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HUAJIN INTERNATIONAL HOLDINGS LIMITED

華 津 國 際 控 股 有 限 公 司

(Incorporated in Cayman Islands with limited liability)

(Stock Code: 2738)

**INTERIM RESULTS
FOR THE SIX MONTHS ENDED 30 JUNE 2024**

The board (the “Board”) of directors (the “Directors”) of Huajin International Holdings Limited (the “Company”) hereby announced the unaudited results of the Company and its subsidiaries (the “Group”) for the six months ended 30 June 2024 together with the comparative figures for the corresponding period in 2023. The unaudited results for the six months ended 30 June 2024 have been reviewed by the Company’s Audit Committee and the Company’s external auditor.

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2024

	<i>NOTES</i>	Six months ended 30 June	
		2024	2023
		<i>RMB'000</i>	<i>RMB'000</i>
		(Unaudited)	(Unaudited)
Revenue	3	3,206,463	2,976,775
Cost of sales		(3,112,274)	(2,837,435)
Gross profit		94,189	139,340
Other income, other gains and losses		24,510	1,966
Selling expenses		(16,844)	(33,933)
Administrative expenses		(36,941)	(26,986)
Profit before investment gain, net finance costs and taxation		64,914	80,387
Investment gain		6,055	496
Finance income	4	1,724	2,466
Finance costs	4	(53,216)	(35,072)
Finance costs, net	4	(51,492)	(32,606)
Profit before taxation		19,477	48,277
Income tax expense	5	(2,592)	(8,831)
Profit and total comprehensive income for the period attributable to owners of the Company	6	<u>16,885</u>	<u>39,446</u>
Earnings per share for profit attributable to owners of the Company	7		
— basic (<i>RMB cents</i>)		<u>2.81</u>	<u>6.57</u>
— diluted (<i>RMB cents</i>)		<u>2.81</u>	<u>6.57</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2024

		30 June 2024	31 December 2023
	<i>NOTES</i>	<i>RMB'000</i> (Unaudited)	<i>RMB'000</i> (Audited)
NON-CURRENT ASSETS			
Property, plant and equipment	9	1,783,236	1,402,330
Right-of-use assets	9	224,412	186,256
Deposits paid for acquisition of property, plant and equipment		55,369	200,399
Equity investments designated at fair value through other comprehensive income ("FVTOCI")		1,799	1,799
Restricted bank deposits		10,000	–
Deferred tax assets		20,417	19,611
		2,095,233	1,810,395
CURRENT ASSETS			
Inventories		265,132	315,179
Trade, bills and other receivables	10	1,490,489	1,311,308
Financial assets at fair value through profit or loss		3,021	–
Tax recoverable		3,827	4,692
Restricted bank deposits		345,124	247,715
Bank balances and cash		52,020	98,386
		2,159,613	1,977,280
CURRENT LIABILITIES			
Trade, bills and other payables and accrued expenses	11	370,622	386,288
Contract liabilities		451,665	586,844
Amounts due to related parties	12	1,316	2,814
Borrowings — due within one year	13	1,845,221	1,266,382
Lease liabilities		1,526	1,687
		2,670,350	2,244,015
NET CURRENT LIABILITIES		(510,737)	(266,735)
TOTAL ASSETS LESS CURRENT LIABILITIES		1,584,496	1,543,660

		30 June	31 December
		2024	2023
	<i>NOTES</i>	<i>RMB'000</i>	<i>RMB'000</i>
		(Unaudited)	(Audited)
NON-CURRENT LIABILITIES			
Borrowings — due more than one year	<i>13</i>	1,037,461	1,011,520
Lease liabilities		7,149	7,739
Deferred income		6,600	8,250
Deferred tax liabilities		1,402	1,402
		<u>1,052,612</u>	<u>1,028,911</u>
NET ASSETS		<u>531,884</u>	<u>514,749</u>
CAPITAL AND RESERVES			
Share capital	<i>14</i>	4,999	4,999
Reserves		524,961	507,826
		<u>529,960</u>	<u>512,825</u>
Equity attributable to owners of the Company		1,924	1,924
Non-controlling interests		<u>531,884</u>	<u>514,749</u>
TOTAL EQUITY		<u>531,884</u>	<u>514,749</u>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2024

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 the applicable disclosure requirements of the Rules Governing the Listing of Securities on the Stock Exchange 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 RMB510,737,000 as at 30 June 2024 and had capital commitments contracted but not provided for in the condensed consolidated financial statements of RMB185,794,000 on the same date, of which RMB156,517,000 expect to due for payment in the next twelve months from 30 June 2024. The Group had incurred a net cash outflow of RMB46,330,000 and a net operating cash outflow of RMB603,779,000 for the six months ended 30 June 2024.

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 2024, the Group had total banking facilities relating to bank borrowings (excluding those related to factoring of bills receivable) and bills payables amounted to approximately RMB1,779,420,000, of which approximately RMB1,129,200,000 had been utilised, and the unutilised banking facilities amounted to RMB650,220,000. 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 the condensed consolidated financial statements.

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.

Other than change in accounting policies resulting from application of amendments to Hong Kong Financial Reporting Standards (“HKFRSs”), the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2024 are the same as those presented in the Group’s annual financial statements for the year ended 31 December 2023.

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 Group’s annual period beginning on 1 January 2024 for the preparation of the Group’s condensed consolidated financial statements:

Amendments to HKFRS 16	Lease Liability in a Sale and Leaseback
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020)
Amendments to HKAS 1	Non-current Liabilities with Covenants
Amendments to HKAS 7 and HKFRS 7	Supplier Finance Arrangements

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.

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, 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 2024 and 2023, 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 follow:

	Six months ended 30 June	
	2024	2023
	<i>RMB’000</i>	<i>RMB’000</i>
	(Unaudited)	(Unaudited)
Sales of cold-rolled steel products		
— steel strips and sheets	1,669,663	1,572,966
— welded steel tubes	67,910	57,092
Sales of galvanized steel products	1,148,899	1,178,601
Sales of hot-rolled steel products and others	319,991	168,116
	<u>3,206,463</u>	<u>2,976,775</u>

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	
	2024	2023
	<i>RMB’000</i>	<i>RMB’000</i>
	(Unaudited)	(Unaudited)
PRC (including Hong Kong)	3,173,171	2,972,129
Southeast Asia	33,292	4,646
	<u>3,206,463</u>	<u>2,976,775</u>

4. FINANCE INCOME AND COSTS

	Six months ended 30 June	
	2024	2023
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
Finance costs		
— Interest expense on borrowings, net of amounts capitalised in the cost of qualifying assets of RMB12,645,000 (six months ended 30 June 2023: RMB4,365,000)	(52,986)	(34,978)
— Interest expense on lease liabilities	(230)	(94)
	<u>(53,216)</u>	<u>(35,072)</u>
Finance income		
— Interest income from bank deposits	<u>1,724</u>	<u>2,466</u>
Finance costs, net	<u><u>(51,492)</u></u>	<u><u>(32,606)</u></u>

The finance costs have been capitalised at rates ranging from 3.10% to 7.11% during the six months ended 30 June 2024 (six months ended 30 June 2023: 2.64% to 7.11%) per annum to expenditure on qualifying assets.

5. INCOME TAX EXPENSE

	Six months ended 30 June	
	2024	2023
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
Current tax charge:		
— PRC Enterprise Income Tax (“EIT”)	3,398	—
Deferred tax	<u>(806)</u>	<u>8,831</u>
Income tax expense for the period	<u><u>2,592</u></u>	<u><u>8,831</u></u>

6. PROFIT AND TOTAL COMPREHENSIVE INCOME FOR THE PERIOD

	Six months ended 30 June	
	2024	2023
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Profit and total comprehensive income		
for the period has been arrived at after charging (crediting):		
Directors' remuneration		
— fees	236	275
— other emoluments, salaries, allowances and other benefits	621	609
— equity-settled share-based payments	71	253
— retirement benefit scheme contributions	55	49
	<u>983</u>	<u>1,186</u>
Staff salaries, allowances and other benefits	61,776	52,461
Equity-settled share-based payments, excluding those of directors	174	614
Retirement benefit scheme contributions, excluding those of directors	7,355	6,184
	<u>70,288</u>	<u>60,445</u>
Total employee benefits expenses		
Depreciation of property, plant and equipment	51,120	45,873
Less: amount capitalised as cost of inventories manufactured	(43,992)	(39,514)
	<u>7,128</u>	<u>6,359</u>
Depreciation of right-of-use assets	3,490	2,749
Less: amount capitalised as cost of construction in progress	(903)	(1,076)
	<u>2,587</u>	<u>1,673</u>
Cost of inventories recognised as an expense	3,112,274	2,839,796
Reversal of provision of inventories	—	(2,361)
Loss (gain) on disposal of property, plant and equipment	139	(48)
	<u><u>3,112,274</u></u>	<u><u>2,839,796</u></u>

7. EARNINGS PER SHARE

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

	Six months ended 30 June	
	2024	2023
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Earnings:		
Profit for the period attributable to owners of the Company for the purpose of basic and diluted earnings per share	<u>16,885</u>	<u>39,446</u>
Number of shares:		
Weighted average number of ordinary shares for the purpose of basic earnings per share	600,000,000	600,000,000
Effect of dilutive potential ordinary shares brought by share options (<i>Note</i>)	<u>—</u>	<u>—</u>
Weighted average number of ordinary shares for the purpose of diluted earnings per share	<u>600,000,000</u>	<u>600,000,000</u>

Note: The computation of diluted 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.

8. DIVIDENDS

No interim dividend has been proposed for the period ended 30 June 2024 since the end of the reporting period (30 June 2023: nil).

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 RMB432,236,000 (six months ended 30 June 2023: RMB79,547,000).

During the current interim period, the Group obtained a new land use right at a cash consideration of RMB41,613,000 (six months ended 30 June 2023: RMB25,710,000).

No new lease agreement entered during the six months ended 30 June 2024. During the six months ended 30 June 2023, the Group renewed one lease agreement and entered into several new lease agreements with lease terms ranged from 2 to 50 years. On date of lease commencement during the six months ended 30 June 2023, the Group recognised right-of-use assets and lease liabilities of RMB6,971,000.

10. TRADE, BILLS AND OTHER RECEIVABLES

	30.6.2024	31.12.2023
	RMB'000	RMB'000
	(Unaudited)	(Audited)
Trade receivables from contracts with customers	108,186	82,279
Less: Allowance for credit losses	(5,039)	(3,385)
	103,147	78,894
Bills receivables	432,395	234,474
Prepayments to suppliers	772,638	811,352
Value-added tax recoverable	88,527	81,225
Other prepayments, deposits and other receivables	93,782	105,363
	1,490,489	1,311,308

For long-term customers with good credit quality and payment history, the Group may allow credit periods of up to 90 days (2023: 90 days). For other customers, the Group demands for full settlement upon delivery of goods.

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:

	30.6.2024	31.12.2023
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Audited)
Trade receivables:		
Within 30 days	92,128	70,339
31–60 days	1,635	4,022
61–90 days	1,166	189
91–120 days	3,688	17
121–180 days	70	2,033
181–365 days	2,619	1,784
Over 1 year	1,841	510
	<u>103,147</u>	<u>78,894</u>
 Bills receivables:		
Within 30 days	50,746	24,446
31–60 days	37,613	45,891
61–90 days	47,990	61,337
91–120 days	84,576	55,546
121–180 days	211,470	47,254
	<u>432,395</u>	<u>234,474</u>

As at 30 June 2024, included in the Group's bills receivables are amounts of RMB432,395,000 (unaudited) (31 December 2023: RMB233,499,000 (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 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 13) and trade payables (note 11). 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.

	30.6.2024	31.12.2023
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Audited)
Carrying amount of transferred asset	432,395	233,499
Carrying amount of associated bank borrowings	(405,318)	(229,932)
Carrying amount of associated trade payables	(27,077)	(3,567)
	<u> </u>	<u> </u>
	<u> </u>	<u> </u>
	-	-

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 2024, bills receivables held by a subsidiary of the Company issued by other members of the Group of RMB294,100,000 (unaudited) (31 December 2023: RMB175,400,000 (audited)) 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.

11. TRADE, BILLS AND OTHER PAYABLES AND ACCRUED EXPENSES

	30.6.2024	31.12.2023
	RMB'000	RMB'000
	(Unaudited)	(Audited)
Trade payables (<i>Note a</i>)	103,223	109,671
Bills payables (<i>Note b</i>)	80,000	84,000
Accrued staff costs	23,551	21,159
Construction payables	114,867	117,115
Transportation fees payables	2,626	9,301
Other tax payables	23,466	15,947
Other payables and accrued expenses	22,889	29,095
	370,622	386,288

Notes:

- (a) Included in the amounts was RMB27,077,000 (2023: RMB3,567,000) 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 period/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 condensed 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 11(a), based on the invoice dates at the end of each reporting period is presented as follows:

	30.6.2024	31.12.2023
	RMB'000	RMB'000
	(Unaudited)	(Audited)
Trade payables:		
Within 30 days	44,449	48,305
31–60 days	6,225	24,158
61–90 days	8,191	11,615
91–120 days	5,850	5,078
121–180 days	4,788	5,030
181–365 days	2,373	6,864
Over 1 year	4,270	5,054
	76,146	106,104

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

	30.6.2024	31.12.2023
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Audited)
Bills payables:		
Within 30 days	40,000	12,000
31–60 days	–	70,000
61–90 days	–	2,000
121–180 days	40,000	–
	<u>80,000</u>	<u>84,000</u>

12. AMOUNTS DUE TO RELATED PARTIES

	30.6.2024	31.12.2023
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Audited)
Mr. Xu	1,156	2,654
Mr. Chen Chunniu	160	160
	<u>1,316</u>	<u>2,814</u>

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

13. BORROWINGS

	30.6.2024 <i>RMB'000</i> (Unaudited)	31.12.2023 <i>RMB'000</i> (Audited)
Fixed-rate borrowings:		
Secured bank borrowings	1,390,941	1,219,202
Bank borrowings from factoring of bills receivables with full recourse (<i>note 10</i>)	699,418	405,332
Unsecured bank borrowings	207,278	216,208
Secured borrowings from entities established in the PRC independent with the Group	338,515	168,432
Unsecured borrowings from entities established in the PRC independent with the Group	–	11,738
	2,636,152	2,020,912
Variable-rate borrowings:		
Secured bank borrowings	236,730	166,990
Unsecured bank borrowings	9,800	90,000
Total borrowings	2,882,682	2,277,902
The carrying amounts of the above bank borrowings are repayable based on the scheduled repayment dates set out in the loan agreements:		
— within one year	1,615,443	1,145,169
— more than one year, but not more than two years	318,025	180,537
— more than two years, but not more than five years	405,021	565,026
— more than five years	205,678	207,000
	2,544,167	2,097,732
Less: amount due within one year shown under current liabilities	(1,615,443)	(1,145,169)
Amount shown under non-current liabilities	928,724	952,563
The carrying amounts of the above other borrowings are repayable based on the scheduled repayment dates set out in the loan agreements:		
— within one year	229,779	121,213
— more than one year, but not more than two years	106,275	47,219
— more than two years, but not more than five years	2,461	11,738
	338,515	180,170
Less: amount due within one year shown under current liabilities	(229,778)	(121,213)
Amount shown under non-current liabilities	108,737	58,957

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

14. SHARE CAPITAL

	Number of shares	Share capital <i>HK\$'000</i>
Ordinary shares of HK\$0.01 each		
Authorised:		
At 1 January 2023, 31 December 2023 and 30 June 2024	<u>8,000,000,000</u>	<u>80,000</u>
Issued:		
At 1 January 2023 (audited), 31 December 2023 (audited) and 30 June 2024 (unaudited)	<u>600,000,000</u>	<u>6,000</u>
	30.6.2024	31.12.2023
	RMB'000	RMB'000
	(Unaudited)	(Audited)
Shown in the condensed consolidated statement of financial position	<u>4,999</u>	<u>4,999</u>

15. 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.

There are no movement of the share options of the Scheme:

	Number of share options
Outstanding as at 1 January 2023, 31 December 2023 and 30 June 2024	<u>25,272,720</u>

Details of share options granted by the Company and outstanding as at 30 June 2024 and 31 December 2023 are as follows:

Date of grant	Vesting period	Exercise period	Number of share options granted	Exercise price HK\$
Directors				
2 June 2021	2 June 2021 – 2 June 2022	3 June 2022 – 2 June 2025	2,909,088	2.75
	2 June 2021 – 2 June 2023	3 June 2023 – 2 June 2026	2,181,816	2.75
	2 June 2021 – 2 June 2024	3 June 2024 – 2 June 2027	2,181,820	2.75
			7,272,724	
Other grantees				
2 June 2021	2 June 2021 – 2 June 2022	3 June 2022 – 2 June 2025	7,200,000	2.75
	2 June 2021 – 2 June 2023	3 June 2023 – 2 June 2026	5,399,999	2.75
	2 June 2021 – 2 June 2024	3 June 2024 – 2 June 2027	5,399,997	2.75
			17,999,996	
			25,272,720	

The fair value of the options determined at the date of grant using the Binomial model was HK\$11,598,000. Out of the outstanding share options of 25,272,720 (31 December 2023: 25,272,720), 25,272,720 (31 December 2023: 17,690,903) options were exercisable as at 30 June 2024 with an exercise price of HK\$2.75 per share.

16. CAPITAL COMMITMENTS

	30.6.2024 <i>RMB'000</i> (Unaudited)	31.12.2023 <i>RMB'000</i> (Audited)
Capital expenditure contracted but not provided for in the condensed consolidated financial statements in respect of acquisition of property, plant and equipment	<u>185,794</u>	<u>257,440</u>

17. 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:

	30.6.2024 <i>RMB'000</i> (Unaudited)	31.12.2023 <i>RMB'000</i> (Audited)
Trade receivables	5,852	6,826
Property, plant and equipment	1,364,650	1,351,981
Right-of-use assets	215,902	176,999
Restricted bank deposits	<u>355,124</u>	<u>247,715</u>
	<u>1,941,528</u>	<u>1,783,521</u>

Furthermore, bills receivables issued by third parties with full recourse that is discounted to banks for settlement of payables for purchasing of steel raw materials is disclosed in note 13.

18. 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 12.

(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	
		2024 RMB'000 (Unaudited)	2023 RMB'000 (Unaudited)
Hua Jin Holdings Pte. Ltd. ("Hua Jin Holdings") (Note i)	Interest expense on lease liabilities	1	5
Oriental Surplus Link Limited (Note ii)	Interest expense on lease liabilities	12	11

Notes:

- (i) Hua Jin Holdings is 100% owned by Mr. Xu. The Group entered into a lease agreement with Hua Jin Holdings, with the lease term till 2022 for the use of office premise and furniture located in Tradehub 21, 8 Boon Lay Way, 609964 in District 22, Singapore and have renewed the lease agreement with the lease term till July 2024 in August 2022. During the current interim period, the Group have made repayment of the lease liability of RMB158,000 (six months ended 30 June 2023: RMB155,000). As at 30 June 2024, the corresponding carrying amount of the lease liabilities is RMB26,000 (31 December 2023: RMB187,000).
- (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 and have renewed the lease agreement with the lease term till December 2024 in December 2023. During the current interim period, the Group have made repayment of the lease liability of RMB305,000 (six months ended 30 June 2023: RMB297,000). As at 30 June 2024, the corresponding carrying amount of the lease liabilities is RMB252,000 (31 December 2023: RMB543,000).

(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 2024 and 31 December 2023 as set out in note 13.

(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	
	2024	2023
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
Salaries, allowances and other benefits	2,817	2,511
Retirement benefit scheme contributions	152	149
Share-based payment expense	245	867
	<u>3,214</u>	<u>3,527</u>

MANAGEMENT DISCUSSION AND ANALYSIS

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 2024, the Group generated revenue of approximately RMB3,206.5 million, representing an increase of RMB229.7 million or 7.7%, as compared to that of approximately RMB2,976.8 million in the first half of 2023. Profit attributable to owners of the Company for the first half of 2024 was approximately RMB16.9 million, representing a decrease of RMB22.5 million or 57.1%, as compared to that of approximately RMB39.4 million in the first half of 2023. The decrease in net profit of the Group during the first half of 2024 was mainly due to, among others, the drop in profit margin for sales of hot-rolled steel coils and scrap steel, and the increase in administrative expenses and finance costs.

The sales volume of cold-rolled steel products and galvanized steel products in aggregate was 678,887 tonnes in the first half of 2024, representing an increase of 23,059 tonnes or 3.5%, as compared to 655,828 tonnes in the first half of 2023. During the first half of 2023, the Group acquired property, plant and equipment and incurred construction costs of approximately RMB432.2 million.

The net current liabilities position of approximately RMB510.7 million (31 December 2023: RMB266.7 million) as at 30 June 2024 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 30 June 2024, was approximately RMB185.8 million (31 December 2023: RMB257.4 million), which will be financed by the Group's internal resources and borrowings.

The Board does not recommend the payment of an interim dividend for the six months ended 30 June 2024.

FINANCIAL REVIEW

Revenue

The Group primarily generates revenue from sales of cold-rolled steel products and galvanized steel products. The revenue for the first half of 2024 amounted to approximately RMB3,206.5 million, representing an increase of approximately RMB229.7 million or 7.7%, as compared with that of approximately RMB2,976.8 million for the first half of 2023.

The sales volume of cold-rolled steel products increased to 419,978 tonnes in the first half of 2024, by 36,381 tonnes or 9.5%, as compared with that of 383,597 tonnes in the first half of 2023. The sales volume of galvanized steel products decreased to 258,909 tonnes in the first half of 2024, by 13,322 tonnes or 4.9%, as compared with that of 272,231 tonnes in the first half of 2023. Thus, the sales volume of cold-rolled steel products and galvanized steel products in aggregate was 678,887 tonnes in the first half of 2024, representing an increase of 23,059 tonnes or 3.5%, as compared to 655,828 tonnes in the first half of 2023.

The increase in revenue was mainly attributable to the increase in sales volume of our cold-rolled steel products and hot-rolled steel coils. The average selling price of our cold-rolled steel products decreased to RMB4,137 per tonne in the first half of 2024 as compared with that of RMB4,249 per tonne in the first half of 2023. The average selling price of our galvanized steel products increased to RMB4,437 per tonne in the first half of 2024 as compared with that of RMB4,329 per tonne in the first half of 2023. In summary, the average selling price of our cold-rolled steel products and galvanized steel products decreased to RMB4,251 per tonne in the first half of 2024 as compared with that of RMB4,283 per tonne in the first half of 2023.

The domestic sales in the PRC market contributed over 98.9% 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 10.0% (first half of 2023: 5.7%) of the revenue during the first half of 2024.

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

	Six months ended 30 June			
	2024		2023	
	<i>RMB'000</i>	<i>%</i>	<i>RMB'000</i>	<i>%</i>
Sales of cold-rolled steel products	1,737,573	54.2	1,630,058	54.7
— steel strips and sheets	1,669,663	52.1	1,572,966	52.8
— welded steel tubes	67,910	2.1	57,092	1.9
Sales of galvanized steel products	1,148,899	35.8	1,178,601	39.6
Sales of hot-rolled steel products and others	319,991	10.0	168,116	5.7
	<u>3,206,463</u>	<u>100.0</u>	<u>2,976,775</u>	<u>100.0</u>

Cost of sales

The cost of sales increased to approximately RMB3,112.3 million in the first half of 2024, by approximately RMB274.9 million or 9.7%, as compared with that of approximately RMB2,837.4 million in the first half of 2023.

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

	Six months ended 30 June			
	2024		2023	
	<i>RMB'000</i>	<i>%</i>	<i>RMB'000</i>	<i>%</i>
Direct materials	2,865,012	92.1	2,596,195	91.5
Utilities	104,919	3.4	106,796	3.8
Direct labour	47,511	1.5	42,651	1.5
Depreciation expense	46,294	1.5	40,678	1.4
Consumables	43,089	1.4	47,148	1.7
Others	5,449	0.1	3,967	0.1
	<u>3,112,274</u>	<u>100.0</u>	<u>2,837,435</u>	<u>100.0</u>

Direct materials represented the cost of raw materials, primarily hot-rolled steel coils. The direct materials accounted for over 92.1% (first half of 2023: 91.5%) of the cost of sales in the first half of 2024. The increase in direct materials was mainly attributable to the increase in the sales volume of cold-rolled steel products and hot-rolled steel coils.

Utilities related primarily to electricity, water, and natural gas consumed throughout our production process. Utilities expenses decreased to approximately RMB104.9 million in the first half of 2024, by approximately RMB1.9 million or 1.8%, as compared with that of approximately RMB106.8 million in the first half of 2023.

Direct labour increased to approximately RMB47.5 million in the first half of 2024, by approximately RMB4.8 million or 11.2%, as compared with that of approximately RMB42.7 million in the first half of 2023. The increase in direct labour was mainly attributable to the increase in production volume during the reporting period under review.

Depreciation expense experienced an increase to approximately RMB46.3 million in the first half of 2024, by approximately RMB5.6 million or 13.8%, as compared with that of approximately RMB40.7 million in the first half of 2023. 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 decreased to approximately RMB43.1 million in the first half of 2024, by approximately RMB4.0 million or 8.5%, as compared with that of approximately RMB47.1 million in the first half of 2023.

Other costs primarily comprised other taxes and surcharges expenses.

Gross profit

Due to the drop in the profit margin on the sales of hot-rolled steel coils and scrap steel, the Group recorded a gross profit of approximately RMB94.2 million in the first half of 2024 as compared with that of approximately RMB139.3 million in the first half of 2023.

The gross profit margin was approximately 2.9% in the first half of 2024 when compared with that of 4.7% in the first half of 2023.

Other income, other gains and losses

Other income, other gains and losses increased to approximately RMB24.5 million in the first half of 2024, by approximately RMB22.5 million or 1,125.0%, as compared with that of approximately RMB2.0 million in the first half of 2023. Such increase was mainly due to value-added tax credit, unrealized gain on derivative financial instruments in relation to the commodity futures contracts, penalty income relating to the sales of scrap steel in the amount of approximately RMB17.2 million, RMB3.0 million and RMB2.0 million, respectively, during the first half of 2024.

Selling expenses

Selling expenses decreased to approximately RMB16.8 million in the first half of 2024, by approximately RMB17.1 million or 50.4%, as compared with that of approximately RMB33.9 million in the first half of 2023. The decreased in selling expenses was mainly attributable to the decreased in delivery costs during the first half of 2024.

Administrative expenses

The administrative expenses increased to approximately RMB36.9 million in the first half of 2024, by approximately RMB9.9 million or 36.7%, as compared with that of approximately RMB27.0 million in the first half of 2023. The increase in administrative expenses was mainly attributable to the increase in salary, staff's compensation, consumables and depreciation for right-of-use assets in the amount of approximately RMB3.1 million, RMB2.3 million, RMB1.7 million and RMB1.2 million respectively, during the first half of 2024.

Investment gain

The investment gain was approximately RMB6.1 million in the first half of 2024 when compared with that of approximately RMB0.5 million in the first half of 2023. Such investment gain during the reporting period under review was primarily due to the net realized gain on derivative financial instruments in relation to the commodity futures contracts.

Finance costs

Finance costs increased to approximately RMB53.2 million in the first half of 2024, by approximately RMB18.1 million or 51.6%, as compared with that of approximately RMB35.1 million in the first half of 2023. Such increase was mainly attributable to the increased level of borrowings during the first half of 2024.

Income tax expenses

There was income tax expenses and deferred tax credit amounted to approximately RMB3.4 million and 0.8 million respectively, during the first half of 2024 while there was deferred tax charge amounted to approximately RMB8.8 million during the first half of 2023.

Profit for the period

The profit attributable to owners of the Company was approximately RMB16.9 million in the first half of 2024 when compared with that of approximately RMB39.4 million in the first half of 2023.

Net profit margin was approximately 0.5% in the first half of 2024 when compared with that of 1.3% in the first half of 2023.

Liquidity and financial resources

As at 30 June 2024, the Group's bank balances and cash decreased to approximately RMB52.0 million, by approximately RMB46.4 million or 47.2%, from approximately RMB98.4 million as at 31 December 2023. The Group's restricted bank deposits increased to approximately RMB355.1 million as at 30 June 2024, by approximately RMB107.4 million or 43.4%, from approximately RMB247.7 million as at 31 December 2023.

As at 30 June 2024, the Group had the net current liabilities and the net assets of approximately RMB510.7 million (31 December 2023: RMB266.7 million) and approximately RMB531.9 million (31 December 2023: RMB514.7 million), respectively. As at 30 June 2024, the current ratio calculated based on current assets divided by current liabilities of the Group was 80.9% as compared with that of 88.1% as at 31 December 2023.

At 30 June 2024, the Group's total borrowings amounted to approximately RMB2,882.7 million (31 December 2023: RMB2,277.9 million) and total equity amounted to approximately RMB531.9 million (31 December 2023: RMB514.7 million). As at 30 June 2024, the gearing ratio of the Group, calculated based on total borrowings divided by total equity, was approximately 5.42 times (31 December 2023: 4.43 times).

As at 30 June 2024, the Group had total banking facilities relating to bank borrowings (excluding those related to factoring of bills receivables) and bills payables amounted to approximately RMB1,779.4 million (31 December 2023: RMB1,649.8 million), of which approximately RMB1,129.2 million (31 December 2023: 1,192.2 million) had been utilised, and the unutilised banking facilities amounted to approximately RMB650.2 million (31 December 2023: 457.6 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 30 June 2024, 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 Renminbi ("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 first half of 2024, 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 2024 are set out in note 13 to the condensed consolidated financial statements.

Capital structure

Details of the share capital are set out in note 14 to the condensed consolidated financial statements.

Capital commitment

Details of the capital commitment are set out in note 16 to the condensed consolidated financial statements.

Pledge of assets

Details of the pledge of assets are set out in note 17 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 2024 (31 December 2023: nil).

Employees

As at 30 June 2024, the Group had a total of 1,363 (31 December 2023: 1,183) full-time employees (including executive Directors) in mainland China, Hong Kong and Singapore. The Group's total staff costs (including Directors' remuneration) during the first half of 2024 amounted to approximately RMB70.3 million (first half of 2023: RMB60.4 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 RMB0.2 million (first half of 2023: RMB0.9 million) included in the above staff costs during the first half of 2024.

FUTURE PROSPECTS

The Group's existing production plant located at Gujing Town, Xinhui District, Jiangmen City, Guangdong Province, the PRC, has been developed into Huajin Metal Industrial Park. With reference to the local government plan and the support from the government, Huajin Terminal with the construction of three pier berths will be built near to the coast of Huajin Metal Industrial Park. The Group will build, operate and manage three berths with a maximum docking capacity of 30,000 deadweight tons for the Group's own use and external operations. In early 2024, the Group has completed the construction works for the berth no. 3 of Huajin Terminal and, on 23 January 2024, the Group has obtained the licence for port operations issued by Jiangmen Xinhui District Transportation Bureau for berth no. 3 of Huajin Terminal. The main structure for the phase two of the Huajin Terminal has been recently completed. The examination and completion acceptance for the phase two of the Huajin Terminal is scheduled to be carried out on around 10 September 2024.

The 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, the Board believes that the terminal business will help broaden the income source of the Group with the saving of the transportation costs and time, and boosting distribution and warehousing.

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 2024 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 2024.

INTERIM DIVIDEND

The Directors do not recommend the payment of an interim dividend for the six months ended 30 June 2024 (six months ended 30 June 2023: nil).

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 corporate governance principles of the Group emphasise an effective Board, sound internal controls, appropriate independence policy, and transparency and accountability to the Shareholders. The Group is committed to striking a balance between earnings and sustainable development. The Company believes outstanding business environment, society and corporate governance are fundamental to maintaining long-term sustainable success.

The Company has applied the principles of good corporate governance and 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 as set out in Appendix C1 to the Listing Rules throughout the six months ended 30 June 2024.

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 2024.

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 announcement, the Company has maintained the prescribed public float required by the Listing Rules for the six months ended 30 June 2024 and up to the date of this announcement.

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 2024 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 presented the Group’s financial position and results for the six months ended 30 June 2024.

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, 30 August 2024

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. Ou Qiyuan, Mr. Suen To Wai and Ms. Yip Nga Ting Cerin as independent non-executive Directors.