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HUAJUN HOLDINGS LIMITED

華君控股有限公司*

(Incorporated in Bermuda with limited liability)

(Stock Code: 377)

**ANNUAL RESULTS ANNOUNCEMENT
FOR THE YEAR ENDED 31 MARCH 2018**

FINANCIAL HIGHLIGHTS			
	2018	2017	Change
	<i>RMB Million</i>	<i>RMB Million</i>	
Revenue	3,921.6	3,314.0	+18.3%
Gross profit	339.8	477.3	-28.8%
(Loss) profit for the year	(928.5)	43.4	N/A
Total assets	11,764.6	11,672.2	+0.8%
Total equity	2,681.5	3,525.8	-23.9%

* For identification purposes only

ANNUAL RESULTS

The board of directors (the “**Board**”) of Huajun Holdings Limited (the “**Company**”) is pleased to present the consolidated annual results of the Company and its subsidiaries (the “**Group**”) for the year ended 31 March 2018 together with the comparative figures for the year ended 31 March 2017, as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 MARCH 2018

		2018	2017
	<i>NOTES</i>	<i>RMB'000</i>	<i>RMB'000</i>
Revenue	4	3,921,601	3,313,992
Cost of sales and services		(3,581,803)	(2,836,682)
Gross profit		339,798	477,310
Other gains and losses	6	22,458	(50,586)
Other income	7	26,373	10,239
Change in fair value of investment properties		(96,948)	196,271
Selling and distribution expenses		(117,699)	(84,620)
Administrative expenses		(323,646)	(309,559)
Provision for financial guarantee contracts	16	(484,122)	–
Impairment loss of available-for-sale (“AFS”) investments	12	(133,877)	–
Impairment loss in respect of property, plant and equipment		(114,083)	–
Finance costs	8	(163,681)	(110,535)
Share of profits from associates		3,441	6,028
Gain on disposal of subsidiaries		188,829	–
Gain on disposal of associates		2,611	–
Change in fair value of convertible bonds – derivative component	18	(74,484)	–
(Loss) profit before tax		(925,030)	134,548
Income tax expense	9	(3,425)	(91,147)
(Loss) profit for the year	10	(928,455)	43,401

	<i>NOTES</i>	2018 <i>RMB'000</i>	2017 <i>RMB'000</i>
Other comprehensive income for the year			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translating of foreign operations		(28,705)	(76,238)
Change in fair value of AFS investments		(135,264)	8,151
Reclassification adjustment relating to impairment of AFS investments		133,877	–
Reclassification adjustment relating to AFS investments disposed of		(524)	2,170
		(30,616)	(65,917)
Item that will not be reclassified to profit or loss:			
Exchange differences on translation to presentation currency		120,577	79,996
Other comprehensive income for the year		89,961	14,079
Total comprehensive (expense) income for the year		(838,494)	57,480
(Loss) profit for the year attributable:			
Shareholders of the Company		(931,079)	22,717
Non-controlling interests		2,624	20,684
(Loss) profit for the year		(928,455)	43,401
Total comprehensive (expense) income attributable to:			
Shareholders of the Company		(840,164)	35,941
Non-controlling interests		1,670	21,539
		(838,494)	57,480
		<i>RMB</i>	<i>RMB</i> (Restated)
(Loss) earnings per share			
Basic	<i>11</i>	(15.35)	0.38
Diluted		(15.35)	0.38

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 31 MARCH 2018

		2018	2017
	<i>NOTES</i>	<i>RMB'000</i>	<i>RMB'000</i>
ASSETS AND LIABILITIES			
NON-CURRENT ASSETS			
Property, plant and equipment		911,156	1,048,945
Prepaid lease payments		147,562	199,505
Investment properties		5,424,780	4,706,173
Goodwill		13,933	63,084
Club membership		1,701	1,868
Finance lease receivables		–	60,472
Deferred tax assets		9,762	5,148
Deposits for purchases of machineries and an investment property		153,447	42,906
Deposits for acquisitions		–	500,000
Available-for-sale investments	12	70,741	232,236
Interests in associates		45,873	120,959
		<u>6,778,955</u>	<u>6,981,296</u>
CURRENT ASSETS			
Properties held for sale		2,435,166	1,120,494
Deposits for acquisitions		564,000	–
Prepaid lease payments		3,849	4,832
Inventories		321,799	391,766
Finance lease receivables		11,434	210,888
Trade and other receivables and prepayments	13	878,881	938,462
Loan receivables and interest receivables	14	107,294	888,831
Tax recoverable		44,020	329
Held for trading investments		101,222	82,731
Pledged bank deposits		262,823	879,874
Bank balances and cash		255,113	172,686
		<u>4,985,601</u>	<u>4,690,893</u>

	<i>NOTES</i>	2018 <i>RMB'000</i>	2017 <i>RMB'000</i>
CURRENT LIABILITIES			
Trade and other payables and other liabilities	<i>15</i>	1,739,900	932,662
Bill payables		503,552	2,375,438
Convertible bonds – liability component	<i>18</i>	721,580	–
Convertible bonds – derivative component	<i>18</i>	127,628	–
Corporate bonds		128,042	–
Amount due to an associate		–	21,372
Tax payable		94,744	73,664
Borrowings		2,170,314	1,425,356
Financial guarantee contracts provision	<i>16</i>	496,793	34,800
		<u>5,982,553</u>	<u>4,863,292</u>
NET CURRENT LIABILITIES		<u>(996,952)</u>	<u>(172,399)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>5,782,003</u>	<u>6,808,897</u>
NON-CURRENT LIABILITIES			
Deferred tax liabilities		28,520	66,631
Amount due to immediate holding company		520,000	999,321
Borrowings		2,423,739	1,695,000
Corporate bonds		128,223	243,161
Convertible bonds – liability component	<i>18</i>	–	259,864
Convertible bonds – derivative component	<i>18</i>	–	19,073
		<u>3,100,482</u>	<u>3,283,050</u>
NET ASSETS		<u>2,681,521</u>	<u>3,525,847</u>
CAPITAL AND RESERVES			
Share capital	<i>17</i>	55,203	55,203
Reserves		2,481,599	3,336,717
Equity attributable to shareholders of the Company		2,536,802	3,391,920
Non-controlling interests		144,719	133,927
TOTAL EQUITY		<u>2,681,521</u>	<u>3,525,847</u>

NOTES

1. GENERAL

The Company is a limited company incorporated in Bermuda as an exempted company and its shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”). The registered office of the Company is located at Clarendon House, 2 Church Street, Hamilton HM11, Bermuda. The principal place of its business is 36/F, Champion Tower, 3 Garden Road, Central, Hong Kong. As at 31 March 2018, the directors of the Company (the “**Directors**”) consider that immediate holding company of the Company to be China Huajun Group Limited (formerly know as Huajun International Limited) which is incorporated in the British Virgin Islands and ultimate holding company of the Company is Huajun Enterprise (Yingkou) Co., Ltd, which is established in the People’s Republic of China (“**PRC**”). Its ultimate controlling parties are Mr. Meng Guang Bao (“**Mr. Meng**”), who is the chairman of Board of Directors and an executive director for the Company and Ms. Bao Le, being the spouse of Mr. Meng, held equity interest of 97% and 3% respectively in Huajun Enterprise (Yingkou) Co., Ltd.

The principal activities of the Group are set out in note 4.

The functional currency of the Company is Hong Kong dollars (“**HK\$**”) while the consolidated financial statements of the Company are presented in Renminbi (“**RMB**”).

2. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS

In preparing the consolidated financial statements, the directors of the Company have given careful consideration to the future liquidity of the Group in light of the fact that as of 31 March 2018 the Group’s current liabilities exceeded its current assets by RMB996,952,000.

As of 31 March 2018, the Group’s current liabilities exceeded its current assets by RMB996,952,000 and the Group has capital commitments of RMB2,435,958,000. The Directors considered that the consolidated financial statements are preparing on the going concern basis due to (i) continuous financial support from immediate holding company and ultimate controlling party, including grant of a credit facility with an aggregate sum of RMB4,000,000,000 which will not be demanded for repayment of the balance due to immediate holding company until 1 July 2019 of which RMB2,000,000,000 has been advanced to the Group in June 2018 and used to finance the acquisition (which disclosed as the capital commitment), (ii) the Group has unutilised banking facility amounting to RMB1,462,074,000 to support its daily operations, and (iii) the Group is in discussion with banks and institutional investors for long term financing, including refinancing through pledge of assets and issuing corporate and convertible bonds.

The Directors believe that, taking into account the above factors, the Group will have sufficient working capital to satisfy its present requirements for at least the next twelve months from the date of approval of these consolidated financial statements. However, should the above financing be unavailable, the Group may be unable to operate on a going concern, in which case adjustments might have to be made to the carrying values of the Group’s assets to state them at their realisable values, to provide for any further liabilities which might arise and to reclassify its non-current assets and non-current liabilities to current assets and current liabilities, respectively.

3. 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 HKFRSs issued by the Hong Kong Institute of Certified Public Accountants (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 application of the amendments to HKFRSs in the current year has had no material impact on the Group’s financial performance and positions for the current and prior years and/or on the disclosures set out in this announcement.

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 will be provided in the consolidated financial statements. Consistent with the transition provisions of the amendments, the Group has not disclosed comparative information for the prior year. Apart from the additional disclosure, the application of these amendments has had no impact on the Group’s consolidated financial statements.

4. REVENUE

The principal activities of the Group are: (1) sales and manufacturing of solar photovoltaic products; (2) sales and manufacturing of high quality multi-colour packaging products, carton boxes, books, brochures and other paper products (hereinafter collectively described as printing products); (3) trading and logistics; (4) property development and investments; (5) provision of financial services; and (6) sale and manufacturing of industrial equipment.

Revenue represents fair value of the consideration received or receivable from sales of goods or properties, finance lease income and related services, interest income from the provision of finance, rental income from property investments, dividend from securities investments, and income from provision of medical management services, net of sales tax, returns and discounts.

The Group's significant categories of revenue from its major products and services recognised during the year are as follows:

	2018	2017
	<i>RMB'000</i>	<i>RMB'000</i>
Sales of:		
– Solar photovoltaic products	760,247	1,371,321
– Printing products	658,104	544,748
– Electronic products and devices	390,233	347,072
– Petrochemical products	1,977,006	825,962
– Industrial equipment	35,758	32,616
– Properties	49,596	9,607
Finance lease income and related services	17,928	32,746
Interest income from provision of finance	21,586	127,691
Rental income from property investments	3,356	5,696
Dividend from securities investments	7,787	9,044
Provision of medical management services	–	7,489
	<u>3,921,601</u>	<u>3,313,992</u>

5. SEGMENT INFORMATION

The Group manages its businesses by divisions, which are organised by different business lines. Information reported to the Company's Executive Directors, being the chief operating decision maker ("CODM"), for the purposes of resource allocation and performance assessment, the Group has identified the following five reportable segments.

- Printing: Sale and manufacturing of high quality multi-colour packaging products, carton boxes, books, brochures and other paper products
- Trading and logistics: Trading, logistics and supply chain management
- Property development and investments: Property development and investments
- Solar Photovoltaic: Sales and manufacturing of solar photovoltaic products
- Financial services: Comprised of provision of finance through money lending services; provision of finance through finance lease; provision of securities brokerage services and investment activities in equity securities, funds, bonds and assets management services and other related services.

In addition to the operating segments described above, each of which constitutes a reportable segment, the Group has other operating segments which include provision of medical management services and sale and manufacturing of industrial equipment in PRC. None of these segments meets any of quantitative thresholds for determining reportable segments. Accordingly, all of the above operating segments are grouped as "All other segments".

Business of sale and manufacturing of industrial equipment is disposed of in the current year.

Year ended 31 March 2018

	Printing <i>RMB'000</i>	Trading and logistics <i>RMB'000</i>	Property development and investments <i>RMB'000</i>	Solar photovoltaic <i>RMB'000</i>	Financial Services <i>RMB'000</i>	Reportable segments' total <i>RMB'000</i>	All other segments <i>RMB'000</i>	Total <i>RMB'000</i>
Segment revenue								
Revenue from external customers	<u>658,104</u>	<u>2,367,239</u>	<u>52,952</u>	<u>760,247</u>	<u>47,301</u>	<u>3,885,843</u>	<u>35,758</u>	<u>3,921,601</u>
Segment results	<u>914</u>	<u>37,293</u>	<u>(140,975)</u>	<u>(130,041)</u>	<u>(93,614)</u>	<u>(326,423)</u>	<u>(8,838)</u>	(335,261)
Unallocated amounts								
Change in fair value of convertible bonds – derivative component								(74,484)
Corporate administrative expenses								(77,888)
Corporate other income								(6,755)
Finance costs								(163,681)
Gain on disposal of associates								2,611
Gain on disposal of subsidiaries								188,829
Other gains and losses								22,280
Provision for financial guarantee contracts								(484,122)
Share of profits from associates								<u>3,441</u>
Group's loss before tax								<u>(925,030)</u>

Year ended 31 March 2017

	Printing <i>RMB'000</i>	Trading and logistics <i>RMB'000</i>	Property development and investments <i>RMB'000</i>	Solar photovoltaic <i>RMB'000</i>	Financial Services <i>RMB'000</i>	Reportable segments' total <i>RMB'000</i>	All other segments <i>RMB'000</i>	Total <i>RMB'000</i>
Segment revenue								
Revenue from external customers	<u>544,748</u>	<u>1,173,034</u>	<u>15,303</u>	<u>1,371,321</u>	<u>169,481</u>	<u>3,273,887</u>	<u>40,105</u>	<u>3,313,992</u>
Segment results	<u>15,491</u>	<u>23,659</u>	<u>175,194</u>	<u>44,814</u>	<u>136,291</u>	<u>395,449</u>	<u>(4,286)</u>	391,163
Unallocated amounts								
Finance costs								(110,535)
Corporate administrative expenses								(118,987)
Corporate other income								1,685
Other gains and losses								(34,806)
Share of profits from associates								<u>6,028</u>
Group's profit before tax								<u>134,548</u>

Other segment information

Year ended 31 March 2018

	Printing RMB'000	Trading and logistics RMB'000	Property development and investments RMB'000	Solar photovoltaic RMB'000	Financial services RMB'000	Reportable segments' total RMB'000	All other segments RMB'000	Unallocated RMB'000	Total RMB'000
Amounts included in the measure of segment profit or loss or segment assets:									
Depreciation and amortisation for the year	44,249	8,995	5,236	44,898	290	103,668	6,141	3,347	113,156
Additions to non-current assets during the year	59,113	2,088	850,884	184,075	8,871	1,105,031	21,597	825	1,127,453
Allowance for bad debt on trade receivables	695	-	-	-	-	695	-	-	695
(Gain) loss on disposal of property, plant and equipment	(36)	-	339	-	-	303	-	(13)	290
Change in fair value of investment properties	-	-	96,948	-	-	96,948	-	-	96,948
Change in fair value of held for trading investments	-	-	-	-	(639)	(639)	-	-	(639)
Realised gain on AFS investments	-	-	-	-	(524)	(524)	-	-	(524)
Interest income earned on bank balances and pledged bank deposits	(2,092)	(1,087)	(6,007)	(1,344)	(378)	(10,908)	(2,036)	(1,633)	(14,577)
Interest income from finance lease receivables	-	-	-	-	(17,928)	(17,928)	-	-	(17,928)
Interest income from loan receivables	-	-	-	-	(21,586)	(21,586)	-	-	(21,586)
Impairment of AFS investments	-	-	-	-	133,877	133,877	-	-	133,877
Impairment loss in respect of property, plant and equipment	-	-	-	114,083	-	114,083	-	-	114,083

Year ended 31 March 2017

	Printing RMB'000	Trading and logistics RMB'000	Property development and investments RMB'000	Solar photovoltaic RMB'000	Financial services RMB'000	Reportable segments' total RMB'000	All other segments RMB'000	Unallocated RMB'000	Total RMB'000
Amounts included in the measure of segment profit or loss or segment assets:									
Depreciation and amortisation for the year	30,212	8,605	3,562	42,098	168	84,645	6,101	3,789	94,535
Additions to non-current assets during the year	19,748	1,697	4,900,975	31,543	258	4,954,221	6,615	570	4,961,406
Allowance for (reversal of) bad debt on trade receivables	1,622	-	-	-	-	1,622	(33)	-	1,589
Gain on disposal of property, plant and equipment	(826)	-	-	-	-	(826)	-	-	(826)
Increase in fair value of investment properties	-	-	(196,271)	-	-	(196,271)	-	-	(196,271)
Change in fair value of held for trading investments	-	-	-	-	13,326	13,326	-	-	13,326
Realised loss on AFS investments	-	-	-	-	2,170	2,170	-	-	2,170
Interest income earned on bank balances and pledged bank deposits	(136)	(823)	(989)	(1,088)	(948)	(3,984)	(113)	(49)	(4,146)
Interest income from finance lease receivables	-	-	-	-	(32,746)	(32,746)	-	-	(32,746)
Interest income from loan receivables	-	-	-	-	(127,691)	(127,691)	-	-	(127,691)
Interest income from deposits for acquisitions	-	-	-	-	-	-	-	(1,620)	(1,620)
Interest expense arising from provision of finance business	-	-	-	-	9,553	9,553	-	-	9,553

Segment results represent the profit or loss of each operating segment without allocation of expenses arising from change in change in fair value of convertible bonds, corporate administrative expenses, corporate other income, finance costs, gain of disposal of subsidiaries, gain on disposal of associates, other gain and loss of corporate, provision for financial guarantee contracts and share of profits from associates. This is the measure reported to the CODM for the purposes of resource allocation and performance assessment.

6. OTHER GAINS AND LOSSES

	2018	2017
	<i>RMB'000</i>	<i>RMB'000</i>
Financial guarantee contracts expenses (<i>note 16</i>)	–	(44,281)
Amortisation of financial guarantee contracts (<i>note 16</i>)	22,129	9,481
(Loss) gain on disposal of property, plant and equipment	(290)	826
Gain (loss) on disposal of AFS investment	524	(2,170)
Change in fair value of held for trading investments	639	(13,326)
Exchange gain, net	151	473
Allowance for bad debt on trade receivables	(695)	(1,589)
	<u>22,458</u>	<u>(50,586)</u>

7. OTHER INCOME

	2018	2017
	<i>RMB'000</i>	<i>RMB'000</i>
Interest income earned on bank balances and pledged bank deposits	14,577	4,146
Interest income from deposits for acquisitions	–	1,620
Others	11,796	4,473
	<u>26,373</u>	<u>10,239</u>

8. FINANCE COSTS

	2018 <i>RMB'000</i>	2017 <i>RMB'000</i>
Interest on bank borrowings and other borrowings	354,165	154,756
Imputed interest arising on interest free borrowings from immediate holding company	15,858	–
Effective interest expense on convertible bonds (<i>note 18</i>)	61,692	28,992
Effective interest expense on corporate bonds	29,177	10,180
Other finance charges	5,961	27,710
	<u>466,853</u>	<u>221,638</u>
Less: interest expenses from bank borrowings and other borrowings recognised in cost of sales and services	(2,418)	(9,553)
Less: interest expenses capitalised into investment properties under construction/properties under development for sales	(300,754)	(79,573)
Less: other finance charges capitalised into investment properties under construction	–	(21,977)
	<u>163,681</u>	<u>110,535</u>

9. INCOME TAX EXPENSE

	2018 <i>RMB'000</i>	2017 <i>RMB'000</i>
Current tax:		
Hong Kong Profits Tax	3,701	3,087
PRC Enterprise Income Tax	27,381	39,133
Other jurisdictions	186	201
	<u>31,268</u>	<u>42,421</u>
(Over) under-provision in prior years:		
Hong Kong Profits Tax	(1,216)	(6)
PRC Enterprise Income Tax	2,503	18
	<u>1,287</u>	<u>12</u>
Deferred tax	<u>(29,130)</u>	<u>48,714</u>
Total income tax recognised in profit or loss	<u>3,425</u>	<u>91,147</u>

Hong Kong Profits Tax is calculated at 16.5% (2017: 16.5%) of the estimated assessable profit for the year.

PRC subsidiaries are subject to PRC Enterprise Income Tax at 25% for the year (2017: 25%).

Taxation arising in other jurisdictions is calculated at the rates prevailing in the relevant jurisdictions.

10. (LOSS) PROFIT FOR THE YEAR

	2018	2017
	RMB'000	RMB'000
(Loss) profit for the year is arrived after charging (crediting):		
Directors' remuneration	15,313	30,598
Staff cost, excluding Directors' remuneration:		
Salaries, wages and other benefits	267,751	213,947
Retirement benefit scheme contributions	30,508	26,303
Share-based payments	<u> –</u>	<u> 32,626</u>
Total staff costs	<u>313,572</u>	<u>303,474</u>
Rental income from investment properties:		
Gross rental income from investment properties	(3,356)	(5,774)
Less: direct operating expenses incurred for investment properties that generated rental income during the year	<u> 278</u>	<u> 407</u>
	<u>(3,078)</u>	<u>(5,367)</u>
Amortisation of land lease premium	4,320	4,225
Auditor's remuneration		
– Audit services	2,423	2,581
– Non-audit services	316	792
Cost of inventories recognised as an expense	3,536,848	2,818,950
Depreciation for property, plant and equipment	108,836	90,310
Operating lease rental on land and buildings	22,141	21,245
Research and development expenses	<u>21,213</u>	<u>7,934</u>

11. (LOSS) EARNINGS PER SHARE

The calculation of the basic and diluted (loss) earnings per share attributable to the shareholders of the Company is based on the following data:

	2018 <i>RMB'000</i>	2017 <i>RMB'000</i>
(Loss) earnings		
(Loss) earnings for the purposes of basic and diluted earnings per share		
((Loss) profit for the year attributable to shareholders of the Company)	<u>(931,079)</u>	<u>22,717</u>
	2018	2017 (Restated)
Number of shares		
Weighted average number of share for the purposes of basic and diluted earnings per share	<u>60,669,200</u>	<u>59,382,839</u>

In determining the weighted average number of ordinary shares in issue for the year ended 31 March 2018, the Share Consolidation (as defined in note 17(i)) has been regarded as completed since 1 April 2016. Earnings per share for the year ended 31 March 2017 was restated accordingly.

The computation of diluted (loss) earnings per share does not assume the conversion of the Company's outstanding convertible bonds since their assumed conversion would have anti-dilutive impact for both 2018 and 2017.

The computation of diluted (loss) earnings per share does not assume the exercise of the Company's share options because the exercise price of those options was higher than the average market price for shares for both 2018 and 2017.

12. AVAILABLE-FOR-SALE INVESTMENTS

Available-for-sale investments comprise:

	2018 <i>RMB'000</i>	2017 <i>RMB'000</i>
Listed bond investments, at fair value	70,741	91,854
Unlisted fund investment, at fair value (<i>note</i>)	<u>–</u>	<u>140,382</u>
Total	<u>70,741</u>	<u>232,236</u>

Note:

The amount as at 31 March 2017 represented the Group's subscribed shares of China Huacai Finance Equity Investment Fund SP ("**China Huacai**"), a private investment fund incorporated in the Cayman Islands and managed by a financial institution listed on the Stock Exchange. The investment objective of China Huacai is to achieve capital appreciation through investing in funds, securities, bonds, ownership interest and private equity investments offered publicly or privately and in relation to energy and environmental protection. The major underlying assets of China Huacai is a prepayment for acquisition of power stations from Hareon Solar Technology Co., Limited ("**Hareon Solar**") amounted to US\$58,051,000 (equivalent to RMB401,692,000).

During the year ended 31 March 2018, Hareon Solar is unable to transfer the power stations to China Huacai or refund the prepayment in accordance to the investment agreement. In view of this, the Directors considered that the fair value of the AFS investments in the unlisted fund investment is significantly decreased and the fair value loss of RMB133,877,000 is recognised in investment revaluation reserve.

As at 31 March 2018, the Directors reviewed the financial position of Hareon Solar and determined to provide a full impairment of RMB133,877,000 in respect of its investment in China Huacai. As a result, the cumulative fair value loss previously recognised in the investment revaluation reserve is reclassified to profit or loss.

13. TRADE AND OTHER RECEIVABLES AND PREPAYMENTS

	2018	2017
	<i>RMB'000</i>	<i>RMB'000</i>
Trade receivables	184,617	414,412
Allowance for doubtful debts	(2,993)	(2,452)
	181,624	411,960
Bill receivables	210,725	119,775
Deposits and other receivables	140,021	112,878
Prepayments	346,511	293,849
	878,881	938,462

The Group allows credit term to selected customers on a case-by-case basis depending on the business relationship with and creditworthiness of the respective customers.

Before accepting any new customer, the management would assess the potential customer's credit quality and defines credit limits by customer. Limits attributed to customers are reviewed from time to time. Allowances for doubtful debts are recognised against trade receivables at 31 March 2018 and 2017 based on estimated recoverable amount determined by reference to past default experience of the counterparty and an analysis of the counterparty's current financial position.

Trade receivables that were neither past due nor impaired relate to customers for whom there was no recent history of default.

The following is an ageing analysis of trade receivables presented based on the invoice date which approximates the respective revenue recognition date, at the end of the reporting period.

	2018	2017
	<i>RMB'000</i>	<i>RMB'000</i>
Trade receivables		
0 – 30 days	95,097	172,704
31 – 90 days	50,251	58,073
91 – 180 days	26,194	155,490
Over 180 days*	10,082	25,693
	<u>181,624</u>	<u>411,960</u>

* The carrying amount as at 31 March 2017 included trade receivables amounting to RMB16,237,000 which was related to retention monies receivable from customers due for payment in one year after the invoice date.

The Group did not hold any collateral over these balances.

The following is an ageing analysis of bill receivables presented based on the invoice date which approximates the respective revenue recognition date, at the end of the reporting period.

	2018	2017
	<i>RMB'000</i>	<i>RMB'000</i>
Bill receivables		
0 – 30 days	46,790	47,087
31 – 90 days	70,615	51,583
91 – 180 days	93,320	21,105
	<u>210,725</u>	<u>119,775</u>

14. LOAN RECEIVABLES AND INTEREST RECEIVABLES

	2018	2017
	<i>RMB'000</i>	<i>RMB'000</i>
Loan receivables	106,955	784,004
Interest receivables	339	104,827
	<u>107,294</u>	<u>888,831</u>

The Group's loan receivables, which arise from the money lending business of providing personal loans and corporate loans in Hong Kong and PRC, are denominated in either Hong Kong dollars or RMB.

The aging analysis of these past due but not impaired loan receivables and interest receivables is as follows:

	2018	2017
	<i>RMB'000</i>	<i>RMB'000</i>
0 – 30 days	–	240,000
31 – 90 days	–	26,550
91 – 180 days	–	26,550
Over 180 days	–	51,727
	<u>–</u>	<u>344,827</u>

15. TRADE AND OTHER PAYABLES AND OTHER LIABILITIES

	2018	2017
	<i>RMB'000</i>	<i>RMB'000</i>
Trade payables	439,974	344,869
Construction payables	284,752	6,716
	<u>724,726</u>	<u>351,585</u>
Accrued construction cost	320,145	36,995
Deposits received	9,101	39,000
Other payables	104,556	194,835
Other payables to non-controlling shareholders of a former subsidiary of the Company	119,989	119,989
Receipts in advance	382,102	158,356
Other accruals	79,281	31,902
	<u>1,739,900</u>	<u>932,662</u>

The following is an ageing analysis of trade payables and construction payables based on the invoice date at the end of the reporting period.

	2018	2017
	<i>RMB'000</i>	<i>RMB'000</i>
Trade payables and construction payables		
0 – 30 days	354,782	230,018
31 – 90 days	58,877	57,933
Over 91 days	311,067	63,634
	<u>724,726</u>	<u>351,585</u>

The average credit period on purchase of goods is approximately 90 days.

16. FINANCIAL GUARANTEE CONTRACTS PROVISION

	2018	2017
	RMB'000	RMB'000
As beginning of the reporting period	34,800	–
Financial guarantee liabilities recognised	–	44,281
Amortisation of financial guarantee liabilities	(22,129)	(9,481)
Financial guarantee provision recognised	484,122	–
	<hr/>	<hr/>
At the end of the reporting period	496,793	34,800
	<hr/>	<hr/>

Note:

The Directors are of the opinion that the financial condition of the borrowers have significantly deteriorated with certain of their debts are default in payment. The Directors considered that it is probable the creditors will demand the Group to settle the outstanding principal and interest of the subject debts under the financial guarantee provided by the Group.

On 26 June 2018, three statutory demands were served on the Company by a creditor to demand the Company to settle the three outstanding debts totalling of RMB278,153,000 pursuant to the financial guarantee contract. The Company is in the course to engage legal advisors in assisting the Company in reviewing the statutory demands and/or negotiating with the creditor in respect of the debts.

The Group has recognised a financial guarantee provision of RMB496,793,000 which is the Directors' best estimation on the probable cash outflow on the obligations of the financial guarantee contracts.

17. SHARE CAPITAL

Ordinary shares	Number of shares		Share capital	
	2018 '000	2017 '000	2018 HK\$'000	2017 HK\$'000
Authorised:				
Ordinary shares of HK\$1 (2017: HK\$0.01) each				
At beginning of the reporting period	40,000,000	40,000,000	400,000	400,000
Share Consolidation (<i>note i</i>)	(39,600,000)	–	–	–
At end of the reporting period	400,000	40,000,000	400,000	400,000
			RMB'000	RMB'000
Issued and fully paid:				
At beginning of the reporting period	6,066,920	5,669,020	55,203	51,787
Share Consolidation (<i>note i</i>)	(6,006,251)	–	–	–
Issue of shares (<i>note ii</i>)	–	397,900	–	3,416
At end of the reporting period	60,669	6,066,920	55,203	55,203

Notes:

- (i) On 5 March 2018, the Company has conducted a share consolidation whereby every one hundred existing issued and unissued existing shares of par value of HK\$0.01 each in the share capital of the Company have been consolidated into one consolidated share of par value of HK\$1.00 each (“**Share Consolidation**”). All consolidated shares rank pari passu in all respects with each other.

The Share Consolidation has led to adjustments to (i) the conversion price and the number of shares falling to be issued upon the exercise of the conversion right attaching to the convertible bonds in accordance with the terms and conditions of the convertible bonds; and (ii) the exercise price of the share options and the number of shares comprised therein in accordance with the terms and conditions of the share option scheme of the Company. These adjustments have been taken up elsewhere in these consolidated financial statements.

- (ii) On 28 July 2016, a placement of 397,900,000 new shares at par value of HK\$0.01 each was completed. The placing price was HK\$0.78 (equivalent to RMB0.67) per share. The difference between the placing price and the par value of the issued shares of RMB256,244,000, after deducting of the related cost amounting to RMB6,932,000, was recognised in the share premium account.

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company. All ordinary shares rank equally with regard to the Company’s residual assets.

18. CONVERTIBLE BONDS

The convertible bonds entitle the holders to convert into ordinary shares of the Company at any time between the date of issue of the convertible bonds and the maturity date at the relevant conversion price (subject to anti-dilutive adjustments). The conversion shares will be allotted and issued upon exercise of the conversion rights. If the convertible bonds have not been converted during the conversion period up to the maturity date, the convertible bonds will be redeemed on the maturity date at par together with the accrued interest. Interest are being paid every six calendar months until the maturity date.

The movements of the liability and derivative components of the convertible bonds for the year ended 31 March 2018 and 2017 were set out in below:

	Liability component <i>RMB'000</i>	Derivative component <i>RMB'000</i>
At 1 April 2016	–	–
Upon issue of convertible bonds	236,095	19,073
Interest charged	28,992	–
Interest paid	(13,911)	–
Exchange realignment	8,688	–
	<hr/>	<hr/>
At 31 March 2017	259,864	19,073
Upon issue of convertible bonds	445,477	35,997
Interest charged	61,692	–
Interest paid	(24,390)	–
Change in fair value	–	74,484
Exchange realignment	(21,063)	(1,926)
	<hr/>	<hr/>
At 31 March 2018	<u>721,580</u>	<u>127,628</u>

19. CAPITAL AND OTHER COMMITMENTS

	2018 <i>RMB'000</i>	2017 <i>RMB'000</i>
Capital expenditure in respect of the properties development project contracted for but not provided in the consolidated financial statements	962,418	579,513
Capital expenditure in respect of the acquisition of plant and equipment contracted for but not provided for in the consolidated financial statements	153,800	54,922
Equity interest of subsidiaries (<i>note</i>)	1,319,740	–
	<hr/>	<hr/>
	<u>2,435,958</u>	<u>634,435</u>

Note:

On 6 March 2018, the Group entered into three agreements with independent third parties to acquire: (1) the entire equity interests in Wuxi Huiling Real Estate Co., Ltd.; (2) entire equity interests in Wuxi Huiyuan Real Estate Co., Ltd.; and (3) 55% equity interests in Wuxi Huize Real Estate Co., Ltd. The total consideration for the acquisition is amounting to RMB1,883,740,000.

20. EVENTS AFTER THE REPORTING PERIOD

- (a) On 17 May 2018, the Group entered into equity transfer agreements with an entity ultimately owned by Mr. Meng and Ms. Bao (the “**Seller**”), pursuant to which the Seller has conditionally agreed to sell, and the Group have conditionally to purchase the entire equity interest in Yingkou Yi Hua Green Packaging Printing Company Limited for a consideration of RMB30,000,000. The equity transfer agreements are subject to a number of conditions precedent which include, without limitation, the approval by the independent shareholders of the Company. Completion of the equity transfer agreements is subject to the conditions precedents having been fulfilled. The directors of the Company are in the process of assessing the financial impact of this proposed acquisition. It is not practicable to provide a reasonable estimate of that effect until a detailed review has been completed.
- (b) On 23 May 2018, Huajun Wisdom Energy Limited Company, an indirect wholly-owned subsidiary of the Group entered into six non-legally binding memoranda of understanding with several different vendors of the potential acquisition of the entire equity interest in six separate companies.
- (c) In June 2018, Jiangsu Nantong Erjian Group Company Ltd. (“**Jiangsu Nantong Erjian**”) has initiated several legal proceedings as plaintiff against several subsidiaries of the Company in the PRC in respect of certain construction contracts disputes. The total amount of in disputes was approximately RMB552,957,000. In addition, the Group has received court orders to freeze and preserve parcels of land owned by the Group in Shanghai and Dailin, certain properties in Yingkou, and certain bank accounts.

The Group has sought opinion on the legal disputes from its legal counsel in the PRC, who is of the opinion that certain amounts claimed by Jiangsu Nantong Erjian are without sufficient grounds. Accordingly, the Directors consider no further provision is necessary.

As at the date of this announcement, with the intention to settle some of the claims of the legal proceedings, the Group has repaid in aggregate of RMB209,224,000.

BUSINESS REVIEW

Huajun Holdings Limited and its subsidiaries (“**the Group**”), has five core businesses. They are Printing, Trading and Logistics, Property Development and Investments, Solar Photovoltaic and Financial Services.

Our strategy is to strengthen our foundation, better diversify our business portfolio, and continue to grow, both organically and through strategic acquisitions. We believe that this strategy will increase our shareholders value by creating an even stronger Huajun.

For the year under review, revenue was approximately RMB3,921.6 million, representing an increase of approximately RMB607.6 million, or 18.3%, compared to revenue of approximately RMB3,314.0 million for last year. The overall increase in revenue was attributable to the growth of our Trading and Logistics business, in particular the increase in distribution and sale of petrochemical products in the year under review. The Printing segment continued to register a stable growth.

For the year under review, our Group generated most of its revenue from Trading and Logistics segment which accounted for approximately 60.4% (2017: approximately 35.4%) of the total revenue followed by Solar Photovoltaic segment which accounted for approximately 19.4% (2017: approximately 41.4%) of the total revenue.

The table below sets forth our Group’s revenue by business segment for the years ended 31 March 2017 and 2018:

	For the year ended 31 March			
	2018		2017	
	<i>RMB Million</i>	<i>%</i>	<i>RMB Million</i>	<i>%</i>
Printing	658.1	16.8%	544.7	16.4%
Trading and Logistics	2,367.2	60.4%	1,173.0	35.4%
Property Development and Investments	53.0	1.3%	15.3	0.5%
Solar Photovoltaic	760.2	19.4%	1,371.3	41.4%
Financial Services	47.3	1.2%	169.5	5.1%
Other	35.8	0.9%	40.2	1.2%
	<u>3,921.6</u>	<u>100%</u>	<u>3,314.0</u>	<u>100.0%</u>

The table below sets forth our Group's revenue by geographical locations based on the location by customers for the years ended 31 March 2017 and 2018:

	For the year ended 31 March			
	2018		2017	
	<i>RMB Million</i>	<i>%</i>	<i>RMB Million</i>	<i>%</i>
The PRC	3,302.4	84.2%	2,731.1	82.4%
The United States	283.8	7.2%	196.0	5.9%
Hong Kong	237.9	6.1%	272.3	8.2%
European countries	59.4	1.5%	52.8	1.6%
Other countries	38.1	1%	61.8	1.9%
	<u>3,921.6</u>	<u>100%</u>	<u>3,314.0</u>	<u>100.0%</u>

Set out below are details of the financial and trading prospects of the core business segments of the Group:

Printing

New Island Printing Company Limited (“**New Island**”) is one of the leading and reputable printing and packaging companies in Hong Kong and China. New Island produces high quality packaging and paper products with the capability to serve our international clients in the areas of beauty and cosmetics, pharmaceutical, food and beverage globally. We further develop overseas and local customers portfolio and expand our production capacities by setting up factories in Jiangsu and Hunan Provinces of PRC and relocate our Dongguan operations.

Printing will continue to be the major business segment of the Group and contribute stable revenue and profit to the Group.

Trading and Logistics

This segment is principally engaged in the distribution and sales of industrial software, electronic parts and devices and petrochemical products. In August 2016, Shanghai Huajun Petrochemical Trading Corporation Limited (上海華君化工有限公司) was set up, it trades a large spectrum of petrochemical products and the year under review is the first full year operations of our petrochemicals distribution business. The Group expects vast demand of petrochemical products in Hong Kong and PRC and with our strength of strong network of suppliers ensure stable supply of products managed by our team, the Group will continue to support the growth of distribution and sales of petrochemical products.

On 31 October 2017, we have completed disposal of effectively 22% equity interest in Candice Group Limited which engaged in distribution and sales of industrial software, electronic parts and devices and since then, Candice Group Limited ceased to be a subsidiary of the Group.

Property Development and Investments

This segment consists of land consolidation and development, real estate development and sales, property leasing and management, and various real estate business. Leveraging on the rich resources in the PRC, the Group seeks development projects with asset appreciation potential for investment and enjoys asset appreciation while generating stable revenue. There are several core projects held by the Group and under development during the year as follows:

Shanghai Bao Hua International Plaza

On 17 August 2016, Shanghai Baohua Wanlong Real Estates Company Limited (上海保華萬隆置業有限公司), an indirectly wholly-owned subsidiary of the Company, successfully bid for the land use rights of the land in Minhang District, Shanghai, the PRC through the auction held by Shanghai Minhang District Planning and Land Administration Bureau (上海市閔行區規劃和土地管理局) offered for sale by way of tender at a bidding price of RMB2,305 million. The land is under development and will offer commercial and office complex named Shanghai Bao Hua International Plaza (上海保華國際廣場) with total gross floor area (“GFA”) of approximately 125,000 square metres. Full completion of Shanghai Bao Hua International Plaza is scheduled for 2019.

Dalian

On 30 March 2017, we acquired two property projects, namely Bao Hua Financial Centre (保華金融中心) and Bao Hua Wang Yuan* (保華旺苑), from a company controlled by Mr. Meng, the chairman, an executive Director and a substantial shareholder of the Company at a total Consideration of RMB1,920 million. Both Bao Hua Financial Centre (保華金融中心) and Bao Hua Wang Yuan* (保華旺苑) are located in Dalian City, Liaoning Province, the PRC. In particular, Bao Hua Financial Centre (保華金融中心) comprises a parcel of land with a site area of approximately 10,857.10 sq.m. situated at Xinghai Bay business area, Dalian. It is under development into a commercial and Grade A office development complex with total GFA of approximately 146,000 square meters to be erected thereon. The development will be developed into a 51-storey commercial and office complex with a 2-storey basement for car parking and ancillary uses. Full completion of Bao Hua Financial Centre is scheduled for 2019.

Property for sale – Gaoyou

In May 2017, Yangzhou Baohua Jianfeng Real Estate Co., Ltd., an indirectly 80% owned subsidiary of the Company, successfully bid for the land use rights of two pieces of land in Gaoyou District, Jiangsu Province, the PRC at a bidding price of RMB739.7 million. The two pieces of land are under development into a commercial and residential project named Gaoyou Bao Hua – Jun Ting (高郵保華•君庭) with two phases and has a total GFA of approximately 365,550 square meters. The first phase has offered for pre-sale in February 2018. At 31 March 2018, a total of approximately 29,400 square meters were promptly sold for proceeds of RMB251.4 million.

Solar Photovoltaic

In 2017, the global solar photovoltaic industry had newly-introduced photovoltaic capacity of 100GW with accumulated solar photovoltaic installed capacity reaching 400GW. The global solar photovoltaic industry maintained steady growth. China continued to rank first in the new solar photovoltaic installations, representing 50% of the market shares with the annual installed capacity for 50GW surpassing countries such as the US, Japan and India. To seize the opportunity, the Group's Solar Photovoltaic operations are principally engaged in business including manufacturing and sales of monocrystalline silicon, polycrystalline silicon, silicon wafers, solar cells, and solar modules. Our operations are located in Jiangsu Province.

Finance Services

(i) Finance Lease

This segment consists of the leasing of land, property, plant and equipment, and other tangible assets. The operations of this segment is mainly located in the PRC where the Group seeks stable revenue with controllable risk.

(ii) Provision of Finance

The Group provides finance to prospective customers who would provide securities for the performance of their respective obligations to repay the Group. The Group will take a prudence approach to develop this business segment, diversify the customer portfolio and seek opportunity to cooperate with its business partners.

(iii) Securities Investments

The Group invests in Hong Kong and overseas securities. We mainly utilise the extensive investment experience of the management to make medium and short-term investments by searching for stable revenue with controllable risk, diversifying the corporate operating risk and improving asset liquidity of the Group.

(iv) Securities brokerage and assets management

During the year under review, the Group acquired a licensed corporation which is licensed to carry out Type 1 (dealing in securities), Type 4 (advising on securities) and Type 9 (asset management) regulated activities under the Securities and Futures Ordinance (Chapter 571) of the laws of Hong Kong (“SFO”). We commenced the securities brokerage business under the name of “United Securities Limited” in 2018.

FINANCIAL REVIEW

Revenue

Our Group’s revenue for the year ended 31 March 2018 was approximately RMB3,921.6 million, representing an increase of approximately RMB607.6 million, or 18.3%, compared to revenue of approximately RMB3,314.0 million for last year. For the year ended 31 March 2018, our Group’s major business segments, namely (1) Printing reported a revenue of approximately RMB658.1 million (2017: approximately RMB544.7 million); (2) Trading and logistics reported a revenue of approximately RMB2,367.2 million (2017: approximately RMB1,173.0 million); (3) Solar Photovoltaic recorded a revenue of approximately RMB760.2 million (2017: approximately RMB1,371.3 million); and (4) Financial services recorded a revenue of approximately RMB47.3 million (2017: approximately RMB169.5 million).

As a group with diversified businesses, we look for opportunity of sustainable growth. The overall increase in revenue was primarily attributable to growth of trading and logistics in particular the sales of larger spectrum of petrochemical products and with first full year operations in the year under review.

Gross Profit and Gross Margin

Gross profit was approximately RMB339.8 million for the year under review (2017: approximately RMB477.3 million), with gross profit margin of approximately 8.7% (2017: approximately 14.4%). The mix of business segments that the Group operates affects its results of operations such as its gross profit margins since different segments have different profitability. While our printing business maintained a stable gross margin, the decrease in gross profit was mainly due to the change of revenue mix with higher contribution of trading revenue which earning a lower gross profit margin compared to financial services earning a higher profit margin.

Selling and Distribution Expenses

For the year under review, selling and distribution expenses increased by approximately RMB33.1 million or 39.1% to approximately RMB117.7 million, or 3.0% of revenue for the year under review, from approximately RMB84.6 million, or 2.6% of revenue for the last year. The increase was primarily due to the increase in transportation costs for the distribution of petrochemical products.

Administrative Expenses

For the year under review, administrative expenses increased by approximately RMB14.0 million or 4.6% to approximately RMB323.6 million, was due to increase in research and development expenses.

Finance Costs

Finance costs for the year under review was approximately RMB163.7 million (2017: approximately RMB110.5 million). Representing an increase of 48.1% compared to last year. The increase was primarily due to issue of convertible bonds and increase in bank borrowings compared to last year.

(Loss)/profit for the year

As a combined effect of the above, during the year under review, our Group recorded a loss attributable to shareholders of the Company of approximately RMB931.1 million, as compared to a profit of approximately RMB22.7 million for last year.

Liquidity and Financial Resources

Shareholders' Funds

Total shareholders' funds amounted to approximately RMB2,681.5 million as at 31 March 2018, as compared to approximately RMB3,525.8 million at 31 March 2017, representing a decrease of 23.9%.

Financial Position

As at 31 March 2018, the Group had current assets of approximately RMB4,985.6 million (31 March 2017: approximately RMB4,690.9 million) comprising cash and cash equivalents of approximately RMB255.1 million (31 March 2017: approximately RMB172.7 million), and current liabilities of approximately RMB5,982.6 million (31 March 2017: approximately RMB4,863.3 million). The Group's current ratio (defined as current assets divided by current liabilities) was 0.8 (31 March 2017: 1.0).

Our gearing ratio, expressed as a percentage of interest-bearing liabilities to total assets, was at 48.4% as at 31 March 2018 as compared to 31.0% as at 31 March 2017.

Cash and Cash Equivalents

As at 31 March 2018, our Group had cash and cash equivalents of approximately RMB255.1 million (31 March 2017: approximately RMB172.7 million), most of which were denominated in Renminbi.

Borrowings

Our Group had interest-bearing bank borrowings and other borrowings of approximately RMB4,594.1 million (31 March 2017: approximately RMB3,120.4 million). Of these borrowings, approximately RMB4,228.4 million (31 March 2017: approximately RMB3,086.4 million) were secured by the Group's assets.

Capital Expenditure

The Group's capital expenditure mainly represents additions to investment properties, property, plant and equipment and prepaid lease payment totaling of approximately RMB1,127.5 million (2017: approximately RMB4,961.4 million).

FOREIGN EXCHANGE RISK MANAGEMENT

The Group is exposed to foreign currency risk on bank balances and cash, trade and other receivables, trade and other payables and borrowings that are denominated in currencies other than the functional currency of the operations to which they relate. The Directors ensure that the net exposure is kept to an acceptable level, by buying or selling foreign currencies at spot rates and entering into plain vanilla foreign exchange forward contracts where necessary to address short-term imbalances.

CONTINGENT LIABILITIES

Except as disclosed in note 16, the Group had no material contingent liabilities as at 31 March 2018.

STAFF

As at 31 March 2018, the Group had a total staff of 3,173 (2017: 3,444).

The Group provides employee benefits such as staff insurance, retirement schemes and discretionary bonus and also provides in-house training programmes and external training sponsorship.

The Group has in place a share option scheme in order to attract and retain the best personnel and to align the interests of the employees with the Group interests.

CORPORATE GOVERNANCE

The Company has applied the principles and complied with the code provisions of the Code on Corporate Governance Practices (the “**CG Code**”) contained in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (“**Stock Exchange**”) (the “**Listing Rules**”) for the year ended 31 March 2018, the Company has fully complied with the CG Code.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (“**Model Code**”) set out in Appendix 10 of the Listing Rules as the code of conduct regarding securities transactions by the Directors. Having made specific enquiry of all Directors, the Company confirmed that all Directors have complied with the required standard set out in the Model Code throughout the year ended 31 March 2018.

AUDIT COMMITTEE

The audit committee comprises three Independent Non-executive Directors and reports directly to the Board. The audit committee meets regularly with the Group's senior management and the Company's external auditor to review the financial reporting and internal control systems of the Group as well as the financial statements of the Company. The audit committee has reviewed the annual results of the Group for the year ended 31 March 2018.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S SHARES

During the year ended 31 March 2018, the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's shares.

EXTRACT FROM THE INDEPENDENT AUDITOR'S REPORT

The Company's independent auditor's report for the year ended 31 March 2018 has included a separate section under the heading "Material Uncertainty related to going concern" but without affecting the audit opinion, an extract of which is as follows:

Material Uncertainty Related to Going Concern

We draw attention to note 2* to the consolidated financial statements which indicates that as of 31 March 2018, the Group's current liabilities exceeded its current assets by approximately RMB996.9 million. In addition, the Group has capital commitments of RMB2,436.0 million as disclosed in note 47# to the consolidated financial statements. The Group's ability to continue as a going concern is dependent on the ongoing availability of finance to the Group, including the credit facility from its immediate holding company and ultimate controlling party, banks and institutional investors. If the finance were not available, the Group would be unable to meet its financial obligations as and when they fall due. These conditions, along with other matters as set forth in note 2 to the consolidated financial statements, indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

* *Being Note 2 in this announcement*

Being Note 19 in this announcement

DIVIDEND

The Board does not recommend the payment of a final dividend for the year ended 31 March 2018 (2017: Nil).

CLOSURE OF REGISTER OF MEMBERS FOR ANNUAL GENERAL MEETING

The Company will make appropriate announcements at a subsequent date and time to be confirmed.

PUBLICATION OF ANNUAL RESULTS

The annual results announcement of the Company is published on the websites of the Stock Exchange (<http://www.hkexnews.hk>) and the Company (<http://www.huajunholdings.com>).

By Order of the Board

Meng Guang Bao

Chairman and Executive Director

Hong Kong, 28 June 2018

As at the date of this announcement, the Board comprises Mr. Meng Guang Bao, Ms. Zhang Ye, Mr. He Shufen, and Mr. Guo Song as executive Directors; and Mr. Zheng Bailin, Mr. Shen Ruolei and Mr. Pun Chi Ping as independent non-executive Directors.

If there is any inconsistency in this announcement between the Chinese and English versions and the English version shall prevail.