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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 RESULTS
FOR THE YEAR ENDED 31 DECEMBER 2016

FINANCIAL HIGHLIGHTS

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

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

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

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

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

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

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

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

The board (the "Board") of directors (the "Directors") of Huajin International Holdings Limited (the "Company") hereby announced the audited results of the Company and its subsidiaries (the "Group") for the year ended 31 December 2016 together with the comparative figures for the corresponding year in 2015.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
For year ended 31 December 2016

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

	Notes	**2016** **RMB'000**	2015 RMB'000
Total comprehensive income for the year attributable to:			
Owners of the Company		**100,804**	91,071
Non-controlling interests		**—**	679
		100,804	91,750
Earnings per share for profit attributable to owners of the Company	*10*		
— Basic (RMB cents)		**16.94**	21.51
— Diluted (RMB cents)		**16.83**	N/A

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 31 December 2016

	Notes	2016 RMB'000	2015 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment		**428,230**	325,617
Prepaid lease payments		**63,227**	50,051
Deposit paid for acquisition of property, plant and equipment		**10,976**	7,249
Deposit paid for acquisition of prepaid lease payments		**6,000**	—
		508,433	382,917
CURRENT ASSETS			
Prepaid lease payments		**1,450**	1,118
Inventories		**195,215**	125,364
Trade, bills and other receivables	*11*	**461,672**	216,879
Amount due from a related party		**—**	122,411
Restricted bank deposits		**67,570**	44,352
Bank balances and cash		**119,328**	96,190
Tax recoverable		**6,866**	—
		852,101	606,314
CURRENT LIABILITIES			
Trade, bills and other payables and accrued expenses	*12*	**156,765**	191,616
Tax payables		**49**	10,840
Bank borrowings — due within one year	*13*	**464,675**	390,027
		621,489	592,483
NET CURRENT ASSETS		**230,612**	13,831
TOTAL ASSETS LESS CURRENT LIABILITIES		**739,045**	396,748
NON-CURRENT LIABILITIES			
Bank borrowings — due more than one year	*13*	**169,403**	137,275
Deferred income		**31,350**	33,000
Deferred tax liability		**1,000**	3,000
		201,753	173,275
NET ASSETS		**537,292**	223,473

	2016	2015
	RMB'000	*RMB'000*
CAPITAL AND RESERVES		
Share capital	**4,999**	—
Reserves	**528,293**	223,473
Equity attributable to owners of the Company	**533,292**	223,473
Non-controlling interest	**4,000**	—
TOTAL EQUITY	**537,292**	223,473

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For year ended 31 December 2016

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

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

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

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

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

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

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

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

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

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

The principal activity of the Company is investment holding. The Group's principal subsidiaries, including Inter Consortium, Jiangmen Huajin, Jiangmen Huamu and Huajin (Singapore) Pte. Ltd., are engaged in the processing and sales of processed steel products and zinc coated steel products. The addresses of the Company's registered office is Cricket Square, Hutchius drive, P.O. Box 2681. Grand Cayman, KY1-1111, Cayman Islands and principal place of business in Hong Kong is Room 518, Tower A, New Mandarin Plaza, No. 14 Science Museum Road, Tsim Sha Tsui East, Kowloon, Hong Kong.

The consolidated financial statements for the year ended 31 December 2016 were approved and authorised for issue by the Board on 28 March 2017.

2. PRINCIPAL ACCOUNTING POLICIES

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

The accounting policies used in preparing the consolidated financial statements for the year ended 31 December 2016 are consistent with those followed in the consolidated financial statements for the year ended 31 December 2015 as set out in Appendix I to the prospectus of the Company dated 5 April 2016 (the "Prospectus) with the application of new and amendments to HKFRSs (as defined below) issued and became effective in the year under review as described in note 3 below.

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

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

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

The adoption of the amendments to these 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.

4. REVENUE AND SEGMENT INFORMATION

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

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

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

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

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

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

5. OTHER INCOME, OTHER GAINS AND LOSSES

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

Notes:

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

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

6. FINANCE INCOME AND COSTS

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

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

7. INCOME TAX EXPENSE

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

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

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

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

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

8. PROFIT FOR THE YEAR

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

9. DIVIDENDS

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

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

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

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

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

10. EARNINGS PER SHARE

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

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

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

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

11. TRADE, BILLS AND OTHER RECEIVABLES

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

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

The Group generally requests deposits in advance from customers (see note 12).

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

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

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

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

12. TRADE, BILLS AND OTHER PAYABLES AND ACCRUED EXPENSES

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

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

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

The average credit period granted by suppliers on purchase of goods is no longer than 30 (2015: 30) days from certain of its suppliers. For other suppliers, the Group is required to prepay in advance (see note 11) and make full payment upon receipt of the goods purchased.

13. BANK BORROWINGS

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

The effective interest rate on the Group's borrowings as at 31 December 2016 were ranging from 4.35% to 8.39% (2015: 4.60% to 8.40%) per annum. As at 31 December 2015, the secured portion of the Group's borrowings were secured by certain assets of the Group as detailed in note 16, prepaid lease payments and property, plant and equipment held by Mr. Xu and the companies controlled by him. During the year, the assets held by Mr. Xu and the companies controlled by him as securities of borrowings have been released upon the repayments of the relevant borrowings.

14. CAPITAL COMMITMENTS

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

15. OPERATING LEASE COMMITMENTS

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

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

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

Leases are negotiated for an average term of two years.

16. PLEDGE OF ASSETS

Except for the discounted bills receivables transferred to certain banks with full recourse amounted to RMB109,948,000 (2015: RMB55,803,000), certain of the Group's borrowings are secured by assets of the Group and the carrying amounts of which at the end of each reporting period are stated below:

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

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

MANAGEMENT DISCUSSION AND ANALYSIS

Business review

The past year marked an important milestone for the development of our Group, during which our Group completed its global offering and eventually the shares of the Company were successfully listed on the Main Board of the Stock Exchange on 15 April 2016 (the "Listing Date"). The listing is expected to provide a more effective fund-raising platform to equip the Group with stronger financial capability and flexibility to timely capture greater opportunities for our sustainable business development and expansion in the long term.

The Board is also pleased to announce that our Group completed the construction work of Workshop No. 4 (as defined in the Prospectus) for the production of zinc coated steel products and which commenced operation and production in mid-2016. The total gross floor area for Workshop No. 4 is approximately 16,714.7 square metres and its maximum designed annual processing capacity for zinc coating process is 250,000 tonnes. During the year under review, our Group recognised the sales of zinc coated steel products amounting to approximately 43,973 tonnes.

The Group acquired property, plant and equipment, prepaid lease payments and incurred construction costs of approximately RMB160.4 million during the year ended 31 December 2016. Included in the above are the acquisition of two parcels of industrial lands and the operational buildings erected thereon of RMB45 million from Mr. Xu Songqing, the executive Director of the Company.

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

Financial review

Revenue

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

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

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

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

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

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

Cost of sales

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

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

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

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

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

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

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

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

Gross profit

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

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

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

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

Selling expenses

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

Administrative expenses

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

Listing expenses

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

Finance costs

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

Income tax expense

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

Profit for the year

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

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

Liquidity and financial resources

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

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

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

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

Foreign currency exposure

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

Material acquisitions and disposal

The Group acquired property, plant and equipment, prepaid lease payments and incurred construction costs of approximately RMB160.4 million during the year ended 31 December 2016. Included in the above are the acquisition of two parcels of industrial lands and the operational buildings erected thereon of RMB45 million from Mr. Xu Songqing, the executive Director of the Company. Save as disclosed above, the Group had no other material acquisition or disposal during the year ended 31 December 2016.

Contingent liabilities

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

Employees

As at 31 December 2016, the Group had a total of 1,260 (2015: 1,094) full-time employees in mainland China, Hong Kong and Singapore. The Group's total staff costs (including Directors' remuneration) in 2016 amounted to approximately RMB89.7 million (2015: RMB68.6 million). The Group remunerated the employees based in their performance, experience and prevailing market practices. The Company has share option scheme in place as a means to encourage and reward the eligible employees (including the Directors) for their contributions to the Group's results and business development based on their individual performance. Since the adoption of the share option scheme on 15 April 2016 and up to 31 December 2016, no options have been granted by the Company.

PROSPECTS AND FUTURE PLAN

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

DIVIDENDS

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

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

CLOSURE OF REGISTER OF MEMBERS

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

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

USE OF PROCEEDS FROM THE GLOBAL OFFERING

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

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

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

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

CORPORATE GOVERNANCE PRACTICES

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

Code provision A.4.1

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

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

Further information on the Company's corporate governance practices during the year under review will be set out in the Corporate Governance Report to be contained in the Company's 2016 annual report which will be sent to the shareholders in due course.

DIRECTORS' SECURITIES TRANSACTIONS

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

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

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

NON-COMPETITION UNDERTAKING BY CONTROLLING SHAREHOLDERS

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

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

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

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

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

ENVIRONMENTAL, SOCIAL AND GOVERNANCE ("ESG")

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

SUFFICIENCY OF PUBLIC FLOAT

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

SUBSEQUENT EVENTS

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

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

REVIEW OF AUDIT COMMITTEE

The Company's audit committee has reviewed the accounting principles and practices adopted by the Group with the management of the Company and the Company's external auditor, and has examined the annual results of the Group for the year ended 31 December 2016.

SCOPE OF WORK OF MESSRS. DELOITTE TOUCHE TOHMATSU

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year ended 31 December 2016 as set out in the preliminary announcement have been agreed by the Group's auditor, Messrs. Deloitte Touche Tohmatsu, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by Messrs. Deloitte Touche Tohmatsu in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the HKICPA and consequently no assurance has been expressed by Messrs. Deloitte Touche Tohmatsu on the preliminary announcement.

PUBLICATION OF ANNUAL RESULTS AND ANNUAL REPORT FOR THE YEAR ENDED 31 DECEMBER 2016 ON THE WEBSITES OF THE STOCK EXCHANGE AND THE COMPANY

This annual results announcement is published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.huajin-hk.com). The annual report of the Company containing all information required by the Listing Rules will be despatched to the shareholders and available on the above websites in due course.

By order of the Board
Huajin International Holdings Limited
Xu Songqing
Chairman

Hong Kong, 28 March 2017

As at the date of this announcement, the Board of the Company comprises Mr. Xu Songqing (Chairman), Mr. Luo Canwen (Chief Executive Officer), Mr. Chen Chunniu and Mr. Xu Songman as executive Directors, and Mr. Goh Choo Hwee, Mr. Tam Yuk Sang, Sammy and Mr. Wu Chi Keung as independent non-executive Directors.