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HUAJIN INTERNATIONAL HOLDINGS LIMITED
華 津 國 際 控 股 有 限 公 司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 2738)

UNAUDITED ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2019

The board (the "Board") of directors (the "Directors") of Huajin International Holdings Limited (the "Company", together with its subsidiaries, the "Group") is pleased to announce the unaudited consolidated results of the Group for the year ended 31 December 2019, together with the comparative figures for the year ended 31 December 2018, which have been prepared in accordance with the Hong Kong Financial Reporting Standards ("HKFRSs") as below. For the reasons explained in the paragraph headed "Review of Unaudited Annual Results" in this announcement, the auditing process for the annual results of the Group for the year ended 31 December 2019 has not been completed.

UNAUDITED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For year ended 31 December 2019

	Notes	**2019** **RMB'000** **(Unaudited)**	2018 *RMB'000* (Audited)
Revenue	*4*	**2,162,605**	2,909,265
Cost of sales		**(2,048,064)**	(2,764,586)
Gross profit		**114,541**	144,679
Other income, other gains and losses	*5*	**13,978**	6,227
Selling expenses		**(27,407)**	(31,788)
Administrative expenses		**(38,096)**	(38,651)
Share of loss of an associate		**(40)**	–
Profit before investment gain (loss), net finance costs and taxation		**62,976**	80,467
Investment gain (loss)	*5*	**2,059**	(27,297)
Finance income	*6*	**3,295**	1,420
Finance costs	*6*	**(42,654)**	(45,327)
Finance costs, net	*6*	**(39,359)**	(43,907)
Profit before taxation		**25,676**	9,263
Income tax expense	*7*	**(7,296)**	(2,968)
Profit for the year	*8*	**18,380**	6,295
Other comprehensive income (expense) for the year which may be subsequently reclassified to profit or loss			
— exchange differences arising on translation of foreign operations		**–**	(2,751)
Total comprehensive income for the year		**18,380**	3,544
Profit (loss) for the year attributable to:			
Owners of the Company		**18,380**	6,412
Non-controlling interests		**–**	(117)
		18,380	6,295
Total comprehensive income (expense) for the year attributable to:			
Owners of the Company		**18,380**	3,661
Non-controlling interests		**–**	(117)
		18,380	3,544
Earnings per share for profit attributable to owners of the Company,			
— Basic (RMB cents)	*10*	**3.06**	1.07

UNAUDITED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2019

	Notes	2019 *RMB'000* (Unaudited)	2018 *RMB'000* (Audited)
NON-CURRENT ASSETS			
Property, plant and equipment		**741,458**	618,733
Right-of-use assets		**173,803**	–
Prepaid lease payments		**–**	189,533
Interests in an associate		**6,130**	–
Deposits paid for acquisition of property, plant and equipment		**109,100**	47,596
Deferred tax assets		**5,363**	6,188
		1,035,854	862,050
CURRENT ASSETS			
Prepaid lease payments		**–**	4,375
Inventories		**81,460**	234,565
Trade, bills and other receivables	*11*	**316,915**	459,027
Tax recoverable		**915**	5,179
Restricted bank deposits		**72,484**	123,944
Bank balances and cash		**38,695**	72,465
		510,469	899,555
CURRENT LIABILITIES			
Trade, bills and other payables and accrued expenses	*12*	**89,390**	202,026
Contract liabilities	*13*	**96,838**	66,589
Tax payables		**2,596**	–
Amounts due to related parties	*14*	**6,217**	34,047
Borrowings — due within one year	*15*	**418,290**	831,091
Lease liabilities		**1,313**	–
		614,644	1,133,753
NET CURRENT LIABILITIES		**(104,175)**	(234,198)
TOTAL ASSETS LESS CURRENT LIABILITIES		**931,679**	627,852
NON-CURRENT LIABILITIES			
Borrowings — due more than one year	*15*	**372,550**	17,147
Lease liabilities		**3,684**	–
Deferred income		**21,450**	24,750
		397,684	41,897
NET ASSETS		**533,995**	585,955
CAPITAL AND RESERVES			
Share capital		**4,999**	4,999
Reserves		**528,996**	580,956
TOTAL EQUITY		**533,995**	585,955

NOTES TO THE UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

1. GENERAL

Huajin International Holdings Limited (the "Company", together with its subsidiaries, the "Group") is a public limited company incorporated in the Cayman Islands as an exempted company and its shares are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). Its immediate and ultimate holding company is Haiyi Limited, a company incorporated in the British Virgin Islands and ultimately controlled by two individuals, namely Mr. Xu Songqing ("Mr. Xu") and Mr. Luo Canwen ("Mr. Luo") who have been acting in concert.

The principal activity of the Company is investment holding. The Group's principal subsidiaries, including Inter Consortium Holdings Limited, Jiangmen Huajin Metal Product Company Limited, Jiangmen Huamu Metals Company Limited and Huajin (Singapore) Pte. Ltd., are engaged in the processing and sales of processed steel products and galvanized steel products. The address of the Company's registered office is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands and principal place of business in Hong Kong is Room 518, Tower A, New Mandarin Plaza, No.14 Science Museum Road, Tsim Sha Tsui East, Kowloon, Hong Kong.

The consolidated financial statements are presented in Renminbi ("RMB"), which is the same as the functional currency of the Company.

2. BASIS OF PREPARATION OF UNAUDITED CONSOLIDATED STATEMENTS

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and by the Hong Kong Companies Ordinance.

In preparing the consolidated financial statements of the Group, the directors of the Company has given careful consideration to the future liquidity of the Group in light of the fact that the Group's current liabilities exceeded its current assets by RMB104,175,000 as at 31 December 2019 and had capital commitments contracted for but not provided in the unaudited consolidated financial statements of RMB189,451,000 on the same date. The Group had also incurred a net cash outflow of RMB33,498,000 for the year ended 31 December 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, the working capital estimated to be generated from operating activities and the various matters subsequent to the end of the reporting period as set out in page 29 of this announcement. As at 31 December 2019, the Group had total financing facilities relating to borrowings amounted to approximately RMB701,020,000, of which approximately RMB575,337,000 had been utilised, and the unutilised financing facilities amounted to RMB125,683,000.

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 consolidated financial statements on a going concern basis.

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

New and Amendments to HKFRSs that are mandatorily effective for the current year

The Group has applied the following new and amendments to HKFRSs issued by the HKICPA for the first time in the current year.

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 year has had no material impact on the Group's financial positions and performance and for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

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.

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 standard 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.

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

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: Practical expedient — leases with lease term ending within 12 months from the date of initial application	(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 for own use as at 1 January 2019 comprises the following:

	RMB'000
Right-of-use assets relating to operating leases recognised upon application of HKFRS 16	3,784
Reclassified from prepaid lease payments *(Note i)*	193,908
Adjustments on rental deposits at 1 January 2019 *(Note 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 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	**Adjustments**	**Carrying amounts under HKFRS 16 at 1 January 2019**
	RMB'000	*RMB'000*	*RMB'000*
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
Current Assets			
Prepaid lease payments	4,375	(4,375)	–
Current Liabilities			
Lease liabilities	–	350	350
Non-current liabilities			
Lease liabilities	–	3,434	3,434

New and amendments to HKFRSs in issue but not yet effective

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

HKFRS 17	Insurance Contracts[1]
Amendments to HKFRS 3	Definition of a Business[2]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3]
Amendments to HKAS 1 and HKAS 8	Definition of a Material[4]
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	Interest Rate Benchmark Reform[4]

1 Effective for annual periods beginning on or after 1 January 2021.
2 Effective for business combinations and asset acquisitions for which the acquisition date is on or after the beginning of the first annual period beginning on or after 1 January 2020.
3 Effective for annual periods beginning on or after a date to be determined.
4 Effective for annual periods beginning on or after 1 January 2020.

In addition to the above new and amendments to HKFRSs, a revised Conceptual Framework for Financial Reporting was issued in 2018. Its consequential amendments, the Amendments to References to the Conceptual Framework in HKFRS Standards, will be effective for annual periods beginning on or after 1 January 2020.

Other than as set out below, the directors of the Company anticipate that the application of all new and amendments to HKFRSs and Interpretations will have no material impact on the consolidated financial statements in the foreseeable future.

Conceptual Framework for Financial Reporting 2018 (the "New Framework") and the Amendments to References to the Conceptual Framework in HKFRS Standards

The New Framework:

- reintroduces the terms stewardship and prudence;
- introduces a new asset definition that focuses on rights and a new liability definition that is likely to be broader than the definition it replaces, but does not change the distinction between a liability and an equity instrument;
- discusses historical cost and current value measures, and provides additional guidance on how to select a measurement basis for a particular asset or liability;
- states that the primary measure of financial performance is profit or loss, and that only in exceptional circumstances other comprehensive income will be used and only for income or expenses that arise from a change in the current value of an asset or liability; and
- discusses uncertainty, derecognition, unit of account, the reporting entity and combined financial statements.

Consequential amendments have been made so that references in certain HKFRSs have been updated to the New Framework, whilst some HKFRSs are still referred to the previous versions of the framework. These amendments are effective for annual periods beginning on or after 1 January 2020, with earlier application permitted. Other than specific standards which still refer to the previous versions of the framework, the Group will rely on the New Framework on its effective date in determining the accounting policies especially for transactions, events or conditions that are not otherwise dealt with under the accounting standards.

4. REVENUE AND SEGMENT INFORMATION

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

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

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

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

	2019	2018
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Sales of cold-rolled steel products		
— steel strips and sheets	**1,538,278**	2,068,096
— welded steel tubes	**187,503**	185,623
Sales of galvanized steel products	**326,872**	436,769
Sales of hot-rolled steel products and others	**109,952**	218,777
	2,162,605	2,909,265

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

The Group's revenue is derived from customers located in the PRC 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:

	2019	2018
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
PRC	**2,151,849**	2,902,258
Southeast Asia	**10,756**	7,007
	2,162,605	2,909,265

No revenue from any customer of the Group contributed to over 10% of the total revenue of the Group for the year ended 31 December 2019 (2018: nil).

5. OTHER INCOME, OTHER GAINS AND LOSSES

	2019	2018
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Government grants *(Notes i and ii)*	**5,586**	7,261
Gain on disposal of a subsidiary *(Note 16)*	**7,845**	–
Gain (loss) on disposal of property, plant and equipment	**754**	(14)
Net foreign exchange loss	**(1,231)**	(2,897)
Others	**1,024**	1,877
	13,978	6,227

Notes:

(i) Incentives received from the PRC local authorities by the Group as encouragement of its business development amounting to RMB2,286,000 (2018: RMB3,961,000) are recognised in the profit or loss for the year ended 31 December 2019 for the purpose of giving immediate financial support to the Group with no future related costs expected to be incurred nor related to any assets.

(ii) Grants amounting to RMB33,000,000 were recorded as a deferred income in prior year, of which RMB3,300,000 (2018: RMB3,300,000) has been recognised in the profit or loss for the year ended 31 December 2019.

6. FINANCE INCOME AND COSTS

	2019 ***RMB'000*** **(Unaudited)**	2018 *RMB'000* (Audited)
Finance costs		
— Interest expense on borrowings, net of amounts capitalised in the cost of qualifying assets of RMB10,437,000 (2018: RMB7,405,000)	**(42,426)**	(44,583)
— Interest expense on advances from Mr. Xu	**–**	(744)
— Effective interest expense on lease liabilities	**(228)**	–
	(42,654)	(45,327)
Finance income:		
— Interest income from bank deposits	**3,295**	1,420
Finance costs, net	**(39,359)**	(43,907)

Bank borrowing costs capitalised during the year ended 31 December 2019 arose on the borrowing pool and are calculated by applying a comprehensive capitalisation rate of 6.0% (2018: 5.4%) per annum to expenditure on qualifying assets.

7. INCOME TAX EXPENSE

	2019 ***RMB'000*** **(Unaudited)**	2018 *RMB'000* (Audited)
Current tax charge:		
— PRC Enterprise Income Tax ("EIT")	**4,437**	2,508
— PRC withholding income tax	**4,253**	2,660
— Hong Kong Profits Tax	**–**	23
	8,690	5,191
(Over) underprovision in prior years:		
— PRC EIT	**(2,219)**	10
Deferred tax charge (credit)	**825**	(2,233)
Income tax expense for the year	**7,296**	2,968

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

	2019	2018
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Profit before taxation	**25,676**	9,263
Tax at the EIT rate of 25% (2018: 25%)	**6,418**	2,316
Tax effect of expenses not deductible for tax purpose	**1,452**	1,740
Tax effect of tax losses not recognised	**222**	520
Withholding tax on earnings of subsidiaries	**4,253**	2,660
Income tax at concessionary rate	**(2,830)**	(1,803)
Increase in opening deferred tax asset resulting from increase in applicable tax rate	**–**	(2,475)
(Over) underprovision in prior years	**(2,219)**	10
Income tax expense for the year	**7,296**	2,968

On 21 March 2018, the Hong Kong Legislative Council passed The Inland Revenue (Amendment) (No. 7) Bill 2017 (the "Bill") which introduces the two-tiered profits tax rates regime. The Bill was signed into law on 28 March 2018 and was gazetted on the following day. Under the two-tiered profits tax rates regime, the first HK$2 million of profits of the qualifying group entity will be taxed at 8.25%, and profits above HK$2 million will be taxed at 16.5%. The profits of group entities in Hong Kong not qualifying for the two-tiered profits tax rates regime will continue to be taxed at a flat rate of 16.5%.

The directors of the Company considered the amount involved upon implementation of the two-tiered profits tax rates regime as insignificant to the consolidated financial statements. Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit for both years.

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

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

During the current year, the two relevant subsidiaries have renewed and obtained the HNTE Certificates and the concessionary tax rate of 15% continue to be applied for a consecutive three calendar years from 2019 to 2021.

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

8. PROFIT FOR THE YEAR

	2019	2018
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Profit for the year has been arrived at after charging (crediting):		
Directors' remuneration		
— fee	**660**	602
— other emoluments, salaries, allowances and other benefits	**1,091**	717
— retirement benefit scheme contributions	**74**	27
	1,825	1,346
Other staff salaries, allowances and other benefits	**65,537**	75,196
Retirement benefit scheme contributions, excluding those of directors	**7,846**	9,047
Total employee benefits expenses	**75,208**	85,589
Auditor's remuneration		
— audit services	**1,743**	1,631
— non-audit services	**777**	656
Depreciation of property, plant and equipment	**57,192**	49,648
Depreciation of right-of-use assets	**3,916**	–
Amortisation of prepaid lease payments	**–**	3,029
Net realised (gain) loss on the derivative financial instruments (included in investment gain (loss))	**(2,059)**	27,297

9. DIVIDENDS

Dividends recognised as distribution during the year:

	2019	2018
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
2019 interim dividend of HK3.0 cents (2018: nil) per share	**16,232**	–
2019 special interim dividend of HK10.0 cents (2018: nil) per share	**54,108**	–
2018 final dividend of nil (2018: 2017 final dividend of HK2.0 cents) per share	**–**	10,086
	70,340	10,086

No final dividend for the year ended 31 December 2019 has been proposed since the end of the reporting period (2018: nil).

10. EARNINGS PER SHARE

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

	2019 (Unaudited)	2018 (Audited)
Earnings:		
Profit for the year attributable to owners of the Company for the purpose of basic earnings per share *(in RMB'000)*	**18,380**	6,412
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 years ended 31 December 2019 and 2018 as the Group had no potential ordinary shares in issue during the year.

11. TRADE, BILLS AND OTHER RECEIVABLES

	2019 *RMB'000* (Unaudited)	2018 *RMB'000* (Audited)
Trade receivables from contracts with customers	**102,912**	189,756
Bills receivables	**54,865**	75,494
Prepayments to suppliers	**134,926**	150,889
Value-added tax recoverable	**15,051**	21,586
Other prepayments, deposits and other receivables	**9,161**	21,302
	316,915	459,027

No allowance for credit losses was provided for each of the years ended 31 December 2019 and 2018 and no balance of provision for credit losses was recognised as at the end of each reporting periods.

Rental deposits paid (included in other prepayments, deposits and other receivables) were adjusted upon the initial application of HKFRS 16. Details of the adjustments are set out in note 3.

As at 1 January 2018, trade receivables from contracts with customers amounted to RMB268,727,000.

For long-term customers with good credit quality and payment history, the Group allows credit periods of no longer than 90 days (2018: 120 days). For other customers, the Group requires full payment upon delivery of goods.

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

	2019	2018
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Trade receivables:		
Within 30 days	**98,256**	169,292
31 – 60 days	**3,050**	19,832
61 – 90 days	**358**	16
91 – 120 days	**488**	1
121 – 180 days	**416**	2
181 – 365 days	**315**	613
Over 1 year	**29**	–
	102,912	189,756
Bills receivables:		
Within 30 days	**1,267**	9,611
31 – 60 days	**352**	3,368
61 – 90 days	**279**	3,589
91 – 120 days	**827**	3,854
121 – 180 days	**38,803**	46,765
181 – 365 days	**13,337**	8,307
	54,865	75,494

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

As at 31 December 2019, included in the Group's trade receivables balance are debtors with aggregate carrying amount of RMB1,248,000 (2018: RMB615,000) which are past due as at the reporting date. Out of the past due balances, RMB344,000 has been past due 90 days or more and is not considered as in default. As the Group considered such balances could be recovered based on historical experience and taking into consideration of forward-looking information.

Included in the Group's bills receivables are amounts of RMB53,498,000 (2018:RMB64,502,000), as at 31 December 2019, 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 15). The financial asset is carried at amortised cost in the consolidated statement of financial position.

The Group does not hold any collateral as security.

	2019	2018
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Carrying amount of transferred asset	**53,498**	64,502
Carrying amount of associated liability	**(53,498)**	(64,502)
	–	–

During the current year, certain transactions between subsidiaries of the Company arising from steel processing services were settled by bank bills. As at 31 December 2019, bills receivables held by two subsidiaries of the Company issued by other members of the Group of RMB72,346,000 (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 15).

12. TRADE, BILLS AND OTHER PAYABLES AND ACCRUED EXPENSES

	2019	2018
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Trade payables	**28,785**	23,798
Bills payables	**–**	112,401
Accrued staff costs	**6,599**	6,276
Construction payables	**26,147**	29,917
Transportation fees payable	**1,237**	2,650
Other tax payables	**720**	1,524
Consideration payable for acquisition of additional interest in a subsidiary	**10,138**	10,138
Other payables and accrued expenses	**15,764**	15,322
	89,390	202,026

The ageing analysis of the trade payables and bills payables presented based on the invoice dates at the end of each reporting period is as follows:

	2019	2018
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Trade payables:		
Within 30 days	**15,010**	10,950
31 – 60 days	**4,386**	4,363
61 – 90 days	**2,627**	1,881
91 – 120 days	**455**	1,035
121 – 180 days	**946**	1,623
181 – 365 days	**2,296**	1,617
Over 1 year	**3,065**	2,329
	28,785	23,798
Bills payables:		
31 – 60 days	**–**	28,113
121 – 180 days	**–**	84,288
	–	112,401

The average credit period granted by suppliers on purchase of goods is no longer than 30 (2018: 30) days from certain of its suppliers. For other suppliers, the Group is required to prepay in advance (see note 11) and make full payment upon receipt of the goods purchased.

13. CONTRACT LIABILITIES

	2019	2018
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Sales of processed steel products and galvanized steel products and analysed for reporting purpose as current liabilities	**96,838**	66,589

As at 1 January 2018, contract liabilities amounted to RMB57,792,000.

Contract liabilities represent the deposit amount received from certain customers at the requests of the Group when they place confirmed orders. The entire balance of contract liabilities as at 1 January 2019 and 2018 have been recognised as revenue during the respective reporting periods.

14. AMOUNTS DUE TO RELATED PARTIES

	2019	2018
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Mr. Xu *(Note i)*	**2,047**	33,137
江門市津源金屬製品有限公司 (Jiangmen Jinyuan Metals Company Limited) ("Jiangmen Jinyuan") *(Note ii)*	**4,165**	–
Hua Jin Holdings Pte Ltd *(Note iii)*	**5**	–
江門市華志金屬製品有限公司 (Jiangmen Huazhi Metal Product Company Limited) *(Note iv)*	**–**	910
	6,217	34,047

Notes:

(i) The amount due to Mr. Xu is non-trade in nature, interest free and unsecured. As at 31 December 2019, the amount is repayable within twelve months from the end of the reporting period. As at 31 December 2018, the amount was repayable on demand and the full amount has been settled by the Group during the year.

(ii) The amount due to the associate is non-trade in nature, interest free, unsecured and repayment on demand.

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

(iv) This is an entity owned as to 60% by Mr. Xu Jianhong and 40% by Mr. Chen Chunniu. The entire balance as at 31 December 2018 is trade in nature, interest free, unsecured and repayment on demand. The full amount has been settled by the Group during the year.

15. BORROWINGS

	2019	2018
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Fixed-rate borrowings:		
Secured bank borrowings	**352,100**	325,101
Bank borrowings from factoring of bills receivables with full recourse *(note 11)*	**125,844**	64,502
Unsecured bank borrowings	**29,437**	–
Secured borrowings from financial institutions independent with the Group	**–**	25,388
Unsecured borrowings from entities established in the PRC independent with the Group	**50,459**	–
	557,840	414,991
Variable-rate borrowings:		
Secured bank borrowings	**233,000**	433,247
	790,840	848,238
The carrying amounts of the above borrowings are repayable based on the scheduled repayment dates set out in the loan agreements as		
— within one year	**418,290**	831,091
— more than one year, but not more than two years	**190,900**	6,430
— more than two years, but not more than five years	**181,650**	10,717
	790,840	848,238
Less: amount due within one year shown under current liabilities	**(418,290)**	(831,091)
Amount shown under non-current liabilities	**372,550**	17,147

The effective interest rate on the Group's borrowings as at 31 December 2019 was ranging from 1.00% to 11.00 % (2018: 4.35% to 8.05%) per annum.

The Group's borrowings were secured by certain assets of the Group as detailed in note 18.

16. DISPOSAL OF A SUBSIDIARY

On 24 October 2019, the Group completed the disposal of 80% equity interest in Jiangmen Jinyuan, a then inactive wholly-owned subsidiary of the Group, for a total cash consideration of RMB30,000,000 to an independent third party. Upon completion of the disposal, the Group has lost control of Jiangmen Jinyuan, which ceased to be a subsidiary of the Group. The Group's remaining 20% equity interest of Jiangmen Jinyuan is accounted for as interest in an associate as the directors of the Company consider the Group has significant influence over the investee.

	RMB'000 (Unaudited)
Analysis of assets and liabilities of Jiangmen Jinyuan over which control was lost:	
Property, plant and equipment	1,229
Right-of-use assets	20,861
Other receivables	4,267
Amount due from the Group	1,689
Bank balances and cash	555
Other payables	(276)
Net assets disposed of	28,325
Gain on disposal:	
Cash consideration received	30,000
Interest in an associate, measured at fair value of the retained interest in Jiangmen Jinyuan	6,170
Less: net assets disposed of	(28,325)
Gain on disposal *(note 5)*	7,845
Net cash inflow arising on disposal:	
Cash consideration received	30,000
Less: bank balances and cash disposed of	(555)
	29,445

The cash flows arose from Jiangmen Jinyuan in the year ended 31 December 2018 and 2019 prior to the disposal was insignificant.

17. CAPITAL COMMITMENTS

	2019 ***RMB'000*** **(Unaudited)**	2018 *RMB'000* (Audited)
Capital expenditure contracted but not provided for in the consolidated financial statements in respect of acquisition of property, plant and equipment	**189,451**	204,350

18. PLEDGE OF ASSETS

The Group's borrowings are secured by assets of the Group and the carrying amounts of which at the end of each reporting period are stated below:

	2019	2018
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Property, plant and equipment	**496,021**	309,917
Right-of-use assets (2018: prepaid lease payments)	**168,972**	143,936
Trade receivables	**–**	5,066
Restricted bank deposits	**72,484**	123,944
	737,477	582,863

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

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 year ended 31 December 2019, the Group recorded revenue of RMB2,162.6 million and a profit attributable to shareholders of RMB18.4 million, representing a decrease of 25.7% and an increase of 187.5%, respectively, from the corresponding period in 2018.

Our sales volume of processed steel products and galvanized steel products in aggregate was 471,302 tonnes for the year ended 31 December 2019, representing a decrease of 125,754 tonnes or 21.1%, as compared to 597,056 tonnes for the year ended 31 December 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 73.6%, and 29.8%, respectively during the reporting period under review. The low utilisation rate for our 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 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.

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 year ended 31 December 2019, the Group acquired property, plant and equipment and incurred construction costs of approximately RMB181.0 million. 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 is expected to commence commercial productions in the second quarter of 2020.

The net current liabilities position as at 31 December 2019 was primarily attributable to the fact that short-term borrowings were obtained to finance the non-current capital expenditures on property, plant and equipment, and land use rights. The Directors are of the opinion that, in the absence of any unforeseen circumstances and after taking into account (i) the internal resources of the Group, and (ii) the Group's presently available financing facilities and the intended renewal of the existing financing facilities upon maturity, the Group would have sufficient working capital to meet its current liabilities or expand its operations as anticipated.

Our capital commitments towards the acquisition of property, plant and equipment and land use rights, as at 31 December 2019, was approximately RMB189.5 million, which will be financed by the Group's internal resources and borrowings. The Group envisages ongoing growth in demand for its products and an ongoing need to increase its production capacity. 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 processed steel products and galvanized steel products. Our revenue decreased to approximately RMB2,162.6 million for the year ended 31 December 2019, by approximately RMB746.7 million or 25.7%, as compared with that of approximately RMB2,909.3 million for the year ended 31 December 2018.

Our sales volume of processed steel products decreased to 396,130 tonnes for the year ended 31 December 2019, by 108,997 tonne or 21.6%, as compared with that of 505,127 tonnes for the year ended 31 December 2018. Our sales volume of galvanized steel products decreased to 75,172 tonnes for the year ended 31 December 2019, by 16,757 tonnes or 18.2%, as compared with that of 91,929 tonnes for the year ended 31 December 2018. Thus, our sales volume of processed steel products and galvanized steel products in aggregate was 471,302 tonnes for the year ended 31 December 2019, representing an decrease of 125,754 tonnes or 21.1%, as compared to 597,056 tonnes for the year ended 31 December 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 RMB4,357 per tonne for the year ended 31 December 2019 as compared with that of RMB4,462 per tonne for the year ended 31 December 2018. The average selling price of our galvanized steel products decreased to RMB4,348 per tonne for the year ended 31 December 2019 as compared with that of RMB4,751 per tonne for the year ended 31 December 2018. In summary, the average selling price of our processed steel products and galvanized steel products decreased to RMB4,355 per tonne for the year ended 31 December 2019 as compared with that of RMB4,506 per tonne for the year ended 31 December 2018.

Our domestic sales in the PRC market contributed over 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 net-rolled steel products, sales of scrap steel residual in our manufacturing process to recycling agents and the provision of processing service to the customers who engage us to process hot-rolled steel coils provided by them. Such other revenue accounted for about 5.1% of our revenue for the year ended 31 December 2019.

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

	Year ended 31 December			
	2019		2018	
	RMB'000	*%*	*RMB'000*	*%*
	(Unaudited)		(Audited)	
Sales of processed steel products	**1,725,781**	**79.8**	2,253,719	77.5
— processed steel strips and sheets	**1,538,278**	**71.1**	2,068,096	71.1
— welded steel tubes	**187,503**	**8.7**	185,623	6.4
Sales of galvanized steel products	**326,872**	**15.1**	436,769	15.0
Sales of hot-rolled steel products and others	**109,952**	**5.1**	218,777	7.5
	2,162,605	**100.0**	2,909,265	100.0

Cost of sales

Our cost of sales decreased to approximately RMB2,048.1 million for the year ended 31 December 2019, by approximately RMB716.5 million or 25.9%, as compared with that of approximately RMB2,764.6 million for the year ended 31 December 2018.

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

	Year ended 31 December			
	2019		2018	
	RMB'000	*%*	*RMB'000*	*%*
	(Unaudited)		(Audited)	
Direct materials	**1,823,629**	**89.0**	2,463,768	89.2
Utilities	**82,979**	**4.1**	94,888	3.4
Depreciation expense	**51,663**	**2.5**	46,375	1.7
Direct labour	**44,132**	**2.2**	62,064	2.2
Consumables	**38,876**	**1.9**	88,204	3.2
Others	**6,785**	**0.3**	9,287	0.3
	2,048,064	**100.0**	2,764,586	100.0

Direct materials represented the cost of raw materials, primarily hot-rolled steel coils. The direct materials accounted for over 89.0% of our cost of sales for the year ended 31 December 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 RMB83.0 million for the year ended 31 December 2019, by approximately RMB11.9 million or 12.5%, as compared with that of approximately RMB94.9 million for the year ended 31 December 2018. Such decrease was mainly due to the decrease in sales volume, temporary suspension of our certain production lines for regular repair and maintenance, and reallocation of our certain production facilities to our new production plant during the reporting period under review.

Depreciation expense increased to approximately RMB51.7 million for the year ended 31 December 2019, by approximately RMB5.3 million or 11.4%, as compared with that of approximately RMB46.4 million for the year ended 31 December 2018. Such increase was mainly due to the increase in depreciation for plant and machinery during the reporting period under review.

Our direct labour decreased to approximately RMB44.1 million for the year ended 31 December 2019, by approximately RMB18.0 million or 29.0%, as compared with that of approximately RMB62.1 million for the year ended 31 December 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, supplies and other direct cost consumed in the production process. Our consumables also decreased to approximately RMB38.9 million for the year ended 31 December 2019, by approximately RMB49.3 million or 55.9%, as compared with that of approximately RMB88.2 million for the year ended 31 December 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.

Other costs primarily comprised other taxes and surcharges.

Gross profit

In view of the intensified competition in the industry partly due to the downward trend of steel price volatility, the Group recorded a gross profit of approximately RMB114.5 million for the year ended 31 December 2019, representing a decrease of approximately RMB30.2 million or 20.9%, as compared with that of approximately RMB144.7 million for the year ended 31 December 2018 and a gross profit margin of 5.3%, representing an increase of approximately 0.3 percentage points as compared with that of 5.0% in the corresponding period in 2018.

Other income, other gains and losses

Other income, other gains and losses increased to approximately RMB14.0 million for the year ended 31 December 2019, by approximately RMB7.8 million or 125.8%, as compared with that of approximately RMB6.2 million for the year ended 31 December 2018. Such increase was mainly attributable to the gain of approximately RMB7.8 million on disposal of 80% equity interest in a subsidiary in the second half of 2019.

Selling expenses

Our selling expenses decreased to approximately RMB27.4 million for the year ended 31 December 2019, by approximately RMB4.4 million or 13.8%, as compared with that of approximately RMB31.8 million for the year ended 31 December 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 decreased to approximately RMB38.1 million for the year ended 2019, by approximately RMB0.6 million or 1.6%, as compared with that of approximately RMB38.7 million for the year ended 31 December 2018.

Investment gain (loss)

Our investment gain increased to approximately RMB2.1 million for the year ended 31 December 2019 when compared with investment loss of approximately RMB27.3 million for the year ended 31 December 2018. Such investment gain during the reporting period under review was primarily due to the increase in net realised gain on derivative financial instruments in relation to the commodity futures contracts amounting to approximately RMB2.1 million.

Finance costs

The finance costs comprised interest expenses on borrowings which were charged at interest rates ranging from 1.00% to 11.00% (2018: 4.35% to 8.05%) per annum for the year ended 31 December 2019. Finance costs decreased to approximately RMB42.7 million for the year ended 31 December 2019, by approximately RMB2.6 million or 5.7%, as compared with that of approximately RMB45.3 million for the year ended 31 December 2018. Such decrease was primarily resulted from the reduced average borrowing level in the year of 2019 when compared with the year of 2018.

Income tax expenses

Income tax expenses increased to approximately RMB7.3 million for the year ended 31 December 2019, by approximately RMB4.3 million or 143.3%, as compared with that of approximately RMB3.0 million for the year ended 31 December 2018. Such increase was mainly attributable to the increase in PRC enterprise income tax and the charge of PRC withholding tax imposed on dividends declared by our PRC subsidiaries during the reporting period under review.

Profit for the year

Our profit attributable to shareholders of the Company increased to approximately RMB18.4 million for the year ended 31 December 2019, by approximately RMB12.0 million or 187.5%, as compared with that of approximately RMB6.4 million for the year ended 31 December 2018.

Net profit margin increased to approximately 0.9% for the year ended 31 December 2019 by approximately 0.7 percentage points from approximately 0.2% for the year ended 31 December 2018.

Liquidity and financial resources

As at 31 December 2019, the Group's bank balances and cash decreased to approximately RMB38.7 million, by approximately RMB33.8 million or 46.6%, from approximately RMB72.5 million as at 31 December 2018. The Group's restricted bank deposits decreased to approximately RMB72.5 million as at 31 December 2019, by approximately RMB51.4 million or 41.5%, from approximately RMB123.9 million as at 31 December 2018.

As at 31 December 2019, the Group had the net current liabilities and the net assets of approximately RMB104.2 million (2018: RMB234.2 million) and approximately RMB534.0 million (2018: RMB586.0 million), respectively. As at 31 December 2019, the current ratio calculated based on current assets divided by current liabilities of the Group was 83.1% as compared with that of 79.3% as at 31 December 2018.

At 31 December 2019, the Group's total borrowings amounted to approximately RMB790.8 million (2018: RMB848.2 million) and total equity amounted to approximately RMB534.0 million (2018: RMB586.0 million). The gearing ratio of the Group, calculated based on total borrowings divided by total equity, was approximately 1.48 times (31 December 2018: 1.45 times) as at 31 December 2019.

As at 31 December 2019, the Group had total financing facilities amounted to approximately RMB701.0 million (2018: RMB958.5 million), of which approximately RMB575.3 million (2018: RMB798.8 million) had been utilised, and the unutilised financing facilities amounted to approximately RMB125.7 million (2018: RMB159.7 million). The Group believes it has and will have sufficient unutilised 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 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

On 24 October 2019, the Group entered into a sale and purchase agreement with a purchaser, an independent third party, pursuant to which the Group disposed 80% equity interest in Jiangmen Jinyuan at a cash consideration of RMB30 million. During the reporting period under review, saved as disclosed in note 16, the Group had no other material acquisitions or disposal of subsidiaries, associates and joint ventures.

Contingent liabilities

During the reporting period under review, the Company provided guarantees to banks as securities for financing facilities granted to certain subsidiaries of the Company in the PRC. The Group did not provide any guarantee to any third parties and did not have contingent liabilities as at 31 December 2019 (2018: nil).

Employees

As at 31 December 2019, the Group had a total of 845 (31 December 2018: 1,044) full-time employees in mainland China, Hong Kong and Singapore. The Group's total staff costs (including Directors' remuneration) in 2019 amounted to approximately RMB75.2 million (2018: RMB85.6 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 year ended 31 December 2019.

Pursuant to our discretionary bonus policy, discretionary bonus that may be available to our executive Directors and senior management members for each financial year, if so approved by the remuneration committee of the Board, will not exceed 5% of the audited consolidated profit before taxation and extraordinary items of our Group. Out of such discretionary bonus, it is intended that half of it will be available for awarding bonus to our executive Directors and the remaining half for our senior management. Same to 2018, our Board decided not to pay any discretionary bonus to our executive Directors and senior management for the year ended 31 December 2019.

CORPORATE GOVERNANCE PRACTICES

The Company has adopted the code provisions set out in the Corporate Governance Code ("CG Code") contained in Appendix 14 to the Listing Rules as its code of corporate governance. The Company has complied with the applicable code provisions in the CG Code throughout the year ended 31 December 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. The non-executive Director is appointed for a term of 3 years and all the independent non-executive Directors and the non-executive Director of the Company are not appointed for a specific term. However, all Directors are subject to retirement by rotation and re-election by the shareholders at the 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.

Further information on the Company's corporate governance practices during the year under review will be set out in the Corporate Governance Report to be contained in the Company's 2019 annual report which will be sent to the shareholders in due course.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities for the year ended 31 December 2019.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers ("Model Code") as set out in Appendix 10 to the Listing Rules as the Company's code of conduct regarding Directors' securities transactions. Having made specific enquiry of all Directors, all the Directors confirmed that they had complied with the required standard set out in the Model Code throughout the year ended 31 December 2019.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

At no time during the year ended 31 December 2019 was the Company, its holding company, or any of its subsidiaries or associated corporations, a party to any arrangement which enables the Directors and chief executives of the Company (including their respective spouse and children under 18 years of age) to acquire benefits by means of acquisition of shares or underlying shares in, or debentures of, the Company or any of its associated corporations.

NON-COMPETITION UNDERTAKINGS BY CONTROLLING SHAREHOLDERS

Each of the controlling shareholders (the "Controlling Shareholders"), namely Haiyi Limited, Intrend Ventures Limited, Zhong Cheng International Limited, Mr. Xu and Mr. Luo, has provided written confirmation (the "Confirmation") to the Company that, for the year ended 31 December 2019, each of the Controlling Shareholders has complied with the non-competition undertakings (the "Undertakings") given under the deed of non-competition (the "Deed of Non-competition") dated 23 March 2016 and executed by the Controlling Shareholders in favour of our Company.

Details of the Deed of Non-competition are set out in the paragraph headed "Relationship with our Controlling Shareholders — Non-competition undertakings" in the prospectus of the Company dated 5 April 2016.

Upon receiving the Confirmation, the independent non-executive Directors of the Company had reviewed the same as part of the annual examination. In determining whether the Controlling Shareholders had fully complied with the Undertakings, the independent non-executive Directors noted that (a) the Controlling Shareholders declared that they had fully complied with the Undertakings; (b) no new competing business was reported by the Controlling Shareholders for the year ended 31 December 2019; and (c) there was no particular situation rendering the full compliance of the Undertakings being questionable. In view of the above, the independent non-executive Directors confirmed that the Controlling Shareholders had fully complied with the Deed of Non-competition for the year ended 31 December 2019.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE

As required by the Listing Rules, the Company is required to report on environmental, social and governance ("ESG") information of the Group on an annual basis and regarding the same period covered in this annual report. The Company will publish the ESG report on the websites of the Company and the Stock Exchange in due course.

SUFFICIENCY OF PUBLIC FLOAT

Based on the publicly available information to the Company and within the knowledge of the Directors as at the date of this annual report, the Company has maintained the prescribed public float under the Listing Rules.

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 31 December 2019:

Use of proceeds	**Planned applications**	**% of total net proceeds**	**Actual usage up to 31 December 2019**	**Actual usage up to 31 December 2019**
	(HK$ million)	*(%)*	*(HK$ million)*	*(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

EVENT AFTER THE REPORTING PERIOD

The outbreak of a respiratory illness caused by Novel Coronavirus, or known as the COVID-19, in the PRC, has affected the Group's business and operations as its factories are located in the PRC. Since the first case of the COVID-19 has been confirmed in the PRC, the directors of the Company have closely monitored its developments and kept regular communications with its suppliers, customers, and other parties to understand whether there would be any significant impacts on the Group's business. As required by the local government offices in which the Group's factories located, the operations of the Group's factories had been suspended for around two weeks and had resumed their operations in February 2020. The Group understands that its major suppliers have also resumed their operations.

Due to the inherent unpredictable nature and rapid development relating to the Novel Coronavirus and its pervasive impact, the Group has taken actions to negotiate with its major suppliers and employees to confirm continuous and adequate supply of goods and manpower. Provided the suppliers could continue to supply to the Group and workforce remain available, the directors of the Company concluded that the chances of the Group's operations being severely affected in the short term is mild and consider that the COVID-19 incident would not have a material financial impact to the Group. However, the Group's business might be affected should the situations deteriorates and the directors of the Company will continue to closely monitor in this regard.

AUDIT COMMITTEE

The audit committee of the Company (the "Audit Committee") consists of Mr. Goh Choo Hwee, Mr. Tam Yuk Sang Sammy and Mr. Wu Chi Keung, all of whom are the Company's independent non-executive directors. The chairman of the Audit Committee is Mr. Wu Chi Keung.

REVIEW OF UNAUDITED ANNUAL RESULTS

The auditing process for the annual results for the year ended 31 December 2019 has not been completed due to the COVID-19 coronavirus outbreak which caused a disruption in the auditing process. The unaudited annual results contained in this announcement has not been agreed with the Company's auditors as required under Rule 13.49(2) of the Listing Rules.

Based on figures and information made available to the Audit Committee as at the date hereof, the unaudited annual results contained herein have been reviewed by the Audit Committee.

FURTHER ANNOUNCEMENT(S)

Following the completion of the auditing process, the Company will issue further announcement(s) in relation to, among others, (i) the audited results for the year ended 31 December 2019 prepared in accordance with HKFRSs issued by HKICPA and agreed by the Company's auditors, (ii) the material differences (if any) as compared with the unaudited annual results contained herein, and (iii) the detail of the proposed final dividend (if any). In addition, the Company will issue further announcement as and when necessary if there are other material development in the completion of the auditing process. The Company expects to publish the audited results and annual report of the Company for the year ended 31 December 2019 on or before 15 May 2020 in accordance with further guidance on the joint statement in relation to results announcements in light of the COVID-19 pandemic issued by the Stock Exchange and The Securities and Futures Commission dated 16 March 2020.

Auditor

The Company appointed Deloitte Touche Tohmatsu as its auditor for the year ended 31 December 2019. The Company will submit a resolution in the coming annual general meeting to re-appoint Deloitte Touche Tohmatsu as the auditor of the Company.

Publication of Annual Report

This unaudited annual results announcement is published on the websites of The Stock Exchange of Hong Kong Limited (http://www.hkex.com.hk) and the Company (http://www.huajin-hk.com). The annual report of the Company for the year ended 31 December 2019 containing all the information as required by the Listing Rules will be despatched to the shareholders of the Company and made available for review on the same websites in due course.

The financial information contained herein in respect of the annual results of the Group have not been audited and have not been agreed with the auditors. Shareholders and potential investors of the Company are advised to exercise caution when dealing in the securities of the Company.

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

Hong Kong, 31 March 2020

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.