



**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

INTERIM REPORT

2022



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## FINANCIAL HIGHLIGHTS

	Six months ended 30 June		Change
	2022 (unaudited)	2021 (unaudited)	
Revenue (RMB million)	<b>1,991.9</b>	2,240.7	-11.1%
Gross (loss) profit (RMB million)	<b>(5.4)</b>	131.4	
Gross (loss) profit margin (%)	<b>(0.3%)</b>	5.9%	
(Loss) profit attributable to owners of the Company (RMB million)	<b>(58.9)</b>	54.8	
Net (loss) profit margin (%)	<b>(3.0%)</b>	2.4%	
Basic (loss) earnings per Shares (RMB cent)	<b>(9.82)</b>	9.14	
Diluted (loss) earnings per Shares (RMB cent)	<b>(9.82)</b>	9.14	
Sales volume (tonne) (note 1)	<b>358,200</b>	383,230	-6.5%
Average processing fee per tonne (RMB) (note 2)	<b>396</b>	580	-31.7%

	As at	As at	Change
	30.6.2022 (unaudited)	31.12.2021 (audited)	
Net asset value (RMB million)	<b>530.0</b>	587.0	-9.7%
Net asset value per Share (RMB)	<b>0.88</b>	0.98	-10.2%
Borrowings (RMB million)	<b>1,537.8</b>	1,229.6	+25.1%
Gearing ratio (%) (note 3)	<b>290.1%</b>	209.5%	

### Notes:

1. It represents the sales volume of processed steel products and galvanized steel products during the reporting period.
2. 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 galvanized steel products.
3. Gearing ratio is calculated at borrowings divided by net asset value.

# REPORT ON REVIEW OF CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

## TO THE BOARD OF DIRECTORS OF HUAJIN INTERNATIONAL HOLDINGS LIMITED

華津國際控股有限公司

*(Incorporated in the Cayman Islands with limited liability)*

## INTRODUCTION

We have reviewed the condensed consolidated financial statements of Huajin International Holdings Limited (the “Company”) and its subsidiaries (collectively referred to as the “Group”) set out on pages 5 to 32, which comprise the condensed consolidated statement of financial position as of 30 June 2022 and the related condensed consolidated statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the six-month period then ended, and certain explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 “Interim Financial Reporting” (“HKAS 34”) issued by the Hong Kong Institute of Certified Public Accountants. The directors of the Company are responsible for the preparation and presentation of these condensed consolidated financial statements in accordance with HKAS 34. Our responsibility is to express a conclusion on these condensed consolidated financial statements based on our review, and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

## SCOPE OF REVIEW

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by the Hong Kong Institute of Certified Public Accountants. A review of these condensed consolidated financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

# REPORT ON REVIEW OF CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

## CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the condensed consolidated financial statements are not prepared, in all material respects, in accordance with HKAS 34.

### **Deloitte Touche Tohmatsu**

Certified Public Accountants

Hong Kong

31 August 2022

# CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED 30 JUNE 2022

	NOTES	Six months ended 30 June	
		2022 RMB'000 (Unaudited)	2021 RMB'000 (Unaudited)
Revenue	3	1,991,881	2,240,723
Cost of sales		(1,997,266)	(2,109,297)
Gross (loss) profit		(5,385)	131,426
Other income, other gains and losses		414	3,440
Selling expenses		(9,167)	(17,317)
Administrative expenses		(30,545)	(21,374)
(Loss) profit before investment loss, net finance costs and taxation		(44,683)	96,175
Investment loss		(713)	(381)
Finance income	4	1,522	465
Finance costs	4	(37,465)	(26,556)
Finance costs, net	4	(35,943)	(26,091)
(Loss) profit before taxation		(81,339)	69,703
Income tax credit (expenses)	5	22,401	(14,877)
(Loss) profit and total comprehensive (expense) income for the period attributable to owners of the Company	6	(58,938)	54,826
(Loss) earnings per share for (loss) profit attributable to owners of the Company	7		
— basic (RMB cents)		(9.82)	9.14
— diluted (RMB cents)		(9.82)	9.14

# CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 30 JUNE 2022

	NOTES	30 June 2022 RMB'000 (Unaudited)	31 December 2021 RMB'000 (Audited)
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	9	1,071,432	1,001,892
Right-of-use assets	9	147,207	149,514
Deposits paid for acquisition of property, plant and equipment		29,364	61,670
Equity investments designated at FVTOCI		2,275	2,275
Deferred tax assets		24,948	3,881
		<b>1,275,226</b>	1,219,232
<b>CURRENT ASSETS</b>			
Inventories		163,017	156,903
Trade, bills and other receivables	10	1,211,423	870,814
Financial assets at fair value through profit or loss	11	—	20
Tax recoverable		1,780	1,431
Restricted bank deposits		167,609	133,659
Bank balances and cash		60,306	22,547
		<b>1,604,135</b>	1,185,374
<b>CURRENT LIABILITIES</b>			
Trade, bills and other payables and accrued expenses	12	425,478	330,680
Contract liabilities		364,251	215,650
Tax payables		—	370
Amounts due to related parties	13	5,410	21,200
Borrowings — due within one year	14	1,146,773	845,960
Lease liabilities		670	1,124
		<b>1,942,582</b>	1,414,984
<b>NET CURRENT LIABILITIES</b>		<b>(338,447)</b>	(229,610)
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<b>936,779</b>	989,622

# CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 30 JUNE 2022

		<b>30 June 2022 RMB'000 (Unaudited)</b>	31 December 2021 RMB'000 (Audited)
<b>NON-CURRENT LIABILITIES</b>			
Borrowings — due more than one year	14	<b>391,032</b>	383,670
Lease liabilities		<b>2,444</b>	2,708
Deferred income		<b>13,200</b>	14,850
Deferred tax liabilities		<b>77</b>	1,411
		<b>406,753</b>	402,639
<b>NET ASSETS</b>			
		<b>530,026</b>	586,983
<b>CAPITAL AND RESERVES</b>			
Share capital	15	<b>4,999</b>	4,999
Reserves		<b>525,027</b>	581,984
<b>TOTAL EQUITY</b>			
		<b>530,026</b>	586,983

# CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED 30 JUNE 2022

	Equity attributable to owners of the Company								
	Share capital	Share premium	Statutory reserve	Capital reserve	Share-based payments reserve	Fair value reserve of equity investments designated at FVTOCI	Translation reserve	Retained profits	Total
	RMB'000	RMB'000	RMB'000 (Note)	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2021 (audited)	4,999	184,003	48,065	63,840	-	-	(5,012)	274,518	570,413
Profit and total comprehensive income for the period	-	-	-	-	-	-	-	54,826	54,826
Recognition of equity-settled share-based payments	-	-	-	-	482	-	-	-	482
Dividends (note 8)	-	-	-	-	-	-	-	(49,022)	(49,022)
At 30 June 2021 (unaudited)	4,999	184,003	48,065	63,840	482	-	(5,012)	280,322	576,699
At 1 January 2022 (audited)	4,999	184,003	55,555	63,840	3,535	18	(5,012)	280,045	586,983
Loss and total comprehensive expense for the period	-	-	-	-	-	-	-	(58,938)	(58,938)
Recognition of equity-settled share-based payments	-	-	-	-	1,981	-	-	-	1,981
At 30 June 2022 (unaudited)	4,999	184,003	55,555	63,840	5,516	18	(5,012)	221,107	530,026

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

# CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE SIX MONTHS ENDED 30 JUNE 2022

	Six months ended 30 June	
	2022	2021
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
<b>OPERATING ACTIVITIES</b>		
(Loss) profit before taxation	<b>(81,339)</b>	69,703
Adjustments for:		
Depreciation of property, plant and equipment	<b>5,204</b>	2,286
Depreciation of right-of-use assets	<b>2,341</b>	2,285
Impairment losses of property, plant and equipment	<b>1,724</b>	–
Impairment losses of trade receivables under ECL model	<b>445</b>	–
Write-down of inventories	<b>6,553</b>	–
Interest expense	<b>37,465</b>	26,556
Investment loss	<b>713</b>	381
Share-based payments expenses	<b>1,981</b>	482
Others	<b>(3,182)</b>	(2,594)
Operating cash flows before movements in working capital	<b>(28,095)</b>	99,099
Decrease in inventories	<b>26,767</b>	86,360
Increase in trade, bills and other receivables	<b>(460,896)</b>	(304,221)
Increase (decrease) in trade, bills and other payables and accrued expenses	<b>67,608</b>	(119,220)
Increase in contract liabilities	<b>148,601</b>	87,590
Cash used in operations	<b>(246,015)</b>	(150,392)
Income tax paid	<b>(717)</b>	(10,060)
<b>NET CASH USED IN OPERATING ACTIVITIES</b>	<b>(246,732)</b>	(160,452)
<b>INVESTING ACTIVITIES</b>		
Placement of restricted bank deposits	<b>(198,372)</b>	(95,016)
Deposit paid for acquisition and purchase of property, plant and equipment	<b>(51,583)</b>	(54,129)
Purchase of financial assets at FVTPL	–	–
Settlement of financial assets at FVTPL	<b>20</b>	–
Settlement of derivative financial instruments	<b>(713)</b>	(381)
Withdrawal of restricted bank deposits	<b>164,422</b>	61,511
Proceeds from disposal of property, plant and equipment	<b>64</b>	3,478
Interest received	<b>1,522</b>	465
<b>NET CASH USED IN INVESTING ACTIVITIES</b>	<b>(84,640)</b>	(84,072)

# CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE SIX MONTHS ENDED 30 JUNE 2022

	Six months ended 30 June	
	2022 RMB'000 (Unaudited)	2021 RMB'000 (Unaudited)
FINANCING ACTIVITIES		
New borrowings raised	979,318	864,232
Advance from directors	–	2,996
Repayment of borrowings	(551,301)	(391,261)
Repayment to related parties	(15,790)	–
Dividend paid	(575)	(49,022)
Interest paid	(41,766)	(29,413)
Repayment of lease liabilities	(752)	(591)
NET CASH FROM FINANCING ACTIVITIES	369,134	396,941
NET INCREASE IN CASH AND CASH EQUIVALENTS	37,762	152,417
CASH AND CASH EQUIVALENTS AT 1 JANUARY	22,547	46,236
Effect of foreign exchange rate changes	(3)	103
CASH AND CASH EQUIVALENTS AT 30 JUNE, represented by bank balances and cash	60,306	198,756

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2022

## 1. BASIS OF PREPARATION

Huajin International Holdings Limited (the “Company”, together with its subsidiaries, the “Group”) is a public limited company incorporated in the Cayman Islands as an exempted company and its shares are listed on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”). Its immediate and ultimate holding company is Haiyi Limited, a company incorporated in the British Virgin Islands and ultimately controlled by Mr. Xu Songqing (“Mr. Xu”).

The condensed consolidated financial statements have been prepared in accordance with Hong Kong Accounting Standard (“HKAS”) 34 Interim Financial Reporting issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) as well as with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

In preparing the condensed consolidated financial statements of the Group, the directors of the Company have given careful consideration to the future liquidity of the Group in light of the fact that the Group’s current liabilities exceeded its current assets by RMB338,447,000 as at 30 June 2022 and had capital commitments contracted for but not provided in the condensed consolidated financial statements of RMB98,086,000 on the same date, of which RMB75,415,000 is due for payment in the next twelve months from 30 June 2022. The Group had incurred a net cash inflow of RMB37,762,000 and a net operating cash outflow of RMB246,732,000 for the six months ended 30 June 2022.

In the opinion of the directors of the Company, the Group will be able to continue as a going concern at least in the coming twelve months taking into consideration that the available bank facilities from various banks for the operation requirements of the Group based on the past history of renewal of such facilities and the working capital estimated to be generated from operating activities. As at 30 June 2022, the Group had total banking facilities relating to bank borrowings (excluding those related to factoring of bills receivable) and bills payables amounted to approximately RMB1,465,360,000, of which approximately RMB1,101,116,000 had been utilised, and the unutilised banking facilities amounted to RMB364,244,000. In addition, based on the best estimation of the directors of the Company, all of the currently utilised financing facilities would be renewed upon expiry.

Mr. Xu also agreed to provide necessary financial support to enable the Group to meet its financial obligations as they fall due for a period of twelve months from the date of approval of the condensed consolidated financial statements.

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2022

## 1. BASIS OF PREPARATION *(Continued)*

Based on the aforesaid factors, the directors of the Company have, at the time of approving the condensed consolidated financial statements, a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the condensed consolidated financial statements.

## 2. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments, which are measured at fair values, as appropriate.

The accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2022 are the same as those presented in the Group's annual financial statements for the year ended 31 December 2021.

### Application of amendments to HKFRSs

In the current interim period, the Group has applied the following amendments to HKFRSs issued by the HKICPA, for the first time, which are mandatorily effective for the annual periods beginning on or after 1 January 2022 for the preparation of the Group's condensed consolidated financial statements:

Amendments to HKFRS 3	Reference to the Conceptual Framework
Amendment to HKFRS 16	Covid-19-Related Rent Concessions beyond 30 June 2021
Amendments to HKAS 16	Property, Plant and Equipment — Proceeds before Intended Use
Amendments to HKAS 37	Onerous Contracts — Cost of Fulfilling a Contract
Amendments to HKFRSs	Annual Improvements to HKFRSs 2018-2020

The application of the amendments to HKFRSs in the current interim period has had no material impact on the Group's financial positions and performance for the current and prior periods and/or on the disclosures set out in these condensed consolidated financial statements.

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2022

## 3. 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 executive directors, Mr. Xu and Mr. Luo Canwen, being the chief operating decision maker (the “CODM”), in order to allocate resources to segments and to assess their performance. During the periods ended 30 June 2022 and 2021, the CODM assesses the operating performance and allocates the resources of the Group as a whole as the Group is primarily engaged in production and sales of cold-rolled steel products and galvanized steel products. Therefore, the management considers that the Group has one operating segment only. The Group mainly operates in the PRC and the Group’s non-current assets are also located in the PRC.

A disaggregation of revenue from contracts with customers by types of goods is as follows:

	Six months ended 30 June	
	2022	2021
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Sales of cold-rolled steel products		
— steel strips and sheets	<b>1,302,960</b>	1,569,980
— welded steel tubes	<b>114,511</b>	97,416
Sales of galvanized steel products	<b>463,653</b>	361,033
Sales of hot-rolled steel products and others	<b>110,757</b>	212,294
	<b>1,991,881</b>	2,240,723

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2022

## 3. REVENUE AND SEGMENT INFORMATION *(Continued)*

All revenue of the Group are recognised at a point in time. All products are delivered within a period less than one year. As permitted under HKFRS 15, the transaction price allocated to these unsatisfied contracts is not disclosed.

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

	Six months ended 30 June	
	2022	2021
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
PRC (including Hong Kong)	1,974,402	2,234,902
Southeast Asia	17,479	5,821
	<b>1,991,881</b>	2,240,723

No revenue from any customer of the Group contributed to over 10% of the total revenue of the Group for the six months ended 30 June 2022 (six months ended 30 June 2021: nil (unaudited)).

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2022

## 4. FINANCE INCOME AND COSTS

	Six months ended 30 June	
	2022	2021
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Finance costs		
— Interest expense on borrowings, net of amounts capitalised in the cost of qualifying assets of RMB4,301,000 (six months ended 30 June 2021: RMB4,170,000)	(37,378)	(26,474)
— Interest expense on lease liabilities	(87)	(82)
	<b>(37,465)</b>	(26,556)
Finance income		
— Interest income from bank deposits	1,522	465
Finance costs, net	<b>(35,943)</b>	(26,091)

Borrowing costs capitalised during the six months ended 30 June 2022 arose on the general borrowing pool and are calculated by applying a capitalisation rate of 7.09% (six months ended 30 June 2021: 7.11%) per annum to expenditure on qualifying assets.

## 5. INCOME TAX (CREDIT) EXPENSES

	Six months ended 30 June	
	2022	2021
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Current tax charge:		
— PRC Enterprise Income Tax ("EIT")	—	11,814
PRC withholding income tax	—	2,650
Overprovision in prior year:		
— PRC EIT	—	—
Deferred tax (credit) charge	(22,401)	413
Income tax (credit) expenses for the period	<b>(22,401)</b>	14,877

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2022

## 6. (LOSS) PROFIT AND TOTAL COMPREHENSIVE (EXPENSE) INCOME FOR THE PERIOD

	Six months ended 30 June	
	2022	2021
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
(Loss) profit and total comprehensive (expense) income for the period has been arrived at after charging (crediting):		
Directors' remuneration		
— fees	215	292
— other emoluments, salaries, allowances and other benefits	624	659
— equity-settled share-based payments	722	253
— retirement benefit scheme contributions	48	46
	<b>1,609</b>	1,250
Staff salaries, allowances and other benefits	<b>49,060</b>	37,705
Equity-settled share-based payments, excluding those of directors	<b>1,218</b>	221
Retirement benefit scheme contributions, excluding those of directors	<b>6,399</b>	3,863
Total employee benefits expenses	<b>58,286</b>	43,039
Depreciation of property, plant and equipment	<b>44,638</b>	30,949
Less: amount capitalised as cost of inventories manufactured	<b>(39,434)</b>	(28,663)
	<b>5,204</b>	2,286
Depreciation of right-of-use assets	<b>2,341</b>	2,285
Cost of inventories recognised as an expense	<b>1,990,713</b>	2,109,297
Write-down of inventories	<b>6,553</b>	—
Gain on disposal of property, plant and equipment	<b>(10)</b>	(479)
Impairment losses on property, plant and equipment	<b>1,724</b>	—

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2022

## 7. (LOSS) EARNINGS PER SHARE

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

	Six months ended 30 June	
	2022	2021
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
<b>(Loss) earnings:</b>		
(Loss) profit for the period attributable to owners of the Company for the purpose of basic and diluted (loss) earnings per share	<b>(58,938)</b>	54,826
<b>Number of shares:</b>		
Weighted average number of ordinary shares for the purpose of basic (loss) earnings per share	<b>600,000,000</b>	600,000,000
Effect of dilutive potential ordinary shares brought by share options ( <i>Note</i> )	-	-
Weighted average number of ordinary shares for the purpose of diluted (loss) earnings per share	<b>600,000,000</b>	600,000,000

*Note:* The computation of diluted (loss) earnings per share for each interim period does not assume the exercise of the Company's options because the adjusted exercise price of those options was higher than the average market price for shares during both interim periods.

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2022

## 8. DIVIDENDS

On 21 January 2021, the Board of Directors resolved to declare a special interim dividend of HK9.8 cents per ordinary share, in an aggregate amount of HK\$58,800,000 (equivalent to RMB49,022,000).

No interim dividend for the six months ended 30 June 2022 has been proposed since the end of the reporting period.

## 9. PROPERTY, PLANT AND EQUIPMENT AND RIGHT-OF-USE ASSETS

During the current interim period, the Group acquired property, plant and equipment and incurred construction costs of RMB115,955,000 (unaudited) (six months ended 30 June 2021: RMB103,215,000 (unaudited)).

During the current interim period, the Group disposed of certain property, plant and equipment with an aggregate carrying amount of RMB54,000 (six months ended 30 June 2021: RMB2,999,000) for proceeds of RMB64,000 (six months ended 30 June 2021: RMB3,478,000), resulting in a gain on disposal of RMB10,000 (six months ended 30 June 2021: RMB479,000).

During the six months ended 30 June 2021, the Group entered into a new lease agreement with a lease term of 3 years. On lease commencement, the Group recognised right-of-use asset and lease liability of RMB821,000. No new lease agreement entered during the current interim period.

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2022

## 9. PROPERTY, PLANT AND EQUIPMENT AND RIGHT-OF-USE ASSETS *(Continued)*

### Impairment assessment

Certain long-lived assets amounted to a total of RMB1,199,509,000 are related to the Group's business of sales of processed steel products and galvanized steel products, comprising certain property, plant and equipment, right-of-use assets other than leasehold lands and deposits paid for acquisition of property, plant and equipment (the "Identified Long-lived Assets"). Due to the changes in the current economic environment related to the Covid-19 pandemic during the current interim period, the Group is experiencing negative conditions including mainly decreased revenue and loss for the period that indicate that the Identified Long-lived Assets may be impaired. The Group performed impairment testing on these assets and concluded that no impairment loss of the Identified Long-lived Assets has been recognised in profit or loss for the six months ended 30 June 2022 (six months ended 30 June 2021: nil).

Certain property, plant and equipment and right-of-use assets amounted to a total of RMB37,432,000 were considered idle (the "Idle Assets") as at end of the reporting period, which was considered as an indicator that these assets may be impaired by the management of the Group. The management conducted impairment assessment on the recoverable amounts of the Idle Assets. The recoverable amounts of the Idle Assets are estimated individually using fair value less costs to disposal calculations under Level 3 fair value hierarchy. The fair value less costs to disposal calculations are based on adjusted available market information, where the key input parameters include adjustment factors on market comparable assets and obsolescence rates. As at 30 June 2022, an impairment loss of RMB1,724,000 (six months ended 30 June 2021: nil) in respect of property, plant and equipment has been recognised in profit or loss.

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2022

## 10. TRADE, BILLS AND OTHER RECEIVABLES

	<b>30.6.2022</b> <i>RMB'000</i> <b>(Unaudited)</b>	31.12.2021 <i>RMB'000</i> <b>(Audited)</b>
Trade receivables from contracts with customers	<b>70,538</b>	130,368
Less: Allowance for credit losses	<b>(1,116)</b>	(671)
	<b>69,422</b>	129,697
Bills receivables	<b>160,898</b>	141,920
Prepayments to suppliers	<b>931,148</b>	566,322
Value-added tax recoverable	<b>28,012</b>	12,987
Other prepayments, deposits and other receivables	<b>21,943</b>	19,888
	<b>1,211,423</b>	870,814

For long-term customers with good credit quality and payment history, the Group may allow credit periods of up to 90 days (2021: 90 days). For other customers, the Group demands for full settlement upon delivery of goods.

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2022

## 10. TRADE, BILLS AND OTHER RECEIVABLES (Continued)

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

	<b>30.6.2022</b> <i>RMB'000</i> <b>(Unaudited)</b>	31.12.2021 <i>RMB'000</i> <b>(Audited)</b>
Trade receivables:		
Within 30 days	<b>55,020</b>	111,508
31–60 days	<b>3,255</b>	9,016
61–90 days	<b>7,690</b>	2,023
91–120 days	<b>1,804</b>	4,363
121–180 days	<b>15</b>	2,471
181–365 days	<b>1,555</b>	211
Over 1 year	<b>83</b>	105
	<b>69,422</b>	129,697
Bills receivables:		
Within 30 days	<b>17,390</b>	20,825
31–60 days	<b>20,303</b>	23,523
61–90 days	<b>12,846</b>	29,624
91–120 days	<b>18,330</b>	17,332
121–180 days	<b>86,671</b>	45,724
181–365 days	<b>5,358</b>	4,892
	<b>160,898</b>	141,920

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2022

## 10. TRADE, BILLS AND OTHER RECEIVABLES (Continued)

As at 30 June 2022, included in the Group's bills receivables are amounts of RMB158,062,000 (unaudited) (31 December 2021: RMB128,596,000 (audited)), being the discounted bills receivables transferred to certain banks and suppliers with full recourse. If the issuing banks of bills receivables default payment on maturity, the banks and the suppliers 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 the corresponding amounts in bank borrowings from factoring of bills receivables with full recourse (note 14) and trade payables. These bills receivables are carried at amortised cost in the condensed consolidated statement of financial position. All the bills receivables are with a maturity period of less than one year.

	30.6.2022 RMB'000 (Unaudited)	31.12.2021 RMB'000 (Audited)
Carrying amount of transferred asset	158,062	128,596
Carrying amount of associated bank borrowings	(142,929)	(67,670)
Carrying amount of associated trade payables	(15,133)	(60,926)
	-	-

During the current interim period, certain transactions between subsidiaries of the Company arising from steel processing services were settled by bank bills. As at 30 June 2022, bills receivables held by a subsidiary of the Company issued by other members of the Group of RMB105,100,000 (unaudited) (31 December 2021: RMB35,000,000) were transferred to certain banks with full recourse similar to the arrangements as set out above. These bills receivables were eliminated in full on consolidation. The Group had recognised the cash received on the transfer of the bills receivables as bank borrowings from factoring of trade receivables with full recourse.

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2022

## 11. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	30.6.2022 RMB'000 (Unaudited)	31.12.2021 RMB'000 (Audited)
Financial assets mandatorily measured at FVTPL:		
Unlisted investments in trust funds ( <i>Note 1</i> )	–	20
Derivative financial instruments ( <i>Note 2</i> )	–	–
	–	20

*Notes:*

- Amounts represent investments in trust funds made by the Group through a financial institution in the PRC. The trust funds invest in a range of debt instrument products which are generally corporate loans. The trust fund investments were allowed to redeem daily and the balances were classified as current assets as at 31 December 2021.

They are mandatorily classified as financial assets at FVTPL as their contractual cash flows are not solely payments of principal and interest.
- As at 30 June 2022 and 31 December 2021, the Group has no outstanding hot rolled coils future contracts. Future contracts of hot rolled coils entered into during the six-month periods ended 30 June 2022 and 2021 have been fully settled before the end of each reporting period. The resulting gain or loss on the derivative financial instruments during the six-month periods ended 30 June 2022 and 2021 were recognised in profit or loss and presented as 'Investment loss'.

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2022

## 12. TRADE, BILLS AND OTHER PAYABLES AND ACCRUED EXPENSES

	30.6.2022 RMB'000 (Unaudited)	31.12.2021 RMB'000 (Audited)
Trade payables (Note a)	224,008	141,520
Bills payables (Note b)	70,067	80,740
Accrued staff costs	18,357	11,569
Construction payables	86,607	58,842
Transportation fee payables	1,336	3,111
Unclaimed dividends	–	575
Other tax payables	8,119	12,843
Other payables and accrued expenses	16,984	21,480
	<b>425,478</b>	<b>330,680</b>

Notes:

- (a) Included in the amounts was RMB15,133,000 (unaudited) (31 December 2021: RMB60,926,000 (audited)) related to the trade payables in which the Group has endorsed bills to the relevant suppliers. The details are set out in the note 10.
- (b) These relate to the amounts in which the Group has issued bills to the relevant suppliers and were not yet matured as at year end. The Group continues to recognise these trade payables as the relevant banks are obliged to make payments only on due dates of the bills, under the same conditions as agreed with the suppliers without further extension.

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2022

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

The ageing analysis of the trade payables, excluding those related to the trade payables in which the Group has endorsed bills to the relevant suppliers as described in note 12(a), based on the invoice dates at the end of each reporting period is presented as follows:

	30.6.2022 <i>RMB'000</i> (Unaudited)	31.12.2021 <i>RMB'000</i> (Audited)
Trade payables:		
Within 30 days	53,032	18,387
31–60 days	12,199	21,631
61–90 days	95,952	5,347
91–120 days	14,226	13,920
121–180 days	3,332	4,297
181–365 days	25,912	13,890
Over 1 year	4,222	3,122
	<b>208,875</b>	80,594

The maturity dates of the bills payables at the end of each reporting period are presented as follows:

	30.6.2022 <i>RMB'000</i> (Unaudited)	31.12.2021 <i>RMB'000</i> (Audited)
Bills payables:		
Within 30 days	20,000	20,000
31–60 days	20,000	20,000
121–180 days	29,067	40,740
181–365 days	1,000	–
	<b>70,067</b>	80,740

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2022

## 13. AMOUNTS DUE TO RELATED PARTIES

	30.6.2022 RMB'000 (Unaudited)	31.12.2021 RMB'000 (Audited)
Mr. Xu	5,310	21,100
Mr. Chen Chunniu	100	100
	<b>5,410</b>	<b>21,200</b>

The amount is non-trade in nature, interest free, unsecured and repayable within twelve months from the respective dates.

## 14. BORROWINGS

	30.6.2022 RMB'000 (Unaudited)	31.12.2021 RMB'000 (Audited)
Fixed-rate borrowings:		
Secured bank borrowings	1,023,303	856,500
Bank borrowings from factoring of bills receivables with full recourse ( <i>note 10</i> )	248,029	102,670
Unsecured bank borrowings	–	50,000
Secured borrowings from entities established in the PRC and individuals independent with the Group	172,090	141,930
Unsecured borrowings from entities established in the PRC independent with the Group	64,383	78,530
	<b>1,507,805</b>	<b>1,229,630</b>
Variable-rate borrowings:		
Secured bank borrowings	30,000	–
	<b>1,537,805</b>	<b>1,229,630</b>

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2022

## 14. BORROWINGS (Continued)

	30.6.2022 RMB'000 (Unaudited)	31.12.2021 RMB'000 (Audited)
The carrying amounts of the above bank borrowings are repayable based on the scheduled repayment dates set out in the loan agreements, as:		
— within one year	974,675	683,930
— more than one year, but not more than two years	102,899	156,210
— more than two years, but not more than five years	213,598	129,950
— more than five years	10,160	39,080
	<b>1,301,332</b>	1,009,170
Less: amounts due within one year shown under current liabilities	<b>(974,675)</b>	(683,930)
Amounts shown under non-current liabilities	<b>326,657</b>	325,240
The carrying amounts of the above other borrowings are repayable based on the scheduled repayment dates set out in the loan agreements as:		
— within one year	172,098	162,030
— more than one year, but not more than two years	64,340	50,921
— more than two years, but not more than five years	35	7,509
	<b>236,473</b>	220,460
Less: amount due within one year shown under current liabilities	<b>(172,098)</b>	(162,030)
Amount shown under non-current liabilities	<b>64,375</b>	58,430

The secured portion of the Group's borrowings are secured by certain assets of the Group as detailed in note 18. Certain of the Group's borrowings are also guaranteed personally by certain directors of the Company.

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2022

## 15. SHARE CAPITAL

	Number of shares	Share capital <i>HK\$'000</i>
Ordinary shares of HK\$0.01 each		
<b>Authorised:</b>		
At 1 January 2021, 31 December 2021 and 30 June 2022	8,000,000,000	80,000
<b>Issued:</b>		
At 1 January 2021 (audited), 31 December 2021 (audited) and 30 June 2022 (unaudited)	600,000,000	6,000
	<b>30.6.2022</b> <i>RMB'000</i> <b>(Unaudited)</b>	<b>31.12.2021</b> <i>RMB'000</i> <b>(Audited)</b>
Shown in the condensed consolidated statement of financial position	<b>4,999</b>	4,999

## 16. SHARE-BASED PAYMENTS

Pursuant to a resolution passed on 2 June 2021, the board of directors of the Company has offered to grant share options to certain directors and other eligible grantees under the share option scheme of the Company adopted on 23 March 2016.

The table below discloses movement of the Scheme:

	Number of share options
Outstanding as at 1 January 2022	<b>25,272,720</b>
Granted during the period	-
Outstanding as at 30 June 2022	<b>25,272,720</b>

The closing price of the Company's shares immediately before 2 June 2021, the date of grant, was HK\$2.70.

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2022

## 16. SHARE-BASED PAYMENTS (Continued)

The vesting periods of 10,109,088, 7,581,816 and 7,581,816 options granted during the six months ended 30 June 2021 are 2 June 2021 to 2 June 2022, 2 June 2021 to 2 June 2023 and 2 June 2021 to 2 June 2024 respectively.

The fair value of the options determined at the date of grant using the Binomial model was HK\$11,598,000.

The following assumptions were used to calculate the fair value of share options:

	2 June 2021
Closing price on the date of grant	HK\$2.75
Exercise price	HK\$2.75
Expected life	ranging from 4 to 6 years
Expected volatility	ranging from 22.70% to 24.29%
Expected dividend yield	2.00%
Risk-free interest rate	ranging from 0.44% to 0.83%

The Binomial model has been used to estimate the fair value of the options. The variables and assumptions used in computing the fair value of the share options are based on the valuer's best estimate. Changes in variables and assumptions may result in changes in the fair value of the options.

At the end of each interim period, the Group reassesses its estimates of the number of options that are expected to vest ultimately. The impact of the revision of the estimates, if any, is recognised in profit and loss, with a corresponding adjustment to the share-based payments reserve.

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2022

## 17. CAPITAL COMMITMENTS

	30.6.2022 RMB'000 (Unaudited)	31.12.2021 RMB'000 (Audited)
Capital expenditure contracted but not provided for in the condensed consolidated financial statements in respect of acquisition of property, plant and equipment	98,086	69,061

## 18. PLEDGE OF ASSETS

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:

	30.6.2022 RMB'000 (Unaudited)	31.12.2021 RMB'000 (Audited)
Trade receivables	12,016	–
Property, plant and equipment	804,433	760,361
Right-of-use assets	114,701	88,699
Restricted bank deposits	167,609	133,659
	1,098,759	982,719

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2022

## 19. RELATED PARTY DISCLOSURES

### (a) Related party balance

Details of the outstanding balance with related parties are set out in the condensed consolidated statement of financial position and in note 13.

### (b) Related party transactions

The Group entered into the following transactions with related parties, during the reporting period:

Related parties	Nature of transactions	Six months ended 30 June	
		2022 RMB'000 (Unaudited)	2021 RMB'000 (Unaudited)
Hua Jin Holdings Pte. Ltd ("Hua Jin Holdings") (Note i)	Interest expense on lease liabilities	2	6
Oriental Surplus Link Limited (Note ii)	Interest expense on lease liabilities	10	-

Notes:

- (i) Hua Jin Holdings is 100% owned by Mr. Xu. The Group entered into a lease agreement with Hua Jin Holdings for the use of office premise and furniture located in Tradehub 21, 8 Boon Lay Way, 609964 in District 22, Singapore. During the current interim period, the Group have made repayment of the lease liability of RMB140,000 (six months ended 30 June 2021: RMB146,000). As at 30 June 2022, the corresponding carrying amount of the lease liabilities is RMB25,000 (31 December 2021: RMB163,000).
- (ii) The Group entered into a lease agreement with Oriental Surplus Link Limited, which was wholly-owned by Mr. Xu, with the lease term till 2022 for the use of staff quarter located in Sai Kung, New Territories, Hong Kong. During the current interim period, the Group have made repayment of the lease liability of RMB264,000 (six months ended 30 June 2021: nil). As at 30 June 2022, the corresponding carrying amount of the lease liabilities is RMB236,000 (31 December 2021: RMB490,000).

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2022

## 19. RELATED PARTY DISCLOSURES (Continued)

### (c) Guarantees provided by related parties

Certain of the Group's borrowings are secured by guarantees provided by certain directors of the Company as at 30 June 2022 and 31 December 2021 as set out in note 14.

### (d) Compensation of key management personnel

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

	Six months ended 30 June	
	2022	2021
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Directors' fees	215	292
Salaries, allowances and other benefits	2,404	2,389
Retirement benefit scheme contributions	147	134
Share-based payment expense	1,940	474
	4,706	3,289

## 20. COMPARATIVE FIGURES

Certain figures for the six months ended 30 June 2021 have been represented to conform with the presentation in current period.

## BUSINESS REVIEW

Huajin International Holdings Limited (the “Company”, and together with its subsidiaries, the “Group”) 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 galvanized steel products customised to the specification of the customers covering a wide range of industries, including light industrial hardware, home appliances, furniture, motorcycle/bicycle accessories, LED and lighting. The Group provides processing, cutting, slitting, warehousing and delivery services on customized cold-rolled steel products and galvanized steel products.

During the first half of 2022, the Group generated revenue of approximately RMB1,991.9 million, representing a decrease of RMB248.8 million or 11.1%, as compared to that of approximately RMB2,240.7 million in the first half of 2021. Loss attributable to owners of the Company for the first half of 2022 was approximately RMB58.9 million when compared with profit attributable to owners of the Company of approximately RMB54.8 million for the corresponding period in 2021. The net loss of the Group during the first half of 2022 was mainly due to (i) the decrease in the revenue and sales volume of the Group’s products which were adversely affected by the downturn in market conditions; (ii) a decrease in the average processing fee (being the difference between the selling price and the cost of the raw materials) of the Group’s processed steel products and galvanized steel products affected by the price fluctuation of hot-rolled steel coils from the suppliers; (iii) the increase in the unit cost of sales; (iv) the write-down of inventories; (v) the increase in finance costs; and (vi) partially offset by a deferred tax credit.

The sales volume of processed steel products and galvanized steel products in aggregate was 358,200 tonnes in the first half of 2022, representing a decrease of 25,030 tonnes or 6.5%, as compared to 383,230 tonnes in the first half of 2021. During the first half of 2022, the Group acquired property, plant and equipment and incurred construction costs of approximately RMB116.0 million.

The net current liabilities position of approximately RMB338.4 million (31 December 2021: RMB229.6 million) as at 30 June 2022 was primarily attributable to the fact that short-term borrowings were obtained to finance the non-current capital expenditures on property, plant and equipment, and land use rights. The Directors are of the opinion that, in the absence of any unforeseen circumstances and after taking into account (i) the internal resources of the Group, and (ii) the Group’s presently available financing facilities and the intended renewal of the existing financing facilities upon maturity, the Group would have sufficient working capital to meet its current liabilities or expand its operations as anticipated.

## MANAGEMENT DISCUSSION AND ANALYSIS

The capital commitments towards the acquisition of property, plant and equipment, as at 30 June 2022, was approximately RMB98.1 million (31 December 2021: RMB69.1 million), which will be financed by the Group's internal resources and borrowings.

### FINANCIAL REVIEW

#### Revenue

The Group primarily generates revenue from sales of processed steel products and galvanized steel products. The revenue for the first half of 2022 amounted to approximately RMB1,991.9 million, representing a decrease of approximately RMB248.8 million or 11.1%, as compared with that of approximately RMB2,240.7 million for the first half of 2021.

The sales volume of processed steel products decreased to 273,018 tonnes in the first half of 2022, by 47,179 tonne or 14.7%, as compared with that of 320,197 tonnes in the first half of 2021. The sales volume of galvanized steel products increased to 85,182 tonnes in the first half of 2022, by 22,149 tonnes or 35.1%, as compared with that of 63,033 tonnes in the first half of 2021. Thus, the sales volume of processed steel products and galvanized steel products in aggregate was 358,200 tonnes in the first half of 2022, representing a decrease of 25,030 tonnes or 6.5%, as compared to 383,230 tonnes in the first half of 2021.

The decrease in revenue was mainly attributable to the decrease in sales volume of our processed steel products and galvanized steel products. The average selling price of our processed steel products decreased to RMB5,192 per tonne in the first half of 2022 as compared with that of RMB5,207 per tonne in the first half of 2021. The average selling price of our galvanized steel products decreased to RMB5,443 per tonne in the first half of 2022 as compared with that of RMB5,728 per tonne in the first half of 2021. In summary, the average selling price of our processed steel products and galvanized steel products slightly decreased to RMB5,252 per tonne in the first half of 2022 as compared with that of RMB5,293 per tonne in the first half of 2021.

The domestic sales in the PRC market contributed over 99% of the revenue while the remaining portion was attributable to sales to our customers located in Southeast Asia.

Other revenue was primarily attributable to the sales of scrap steel 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 5.6% (first half of 2021: 9.5%) of the revenue during the first half of 2022.

## MANAGEMENT DISCUSSION AND ANALYSIS

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

	Six months ended 30 June			
	2022		2021	
	RMB'000	%	RMB'000	%
Sales of cold-rolled steel products	1,417,471	71.1	1,667,396	74.4
— steel strips and sheets	1,302,960	65.4	1,569,980	70.1
— welded steel tubes	114,511	5.7	97,416	4.3
Sales of galvanized steel products	463,653	23.3	361,033	16.1
Sales of hot-rolled steel products and others	110,757	5.6	212,294	9.5
	<b>1,991,881</b>	<b>100.0</b>	2,240,723	100.0

### Cost of sales

The cost of sales decreased to approximately RMB1,997.3 million in the first half of 2022, by approximately RMB112.0 million or 5.3%, as compared with that of approximately RMB2,109.3 million in the first half of 2021.

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

	Six months ended 30 June			
	2022		2021	
	RMB'000	%	RMB'000	%
Direct materials	1,802,088	90.2	1,965,316	93.2
Utilities	76,486	3.8	54,623	2.6
Direct labour	41,294	2.1	29,787	1.4
Depreciation expense	39,434	2.0	28,663	1.4
Consumables	33,631	1.7	28,439	1.3
Others	4,333	0.2	2,469	0.1
	<b>1,997,266</b>	<b>100.0</b>	2,109,297	100.0

## MANAGEMENT DISCUSSION AND ANALYSIS

Direct materials represented the cost of raw materials, primarily hot-rolled steel coils. The direct materials accounted for over 90.2% (first half of 2021: 93.2%) of the cost of sales in the first half of 2022. The decrease in direct materials was mainly attributable to the decreased in the sales volume of processed steel products and galvanized steel products. During the first half of 2022, the inventories were written down by the management in an amount of approximately RMB6.5 million after determining the net realisable value of inventories.

Utilities related primarily to electricity, water, and natural gas consumed throughout our production process. Utilities expenses increased to approximately RMB76.5 million in the first half of 2022, by approximately RMB21.9 million or 40.1%, as compared with that of approximately RMB54.6 million in the first half of 2021. Such increase was mainly due to the increase in the electricity and natural gas consumption in our Gujing production plant during the reporting period under review.

The direct labour increased to approximately RMB41.3 million in the first half of 2022, by approximately RMB11.5 million or 38.6%, as compared with that of approximately RMB29.8 million in the first half of 2021. The increase in direct labour was mainly attributable to employment of additional workers for our Gujing production plant during the reporting period under review.

Depreciation expense experienced an increase to approximately RMB39.4 million in the first half of 2022, by approximately RMB10.7 million or 37.3%, as compared with that of approximately RMB28.7 million in the first half of 2021. Such increase was mainly due to the increase in depreciation for property, plant and equipment during the reporting period under review.

Consumables consisted of machinery spare parts and supplies consumed in the production process. Consumables increased to approximately RMB33.6 million in the first half of 2022, by approximately RMB5.2 million or 18.3%, as compared with that of approximately RMB28.4 million in the first half of 2021.

Other costs primarily comprised other taxes and surcharges expenses.

### **Gross loss**

Due to the decrease in sales volume with a decrease in the average processing fee (being the difference between the selling price and the cost of the raw materials, namely hot-rolled steel coils) of the Group's processed steel products and galvanized steel products, the increase in the unit cost of sales, and the write-down of inventories, the Group incurred a gross loss of approximately RMB5.4 million in the first half of 2022 while there was gross profit of approximately RMB131.4 million in the first half of 2021.

The gross loss margin was approximately 0.3% in the first half of 2022 when compared with gross profit margin of 5.9% in the first half of 2021.

### **Other income, other gains and losses**

Other income, other gains and losses decreased to approximately RMB0.4 million in the first half of 2022, by approximately RMB3.0 million or 88.2%, as compared with that of approximately RMB3.4 million in the first half of 2021.

### **Selling expenses**

The selling expenses decreased to approximately RMB9.2 million in the first half of 2022, by approximately RMB8.1 million or 46.8%, as compared with that of approximately RMB17.3 million in the first half of 2021. The decrease in selling expenses was mainly attributable to the decrease in delivery costs during the reporting period under review.

### **Administrative expenses**

The administrative expenses increased to approximately RMB30.5 million in the first half of 2022, by approximately RMB9.1 million or 42.5%, as compared with that of approximately RMB21.4 million in the first half of 2021. The increase in administrative expenses was mainly attributable to the increase in salary, equity-settled share-based payments and business-related expenses during the reporting period under review.

### **Investment loss**

The investment loss was approximately RMB0.7 million in the first half of 2022 when compared with that of approximately RMB0.3 million in the first half of 2021. Such investment loss during the reporting period under review was primarily due to the net realised loss on derivative financial instruments in relation to the commodity futures contracts.

## MANAGEMENT DISCUSSION AND ANALYSIS

### ***Finance costs***

Finance costs increased to approximately RMB37.5 million in the first half of 2022, by approximately RMB10.9 million or 41.0%, as compared with that of approximately RMB26.6 million in the first half of 2021. Such increase was mainly attributable to the increased level of borrowings during the reporting period under review.

### ***Income tax (credit) expenses***

Income tax credit amounted to approximately RMB22.4 million in the first half of 2022 while there was income tax expenses amounted to approximately RMB14.9 million in the first half of 2021. No income tax was provided for during the first half of 2022.

### ***Loss for the period***

The loss attributable to owners of the Company was approximately RMB58.9 million in the first half of 2022 when compared with the profit attributable to owners of the Company of approximately RMB54.8 million in the first half of 2021.

Net loss margin was approximately 3.0% in the first half of 2022 when compared with net profit margin of 2.4% in the first half of 2021.

### **Liquidity and financial resources**

As at 30 June 2022, the Group's bank balances and cash increased to approximately RMB60.3 million, by approximately RMB37.8 million or 168.0%, from approximately RMB22.5 million as at 31 December 2021. The Group's restricted bank deposits increased to approximately RMB167.6 million as at 30 June 2022, by approximately RMB33.9 million or 25.4%, from approximately RMB133.7 million as at 31 December 2021.

As at 30 June 2022, the Group had the net current liabilities and the net assets of approximately RMB338.4 million (31 December 2021: RMB229.6 million) and approximately RMB530.0 million (31 December 2021: RMB587.0 million), respectively. As at 30 June 2022, the current ratio calculated based on current assets divided by current liabilities of the Group was 82.6% as compared with that of 83.8% as at 31 December 2021.

As at 30 June 2022, the Group's total borrowings amounted to approximately RMB1,537.8 million (31 December 2021: RMB1,229.6 million) and total equity amounted to approximately RMB530.0 million (31 December 2021: RMB587.0 million). The gearing ratio of the Group, calculated based on total borrowings divided by total equity, was approximately 2.9 times (31 December 2021: 2.09 times) as at 30 June 2022.

As at 30 June 2022, the Group had total banking facilities relating to bank borrowings (excluding those related to factoring of bills receivables) and bills payables amounted to approximately RMB1,465.3 million (31 December 2021: RMB1,327.3 million), of which approximately RMB1,101.1 million (31 December 2021: RMB972.6 million) had been utilised, and the unutilised banking facilities amounted to approximately RMB364.2 million (31 December 2021: RMB354.7 million). The Group believes it has and will have sufficient unutilised banking facilities to meet its business operation, capital expenditures and expansion.

As at 30 June 2022, certain of the Group's borrowings, which were secured by certain assets of the Group, were also secured by personal guarantees from Mr. Xu Songqing and Mr. Luo Canwen respectively. Mr. Xu also agreed to provide necessary financial support to enable the Group to meet its financial obligations as they fall due for a period of twelve months from the date of approval of these consolidated financial statements.

### Foreign currency exposure

As the functional currency of our PRC subsidiaries is Renminbi ("RMB") and a portion of our revenue is derived from sales to overseas customers who settle in United States dollars ("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, Hong Kong dollars and Singapore dollars. Our Group currently does not have any foreign currency hedging policy. However, our management closely monitors its exposure to foreign currency risk and will consider hedging significant foreign currency exposure should the need arise.

### Financial instruments

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

# MANAGEMENT DISCUSSION AND ANALYSIS

## Material acquisitions and disposal

During the first half of 2022, the Group had no material acquisitions or disposal of subsidiaries, associates and joint ventures.

## Borrowings

Details of the borrowings of the Group as at 30 June 2022 are set out in note 14 to the condensed consolidated financial statements.

## Capital structure

Details of the share capital are set out in note 15 to the condensed consolidated financial statements.

## Capital commitment

Details of the capital commitment are set out in note 17 to the condensed consolidated financial statements.

## Pledge of assets

Details of the pledge of assets are set out in note 18 to the condensed consolidated financial statements.

## Contingent liabilities

During the reporting period under review, the Company provided guarantees to banks as securities for financing facilities granted to certain subsidiaries of the Company in the PRC. The Group did not provide any guarantee to any third parties and did not have contingent liabilities as at 30 June 2022 (31 December 2021: nil).

### Employees

As at 30 June 2022, the Group had a total of 1,195 (31 December 2021: 1,155) full-time employees (including Directors) in mainland China, Hong Kong and Singapore. The Group's total staff costs (including Directors' remuneration) for the first half of 2022 amounted to approximately RMB58.3 million (first half of 2021: RMB43.0 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. Share options to certain Directors and employees granted on 2 June 2021 and resulted in the share-based payment expenses of approximately RMB1.9 million (first half of 2021: RMB0.5 million) included in the above staff costs during the first half of 2022.

### FUTURE PROSPECTS

Our cold-rolled and galvanized steel processing service business will continue to be the principal business providing a stable source of income to the Group. With our broad and diversified customer base, our management will also consider the possibilities to expand and diversify our business by investing into new business opportunities which can enhance the diversity of our revenue and shareholder value.

## OTHER INFORMATION

### DISCLOSURE OF INTERESTS

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

As at 30 June 2022, the interests and short positions of the Directors and the chief executive of the Company and their associates in the ordinary shares of the Company (the "Shares"), and underlying Shares of the Company which have been notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to Divisions 7 and 8 of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong ("SFO"), or which were recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") were as follows:

#### Long positions in Shares of the Company

Name of Directors	Nature of interest	Number of Shares held	Percentage of the Company's issued share capital
Mr. Xu Songqing ("Mr. Xu")	Interest of controlled corporation <sup>(1)</sup>	391,500,000	65.25%
Mr. Luo Canwen ("Mr. Luo")	Interest of controlled corporation <sup>(2)</sup>	54,000,000	9.00%

*Notes:*

1. The entire issued share capital of Haiyi (as defined below) is legally and beneficially owned by Intrend Ventures (as defined below) and the entire issued share capital of Intrend Ventures is legally and beneficially owned by Mr. Xu. Each of Mr. Xu and Intrend Ventures is deemed to be interested in all the Shares held by Haiyi by virtue of the SFO.
2. The entire issued share capital of Zhong Cheng (as defined below) is legally and beneficially owned by Mr. Luo. Mr. Luo is deemed to be interested in all the Shares held by Zhong Cheng by virtue of the SFO.
3. The percentage of shareholding is calculated on the basis of the Company's issued share capital of 600,000,000 Shares as at 30 June 2022.

**Long positions in the shares of associated corporations of the Company**

Name of Directors	Name of associated corporation	Nature of interest	Number of shares held	Percentage of the issued share capital of the associated corporation
Mr. Xu	Haiyi Limited	Interest of controlled corporation	1,000	100.00%

*Note:* The entire issued share capital of Haiyi Limited is legally and beneficially owned by Intrend Ventures and the entire issued share capital of Intrend Ventures is legally and beneficially owned by Mr. Xu

**Long positions in the underlying Shares of the Company**

Name of Directors	Nature of interest	Number of underlying shares in respect of the share options granted	Percentage of underlying shares over the Company's issued share capital
Mr. Xu	Beneficial owner	1,818,181	0.30%
Mr. Xu Jianhong	Beneficial owner	1,818,181	0.30%
Mr. Luo	Beneficial owner	1,818,181	0.30%
Mr. Xu Songman	Beneficial owner	1,818,181	0.30%

*Note:*

- The percentage of shareholding is calculated on the basis of the Company's issued share capital of 600,000,000 Shares as at 30 June 2022.

Save as disclosed above, as at 30 June 2022, none of the Directors or chief executive of the Company nor their associates had any interests or short positions in the Shares or underlying Shares of the Company which had to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO or which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein or which were required, pursuant to the Model Code, to be notified to the Company and the Stock Exchange.

## OTHER INFORMATION

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

As at 30 June 2022, so far as the Directors are aware, the following persons or corporations (not being a Director or a chief executive of the Company) who/which had interests and/or short position in the Shares or underlying Shares of the Company which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO as recorded in the register required to be kept by the Company pursuant to section 336 of the SFO were:

#### Long positions in Shares of the Company

Name of shareholders	Nature of interest	Number of Shares held	Percentage of the issued share capital of the Company
Haiyi Limited ("Haiyi")	Beneficial owner <sup>(1)</sup>	391,500,000	65.25%
Intrend Ventures Limited ("Intrend Ventures")	Interest of controlled corporation <sup>(1)</sup>	391,500,000	65.25%
Zhong Cheng International Limited ("Zhong Cheng")	Beneficial owner <sup>(2)</sup>	54,000,000	9.00%

Notes:

1. The entire issued share capital of Haiyi is legally and beneficially owned by Intrend Ventures and the entire issued share capital of Intrend Ventures is legally and beneficially owned by Mr. Xu Songqing. Each of Mr. Xu and Intrend Ventures is deemed to be interested in all the Shares held by Haiyi by virtue of the SFO.
2. The entire issued share capital of Zhong Cheng is legally and beneficially owned by Mr. Luo Canwen. Mr. Luo is deemed to be interested in all the Shares held by Zhong Cheng by virtue of the SFO.
3. The percentage of shareholding is calculated on the basis of the Company's issued share capital of 600,000,000 Shares as at 30 June 2022.

Save as disclosed above, as at 30 June 2022, the Company has not been notified by any person nor corporation (other than Directors or the chief executive of the Company) who/which had interests or short positions in the Shares or underlying Shares of the Company which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO.

## SHARE OPTIONS

Pursuant to the written resolution of all the shareholders of the Company passed on 23 March 2016, the Company adopted a share option scheme (the “Scheme”) conditional upon the listing of the Company’s shares on the Stock Exchange. The purpose of the Scheme is to enable the Company to grant options to the eligible persons as incentives or rewards for their contribution or potential contribution to the Group.

The following tables show the movements in the Company’s share options outstanding during the six months ended 30 June 2022:

Name or category of participant	Date of grant of share option	Exercise price of share options per share HK\$	Vesting period	Exercisable Period	Outstanding as at 1 January 2022	Granted during the period	Exercised during the period	reallocation (note 3)	Outstanding as at 30 June 2022
<b>Directors</b>									
Mr. Xu Songqing	2 June 2021	2.75	2 June 2021	3 June 2022	727,272	-	-	-	727,272
			to 2 June 2022	to 2 June 2025					
			2 June 2021	3 June 2023	545,454	-	-	-	545,454
			to 2 June 2023	to 2 June 2026					
			2 June 2021	3 June 2024	545,455	-	-	-	545,455
			to 2 June 2024	to 2 June 2027					
Mr. Xu Jianhong	2 June 2021	2.75	2 June 2021	3 June 2022	727,272	-	-	-	727,272
			to 2 June 2022	to 2 June 2025					
			2 June 2021	3 June 2023	545,454	-	-	-	545,454
			to 2 June 2023	to 2 June 2026					
			2 June 2021	3 June 2024	545,455	-	-	-	545,455
			to 2 June 2024	to 2 June 2027					
Mr. Luo Canwen	2 June 2021	2.75	2 June 2021	3 June 2022	727,272	-	-	-	727,272
			to 2 June 2022	to 2 June 2025					
			2 June 2021	3 June 2023	545,454	-	-	-	545,454
			to 2 June 2023	to 2 June 2026					
			2 June 2021	3 June 2024	545,455	-	-	-	545,455
			to 2 June 2024	to 2 June 2027					
Mr. Xu Songman	2 June 2021	2.75	2 June 2021	3 June 2022	727,272	-	-	-	727,272
			to 2 June 2022	to 2 June 2025					
			2 June 2021	3 June 2023	545,454	-	-	-	545,454
			to 2 June 2023	to 2 June 2026					
			2 June 2021	3 June 2024	545,455	-	-	-	545,455
			to 2 June 2024	to 2 June 2027					

## OTHER INFORMATION

Name or category of participant	Date of grant of share option	Exercise price of share options per share HK\$	Vesting period	Exercisable Period	Outstanding as at 1 January 2022	Granted during the period	Exercised during the period	reallocation (note 3)	Outstanding as at 30 June 2022
Mr. Chen Chunniu	2 June 2021	2.75	2 June 2021	3 June 2022	2,400,000	-	-	(2,400,000)	-
			to 2 June 2022	to 2 June 2025					
			2 June 2021	3 June 2023	1,800,000	-	-	(1,800,000)	-
			to 2 June 2023	to 2 June 2026					
			2 June 2021	3 June 2024	1,800,000	-	-	(1,800,000)	-
			to 2 June 2024	to 2 June 2027					
Subtotal					13,272,724	-	-	(6,000,000)	7,272,724
<b>Other grantees</b>	2 June 2021	2.75	2 June 2021	3 June 2022	4,800,000	-	-	2,400,000	7,200,000
			to 2 June 2022	to 2 June 2025					
			2 June 2021	3 June 2023	3,599,999	-	-	1,800,000	5,399,999
			to 2 June 2023	to 2 June 2026					
			2 June 2021	3 June 2024	3,599,997	-	-	1,800,000	5,399,997
			to 2 June 2024	to 2 June 2027					
Subtotal					11,999,996	-	-	6,000,000	17,999,996
Total					25,272,720	-	-	-	25,272,720

### Notes:

1. The Company's Shares closed at HK\$2.70 on 1 June 2021, being the date immediately before the date of grant.
2. No share options were cancelled during the six months ended 30 June 2022.
3. Mr. Chen Chunniu resigned as the executive Director of the Company with effect from 24 February 2022 as Mr. Chen decided to devote more time to other work arrangements of the Group.

### CHANGES IN INFORMATION OF DIRECTORS

Pursuant to Rule 13.51B(1) of the Listing Rules, the changes in information of the Directors of the Company during the six months ended 30 June 2022 and up to the date of this report are set out below:

Name of Director	Details of changes
Mr. Goh Choo Hwee	resigned as an independent non-executive director of China Ever Grand Financial Leasing Group Co., Ltd. (stock code: 379) with effect from 17 March 2022

Save for the information disclosed above, there is no other information required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules.

### DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Other than the interests in share options of the Company as disclosed above, at no time during the six months ended 30 June 2022 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.

### 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 six months ended 30 June 2022.

### INTERIM DIVIDEND

The Directors do not recommend the payment of an interim dividend for the six months ended 30 June 2022 (six months ended 30 June 2021: nil).

## OTHER INFORMATION

### CORPORATE GOVERNANCE PRACTICES

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

The Company has adopted the code provisions set out in the Corporate Governance Code ("CG Code") contained in Appendix 14 to the Listing Rules as its code of corporate governance. The Company has complied with the applicable code provisions in the CG Code throughout the six months ended 30 June 2022, 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. However, all Directors are subject to retirement by rotation and re-election by the Shareholders at the 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.

### MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code as the Company's code of conduct regarding Directors' securities transactions. Having made specific enquiry of all Directors, all Directors confirmed that they complied with the Model Code at all applicable times during the six months ended 30 June 2022.

### SUFFICIENCY OF PUBLIC FLOAT

Based on the publicly available information to the Company and within the knowledge of the Directors as at date of this report, the Company has maintained the prescribed public float required by the Listing Rules for the six months ended 30 June 2022 and up to the date of this report.

### REVIEW OF FINANCIAL STATEMENTS

The audit committee of the Company (the “Audit Committee”) has reviewed the Group’s unaudited condensed consolidated financial statements for the six months ended 30 June 2022 in conjunction with the Company’s external auditor. Based on the review and discussions with the management, the Audit Committee was satisfied that the unaudited condensed consolidated financial statements were prepared in accordance with applicable accounting standards and fairly present the Group’s financial position and results for the six months ended 30 June 2022.

### APPRECIATION

On behalf of the Board, I would like to take this opportunity to express our sincere appreciation of the support from our shareholders, customers and suppliers. I would also like to thank my fellow Directors for their valuable contribution and the staff members of the Group for their commitment and dedicated services throughout the period.

On behalf of the Board  
**Huajin International Holdings Limited**  
**Xu Songqing**  
*Chairman*

Hong Kong, 31 August 2022

## CORPORATE INFORMATION

### BOARD OF DIRECTORS

#### Executive Directors

Mr. Xu Songqing (*Chairman*)  
Mr. Xu Jianhong (*Vice Chairman*)  
Mr. Luo Canwen (*Chief Executive Officer*)  
Mr. Xu Songman

#### Independent non-executive Directors

Mr. Goh Choo Hwee  
Mr. Ou Qiyuan  
Mr. Tam Yuk Sang Sammy

### AUDIT COMMITTEE

Mr. Tam Yuk Sang Sammy (*Chairman*)  
Mr. Goh Choo Hwee  
Mr. Ou Qiyuan

### REMUNERATION COMMITTEE

Mr. Tam Yuk Sang Sammy (*Chairman*)  
Mr. Xu Songqing  
Mr. Goh Choo Hwee  
Mr. Ou Qiyuan

### NOMINATION COMMITTEE

Mr. Xu Songqing (*Chairman*)  
Mr. Goh Choo Hwee  
Mr. Ou Qiyuan  
Mr. Tam Yuk Sang Sammy

### COMPANY SECRETARY

Mr. Wong Chak Keung

### PRINCIPAL BANKERS

Agricultural Bank of China Limited  
Jiangmen Xinhui Branch  
Jiangmen Rural Commercial Bank  
Company Limited  
Bank of Guangzhou Jiangmen Branch

### AUDITOR

Deloitte Touche Tohmatsu  
*Registered Public Interest Entity Auditors*

### PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

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

### BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

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

### REGISTERED OFFICE

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

### HEADQUARTER IN THE PEOPLE'S REPUBLIC OF CHINA (THE "PRC")

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

### PRINCIPAL PLACE OF BUSINESS

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

### STOCK CODE

2738

### WEBSITE

[www.huajin-hk.com](http://www.huajin-hk.com)