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 2018

FINANCIAL HIGHLIGHTS

	Six months ended 30 June		
	2018	2017	Change
	(Unaudited)	(Unaudited)	
Revenue *(RMB million)*	**1,426.7**	1,384.8	+3.0%
Gross profit *(RMB million)*	**76.0**	109.4	-30.5%
Gross profit margin *(%)*	**5.3%**	7.9%	
EBITDA *(RMB million) (note 1)*	**68.2**	109.3	-37.6%
EBITDA margin *(%)*	**4.8%**	7.9%	
Profit attributable to owners of the Company *(RMB million)*	**13.9**	54.5	-74.5%
Net profit margin (%)	**1.0%**	3.9%	
Basic earnings per shares *(RMB cent)*	**2.32**	9.08	-74.4%
Interim dividend per share *(HK cents)*	**n/a**	3.5	
Sales volume (tonne) *(note 2)*	**303,442**	323,659	-6.2%
Average processing fee *(note 3)* per tonne *(RMB)*	**504**	613	-17.8%

	As at 30.6.2018 (Unaudited)	As at 31.12.2017 (Audited)	Change
Net asset value *(RMB million)*	**606.5**	596.6	+1.7%
Net asset value per share *(RMB)*	**1.01**	0.99	+2.0%
Borrowings *(RMB million)*	**1,160.5**	958.0	+21.1%
Gearing ratio *(%) (note 4)*	**191.3%**	160.6%	

Notes:

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

2. Sales volume of cold-rolled steel products and galvanized steel products during the reporting period.

3. The average processing fee is the difference between the average selling price and the average cost of direct materials charged for its cold-rolled steel products and galvanized steel products.

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

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 2018 together with the comparative figures for the corresponding period in 2017. The unaudited results for the six months ended 30 June 2018 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 2018

		Six months ended 30 June	
		2018	2017
	Notes	***RMB'000***	*RMB'000*
		(Unaudited)	(Unaudited)
Revenue	*3*	**1,426,651**	1,384,779
Cost of sales		**(1,350,697)**	(1,275,380)
Gross profit		**75,954**	109,399
Other income, other gains and losses		**4,518**	6,490
Selling expenses		**(14,841)**	(20,668)
Administrative expenses		**(17,653)**	(18,586)
Profit before investment (loss) gain, net finance costs and taxation		**47,978**	76,635
Investment (loss) gain		**(6,555)**	5,841
Finance income	*4*	**726**	911
Finance costs	*4*	**(24,587)**	(20,389)
Finance costs, net	*4*	**(23,861)**	(19,478)
Profit before taxation		**17,562**	62,998
Income tax expenses	*5*	**(3,712)**	(8,492)
Profit for the period	*6*	**13,850**	54,506
Other comprehensive income for the period — exchange differences arising on translation of foreign operations which may be subsequently reclassified to profit or loss		**485**	172
Total comprehensive income for the period		**14,335**	54,678

		Six months ended 30 June	
		2018	2017
	Notes	***RMB'000***	*RMB'000*
		(Unaudited)	(Unaudited)
Profit (loss) for the period attributable to:			
Owners of the Company		**13,945**	54,506
Non-controlling interests		**(95)**	—
		13,850	54,506
Total comprehensive income (expense) for the period attributable to:			
Owners of the Company		**14,430**	54,678
Non-controlling interests		**(95)**	—
		14,335	54,678
Earnings per share for profit attributable to owners of the Company,	*7*		
— basic (RMB cents)		**2.32**	9.08

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
At 30 June 2018

	Notes	30.6.2018 RMB'000 (Unaudited)	31.12.2017 RMB'000 (Audited)
NON-CURRENT ASSETS			
Property, plant and equipment	*9*	**549,844**	487,234
Prepaid lease payments		**191,834**	82,782
Deposits paid for acquisition of property, plant and equipment and land use rights		**38,867**	33,054
Deferred tax assets		**4,337**	4,208
		784,882	607,278
CURRENT ASSETS			
Prepaid lease payments		**4,151**	2,116
Inventories		**255,467**	309,938
Trade, bills and other receivables	*10*	**814,177**	707,689
Derivative financial instruments at fair value through profit or loss	*11*	**18,114**	11,490
Tax recoverable		**1,775**	1,650
Restricted bank deposits		**111,533**	98,365
Bank balances and cash		**144,108**	127,955
		1,349,325	1,259,203
CURRENT LIABILITIES			
Trade, bills and other payables and accrued expenses	*12*	**170,095**	228,871
Contract liabilities		**59,670**	—
Tax payables		**1,346**	1,738
Amounts due to related parties	*13*	**45,526**	52,471
Borrowings — due within one year	*14*	**1,095,237**	895,242
Dividend payable		**10,117**	—
		1,381,991	1,178,322
NET CURRENT (LIABILITIES) ASSETS		**(32,666)**	80,881
TOTAL ASSETS LESS CURRENT LIABILITIES		**752,216**	688,159

	Notes	**30.6.2018** *RMB'000* **(Unaudited)**	31.12.2017 *RMB'000* (Audited)
NON-CURRENT LIABILITIES			
Amount due to a related party	*13*	**53,593**	—
Borrowings — due more than one year	*14*	**65,226**	62,750
Deferred income		**26,400**	28,050
Deferred tax liabilities		**500**	753
		145,719	91,553
NET ASSETS		**606,497**	596,606
CAPITAL AND RESERVES			
Share capital	*15*	**4,999**	4,999
Reserves		**592,223**	582,237
Equity attributable to owners of the Company		**597,222**	587,236
Non-controlling interests		**9,275**	9,370
TOTAL EQUITY		**606,497**	596,606

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2018

1. BASIS OF PREPARATION

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

In preparing the condensed 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 approximately RMB32,666,000 as at 30 June 2018.

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 which are renewable in full upon their maturity for the operation requirements of the Group, the past history of renewal of such facilities and the good relationships of the Group with the banks.

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 condensed consolidated financial statements on a going concern basis.

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 changes in accounting policies resulting from application of new and 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 2018 are the same as those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2017.

Application of new and amendments to HKFRSs

In the current interim period, the Group has applied, for the first time, the following new and amendments to HKFRSs issued by the HKICPA which are mandatory effective for the annual period beginning on or after 1 January 2018 for the preparation of the Group's condensed consolidated financial statements:

HKFRS 9	Financial Instruments
HKFRS 15	Revenue from Contracts with Customers and the related Amendments
HK(IFRIC)–Int 22	Foreign Currency Transactions and Advance Consideration
Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions
Amendments to HKFRS 4	Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts
Amendments to HKAS 28	As part of the Annual Improvements to HKFRSs 2014–2016 Cycle
Amendments to HKAS 40	Transfer of Investment Property

The new and amendments to HKFRSs have been applied in accordance with the relevant transition provisions in the respective standards and amendments which results in changes in accounting policies amounts reported and/or disclosures as described below.

2.1 *Impacts and changes in accounting policies of application on HKFRS 15 Revenue from Contracts with Customers*

The Group has applied HKFRS 15 for the first time in the current interim period. HKFRS 15 superseded HKAS 18 Revenue, HKAS 11 Construction Contracts and the related interpretations.

The Group recognises revenue from the following major sources:

- sales of cold-rolled steel products (including cold-rolled steel strips and sheets and welded steel tubes);
- sales of galvanized steel products; and
- sales of scrap steels residual in the manufacturing process of the Group.

The Group has applied HKFRS 15 retrospectively with the cumulative effect of initially applying this standard recognised at the date of initial application, 1 January 2018. Any difference at the date of initial application is recognised in the opening retained profits (or other components of equity, as appropriate) and comparative information has not been restated.

2.1.1 Key changes in accounting policies resulting from application of HKFRS 15

HKFRS 15 introduces a 5-step approach when recognising revenue:

- Step 1: Identify the contract(s) with a customer.
- Step 2: Identify the performance obligations in the contract.
- Step 3: Determine the transaction price.
- Step 4: Allocate the transaction price to the performance obligations in the contract.
- Step 5: Recognise revenue when (or as) the Group satisfies a performance obligation.

Under HKFRS 15, the Group recognises revenue when (or as) a performance obligation is satisfied, i.e. when "control" of the goods or services underlying the particular performance obligation is transferred to the customer.

A performance obligation represents a good and service (or a bundle of goods or services) that is distinct or a series of distinct goods or services that are substantially the same.

Control is transferred over time and revenue is recognised over time by reference to the progress towards complete satisfaction of the relevant performance obligation if one of the following criteria is met:

- the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs;
- the Group's performance creates and enhances an asset that the customer controls as the Group performs; or
- the Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

Otherwise, revenue is recognised at a point in time when the customer obtains control of the distinct good or service.

Revenue from the sale of cold-rolled steel products, galvanized steel products and scrap steels residual is recognised at a point in time when the control of the goods has transferred, i.e. have been delivered to customers.

A contract liability represents the Group's obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer.

As at 1 January 2018, receipts in advance from customers of RMB57,792,000 previously included in trade, bills and other payables and accrued expenses were reclassified to contract liabilities for the same amount.

The directors of the Company assessed that the application of HKFRS 15 have no material impact on the timing and amounts of revenue recognised.

2.2 *Impacts and changes in accounting policies of application on HKFRS 9 Financial Instruments and the related amendments*

In the current period, the Group has applied HKFRS 9 and the related consequential amendments to other HKFRSs. HKFRS 9 introduces new requirements for 1) the classification and measurement of financial assets and financial liabilities, 2) expected credit losses ("ECL") for financial assets and 3) general hedge accounting.

The Group has applied HKFRS 9 in accordance with the transition provisions set out in HKFRS 9. i.e. applied the classification and measurement requirements (including impairment) retrospectively to instruments that have not been derecognised as at 1 January 2018 (date of initial application) and has not applied the requirements to instruments that have already been derecognised as at 1 January 2018. The difference between carrying amounts as at 31 December 2017 and the carrying amounts as at 1 January 2018 are recognised in the opening retained profits and other components of equity, without restating comparative information.

Accordingly, certain comparative information may not be comparable as comparative information was prepared under HKAS 39 Financial Instruments: Recognition and Measurement.

2.2.1 Key changes in accounting policies resulting from application of HKFRS 9

Classification and measurement of financial assets

Trade receivables arising from contracts with customers are initially measured in accordance with HKFRS 15.

All recognised financial assets that are within the scope of HKFRS 9 are subsequently measured at amortised cost or fair value.

Debt instruments that meet the following conditions are subsequently measured at amortised cost:

- the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

All other financial assets are subsequently measured at fair value through profit or loss ("FVTPL"), except that at the date of initial application/initial recognition of a financial asset the Group may irrevocably elect to present subsequent changes in fair value of an equity investment in other comprehensive income ("OCI") if that equity investment is neither held for trading nor contingent consideration recognised by an acquirer in a business combination to which HKFRS 3 Business Combinations applies.

Financial assets at FVTPL

Financial assets that do not meet the criteria for being measured at amortised cost or FVTOCI or designated as FVTOCI are measured at FVTPL.

Financial assets at FVTPL are measured at fair value at the end of each reporting period, with any fair value gains or losses recognised in profit or loss The net gain or loss recognised in profit or loss excludes any dividend or interest earned on the financial asset and is included in the "other income, other gains and losses" line item.

The directors of the Company reviewed and assessed the Group's financial assets as at 1 January 2018 based on the facts and circumstances that existed at that date. There is no impact in classification and measurement on the Group's financial assets.

Impairment under ECL model

The Group recognises a loss allowance for ECL on financial assets which are subject to impairment under HKFRS 9 (including trade, bills and other receivables). The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition.

Lifetime ECL represents the ECL that will result from all possible default events over the expected life of the relevant instrument. In contrast, 12-month ECL ("12m ECL") represents the portion of lifetime ECL that is expected to result from default events that are possible within 12 months after the reporting date. Assessment are done based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current conditions at the reporting date as well as the forecast of future conditions.

The Group always recognises lifetime ECL for trade and bills receivables without significant financing component. The ECL on these assets are assessed collectively using a provision matrix based primarily on the debtors' aging, grouped by debtor balances that are not yet due and different aging brackets of numbers of days past due.

For all other instruments, the Group measures the loss allowance equal to 12m ECL, unless when there has been a significant increase in credit risk since initial recognition, the Group recognises lifetime ECL. The assessment of whether lifetime ECL should be recognised is based on significant increases in the likelihood or risk of a default occurring since initial recognition.

Significant increase in credit risk

In assessing whether the credit risk has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly:

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;

- significant deterioration in external market indicators of credit risk, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor;

- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;

- an actual or expected significant deterioration in the operating results of the debtor;

- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk has increased significantly since initial recognition when contractual payments are more than 60 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

The Group considers that default has occurred when the instrument is more than 90 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate. The trade receivable past due over 90 days has no history of default on repayments. The management of the Group considers these trade receivable are of good quality given the conditions settlement from customers.

Measurement and recognition of ECL

The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information.

Generally, the ECL is estimated as the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive, discounted at the effective interest rate determined at initial recognition.

Interest income is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit impaired, in which case interest income is calculated based on amortised cost of the financial asset.

The Group recognises an impairment gain or loss in profit or loss for all financial instruments by adjusting their carrying amount, with the exception of trade receivables where the corresponding adjustment is recognised through a loss allowance account.

As at 1 January 2018, the directors of the Company reviewed and assessed the Group's existing financial assets for impairment using reasonable and supportable information that is available without undue cost or effort in accordance with the requirements of HKFRS 9. There is no impact on adoption of HKFRS 9.

Classification and measurement of financial liabilities

For non-substantial modifications of financial liabilities that do not result in derecognition, the carrying amount of the relevant financial liabilities will be calculated at the present value of the modified contractual cash flows discounted at the financial liabilities' original effective interest rate. Transaction costs or fees incurred are adjusted to the carrying amount of the modified financial liabilities and are amortised over the remaining term. Any adjustment to the carrying amount of the financial liability is recognised in profit or loss at the date of modification.

2.3 Impacts on opening condensed consolidated statement of financial position arising from the application of all new standards, amendments and interpretation

As a result of the changes in the Group's accounting policies above, the opening condensed consolidated statement of financial position had to be restated.

As at 1 January 2018, receipts in advance from customers of RMB57,792,000 previously included in trade, bills and other payables and accrued expenses were reclassified to contract liabilities for the same amount on the condensed consolidated statement of financial position.

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 chief operating decision makers (the "CODM"), being Mr. Xu and Mr. Luo Canwen, in order to allocate resources to segments and to assess their performance. During the period ended 30 June 2018 and 2017, 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.

	Six months ended 30 June	
	2018	2017
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Sales of cold-rolled steel products		
— cold-rolled steel strips and sheets	**1,015,358**	959,588
— welded steel tubes	**86,132**	88,253
Sales of galvanized steel products	**258,104**	265,887
Sales of scrap steels residual in the manufacturing process	**67,057**	71,051
	1,426,651	1,384,779

During the six months ended 30 June 2018, all revenue of the Group are recognised at a point in time.

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

	Six months ended 30 June	
	2018	2017
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
PRC	**1,424,055**	1,344,743
Southeast Asia	**2,596**	40,036
	1,426,651	1,384,779

No revenue from any customer of the Group contributed to over 10% of the total revenue of the Group for the six months ended 30 June 2018 (six months ended 30 June 2017: nil (unaudited)).

4. FINANCE INCOME AND COSTS

	Six months ended 30 June	
	2018	2017
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Interest income from bank deposits	**726**	911
Interest expense on borrowings, net of amounts capitalised in the cost of qualifying assets of RMB2,670,000 (six months ended 30 June 2017: RMB1,000,000)	**(24,587)**	(20,389)
Finance costs, net	**(23,861)**	(19,478)

Borrowing costs capitalised during the six months ended 30 June 2018 arose on the general borrowing pool and are calculated by applying a capitalisation rate of 5.4% (six months ended 30 June 2017: 5.7%) per annum to expenditure on qualifying assets.

5. INCOME TAX EXPENSES

	Six months ended 30 June	
	2018	2017
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Current tax charge:		
— Hong Kong Profits Tax	**1**	180
— PRC Enterprise Income Tax ("EIT")	**4,083**	8,090
— PRC withholding income tax	**—**	2,000
	4,084	10,270
Under provision in prior year:		
— PRC EIT	**10**	3,677
Deferred tax credit	**(382)**	(5,455)
Income tax expenses for the period	**3,712**	8,492

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit for the period ended 30 June 2018 and 2017.

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

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

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

6. PROFIT FOR THE PERIOD

	Six months ended 30 June	
	2018	2017
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Profit for the period has been arrived at after charging (crediting):		
Directors' remuneration		
— fees	**274**	265
— other emoluments, salaries, allowances and other benefits	**345**	375
— retirement benefit scheme contributions	**13**	16
	632	656
Other staff salaries, allowances and other benefits	**35,962**	49,044
Retirement benefit scheme contributions, excluding those of directors	**4,367**	4,417
Total employee benefits expenses	**40,961**	54,117
Amortisation of prepaid lease payments	**1,886**	909
Depreciation of property, plant and equipment	**24,939**	25,919
Loss on disposal of property, plant and equipment	**14**	303
Fair value loss of derivative financial instruments at fair value through profit or loss	**4,196**	476
Net realised loss (gain) on derivative financial instruments at fair value through profit or loss	**2,359**	(6,317)
Exchange loss (gain), net	**2,278**	(1,564)

7. EARNINGS PER SHARE

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

	Six months ended 30 June	
	2018	2017
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Earnings:		
Profit for the period attributable to owners of the Company for the purpose of basic earnings per share	**13,945**	54,506
Number of shares:		
Weighted average number of ordinary shares for the purpose of basic earnings per share (in thousands)	**600,000**	600,000

No diluted earnings per share is presented for the six months ended 30 June 2018 and 30 June 2017 as the Group had no potential dilutive ordinary shares in issue during these periods.

8. DIVIDENDS

During the current interim period, a final dividend of HK2.0 cents per share in respect of the year ended 31 December 2017 (six months ended 30 June 2017: HK3.4 cents per share in respect of the year ended 31 December 2016) was recognised as distribution to the owners of the Company. The aggregate amount of the final dividend declared in this interim period amounted to HK$12,000,000 (equivalent to RMB10,086,000). The aggregate amount of the final dividend declared and paid in the six months ended 30 June 2017 amounted to HK$20,400,000 (equivalent to RMB18,010,000).

9. MOVEMENTS IN PROPERTY, PLANT AND EQUIPMENT

During the current interim period, the Group acquired property, plant and equipment and incurred construction costs of RMB90,166,000 (unaudited) (six months ended 30 June 2017: RMB18,909,000 (unaudited)).

10. TRADE, BILLS AND OTHER RECEIVABLES

	30.6.2018	31.12.2017
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Trade receivables	**291,191**	268,727
Bills receivables	**277,691**	245,531
Prepayments to suppliers	**175,643**	129,313
Prepaid transportation costs	**14,653**	9,139
Value-added tax recoverable	**43,131**	40,461
Deposits paid for acquisition of property, plant and equipment and land use rights	**—**	11,016
Other prepayments, deposits and other receivables	**11,868**	3,502
	814,177	707,689

No allowance for bad and doubtful was provided for the six months ended 30 June 2018 and 30 June 2017, and no provision for bad and doubtful debt balances were recognised as at the end of the reporting period.

For long-term customers with good credit quality and payment history, the Group allows credit periods of no longer than 120 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 at the end of each reporting period:

	30.6.2018	31.12.2017
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Trade receivables:		
Within 30 days	**272,101**	217,827
31 – 60 days	**9,324**	44,439
61 – 90 days	**7,230**	108
91 – 120 days	**1,990**	2,410
121 – 180 days	**506**	684
181 – 365 days	**35**	472
Over 1 year	**5**	2,787
	291,191	268,727

	30.6.2018	31.12.2017
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Bills receivables:		
Within 30 days	**32,842**	29,535
31 – 60 days	**24,646**	30,922
61 – 90 days	**41,150**	59,198
91 – 120 days	**45,065**	37,287
121 – 180 days	**122,540**	81,043
181 – 365 days	**11,448**	7,546
	277,691	245,531

As at 30 June 2018, included in the Group's bills receivables are amounts of RMB270,469,000 (31 December 2017: RMB219,350,000), being the discounted bills receivables transferred to certain banks with full recourse. If the issuing banks of bills receivables default payment on maturity, the banks have the right of recourse to request the Group to pay the unsettled balance. As the Group has not transferred substantially all the risks and rewards relating to these bills receivables, it continues to recognise the full carrying amount of the bills receivables and has recognised the cash received on the transfer as bank borrowings from factoring of trade receivables with full recourse (note 14). The financial asset is carried at amortised cost in the condensed consolidated statement of financial position.

	30.6.2018	31.12.2017
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Carrying amount of transferred asset	**270,469**	219,350
Carrying amount of associated liability	**(270,469)**	(219,350)
	—	—

11. DERIVATIVE FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

As at 30 June 2018, derivative financial instruments at fair value through profit or loss represent the outstanding hot rolled coils future contracts with total notional amount of approximately RMB18,114,000 (31 December 2017: RMB11,490,000) with maturity date of October 2018 (31 December 2017: May 2018) which are publicly traded in a futures exchange. Net fair value change and net realised gain or loss on the derivative financial instruments were recognised under "investment (loss) gain" in the condensed consolidated statement of profit or loss.

12. TRADE, BILLS AND OTHER PAYABLES AND ACCRUED EXPENSES

	30.6.2018	31.12.2017
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Trade payables	**38,917**	32,979
Bills payables	**81,683**	94,592
Receipts in advance from customers	**—**	57,792
Accrued staff costs	**6,821**	6,251
Construction payables	**24,528**	14,261
Transportation fee payables	**3,307**	7,020
Other tax payables	**2,621**	1,144
Other payables and accrued expenses	**12,218**	14,832
	170,095	228,871

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

	30.6.2018	31.12.2017
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Trade payables:		
Within 30 days	**26,413**	18,875
31 – 60 days	**1,455**	5,198
61 – 90 days	**4,774**	1,802
91 – 120 days	**1,182**	985
121 – 180 days	**1,127**	2,025
181 – 365 days	**1,943**	1,809
Over 1 year	**2,023**	2,285
	38,917	32,979

	30.6.2018	31.12.2017
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Bills payables:		
Within 30 days	**23,462**	22,552
31 – 60 days	**15,612**	47,872
61 – 90 days	**40,000**	—
91 – 120 days	**445**	—
121 – 180 days	**2,164**	24,168
	81,683	94,592

13. AMOUNTS DUE TO RELATED PARTIES

	30.6.2018	31.12.2017
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Mr. Xu *(note i)*	**98,297**	50,155
Hua Jin Holdings Pte. Ltd. *(note ii)*	**80**	—
江門市華志金屬制品有限公司 *(note ii)* Jiangmen Huazhi Metal Product Company Limited	**742**	574
江門市鴻盛建築工程有限公司 *(note iii)* Jiangmen Hong Sheng Construction Engineering Limited	**—**	1,742
	99,119	52,471
The carrying amounts of the above balance are repayable as:		
— within one year	**45,526**	52,471
— more than two years, but not more than five years	**53,593**	—
	99,119	52,471
Less: amounts due within one year shown under current liabilities	**(45,526)**	(52,471)
Amounts shown under non-current liabilities	**53,593**	—

Notes:

(i) During the current interim period, the Group entered into two loan agreements with Mr. Xu, whereby Mr. Xu agreed to provide unsecured loans in the amounts of HK$40,000,000 and US$3,000,000 respectively, totaling to RMB53,360,000, to the Group for a term of three years at the interest rate of 1.00% per annum. As at 30 June 2018, interest payable by the Group on the loans above amounted to RMB233,000. The remaining balance of RMB44,704,000 as at 30 June 2018 and the entire balance as at 31 December 2017 is non-trade in nature, interest free, unsecured and repayment on demand.

(ii) This is an entity controlled by Mr. Xu and Mr. Chen Chunniu ("Mr. Chen"). The amount is trade in nature, interest free, unsecured and repayment on demand.

(iii) This was an entity owned as to 70% by Mr. Chen. The entire balance as at 31 December 2017 is non-trade in nature, interest free, unsecured and repayment on demand.

14. BORROWINGS

	30.6.2018	31.12.2017
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Fixed-rate bank borrowings:		
Secured bank borrowings	**463,893**	464,700
Bank borrowings from factoring of bills receivables with full recourse *(note 10)*	**270,469**	219,350
Fixed-rate other borrowings:		
Secured borrowings from a financial institution independent with the Group	**40,478**	36,483
	774,840	720,533
Variable-rate bank borrowings:		
Secured bank borrowings	**385,623**	237,459
	1,160,643	957,992
The carrying amounts of the above borrowings are repayable, based on scheduled repayment dates set out in the loan agreements, as:		
— within one year	**1,095,237**	895,242
— more than one year, but not more than two years	**51,248**	46,000
— more than two years, but not more than five years	**13,978**	16,750
	1,160,463	957,992
Less: amounts due within one year shown under current liabilities	**(1,095,237)**	(895,242)
Amounts shown under non-current liabilities	**65,226**	62,750

15. SHARE CAPITAL

	Number of shares	Share capital
		HK$'000
Ordinary shares of HK$0.01 each		
Authorised:		
At 1 January 2017, 31 December 2017 and 30 June 2018	8,000,000,000	80,000
Issued:		
At 1 January 2017 (audited), 31 December 2017 (audited) and 30 June 2018 (unaudited)	600,000,000	6,000

	30.6.2018	31.12.2017
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Shown in the condensed consolidated statement of financial position	**4,999**	4,999

16. CAPITAL COMMITMENTS

	30.6.2018	31.12.2017
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Capital expenditure contracted but not provided for in the condensed consolidated financial statements in respect of acquisition of property, plant and equipment and land use rights	**299,440**	246,935

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:

	30.6.2018	31.12.2017
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Property, plant and equipment	**328,173**	334,000
Prepaid lease payments	**124,052**	63,227
Trade receivables	**32,588**	12,122
Restricted bank deposits	**111,533**	98,365
	596,346	507,714

18. RELATED PARTY DISCLOSURES

(a) Related party balances

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

(b) Related party transactions

The Group had the following transaction with related parties, being Mr. Xu or entities controlled by him, during the reporting period:

		Six months ended 30 June	
Related party	**Nature of transactions**	**2018**	2017
		RMB'000	*RMB'000*
		(Unaudited)	(Unaudited)
Mr. Xu	Interest expense	**224**	—
江門市華志金屬制品有限公司 (Jiangmen Huazhi Metal Product Company Limited)	Rental expenditure	**168**	—
Hua Jin Holdings Pte. Ltd.	Rental expenditure	**146**	150

In addition, as set out in the condensed consolidated statement of changes in equity, additional taxes and surcharges charged to Jiangmen Huamu in the amount of RMB5,642,000 was borne and indemnified by Mr. Xu in May 2018. Such amount has been accounted for as deemed contribution from a shareholder.

(c) 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	
	2018	2017
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Directors' fees	**274**	265
Salaries, allowances and other benefits	**1,407**	1,250
Retirement benefit scheme contributions	**34**	31
	1,715	1,546

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

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 products 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 2018, the Group recorded revenue of approximately RMB1,426.7 million and a profit attributable to owners of approximately RMB13.9 million, representing an increase of 3.0% and a decrease of 74.5%, respectively, from the first half of 2017.

In late 2017, one of our PRC subsidiaries was required to conduct self-inspection for tax obligations of previous financial years. Based on the self-inspection report prepared by the PRC subsidiary, it was assessed by the PRC tax authorities that the PRC subsidiary had to settle additional value-added tax and surcharges of approximately RMB0.1 million for the financial years from 2014 to 2016, additional real estate tax and surcharges of approximately RMB5.5 million for the financial years from 2012 to 2016 and additional stamp duty of RMB15,000 for the financial year of 2010. Pursuant to the deed of indemnity dated 23 March 2016 executed by Intrend Ventures Limited, Zhong Cheng International Limited, Haiyi Limited, Mr. Xu Songqing and Mr. Luo Canwen (collectively the "Indemnifiers") in favour of the Company to provide certain indemnities, the Company served a demand notice to the Indemnifiers and the additional taxes and surcharges of approximately RMB5.6 million had been borne and indemnified by Mr. Xu in May 2018. Such additional taxes and surcharges had been recognized by the Group under "cost of sales" and "other income, other gains and losses" during the financial year of 2017 while the amount indemnified was credited to capital reserve as deemed contribution from a shareholder during the first half of 2018.

In order to maintain its business growth in the long run, the Group continued to invest substantially in property, plant and equipment, and land use rights to strengthen the scale and processing capacity of the existing production base and facilities. During the first half of 2018, the Group acquired property, plant and equipment and incurred construction costs of approximately RMB90.2 million. The Group also completed the acquisition of land use rights located at Zhoulang Village, Gujing Town, Xinhui District, Jiangmen City, Guangdong Province, the PRC (中國廣東省江門市新會區古井鎮洲朗村) with an aggregate site area of approximately 284,860 sq.m. by settling the balance payment and transaction levy of approximately RMB91.0 million in early 2018.

The Directors of the Company consider that the expansion in the production capacity by acquiring property, plant and equipment, and land use rights is in line with the business development strategy and plan of the Group. It is believed that these investments will contribute to the Group's business growth and net profit margin improvement in the years ahead.

Financial Review

Revenue

Our Group primarily generates revenue from the sales of cold-rolled steel products and galvanized steel products. Our revenue slightly increased to approximately RMB1,426.7 million in the first half of 2018, by approximately RMB41.9 million or 3.0%, as compared with that of approximately RMB1,384.8 million in the first half of 2017.

The slight revenue growth was resulted from the increase in our average selling price by approximately RMB422 per tonne or 10.4% from approximately RMB4,059 per tonne during the first half of 2017 to approximately RMB4,481 per tonne during the first half of 2018, offset by the decrease in our sales volume of cold-rolled steel products and galvanized steel products by approximately 20,217 tonnes or 6.2% from approximately 323,659 tonnes to approximately 303,442 tonnes in the corresponding period.

The average selling price of our cold-rolled steel products increased to approximately RMB4,424 per tonne in the first half of 2018 as compared with that of RMB4,018 per tone in the first half of 2017. The average selling price of our galvanized steel products increased to approximately RMB4,739 per tonne in the first half of 2018 as compared with that of RMB4,229 per tone in the first half of 2017. Our sales volume of cold-rolled steel products decreased to approximately 248,977 tonnes in the first half of 2018, by approximately 11,808 tonnes or 4.5%, as compared with that of 260,785 tonnes in the first half of 2017. Our sales volume of galvanized steel products decreased to approximately 54,465 tonnes in the first half of 2018, by approximately 8,409 tonnes or 13.4%, as compared with that of 62,874 tonnes in the first half of 2017.

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

Other revenue was primarily attributable to the trading of steel products, sales of scrap steel which was the residual in our manufacturing process to recycling agents and the provision of processing service to the customers who engage us to process hot-rolled steel coils provided by them. Such other revenue accounted for about 4.7% of our total revenue during the first half of 2018.

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

	Six months ended 30 June			
	2018		2017	
	RMB'000	*%*	*RMB'000*	*%*
	(Unaudited)		(Unaudited)	
Sales of cold-rolled steel products	**1,101,490**	**77.2**	1,047,841	75.7
— cold-rolled steel strips and sheets	**1,015,358**	**71.2**	959,588	69.3
— welded steel tubes	**86,132**	**6.0**	88,253	6.4
Sales of galvanized steel products	**258,104**	**18.1**	265,887	19.2
Others	**67,057**	**4.7**	71,051	5.1
	1,426,651	**100.0**	1,384,779	100.0

Cost of sales

Our cost of sales increased to approximately RMB1,350.7 million in the first half of 2018, by approximately RMB75.3 million or 5.9%, as compared with that of approximately RMB1,275.4 million in the first half of 2017.

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

	Six months ended 30 June			
	2018		2017	
	RMB'000	*%*	*RMB'000*	*%*
	(Unaudited)		(Unaudited)	
Direct materials	**1,206,749**	**89.3**	1,115,230	87.4
Utilities	**48,889**	**3.6**	58,806	4.6
Consumables	**40,807**	**3.0**	32,554	2.6
Depreciation expense	**23,161**	**1.8**	23,383	1.8
Direct labour	**29,286**	**2.2**	38,141	3.0
Others	**1,805**	**0.1**	7,266	0.6
	1,350,697	**100.0**	1,275,380	100.0

Direct materials represented the cost of raw materials, primarily hot-rolled steel coils. The direct materials accounted for over 89% of our cost of sales during the first half of 2018. Such increase in direct materials was mainly attributable to the increasing the prevailing market price of our direct materials during the period under review. The price of raw materials, namely hot-rolled steel coils, went up substantially during the first half of 2018, hitting the highest level in the past five years.

Utilities expense related primarily to electricity, water, and natural gas consumed throughout our production process. Utilities expenses decreased to approximately RMB48.9 million in the first half of 2018, by approximately RMB9.9 million or 16.8%, as compared with that of approximately RMB58.8 million in the first half of 2017. The decrease in utilities expense was in line with our decreased level of sales volume.

Consumables consisted of machinery spare parts and supplies consumed in the production process. Our consumables increased to approximately RMB40.8 million in the first half of 2018, by approximately RMB8.2 million or 25.2%, as compared with that of approximately RMB32.6 million in the first half of 2017. Such increase was mainly attributable to the additional consumption of consumables in the production of our galvanized steel products.

Depreciation expense experienced a slightly decrease to approximately RMB23.2 million in the first half of 2018, by approximately RMB0.2 million or 0.9%, as compared with that of approximately RMB23.4 million in the first half of 2017.

Our direct labour cost decreased to approximately RMB29.3 million in the first half of 2018, by approximately RMB8.8 million or 23.1%, as compared with that of approximately RMB38.1 million in the first half of 2017. The decrease in direct labour cost was in line with our decreased level of sales volume.

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

Gross profit

The price of raw materials, namely hot-rolled steel coils, went up substantially during the first half of 2018, hitting the highest level in the past five years. Some of our customers adopted a wait and see approach in reordering their stock which resulted in a decrease in our sales volume as compared to the corresponding period of 2017. In addition, we reduced our average processing fee (being the difference between the selling price and the cost of direct materials) charged for our cold-rolled steel products and galvanized steel products from approximately RMB613 per tonne during the first half of 2017 to approximately RMB504 per tonne during the first half of 2018 in order to maintain our business flow in view of the keen competition in the market and rising raw material cost to our customers. Accordingly, the Group recorded a gross profit of approximately RMB76.0 million in the first half of 2018, representing a decrease of approximately RMB33.4 million or 30.5%, as compared with that of approximately RMB109.4 million in the first half of 2017 and a gross profit margin of 5.3%, representing a decrease of approximately 2.6 percentage points as compared with that of 7.9% in the corresponding period.

Other income, other gains and losses

Other income, other gains and losses decreased to approximately RMB4.5 million in the first half of 2018, by approximately RMB2.0 million or 30.8%, as compared with that of approximately RMB6.5 million in the first half of 2017. Such decrease was mainly attributable to the decrease in government grants to our PRC subsidiaries during the period under review.

Selling expenses

Our selling expenses decreased to approximately RMB14.8 million in the first half of 2018, by approximately RMB5.9 million or 28.5%, as compared with that of approximately RMB20.7 million in the first half of 2017. The decrease in selling expenses during the period under review was mainly attributable to the decrease in delivery costs and other selling related expenses.

Administrative expenses

Our administrative expenses decreased to approximately RMB17.7 million in the first half of 2018, by approximately RMB0.9 million or 4.8%, as compared with that of approximately RMB18.6 million in the first half of 2017. Such decrease was primarily due to the decrease in staff costs and other administrative expenses.

Investment loss

The Group entered into certain commodity futures contracts to hedge against the risks associated with the volatility in the raw materials price during the first half of 2018. Net realised loss and fair value loss on derivative financial instruments at fair value through profit or loss in amount of approximately RMB6.6 million was recognised during the first half of 2018.

Finance costs

The finance costs comprised interest expenses on borrowings which were charged at interest rates ranging from 1.00% to 8.10% (first half of 2017: 4.35% to 8.39%) per annum for the first half of 2018. Finance costs increased to approximately RMB24.6 million in the first half of 2018, by approximately RMB4.2 million or 20.6%, as compared with that of approximately RMB20.4 million in the first half of 2017. Such increase was primarily resulted from the increase in borrowings during the period under review.

Income tax expenses

Income tax expenses decreased to approximately RMB3.7 million in the first half of 2018, by approximately RMB4.8 million or 56.5%, as compared with that of approximately RMB8.5 million in the first half of 2017. The decrease was in line with the decrease in profit before taxation by approximately RMB45.4 million or 72.1% in the first half of 2018 as compared to the corresponding period in 2017.

Profit for the period

Our profit attributable to owners of the Company decreased to approximately RMB13.9 million in the first half of 2018, by approximately RMB40.6 million or 74.5%, as compared with that of approximately RMB54.5 million in the first half of 2017.

Net profit margin decreased to approximately 1.0% in the first half of 2018 by approximately 2.9 percentage points from approximately 3.9% in the first half of 2017.

Liquidity and financial resources

As at 30 June 2018, the Group's bank balances and cash increased to approximately RMB144.1 million, by approximately RMB16.1 million or 12.6%, from approximately RMB128.0 million as at 31 December 2017. The Group's restricted bank deposits increased to approximately RMB111.5 million as at 30 June 2018, by approximately RMB13.1 million or 13.3%, from approximately RMB98.4 million as at 31 December 2017.

As at 30 June 2018, the Group had the net current liabilities and the net assets of approximately RMB32.7 million (31 December 2017: net current assets of RMB80.9 million) and approximately RMB606.5 million (31 December 2017: RMB596.6 million), respectively. As at 30 June 2018, the current ratio calculated based on current assets divided by current liabilities of the Group was 97.6% as compared with 106.9% as at 31 December 2017.

At 30 June 2018, the Group's borrowings amounted to approximately RMB1,160.5 million (31 December 2017: RMB958.0 million) and total equity amounted to approximately RMB606.5 million (31 December 2017: RMB596.6 million). The gearing ratio of the Group, calculated based on total borrowings divided by total equity, was approximately 1.91 times (31 December 2017: 1.61 times) as at 30 June 2018.

As at 30 June 2018, the Group had total financing facilities relating to borrowings amounted to approximately RMB1,891.9 million (31 December 2017: RMB1,028.7 million), of which approximately RMB930.8 million (31 December 2017: RMB738.6 million) had been utilised. The Group believes it has and will have sufficient financing facilities to meet its business operation, capital expenditures and expansion.

Foreign currency exposure

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

Financial instruments

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

Material acquisitions and disposal

During the first half of 2018, the Group had no material acquisitions or disposal of subsidiaries, associates and joint ventures.

Capital structure

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

Capital commitments

Details of the capital commitments 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 period under review, the Company provided guarantees to banks as securities for banking facilities granted to certain subsidiaries of the Company in the PRC. The Group did not provide any guarantee to any third parties and did not have contingent liabilities as at 30 June 2018 (31 December 2017: nil).

Employees

As at 30 June 2018, the Group had a total of 1,109 (31 December 2017: 1,034) full-time employees in mainland China, Hong Kong and Singapore. The Group's total staff costs (including Directors' remuneration) during the first half of 2018 amounted to approximately RMB41.0 million (first half of 2017: RMB54.1 million). The Group remunerated the employees based on their performance, experience and prevailing market practices. The Company has share option scheme in place as a means to encourage and reward the eligible employees (including the Directors) for their contributions to the Group's results and business development based on their individual performance. No share option was granted during the six months ended 30 June 2018.

USE OF PROCEEDS FROM THE GLOBAL OFFERING

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

Based on the offer price of HK$2.38 per Share and the actual listing expenses incurred, the net proceeds from the global offering received by the Company amounted to approximately HK$330.7 million (equivalent of approximately RMB276.8 million) and the balance of unutilised net proceeds of approximately HK$1.8 million (equivalent of approximately RMB1.5 million) were kept at the bank accounts of the Group as at 30 June 2018.

Use of proceeds	**Planned applications** *(HK$ million)*	**% of total net proceeds** *(%)*	**Actual usage up to 30 June 2018** *(HK$ million)*	**Actual usage up to 30 June 2018** *(RMB million)*
To repay working capital loans from PRC commercial banks	150.0	45.4	150.0	126.1
To purchase production machinery and equipment	71.0	21.5	71.0	59.6
To finance the acquisition of two parcels of industrial lands and the operational buildings erected thereon from Mr. Xu	48.6	14.7	48.6	40.5
To finance the construction and operation of Workshop No. 4	27.3	8.2	27.3	22.7
To upgrade our ERP system	4.1	1.2	2.3	2.0
For general working capital and other general corporate purposes	29.7	9.0	29.7	24.5
Total	330.7	100.0	328.9	275.4

INTERIM DIVIDEND

The Directors do not recommend the payment of an interim dividend for the six months ended 30 June 2018 (six months ended 30 June 2017: HK3.5 cents per share).

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

Neither the Company nor any of its subsidiaries purchased, redeemed or sold any of the Company's shares during the six months ended 30 June 2018.

ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURES

At no time during the six months ended 30 June 2018 was the Company or its subsidiary a party to any arrangement to enable the Directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

CORPORATE GOVERNANCE CODE

The Company has adopted the code provisions set out in the Corporate Governance Code (the "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 during the six months ended 30 June 2018, except as noted hereunder:

Code provision A.4.1

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

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

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 2018.

CHANGES SINCE 31 DECEMBER 2017

The net current liabilities position as at 30 June 2018 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 had sufficient working capital to meet its current liabilities or expand its operations as anticipated. Save as disclosed above, since 31 December 2017, there were no other significant changes in the Group's financial position and there were no other significant changes in relation to the information disclosed under the section headed "Management Discussion and Analysis" in the annual report of the Company for the year ended 31 December 2017.

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 2017 and up to the date of this announcement.

REVIEW OF FINANCIAL STATEMENTS

The Audit Committee has reviewed the Group's unaudited condensed consolidated financial statements for the six months ended 30 June 2018 in conjunction with the Company's external auditor. Based on the review and discussions with the management, the Audit Committee was satisfied that the unaudited condensed consolidated financial statements were prepared in accordance with applicable accounting standards and fairly present the Group's financial position and results for the six months ended 30 June 2018.

OUTLOOK

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

With a view to expand our market share and achieve our comparative advantage, our Group will strive towards the expansion of production capacity for our cold-rolled steel products and galvanized steel products by increasing investments in property, plant and equipment. It is believed that these investments in production plants and facilities, including the acquisition of three parcels of industrial land located at Zhoulang Village, Gujing Town, Xinhui District, Jiangmen City, Guangdong Province, the PRC (中國廣東省江門市新會區古井鎮洲朗村) for the expansion of our production capacity will contribute to the Group's business growth and net profit margin improvement in the years ahead. Our management is committed to achieving sustainable business growth and bringing long-term values to our shareholders.

PUBLICATION OF INTERIM REPORT

The Company's interim report for the six months ended 30 June 2018 will be made available on the websites of the Company and the Stock Exchange and will be despatched to the shareholders in due course.

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.

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

Hong Kong, 24 August 2018

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