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
2017

Contents

CORPORATE INFORMATION

BOARD OF DIRECTORS

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

Non-executive Director
Mr. Xu Jianhong

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

Conyers 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, the PRC

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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 meanings set out below:

"Articles of Association"	the articles of association of the Company
"associates"	having the meaning 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)"	having 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
"Gujing Town Land Use Rights"	three parcels of industrial land with an aggregate site area of approximately 284,860 sq. m. which are situated in Zhoulang Village, Gujing Town, Xinhui District, Jiangmen City, Guangdong Province, the PRC
"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 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
"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
"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

DEFINITIONS

"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 Hong Sheng"	江門市鴻盛建築工程有限公司 (Jiangmen Hong Sheng Construction Engineering Limited*), a limited liability company established under the laws of PRC, which is owned as to 70% by Mr. Chen
"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"	江門市新會區展程製衣有限公司 (Jiangmen Xinhui District Zhan Cheng Garment Limited*), a limited liability company established under the laws of PRC which is owned as to 80% by Mr. Xu
"Land and Plant A"	two parcels of industrial land with an aggregate site area of approximately 40,422 sq. m. and the operational buildings erected thereon with an aggregate gross floor area of approximately 30,047 sq. m. 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 sq. m. 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
"Listing" or "Listing Date"	the listing of our Shares on the Stock Exchange commenced on 15 April 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 (as amended by the supplemental letters dated 26 June 2017, 31 October 2017 and 20 November 2017) 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$0.01 each in the share capital of the Company
"Shareholder(s)"	holder(s) of the Share(s)
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"substantial Shareholder(s)"	having the meaning ascribed thereto under the Listing Rules
"Workshop No. 4"	the fourth production workshop of our Group, with approximately gross floor area of approximately 16,715 sq. m., which commenced operation and production of galvanized steel products in mid-2016
"Zhong Cheng"	Zhong Cheng International Limited (中誠有限公司) (formerly known as China Reliance Limited (中誠有限公司)), a business company incorporated under the laws of BVI with limited liability and wholly-owned by Mr. Luo, our Controlling Shareholder
"HK$" 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
"km"	kilometre(s)
"sq. m."	square meter(s)
"%"	per cent

* *for identification purpose only and should not be regarded as the official English translation of the Chinese names. In the event of any inconsistency, the Chinese name prevails.*

FINANCIAL HIGHLIGHTS

	2017	2016	Change
Revenue (RMB million)	**2,863.5**	1,919.0	+49.2%
Gross profit (RMB million)	**212.3**	226.8	–6.4%
Gross profit margin (%)	**7.4%**	11.8%	
EBITDA (RMB million) *(note 1)*	**206.8**	188.5	+9.7%
EBITDA margin (%)	**7.2%**	9.8%	
Profit attributable to owners of the Company (RMB million)	**92.6**	94.3	–1.8%
Basic earnings per Share (RMB cents)	**15.44**	16.94	–8.9%
Dividend per Share (HK cents)			
— Interim	**3.5**	4.8	–27.1%
— Proposed final	**2.0**	3.4	–41.2%
	5.5	8.2	–32.9%
Dividend payout ratio (%)	**30.0%**	46.4%	
Sales volume (tonne) *(note 2)*	**662,026**	599,929	+10.4%
Average processing fee per tonne (RMB) *(note 3)*	**696**	690	+0.9%

	As at 31.12.2017	As at 31.12.2016	Change
Net assets value (RMB million)	**596.6**	537.3	+11.0%
Net assets value per Share (RMB)	**0.99**	0.90	+10.0%
Borrowings (RMB million)	**958.0**	634.1	+51.1%
Gearing ratio (%) *(note 4)*	**160.6%**	118.0%	

Notes:

1. EBITDA is calculated at profit before taxation subtracted by net finance costs and adding back depreciation of property, plant and equipment, and amortisation of prepaid lease payments.

2. It represents the sales volume of cold-rolled steel products and galvanized steel products during the reporting period.

3. The average processing fee is the difference between the average selling price and the average cost of direct materials charged for its cold-rolled steel products and galvanized steel products.

4. Gearing ratio is calculated at borrowings divided by net assets value.

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 2017 to our Shareholders.

REVIEW

In 2017, our revenue increased from approximately RMB1,919.0 million in 2016 to approximately RMB2,863.5 million in 2017 by approximately RMB944.5 million, or 49.2%. Our domestic sales in the PRC market contributed over 98% of our revenue while the remaining portion was attributable to sales to our customers located in Southeast Asia. Our basic earnings per Share decreased from approximately RMB16.94 cents in 2016 to approximately RMB15.44 cents in 2017.

Our total sales volume of cold-rolled steel products and galvanized steel products increased from approximately 599,929 tonnes in 2016 to approximately 662,026 tonnes in 2017 by approximately 62,097 tonnes, or 10.4%.

In 2017, our Group recorded a profit before tax of approximately RMB108.4 million, representing a decrease of 8.2% as compared with RMB118.1 million in 2016. Net profit attributable to owners of the Company was approximately RMB92.6 million, representing a decrease of 1.8% as compared with RMB94.3 million in 2016. Our Group's EBITDA increased from approximately RMB188.5 million in 2016 to approximately RMB206.8 million in 2017 and such increase reflected the continued growth of operating cash flow from our business during the reporting period under review.

Same to 2016, our Board decided not to pay any discretionary bonus in amount not exceeding 5% of the Group's audited consolidated profit before taxation to our executive Directors and senior management in 2017 so as to reserve more internal resources for the Group's operation and expansion.

In order to maintain its business growth in the long run, the Group invested substantially in property, plant and equipment to strengthen the scale and processing capacity of the existing production base and facilities. In 2017, the Group acquired property, plant and equipment, and incurred construction costs of approximately RMB122.0 million.

For corporate social responsibility, the Group is committed to striking a balance between earnings and sustainable development. We believe outstanding business environment, society and corporate governance are fundamental to maintaining long-term sustainable success. The Group encourages our staff to participate in community services with non-profit organizations, social enterprises and governments to benefit countries and communities where the Group operates.

PROSPECTS AND FUTURE PLAN

The Guangdong-Hong Kong-Macau Greater Bay Area (the "Greater Bay Area") Initiative was introduced by the Chinese government in March 2017. In recent years, the local government of Jiangmen City has vigorously promoted the development and construction of the Greater Guanghai Bay Economic Zone* (大廣海灣經濟區) and it is also promoted at national strategic level. Shenzhen and Guangzhou are leading in the innovative industry, Hong Kong is strong in finance industry and the other cities (including Jiangmen) in the whole Pearl River Delta are competitive in intelligent manufacturing and high-end manufacturing. The development of the Greater Bay Area together with the Greater Guanghai Bay Economic Zone linking into an integrated economic and business hub may bring significant business opportunities and encourage investment activities in Guangdong Province, including Jiangmen, where the Group primarily operates.

CHAIRMAN'S STATEMENT

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 cold-rolled steel products and galvanized steel products by increasing investments in property, plant and equipment. It is believed that these investments in production plants and facilities, including the acquisition of Gujing Town Land Use Rights, for the expansion of our production capacity will contribute to the Group's business growth and net profit margin improvement in the years ahead. Our Group will continue to maintain its leading position in the cold rolled steel processors in Guangdong Province in terms of annual production volume thereby providing a solid foundation for the entrenchment of the Group's long term competitive advantage. Our management is committed to achieving sustainable business growth and bringing long-term values to our Shareholders.

PROPOSED FINAL DIVIDEND

The Board proposed to declare a final dividend of HK2.0 cents per Share for the year ended 31 December 2017 to the Shareholders whose names appear on the register of members of the Company at the close of business on 31 July 2018. The proposed final dividend is expected to be distributed to the Shareholders on 6 August 2018 subject to Shareholders' approval 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, 23 March 2018

DIRECTORS AND SENIOR MANAGEMENT

DIRECTORS

Executive directors

Mr. Xu Songqing (許松慶), aged 47, 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, Huajin (Singapore) Pte. Ltd. and Jiangmen Jinyuan Metals Company Limited* (江門市津源金屬製品有限公司, "Jiangmen Jinyuan"). 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 and the father of Mr. Xu Jianhong.

Mr. Luo Canwen (羅燦文), aged 44, 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 the supervisor of Jiangmen Hairun Renewable Resources Recycling Company Limited* (江門市海潤再生資源回收有限公司, "Jiangmen Hairun"). 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* (佛山市順德區晉虹貿易有限公司) (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 46, 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, Jiangmen Huamu and Jiangmen Hairun. Mr. Chen is also the supervisor of Jiangmen Jinyuan. 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* (江門市安全生產監督管理局) on 26 October 2005.

Mr. Xu Songman, aged 41, 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 United Kingdom 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 and the uncle of Mr. Xu Jianhong.

DIRECTORS AND SENIOR MANAGEMENT

Non-executive Director

Mr. Xu Jianhong (許健鴻), aged 24, was appointed as a non-executive Director of our Company on 21 November 2017. Mr. Xu Jianhong graduated from The Kilmore International School in Australia in 2014. Mr. Xu Jianhong is currently studying for a Bachelor of Science (Civil Systems) degree at The University of Melbourne, Australia. Mr. Xu Jianhong is the son of Mr. Xu and the nephew of Mr. Xu Songman.

Independent non-executive Directors

Mr. Goh Choo Hwee (吳慈飛), aged 46, 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. Mr. Goh 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 54, 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.

Mr. Wu Chi Keung (胡志強), aged 61, 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 and other investment. 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.

DIRECTORS AND SENIOR MANAGEMENT

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) 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 COFCO Meat Holdings Limited (stock code: 1610) from June 2016 to December 2017.

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 2017 interim report are set out below:

Name	Details of changes
Mr. Wu Chi Keung	Resigned as an independent non-executive director and ceased to be the chairman and a member of the audit committee and a member of the remuneration committee of COFCO Meat Holdings Limited (stock code: 1610), a publicly listed company on the Main Board of the Stock Exchange, on 12 December 2017.

SENIOR MANAGEMENT

Mr. Zhu Huaiqing (朱懷清), aged 65, 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, Mr. Zhu 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. Mr. Zhu 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 47, 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.

Mr. Wong Chak Keung (黃澤強), aged 51, was appointed as the company secretary and the chief financial officer of our Company on 18 December 2015 and 10 July 2017, respectively. 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 2017.

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 the shareholders and stakeholders, and enhance shareholders' 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 2017, 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. Other than the non-executive Director who is appointed for a term of 3 years, all the independent non-executive Directors of the Company are not appointed for a specific term. However, all Directors are subject to retirement by rotation and re-election at the annual general meeting of the Company 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 Company 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 Directors confirmed that they had complied with the required standard set out in the Model Code throughout the year ended 31 December 2017.

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 and the Group;

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, one non-executive Director and three independent non-executive Directors. 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) of the Listing Rules, the Board includes at least three independent non-executive Directors.

Mr. Xu is the elder brother of Mr. Xu Songman and Mr. Xu Jianhong is the son of Mr. Xu and the nephew of Mr. Xu Songman. Save as disclosed above, the Board members have no financial, business, family or other material/relevant relationship with each other. The Company has 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 process

During the year ended 31 December 2017, 7 Board meetings were held. Proper notices convening the Board meetings were circulated to the Directors setting out the matters to be discussed. At the Board meetings, the Directors were provided with the agenda and 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 Board meetings as appropriate.

(c) Directors' attendance at Board meetings and general meeting

The attendance record of each Director at the Board meetings and general meeting during the year ended 31 December 2017 is set out in the table below:

	number of attendance/ number of meeting(s)	
Name of Directors	**Board meetings**	**general meeting**
Executive Directors		
Mr. Xu Songqing	7/7	1/1
Mr. Luo Canwen *(Note 2)*	7/7	0/1
Mr. Chen Chunniu	7/7	1/1
Mr. Xu Songman	5/7	1/1
Non-executive Director		
Mr. Xu Jianhong *(Note 3)*	1/1	n/a
Independent non-executive Directors		
Mr. Goh Choo Hwee	7/7	1/1
Mr. Tam Yuk Sang Sammy	7/7	1/1
Mr. Wu Chi Keung	7/7	1/1

Notes:

1. For the year ended 31 December 2017, besides the Board meetings, a number of resolutions were passed by the Board by way of written resolutions.

2. Mr. Luo was absent from the annual general meeting of the Company held on 16 May 2017 due to business engagement.

3. Mr. Xu Jianhong was appointed as a non-executive Director of the Company on 21 November 2017 and his attendance was stated by reference to the number of Board meetings and general meeting held during his tenure.

(d) 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 and the Group by directing and supervising its affairs. The Board takes decisions objectively in the interests of the Company and the Group.

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 2017, 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 2017.

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 Group 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.

(e) Independence of independent non-executive Directors

The Board must be satisfied itself that all independent non-executive Directors do not have any material relationship with the Group. The Board is guided by the Rule 3.13 of the Listing Rules in determining the independence of independent non-executive 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 their independence pursuant to Rule 3.13 of the Listing Rules. The Board continues to consider these independent non-executive Directors to be independent.

(f) Directors' induction and continuous professional development

On appointment to the Board, each Director receives a comprehensive induction package covering business operations, policy and procedures of the Company as well as the general, statutory and regulatory obligations of being a Director to ensure that he/she is sufficiently aware of his/her responsibilities under the Listing Rules and other relevant regulatory requirements.

Pursuant to code provision 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. For the year ended 31 December 2017, all Directors had participated in appropriate continuous professional development activities either by attending training courses or by reading materials relevant to the Group's business or to the Directors' duties and responsibilities.

(g) Directors' and officers' liability insurance

The Company has arranged appropriate Directors' and officers' ("D&O") liability insurance cover, which gives appropriate cover for any legal action brought against Directors and officers throughout the year ended 31 December 2017. To ensure sufficient cover is provided, we review the Company's D&O liability 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 of the Company were not appointed for a specific term but are subject to retirement by rotation and re-election at the annual general meetings of the Company and until terminated by not less than three months' notice in writing served by either the Company or the relevant Director.

The non-executive Director has entered into a letter of appointment with the Company for an initial term of three years which unless otherwise terminated pursuant to the terms of the appointment is subject to automatic renewal. The appointment shall be subject to retirement and re-election at the forthcoming annual general meeting of the Company pursuant to the Articles of Association.

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 Company and the Stock Exchange. 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 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 2017, the Audit Committee held two meetings to consider and approve the following:

(a) to review the Company's unaudited condensed consolidated financial statements for the six months ended 30 June 2017 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 of 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 and appointment of the external auditor during the year ended 31 December 2017.

CORPORATE GOVERNANCE REPORT

The Company's audited consolidated results for the year ended 31 December 2017 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 Company's consolidated financial statements for the year ended 31 December 2017.

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

Name of Directors	Number of attendance/ number of meetings
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 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 2017, the Remuneration Committee held two meetings. The Remuneration Committee determined the policy for the remuneration of executive Directors, assessed the performance of the executive Directors and approved the terms of their service contracts. The Remuneration Committee had also made recommendations to the Board regarding the Company's remuneration policy and the formulation and review of the remuneration package of all Directors and senior management of the Company for determination by the Board. Details of the Directors' emolument are set out in note 10 to the consolidated financial statements.

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

Name of Directors	Number of attendance/ number of meetings
Mr. Goh Choo Hwee	2/2
Mr. Tam Yuk Sang Sammy	2/2
Mr. Wu Chi Keung	2/2
Mr. Xu Songqing	2/2

Details of the Directors' and senior management remuneration during the year ended 31 December 2017 are set out in note 10 to the consolidated financial statements.

Nomination Committee

The Company established the Nomination Committee 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, re-appointment 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 2017, the Nomination Committee held two meetings. The Nomination Committee carried out the process of selecting and recommending to the Board candidates for directorship with reference to diversity policy of the Company, including the candidate's professional knowledge, industry experience, personal ethics, integrity and skills, evaluated the Board's composition, assessed the independence of independent non-executive Directors and recommended the re-appointment of retiring Directors for Shareholders' approval at the forthcoming annual general meeting.

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

Name of Directors	Number of attendance/ number of meetings
Mr. Goh Choo Hwee	2/2
Mr. Tam Yuk Sang Sammy	2/2
Mr. Wu Chi Keung	2/2
Mr. Xu Songqing	2/2

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 2017 and the amount charged to profit or loss during the year ended 31 December 2017 is shown in note 9 to the consolidated financial statements on page 77 of this annual report.

	Deloitte Touche Tohmatsu *RMB'000*	Other auditors *RMB'000*	Total *RMB'000*
Audit services:			
Annual audit service	1,231	218	1,449
Non-audit services*:			
Other related services	469	139	608
	1,700	357	2,057

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

The reporting responsibilities of Deloitte Touche Tohmatsu are stated in the independent auditor's report on pages 49 to 53 of this 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 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 2017.

SHAREHOLDERS' 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 Company and the Stock Exchange at www.huajin-hk.com and www.hkexnews.hk, respectively, 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.

During the reporting period under review, there was no significant change in the Company's constitutional documents. Pursuant to Rule 13.90 of the Listing Rules, the Company has posted its Memorandum and Articles of Association on the respective websites of the Company and the Stock Exchange.

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.

CORPORATE GOVERNANCE 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 reporting period 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.

The Board has implemented procedures and internal controls for handling and dissemination of inside information. Since the Listing Date, 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.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

The Company is an investment holding company and the Group is a leading cold-rolled steel processor in Guangdong Province, the PRC. The Group is principally engaged in processing of hot-rolled steel coils into cold-rolled steel products and galvanized 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. The Group provides processing, cutting, slitting, warehousing and delivery services on customized cold-rolled steel products and galvanized steel products.

During the year ended 31 December 2017, the Group recorded revenue of RMB2,863.5 million and a profit attributable to owners of the Company of RMB92.6 million, representing an increase of 49.2% and a decrease of 1.8%, respectively, from the corresponding period in 2016.

Our sales volume of cold-rolled steel products and galvanized steel products in aggregate was 662,026 tonnes for the year ended 31 December 2017, representing an increase of 62,097 tonnes or 10.4%, as compared to 599,929 tonnes for the year ended 31 December 2016. The annual processing capacity of our cold-rolling process and galvanizing process was approximately 750,000 tonnes and 250,000 tonnes respectively. For the year ended 31 December 2017, their average utilization rates were approximately 87.1% and 52.0%, respectively. In order to increase the competitiveness of our galvanized steel products in the market, we lowered the average processing fee (being the difference between the selling price and the cost of direct materials, namely hot-rolled steel coils) charged for our galvanized steel products to RMB842 per tonne for the year ended 31 December 2017, by approximately RMB421 per tonne or 33.3%, from approximately RMB1,263 per tonne for the year ended 31 December 2016. Accordingly, the utilization rate for our galvanizing process increased from 35.2% for the year ended 31 December 2016 to 52.0% for the year ended 31 December 2017.

In order to maintain its business growth in the long run, the Group invested substantially in property, plant and equipment to strengthen the scale and processing capacity of the existing production base and facilities. During the year ended 31 December 2017, the Group acquired property, plant and equipment, and incurred construction costs of approximately RMB122.0 million.

On 4 January 2017, the Group succeeded in public auction for the acquisition of the land use right of an industrial land parcel with a site area of approximately 47,486 sq. m. located at Lingang Industrial Zone, The Economic Development Zone, Xinhui District, Jiangmen City, Guangdong Province, the PRC for a total consideration of approximately RMB21.4 million. The bidding price has been fully paid by the Group during the first half of 2017 and the relevant industrial land parcel is designated for specific uses by metal products industry.

● the Group's existing production plants in Muzhou Town*（睦洲鎮）

MANAGEMENT DISCUSSION AND ANALYSIS

● the land parcels of Gujing Town Land Use Rights near Tan River*（潭江）

On 25 December 2017, the Group succeeded in public auction for the acquisition of Gujing Town Land Use Rights with a total site area of approximately 284,860 sq. m. located at Zhoulang Village, Gujing Town, Xinhui District, Jiangmen City, Guangdong Province, the PRC for a total consideration of approximately RMB109.6 million. The Board considered that the Gujing Town Land Use Rights could provide sizeable area to cater for flexible planning of the Group's production lines in reducing future production and operation costs in order to promote production efficiency and long term development. In recent years, the local government of Jiangmen City has vigorously promoted the development and construction of the Greater Guanghai Bay Economic Zone* (大廣海灣經濟區). Gujing Town* (古井鎮) is one of the major towns as supported by the local government under the Greater Guanghai Bay Economic Zone. Within the same administrative division in Xinhui District, the Gujing Town Land Use Rights is located in the proximity of the Group's existing production plants in Muzhou Town* (睦洲鎮). The road distance between the Gujing Town Land Use Rights and the Group's existing production plants is approximately 25 km and they are in close proximity to important highways. Under normal traffic conditions, it takes about 40 minutes to drive between the Gujing Town Land Use Rights and the Group's existing production plants. The Group's existing production plants are in close proximity to ports along Xi River* (西江). The Gujing Town Land Use Rights, near the coastal area of Yinzhou Lake* (銀洲湖), is also in close proximity to ports along Yinzhou Lake* (銀洲湖). Yinzhou Lake* (銀洲湖) is situated at the confluence of Xi River* (西江) and Tan River* (潭江) in the southwestern area of the Pearl River Delta of the PRC. The location of the Gujing Town Land Use Rights allows for timely and cost-efficient transportation of the Group's raw materials and products by efficient highways and port facilities, both within Guangdong Province and other provinces of the PRC. The development and construction of the Greater Guanghai Bay Economic Zone is supported by the local government of Jiangmen City and it is also promoted at national strategic level which is in line with the business strategies of the Group to increase production capacity by expanding the manufacturing facilities at the Gujing Town Land Use Rights to further its business development in the future.

Our capital commitments towards the acquisition of property, plant and equipment and land use rights, as at 31 December 2017, was approximately RMB246.9 million, which will be financed by the Group's internal resources and borrowings. The Group envisages ongoing growth in demand for its products and an ongoing need to increase its production capacity. It is believed that these investments will contribute to the Group's business growth and net profit margin improvement in the years ahead.

● the land parcels of Gujing Town Land Use Rights near Tan River*（潭江）

FINANCIAL REVIEW

Revenue


cold-rolled steel strips and sheets

Our Group primarily generates revenue from the sales of cold-rolled steel products and galvanized steel products. Our revenue increased to approximately RMB2,863.5 million for the year ended 31 December 2017, by approximately RMB944.5 million or 49.2%, as compared with that of approximately RMB1,919.0 million for the year ended 31 December 2016.

Our sales volume of cold-rolled steel products decreased to 534,961 tonnes for the year ended 31 December 2017, by 20,995 tonnes or 3.8%, as compared with that of 555,956 tonnes for the year ended 31 December 2016. Our sales volume of galvanized steel products increased to 127,065 tonnes for the year ended 31 December 2017, by 83,092 tonnes or 189.0%, as compared with that of 43,973 tonnes for the year ended 31 December 2016. Thus, our sales volume of cold-rolled steel products and galvanized steel products in aggregate was 662,026 tonnes for the year ended 31 December 2017, representing an increase of 62,097 tonnes or 10.4%, as compared to 599,929 tonnes for the year ended 31 December 2016.


welded steel tubes

The increase in revenue was mainly attributable to the increase in the average selling price of our products and the increase in sales of galvanized steel products. The market price of steel products, including hot-rolled steel and cold-rolled steel, experienced upward trend since February 2016. The average selling price of our cold-rolled steel products increased to RMB4,120 per tonne for the year ended 31 December 2017 as compared with that of RMB3,036 per tonne for the year ended 31 December 2016. The average selling price of our galvanized steel products increased to RMB4,300 per tonne for the year ended 31 December 2017 as compared with that of RMB3,654 per tonne for the year ended 31 December 2016. Thus, the average selling price of our cold-rolled steel products and galvanized steel products in aggregate, increased to RMB4,154 per tonne for the year ended 31 December 2017 as compared with that of RMB3,081 per tonne for the year ended 31 December 2016.

Our domestic sales in the PRC market contributed over 98% of our revenue while the remaining portion was attributable to sales to our customers located in Southeast Asia.

MANAGEMENT DISCUSSION AND ANALYSIS

Other revenue was primarily attributable to the trading of steel products, sales of scrap steel which was the residual in our manufacturing process to recycling agents and the provision of processing service to the customers who engage us to process hot-rolled steel coils provided by them. Such other revenue accounted for about 3.9% of our revenue for the year ended 31 December 2017.

The following table sets out the breakdown of our revenue during the reporting period:

	Year ended 31 December			
	2017		2016	
	RMB'000	**%**	*RMB'000*	%
Sales of cold-rolled steel products	**2,203,815**	**77.0**	1,687,632	87.9
— cold-rolled steel strips and sheets	**2,034,582**	**71.1**	1,510,618	78.7
— welded steel tubes	**169,233**	**5.9**	177,014	9.2
Sales of galvanized steel products	**546,386**	**19.1**	160,685	8.4
Others	**113,264**	**3.9**	70,703	3.7
	2,863,465	**100.0**	1,919,020	100.0

Cost of sales

Our cost of sales increased to approximately RMB2,651.2 million for the year ended 31 December 2017, by approximately RMB959.0 million or 56.7%, as compared with that of approximately RMB1,692.2 million for the year ended 31 December 2016.

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

	Year ended 31 December			
	2017		2016	
	RMB'000	**%**	*RMB'000*	%
Direct materials	**2,289,313**	**86.4**	1,434,271	84.8
Utilities	**114,513**	**4.3**	101,780	6.0
Consumables	**105,509**	**4.0**	51,421	3.0
Depreciation expense	**50,452**	**1.9**	38,806	2.3
Direct labour	**71,934**	**2.7**	55,433	3.3
Others	**19,438**	**0.7**	10,513	0.6
	2,651,159	**100.0**	1,692,224	100.0

Direct materials represented the cost of raw materials, primarily hot-rolled steel coils. The direct materials accounted for over 86% of our cost of sales for the year ended 31 December 2017. The increase in direct materials was mainly attributable to the increase in the prevailing market price of our direct materials and the increase in total sales volume during the reporting period under review.

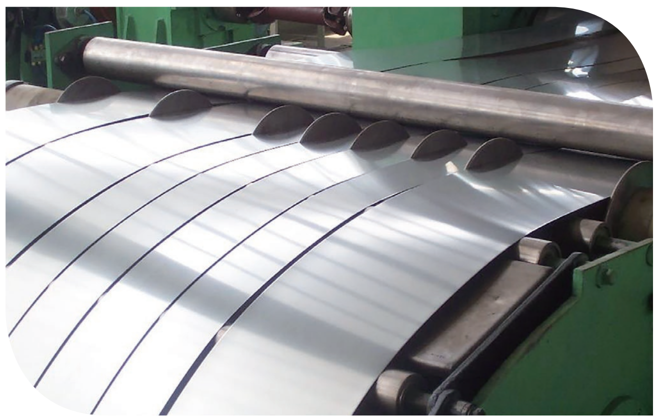
MANAGEMENT DISCUSSION AND ANALYSIS

● production line for cold-rolled steel strips and sheets

Utilities related primarily to electricity, water, and natural gas consumed throughout our production process. Utilities expenses increased to approximately RMB114.5 million for the year ended 31 December 2017, by approximately RMB12.7 million or 12.5%, as compared with that of approximately RMB101.8 million for the year ended 31 December 2016. Such increase was mainly due to the increased production activity for galvanized steel products.

Consumables consisted of machinery spare parts and supplies consumed in the production process. Our consumables also increased to approximately RMB105.5 million for the year ended 31 December 2017, by approximately RMB54.1 million or 105.3%, as compared with that of approximately RMB51.4 million for the year ended 31 December 2016. Such increase was mainly attributable to the increased production activity for galvanized steel products.

Depreciation expense experienced an increase to approximately RMB50.5 million for the year ended 31 December 2017, by approximately RMB11.7 million or 30.2%, as compared with that of approximately RMB38.8 million for the year ended 31 December 2016. Such increase was attributable to the addition of our property, plant and equipment including those for the production of galvanized steel products.



● slitting and cutting

Our direct labour increased to approximately RMB71.9 million for the year ended 31 December 2017, by approximately RMB16.5 million or 29.8%, as compared with that of approximately RMB55.4 million for the year ended 31 December 2016. The increase in our direct labour was mainly due to the increase in the wages by our PRC subsidiaries.

● production line for galvanized steel products

Other costs primarily comprised other taxes and surcharges, repair and maintenance, and other miscellaneous expenses.

Gross profit

In view of the intensified competition in the industry partly due to the upward trend of steel price volatility, the Group was still able to maintain the processing fee (being the difference between the selling price and the cost of direct materials,

MANAGEMENT DISCUSSION AND ANALYSIS

namely hot-rolled steel coils) charged for its cold-rolled steel products and galvanized steel products to an average of approximately RMB696 per tonne for the year ended 31 December 2017 as compared with that of approximately RMB690 per tonne for the year ended 31 December 2016.

Due to the increase in the market price of our products and raw materials, and the extra consumption of consumables for our increased production for galvanized steel products, we recorded a lower increase in revenue by approximately RMB944.5 million than that in cost of sales by approximately RMB959.0 million. Accordingly, the Group recorded a gross profit of approximately RMB212.3 million for the year ended 31 December 2017, representing a decrease of approximately RMB14.5 million or 6.4%, as compared with that of approximately RMB226.8 million for the year ended 31 December 2016 and a gross profit margin of 7.4%, representing a decrease of approximately 4.4 percentage points as compared with that of 11.8% in the corresponding period.

The following table sets out the sales 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 periods indicated:

	Year ended 31 December	
	2017	2016
Sales volume of cold-rolled steel products	**534,961 tonnes**	555,956 tonnes
— cold-rolled steel strips and sheets	**493,930 tonnes**	498,577 tonnes
— welded steel tubes	**41,031 tonnes**	57,379 tonnes
Sales volume of galvanized steel products	**127,065 tonnes**	43,973 tonnes
	662,026 tonnes	599,929 tonnes
Average selling price (per tonne)		
— cold-rolled steel products	**RMB4,120**	RMB3,036
— galvanized steel products	**RMB4,300**	RMB3,654
— cold-rolled steel products and galvanized steel products	**RMB4,154**	RMB3,081
Average cost of direct materials used (per tonne)	**RMB3,458**	RMB2,391
Difference (per tonne) between average selling price and average cost of direct materials used		
— cold-rolled steel products	**RMB662**	RMB645
— galvanized steel products	**RMB842**	RMB1,263
— cold-rolled steel products and galvanized steel products	**RMB696**	RMB690

Other income, other gains and losses

Other income, other gains and losses increased to approximately RMB9.7 million for the year ended 31 December 2017, by approximately RMB5.5 million or 131.0%, as compared with that of approximately RMB4.2 million for the year ended 31 December 2016. Such increase was mainly attributable to the increase in government grants to our PRC subsidiaries during the reporting period under review.

Selling expenses

Our selling expenses increased to approximately RMB46.2 million for the year ended 31 December 2017, by approximately RMB10.4 million or 29.1%, as compared with that of approximately RMB35.8 million for the year ended 31 December 2016. The increase in selling expenses during the reporting period under review was mainly attributable to the increase in salary, delivery costs and other selling related expenses.

Administrative expenses

Our administrative expenses decreased to approximately RMB37.0 million for the year ended 31 December 2017, by approximately RMB8.7 million or 19.0%, as compared with that of approximately RMB45.7 million for the year ended 31 December 2016. Such decrease during the reporting period under review was primarily due to the decrease in staff costs and other administrative expenses.

Investment income and gain

Our investment income and gain increased to approximately RMB9.4 million for the year ended 31 December 2017, by approximately RMB8.6 million or 1,075.0%, as compared with that of approximately RMB0.8 million for the year ended 31 December 2016. Such increase during the reporting period under review was primarily due to the increase in net realised and unrealised fair value gain on derivative financial instruments in relation to the commodity futures contracts.

Finance costs

The finance costs comprised interest expenses on borrowings which were charged at interest rates ranging from 4.35% to 8.39% (2016: 4.35% to 8.39%) per annum for the year ended 31 December 2017. Finance costs increased to approximately RMB41.7 million for the year ended 31 December 2017, by approximately RMB12.0 million or 40.4%, as compared with that of approximately RMB29.7 million for the year ended 31 December 2016. Such increase was primarily resulted from the increase in borrowings during the reporting period under review.

Income tax expense

Income tax expense decreased to approximately RMB16.0 million for the year ended 31 December 2017, by approximately RMB7.7 million or 32.5%, as compared with that of approximately RMB23.7 million for the year ended 31 December 2016. 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. In February 2017, our two major PRC subsidiaries were recognised 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 from 1 January 2016 to 31 December 2018.

Profit for the year

The Group's EBITDA increased to approximately RMB206.8 million for the year ended 31 December 2017, by approximately RMB18.3 million or 9.7%, as compared with that of approximately RMB188.5 million for the year ended 31 December 2016. Such increase reflected the continued growth of operating cash flow from our business during the reporting period under review.

MANAGEMENT DISCUSSION AND ANALYSIS

Our profit attributable to owners of the Company decreased to approximately RMB92.6 million for the year ended 31 December 2017, by approximately RMB1.7 million or 1.8%, as compared with that of approximately RMB94.3 million for the year ended 31 December 2016.

Net profit margin decreased to approximately 3.2% for the year ended 31 December 2017 by approximately 1.7 percentage points from approximately 4.9% for the year ended 31 December 2016.

Liquidity and financial resources

As at 31 December 2017, the Group's bank balances and cash increased to approximately RMB128.0 million, by approximately RMB8.7 million or 7.3%, from approximately RMB119.3 million as at 31 December 2016. The Group's restricted bank deposits increased to approximately RMB98.4 million as at 31 December 2017, by approximately RMB30.8 million or 45.6%, from approximately RMB67.6 million as at 31 December 2016.

As at 31 December 2017, the Group had the net current assets and the net assets of approximately RMB80.9 million (2016: RMB230.6 million) and approximately RMB596.6 million (2016: RMB537.3 million), respectively. As at 31 December 2017, the current ratio calculated based on current assets divided by current liabilities of the Group was 106.9% as compared with that of 137.1% as at 31 December 2016.

As at 31 December 2017, the Group's total borrowings amounted to approximately RMB958.0 million (2016: RMB634.1 million) and total equity amounted to approximately RMB596.6 million (2016: RMB537.3 million). The gearing ratio of the Group, calculated based on total borrowings divided by net assets value, was approximately 1.61 times (2016: 1.18 times) as at 31 December 2017.

As at 31 December 2017, the Group had total financing facilities relating to borrowings amounted to approximately RMB1,028.7 million (2016: RMB687.2 million), of which approximately RMB738.6 million (2016: RMB524.1 million) had been utilised. The Group believes it has and will have sufficient unutilised financing facilities to meet its 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.

Financial instruments

During the reporting period under review, apart from the commodity futures contracts, the Group had not entered into any financial instruments for hedging purpose.

Material acquisitions and disposal

For the year ended 31 December 2017, the Group had no material acquisitions or disposal of subsidiaries, associates and joint ventures.

Capital structure

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

Capital commitments

Details of the capital commitments are set out in note 27 to the consolidated financial statements.

Pledge of assets

Details of the pledge of assets are set out in note 29 to the consolidated financial statements.

Contingent liabilities

During the reporting period under review, the Company provided guarantees to banks as securities for financing 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 2017 (2016: nil).

Employees

As at 31 December 2017, the Group had a total of 1,034 (2016: 1,260) full-time employees in mainland China, Hong Kong and Singapore. The Group's total staff costs (including Directors' remuneration) in 2017 amounted to approximately RMB98.8 million (2016: RMB89.7 million). The Group remunerated the employees based on 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. No share option was granted during the year ended 31 December 2017.

Pursuant to our discretionary bonus policy after Listing, discretionary bonus that may be available to our executive Directors and senior management members for each financial year, if so approved by the remuneration committee of the Board, will not exceed 5% of the audited consolidated profit before taxation of our Group. Same to 2016, our Board decided not to pay any discretionary bonus to our executive Directors and senior management for the year ended 31 December 2017 so as to reserve more internal resources for the Group's operation and expansion.

Changes since 31 December 2017

Other than the loans extended by Mr. Xu to the Group as set out in note 37 to the consolidated financial statements, save as disclosed in this report, since 31 December 2017, there were no other significant changes in the Group's financial position and there were no other significant changes in relation to the information disclosed under the section headed "Management Discussion and Analysis" in this annual report of the Company for the year ended 31 December 2017.

DIRECTORS' REPORT

The Directors are pleased to present this annual report together with audited consolidated financial statements for the year ended 31 December 2017.

All reference 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 steel processor in Guangdong Province, the PRC. The Group provides processing, cutting, slitting, warehousing and delivery services on customised cold-rolled steel products and galvanized steel products. The Group is principally engaged in the production and sales of cold-rolled steel products and galvanized 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 2017 and their particulars are set out in note 36 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 33 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 cold-rolled steel products and galvanized steel products.

We generally do not enter into long-term sales contracts with our customers. They directly, or through trading companies indirectly, purchase cold-rolled steel products and galvanized 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 cold-rolled steel products and galvanized 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 sales volume to our customers may vary significantly from period to period, and it is difficult for us to forecast the volume of our customers' 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.

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 or 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 risk (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.

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 cold-rolled steel products and galvanized 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, allowances and other benefits. 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 Group and fostering employee loyalty.

(b) Customers

The Group processes hot-rolled steel coils into cold-rolled steel products and galvanized 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 cold-rolled steel products and galvanized steel products for the manufacture of end products, agents for manufacturers, and steel trading companies. During the year ended 31 December 2017, 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 results of the Group for the year ended 31 December 2017 are set out in the consolidated statement of profit or loss and other comprehensive income on page 54 of this annual report.

During the reporting period, an interim dividend of HK3.5 cents (2016: HK4.8 cents) per Share was distributed to the Shareholders for the six months ended 30 June 2017.

The Board recommends the payment of a final dividend of HK2.0 cents (2016: HK3.4 cents) per Share to the Shareholders whose names appear on the Company's register of members at the close of business on 31 July 2018, subject to Shareholders' approval at the forthcoming annual general meeting, and the retention of the remaining profit for the year. The proposed final dividend, if approved, is expected to be distributed from the share premium account of the Company on Monday, 6 August 2018.

The total dividend for 2017 amounts to a total of HK5.5 cents (2016: HK8.2 cents) per Share, which represents dividend payout ratio of approximately 30.0 per cent (2016: 46.4 per cent) of the profit attributable to owners of the Company for the year ended 31 December 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 Monday, 25 June 2018 to Thursday, 28 June 2018, 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 Friday, 22 June 2018.

The proposed final dividend is subject to the passing of an ordinary resolution by the Shareholders at the forthcoming 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 Thursday, 26 July 2018 to Tuesday, 31 July 2018, 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, 25 July 2018.

MAJOR SUPPLIERS AND CUSTOMERS

For the year ended 31 December 2017, the total purchases of raw materials from our five largest suppliers in aggregate accounted for approximately 65.1% (2016: 40.0%) of our total purchases and the total purchases from our largest supplier accounted for approximately 22.2% (2016: 21.7%) of our total purchases of raw materials.

For the year ended 31 December 2017, revenue from our five largest customers in aggregate accounted for approximately 15.9% (2016: 15.3%) of our revenue and revenue from our largest customer accounted for approximately 6.2% (2016: 5.3%) of our revenue.

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 years ended 31 December 2017 and 2016.

DIRECTORS' REPORT

FINANCIAL SUMMARY

A summary of the results, assets and liabilities of the Group for the past five financial years is set out in the section headed "Financial Summary" on page 102 of this annual report.

DONATIONS

During the year ended 31 December 2017, the Group's charitable and other donations amounted to approximately RMB510,000 (2016: RMB1.2 million).

PROPERTY, PLANT AND EQUIPMENT

Details of the movements in the Group's property, plant and equipment during the year ended 31 December 2017 are set out in note 13 to the consolidated financial statements.

BORROWINGS

Details of the borrowings of the Group as at 31 December 2017 are set out in note 22 to the consolidated financial statements.

SHARE CAPITAL

Details of the movements in the Company's share capital during the year ended 31 December 2017 are set out in note 25 to the consolidated financial statements.

USE OF PROCEEDS FROM THE GLOBAL OFFERING

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 unutilized net proceeds of HK$2.8 million (equivalent of approximately RMB2.3 million) were kept at the bank accounts of the Group as at 31 December 2017.

The net proceeds from the global offering (adjusted on a pro rata basis based on the actual net proceeds) are substantially utilized in accordance with the purposes set out in the section "Future Plans and Use of Proceeds" of the Prospectus of our Company dated 5 April 2016. The below table sets out the planned applications of the net proceeds and actual usage up to 31 December 2017:

Use of proceeds	Planned applications *(HK$ million)*	% of total net proceeds *(%)*	Actual usage up to 31 December 2017 *(HK$ million)*	Actual usage up to 31 December 2017 *(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	71.0	21.5	71.0	59.6
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	1.3	1.1
For general working capital and other general corporate purposes	29.7	9.0	29.7	24.5
	330.7	100.0	327.9	274.5

RESERVES

Details of the movements in the reserves of the Group and the Company during the year ended 31 December 2017 are set out in the consolidated statement of changes in equity on page 57 of this annual report and note 35 to the consolidated financial statements, respectively.

DISTRIBUTABLE RESERVES

As at 31 December 2017, the Company's reserves available for distribution to Shareholders, comprising share premium and retained profit amounted to approximately RMB264.0 million (2016: RMB284.0 million) 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 HK2.0 cents per Share will be distributed out of share premium account of the Company.

Under section 34(2) of the Cayman Islands Companies Law, the share premium account may be applied by a company in paying dividends to members provided that no distribution or dividend may be paid to members out of the share premium account unless, immediately following the date on which the distribution or dividend is proposed to be paid, the company shall be able to pay its debts as they fall due in the ordinary course of business. The Board confirms that with respect to the payment of the proposed final dividend out of the share premium account, the Company shall be able to pay its debts as they fall due in the ordinary course of business immediately following the date on which the proposed final dividend is proposed to be distributed.

DIRECTORS' REPORT

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 2017 and up to the date of this report are:

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

Non-executive Director:
Mr. Xu Jianhong (appointed on 21 November 2017)

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

Pursuant to Article 83(3) of the Article of Association of the Company, Mr. Xu Jianhong shall retire and, being eligible, offer himself for re-election at the forthcoming annual general meeting.

Pursuant to Article 84 of the Articles of Association of the Company, Mr. Xu, Mr. Goh Choo Hwee and Mr. Tam Yuk Sang Sammy shall retire by rotation and, being eligible, will offer themselves for re-election at the forthcoming annual general meeting.

BIOGRAPHIES OF DIRECTORS AND SENIOR MANAGEMENT

Biographical details of the Directors and senior management of the Group and the changes in information of the 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 2017.

DIRECTORS' SERVICE CONTRACTS

Each of the executive Directors has entered into a service contract with the Company for an initial fixed 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 Company or the relevant Director.

The non-executive Director has entered into a letter of appointment with the Company for an initial term of three years which unless otherwise terminated pursuant to the terms of the appointment is subject to automatic renewal. The appointment shall be subject to retirement and re-election at the forthcoming annual general meeting of the Company pursuant to the Articles of Association.

Each of the independent non-executive Directors has entered into a letter of appointment with the Company with effect from the Listing Date subject to retirement by rotation and re-election at annual general meetings of the 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 their 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 year ended 31 December 2017, 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.

DIRECTORS' REPORT

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 2017.

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 2017.

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 2017 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 2017, the interests and short positions of the Directors and the chief executive of the Company and their associates in the Shares and underlying Shares 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 shareholders	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 Company, 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, 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 2017.

Save as disclosed above, as at 31 December 2017, none of the Directors or chief executive of the Company nor their associates had any interests or short positions in the Shares or underlying Shares 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 AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES OF THE COMPANY

As at 31 December 2017, so far as the Directors are aware, the following persons or corporations (not being a Director or a chief executive of the Company) who/which 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 Company, 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, 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 2017.

Save as disclosed above, as at 31 December 2017, the Company has not been notified by any person nor corporation (other than Directors or the chief executive of the Company) who/which had interests or short positions 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, 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 31 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 year ended 31 December 2017 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 year ended 31 December 2017 and up 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, for the year ended 31 December 2017, 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 for the year ended 31 December 2017; 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 for the year ended 31 December 2017.

RELATED PARTY TRANSACTIONS

Details of material related party transactions of the Group undertaken in the normal course of business are set out in note 31 to the consolidated financial statements. During the year ended 31 December 2017, certain related party transactions set out in note 31 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 2017, 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, Xinhui District, 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 2017, the Group had the following connected transactions:

In 2016, the Group made a deposit of RMB6.0 million to Jiangmen Zhan Cheng, which is owned as to 80% by Mr. Xu, a substantial Shareholder, an executive Director and the Chairman of the Company, pursuant to a MOU signed on 28 December 2016 in relation to the possible acquisition of the Land and Plant B. On 20 November 2017, the Group and Jiangmen Zhan Cheng entered into a supplemental letter to the MOU to increase the amount of refundable and interest-free deposit from RMB6.0 million to RMB11.6 million of which additional deposit of approximately RMB5.6 million should be paid by the Group to Jiangmen Zhan Cheng. As at 31 December 2017, the MOU automatically lapsed and ceased to have any effect and the deposit that actually paid of approximately RMB11.0 million was fully refunded to the Group as at the date these financial statements are authorized for issuance.

On 7 September 2017, the Group entered into a loan agreement (as amended by the supplement agreement dated 21 November 2017) with Mr. Xu whereby Mr. Xu agreed to provide an unsecured and interest-free loan up to the amount of HKD60 million which is repayable on demand for the purpose of general working capital to the Group. On 23 January 2018, subsequent to the reporting period, the Group entered into two loan agreements with Mr. Xu whereby Mr. Xu agreed to provide unsecured loans in an amount of HKD40 million and USD3 million respectively to the Group for a term of three years at the interest rate of 1.00% per annum. The financial assistance from Mr. Xu was utilized by the Group as its general working capital. The Board considers that as the provision of financial assistance from Mr. Xu to the Group was conducted on normal commercial terms or better and was not secured by any assets of the Group, the provision of financial assistance received by the Group from a connected person was fully exempt under Rule 14A.90 of the Listing Rules.

During the year ended 31 December 2017, the Group entered into various contracts with Jiangmen Hong Sheng, which is beneficially owned as to 70% by Mr. Chen, an executive Director of the Company, primarily on the maintenance and renovation works for our productions lines. These connected transactions for the construction cost of approximately RMB2.8 million were conducted in the ordinary and usual course of business on normal commercial terms and these connected transactions were qualified under Rule 14A.76 of the Listing Rules as de minimis transaction and were therefore fully exempt from reporting, annual review, announcement and 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.

TAX RELIEF

The Company is not aware of any relief on taxation available to the Shareholders by reason of their holdings of the Shares. If the Shareholders are unsure about the taxation implications of purchasing, holding, disposing of, dealing in, or exercising of any rights in relation to the Shares, they are advised to consult their professional advisers.

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 for the year ended 31 December 2017.

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 reporting period 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 reporting period 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.

As required by the Listing Rules, the Company is required to report on environmental, social and governance ("ESG") information of the Group on an annual basis and regarding the same period covered in this annual report. The Company will publish the ESG report on the websites of the Company and the Stock Exchange in due course.

DIRECTORS' REPORT

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 reporting period 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.

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.

EVENTS AFTER THE REPORTING PERIOD

Details of events after the reporting period are set out in note 37 to the consolidated financial statement on page 101 of this annual report.

AUDITOR

The consolidated financial statements of the Company for the year ended 31 December 2017 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, 23 March 2018

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 54 to 101, which comprise the consolidated statement of financial position as at 31 December 2017, 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 2017, 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.

INDEPENDENT AUDITOR'S REPORT

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 amount of the inventories are recoverable based on the latest invoice prices, current market conditions and estimates for costs of completion and costs necessary 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 2017 amounted to RMB309,938,000. No provision for inventories has been recognised as at 31 December 2017. 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 for costs of completion and costs necessary to make the sale for the products (if any).	Our procedures in relation to assessing the appropriateness of the provision of inventories included: • Understanding and testing the design and implementation and operating effectiveness of 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 costs of completion and costs necessary 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 costs of completion and costs 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.

INDEPENDENT AUDITOR'S REPORT

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements *(Continued)*

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.

- 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.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements *(Continued)*

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 Mr. Chung Chi Man.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong

23 March 2018

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2017

	Notes	2017 RMB'000	2016 RMB'000
Revenue	5	**2,863,465**	1,919,020
Cost of sales		**(2,651,159)**	(1,692,224)
Gross profit		**212,306**	226,796
Other income, other gains and losses	6	**9,722**	4,162
Selling expenses		**(46,228)**	(35,762)
Administrative expenses		**(37,042)**	(45,747)
Listing expenses		**–**	(6,113)
Profit before investment income and gain, net finance costs and taxation		**138,758**	143,336
Investment income and gain		**9,353**	812
Finance income	7	**2,015**	3,609
Finance costs	7	**(41,732)**	(29,684)
Finance costs, net	7	**(39,717)**	(26,075)
Profit before taxation		**108,394**	118,073
Income tax expense	8	**(15,989)**	(23,740)
Profit for the year	9	**92,405**	94,333
Other comprehensive (expense) income for the year			
— exchange differences arising on translation of foreign operations which may be subsequently reclassified to profit or loss		**(2,822)**	6,471
Total comprehensive income for the year		**89,583**	100,804
Profit (loss) for the year attributable to:			
Owners of the Company		**92,635**	94,333
Non-controlling interests		**(230)**	–
		92,405	94,333
Total comprehensive income (expense) for the year attributable to:			
Owners of the Company		**89,813**	100,804
Non-controlling interests		**(230)**	–
		89,583	100,804
Earnings per share for profit attributable to owners of the Company,	12		
— Basic (RMB cents)		**15.44**	16.94
— Diluted (RMB cents)		**N/A**	16.83

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2017

	Notes	2017 RMB'000	2016 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment	13	487,234	428,230
Prepaid lease payments	14	82,782	63,227
Deposits paid for acquisition of property, plant and equipment and land use rights		33,054	16,976
Deferred tax assets	24	4,208	–
		607,278	508,433
CURRENT ASSETS			
Prepaid lease payments	14	2,116	1,450
Inventories	15	309,938	195,215
Trade, bills and other receivables	16	707,689	461,672
Derivative financial instruments	17	11,490	–
Tax recoverable		1,650	6,866
Restricted bank deposits	18	98,365	67,570
Bank balances and cash	19	127,955	119,328
		1,259,203	852,101
CURRENT LIABILITIES			
Trade, bills and other payables and accrued expenses	20	228,871	156,765
Tax payables		1,738	49
Amounts due to related parties	21	52,471	–
Borrowings — due within one year	22	895,242	464,675
		1,178,322	621,489
NET CURRENT ASSETS		80,881	230,612
TOTAL ASSETS LESS CURRENT LIABILITIES		688,159	739,045
NON-CURRENT LIABILITIES			
Borrowings — due more than one year	22	62,750	169,403
Deferred income	23	28,050	31,350
Deferred tax liabilities	24	753	1,000
		91,553	201,753
NET ASSETS		596,606	537,292

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2017

	Note	**2017** **RMB'000**	2016 RMB'000
CAPITAL AND RESERVES			
Share capital	*25*	**4,999**	4,999
Reserves		**582,237**	528,293
Equity attributable to owners of the Company		**587,236**	533,292
Non-controlling interests		**9,370**	4,000
TOTAL EQUITY		**596,606**	537,292

The consolidated financial statements on pages 54 to 101 were approved and authorised for issue by the Board of Directors on 23 March 2018 and are signed on its behalf by:

Mr. Xu Songqing
Director

Mr. Luo Canwen
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2017

	Attributable to owners of the Company								
	Share capital *RMB'000* *(note 25)*	Share premium *RMB'000*	Statutory reserve *RMB'000* *(Note)*	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 2016	–	–	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 25)*	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 25)*	3,769	(3,769)	–	–	–	–	–	–	–
Transfer	–	–	10,500	–	–	(10,500)	–	–	–
Capital contributed by non-controlling interests of 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
Profit (loss) for the year	–	–	–	–	–	92,635	92,635	(230)	92,405
Other comprehensive expense for the year	–	–	–	–	(2,822)	–	(2,822)	–	(2,822)
Total comprehensive (expense) income for the year	–	–	–	–	(2,822)	92,635	89,813	(230)	89,583
Transfer	–	–	8,833	–	–	(8,833)	–	–	–
Capital contributed by non-controlling interests of a subsidiary	–	–	–	–	–	–	–	5,600	5,600
Dividend paid *(note 11)*	–	(18,194)	–	–	–	(17,675)	(35,869)	–	(35,869)
At 31 December 2017	4,999	264,429	38,120	58,696	(2,261)	223,253	587,236	9,370	596,606

Note: 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.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2017

	2017 RMB'000	2016 RMB'000
OPERATING ACTIVITIES		
Profit before taxation	108,394	118,073
Adjustments for:		
Depreciation of property, plant and equipment	56,830	42,852
Amortisation of prepaid lease payments	1,854	1,450
Loss on disposal of property, plant and equipment	321	–
Interest income	(2,015)	(3,609)
Interest expense	41,732	29,684
Release of deferred income	(3,300)	(1,650)
Fair value change of derivative financial instruments	(1,683)	–
Operating cash flows before movements in working capital	202,133	186,800
Increase in inventories	(114,723)	(69,851)
Increase in trade, bills and other receivables	(223,144)	(239,147)
Increase (decrease) in trade, bills and other payables and accrued expenses	73,964	(34,846)
Cash used in operations	(61,770)	(157,044)
Income tax paid	(13,538)	(43,397)
NET CASH USED IN OPERATING ACTIVITIES	(75,308)	(200,441)
INVESTING ACTIVITIES		
Placement of restricted bank deposits	(173,144)	(72,772)
Deposit paid for and purchase of property, plant and equipment and land use rights	(160,669)	(153,098)
Purchase of derivative financial instruments	(155,837)	–
Loan to an independent third party	(26,038)	–
Purchase of prepaid lease payments	(22,075)	(14,958)
Settlements of derivative financial instruments	146,030	–
Withdrawal of restricted bank deposits	142,349	49,554
Repayment of loan from an independent third party	26,038	–
Proceeds from disposal of property, plant and equipment	5,836	10
Interest received	2,015	3,609
Repayment from related parties	–	122,411
NET CASH USED IN INVESTING ACTIVITIES	(215,495)	(65,244)

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2017

	2017	2016
	RMB'000	*RMB'000*
FINANCING ACTIVITIES		
New borrowings raised	**1,750,527**	907,588
Advance from a related party	**50,155**	–
Capital contributed by non-controlling interests of a subsidiary	**5,600**	4,000
Repayment of borrowings	**(1,426,613)**	(800,812)
Interest paid	**(43,768)**	(31,784)
Dividend paid	**(35,869)**	(78,607)
Proceeds from issue of shares	**–**	298,712
Expense on issue of shares	**–**	(11,090)
NET CASH FROM FINANCING ACTIVITIES	**300,032**	288,007
NET INCREASE IN CASH AND CASH EQUIVALENTS	**9,229**	22,322
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR	**119,328**	96,190
EFFECTS OF EXCHANGE RATE CHANGES	**(602)**	816
CASH AND CASH EQUIVALENTS AT END OF THE YEAR, represented by bank balances and cash	**127,955**	119,328

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2017

1. GENERAL

Huajin International Holdings Limited (the "Company", together with its subsidiaries, the "Group") is a public limited company incorporated in the Cayman Islands as an exempted company and its shares are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). Its immediate and ultimate holding company is Haiyi Limited, a company incorporated in the British Virgin Islands and ultimately controlled by two individuals, namely Mr. Xu Songqing ("Mr. Xu") and Mr. Luo Canwen ("Mr. Luo") who have been acting in concert.

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 principal activities of the Group's subsidiaries are set out in note 36. 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 REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

Amendments to HKFRSs that are mandatorily effective for the current year

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

Amendments to HKAS 7	Disclosure Initiative
Amendments to HKAS 12	Recognition of Deferred Tax Assets for Unrealised Losses
Amendments to HKFRS 12	As part of the Annual Improvements to HKFRSs 2014–2016 Cycle

Except as described below, 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.

Amendments to HKAS 7 "Disclosure Initiative"

The Group has applied these amendments for the first time in the current year. The amendments require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both cash and non-cash changes. In addition, the amendments also require disclosures on changes in financial assets if cash flows from those financial assets were, or future cash flows will be, included in cash flows from financing activities.

Specifically, the amendments require the following to be disclosed: (i) changes from financing cash flows; (ii) changes arising from obtaining or losing control of subsidiaries or other businesses; (iii) the effect of changes in foreign exchange rates; (iv) changes in fair values; and (v) other changes.

A reconciliation between the opening and closing balances of these items is provided in note 34. Consistent with the transition provisions of the amendments, the Group has not disclosed comparative information for the prior year. Apart from the additional disclosure in note 34, the application of these amendments has had no impact on the Group's consolidated financial statements.

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

New and revised HKFRSs in issue but not yet effective

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

HKFRS 9	Financial Instruments[1]
HKFRS 15	Revenue from Contracts with Customers and the related Amendments[1]
HKFRS 16	Leases[2]
HKFRS 17	Insurance Contracts[4]
HK(IFRIC)-Int 22	Foreign Currency Transactions and Advance Consideration[1]
HK(IFRIC)-Int 23	Uncertainty over Income Tax Treatments[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 9	Prepayment Features with Negative Compensation[2]
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 28	Long-term Interests in Associates and Joint Ventures[2]
Amendments to HKAS 28	As part of the Annual Improvements to HKFRSs 2014–2016 Cycle[1]
Amendments to HKAS 40	Transfer of Investment Property[1]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2015–2017 Cycle[2]

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 2021

Except for the new HKFRSs mentioned below, the directors of the Company anticipate that the application of all other new and amendments to HKFRSs and Interpretations will have no material impact on the consolidated financial statements in the foreseeable future.

HKFRS 9 "Financial Instruments"

HKFRS 9 introduces new requirements for the classification and measurement of financial assets, financial liabilities, general hedge accounting and impairment requirements for financial assets.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2017

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

HKFRS 9 "Financial Instruments" *(Continued)*

Key requirements of HKFRS 9 which are relevant to the Group are:

- All recognised financial assets that are within the scope of HKFRS 9 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 fair value through other comprehensive income ("FVTOCI"). All other financial assets are measured at their fair value at 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.

- 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.

Based on the Group's financial instruments and risk management policies as at 31 December 2017, the directors of the Company anticipate the following potential impact on initial application of HKFRS 9:

Classification and measurement

All financial assets and financial liabilities will continue to be measured on the same bases as are currently measured under HKAS 39.

Impairment

In general, the directors of the Company anticipate that the application of the expected credit loss model of HKFRS 9 will result in earlier provision of credit losses which are not yet incurred in relation to the Group's financial assets measured at amortised costs and other items that subject to the impairment provisions upon application of HKFRS 9 by the Group.

Based on the assessment by the directors of the Company, if the expected credit loss model were to be applied by the Group, the accumulated amount of impairment loss to be recognised by Group as at 1 January 2018 would be the same as the accumulated amount recognised under HKAS 39.

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

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.

The directors of the Company anticipate that the application of HKFRS 15 in the future may result in more disclosures. However, the directors of the Company do not anticipate that the application of HKFRS 15 will have a material impact on the timing and amounts of revenue recognised in the respective reporting periods.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2017

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

HKFRS 16 "Leases" *(Continued)*

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 payment 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. Upon application of HKFRS 16, lease payments in relation to lease liability will be allocated into a principal and an interest portion, both of which will be presented as financing cash flows by the Group.

Under HKAS 17, the Group has already recognised an asset and a related finance lease liability for finance lease arrangement and 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 operation lease or a finance lease.

Furthermore, extensive disclosures are required by HKFRS 16.

As at 31 December 2017, the Group has non-cancellable operating lease commitments of RMB1,476,000 as disclosed in note 28. A preliminary assessment indicates that these arrangements will meet the definition of a lease. Upon application of HKFRS 16, 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.

Furthermore, the application of new requirements may result in changes in measurement, presentation and disclosure as indicated above.

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 rendered.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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 statements 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".

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

The Group reassess 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2017

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Basis of consolidation *(Continued)*

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.

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.

Leasehold land and building

When the Group makes payments for a property interest which includes both leasehold land and building elements, the Group assesses the classification of each element separately based on the assessment as to whether substantially all the risks and rewards incidental to ownership of each element have been transferred to the Group, unless it is clear that both elements are operating leases in which case the entire property is accounted as an operating lease. Specifically, the entire consideration (including any lump-sum upfront payments) are allocated between the leasehold land and the building elements in proportion to the relative fair values of the leasehold interests in the land element and building element at initial recognition.

To the extent the allocation of the relevant payments can be made reliably, interest in leasehold land that is accounted for as an operating lease is presented as "prepaid lease payments" in the consolidated statement of financial position and is amortised over the lease term on a straight-line basis.

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 statements 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 the year ended 31 December 2017

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 if 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2017

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, trade, bills and other receivables, 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.

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.

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, amounts due to related parties and 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.

Derivative financial instruments

Derivatives are initially recognised at fair value at the date when derivative contracts are entered into and are subsequently remeasured to their fair value at the end of the reporting period. The resulting gain or loss is recognised in profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2017

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.

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.

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.

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 costs 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 relevant 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 (or a cash-generating unit) 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. In allocating the impairment loss, the impairment loss is allocated first to reduce the carrying amount of any goodwill (if applicable) and then to the other assets on a pro-rata basis based on the carrying amount of each asset in the unit. The carrying amount of an asset is not reduced below the highest of its fair value less costs of disposal (if measurable), its value in use (if determinable) and zero. The amount of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other assets of the unit. 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 management of the Group considers, whilst the contracted selling prices of the Group's cold-rolled steel products and galvanized steel products are negotiated according to the market conditions with reference to its costs of inventories, the trends of the market prices of steels are out of the control of the Group and thus imposed pressures to the net realisable values of its inventories. The management of the Group reviews the net realisable values of the inventories at the end of the reporting period 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 2017, the inventories amounted to RMB309,938,000 (2016: RMB195,215,000). No provision for inventories has been recognised as at 31 December 2017 and 2016.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2017

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 years ended 31 December 2017 and 2016, the CODM assesses the operating performance and allocates the resources of the Group as a whole as the Group is primarily engaged in the production and sales of cold-rolled steel products and galvanized 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 mainly 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.

	2017 ***RMB'000***	2016 *RMB'000*
Sales of cold-rolled steel products		
— cold-rolled steel strips and sheets	**2,034,582**	1,510,618
— welded steel tubes	**169,233**	177,014
Sales of galvanized steel products	**546,386**	160,685
Others	**113,264**	70,703
	2,863,465	1,919,020

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 goods delivered, irrespective of the origin of goods, is detailed below:

	2017 ***RMB'000***	2016 *RMB'000*
PRC	**2,810,691**	1,825,928
Southeast Asia	**52,774**	93,092
	2,863,465	1,919,020

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 2017 (2016: nil).

6. OTHER INCOME, OTHER GAINS AND LOSSES

	2017 RMB'000	2016 RMB'000
Government grants *(Notes i and ii)*	10,995	6,624
Net foreign exchange gains (losses)	190	(1,642)
Others	(1,463)	(820)
	9,722	4,162

Notes:

(i) Incentives received from the PRC local authorities by the Group as encouragement of its business development amounting to RMB7,695,000 (2016: RMB4,974,000) are recognised in the profit or loss for the year ended 31 December 2017 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 were recorded as a deferred income in prior year, of which RMB3,300,000 (2016: RMB1,650,000) has been recognised in the profit or loss for the year ended 31 December 2017.

7. FINANCE INCOME AND COSTS

	2017 RMB'000	2016 RMB'000
Interest income from:		
— bank deposits	1,383	1,157
— an independent third party *(Note i)*	632	2,452
	2,015	3,609
Interest expense on borrowings, net of amounts capitalised in the cost of qualifying assets of RMB2,036,000 (2016: RMB2,100,000) *(Note ii)*	(41,732)	(29,684)
Finance costs, net	(39,717)	(26,075)

Notes:

(i) The amount represents the interest income arising from a loan to an independent third party of RMB26,038,000 during the year ended 31 December 2017 which was unsecured and interest-bearing at fixed interest rate of 12% per annum. The entire amount of loan has been settled during the year ended 31 December 2017.

(ii) Bank borrowing costs capitalised during the year ended 31 December 2017 arose on the borrowing pool and are calculated by applying a comprehensive capitalisation rate of 5.4% (2016: 6.2%) per annum to expenditure on qualifying assets.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2017

8. INCOME TAX EXPENSE

	2017 ***RMB'000***	2016 *RMB'000*
Current tax charge:		
— PRC Enterprise Income Tax ("EIT")	**18,266**	19,790
— PRC withholding income tax	**1,001**	2,950
— Hong Kong Profits Tax	**177**	–
Deferred tax (credit) charge *(note 24)*	**(3,455)**	1,000
Income tax expense for the year	**15,989**	23,740

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:

	2017 ***RMB'000***	2016 *RMB'000*
Profit before taxation	**108,394**	118,073
Tax at the EIT rate of 25% (2016: 25%)	**27,099**	29,518
Tax effect of expenses not deductible for tax purpose	**530**	1,181
Withholding tax on earnings of subsidiaries	**1,501**	3,950
Income tax at concessionary rate	**(13,141)**	(10,909)
Income tax expense for the year	**15,989**	23,740

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.

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 the subsidiary incorporated in Hong Kong, which entitles a reduced withholding income tax rate of 5% according to the PRC tax regulations when it is qualified as a Hong Kong tax resident.

9. PROFIT FOR THE YEAR

	2017 *RMB'000*	2016 *RMB'000*
Profit for the year has been arrived at after charging (crediting):		
Directors' remuneration		
— fee	519	366
— other emoluments, salaries, allowances and other benefits	738	864
— retirement benefit scheme contributions	29	37
	1,286	1,267
Other staff salaries, allowances and other benefits	87,293	78,690
Retirement benefit scheme contributions, excluding those of directors	10,192	9,764
Total employee benefits expenses	98,771	89,721
Auditor's remuneration		
— audit services	1,449	1,386
— non-audit services	608	832
Depreciation of property, plant and equipment	56,830	42,852
Amortisation of prepaid lease payments	1,854	1,450
Loss on disposal of property, plant and equipment	321	–
Fair value gain of derivative financial instruments (included in investment income and gain)	(1,683)	–
Net realised gain on the derivative financial instruments (included in investment income and gain)	(7,664)	(812)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2017

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

(a) Directors' and 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 employees/directors of the group entities prior to becoming the directors of the Company) during the years ended 31 December 2017 and 2016 are as follows:

For the year ended 31 December 2017

Name of directors	Fee *RMB'000*	Salaries, allowances and other benefits *RMB'000*	Retirement benefit scheme contributions *RMB'000*	Total *RMB'000*
Executive directors:				
Mr. Xu	–	87	9	96
Mr. Luo *(Note i)*	–	217	10	227
Mr. Chen Chunniu ("Mr. Chen")	–	217	10	227
Mr. Xu Songman	–	217	–	217
Non-executive director:				
Mr. Xu Jianhong *(Note ii)*	–	–	–	–
Independent non-executive directors:				
Mr. Goh Choo Hwee *(Note iii)*	173	–	–	173
Mr. Tam Yuk Sang Sammy *(Note iii)*	173	–	–	173
Mr. Wu Chi Keung *(Note iii)*	173	–	–	173
	519	738	29	1,286

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

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

For the year ended 31 December 2016

Name of directors	Fee *RMB'000*	Salaries, allowances and other benefits *RMB'000*	Retirement benefit scheme contributions *RMB'000*	Total *RMB'000*
Executive directors:				
Mr. Xu	–	87	9	96
Mr. Luo *(Note i)*	–	346	16	362
Mr. Chen	–	174	12	186
Mr. Xu Songman	–	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

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

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

Notes:

(i) 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.

(ii) Being appointed as a non-executive director of the Company on 21 November 2017.

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

(iv) The emoluments for each of the director for both years fell in the band of nil to HK$1,000,000.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2017

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

(b) Emoluments of senior management:

Of the 12 (2016: 11) senior management of the Company for the year ended 31 December 2017, 8 (2016: 7) 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 (2016: 4) senior management are as follows:

	2017 RMB'000	2016 RMB'000
Salaries, allowances and other benefits	2,037	1,675
Retirement benefit scheme contributions	34	40
	2,071	1,715

The emoluments fell within the following bands:

	Number of senior management	
	2017	2016
Nil to HK$1,000,000	3	3
HK$1,000,001 to HK$1,500,000	1	1
	4	4

(c) Five highest paid individuals

The five highest paid individuals of the Group include no (2016: 2) director of the Company and 4 (2016: 2) senior management for the year ended 31 December 2017 whose emoluments have been disclosed in note 10(a) and (b) above. The emoluments of the remaining 1 (2016: 1) individual for the year ended 31 December 2017 are as follows:

	2017 RMB'000	2016 RMB'000
Salaries, allowances and other benefits	309	669
Retirement benefit scheme contributions	11	15
	320	684

The emoluments of the employee above were within the following bands:

	Number of employee	
	2017	2016
Nil to HK$1,000,000	1	1

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2017

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

(c) Five highest paid individuals *(Continued)*

During the years ended 31 December 2017 and 2016, 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 2017 and 2016.

11. DIVIDENDS

Dividends recognised as distribution during the year:

	2017 **RMB'000**	2016 RMB'000
2016 final dividend of HK3.4 cents (2015: nil) per share	**17,675**	–
2017 interim dividend of HK3.5 cents (2016: 2016 interim dividend of HK4.8 cents) per share	**18,194**	26,137
Dividends 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	**–**	52,470
	35,869	78,607

The final dividend of HK2.0 cents (2016: HK3.4 cents) per share, totalling HK$12,000,000 (equivalent to RMB9,675,000) (2016: HK$20,400,000), for the year ended 31 December 2017 is proposed by the Board of Directors of the Company on 23 March 2018. As the final dividend is declared after the end of the reporting period, such dividend is not recognised as a liability as at 31 December 2017.

12. EARNINGS PER SHARE

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

	2017 **RMB'000**	2016 RMB'000
Earnings:		
Profit for the year attributable to owners of the Company for the purpose of basic and diluted earnings per share	**92,635**	94,333
Number of shares:		
Weighted average number of ordinary shares for the purpose of basic earnings per share (in thousands)	**600,000**	556,967
Add: Effect of diluted potential ordinary share arising from the over-allotment option (in thousands)	**N/A**	3,511
Weighted average number of ordinary shares for the purpose of diluted earnings per share (in thousands)	**N/A**	560,478

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For the year ended 31 December 2017

12. EARNINGS PER SHARE *(Continued)*

The weighted average numbers of ordinary shares for the purpose of calculating the basic and diluted earnings per share for the year ended 31 December 2016 have been adjusted to reflect the effects of the capitalisation issue of 449,999,900 ordinary shares as described in note 25 had been effective on 1 January 2016.

No diluted earnings per share is presented for the year ended 31 December 2017 as the Group had no potential ordinary shares in issue during the year.

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 2016	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
Additions	–	24,229	87	1,139	7,449	89,112	122,016
Transfer from construction in progress	–	9,707	–	–	2,787	(12,494)	–
Disposals	–	(2,000)	–	(6,321)	–	–	(8,321)
Exchange realignment	–	–	(8)	(68)	(6)	–	(82)
At 31 December 2017	241,855	347,632	5,781	7,389	17,398	83,240	703,295
DEPRECIATION							
At 1 January 2016	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
Provided for the year	11,844	36,704	735	1,260	6,287	–	56,830
Disposals	–	(47)	–	(2,117)	–	–	(2,164)
Exchange realignment	–	–	(6)	(47)	(4)	–	(57)
At 31 December 2017	48,648	150,112	4,038	5,067	8,196	–	216,061
CARRYING VALUES							
At 31 December 2017	193,207	197,520	1,743	2,322	9,202	83,240	487,234
At 31 December 2016	205,051	202,241	2,393	6,668	5,255	6,622	428,230

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, fixture 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 borrowings are set out in note 29.

14. PREPAID LEASE PAYMENTS

	2017 ***RMB'000***	2016 *RMB'000*
Analysed for reporting purpose as:		
Non-current asset	**82,782**	63,227
Current asset	**2,116**	1,450
	84,898	64,677

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 borrowings are set out in note 29.

15. INVENTORIES

	2017 ***RMB'000***	2016 *RMB'000*
Raw materials	**53,662**	57,467
Work in progress	**221,675**	115,286
Finished goods	**34,601**	22,462
	309,938	195,215

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16. TRADE, BILLS AND OTHER RECEIVABLES

	2017 RMB'000	2016 RMB'000
Trade receivables	**268,727**	193,009
Bills receivables	**245,531**	138,958
Prepayments to suppliers	**129,313**	120,386
Value-added tax recoverable	**40,461**	604
Deposits paid for acquisition of property, plant and equipment and land use rights *(note 31(a))*	**11,016**	–
Other prepayments, deposits and other receivables	**12,641**	8,715
	707,689	461,672

No allowance for bad and doubtful debt was provided for each of the years ended 31 December 2017 and 2016 and no provision for bad and doubtful debt balances was 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 days (2016: 120 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 dates at the end of each reporting period:

	2017 RMB'000	2016 RMB'000
Trade receivables:		
Within 30 days	**217,827**	114,553
31–60 days	**44,439**	58,383
61–90 days	**108**	10,006
91–120 days	**2,410**	1,995
121–180 days	**684**	4,037
181–365 days	**472**	4,035
Over 1 year	**2,787**	–
	268,727	193,009
Bills receivables:		
Within 30 days	**29,535**	17,750
31–60 days	**30,922**	28,187
61–90 days	**59,198**	26,341
91–120 days	**37,287**	23,930
121–180 days	**81,043**	38,790
181–365 days	**7,546**	3,960
	245,531	138,958

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

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 terms 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 RMB3,943,000 (2016: RMB8,072,000) 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:

	2017 RMB'000	2016 RMB'000
Days overdue:		
1–30 days	684	4,037
61–90 days	472	4,035
Over 1 year	2,787	–
	3,943	8,072

Included in the Group's bills receivables are amounts of RMB219,350,000 (2016:RMB109,948,000), as at 31 December 2017, 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 22). The financial asset is carried at amortised cost in the consolidated statement of financial position.

	2017 RMB'000	2016 RMB'000
Carrying amount of transferred asset	219,350	109,948
Carrying amount of associated liability	(219,350)	(109,948)
	–	–

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17. DERIVATIVE FINANCIAL INSTRUMENTS

As at 31 December 2017, the derivative financial instruments represent the outstanding future contracts of hot rolled coils with total notional amount of approximately RMB11,490,000 (2016: nil) with maturity date in May 2018 which are publicly traded in a futures exchange. Net realised gain on the derivative financial instruments and net fair value change on the derivative financial instruments were recognised under "investment income and gain" in profit or loss.

18. RESTRICTED BANK DEPOSITS

Restricted bank deposits represent deposits pledged to banks for banking facilities granted to the Group, as set out in note 29.

Restricted bank deposits carry interest at variable interest rates ranging from 0.35% to 2.10% (2016: 0.35%) per annum as quoted by the People's Bank of China as at 31 December 2017.

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 0.01% to 0.35% (2016: 0.01% to 0.35%) per annum as at 31 December 2017.

20. TRADE, BILLS AND OTHER PAYABLES AND ACCRUED EXPENSES

	2017 ***RMB'000***	2016 *RMB'000*
Trade payables	**32,979**	21,393
Bills payables	**94,592**	13,750
Receipts in advance from customers	**57,792**	73,195
Accrued staff costs	**6,251**	7,610
Construction payables	**14,261**	20,394
Transportation fees payable	**7,020**	1,616
Other tax payables	**1,144**	337
Other payables and accrued expenses	**14,832**	18,470
	228,871	156,765

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

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

	2017	2016
	RMB'000	*RMB'000*
Trade payables:		
Within 30 days	**18,875**	8,789
31–60 days	**5,198**	3,944
61–90 days	**1,802**	1,435
91–120 days	**985**	825
121–180 days	**2,025**	1,377
181–365 days	**1,809**	2,892
Over 1 year	**2,285**	2,131
	32,979	21,393
Bills payables:		
Within 30 days	**22,552**	–
31–60 days	**47,872**	–
121–180 days	**24,168**	13,750
	94,592	13,750

The average credit period granted by suppliers on purchase of goods is no longer than 30 (2016: 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.

21. AMOUNTS DUE TO RELATED PARTIES

	2017	2016
	RMB'000	*RMB'000*
Mr. Xu *(Note i)*	**50,155**	–
江門市鴻盛建築工程有限公司 *(Note ii)* Jiangmen Hong Sheng Construction Engineering Limited	**1,742**	–
江門市華志金屬製品有限公司 *(Note iii)* Jiangmen Huazhi Metal Product Company Limited	**574**	–
	52,471	–

Notes:

(i) The amount is non-trade in nature, interest free, unsecured and repayment on demand.

(ii) This is an entity owned as to 70% by Mr. Chen. The amount is trade in nature, interest free, unsecured and repayment on demand.

(iii) This is an entity owned as to 60% by Mr. Xu and 40% by Mr. Chen. The amount is trade in nature, interest free, unsecured and repayment on demand.

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22. BORROWINGS

	2017 RMB'000	2016 RMB'000
Fixed-rate borrowings:		
Secured bank borrowings	**464,700**	421,580
Bank borrowings from factoring of bills receivables with full recourse *(note 16)*	**219,350**	109,948
Secured other borrowings	**36,483**	–
	720,533	531,528
Variable-rate borrowings:		
Secured bank borrowings	**237,459**	102,550
	957,992	634,078
The carrying amounts of the above borrowings are repayable, based on scheduled repayment dates set out in the loan agreements, as:		
— within one year	**895,242**	464,675
— more than one year, but not more than two years	**46,000**	169,403
— more than two years, but not more than five years	**16,750**	–
	957,992	634,078
Less: amount due within one year shown under current liabilities	**(895,242)**	(464,675)
Amount shown under non-current liabilities	**62,750**	169,403

The secured other borrowings above were borrowings from a financial institution independent with the Group.

The effective interest rate on the Group's borrowings as at 31 December 2017 was ranging from 4.35% to 8.39% (2016: 4.35% to 8.39%) per annum. The Group's borrowings were secured by certain assets of the Group as detailed in note 29.

23. DEFERRED INCOME

Deferred income represents government grants received by the Group's subsidiaries in the PRC from the People's Government of Jiangmen Municipal Xinhui District Muzhou Town, the PRC for and applied towards the construction of the Group's manufacturing plants in Muzhou Town.

The deferred income is released to income over the expected useful life of the relevant assets. Movements of deferred income during the year are as follows:

	2017 RMB'000	2016 RMB'000
Government grants related to assets:		
At the beginning of the year	**31,350**	33,000
Released to profit or loss	**(3,300)**	(1,650)
At the end of the year	**28,050**	31,350

24. DEFERRED TAXATION

The following is an analysis of the deferred tax balances for financial reporting purposes:

	2017 **RMB'000**	2016 *RMB'000*
Deferred tax assets	**4,208**	–
Deferred tax liabilities	**(753)**	(1,000)
	3,455	(1,000)

The major deferred tax assets and liabilities recognised related to undistributed earnings of the Group's subsidiaries in the PRC, derivative financial instruments and government grants received by the Group. The movements during the current and prior years are as follow:

	RMB'000
At 1 January 2016	(3,000)
Charge for the year *(note 8)*	(1,000)
Settlements of withholding income tax relating to earnings of subsidiaries established in the PRC	3,000
At 31 December 2016	(1,000)
Credit for the year *(note 8)*	3,455
Settlements of withholding income tax relating to earnings of subsidiaries established in the PRC	1,000
At 31 December 2017	3,455

As at 31 December 2017, the aggregate amount of temporary differences associated with undistributed earnings of subsidiaries in the PRC for which deferred tax liabilities have not been recognised was approximately RMB206,570,000 (2016: RMB137,081,000). 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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25. SHARE CAPITAL

Details of movements of share capital of the Company are as follows:

	Number of shares	Share capital *HK$'000*
Ordinary shares of HK$0.01 each		
Authorised:		
At 1 January 2016	38,000,000	380
Increase on 23 March 2016 *(Note i)*	7,962,000,000	79,620
At 31 December 2016 and 2017	8,000,000,000	80,000
Issued:		
At 1 January 2016	100	–
Issue of shares *(Note ii)*	599,999,900	6,000
At 31 December 2016 and 2017	600,000,000	6,000

	2017 ***RMB'000***	2016 *RMB'000*
Shown in the consolidated statement of financial position	**4,999**	4,999

Notes:

(i) 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.

(ii) 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.

(iii) All the shares issued ranked pari passu in all respects with the then existing shares in issue.

26. SHARE OPTION

Pursuant to a resolution passed on 23 March 2016 by the board of directors of the Company, a share option scheme (the "Share Option Scheme") was adopted.

The purpose of the Share Option Scheme is to provide incentives or rewards to eligible persons for their contribution or potential contribution to the Group.

26. SHARE OPTION *(Continued)*

The board of directors of the Company may, at its discretion, offer to grant an option to subscribe for such number of new shares as the board of directors of the Company may determine at an exercise price at a price which will not be less than the higher of (i) closing price of the shares on the date of offer of grant and (ii) the average closing price of the shares for the five business days immediately preceding the date of offer of grant 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 the Group who, in the sole opinion of the board of directors of the Company, will contribute or have contributed to the Group.

The Share Option Scheme will expire on 22 March 2026.

An option may be exercised at any time commencing on the date as the board of directors may determine and ending on such date as the board of directors 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 of directors in its absolute discretion, save that no option may be exercised more than ten years after it has been granted. A consideration of HK$1 is payable upon acceptance of the offer.

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

The maximum number of shares in respect of which options may be granted under the Share Option Scheme and any other share option scheme established by the Company, if any, is 60,000,000, representing 10% of the issued share capital of the Company at the date of approval of the Share Option Scheme. The total maximum number of shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme and any other share option scheme, if any, shall not exceed 30% of the issued share capital of the Company from time to time.

No share options have been granted, exercised, cancelled or lapsed under the Share Option Scheme since its adoption.

27. CAPITAL COMMITMENTS

	2017 ***RMB'000***	2016 *RMB'000*
Capital expenditure contracted but not provided for in the consolidated financial statements in respect of acquisition of property, plant and equipment and land use rights	**246,935**	3,509

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28. OPERATING LEASE COMMITMENTS

	2017 RMB'000	2016 RMB'000
Minimum lease payments paid/payable under operating leases during the year in respect of office premises	1,178	1,212

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:

	2017 RMB'000	2016 RMB'000
Within one year	1,170	1,118
In the second to fifth year inclusive	306	1,392
	1,476	2,510

Leases are negotiated for an average term of two years.

29. PLEDGE OF ASSETS

Except as disclosed in note 16, 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:

	2017 RMB'000	2016 RMB'000
Property, plant and equipment	334,000	401,585
Prepaid lease payments	63,227	64,677
Trade receivables	12,122	4,093
Restricted bank deposits	98,365	67,570
	507,714	537,925

30. 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 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. The 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.

30. RETIREMENT BENEFIT SCHEMES *(Continued)*

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 2017, the total amounts contributed by the Group to the schemes and cost charged to the profit or loss represent 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 RMB10,221,000 (2016: RMB9,801,000) for the year ended 31 December 2017.

31. RELATED PARTY DISCLOSURES

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

(a) Related parties balances

As at 31 December 2017, the Group made a deposit of RMB11,016,000 (2016: RMB6,000,000) included in deposit paid for acquisition of property, plant and equipment and land use rights to Jiangmen Xinhui District Zhan Cheng Garment Limited (江門市新會區展程製衣有限公司), an entity owned as to 80% by Mr. Xu, 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 31 December 2017, the memorandum of understanding had lapsed and ceased to have any effect and the deposit was fully refunded to the Group as at the date that these consolidated financial statements are authorised for issuance.

Details of other outstanding balances with related parties are set out in the consolidated statement of financial position and in note 21.

(b) Related party transactions

(i) The Group entered into the following transactions with related parties, which are controlled by Mr. Xu and Mr. Chen:

Related parties	Nature of transactions	**2017** ***RMB'000***	2016 *RMB'000*
江門市鴻盛建築工程有限公司 Jiangmen Hong Sheng Construction Engineering Limited	Construction cost	**2,762**	–
江門市華志金屬製品有限公司 Jiangmen Huazhi Metal Product Company Limited	Rental expenditure	**336**	238
Hua Jin Holdings Pte. Ltd.	Rental expenditure	**302**	135
		3,400	373

(ii) 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 (the "Lands and Properties") from Mr. Xu at an aggregate consideration of RMB45,000,000 (the "Consideration"). The Consideration is determined by reference to the market value of the Lands and Properties prepared by Greater China Appraisal Limited, an independent professional valuer.

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31. RELATED PARTY DISCLOSURES *(Continued)*

(c) Compensation of key management personnel

The remuneration of directors and other members of key management during the year were as follows:

	2017 **RMB'000**	2016 RMB'000
Directors' fee	**519**	366
Salaries, allowances and other benefits	**2,775**	2,539
Retirement benefit scheme contributions	**63**	77
	3,357	2,982

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

32. 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 year.

The capital structure of the Group consists of net debt, which includes borrowings and amounts due to related parties, 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 and redemption of existing debts, if necessary.

33. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

	2017 **RMB'000**	2016 RMB'000
Financial assets		
Loans and receivables (including cash and cash equivalents)	**804,982**	523,487
Financial liabilities		
Amortised cost	**1,162,700**	694,517

33. FINANCIAL INSTRUMENTS *(Continued)*

(b) Financial risk management objectives and policies

The Group's major financial instruments include trade, bills and other receivables, derivative financial instruments, restricted bank deposits, bank balances and cash, trade, bills and other payables, amounts due to related parties and borrowings.

Details of these financial instruments are disclosed in the respective notes. The risks associated with these financial instruments include market risk (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 risk

(i) Currency risk

The functional currencies of the Company and its subsidiaries are RMB and United States dollars ("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 and inter-companies balances that are denominated in RMB, Hong Kong dollars ("HKD"), USD and Singapore dollars ("SGD"). The Group currently does not have a foreign currency hedging policy. However, 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:

	2017 ***RMB'000***	2016 *RMB'000*
Monetary assets		
HKD	**6**	9,463
USD	**4,734**	4,042
SGD	**547**	659
Monetary liabilities		
HKD	**–**	384

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33. FINANCIAL INSTRUMENTS *(Continued)*

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

Market risk *(Continued)*

(i) Currency risk (Continued)

Sensitivity analysis

The Group exposes foreign currency risk on fluctuation of HKD, USD and SGD during the years ended 31 December 2017 and 2016. 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 transaction at the year end for a 5% change in foreign currency rates. A positive number below indicates increase 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.

	2017 ***RMB'000***	2016 *RMB'000*
HKD	**–**	381
USD	**198**	171
SGD	**23**	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), bank balances (note 19) and variable-rate borrowings (note 22). 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 fixed-rate borrowings (note 22).

Sensitivity analysis

The sensitivity analysis below has been determined based on the exposure to interest rates for restricted bank deposits, bank balances and variable-rate borrowings at the end of the reporting period. The analysis is prepared assuming the amount outstanding at the end of the reporting period was outstanding for the whole year. 50 basis points increase or decrease (2016: 50 basis points increase or decrease) represents management's assessment of the reasonably possible change in interest rates.

If interest rates had been 50 basis points (2016: 50 basis points) higher/lower and all other variables were held constant, the Group's post-tax profit for the year ended 31 December 2017 would have decreased/increased by RMB47,000 (2016: RMB358,000).

33. 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 2017, the Group has concentration of credit risk from trade receivables as 51% (2016: 27%), 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 to these customers is insignificant after considering their historical settlement record, credit quality and financial positions.

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

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.

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33. FINANCIAL INSTRUMENTS *(Continued)*

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

Liquidity risk *(Continued)*

	Weighted average effective interest rate	Repayable on demand/ less than 1 month	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 2017								
Non-derivative financial liabilities								
Trade, bills and other payables	–	152,237	–	–	–	–	152,237	152,237
Amounts due to related parties	–	52,471	–	–	–	–	52,471	52,471
Borrowings	5.37	132,514	301,615	477,719	48,571	20,043	980,462	957,992
		337,222	301,615	477,719	48,571	20,043	1,185,170	1,162,700
As at 31 December 2016								
Non-derivative financial liabilities								
Trade, bills and other payables	–	60,440	–	–	–	–	60,440	60,440
Borrowings	6.06	13,635	120,591	349,547	171,030	–	654,803	634,078
		74,075	120,591	349,547	171,030	–	715,243	694,518

(c) Fair value

Some of the Group's financial assets are measured at fair value at the end of each reporting period. The following table gives information about how the fair values of these financial assets and financial liabilities are determined (in particular, the valuation technique(s) and inputs used), as well as the level of the fair value hierarchy into which the fair value measurements are categorised (levels 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 entirely, as set out in note 3:

	Fair value as at 31 December 2017 RMB'000	2016 RMB'000	Fair value hierarchy	Valuation techniques and key inputs
Financial asset				
Derivative financial instruments:				
— Future contracts of hot rolled coils	11,490	–	Level 1	Quoted bid prices in an active market

Except for the above financial assets that are measured at fair value on a recurring basis, the directors of the Company consider that the carrying amounts of financial assets and financial liabilities recognised at amortised cost in the consolidated financial statements approximate to their fair values at the end of the reporting period.

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34. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

The table below details changes in the Group's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the Group's consolidated statement of cash flows as cash flows from financing activities.

Reconciliation of liabilities arising from financing activities for the year ended 31 December 2017:

	Borrowings *RMB'000*	Amounts due to related parties *RMB'000*	Dividend payable *RMB'000*	Interest payable *RMB'000*	Total *RMB'000*
At 1 January 2017	634,078	–	–	–	634,078
Financing cash flows *(Note)*	323,914	50,155	(35,869)	(43,768)	294,432
Non-cash changes:					
Construction cost	–	1,742	–	–	1,742
Rental expenses	–	574	–	–	574
Dividend declared	–	–	35,869	–	35,869
Interest expenses	–	–	–	41,732	41,732
Finance costs capitalised	–	–	–	2,036	2,036
At 31 December 2017	957,992	52,471	–	–	1,010,463

Note: The cash flows for borrowings and amounts due to related parties above included the net amount of proceeds from and repayments to the relevant parties in the consolidated statement of cash flows.

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35. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	2017 RMB'000	2016 RMB'000
NON-CURRENT ASSET		
Interests in subsidiaries	252,539	252,539
CURRENT ASSETS		
Other receivables	133	214
Amount due from a subsidiary	16,188	33,181
Bank balances and cash	480	3,600
	16,801	36,995
CURRENT LIABILITY		
Accrued expenses	306	492
NET CURRENT ASSETS	16,495	36,503
TOTAL ASSETS LESS CURRENT LIABILITY	269,034	289,042
NET ASSETS	269,034	289,042
CAPITAL AND RESERVES		
Share capital	4,999	4,999
Reserves *(Note)*	264,035	284,043
TOTAL EQUITY	269,034	289,042

Note:

The followings are the movements of the Company's reserves:

	Share premium RMB'000	Capital reserve RMB'000	(Accumulated losses) retained profits RMB'000	Total RMB'000
At 1 January 2016	–	2	(5,252)	(5,252)
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
Profit and total comprehensive income for the year	–	–	15,861	15,861
Dividend paid	(18,194)	–	(17,675)	(35,869)
At 31 December 2017	264,429	2	(396)	264,035

36. PARTICULARS OF SUBSIDIARIES

Particulars of the Company's subsidiaries as at 31 December 2017 and 2016 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 2017	2016	Principal activities
Huajin Investments Limited *(Note i)*	British Virgin Islands	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 cold-rolled steel products and galvanized steel products
Huajin (Singapore) Pte. Ltd.	Singapore	9 May 2016 US$680,000	100%	100%	Trading of cold-rolled steel products and galvanized steel products
江門市華津金屬製品有限公司 Jiangmen Huajin Metal Product Company Limited	PRC	11 July 2005 RMB179,904,000	100%	100%	Production and sales of cold-rolled steel products and galvanized steel products
江門市華睦五金有限公司 Jiangmen Huamu Metals Company Limited	PRC	27 November 2006 RMB181,477,811 (2016: RMB131,341,000)	100%	100%	Production and sales of cold-rolled steel products and galvanized steel products
江門市津源金屬製品有限公司 Jiangmen Jinyuan Metals Company Limited	PRC	15 December 2016 RMB24,000,000 (2016: RMB10,000,000)	60%	60%	Inactive
江門市海潤再生資源回收有限公司 Jiangmen Hairun Renewable Resources Recycling Company Limited *(Note ii)*	PRC	12 May 2017 RMB60,000,000	100%	N/A	Inactive

Notes:

(i) Directly held by the Company. All other subsidiaries are indirectly held by the Company.

(ii) Newly established during the year.

None of the subsidiaries had issued any debt securities at the end of the year.

37. EVENT AFTER THE REPORTING PERIOD

On 23 January 2018, the Group entered into two loan agreements with Mr. Xu, whereby Mr. Xu agreed to provide unsecured loans in the amounts of HK$40,000,000 and US$3,000,000 respectively to the Group for a term of three years at the interest rate of 1.00% per annum.

FINANCIAL SUMMARY

	Year ended 31 December				
	2013	2014	2015	2016	**2017**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	***RMB'000***
RESULTS					
Revenue	1,614,194	1,630,641	1,875,119	1,919,020	**2,863,465**
Profit before taxation	22,277	53,197	139,793	118,073	**108,394**
Income tax expense	(5,919)	(12,610)	(42,327)	(23,740)	**(15,989)**
Profit for the year	16,358	40,587	97,466	94,333	**92,405**

	As at 31 December				
	2013	2014	2015	2016	**2017**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
ASSETS AND LIABILITIES					
Total assets	1,727,721	1,420,453	989,231	1,360,534	**1,866,481**
Total liabilities	1,624,879	1,277,000	765,758	823,242	**1,269,875**
Net assets	102,842	143,453	223,473	537,292	**596,606**
EQUITY					
Equity attributable to owners of the Company	101,608	141,885	223,473	533,292	**587,236**
Non-controlling interests	1,234	1,568	–	4,000	**9,370**
Total equity	102,842	143,453	223,473	537,292	**596,606**