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 2017

FINANCIAL HIGHLIGHTS

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

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

Notes:

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

2. It represents the sales volume of processed steel products and zinc coated steel products during the reporting period.

3. The average processing fee is the difference between the average selling price and the average cost of direct materials charged for its processed steel products and zinc coated steel products.

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

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 2017 together with the comparative figures for the corresponding period in 2016.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For year ended 31 December 2017

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

	Note	**2017**	2016
		RMB'000	*RMB'000*
Total comprehensive income (expense) for the year attributable to:			
Owners of the Company		**89,813**	100,804
Non-controlling interests		**(230)**	–
		89,583	100,804
Earnings per share for profit attributable to owners of the Company,	*10*		
— Basic (RMB cents)		**15.44**	16.94
— Diluted (RMB cents)		**N/A**	16.83

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
At 31 December 2017

	Notes	2017 RMB'000	2016 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment		**487,234**	428,230
Prepaid lease payments		**82,782**	63,227
Deposits paid for acquisition of property, plant and equipment and land use rights		**33,054**	16,976
Deferred tax assets		**4,208**	–
		607,278	508,433
CURRENT ASSETS			
Prepaid lease payments		**2,116**	1,450
Inventories		**309,938**	195,215
Trade, bills and other receivables	*11*	**707,689**	461,672
Derivative financial instruments		**11,490**	–
Tax recoverable		**1,650**	6,866
Restricted bank deposits		**98,365**	67,570
Bank balances and cash		**127,955**	119,328
		1,259,203	852,101
CURRENT LIABILITIES			
Trade, bills and other payables and accrued expenses	*12*	**228,871**	156,765
Tax payables		**1,738**	49
Amounts due to related parties		**52,471**	–
Borrowings — due within one year	*13*	**895,242**	464,675
		1,178,322	621,489
NET CURRENT ASSETS		**80,881**	230,612
TOTAL ASSETS LESS CURRENT LIABILITIES		**688,159**	739,045
NON-CURRENT LIABILITIES			
Borrowings — due more than one year	*13*	**62,750**	169,403
Deferred income		**28,050**	31,350
Deferred tax liabilities		**753**	1,000
		91,553	201,753
NET ASSETS		**596,606**	537,292

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2017

1. GENERAL

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

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

The principal activity of the Company is investment holding. The Group's principal subsidiaries, including Inter Consortium Holdings Limited, Jiangmen Huajin Metal Product Company Limited, Jiangmen Huamu Metals Company Limited 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, Hutchins 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 2017 were approved and authorised for issue by the Board on 23 March 2018.

2. SIGNIFICANT 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 rendered.

The accounting policies used in preparing the consolidated financial statements for the year ended 31 December 2017 are consistent with those followed in the consolidated financial statements for the year ended 31 December 2016 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 REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

Amendments to HKFRSs that are mandatorily effective for the current year

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

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

Except for the adoption of Amendments to HKAS 7 "Disclosure Initiative" which requires an entity to provide disclosure that enable users of financial statements to evaluate changes in liabilities arising from financing activities, the adoption of other 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 2017 and 2016, the CODM assesses the operating performance and allocates the resources of the Group as a whole as the Group is primarily engaged in processing and sales of processed steel products and zinc coated steel products. Therefore, the management considers that the Group has one operating segment only. The Group mainly operates in the PRC and the Group's non-current assets are also mainly located in the PRC.

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

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

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

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

No revenue from any customer of the Group contributed to over 10% of the total revenue of the Group for the year ended 31 December 2017 (2016: nil).

5. OTHER INCOME, OTHER GAINS AND LOSSES

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

Notes:

(i) Incentives received from PRC local authorities by the Group as encouragement of its business development amounting to RMB7,695,000 (2016: RMB4,974,000) are recognised in the profit or loss for the year ended 31 December 2017 for the purpose of giving immediate financial support to the Group with no future related costs expected to be incurred nor related to any assets.

(ii) Grants amounting to RMB33,000,000 were recorded as a deferred income in prior year, of which RMB3,300,000 (2016: RMB1,650,000) has been recognised in the profit or loss for the year ended 31 December 2017.

6. FINANCE INCOME AND COSTS

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

Notes:

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

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

7. INCOME TAX EXPENSE

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

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

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

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

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

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

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

8. PROFIT FOR THE YEAR

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

9. DIVIDENDS

Dividends recognised as distribution during the year:

	2017	2016
	RMB'000	*RMB'000*
2016 final dividend of HK3.4 cents (2015: nil) per share	**17,675**	–
2017 interim dividend of HK3.5 cents (2016: 2016 interim dividend of HK4.8 cents) per share	**18,194**	26,137
Dividends to the then shareholders of the Company prior to the listing of the shares of the Company on the Stock Exchange on 15 April 2016	**–**	52,470
	35,869	78,607

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

10. EARNINGS PER SHARE

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

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

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

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

11. TRADE, BILLS AND OTHER RECEIVABLES

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

No allowance for bad and doubtful debt was provided for each of the years ended 31 December 2017 and 2016 and no provision for bad and doubtful debt balances 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 days (2016: 120 days). For other customers, the Group requires full payment upon delivery of goods.

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

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

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

Included in the Group's trade receivables balance are debtors with aggregate carrying amount of RMB3,943,000 (2016: RMB8,072,000) which were past due at the end of the reporting period for which the Group has not provided for impairment loss as the Group considered such balances could be recovered based on historical experience. The Group does not hold any collateral over these balances.

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

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

Included in the Group's bills receivables are amounts of RMB219,350,000 (2016:RMB109,948,000), as at 31 December 2017, being the discounted bills receivables transferred to certain banks with full recourse. If the issuing banks of bills receivables default payment on maturity, the banks have the right of recourse to request the Group to pay the unsettled balance. As the Group has not transferred substantially all the risks and rewards relating to these bills receivables, it continues to recognise the full carrying amount of the bills receivables and has recognised the cash received on the transfer as bank borrowings from factoring of trade receivables with full recourse (note 13). The financial asset is carried at amortised cost in the consolidated statement of financial position.

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

12. TRADE, BILLS AND OTHER PAYABLES AND ACCRUED EXPENSES

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

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:

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

The average credit period granted by suppliers on purchase of goods is no longer than 30 (2016: 30) days from certain of its suppliers. For other suppliers, the Group is required to prepay in advance (see note 11) and make full payment upon receipt of the goods purchased.

13. BORROWINGS

	2017	2016
	RMB'000	*RMB'000*
Fixed rate borrowings:		
Secured bank borrowings	**464,700**	421,580
Bank borrowings from factoring of bills receivables with full recourse *(note 11)*	**219,350**	109,948
Secured other borrowings	**36,483**	–
	720,533	531,528
Variable rate borrowings:		
Secured bank borrowings	**237,459**	102,550
	957,992	634,078
The carrying amounts of the above borrowings are repayable, based on scheduled repayment dates set out in the loan agreements, as:		
— within one year	**895,242**	464,675
— more than one year, but not more than two years	**46,000**	169,403
— more than two years, but not more than five years	**16,750**	–
	957,992	634,078
Less: amount due within one year shown under current liabilities	**(895,242)**	(464,675)
Amount shown under non-current liabilities	**62,750**	169,403

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

The effective interest rate on the Group's borrowings as at 31 December 2017 were ranging from 4.35% to 8.39% (2016: 4.35% to 8.39%) per annum. The Group's borrowings were secured by certain assets of the Group as detailed in note 16.

14. CAPITAL COMMITMENTS

	2017	2016
	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 and land use rights	**246,935**	3,509

15. OPERATING LEASE COMMITMENTS

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

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

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

Leases are negotiated for an average term of two years.

16. PLEDGE OF ASSETS

Except as disclosed in note 11, the Group's borrowings are secured by assets of the Group and the carrying amounts of which at the end of each reporting period are stated below:

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

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

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

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

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

In order to maintain its business growth in the long run, the Group invested substantially in property, plant and equipment to strengthen the scale and processing capacity of the existing production base and facilities. During the year ended 31 December 2017, the Group acquired property, plant and equipment, land use rights and incurred construction costs of approximately RMB144.1 million.

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

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

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

FINANCIAL REVIEW

Revenue

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

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

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

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

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

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

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

Cost of sales

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

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

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

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

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

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

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

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

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

Gross profit

In view of the intensified competition in the industry partly due to the upward trend of steel price volatility, the Group was still able to maintain the processing fee (being the difference between the selling price and the cost of direct materials, namely hot-rolled steel coils) charged for its processed steel products and zinc coated steel products to an average of approximately RMB696 per tonne for the year ended 31 December 2017 as compared with that of approximately RMB690 per tonne for the year ended 31 December 2016.

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

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

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

Other income, other gains and losses

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

Selling expenses

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

Administrative expenses

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

Investment income and gain

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

Finance costs

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

Income tax expense

Income tax expense decreased to approximately RMB16.0 million for the year ended 31 December 2017, by approximately RMB7.7 million or 32.5%, as compared with that of approximately RMB23.7 million for the year ended 31 December 2016. The decrease was mainly attributable to the decrease in the applicable enterprise income tax rate from 25% to 15% for our two major subsidiaries in the PRC. In February 2017, our two major PRC subsidiaries were recognised as high and new technology enterprises in the PRC and enjoyed a preferential enterprise income tax rate of 15% for a term of three years from 1 January 2016 to 31 December 2018.

Profit for the year

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

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

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

Liquidity and financial resources

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

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

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

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

Foreign currency exposure

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

Financial instruments

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

Material acquisitions and disposal

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

Contingent liabilities

During the reporting period under review, the Company provided guarantees to banks as securities for financing facilities granted to certain subsidiaries of the Company in the PRC. The Group did not provide any guarantee to any third parties and did not have contingent liabilities as at 31 December 2017 (2016: nil).

Employees

As at 31 December 2017, the Group had a total of 1,034 (2016: 1,260) full-time employees in mainland China, Hong Kong and Singapore. The Group's total staff costs (including Directors' remuneration) in 2017 amounted to approximately RMB98.8 million (2016: RMB89.7 million). The Group remunerated the employees based on their performance, experience and prevailing market practices. The Company has share option scheme in place as a means to encourage and reward the eligible employees (including the Directors) for their contributions to the Group's results and business development based on their individual performance. No share option was granted during the year ended 31 December 2017.

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

INDICATION OF LIKELY FUTURE DEVELOPMENT IN THE BUSINESS

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

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

USE OF PROCEEDS FROM THE GLOBAL OFFERING

Based on the offer price of HK$2.38 per share and the actual listing expenses incurred, the net proceeds from the global offering received by the Company amounted to approximately HK$330.7 million (equivalent of approximately RMB276.8 million) and the balance of unutilized net proceeds of HK$2.8 million (equivalent of approximately RMB2.4 million) were kept at the bank accounts of the Group as at 31 December 2017.

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

Use of proceeds	**Planned applications** *(HK$ million)*	**% of total net proceeds** *(%)*	**Actual usage up to 31 December 2017** *(HK$ million)*	**Actual usage up to 31 December 2017** *(RMB million)*
To repay working capital loans from PRC commercial banks	150.0	45.4	150.0	126.1
To purchase production machinery and equipment	71.0	21.5	71.0	59.6
To finance the acquisition of two parcels of industrial lands and the operational buildings erected thereon from Mr. Xu	48.6	14.7	48.6	40.5
To finance the construction and operation of Workshop No. 4	27.3	8.2	27.3	22.7
To upgrade our ERP system	4.1	1.2	1.3	1.1
For general working capital and other general corporate purposes	29.7	9.0	29.7	24.5
Total	330.7	100.0	327.9	274.5

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 Listing Rules as its code of corporate governance. The Company has complied with the applicable code provisions in the CG Code throughout the year ended 31 December 2017, except as noted hereunder.

Code provision A.4.1

In respect of the code provision A.4.1 of the CG Code, non-executive Directors should be appointed for a specific term, subject to re-election. The non-executive Director is appointed for a term of 3 years and all the independent non-executive Directors of the Company are not appointed for a specific term. However, all Directors are subject to retirement by rotation and re-election 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 2017 annual report which will be sent to the shareholders in due course.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers ("Model Code") as set out in Appendix 10 to the Listing Rules as the Company's code of conduct regarding Directors' securities transactions. Having made specific enquiry of all Directors, all the Directors confirmed that they had complied with the required standard set out in the Model Code throughout the year ended 31 December 2017.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

At no time during the year ended 31 December 2017 was the Company, its holding company, or any of its subsidiaries or associated corporations, a party to any arrangement which enables the Directors and chief executives of the Company (including their respective spouse and children under 18 years of age) to acquire benefits by means of acquisition of shares or underlying shares in, or debentures of, the Company or any of its associated corporations.

NON-COMPETITION UNDERTAKINGS BY CONTROLLING SHAREHOLDERS

Each of the controlling shareholders (the "Controlling Shareholders"), namely Haiyi Limited, Intrend Ventures Limited, Zhong Cheng International Limited, Mr. Xu and Mr. Luo, has provided written confirmation (the "Confirmation") to the Company that, for the year ended 31 December 2017, each of the Controlling Shareholders has complied with the non-competition undertakings (the "Undertakings") given under the deed of non-competition (the "Deed of Non-competition") dated 23 March 2016 and executed by our Controlling Shareholders in favour of our Company.

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 of the Company dated 5 April 2016.

Upon receiving the Confirmation, the independent non-executive Directors of the Company had reviewed the same as part of the annual examination. In determining whether the Controlling Shareholders had fully complied with the Undertakings, the independent non-executive Directors noted that (a) the Controlling Shareholders declared that they had fully complied with the Undertakings; (b) no new competing business was reported by the Controlling Shareholders for the year ended 31 December 2017; and (c) there was no particular situation rendering the full compliance of the Undertakings being questionable. In view of the above, the independent non-executive Directors confirmed that the Controlling Shareholders had fully complied with the Deed of Non-competition for the year ended 31 December 2017.

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

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities for the year ended 31 December 2017.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE

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

SUFFICIENCY OF PUBLIC FLOAT

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

EVENT AFTER THE REPORTING PERIOD

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

DIVIDENDS

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

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

CLOSURE OF REGISTER OF MEMBERS

In order to determine entitlement of the shareholders to the right to attend and vote at the forthcoming annual general meeting, the register of members of the Company will be closed from Monday, 25 June 2018 to Thursday, 28 June 2018, both days inclusive, during which period no share transfer will be effected. All share transfer documents accompanied by the relevant share certificates must be lodged with the Company's branch share registrar and transfer office in Hong Kong, Union Registrars Limited, at Suites 3301–04, 33/F., Two Chinachem Exchange Square, 338 King's Road, North Point, Hong Kong, for registration not later than 4:00 p.m. on Friday, 22 June 2018.

The proposed final dividend is subject to the passing of an ordinary resolution by the shareholders at the forthcoming annual general meeting. In order to determine the shareholders who are qualified for the proposed final dividend, the register of members of the Company will be closed from Thursday, 26 July 2018 to Tuesday, 31 July 2018, both days inclusive, during which period no share transfer will be effected. All share transfer documents accompanied by the relevant share certificates must be lodged with the Company's branch share registrar and transfer office in Hong Kong, Union Registrars Limited, at Suites 3301–04, 33/F., Two Chinachem Exchange Square, 338 King's Road, North Point, Hong Kong, for registration not later than 4:00 p.m. on Wednesday, 25 July 2018.

REVIEW BY 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 2017.

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 2017 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 2017 ON THE WEBSITES OF THE STOCK EXCHANGE AND THE COMPANY

This annual results announcement is published on the websites of the Company (www.huajin-hk.com) and the Stock Exchange (www.hkexnews.hk). 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, 23 March 2018

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