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 2022

The board (the "Board") of directors (the "Directors") of Huajin International Holdings Limited (the "Company", together with its subsidiaries, the "Group") is pleased to announce the consolidated results of the Group for the year ended 31 December 2022, together with the comparative figures for the year ended 31 December 2021, which have been prepared in accordance with the Hong Kong Financial Reporting Standards ("HKFRSs") as below.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For year ended 31 December 2022

	NOTES	**2022** **RMB'000**	2021 RMB'000
Revenue	*4*	**4,663,563**	5,293,037
Cost of sales		**(4,683,695)**	(5,084,287)
Gross (loss) profit		**(20,132)**	208,750
Other income, other gains and losses	*5*	**4,528**	12,550
Selling expenses		**(39,369)**	(41,732)
Administrative expenses		**(64,767)**	(50,274)
(Loss) profit before investment (loss) gain, net finance costs and taxation		**(199,740)**	129,294
Investment (loss) gain		**(656)**	3,261
Finance income	*6*	**2,419**	848
Finance costs	*6*	**(79,441)**	(56,363)
Finance costs, net	*6*	**(77,022)**	(55,515)
(Loss) profit before taxation		**(197,418)**	77,040
Income tax credit (expenses)	*7*	**32,119**	(15,001)
(Loss) profit for the year	*8*	**(165,299)**	62,039
Other comprehensive (expense) income			
Item that will not be reclassified to profit or loss:			
Fair value (loss) gain on equity investments designated at fair value through other comprehensive income ("FVTOCI"), net of income tax		**(456)**	18
Other comprehensive (expense) income for the year, net of income tax		**(456)**	18
Total comprehensive (expense) income for the year		**(165,755)**	62,057
(Loss) earnings per share	*10*		
— Basic *(RMB cents)*		**(27.55)**	10.34
— Diluted *(RMB cents)*		**(27.55)**	10.34

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2022

	NOTES	2022 RMB'000	2021 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment		**1,090,121**	1,001,892
Right-of-use assets		**158,647**	149,514
Deposits paid for acquisition of property, plant and equipment		**27,736**	61,670
Equity investments designated at FVTOCI		**1,768**	2,275
Restricted bank deposits		**15,180**	–
Deferred tax assets		**33,233**	3,881
		1,326,685	1,219,232
CURRENT ASSETS			
Inventories		**134,113**	156,903
Trade, bills and other receivables	*11*	**1,145,641**	870,814
Financial assets at fair value through profit or loss		**–**	20
Tax recoverable		**–**	1,431
Restricted bank deposits		**174,235**	133,659
Bank balances and cash		**16,093**	22,547
		1,470,082	1,185,374
CURRENT LIABILITIES			
Trade, bills and other payables and accrued expenses	*12*	**382,845**	330,680
Contract liabilities	*13*	**454,141**	215,650
Tax payables		**1**	370
Amounts due to directors	*14*	**3,050**	21,200
Borrowings — due within one year	*15*	**1,081,080**	845,960
Lease liabilities		**1,027**	1,124
		1,922,144	1,414,984
NET CURRENT LIABILITIES		**(452,062)**	(229,610)
TOTAL ASSETS LESS CURRENT LIABILITIES		**874,623**	989,622

	NOTES	2022 RMB'000	2021 RMB'000
NON-CURRENT LIABILITIES			
Borrowings — due more than one year	*15*	**435,025**	383,670
Lease liabilities		**2,684**	2,708
Deferred income		**11,550**	14,850
Deferred tax liabilities		**26**	1,411
		449,285	402,639
NET ASSETS		**425,338**	586,983
CAPITAL AND RESERVES			
Share capital		**4,999**	4,999
Reserves		**420,339**	581,984
TOTAL EQUITY		**425,338**	586,983

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

1. GENERAL INFORMATION

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 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 galvanized steel products. The address 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 are presented in Renminbi ("RMB"), which is the same as the functional currency of the Company.

2. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). For the purpose of preparation of the consolidated financial statements, information is considered material if such information is reasonably expected to influence decisions made by primary users. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Listing Rules") and by the Hong Kong Companies Ordinance.

In preparing the consolidated financial statements of the Group, the directors of the Company has 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 RMB452,062,000 as at 31 December 2022 and had capital commitments contracted for but not provided in the consolidated financial statements of RMB90,895,000 on the same date, of which RMB38,619,000 is due for payment in the next twelve months from 31 December 2022. The Group had incurred a net cash outflow of RMB6,459,000 and net operating cash outflow of RMB348,724,000 for the year ended 31 December 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 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 31 December 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 RMB1,433,060,000, of which approximately RMB1,107,586,000 had been utilised, and the unutilised financing facilities amounted to RMB325,474,000. 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 fifteen months from the date of approval of these consolidated financial statements.

Based on the aforesaid factors, the directors of the Company are satisfied that the Group will have sufficient financial resources to meet in full its financial obligations as and when they fall due for the foreseeable future. Accordingly, the directors of the Company consider that it is appropriate to prepare the consolidated financial statements on a going concern basis.

The consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments that are measured at fair values at the end of each reporting period. Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

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

Amendments to HKFRSs that are mandatorily effective for the current year

In the current year, the Group has applied the following amendments to HKFRSs issued by the HKICPA for the first time, which are mandatorily effective for the Group's annual period beginning on 1 January 2022 for the preparation of the 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

Except as described below, the application of the amendments to HKFRSs in the current year has had no material impact on the Group's financial positions and performance for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

Impacts on application of Amendments to HKAS 16 Property, Plant and Equipment — Proceeds before Intended Use

The Group has applied the amendments for the first time in the current year. The amendments specify that the costs of any item that were produced while bringing an item of property, plant and equipment to the location and condition necessary for it to be capable of operating in the manner intended by management (such as samples produced when testing whether the relevant property, plant and equipment is functioning properly) and the proceeds from selling such items should be recognised and measured in the profit or loss in accordance with applicable standards. The cost of the items are measured in accordance with HKAS 2.

In accordance with the transitional provisions, the Group has applied the new accounting policy retrospectively to property, plant and equipment made available for use on or after the beginning of 1 January 2021. The details of the impacts are set out under "Impacts of application of amendments to HKFRSs on the consolidated financial statements" in this note.

Impacts of application of amendments to HKFRSs on the consolidated financial statements

The effects of the changes in accounting policies on the consolidated statement of profit or loss and other comprehensive income and loss per share, are as follows:

For the year ended 31 December 2022

	Amendments to HKAS 16 *RMB'000*
Impact on loss for the year	
Revenue	177,400
Cost of sales	(190,846)
Income tax expense	2,017
Net increase in loss for the year	(11,429)

	Year ended 31/12/2022 *RMB cents*
Impact on basic/diluted loss per share	
Basic/diluted loss per share before adjustments	(25.65)
Net adjustments arising from change in accounting policy in relation to:	
— Amendments to HKAS 16	(1.90)
Reported basic/diluted loss per share	(27.55)

New and amendments to HKFRSs in issue but not yet effective

The Group has not early applied the following new and amendments to HKFRSs that have been issued but are not yet effective:

HKFRS 17 (including the October 2020 and February 2022 Amendments to HKFRS 17)	Insurance Contracts[1]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[2]
Amendments to HKFRS 16	Lease Liability in a Sale and Leaseback[3]
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020)[3]
Amendments to HKAS 1	Non-current Liabilities with Covenants[3]
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies[1]
Amendments to HKAS 8	Definition of Accounting Estimates[1]
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction[1]

1 Effective for annual periods beginning on or after 1 January 2023.
2 Effective for annual periods beginning on or after a date to be determined.
3 Effective for annual periods beginning on or 1 January 2024.

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

Amendments to HKAS 1 Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020) (the "2020 Amendments") and Amendments to HKAS 1 Non-current Liabilities with Covenants (the "2022 Amendments")

The 2020 amendments provide clarification and additional guidance on the assessment of right to defer settlement for at least twelve months from reporting date for classification of liabilities as current or non-current, which:

- specify that the classification of liabilities as current or non-current should be based on rights that are in existence at the end of the reporting period. Specifically, the amendments clarify that:

  (i) the classification should not be affected by management intentions or expectations to settle the liability within 12 months; and

  (ii) if the right is conditional on the compliance with covenants, the right exists if the conditions are met at the end of the reporting period, even if the lender does not test compliance until a later date, which has been amended with the issuance of the 2022 Amendments as set out below; and

- clarify that if a liability has terms that could, at the option of the counterparty, result in its settlement by the transfer of the entity's own equity instruments, these terms do not affect its classification as current or non-current only if the entity recognises the option separately as an equity instrument applying HKAS 32 Financial Instruments: Presentation.

In addition, Hong Kong Interpretation 5 was revised as a consequence of the Amendments to HKAS 1 Presentation of Financial Statements ("HKAS 1") to align the corresponding wordings with no change in conclusion.

The 2022 Amendments modify the requirements introduced by the 2020 Amendments on how an entity classifies debt and other financial liabilities with covenants as current or non-current. The 2022 Amendments specify that only covenants with which the entity is required to comply with on or before the end of the reporting period affect the entity's right to defer settlement of a liability for at least twelve months after the reporting date. Covenants which are required to comply with only after the reporting period do not affect whether that right exists at the end of the reporting period. The 2022 Amendments also specify the disclosure requirements about information that enables users of financial statements to understand the risk that the liabilities could become repayable within twelve months after the reporting period, if the entity classify liabilities arising from loan arrangements as non-current when the entity's right to defer settlement of those liabilities is subject to the entity complying with covenants within twelve months after the reporting period.

The 2022 Amendments also defer the effective date of the 2020 Amendments to annual reporting periods beginning on or after 1 January 2024. The 2022 Amendments, together with the 2020 Amendments, are effective for annual reporting periods beginning on or after 1 January 2024, with early application permitted. If an entity applies the 2020 Amendments for an earlier period after the issue of the 2022 Amendments, the entity should also apply the 2022 Amendments for that period.

Based on the Group's outstanding liabilities as at 31 December 2022, the application of the amendments will not result in reclassification of the Group's liabilities.

Amendments to HKAS 1 and HKFRS Practice Statement 2 Disclosure of Accounting Policies

HKAS 1 is amended to replace all instances of the term "significant accounting policies" with "material accounting policy information". Accounting policy information is material if, when considered together with other information included in an entity's financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements.

The amendments also clarify that accounting policy information may be material because of the nature of the related transactions, other events or conditions, even if the amounts are immaterial. However, not all accounting policy information relating to material transactions, other events or conditions is itself material. If an entity chooses to disclose immaterial accounting policy information, such information must not obscure material accounting policy information.

HKFRS Practice Statement 2 Making Materiality Judgements (the "Practice Statement") is also amended to illustrate how an entity applies the "four-step materiality process" to accounting policy disclosures and to judge whether information about an accounting policy is material to its financial statements. Guidance and examples are added to the Practice Statement.

The application of the amendments is not expected to have significant impact on the financial position or performance of the Group but may affect the disclosures of the Group's significant accounting policies. The impacts of application, if any, will be disclosed in the Group's future consolidated financial statements.

Amendments to HKAS 12 Deferred Tax related to Assets and Liabilities arising from a Single Transaction

The amendments narrow the scope of the recognition exemption of deferred tax liabilities and deferred tax assets in paragraphs 15 and 24 of HKAS 12 Income Taxes ("HKAS 12") so that it no longer applies to transactions that, on initial recognition, give rise to equal taxable and deductible temporary differences.

As disclosed in note 4 to the consolidated financial statements, for leasing transactions in which the tax deductions are attributable to the lease liabilities, the Group applies HKAS 12 requirements to the relevant assets and liabilities as a whole. Temporary differences relating to relevant assets and liabilities are assessed on a net basis.

Upon the application of the amendments, the Group will recognise a deferred tax asset (to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilised) and a deferred tax liability for all deductible and taxable temporary differences associated with the right-of-use assets and the lease liabilities.

The amendments are effective for the Group's annual reporting period beginning on 1 January 2023. As at 31 December 2022, the carrying amounts of right-of-use assets and lease liabilities which are subject to the amendments amounted to RMB3,406,000 and RMB3,711,000 respectively. The Group is still in the process of assessing the full impact of the application of the amendments.

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 executive directors Mr. Xu and Mr. Luo Canwen ("Mr. Luo"), being the chief operating decision maker (the "CODM"), in order to allocate resources to segments and to assess their performance. During the years ended 31 December 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 the production and sales of processed steel products and galvanized steel products. Therefore, the management considers that the Group has one operating segment only. The Group mainly operates in the PRC and the Group's non-current assets are also mainly located in the PRC.

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

The Group's sales of processed steel products and galvanized steel products is recognised when control of the goods has transferred, being when the goods have been shipped or delivered to the customers' specific locations or when the goods are collected by customers at the Group's production plants at their choice. The payment terms and credit terms (if any) are set out in note 11. The Group's product warranty typically requires it to produce products free from defects in material and workmanship and in conformity with specifications of the customers. If the Group fails to meet the product requirements, its customers may return such non-conforming products within 15 days and the Group shall repair or replace such products free of charge.

Disaggregation of revenue from contracts with customers by types of goods is as follow:

	2022	2021
	RMB'000	*RMB'000*
Sales of cold-rolled steel products		
— steel strips and sheets	**2,655,077**	3,686,602
— welded steel tubes	**199,796**	228,272
Sales of galvanized steel products	**1,553,571**	928,363
Sales of hot-rolled steel products and others	**255,119**	449,800
	4,663,563	5,293,037

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 the 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:

	2022	2021
	RMB'000	*RMB'000*
PRC (including Hong Kong)	**4,642,217**	5,277,610
Southeast Asia	**21,346**	15,427
	4,663,563	5,293,037

No revenue from any customer of the Group contributed over 10% of the total revenue of the Group for the years ended 31 December 2022 and 2021.

5. OTHER INCOME, OTHER GAINS AND LOSSES

	2022	2021
	RMB'000	*RMB'000*
Gain on deemed disposal of subsidiaries	**–**	6,688
Government grants *(Notes i and ii)*	**4,165**	3,537
Rental income	**1,257**	–
Net foreign exchange gain	**539**	75
Gain on disposal of property, plant and equipment	**5**	1,752
Write-off of property, plant and equipment	**(397)**	–
Impairment losses of property, plant and equipment	**(1,295)**	–
Impairment losses of trade receivables under ECL model	**(551)**	(283)
Others	**805**	781
	4,528	12,550

Notes:

(i) Incentives received from the PRC local authorities by the Group as encouragement of its business development amounting to RMB865,000 (2021: RMB237,000) are recognised in the profit or loss for the year ended 31 December 2022 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 previous years of which RMB3,300,000 (2021: RMB3,300,000) has been recognised in the profit or loss for the year ended 31 December 2022.

6. FINANCE INCOME AND COSTS

	2022	2021
	RMB'000	*RMB'000*
Finance costs:		
— Interest expense on borrowings, net of amounts capitalised in the cost of qualifying assets of RMB8,466,000 (2021: RMB8,245,000)	**(79,272)**	(56,199)
— Interest expense on lease liabilities	**(169)**	(164)
	(79,441)	(56,363)
Finance income:		
— Interest income from bank deposits	**2,419**	848
Finance costs, net	**(77,022)**	(55,515)

Borrowing costs capitalised during the year ended 31 December 2022 arose on the general borrowing pool are calculated by applying a capitalisation rate of 7.11% (2021: 7.06%) per annum to expenditure on qualifying assets.

7. INCOME TAX (CREDIT) EXPENSES

	2022	2021
	RMB'000	*RMB'000*
Current tax charge:		
— PRC Enterprise Income Tax ("EIT")	**1**	10,948
— PRC withholding income tax	**–**	2,650
	1	13,598
Overprovision in prior years:		
— PRC EIT	**(1,434)**	(760)
Deferred tax (credit) charge	**(30,686)**	2,163
Income tax (credit) expenses for the year	**(32,119)**	15,001

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

	2022	2021
	RMB'000	*RMB'000*
(Loss) Profit before taxation	**(197,418)**	77,040
Tax at the EIT rate of 25% (2021: 25%)	**(49,355)**	19,260
Tax effect of expenses not deductible for tax purpose	**4,163**	1,701
Tax effect of income not taxable for tax purpose	**–**	(594)
Tax effect of tax losses not recognised	**822**	881
Utilisation of tax losses previously not recognised	**(191)**	–
Withholding tax on earnings of subsidiaries	**(1,334)**	3,983
Income tax at concessionary rate	**17,091**	(6,343)
Effect of super deduction of research and development cost	**(3,239)**	(2,954)
Effect of different tax rates of subsidiaries operating in other jurisdictions	**1,358**	(173)
Overprovision in prior years	**(1,434)**	(760)
Income tax (credit) expense for the year	**(32,119)**	15,001

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

Singapore corporate tax is calculated at 17% 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 (the "HNTE Certificates") enjoying the preferential enterprise income tax rate of 15% for a consecutive three calendar years from 2019 to 2021. During the current year, the two relevant subsidiaries have renewed and obtained the HNTE Certificates and the concessionary tax rate of 15% continue to be applied for a consecutive three calendar years from 2022 to 2024.

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

8. (LOSS) PROFIT AND TOTAL COMPREHENSIVE (EXPENSE) INCOME FOR THE YEAR

	2022	2021
	RMB'000	*RMB'000*
(Loss) Profit and total comprehensive (expense) income for the year has been arrived at after charging (crediting):		
Directors' remuneration		
— fees	**447**	523
— other emoluments, salaries, allowances and other benefits	**1,226**	1,398
— equity-settled share-based payments	**1,335**	1,845
— retirement benefit scheme contributions	**95**	99
	3,103	3,865
Staff salaries, allowances and other benefits	**98,058**	96,021
Equity-settled share-based payments, excluding those of directors	**2,688**	1,617
Retirement benefit scheme contributions, excluding those of directors	**12,805**	9,217
Total employee benefit expenses	**116,654**	110,720
Auditor's remuneration		
— audit services	**2,720**	2,321
— non-audit services	**646**	558
Depreciation of property, plant and equipment	**91,326**	81,138
Less: amount capitalised as cost of inventories manufactured	**(83,152)**	(77,045)
	8,174	4,093
Depreciation of right-of-use assets	**3,926**	3,636
Cost of inventories recognised as an expense (including write-down of inventories amounting to RMB2,361,000 (2021: nil))	**4,683,695**	5,084,287

9. DIVIDENDS

Dividends recognised as distribution during the year:

	2022	2021
	RMB'000	*RMB'000*
Special interim dividend of HK9.8 cents per share	**–**	49,022

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) (2022: nil). No final dividend has been proposed for the year ended 31 December 2022 since the end of the reporting period (2021: nil).

10. (LOSS) EARNINGS PER SHARE

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

	2022	2021
	RMB'000	*RMB'000*
(Loss) earnings:		
(Loss) profit for the year attributable to owners of the Company for the purpose of basic and diluted (loss) earnings per share	**(165,299)**	62,039

	2022	2021
Weighted average number of ordinary shares for the purpose of basic (loss) earnings per share	**600,000,000**	600,000,000
Effect of dilutive potential ordinary shares brought by share options *(Note)*	**–**	–
Weighted average number of ordinary shares for the purpose of diluted (loss) earnings per share	**600,000,000**	600,000,000

Note: The computation of diluted (loss) earnings per share for the year ended 31 December 2022 and 2021 does not assume the exercise of the Company's options because the adjusted exercise price of unvested options and exercise price of vested options are both higher than the average market price for shares during the years ended 31 December 2022 and 2021.

11. TRADE, BILLS AND OTHER RECEIVABLES

	2022	2021
	RMB'000	*RMB'000*
Trade receivables from contracts with customers	**50,260**	130,368
Less: Allowance for credit losses	**(1,222)**	(671)
	49,038	129,697
Bills receivables	**116,802**	141,920
Prepayments to suppliers	**914,096**	566,322
Value-added tax recoverable	**44,743**	12,987
Other prepayments, deposits and other receivables	**20,962**	19,888
	1,145,641	870,814

As at 1 January 2021, trade receivables from contracts with customers amounted to RMB126,565,000.

The Group normally requires full payment upon delivery of goods. 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).

The following is an aging analysis of trade receivables and bills receivables, net of allowance for credit losses, presented based on the invoice dates and bills maturity dates respectively at the end of each reporting period:

	2022	2021
	RMB'000	*RMB'000*
Trade receivables:		
Within 30 days	**40,660**	111,508
31–60 days	**5,702**	9,016
61–90 days	**598**	2,023
91–120 days	**42**	4,363
121–180 days	**1,461**	2,471
181–365 days	**440**	211
Over 1 year	**135**	105
	49,038	129,697
Bills receivables:		
Within 30 days	**63,073**	20,825
31–60 days	**8,050**	23,523
61–90 days	**10,217**	29,624
91–120 days	**1,852**	17,332
121–180 days	**33,610**	45,724
181–365 days	**–**	4,892
	116,802	141,920

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

As at 31 December 2022, included in the Group's trade receivables balance are debtors with aggregate carrying amount of RMB37,189,000 (2021: RMB123,893,000) which are past due as at the reporting date. Out of the past due balances, RMB2,078,000 (2021: RMB229,000) has been past due 90 days or more and is not considered as in default as the Group considered such balances could be recovered based on historical experience and taking into consideration of forward-looking information.

Included in the Group's bills receivables are amounts of RMB113,174,000 (2021: RMB128,596,000), as at 31 December 2022 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 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 15) and trade payables (note 12). These bills receivables are carried at amortised cost in the consolidated statement of financial position. All the bills receivables are with a maturity period of less than one year.

As at 31 December 2022 and 2021, the Group does not hold any collateral as security over these balances.

	2022	2021
	RMB'000	*RMB'000*
Carrying amount of transferred asset	**113,174**	128,596
Carrying amount of associated bank borrowings	**(96,827)**	(67,670)
Carrying amount of associated trade payables	**(16,347)**	(60,926)
	–	–

During the year ended 31 December 2022, certain transactions between subsidiaries of the Company arising from steel processing services were settled by bank bills. As at 31 December 2022, bills receivables held by two subsidiaries of the Company issued by other members of the Group of RMB148,920,000 (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 bill receivables with full recourse.

12. TRADE, BILLS AND OTHER PAYABLES AND ACCRUED EXPENSES

	2022	2021
	RMB'000	*RMB'000*
Trade payables *(Note a)*	**151,904**	141,520
Bills payables *(Note b)*	**85,000**	80,740
Accrued staff costs	**12,859**	11,569
Construction payables	**90,924**	58,842
Transportation fees payable	**4,620**	3,111
Unclaimed dividends	**–**	575
Other tax payables	**10,493**	12,843
Other payables and accrued expenses	**27,045**	21,480
	382,845	330,680

Notes:

(a) Included in the amounts was RMB16,347,000 (2021: RMB60,926,000) related to the trade payables in which the Group has endorsed bills to the relevant suppliers. The details are set out in note 11.

(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. In the consolidated statement of cash flows, settlements of these bills are included within operating cash flows based on the nature of the arrangements.

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:

	2022	2021
	RMB'000	*RMB'000*
Trade payables:		
Within 30 days	**89,101**	18,387
31–60 days	**23,260**	21,631
61–90 days	**7,571**	5,347
91–120 days	**3,169**	13,920
121–180 days	**4,642**	4,297
181–365 days	**3,766**	13,890
Over 1 year	**4,048**	3,122
	135,557	80,594

The maturity dates of the trade payables in which the Group has endorsed bills to the relevant suppliers as described in note 12(a) at the end of each reporting period are presented as follows:

	2022	2021
	RMB'000	*RMB'000*
Trade payables:		
Within 30 days	**9,958**	14,926
31–60 days	**748**	9,734
61–90 days	**2,386**	11,819
91–120 days	**1,497**	16,832
121–180 days	**1,758**	7,615
	16,347	60,926

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

	2022	2021
	RMB'000	*RMB'000*
Bills payables:		
Within 30 days	**–**	20,000
31–60 days	**80,000**	20,000
61–90 days	**4,000**	–
121–180 days	**1,000**	40,740
	85,000	80,740

The average credit period granted by suppliers on purchase of goods is no longer than 30 (2021: 30) days from certain of its suppliers. For other suppliers, the Group is required to prepay in advance and make full payment upon receipt of the goods purchased.

13. CONTRACT LIABILITIES

	2022	2021
	RMB'000	*RMB'000*
Sales of processed steel products and galvanized steel products and analysed for reporting purpose as current liabilities	**454,141**	215,650

As at 1 January 2021, contract liabilities amounted to RMB135,036,000.

Contract liabilities represent the deposit amount received from certain customers at the requests of the Group when they place confirmed orders. The entire balance of contract liabilities as at 1 January 2022 and 2021 have been recognised as revenue during the respective reporting periods.

14. AMOUNTS DUE TO DIRECTORS

	2022	2021
	RMB'000	*RMB'000*
Mr. Xu	**2,890**	21,100
Mr. Chen Chunniu	**160**	100
	3,050	21,200

Note: The amounts are non-trade in nature, interest free, unsecured and repayable within twelve months from 31 December 2022 and 2021, respectively.

15. BORROWINGS

	2022	2021
	RMB'000	*RMB'000*
Fixed-rate borrowings:		
Secured bank borrowings	**1,031,810**	856,500
Bank borrowings from factoring of bills receivables with full recourse *(note 11)*	**245,747**	102,670
Unsecured bank borrowings	**–**	50,000
Secured borrowings from entities established in the PRC independent with the Group	**169,950**	141,930
Unsecured borrowings from entities established in the PRC independent with the Group	**68,598**	78,530
	1,516,105	1,229,630
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	**950,307**	683,930
— more than one year, but not more than two years	**103,212**	156,210
— more than two years, but not more than five years	**223,908**	129,950
— more than five years	**130**	39,080
	1,277,557	1,009,170
Less: amount due within one year shown under current liabilities	**(950,307)**	(683,930)
Amount shown under non-current liabilities	**327,250**	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	**130,773**	162,030
— more than one year, but not more than two years	**107,775**	50,921
— more than two years, but not more than five years	**–**	7,509
	238,548	220,460
Less: amount due within one year shown under current liabilities	**(130,773)**	(162,030)
Amount shown under non-current liabilities	**107,775**	58,430

The ranges of effective interest rates on the Group's borrowings are as follows:

	2022	2021
Fixed-rate borrowings	**3.20% to 16.90%**	3.04% to 10.55%
Variable-rate borrowings	**N/A**	N/A

The secured portion of the Group's borrowings are secured by certain assets of the Group as detailed in note 17. Certain of the Group's borrowings are also guaranteed personally by certain directors of the Company.

16. CAPITAL COMMITMENTS

	2022	2021
	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	**90,895**	69,061

17. PLEDGE OF ASSETS

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:

	2022	2021
	RMB'000	*RMB'000*
Trade receivables	**8,697**	–
Property, plant and equipment	**879,299**	883,953
Right-of-use assets	**142,601**	145,905
Restricted bank deposits	**189,415**	133,659
	1,220,012	1,163,517

Furthermore, bills receivables issued by third parties with full recourse for settlement of payables for purchasing of steel raw materials is disclosed in note 15.

In addition to the above, certain equity interests in two PRC subsidiaries of the Group as at 31 December 2021 are also pledged to a bank for banking facilities granted to the relevant subsidiaries. The pledge of equity interests are cancelled on 8 February 2022.

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 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.

Due to the changes in the economic environment related to the Covid-19 pandemic in Mainland China during the year of 2022, the Group was experiencing negative conditions including mainly decreased revenue and increased loss during the year under review.

During the year of 2022, the Group generated revenue of approximately RMB4,663.6 million, representing a decrease of RMB629.4 million or 11.9%, as compared to that of approximately RMB5,293.0 million during the year of 2021. Loss attributable to owners of the Company during the year of 2022 was approximately RMB165.3 million when compared with profit attributable to owners of the Company of approximately RMB62.0 million for the year of 2021.

Even though there was an increase in the sales volume of processed steel products and galvanized steel products during the year of 2022, the net loss of the Group during the year of 2022 was mainly due, among others, to (i) the decrease in the revenue which were adversely affected by the downturn in market conditions; (ii) the 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 increase in administrative expenses; (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 approximately 958,126 tonnes during the year of 2022, representing an increase of approximately 90,681 tonnes or 10.5%, as compared to that of approximately 867,445 tonnes during the year of 2021.

During the year of 2022, the Group acquired property, plant and equipment and incurred construction costs of approximately RMB181.3 million.

The net current liabilities position of approximately RMB452.1 million (31 December 2021: RMB229.6 million) as at 31 December 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.

The capital commitments towards the acquisition of property, plant and equipment, as at 31 December 2022, was approximately RMB90.9 million (31 December 2021: RMB69.1 million), which will be financed by the Group's internal resources and borrowings.

The Board does not recommend the payment of a final dividend for the year of 2022.

FINANCIAL REVIEW

Revenue

The Group primarily generates revenue from the sales of processed steel products and galvanized steel products. The revenue decreased to approximately RMB4,663.6 million during the year of 2022, by approximately RMB629.4 million or 11.9%, as compared with that of approximately RMB5,293.0 million during the year of 2021.

The sales volume of processed steel products decreased to approximately 614,740 tonnes during the year of 2022, by approximately 95,036 tonnes or 13.4%, as compared with that of 709,776 tonnes during the year of 2021. The sales volume of galvanized steel products increased to approximately 343,386 tonnes during the year of 2022, by approximately 185,717 tonnes or 117.8%, as compared with that of approximately 157,669 tonnes during the year of 2021. Thus, the sales volume of processed steel products and galvanized steel products in aggregate was approximately 958,126 tonnes during the year of 2022, representing an increase of approximately 90,681 tonnes or 10.5%, as compared to that of 867,445 tonnes during the year of 2021.

The decrease in revenue was mainly attributable to the decrease in the average selling price of our processed steel products and galvanized steel products during the year of 2022. The average selling price of our processed steel products decreased to RMB4,644 per tonne during the year of 2022 as compared with that of RMB5,516 per tonne during the year of 2021. The average selling price of our galvanized steel products decreased to RMB4,524 per tonne during the year of 2022 as compared with that of RMB5,888 per tonne during the year of 2021. In summary, the average selling price of our processed steel products and galvanized steel products decreased to RMB4,601 per tonne during the year of 2022 as compared with that of RMB5,583 per tonne during the year of 2021.

During the year of 2022, the domestic sales in the PRC market, including Hong Kong, contributed over 99% of the revenue while the remaining portion was attributable to sales to the 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 around 5.5% (2021: 8.5%) of the revenue during the year of 2022.

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

	Year ended 31 December			
	2022		2021	
	RMB'000	*%*	*RMB'000*	*%*
Sales of processed steel products	**2,854,873**	**61.2**	3,914,874	74.0
— processed steel strips and sheets	**2,655,077**	**56.9**	3,686,602	69.7
— welded steel tubes	**199,796**	**4.3**	228,272	4.3
Sales of galvanized steel products	**1,553,571**	**33.3**	928,363	17.5
Others	**255,119**	**5.5**	449,800	8.5
	4,663,563	**100.0**	5,293,037	100.0

Cost of sales

The cost of sales decreased to approximately RMB4,683.7 million during the year of 2022, by approximately RMB400.6 million or 7.9%, as compared with that of approximately RMB5,084.3 million during the year of 2021.

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

	Year ended 31 December			
	2022		2021	
	RMB'000	*%*	*RMB'000*	*%*
Direct materials	**4,235,126**	**90.4**	4,707,326	92.6
Utilities	**185,536**	**4.0**	141,469	2.8
Direct labour	**88,622**	**1.9**	78,826	1.6
Depreciation expense	**80,302**	**1.7**	71,937	1.4
Consumables	**79,089**	**1.7**	73,578	1.4
Others	**15,020**	**0.3**	11,151	0.2
	4,683,695	**100.0**	5,084,287	100.0

Direct materials represented the cost of raw materials, primarily hot-rolled steel coils. The direct materials accounted for over 90% (2021: 92%) of the cost of sales during the year of 2022. The decrease in direct materials was mainly attributable to the decrease in the average cost of direct material consumed even though there was an increase in the sales volume of processed steel products and galvanized steel products during the year of 2022. The inventories as at 31 December 2022 were written down by the management in an amount of approximately RMB2.4 million after determining the net realisable value of inventories.

Utilities related primarily to electricity, water, and natural gas consumed throughout the production process. Utilities expenses increased to approximately RMB185.5 million during the year of 2022, by approximately RMB44.0 million or 31.1%, as compared with that of approximately RMB141.5 million the year of 2021. Such increase was mainly due to the increase in sales volume and production activities during the reporting period under review.

The direct labour increased to approximately RMB88.6 million during the year of 2022, by approximately RMB9.8 million or 12.4%, as compared with that of approximately RMB78.8 million during the year 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 RMB80.3 million during the year of 2022, by approximately RMB8.4 million or 11.7%, as compared with that of approximately RMB71.9 during the year of 2021. Such increase was mainly due to the increase in depreciation for property, plant and equipment during the year of 2022.

Consumables consisted of machinery spare parts and supplies consumed in the production process. Consumables increased to approximately RMB79.1 million during the year of 2022, by approximately RMB5.5 million or 7.5%, as compared with that of approximately RMB73.6 million during the year of 2021. Such increase was mainly attributable to the increased production activity for processed steel products and galvanized steel products during the year of 2022.

Other costs primarily comprised other taxes and surcharges expenses.

Gross (loss) profit

Even though there was an increase in the sales volume of processed steel products and galvanized steel products, due to the 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 RMB20.1 million during the year of 2022 while there was gross profit of approximately RMB 208.8 million during the year of 2021.

The gross loss margin was approximately 0.4% during the year of 2022 when compared with gross profit margin of 3.9% during the year of 2021.

The following table sets out the sales volume, average selling price of the 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	
	2022	2021
Sales volume of processed steel products	**614,740 tonnes**	709,776 tonnes
— processed steel strips and sheets	**575,989 tonnes**	670,504 tonnes
— welded steel tubes	**38,751 tonnes**	39,272 tonnes
Sales volume of galvanized steel products	**343,386 tonnes**	157,669 tonnes
	958,126 tonnes	867,445 tonnes
Average selling price (per tonne)		
— processed steel products	**RMB4,644**	RMB5,516
— galvanized steel products	**RMB4,524**	RMB5,888
— processed steel products and galvanized steel products	**RMB4,601**	RMB5,583
Average cost of direct materials used (per tonne)	**RMB4,265**	RMB5,047
Difference (per tonne) between average selling price and average cost of direct materials used		
— processed steel products	**RMB379**	RMB469
— galvanized steel products	**RMB259**	RMB841
— processed steel products and galvanized steel products	**RMB336**	RMB536

Other income, other gains and losses

Other income, other gains and losses decreased to approximately RMB4.5 million during the year of 2022, by approximately RMB8.1 million or 64.3%, as compared with that of approximately RMB12.6 million during the year of 2021. There was a gain of approximately RMB6.7 million on deemed disposal of 95% equity interest in the three previously wholly-owned subsidiaries of the Group during the year of 2021.

Selling expenses

The selling expenses decreased to approximately RMB39.4 million during the year of 2022, by approximately RMB2.3 million or 5.5%, as compared with that of approximately RMB41.7 million during the year of 2021. The decrease in selling expenses was mainly attributable to the decrease in delivery costs during the year of 2022.

Administrative expenses

The administrative expenses increased to approximately RMB64.8 million during the year of 2022, by approximately RMB14.5 million or 28.8%, as compared with that of approximately RMB50.3 million during the year 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 year of 2022.

Investment (loss) gain

There was investment loss on commodity futures contracts amounting to approximately RMB0.7 million was recognised by the Group during the year of 2022 as compared to the investment gain of that amounting to approximately RMB3.3 million during the year of 2021.

Finance costs

Finance costs increased to approximately RMB79.4 million during the year of 2022, by approximately RMB23.0 million or 40.8%, as compared with that of approximately RMB56.4 million during the year of 2021. Such increase was mainly attributable to the increased level of borrowings during the year of 2022.

Income tax (credit) expenses

Income tax credit amounted to approximately RMB32.1 million during the year of 2022 while there was income tax expenses amounted to approximately RMB15.0 million during the year of 2021.

(Loss) profit for the year

The loss attributable to owners of the Company was approximately RMB165.3 million during the year of 2022 when compared with the profit attributable to owners of the Company of approximately RMB62.0 million during the year of 2021.

Net loss margin was approximately 3.5% during the year of 2022 when compared with net profit margin of 1.2% during the year of 2021.

Liquidity and financial resources

As at 31 December 2022, the Group's bank balances and cash decreased to approximately RMB16.1 million, by approximately RMB6.4 million or 28.4%, from approximately RMB22.5 million as at 31 December 2021. The Group's restricted bank deposits increased to approximately RMB189.4 million as at 31 December 2022, by approximately RMB55.7 million or 41.7%, from approximately RMB133.7 million as at 31 December 2021.

As at 31 December 2022, the Group had the net current liabilities and the net assets of approximately RMB452.1 million (2021: RMB229.6 million) and approximately RMB425.3 million (2021: RMB587.0 million), respectively. As at 31 December 2022, the current ratio calculated based on current assets divided by current liabilities of the Group was 76.5% as compared with that of 83.8% as at 31 December 2021.

At 31 December 2022, the Group's total borrowings amounted to approximately RMB1,516.1 million (2021: RMB1,229.6 million) and total equity amounted to approximately RMB425.3 million (2021: RMB587.0 million). The gearing ratio of the Group, calculated based on total borrowings divided by total equity, was approximately 3.56 times (31 December 2021: 2.09 times) as at 31 December 2022.

As at 31 December 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 RMB1,433.1 million, of which approximately RMB1,107.6 million had been utilised, and the unutilised banking facilities amounted to approximately RMB325.5 million. In addition, based on the best estimation of the directors of the Company, all of the currently utilised banking facilities would be renewed upon expiry.

As at 31 December 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 fifteen months from the date of approval of these consolidated financial statements.

Foreign currency exposure

As the functional currency of the PRC subsidiaries is Renminbì ("RMB") and a portion of the 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. The Group currently does not have any foreign currency hedging policy. However, the management closely monitors its exposure to foreign currency risk and will consider hedging significant foreign currency exposure should the need arise

Financial instruments

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

Material acquisitions and disposal

During the reporting period under review, 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 2022 (2021: nil).

Employees

As at 31 December 2022, the Group had a total of 1,170 (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) during the year of 2022 amounted to approximately RMB116.7 million (2021: RMB110.7 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. Share options to certain Directors and employees granted on 2 June 2021 and resulted in the share-based payment expenses of approximately RMB4.0 million (2021: RMB3.5 million) included in the above staff costs during the year of 2022.

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 year ended 31 December 2022, except as noted hereunder.

Code provision C.1.6

Under code provision C.1.6 of the CG Code, independent non-executive directors and other non-executive directors should attend general meetings to gain and develop a balanced understanding of the views of shareholders. Mr. Goh Choo Hwee, an independent non-executive director, was unable to attend the annual general meeting of the Company held on 28 June 2022 (the "AGM") due to his business engagement. The remaining independent non-executive directors, namely, Mr. Tam Yuk Sang Sammy, the then respective chairman of the audit committee and the remuneration committee, and Mr. Ou Qiyuan, were present and were available to answer questions at the AGM.

Code provision C.2.7

Under code provision C.2.7 of the CG Code, the chairman should at least annually hold meetings with the independent non-executive directors without the presence of other directors. Due to the outbreak of Covid-19, Mr. Xu, the chairman, failed to hold physical meeting at least annually with the independent non-executive directors without the presence of other directors. The chairman attended the meetings with the independent non-executive directors in the nomination committee meeting and the remuneration committee meeting by means of electronic facilities during the year ended 31 December 2022 and the independent non-executive directors were able to communicate their views individually to the chairman by different electronic means.

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.

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 2022 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 2022.

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 2022.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Other than the interests in share options of the Company as disclosed above and in the share option schemes disclosed in note 30 to the consolidated financial statements, at no time during the year ended 31 December 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.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

Save for their respective interests in the Company, none of the Directors and controlling shareholders of the Company (as defined under the Listing Rules) nor their respective associates were interested in any business which competes or is likely to compete, either directly or indirectly, with the businesses of the Group pursuant to Rule 8.10 of the Listing Rules during the year ended 31 December 2022 and up to the date of this annual report.

NON-COMPETITION UNDERTAKINGS BY CONTROLLING SHAREHOLDERS

On 23 March 2016, each of the controlling shareholders, namely Mr. Xu, Mr. Luo, Haiyi Limited ("Haiyi"), Intrend Ventures Limited ("Intrend Ventures") and Zhong Cheng International Limited ("Zhong Cheng") entered into the deed of non-competition (the "Deed of Non-competition") in favour of the Company, pursuant to which they undertook to the Company, inter alia, not to carry on, participate in, hold, engage in, acquire or operate, or to provide any form of assistance to any person, firm or company (except members of the Group) to conduct any business which, directly or indirectly, competes or may compete with the business carried on by the Group from time to time. Upon the execution of the termination deed on 16 December 2021, Mr. Luo and Zhong Cheng ceased to be controlling shareholders of the Company and would no longer be bound by the Deed of Non-competition, whereas Mr. Xu, Haiyi and Intrend Ventures will continue to be bound by the Deed of Non-competition notwithstanding the execution of the termination deed.

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.

Each of the controlling shareholders, namely Mr. Xu, Haiyi and Intrend Ventures has provided written confirmation to the Company that, for the year ended 31 December 2022, each of the controlling shareholders has complied with the non-competition undertakings (the "Undertakings") given under the Deed of Non-competition.

Upon receiving the above confirmations, 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 2022; 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 2022.

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.

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 2022.

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 2022 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 audited consolidated financial statements of the Group for the year as approved by the Board of Directors on 31 March 2023. The work performed by Messrs. Deloitte Touche Tohmatsu in this respect did not constitute an assurance engagement and consequently no opinion or assurance conclusion 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 2022 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, 31 March 2023

As at the date of this announcement, the Board is comprised of Mr. Xu Songqing (Chairman), Mr. Xu Jianhong (Vice Chairman), Mr. Luo Canwen (Chief Executive Officer) and Mr. Xu Songman as executive Directors and Mr. Goh Choo Hwee, Mr. Ou Qiyuan and Mr. Suen To Wai as independent non-executive Directors.