21).

Sensitivity analysis

The management considers that the exposure of the Group to interest rate risk on its variable-rate bank balances and restricted bank deposits is limited during both years as the management does not anticipate a material change in interest rate on restricted bank deposits and bank balances. Accordingly, no sensitivity analysis is performed.

31. FINANCIAL INSTRUMENTS *(Continued)*

(b) Financial risk management objectives and policies *(Continued)*

Credit risk

The Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligations by the counterparties is arising from the carrying amount of the respective recognised financial assets as stated in the consolidated statement of financial position of the Group.

The Group's credit risk is primarily exposed to trade, bills and other receivables. In order to minimise the credit risk, the management of the Group has delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of material receivables at the end of each reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

The credit risk on the bills receivables, restricted bank deposits and bank balances is limited because the counterparties are banks with good reputations.

As at 31 December 2016, the Group has concentration of credit risk from trade receivables as 27.0% (2015:19.4%) of the total balances were due from the Group's five largest customers. The management of the Group considers the credit risk of amounts due from these customers is insignificant after considering their historical settlement record, credit quality and financial positions.

As at 31 December 2015, the Group also has concentration of credit risk from amount due from a related party as the total balance was due from Mr. Xu. The management of the Group considers the credit risk of the amount due from Mr. Xu is limited as Mr. Xu himself is financially sound. Full amount has been settled during the year ended 31 December 2016.

Other than the concentration of the credit risk on trade, bills and other receivables, bills receivables, bank balances and restricted bank deposits, the Group does not have any other significant concentration of credit risk.

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31. FINANCIAL INSTRUMENTS *(Continued)*

(b) Financial risk management objectives and policies *(Continued)*

Liquidity risk

In management of the liquidity risk, the Group monitors and maintains levels of cash and cash equivalents deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows. The Group relies on borrowings as a significant source of liquidity. The management monitors the utilisation of bank borrowings and ensures compliance with loan covenants.

The following table details the Group's remaining contractual maturity for its financial liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date, on which the Group can be required to pay.

Liquidity tables

	Weighted Average Effective Interest rate	Repayable on demand/ less than 1 months	1 -3 months	4 months to 1 year	Over 1 year to 2 years	Over 2 to 3 years	Total undiscounted cash flow	Carrying amount
	%	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
As at 31 December 2016								
Non-derivative financial liabilities								
Trade, bills and other payables	—	60,440	—	—	—	—	60,440	60,440
Bank borrowings	6.06	12,602	119,947	369,105	152,795	—	654,449	634,078
		73,042	119,947	369,105	152,795	—	714,889	694,518
As at 31 December 2015								
Non-derivative financial liabilities								
Trade, bills and other payables	—	116,225	—	—	—	—	116,225	116,225
Bank borrowings	6.05	13,413	160,029	228,037	132,562	13,018	547,059	527,302
		129,638	160,029	228,037	132,562	13,018	663,284	643,527

(c) Fair value

The management considers that the carrying amounts of the financial assets and financial liabilities of the Group recorded at amortised cost in the consolidated financial statements at the end of each reporting period approximate their fair values. Such fair values have been determined in accordance with generally accepted pricing models based on discounted cash flow analysis, with the most significant inputs being the discount rate that reflects the credit risk of counterparties.

32. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	2016 **RMB'000**	2015 RMB'000
NON-CURRENT ASSET		
Interest in subsidiaries	**252,539**	2
CURRENT ASSETS		
Other receivables	**214**	—
Bank balances and cash	**3,600**	—
Amounts due from subsidiaries	**33,181**	—
	36,995	—
CURRENT LIABILITIES		
Accrued expenses	**492**	85
Amount due to a subsidiary	**—**	5,167
	492	5,252
NET CURRENT ASSETS (LIABILITIES)	**36,503**	(5,252)
TOTAL ASSETS LESS CURRENT LIABILITIES	**289,042**	(5,250)
NET ASSETS (LIABILITIES)	**289,042**	(5,250)
CAPITAL AND RESERVES		
Share capital	**4,999**	—
Reserves *(note)*	**284,043**	(5,250)
TOTAL EQUITY (DEFICIT)	**289,042**	(5,250)

Note:

The followings are the movements of the Company's reserves from 13 March 2015 (date of incorporation) to 31 December 2016.

	Share premium RMB'000	**Capital reserve** RMB'000	**(Accumulated loss) retained profit** RMB'000	**Total** RMB'000
At 13 March 2015	—	—	—	—
Loss and total comprehensive expense for the period	—	—	(5,252)	(5,252)
Arising from Reorganisation	—	2	—	2
At 31 December 2015	—	2	(5,252)	(5,250)
Profit and total comprehensive income for the year	—	—	85,277	85,277
Issue of new shares	297,482	—	—	297,482
Transaction costs attributable to issue of new shares	(11,090)	—	—	(11,090)
Issue of shares by capitalisation of share premium account	(3,769)	—	—	(3,769)
Dividend paid	—	—	(78,607)	(78,607)
At 31 December 2016	282,623	2	1,418	284,043

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33. PARTICULARS OF SUBSIDIARIES

Particulars of the Company's subsidiaries as at 31 December 2016 and 2015 are as follows:

Name of subsidiaries	Place and date of incorporation/ operations	Issued and fully paid share capital	Attributable equity interest held by the Company 2016	2015	Principal activities
Huajin Investments Limited *(note i)*	BVI	10 March 2015 US$300	**100%**	100%	Investment holding
Inter Consortium Holdings Limited	Hong Kong	5 April 2013 HK$161,534,566	**100%**	100%	Trading of processed and zinc coated steel products
Huajin (Singapore) Pte. Ltd. *(note ii)*	Singapore	9 May 2016 US$680,000	**100%**	N/A	Trading of processed and zinc coated steel products
江門市華津金屬制品有限公司 Jiangmen Huajin Metal Product Company Limited	PRC	11 July 2005 RMB179,904,000	**100%**	100%	Processing and sales of processed and zinc coated steel products
江門市華睦五金有限公司 Jiangmen Huamu Metals Company Limited	PRC	27 November 2006 RMB131,341,000	**100%**	100%	Processing and sales of processed and zinc coated steel products
江門市津源金屬制品有限公司 Jiangmen Jinyuan Metals Company Limited *(note ii)*	PRC	15 December 2016 RMB10,000,000	**60%**	N/A	Inactive

Notes:

(i) Directly held by the Company.

(ii) Newly incorporated/established during the year.

34. MAJOR NON-CASH TRANSACTIONS

For the year ended 31 December 2015

(i) The amounts due to the Controlling Shareholders of RMB123,658,000 were waived and accounted for as deemed contributions therefrom.

(ii) Amounts of RMB3,118,000 due to entities controlled by the Controlling Shareholders and/or their family members have been assigned to Mr. Xu. The amount due to Mr. Xu of RMB3,392,000 has also been set off with the amount due from Mr. Xu.

(iii) Amounts of RMB8,104,000 on loans from third parties have been assigned to Mr. Xu.

(iv) Amounts of RMB3,213,000 on loan receivables from third parties have been assigned to Mr. Xu.

35. SUBSEQUENT EVENTS

(i) On 4 January 2017, the Group succeeded in the auction for the state-owned construction land use rights in respect of a parcel of industrial land which is situated in Xinhui District, Guangdong Province at the bidding price of RMB21,370,000. The relevant industrial land is designated for specific uses by metal products industry. The bidding deposit of RMB4,280,000 was included in other receivables in the consolidated statement of financial position as at 31 December 2016. As at the date of these consolidated financial statements are authorised for issuance, full amount of bidding price has been paid by the Group.

(ii) On 24 January 2017, an equipment supply contract has been signed by Jiangmen Huajin with an independent third party pursuant to which the Group agreed to purchase the coupled pickling line and tandem cold rolling mill at the contract price of RMB83,980,000 (inclusive of 17% value-added tax). As at the date of these consolidated financial statements are authorised for issuance, an amount of RMB4,199,000 has been paid by the Group.

FINANCIAL SUMMARY

	Year ended 31 December			
	2013	2014	2015	**2016**
	RMB'000	*RMB'000*	*RMB'000*	***RMB'000***
RESULTS				
Revenue	1,614,194	1,630,641	1,875,119	**1,919,020**
Profit before taxation	22,277	53,197	139,793	**118,073**
Income tax expense	(5,919)	(12,610)	(42,327)	**(23,740)**
Profit for the year	16,358	40,587	97,466	**94,333**

	As at 31 December			
	2013	2014	2015	**2016**
	RMB'000	*RMB'000*	*RMB'000*	***RMB'000***
ASSETS AND LIABILITIES				
Total assets	1,727,721	1,420,453	989,231	**1,360,534**
Total liabilities	1,624,879	1,277,000	765,758	**823,242**
Net assets	102,842	143,453	223,473	**537,292**
EQUITY				
Equity attributable to owners of the Company	101,608	141,885	223,473	**533,292**
Non-controlling interests	1,234	1,568	—	**4,000**
Total equity	102,842	143,453	223,473	**537,292**