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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 2019

FINANCIAL HIGHLIGHTS			
	Six months ended 30 June		
	2019	2018	Change
	(Unaudited)	(Unaudited)	
Revenue (<i>RMB million</i>)	927.3	1,426.7	-35.0%
Gross profit (<i>RMB million</i>)	56.4	76.0	-25.8%
Gross profit margin (%)	6.1%	5.3%	
EBITDA (<i>RMB million</i>) (<i>note 1</i>)	63.1	68.2	-7.5%
EBITDA margin (%)	6.8%	4.8%	
Profit attributable to owners of the Company (<i>RMB million</i>)	10.5	13.9	-24.5%
Net profit margin (%)	1.1%	1.0%	
Basic earnings per Shares (<i>RMB cent</i>)	1.75	2.32	-24.6%
Sales volume (tonne) (<i>note 2</i>)	197,407	303,442	-34.9%
Average processing fee per tonne (<i>RMB</i>) (<i>note 3</i>)	422	504	-16.3%

	As at 30.6.2019 (Unaudited)	As at 31.12.2018 (Audited)	Change
Net asset value (<i>RMB million</i>)	596.4	586.0	1.8%
Net asset value per share (<i>RMB</i>)	0.99	0.98	1.0%
Borrowings (<i>RMB million</i>)	728.5	848.2	-14.1%
Gearing ratio (%) (<i>note 4</i>)	122.1 %	144.7%	

Notes:

1. EBITDA is calculated at profit before taxation subtracted by net finance costs and adding back depreciation of property, plant and equipment, depreciation of right-of-use assets, and amortisation of prepaid lease payments.
2. It represents the sales volume of processed 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 processed 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 2019 together with the comparative figures for the corresponding period in 2018. The unaudited results for the six months ended 30 June 2019 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 2019

		Six months ended 30 June	
		2019	2018
	<i>Notes</i>	RMB’000	RMB’000
		(Unaudited)	(Unaudited)
Revenue	3	927,349	1,426,651
Cost of sales		(870,938)	(1,350,697)
Gross profit		56,411	75,954
Other income, other gains and losses		4,426	4,518
Selling expenses		(8,470)	(14,841)
Administrative expenses		(19,608)	(17,653)
Profit before investment gain (loss), net finance costs and taxation		32,759	47,978
Investment gain (loss)		1,695	(6,555)
Finance income	4	1,164	726
Finance costs	4	(19,351)	(24,587)
Finance costs, net	4	(18,187)	(23,861)
Profit before taxation		16,267	17,562
Income tax expenses	5	(5,791)	(3,712)
Profit for the period	6	10,476	13,850
Other comprehensive (expense) income for the period which may be subsequently reclassified to profit or loss — exchange differences arising on translation of foreign operations		(32)	485
Total comprehensive income for the period		10,444	14,335

		Six months ended 30 June	
		2019	2018
<i>Notes</i>		<i>RMB'000</i>	<i>RMB'000</i>
		(Unaudited)	(Unaudited)
Profit (loss) for the period attributable to:			
Owners of the Company		10,476	13,945
Non-controlling interests		<u>—</u>	<u>(95)</u>
		<u>10,476</u>	<u>13,850</u>
Total comprehensive income (expense)			
for the period attributable to:			
Owners of the Company		10,444	14,430
Non-controlling interests		<u>—</u>	<u>(95)</u>
		<u>10,444</u>	<u>14,335</u>
Earnings per share for profit attributable			
to owners of the Company,			
basic (RMB cents)	7	<u>1.75</u>	<u>2.32</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2019

	Notes	30.6.2019 RMB'000 (Unaudited)	31.12.2018 RMB'000 (Audited)
NON-CURRENT ASSETS			
Property, plant and equipment	9	668,891	618,733
Right-of-use assets	9	197,284	–
Prepaid lease payments		–	189,533
Deposits paid for acquisition of property, plant and equipment		49,406	47,596
Deferred tax assets		5,775	6,188
		<u>921,356</u>	<u>862,050</u>
CURRENT ASSETS			
Prepaid lease payments		–	4,375
Inventories		98,786	234,565
Trade, bills and other receivables	10	458,325	459,027
Tax recoverable		4,062	5,179
Restricted bank deposits		194,558	123,944
Bank balances and cash		31,821	72,465
		<u>787,552</u>	<u>899,555</u>
CURRENT LIABILITIES			
Trade, bills and other payables and accrued expenses	12	274,464	202,026
Contract liabilities		69,043	66,589
Amounts due to related parties	13	7,604	34,047
Borrowings — due within one year	14	714,554	831,091
Lease liabilities		1,172	–
		<u>1,066,837</u>	<u>1,133,753</u>
NET CURRENT LIABILITIES		<u>(279,285)</u>	<u>(234,198)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>642,071</u>	<u>627,852</u>

	<i>Notes</i>	30.6.2019 <i>RMB'000</i> (Unaudited)	31.12.2018 <i>RMB'000</i> (Audited)
NON-CURRENT LIABILITIES			
Borrowings — due more than one year	<i>14</i>	13,978	17,147
Lease liabilities		4,344	—
Deferred income		23,100	24,750
Deferred tax liabilities		4,250	—
		<u>45,672</u>	<u>41,897</u>
NET ASSETS		<u>596,399</u>	<u>585,955</u>
CAPITAL AND RESERVES			
Share capital	<i>15</i>	4,999	4,999
Reserves		591,400	580,956
		<u>596,399</u>	<u>585,955</u>
Equity attributable to owners of the Company		<u>596,399</u>	<u>585,955</u>
TOTAL EQUITY		<u>596,399</u>	<u>585,955</u>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2019

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.

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 RMB279,285,000 as at 30 June 2019.

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 2019, the Group had total financing facilities relating to borrowings amounted to approximately RMB654,010,000, of which approximately RMB513,255,000 had been utilised, and the unutilised financing facilities amounted to RMB140,755,000. Subsequently to the end of the reporting period, the Group obtained further financing facilities relating to borrowings amounted to approximately RMB250,000,000.

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 2019 are the same as those followed in the preparation of the Group’s annual financial statements for the year ended 31 December 2018.

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 2019 for the preparation of the Group’s condensed consolidated financial statements:

HKFRS 16	Leases
HK(IFRIC) – Int 23	Uncertainty over Income Tax Treatments
Amendments to HKFRS 9	Payment Features with Negative Compensation
Amendments to HKAS 19	Plan Amendment, Curtailment or Settlement
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures
Amendments to HKFRSs	Annual Improvements to HKFRSs 2015-2017 Cycle

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

2.1 Impacts and changes in accounting policies of application on HKFRS 16 Leases

The Group has applied HKFRS 16 for the first time in the current interim period. HKFRS 16 superseded HKAS 17 *Leases* (“HKAS 17”), and the related interpretations.

2.1.1 Key changes in accounting policies resulting from application of HKFRS 16

The Group applied the following accounting policies in accordance with the transition provision of HKFRS 16.

Definition of a lease

A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

For contracts entered into or modified on or after the date of initial application, the Group assesses whether a contract is or contains a lease based on the definition under HKFRS 16 at inception or modification date. Such contract will not be reassessed unless the terms and conditions of the contract are subsequently changed.

As a lessee

Short-term leases

The Group applies the short-term lease recognition exemption to leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option. Lease payments on short-term leases are recognised as expense on a straight-line basis over the lease term.

Right-of-use assets

The Group recognises right-of-use assets at the commencement date of the lease (i.e. the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities.

The cost of right-of-use asset includes:

- the amount of the initial measurement of the lease liability;
- any lease payments made at or before the commencement date, less any lease incentives received;
- any initial direct costs incurred by the Group; and
- an estimate of costs to be incurred by the Group in dismantling and removing the underlying assets, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease, unless those costs are incurred to produce inventories.

Right-of-use assets in which the Group is reasonably certain to obtain ownership of the underlying leased assets at the end of the lease term is depreciated from commencement date to the end of the useful life. Otherwise, right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term.

The Group presents right-of-use assets as a separate line item on the condensed consolidated statement of financial position.

Refundable rental deposits

Refundable rental deposits paid are accounted under HKFRS 9 *Financial Instruments* (“HKFRS 9”) and initially measured at fair value. Adjustments to fair value at initial recognition are considered as additional lease payments and included in the cost of right-of-use assets.

Lease liabilities

At the commencement date of a lease, the Group recognises and measures the lease liability at the present value of lease payments that are unpaid at that date. In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable.

The lease payments include:

- fixed payments (including in-substance fixed payments) less any lease incentives receivable;
- variable lease payments that depend on an index or a rate;
- amounts expected to be paid under residual value guarantees;
- the exercise price of a purchase option reasonably certain to be exercised by the Group; and
- payments of penalties for terminating a lease, if the lease term reflects the Group exercising the option to terminate.

After the commencement date, lease liabilities are adjusted by interest accretion and lease payments.

The Group remeasures lease liabilities (and makes a corresponding adjustment to the related right-of-use assets) whenever:

- the lease term has changed or there is a change in the assessment of exercise of a purchase option, in which case the related lease liability is remeasured by discounting the revised lease payments using a revised discount rate at the date of reassessment.
- the lease payments change due to changes in market rental rates following a market rent review, in which cases the related lease liability is remeasured by discounting the revised lease payments using the initial discount rate.

Lease modifications

The Group accounts for a lease modification as a separate lease if:

- the modification increases the scope of the lease by adding the right to use one or more underlying assets; and
- the consideration for the leases increases by an amount commensurate with the stand-alone price for the increase in scope and any appropriate adjustments to that stand-alone price to reflect the circumstances of the particular contract.

For a lease modification that is not accounted for as a separate lease, the Group remeasures the lease liability based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

Taxation

For the purposes of measuring deferred tax for leasing transactions in which the Group recognises the right-of-use assets and the related lease liabilities, the Group first determines whether the tax deductions are attributable to the right-of-use assets or the lease liabilities.

For leasing transactions in which the tax deductions are attributable to the lease liabilities, the Group applies HKAS 12 *Income Taxes* requirements to right-of-use assets and lease liabilities separately. Temporary differences relating to right-of-use assets and lease liabilities are not recognised at initial recognition and over the lease terms due to application of the initial recognition exemption.

2.1.2 Transition and summary of effects arising from initial application of HKFRS 16

Definition of a lease

The Group has elected the practical expedient to apply HKFRS 16 to contracts that were previously identified as leases applying HKAS 17 and HK(IFRIC)-Int 4 *Determining whether an Arrangement contains a Lease* and not apply this standards to contracts that were not previously identified as containing a lease. Therefore, the Group has not reassessed contracts which already existed prior to the date of initial application.

For contracts entered into or modified on or after 1 January 2019, the Group applies the definition of a lease in accordance with the requirements set out in HKFRS 16 in assessing whether a contract contains a lease.

As a lessee

The Group has applied HKFRS 16 retrospectively with the cumulative effect recognised at the date of initial application, 1 January 2019. Any difference at the date of initial application is recognised in the opening retained profits and comparative information has not been restated.

When applying the modified retrospective approach under HKFRS 16 at transition, the Group applied the following practical expedients to leases previously classified as operating leases under HKAS 17, on lease-by-lease basis, to the extent relevant to the respective lease contracts:

- i. relied on the assessment of whether leases are onerous by applying HKAS 37 *Provisions, Contingent Liabilities and Contingent Assets* as an alternative of impairment review;
- ii. elected not to recognise right-of-use assets and lease liabilities for leases with lease term ends within 12 months of the date of initial application; and
- iii. excluded initial direct costs from measuring the right-of-use assets at the date of initial application.

On transition, the Group has made the following adjustments upon application of HKFRS 16:

At 1 January 2019, the Group recognised lease liabilities and right-of-use assets at amounts equal to the related lease liabilities by applying HKFRS 16.C8(b)(ii) transition.

When recognising the lease liabilities for leases previously classified as operating leases, the Group has applied incremental borrowing rates of the relevant group entities at the date of initial application. The weighted average lessee's incremental borrowing rate applied is 5.84% per annum.

	At 1 January 2019 RMB'000
Operating lease commitments disclosed as at 31 December 2018	6,185
Lease liabilities discounted at relevant incremental borrowing rates	4,131
Less: Recognition exemption — short-term leases	347
Lease liabilities relating to operating leases recognised upon application of HKFRS 16 as at 1 January 2019	3,784
Lease liabilities analysed as	
Current	350
Non-current	3,434
	3,784

The carrying amount of right-of-use assets as at 1 January 2019 comprises the following:

	<i>Notes</i>	At 1 January 2019 RMB'000
Right-of-use assets relating to operating leases recognised upon application of HKFRS 16		3,784
Reclassified from prepaid lease payments	(i)	193,908
Adjustments on rental deposits at 1 January 2019	(ii)	66
		197,758
By class:		
Leasehold lands		196,824
Warehouse		934
		197,758

Notes:

- (i) Upfront payments for leasehold lands in the PRC were classified as prepaid lease payments as at 31 December 2018. Upon application of HKFRS 16, the current and non-current portion of prepaid lease payments amounting to RMB4,375,000 and RMB189,533,000 respectively were reclassified to right-of-use assets.
- (ii) Before the application of HKFRS 16, the Group considered refundable rental deposits paid (included in trade, bills and other receivables as at 31 December 2018) as rights and obligations under leases to which HKAS 17 applied. Based on the definition of lease payments under HKFRS 16, such deposits are not payments relating to the right to use of the underlying assets and were adjusted to reflect the discounting effect at transition. Accordingly, RMB66,000 was adjusted to refundable rental deposits paid and right-of-use assets.

The following adjustments were made to the amounts recognised in the condensed consolidated statement of financial position at 1 January 2019. Line items that were not affected by the changes have not been included.

	Carrying amounts previously reported at 31 December 2018 <i>RMB'000</i>	Adjustments <i>RMB'000</i>	Carrying amounts under HKFRS 16 at 1 January 2019 <i>RMB'000</i>
Non-current Assets			
Prepaid lease payments	189,533	(189,533)	–
Right-of-use assets	–	197,758	197,758
Trade, bills and other receivables	459,027	(66)	458,961
	<u> </u>	<u> </u>	<u> </u>
Current Assets			
Prepaid lease payments	4,375	(4,375)	–
	<u> </u>	<u> </u>	<u> </u>
Current Liabilities			
Lease liabilities	–	350	350
	<u> </u>	<u> </u>	<u> </u>
Non-current liabilities			
Lease liabilities	–	3,434	3,434
	<u> </u>	<u> </u>	<u> </u>

Note: For the purpose of reporting cash flows for the six months ended 30 June 2019, movements have been computed based on opening statement of financial position as at 1 January 2019 as disclosed above.

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 2019 and 2018, 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	
	2019	2018
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
Sales of cold-rolled steel products		
— steel strips and sheets	643,963	1,015,358
— welded steel tubes	92,401	86,132
Sales of galvanized steel products	108,184	258,104
Sales of hot-rolled steel products and others	82,801	67,057
	<u>927,349</u>	<u>1,426,651</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 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	
	2019	2018
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
PRC	921,806	1,424,055
Southeast Asia	5,543	2,596
	927,349	1,426,651

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 2019 (six months ended 30 June 2018: nil (unaudited)).

4. FINANCE INCOME AND COSTS

	Six months ended 30 June	
	2019	2018
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Finance costs		
— Interest expense on borrowings, net of amounts capitalised in the cost of qualifying assets of RMB4,985,000 (six months ended 30 June 2018: RMB2,670,000)	(19,238)	(24,587)
— Effective interest expense of lease liabilities	(113)	—
	(19,351)	(24,587)
Finance income		
— Interest income from bank deposits	1,164	726
Finance costs, net	(18,187)	(23,861)

Borrowing costs capitalised during the six months ended 30 June 2019 arose on the general borrowing pool and are calculated by applying a capitalisation rate of 5.3% (six months ended 30 June 2018: 5.4%) per annum to expenditure on qualifying assets.

5. INCOME TAX EXPENSES

	Six months ended 30 June	
	2019	2018
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
Current tax charge:		
— PRC Enterprise Income Tax (“EIT”)	3,347	4,083
— Hong Kong Profits Tax	—	1
	<u>3,347</u>	<u>4,084</u>
(Over) under provision in prior year:		
— PRC EIT	(2,219)	10
Deferred tax charge (credit)	<u>4,663</u>	<u>(382)</u>
Income tax expenses for the period	<u><u>5,791</u></u>	<u><u>3,712</u></u>

Hong Kong Profits Tax of the first HK\$2 million of profits of the qualifying group entity is taxed at 8.25% and the remaining profits is calculated at 16.5% of the estimated assessable profit for the periods ended 30 June 2019 and 2018.

PRC EIT is calculated based on the statutory rate of 25% of the assessable profits 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 (“HNTE”) enjoying the preferential PRC EIT rate of 15% for a consecutive three calendar years from 2016 to 2018.

The Group has applied for the renewal of the qualification as HNTE upon its expiry in December 2018 with the Jiangmen Municipal Local Taxation Bureau for the two said major subsidiaries established in the PRC. The management of the Group considers that the concessionary tax rate shall continue to apply.

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	
	2019	2018
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
Profit for the period has been arrived at after charging (crediting):		
Directors' remuneration		
— fees	324	274
— other emoluments, salaries, allowances and other benefits	520	345
— retirement benefit scheme contributions	59	13
	903	632
Other staff salaries, allowances and other benefits	32,872	35,962
Retirement benefit scheme contributions, excluding those of directors	4,100	4,367
Total employee benefits expenses	37,875	40,961
Depreciation of property, plant and equipment	26,821	24,939
Depreciation of right-of-use assets	1,853	—
Amortisation of prepaid lease payments	—	1,886
(Gain) loss on disposal of property, plant and equipment	(717)	14
Exchange (gain) loss, net	(301)	2,278

7. EARNINGS PER SHARE

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

	Six months ended 30 June	
	2019	2018
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
Earnings:		
Profit for the period attributable to owners of the Company for the purpose of basic earnings per share	10,476	13,945
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 2019 and 30 June 2018 as the Group had no potential dilutive ordinary shares in issue during these periods.

8. DIVIDENDS

No dividend has been paid during the current interim period. During the six months ended 30 June 2018, a final dividend of HK2.0 cents per share in respect of the year ended 31 December 2017 was recognized as distribution to the owners of the Company. The aggregate amount of the final dividend declared in the six months ended 30 June 2018 amounted to HK\$12,000,000 (equivalent to RMB10,086,000.)

Subsequent to the end of the current interim period, the directors of the Company have determined that an interim dividend of HK3 cents per share and a special interim dividend of HK10 cents per share amounting to HK\$78,000,000 (equivalent to RMB70,463,000) in aggregate (2018: nil) will be paid to the owners of the Company whose names appear in the Register of Members on 4 October 2019.

9. MOVEMENTS IN 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 RMB78,008,000 (unaudited) (six months ended 30 June 2018: RMB90,166,000 (unaudited)).

In addition, during the current interim period, the Group made two lease modifications of two existing leases by extending the lease term for 3 years and 2 years respectively. At the effective dates of the lease modification, the Group recognised RMB1,937,000 of right-of-use asset and lease liability of the same amount.

10. TRADE, BILLS AND OTHER RECEIVABLES

	30.6.2019 RMB'000 (Unaudited)	31.12.2018 RMB'000 (Audited)
Trade receivables from contracts with customers	163,207	189,756
Bills receivables	91,387	75,494
Prepayments to suppliers	166,591	150,889
Value-added tax recoverable	–	21,586
Other prepayments, deposits and other receivables	37,140	21,302
	458,325	459,027

No allowance of credit losses was provided for the six months ended 30 June 2019 and 30 June 2018.

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:

	30.6.2019 RMB'000 (Unaudited)	31.12.2018 RMB'000 (Audited)
Trade receivables:		
Within 30 days	155,344	169,292
31 – 60 days	2,831	19,832
61 – 90 days	4,038	16
91 – 120 days	410	1
121 – 180 days	540	2
181 – 365 days	–	613
Over 1 year	44	–
	163,207	189,756
	30.6.2019 RMB'000 (Unaudited)	31.12.2018 RMB'000 (Audited)
Bills receivables:		
Within 30 days	5,336	9,611
31 – 60 days	19,710	3,368
61 – 90 days	23,272	3,589
91 – 120 days	5,142	3,854
121 – 180 days	28,858	46,765
181 – 365 days	9,069	8,307
	91,387	75,494

As at 30 June 2019, included in the Group's bills receivables are amounts of RMB87,279,000 (31 December 2018: RMB64,502,000), 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.

	30.6.2019 RMB'000 (Unaudited)	31.12.2018 RMB'000 (Audited)
Carrying amount of transferred asset	87,279	64,502
Carrying amount of associated liability	(87,279)	(64,502)
	<u> </u>	<u> </u>
	<u> </u>	<u> </u>

During the six months ended 30 June 2019, certain transactions between subsidiaries of the Company arising from steel processing services and sale and purchase of steel raw materials were settled by bank bills. As at 30 June 2019, bills receivables held by two subsidiaries of the Company issued by other members of the Group of RMB89,447,000 (31 December 2018: nil) 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 has recognised the cash received on the transfer of the bills receivables as bank borrowings from factoring of trade receivables with full recourse (note 14).

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

As at 30 June 2019, the Group has no outstanding hot rolled coils future contracts (31 December 2018: nil). Future contracts of hot rolled coils entered into during the six-month period ended 30 June 2019 have been fully settled before the end of the reporting period. The resulting gain or loss on the derivative financial instruments during the six-month periods ended 30 June 2019 and 30 June 2018 were recognised in the condensed consolidated statement of profit or loss and other comprehensive income.

12. TRADE, BILLS AND OTHER PAYABLES AND ACCRUED EXPENSES

	30.6.2019 RMB'000 (Unaudited)	31.12.2018 RMB'000 (Audited)
Trade payables	18,869	23,798
Bills payables	174,039	112,401
Accrued staff costs	11,449	6,276
Construction payables	43,272	29,917
Transportation fee payables	1,861	2,650
Other tax payables	5,956	1,524
Consideration payable for acquisition of additional interest in a subsidiary	10,138	10,138
Other payables and accrued expenses	8,880	15,322
	<u> </u>	<u> </u>
	<u>274,464</u>	<u>202,026</u>

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

	30.6.2019 RMB'000 (Unaudited)	31.12.2018 RMB'000 (Audited)
Trade payables:		
Within 30 days	7,986	10,950
31 – 60 days	2,145	4,363
61 – 90 days	1,068	1,881
91 – 120 days	1,170	1,035
121 – 180 days	1,765	1,623
181 – 365 days	2,321	1,617
Over 1 year	2,414	2,329
	<u>18,869</u>	<u>23,798</u>
	30.6.2019 RMB'000 (Unaudited)	31.12.2018 RMB'000 (Audited)
Bills payables:		
31 – 60 days	8,220	28,113
61 – 90 days	20,000	–
91 – 120 days	58,299	–
121 – 180 days	87,520	84,288
	<u>174,039</u>	<u>112,401</u>

13. AMOUNTS DUE TO RELATED PARTIES

	30.6.2019 RMB'000 (Unaudited)	31.12.2018 RMB'000 (Audited)
Mr. Xu (<i>note i</i>)	6,614	33,137
江門市華志金屬制品有限公司 (Jiangmen Huazhi Metal Product Company Limited)		
("Jiangmen Huazhi") (<i>note ii</i>)	910	910
Hua Jin Holdings Pte Ltd ("Hua Jin Holdings") (<i>note iii</i>)	80	–
	<u>7,604</u>	<u>34,047</u>

Notes:

- (i) The amount is non-trade in nature, interest free, unsecured and repayment on demand.
- (ii) This is an entity owned as to 60% by Mr. Xu and 40% by Mr. Chen Chunniu ("Mr. Chen"), a director of the Company. The amount is trade in nature, interest free, unsecured and repayment on demand.
- (iii) This is an entity controlled by Mr. Xu and Mr. Chen. The amount is trade in nature, interest free, unsecured and repayment on demand.

14. BORROWINGS

	30.6.2019 RMB'000 (Unaudited)	31.12.2018 RMB'000 (Audited)
Fixed-rate borrowings:		
Secured bank borrowings	310,720	325,101
Bank borrowings from factoring of bills receivables with full recourse (<i>note 10</i>)	176,726	64,502
Secured borrowings from a financial institution independent with the Group	35,860	25,388
	523,306	414,991
Variable-rate borrowings:		
Secured bank borrowings	205,226	433,247
	728,532	848,238
The carrying amounts of the above borrowings are repayable, based on scheduled repayment dates set out in the loan agreements, as:		
— within one year	714,554	831,091
— more than one year, but not more than two years	6,619	6,430
— more than two years, but not more than five years	7,359	10,717
	728,532	848,238
Less: amounts due within one year shown under current liabilities	(714,554)	(831,091)
Amounts shown under non-current liabilities	13,978	17,147

15. SHARE CAPITAL

	Number of shares	Share capital HK\$'000
Ordinary shares of HK\$0.01 each		
Authorised:		
At 1 January 2018, 31 December 2018 and 30 June 2019	8,000,000,000	80,000
Issued:		
At 1 January 2018 (audited), 31 December 2018 (audited) and 30 June 2019 (unaudited)	600,000,000	6,000
	30.6.2019 RMB'000 (Unaudited)	31.12.2018 RMB'000 (Audited)
Shown in the condensed consolidated statement of financial position	4,999	4,999

16. CAPITAL COMMITMENTS

	30.6.2019 RMB'000 (Unaudited)	31.12.2018 RMB'000 (Audited)
Capital expenditure contracted but not provided for in the condensed consolidated financial statements in respect of acquisition of property, plant and equipment	197,891	204,350

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:

	30.6.2019 RMB'000 (Unaudited)	31.12.2018 RMB'000 (Audited)
Property, plant and equipment	291,656	309,917
Right-of-use assets/prepaid lease payments	142,812	143,936
Trade receivables	–	5,066
Restricted bank deposits	194,558	123,944
	629,026	582,863

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:

Related party	Nature of transactions	Six months ended 30 June	
		2019 RMB'000 (Unaudited)	2018 RMB'000 (Unaudited)
Jiangmen Huazhi (<i>Note i</i>)	Rental expenditure	–	168
	Effective interest expense of lease liabilities	23	–
Hua Jin Holdings (<i>Note ii</i>)	Short term lease expenditure/rental expenditure	149	146
Mr. Xu	Interest expense	–	224

Notes:

- (i) The Group entered into a lease agreement with Jiangmen HuaZhi Metal Product Company Limited with the remaining lease term of 3 years from 1 January 2019 for the use of warehouse located in Muzhou Town, Xinhui District, Jiangmen City. The Group is required to make fixed quarterly payments. As at 1 January 2019, the Group recognised lease liabilities of RMB934,000 and right-of-use assets of the same amount upon the adoption of HKFRS 16. During the current interim period, no repayment of lease payment has been made. As at 30 June 2019, the corresponding carrying amount of the lease liabilities is RMB957,000.
- (ii) The Group entered into a lease agreement with Hua Jin Holdings Pte. Ltd. with the remaining lease term of 7 months from 1 January 2019 for the use of office premise and office equipment located in Tradehub 21, 8 Boon Lay Way, 609964 in District 22, Singapore. The Group is required to make fixed monthly payments. As at 1 January 2019, the Group elected not to recognise right-of-use assets and lease liabilities due to the remaining lease term ends within 12 months of the date of initial application. As at 30 June 2019, the Group made a lease modification of this existing lease by extending the lease term for another three years and recognised the lease liabilities of RMB898,000 and right-of-use assets of the same amount.

(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	
	2019	2018
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Directors' fees	324	274
Salaries, allowances and other benefits	1,406	1,407
Retirement benefit scheme contributions	75	34
	1,805	1,715

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

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

During the first half of 2019, the Group recorded revenue of RMB927.3 million and a profit attributable to the owners of the Company of RMB10.5 million, representing a decrease of 35.0% and a decrease of 24.5%, respectively, from the corresponding period in 2018.

The sales volume of processed steel products and galvanized steel products in aggregate was approximately 197,407 tonnes in the first half of 2019, representing a decrease of about 106,035 tonnes or 34.9%, as compared to approximately 303,442 tonnes in the first half of 2018. The annual processing capacity of our cold-rolling process and zinc coating process was approximately 750,000 tonnes and 250,000 tonnes respectively, with an average utilisation rate of approximately 46.3% (first half of 2018: 66.4%) and 19.1% (first half of 2018: 43.6%), respectively during the reporting period under review. The low utilisation rate for our cold-rolling process and zinc coating process during the reporting period under review was partly due to the drop in the average processing fee (being the difference between the selling price and the cost of the raw materials, namely hot-rolled steel coils) we charged for our processed steel products and galvanized steel products, temporary suspension of our production for regular repair and maintenance, and reallocation of our certain production facilities to our new production plant during the reporting period under review.

The management considered that it was justified not to accept additional sales order at a lower processing fee to incur additional production costs. Thus, the sales volume and the average utilisation rate of the existing production capacity were decreased during the reporting period under review. By further investments in property, plant and equipment, the management considers that the Group is able to promote the sales volume when a lower unit production costs will be achieved and benefited from boosted economy of sales in production when the new production plant at Gujing Town starts the trial run by around late 2019. In order to maintain its business growth in the long run, the Group invested substantially in property, plant and equipment to strengthen the scale and processing capacity of the existing production base and facilities. During the first half of 2019, the Group acquired property, plant and equipment and incurred construction costs of approximately RMB78.0 million.

The Group's current liabilities exceeded its current assets by approximately RMB279.3 million as at 30 June 2019 by the reason that a significant portion of the funding requirements of the Group for capital expenditures was satisfied by short-term borrowings. Subsequent to the reporting period, the Group refinanced certain short-term borrowings in the amount of RMB190.3 million into long-term borrowings and successfully obtained additional long-term financing facilities in the amount of RMB250.0 million for the Group. 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 and expand its operations as anticipated.

Our capital commitments towards the acquisition of property, plant and equipment, as at 30 June 2019, was approximately RMB197.9 million, which will be financed by the Group's internal resources and borrowings. The Group will also consider alternative sources of financing, when applicable. It is believed that these investments will contribute to the Group's business growth and net profit margin improvement in the long run.

Financial Review

Revenue

The Group primarily generates revenue from the sales of processed steel products and galvanized steel products. The revenue decreased to approximately RMB927.3 million for the first half of 2019, by approximately RMB499.4 million or 35.0%, as compared with that of approximately RMB1,426.7 million in the first half of 2018.

Our sales volume of processed steel products decreased to approximately 173,478 tonnes in the first half of 2019, by approximately 75,499 tonne or 30.3%, as compared with that of approximately 248,977 tonnes in the first half of 2018. Our sales volume of galvanized steel products decreased to approximately 23,929 tonnes in the first half of 2019, by approximately 30,536 tonnes or 56.1%, as compared with that of approximately 54,465 tonnes in the first half of 2018. Thus, our sales volume of processed steel products and galvanized steel products in aggregate was approximately 197,407 tonnes during the first half of 2019, representing a decrease of approximately 106,035 tonnes or 34.9%, as compared to approximately 303,442 tonnes during the first half of 2018.

The decrease in revenue was mainly attributable to the decrease in the average selling price and sales volume of our products. The average selling price of our processed steel products decreased to approximately RMB4,245 per tonne in the first half of 2019 as compared with that of approximately RMB4,424 per tonne in the first half of 2018. The average selling price of our galvanized steel products decreased to approximately RMB4,521 per tonne in the first half of 2019 as compared with that of approximately RMB4,739 per tonne in the first half of 2018. On average, the average selling price of our processed steel products and galvanized steel products decreased to approximately RMB4,278 per tonne in the first half of 2019 as compared with that of approximately RMB4,481 per tonne in the first half of 2018.

Our domestic sales in the PRC market contributed over 99% (first half of 2018: 99%) of our revenue while the remaining portion was attributable to sales to our customers located in Southeast Asia.

Other revenue was primarily attributable to the sales of hot-rolled steel products, sales of scrap steel residual in our manufacturing process to recycling agents and others. Such other revenue accounted for about 8.9% (first half of 2018: 4.7%) of our revenue during the first half of 2019.

The following table sets out the summary of our revenue by products during the reporting period:

	Six months ended 30 June			
	2019		2018	
	<i>RMB'000</i>	<i>%</i>	<i>RMB'000</i>	<i>%</i>
	(Unaudited)		(Unaudited)	
Sales of processed steel products	736,364	79.4	1,101,490	77.2
— processed steel strips and sheets	643,963	69.4	1,015,358	71.2
— welded steel tubes	92,401	10.0	86,132	6.0
Sales of galvanized steel products	108,184	11.7	258,104	18.1
Sales of hot-rolled steel products and others	82,801	8.9	67,057	4.7
	927,349	100.0	1,426,651	100.0

Cost of sales

Our cost of sales decreased to approximately RMB870.9 million in the first half of 2019, by approximately RMB479.8 million or 35.5%, as compared with that of approximately RMB1,350.7 million in the first half of 2018.

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

	Six months ended 30 June			
	2019		2018	
	<i>RMB'000</i>	<i>%</i>	<i>RMB'000</i>	<i>%</i>
	(Unaudited)		(Unaudited)	
Direct materials	761,274	87.4	1,206,749	89.3
Utilities	38,194	4.4	48,889	3.6
Direct labour	23,804	2.7	29,286	2.2
Consumables	21,001	2.4	40,807	3.0
Depreciation expense	20,030	2.3	23,161	1.8
Others	6,635	0.8	1,805	0.1
	870,938	100.0	1,350,697	100.0

Direct materials represented the cost of raw materials, primarily hot-rolled steel coils. The direct materials accounted for over 87% (first half of 2018: 89%) of our cost of sales in the first half of 2019. The decrease in direct materials was mainly attributable to the decrease in the sales volume of processed steel products and galvanized steel products during the reporting period under review.

Utilities related primarily to electricity, water, and natural gas consumed throughout our production process. Utilities expenses decreased to approximately RMB38.2 million in the first half of 2019, by approximately RMB10.7 million or 21.9%, as compared with that of approximately RMB48.9 million in the first half of 2018. Such decrease was mainly due to the decrease in sales volume and temporary suspension of our certain production lines for maintenance during the reporting period under review.

Our direct labour decreased to approximately RMB23.8 million in the first half of 2019, by approximately RMB5.5 million or 18.8%, as compared with that of approximately RMB29.3 million in the first half of 2018. The decrease in our direct labour was in line with our decreased level of sales volume and hiring of lesser production personnel during the reporting period under review.

Consumables consisted of machinery spare parts and supplies consumed in the production process. Our consumables decreased to approximately RMB21.0 million in the first half of 2019, by approximately RMB19.8 million or 48.5%, as compared with that of approximately RMB40.8 million in the first half of 2018. Such decrease was mainly attributable to the decreased production activity for processed steel products and galvanized steel products during the reporting period under review.

Depreciation expense experienced a decrease to approximately RMB20.0 million in the first half of 2019, by approximately RMB3.2 million or 13.8%, as compared with that of approximately RMB23.2 million in the first half of 2018. Such decrease was attributable to the lower amortisation in production during the reporting period under review.

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

Gross profit

The Group recorded a gross profit of approximately RMB56.4 million in the first half of 2019, representing a decrease of approximately RMB19.6 million or 25.8%, as compared with that of approximately RMB76.0 million in the corresponding period in 2018 and a gross profit margin of 6.1%, representing an increase of approximately 0.8 percentage points as compared with that of 5.3% in the corresponding period in 2018.

Other income, other gains and losses

Other income, other gains and losses decreased to approximately RMB4.4 million in the first half of 2019, by approximately RMB0.1 million or 2.2%, as compared with that of approximately RMB4.5 million in the first half of 2018.

Selling expenses

Our selling expenses decreased to approximately RMB8.5 million in the first half of 2019, by approximately RMB6.3 million or 42.6%, as compared with that of approximately RMB14.8 million in the first half of 2018. The decrease in selling expenses during the reporting period under review was mainly attributable to the decrease in salary, delivery costs and other selling related expenses.

Administrative expenses

Our administrative expenses increased to approximately RMB19.6 million in the first half of 2019, by approximately RMB1.9 million or 10.7%, as compared with that of approximately RMB17.7 million in the first half of 2018.

Investment gain

Our investment gain is approximately RMB1.7 million in the first half of 2019 when compared with investment loss of approximately RMB6.6 million in the first half of 2018. Such investment gain during the reporting period under review was primarily due to the net realised gain on the derivative financial instruments in relation to the commodity futures contracts.

Finance costs

The finance costs comprised interest expenses on borrowings which were charged at interest rates ranging from 4.35% to 8.05% (first half of 2018: 1.00% to 8.10%) per annum in the first half of 2019. Finance costs decreased to approximately RMB19.4 million in the first half of 2019, by approximately RMB5.2 million or 21.1%, as compared with that of approximately RMB24.6 million in the first half of 2018. Such decrease was primarily resulted from the decrease in borrowings during the reporting period under review.

Income tax expenses

Income tax expenses increased to approximately RMB5.8 million in the first half of 2019, by approximately RMB2.1 million or 56.8%, as compared with that of approximately RMB3.7 million in the first half of 2018. The increase was mainly attributable to the charge of PRC withholding tax imposed on dividends declared by our PRC subsidiaries offset by over-provision of PRC enterprise income tax in prior year during the reporting period under review.

Profit for the year

The Group's EBITDA decreased to approximately RMB63.1 million in the first half of 2019, by approximately RMB5.1 million or 7.5%, as compared with that of approximately RMB68.2 million in the first half of 2018. Such decrease reflected the drop in the operating cash flow from our business during the reporting period under review.

Our profit attributable to shareholders of the Company decreased to approximately RMB10.5 million in the first half of 2019, by approximately RMB3.4 million or 24.5%, as compared with that of approximately RMB13.9 million in the first half of 2018.

Net profit margin increased to approximately 1.1% in the first half of 2019 by approximately 0.1% from approximately 1.0% in the half of 2018.

Liquidity and financial resources

As at 30 June 2019, the Group's bank balances and cash decreased to approximately RMB31.8 million, by approximately RMB40.7 million or 56.1%, from approximately RMB72.5 million as at 31 December 2018. The Group's restricted bank deposits increased to approximately RMB194.6 million as at 30 June 2019, by approximately RMB70.7 million or 57.1%, from approximately RMB123.9 million as at 31 December 2018.

As at 30 June 2019, the Group had the net current liabilities and the net assets of approximately RMB279.3 million (31 December 2018: RMB234.2 million) and approximately RMB596.4 million (31 December 2018: RMB586.0 million), respectively. As at 30 June 2019, the current ratio calculated based on current assets divided by current liabilities of the Group was 73.8% as compared with that of 79.3% as at 31 December 2018.

At 30 June 2019, the Group's total borrowings amounted to approximately RMB728.5 million (31 December 2018: RMB848.2 million) and total equity amounted to approximately RMB596.4 million (31 December 2018: RMB586.0 million). The gearing ratio of the Group, calculated based on total borrowings divided by total equity, was approximately 1.22 times (31 December 2018: 1.45 times) as at 30 June 2019.

As at 30 June 2019, the Group had total financing facilities relating to borrowings amounted to approximately RMB654.0 million (31 December 2018: RMB958.5 million), of which approximately RMB513.3 million (31 December 2018: RMB798.8 million) had been utilized, and the unutilised financing facilities amounted to approximately RMB140.7 million (31 December 2018: RMB159.7 million). As a significant portion of the funding requirements of the Group for capital expenditures was satisfied by short-term borrowings, subsequent to the reporting period, the Group refinanced certain short-term borrowings in the amount of RMB190.3 million into long-term borrowings which are repayable in July 2021 and successfully obtained additional long-term banking facilities in the amount of RMB250.0 million.

Foreign currency exposure

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

Financial instruments

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

Material acquisitions and disposal

During the reporting period under review, the Group had no material acquisitions or disposal of subsidiaries, associates and joint ventures.

Share capital

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 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 2019 (31 December 2018: nil).

Employees

As at 30 June 2019, the Group had a total of 832 (31 December 2018: 1,044) full-time employees in mainland China, Hong Kong and Singapore. The Group's total staff costs (including Directors' remuneration) for the period amounted to approximately RMB37.9 million (first half of 2018: RMB41.0 million). The Group remunerated the employees based on their performance, experience and prevailing market practices. The Company has share option scheme in place as a means to encourage and reward the eligible employees (including the Directors) for their contributions to the Group's results and business development based on their individual performance. No share option was granted during the six months ended 30 June 2019.

USE OF PROCEEDS FROM THE GLOBAL OFFERING

Based on the offer price of HK\$2.38 per Share and the actual listing expenses incurred, the net proceeds from the global offering received by the Company amounted to approximately HK\$330.7 million (equivalent of approximately RMB276.8 million) in April 2016.

The net proceeds from the global offering (adjusted on a pro rata basis based on the actual net proceeds) are fully utilized in accordance with the purposes set out in the section “Future Plans and Use of Proceeds” of the prospectus of our Company dated 5 April 2016. The below table sets out the planned applications of the net proceeds and usage up to 30 June 2019:

Use of proceeds	Planned applications (HK\$ million)	% of total net proceeds (%)	Actual usage up to 30 June 2019 (HK\$ million)	Actual usage up to 30 June 2019 (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	4.1	3.5
For general working capital and other general corporate purposes	29.7	9.0	29.7	24.5
Total	330.7	100.0	330.7	276.9

INTERIM DIVIDEND

The Board has resolved to declare an interim dividend of HK3 cents (first half of 2018: nil) and a special interim dividend of HK10 cents per ordinary share in respect of the six months ended 30 June 2019, making a total dividend payment of HK\$78.0 million (equivalent to approximately RMB70.5 million). The interim dividend and special interim dividend will be paid in cash on Monday, 21 October 2019 to shareholders whose names appear on the Register of Members of the Company on Friday 4 October 2019.

CLOSURE OF REGISTER OF MEMBERS

The Register of Members will be closed from Wednesday, 2 October 2019 to Friday, 4 October 2019, both days inclusive, during which period no transfer of shares will be registered by the Company. In order to qualify for the interim dividend and special interim dividend, all transfers accompanied by the relevant share certificates must be lodged with the Company's branch share registrar and transfer office in Hong Kong, Union Registrars Limited, at Suites 3301-04, 33/F., Two Chinachem Exchange Square, 338 King's Road, North Point, Hong Kong for registration not later than 4:00 p.m. on Monday, 30 September 2019. Dividend warrants will be despatched to shareholders on Monday, 21 October 2019.

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 2019.

ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURES

At no time during the six months ended 30 June 2019 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 2019, 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 2019.

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 2019 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 2019 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 2019.

PUBLICATION OF INTERIM REPORT

The Company's interim report for the six months ended 30 June 2019 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, 29 August 2019

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.