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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 2020

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 2020 together with the comparative figures for the corresponding period in 2019. The unaudited results for the six months ended 30 June 2020 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 2020

	Notes	Six months ended 30 June 2020 RMB'000 (Unaudited)	2019 RMB'000 (Unaudited)
Revenue	4	**910,412**	927,349
Cost of sales		**(885,563)**	(870,938)
Gross profit		**24,849**	56,411
Other income, other gains and losses		**2,341**	4,426
Selling expenses		**(11,167)**	(8,470)
Administrative expenses		**(18,129)**	(19,608)
Share of loss of an associate		**(50)**	–
(Loss) profit before investment (loss) gain, net finance costs and taxation		**(2,156)**	32,759
Investment (loss) gain		**(1,944)**	1,695
Finance income	5	**1,341**	1,164
Finance costs	5	**(14,441)**	(19,351)
Finance costs, net	5	**(13,100)**	(18,187)
(Loss) profit before taxation		**(17,200)**	16,267
Income tax credit (expenses)	6	**3,199**	(5,791)
(Loss) profit for the period attributable to owners of the Company	7	**(14,001)**	10,476
Other comprehensive expense for the period which may be subsequently reclassified to profit or loss, attributable to owners of the Company			
— exchange differences arising on translation of foreign operations		**–**	(32)
Total comprehensive (expense) income for the period		**(14,001)**	10,444
(Loss) earnings per share for (loss) profit attributable to owners of the Company			
— basic (RMB cents)	8	**(2.33)**	1.75

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
At 30 June 2020

	Notes	**30 June 2020** *RMB'000* **(Unaudited)**	31 December 2019 *RMB'000* (Audited)
NON-CURRENT ASSETS			
Property, plant and equipment	*10*	**853,987**	741,458
Right-of-use assets	*10*	**171,250**	173,803
Interests in an associate		**6,080**	6,130
Deposits paid for acquisition of property, plant and equipment		**62,178**	109,100
Deferred tax assets		**9,108**	5,363
		1,102,603	1,035,854
CURRENT ASSETS			
Inventories		**140,511**	81,460
Trade, bills and other receivables	*11*	**431,734**	316,915
Derivative financial instruments at fair value through profit or loss	*12*	**5**	–
Tax recoverable		**–**	915
Restricted bank and other deposits		**20,453**	72,484
Bank balances and cash		**23,612**	38,695
		616,315	510,469
CURRENT LIABILITIES			
Trade, bills and other payables and accrued expenses	*13*	**145,261**	89,390
Contract liabilities		**182,609**	96,838
Tax payables		**1,816**	2,596
Amounts due to related parties	*14*	**5,610**	6,217
Borrowings — due within one year	*15*	**345,574**	418,290
Lease liabilities		**1,314**	1,313
		682,184	614,644
NET CURRENT LIABILITIES		**(65,869)**	(104,175)
TOTAL ASSETS LESS CURRENT LIABILITIES		**1,036,734**	931,679

	Notes	**30 June 2020** *RMB'000* **(Unaudited)**	31 December 2019 *RMB'000* (Audited)
NON-CURRENT LIABILITIES			
Borrowings — due more than one year	*15*	**493,850**	372,550
Lease liabilities		**3,090**	3,684
Deferred income		**19,800**	21,450
		516,740	397,684
NET ASSETS		**519,994**	533,995
CAPITAL AND RESERVES			
Share capital	*16*	**4,999**	4,999
Reserves		**514,995**	528,996
TOTAL EQUITY		**519,994**	533,995

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2020

1. BASIS OF PREPARATION

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

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 have given careful consideration to the future liquidity of the Group in light of the fact that the Group's current liabilities exceeded its current assets by RMB65,869,000 as at 30 June 2020 and had capital commitments contracted for but not provided in the condensed consolidated financial statements of RMB172,672,000 on the same date, of which RMB125,151,000 is due for payment in the next twelve months from 30 June 2020. The Group had also incurred a net cash outflow of RMB15,126,000 for the six months ended 30 June 2020.

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 2020, the Group had total financing facilities relating to borrowings amounted to approximately RMB793,913,000, of which approximately RMB687,909,000 had been utilised, and the unutilised financing facilities amounted to RMB106,004,000. In addition, based on the best estimation of the directors of the Company, all of the currently utilised financing facilities would be renewed upon expiry.

Mr. Xu and Mr. Luo also agreed to provide necessary financial support to enable the Group to meet its financial obligations as they fall due for a period of eighteen months from the date of approval of the condensed consolidated financial statements.

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

2. SIGNIFICANT EVENTS IN THE CURRENT INTERIM PERIOD

The outbreak of Covid-19 and the subsequent quarantine measures as well as the travel restrictions imposed by many countries have had negative impacts to the global economy and business environment which would directly and indirectly affect the operations of the Group. The operations of the Group's factories had been suspended for around two weeks and had resumed their operations in February 2020 due to mandatory government quarantine measures in an effort to contain the spread of the pandemic. The Group understands that its major suppliers and most of its customers have also resumed their operations. On the other hand, the Chinese government has announced some financial measures and supports for corporates to overcome the negative impact arising from the pandemic. In addition, during the current interim period, the Group has begun the trial production of the production line of the coupled pickling and tandem cold rolling mill in the new production plant. As such, the financial position and performance of the Group were affected in different aspects, including mainly decrease in revenue and increase in manufacturing costs (included in cost of sales) due to the temporary close-down of the Group's factories due to the Covid-19 pandemic.

3. 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 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 2020 are the same as those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2019.

Application of amendments to HKFRSs

In the current interim period, the Group has applied the Amendments to References to the Conceptual Framework in HKFRS Standards and the following amendments to HKFRSs issued by the HKICPA, for the first time, which are mandatorily effective for the annual period beginning on or after 1 January 2020 for the preparation of the Group's condensed consolidated financial statements:

Amendments to HKFRS 3	Definition of a Business
Amendments to HKAS 1 and HKAS 8	Definition of a Material
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	Interest Rate Benchmark Reform

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

Impacts of application on Amendments to HKAS 1 and HKAS 8 "Definition of Material"

The amendments provide a new definition of material that states "information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity." The amendments also clarify that materiality depends on the nature or magnitude of information, either individually or in combination with other information, in the context of the financial statements taken as a whole.

The application of the amendments in the current period had no impact on the condensed consolidated financial statements. Changes in presentation and disclosures on the application of the amendments, if any, will be reflected on the consolidated financial statements for the year ending 31 December 2020.

4. REVENUE AND SEGMENT INFORMATION

Operating segments are identified on the basis of internal reports about components of the Group that are regularly reviewed by the executive directors, Mr. Xu and Mr. Luo, being the chief operating decision maker (the "CODM"), in order to allocate resources to segments and to assess their performance. During the periods ended 30 June 2020 and 2019, the CODM assesses the operating performance and allocates the resources of the Group as a whole as the Group is primarily engaged in production and sales of cold-rolled steel products and galvanized steel products. Therefore, the management considers that the Group has one operating segment only. The Group mainly operates in the PRC and the Group's non-current assets are also located in the PRC.

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

	Six months ended 30 June	
	2020	2019
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Sales of cold-rolled steel products		
— steel strips and sheets	**628,770**	643,963
— welded steel tubes	**68,243**	92,401
Sales of galvanized steel products	**153,258**	108,184
Sales of hot-rolled steel products and others	**60,141**	82,801
	910,412	927,349

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	
	2020	2019
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
PRC	**907,971**	921,806
Southeast Asia	**2,441**	5,543
	910,412	927,349

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 2020 (six months ended 30 June 2019: nil (unaudited)).

5. FINANCE INCOME AND COSTS

	Six months ended 30 June	
	2020	2019
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Finance costs		
— Interest expense on borrowings, net of amounts capitalised in the cost of qualifying assets of RMB6,292,000 (six months ended 30 June 2019: RMB4,985,000)	**(14,341)**	(19,238)
— Interest expense on lease liabilities	**(100)**	(113)
	(14,441)	(19,351)
Finance income		
— Interest income from bank deposits	**1,341**	1,164
Finance costs, net	**(13,100)**	(18,187)

Borrowing costs capitalised during the six months ended 30 June 2020 arose on the general borrowing pool and are calculated by applying a capitalisation rate of 7.11% (six months ended 30 June 2019: 5.3%) per annum to expenditure on qualifying assets.

6. INCOME TAX (CREDIT) EXPENSES

	Six months ended 30 June	
	2020	2019
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Current tax charge:		
— PRC Enterprise Income Tax ("EIT")	**2,282**	3,347
Overprovision in prior year:		
— PRC EIT	**(1,736)**	(2,219)
Deferred tax (credit) charge	**(3,745)**	4,663
Income tax (credit) expenses for the period	**(3,199)**	5,791

7. (LOSS) PROFIT FOR THE PERIOD

	Six months ended 30 June	
	2020	2019
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
(Loss) profit for the period has been arrived at after charging (crediting):		
Directors' remuneration		
— fees	**340**	324
— other emoluments, salaries, allowances and other benefits	**739**	520
— retirement benefit scheme contributions	**51**	59
	1,130	903
Other staff salaries, allowances and other benefits	**32,678**	32,872
Retirement benefit scheme contributions, excluding those of directors	**1,617**	4,100
Total employee benefits expenses	**35,425**	37,875
Depreciation of property, plant and equipment	**29,402**	26,821
Less: amount capitalised as cost of inventories manufactured	**(25,286)**	(20,030)
	4,116	6,791
Depreciation of right-of-use assets	**1,967**	1,853
Cost of inventories recognised as an expense	**883,567**	870,938
Gain on disposal of property, plant and equipment	**(276)**	(717)

8. (LOSS) EARNINGS PER SHARE

The calculation of basic (loss) earnings per share attributable to the owners of the Company is based on the following data:

	Six months ended 30 June	
	2020	2019
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
(Loss) earnings:		
(Loss) profit for the period attributable to owners of the Company for the purpose of basic (loss) earnings per share	**(14,001)**	10,476
Number of shares:		
Weighted average number of ordinary shares for the purpose of basic (loss) earnings per share (in thousands)	**600,000**	600,000

No diluted (loss) earnings per share is presented for the six months ended 30 June 2020 and 30 June 2019 as the Group had no potential dilutive ordinary shares in issue during these periods.

9. DIVIDENDS

No dividend has been paid during the periods ended 30 June 2020 and 2019.

No interim dividend for the six-month period ended 30 June 2020 has been proposed since the end of the reporting period. (2019: an interim dividend of HK3.0 cents per share and a special interim dividend of HK10.0 cents per share amounting to HK$78,000,000 (equivalent to RMB70,340,000) in aggregate).

10. 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 RMB149,029,000 (unaudited) (six months ended 30 June 2019: RMB78,008,000 (unaudited)).

During the current interim period, the Group disposed of certain property, plant and equipment with an aggregate carrying amount of RMB5,678,000 (six months ended 30 June 2019: RMB1,000,000) for cash proceeds of RMB 5,954,000 (six months ended 30 June 2019: RMB1,717,000), resulting in a gain on disposal of RMB276,000 (six months ended 30 June 2019: RMB717,000).

During the period ended 30 June 2019, 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. No other additions of the Group's right-of-use assets for the periods ended 30 June 2020 and 2019.

Impairment assessment

Certain long-lived assets are related to the Group's business of sales of processed steel products and galvanized steel products, comprising certain property, plant and equipment, right-of-use assets other than leasehold lands and deposits paid for acquisition of property, plant and equipment (the "Identified Long-lived Assets"). Due to the suspension of certain of the Group's production and the changes in the current economic environment related to the Covid-19 pandemic during the current interim period, the Group is experiencing negative conditions including mainly decreased revenue that indicate that the Identified Long-lived Assets may be impaired. The Group performed impairment testing on these assets and concluded that no impairment loss of the Identified Long-lived Assets has been recognised in profit or loss for the period ended 30 June 2020 (six months ended 30 June 2019: nil).

11. TRADE, BILLS AND OTHER RECEIVABLES

	30.6.2020	31.12.2019
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Trade receivables from contracts with customers	**97,296**	102,912
Bills receivables	**18,545**	54,865
Prepayments to suppliers	**274,759**	134,926
Value-added tax recoverable	**26,457**	15,051
Other prepayments, deposits and other receivables	**14,677**	9,161
	431,734	316,915

No allowance of credit losses was provided for the six months ended 30 June 2020 and 30 June 2019.

For long-term customers with good credit quality and payment history, the Group allows credit periods of no longer than 90 days. For other customers, the Group demands for full settlement upon delivery of goods.

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

	30.6.2020	31.12.2019
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Trade receivables:		
Within 30 days	**89,153**	98,256
31–60 days	**5,271**	3,050
61–90 days	**771**	358
91–120 days	**460**	488
121–180 days	**643**	416
181–365 days	**761**	315
Over 1 year	**237**	29
	97,296	102,912
Bills receivables:		
Within 30 days	**5,501**	1,267
31–60 days	**–**	352
61–90 days	**1,237**	279
91–120 days	**3,800**	827
121–180 days	**6,649**	38,803
181–365 days	**1,358**	13,337
	18,545	54,865

As at 30 June 2020, included in the Group's bills receivables are amounts of RMB13,044,000 (unaudited) (31 December 2019: RMB 53,498,000 (audited)), 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 condensed consolidated statement of financial position. All the bills receivables are with a maturity period of less than one year.

	30.6.2020	31.12.2019
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Carrying amount of transferred asset	**13,044**	53,498
Carrying amount of associated liability	**(13,044)**	(53,498)
	–	–

During the year ended 31 December 2019, 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 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). No transaction between subsidiaries of the Company were settled by bank bills for the six-month period ended 30 June 2020.

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

As at 30 June 2020, the derivative financial instruments represent the outstanding future contracts of hot rolled coils with total notional amount of approximately RMB5,000 (unaudited) with maturity date in October 2020 which are publicly traded in futures exchange. Future contracts of hot rolled coils entered into during the year ended 31 December 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 2020 and 30 June 2019 were recognised in profit or loss.

13. TRADE, BILLS AND OTHER PAYABLES AND ACCRUED EXPENSES

	30.6.2020 ***RMB'000*** **(Unaudited)**	31.12.2019 *RMB'000* (Audited)
Trade payables	**39,196**	28,785
Bills payables	**10,000**	–
Accrued staff costs	**11,784**	6,599
Construction payables	**56,175**	26,147
Transportation fee payables	**3,308**	1,237
Other tax payables	**2,617**	720
Consideration payable for acquisition of additional interest in a subsidiary	**7,138**	10,138
Other payables and accrued expenses	**15,043**	15,764
	145,261	89,390

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:

	30.6.2020	31.12.2019
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Trade payables:		
Within 30 days	**21,228**	15,010
31–60 days	**1,716**	4,386
61–90 days	**6,218**	2,627
91–120 days	**3,556**	455
121–180 days	**944**	946
181–365 days	**1,501**	2,296
Over 1 year	**4,033**	3,065
	39,196	28,785
Bills payables:		
Within 30 days	**10,000**	–

14. AMOUNTS DUE TO RELATED PARTIES

	30.6.2020	31.12.2019
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Mr. Xu *(Note i)*	**1,470**	2,047
Jiangmen Jinyuan Metals Company Limited ("Jiangmen Jinyuan") *(Note ii)*	**4,140**	4,165
Hua Jin Holdings Pte Ltd ("Hua Jin Holdings") *(Note iii)*	**–**	5
	5,610	6,217

Notes:

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

(ii) Jiangmen Jinyuan is an associate of the Group. The amount is non-trade in nature, interest free, unsecured and repayable on demand.

(iii) This is an entity controlled by Mr. Xu. The entire balance as at 31 December 2019 is trade in nature, interest free, unsecured and repayment on demand. The full amount has been settled by the Group during the current period.

15. BORROWINGS

	30.6.2020 RMB'000 (Unaudited)	31.12.2019 RMB'000 (Audited)
Fixed-rate borrowings:		
Secured bank borrowings	**307,399**	352,100
Bank borrowings from factoring of bills receivables with full recourse *(note 11)*	**13,044**	125,844
Unsecured bank borrowings	**29,437**	29,437
Secured borrowings from entities established in the PRC and individuals independent with the Group	**45,305**	–
Unsecured borrowings from entities established in the PRC independent with the Group	**80,339**	50,459
	475,524	557,840
Variable-rate borrowings:		
Secured bank borrowings	**363,900**	233,000
	839,424	790,840
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	**345,574**	418,290
— more than one year, but not more than two years	**224,960**	190,900
— more than two years, but not more than five years	**160,510**	95,600
— more than five years	**108,380**	86,050
	839,424	790,840
Less: amounts due within one year shown under current liabilities	**(345,574)**	(418,290)
Amounts shown under non-current liabilities	**493,850**	372,550

The secured portion of the Group's borrowings are secured by certain assets of the Group as detailed in note 18. Certain of the Group's borrowings are also guaranteed personally by certain directors of the Company.

16. SHARE CAPITAL

	Number of shares	Share capital
		HK$'000
Ordinary shares of HK$0.01 each		
Authorised:		
At 1 January 2019, 31 December 2019 and 30 June 2020	8,000,000,000	80,000
Issued:		
At 1 January 2019 (audited), 31 December 2019 (audited) and 30 June 2020 (unaudited)	600,000,000	6,000

	30.6.2020	31.12.2019
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Shown in the condensed consolidated statement of financial position	**4,999**	4,999

17. CAPITAL COMMITMENTS

	30.6.2020	31.12.2019
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Capital expenditure contracted but not provided for in the condensed consolidated financial statements in respect of acquisition of property, plant and equipment	**172,672**	189,451

18. 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:

	30.6.2020	31.12.2019
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Property, plant and equipment	**716,927**	496,021
Right-of-use assets	**164,209**	168,972
Restricted bank and other deposits	**20,453**	72,484
	901,589	737,477

19. 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 in note 14.

(b) Related party transactions

The Group entered into the following transactions with related parties, during the reporting period:

Related party	Nature of transactions	Six months ended 30 June	
		2020	2019
		RMB'000	*RMB'000*
		(Unaudited)	(Unaudited)
江門市華志金屬製品有限公司 Jiangmen Huazhi Metal Product Company Limited ("Jiangmen Huazhi ") *(Note i)*	Interest expense on lease liabilities	**15**	23
Hua Jin Holdings *(Note ii)*	Interest expense on lease liabilities	**10**	–
	Short term lease expenditure	**–**	149

Notes:

(i) The Group entered into a lease agreement with Jiangmen Huazhi 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. During the current interim period, no repayment of lease payment has been made (six months ended 30 June 2019: nil). As at 30 June 2020, the carrying amounts of the right-of-use assets and the lease liabilities in relation to this lease are RMB467,000 and RMB655,000 respectively (31 December 2019: RMB623,000 and RMB640,000 respectively).

(ii) The Group entered into a lease agreement with Hua Jin Holdings with the remaining lease term of 7 months from 1 January 2019 for the use of office premise and furniture located in Tradehub 21, 8 Boon Lay Way, 609964 in District 22, Singapore. The Group is required to make fixed monthly payments. As at 30 June 2019, the Group made a lease modification of this existing lease by extending the lease term for another three year and recognised the lease liabilities of RMB898,000 and right-of-use assets of the same amount. During the current interim period, the Group has made repayment of the lease liability of RMB203,000. As at 30 June 2020, the carrying amounts of the right-of-use assets and the lease liabilities in relation to this lease are RMB607,000 and RMB667,000 respectively (31 December 2019: RMB767,000 and RMB876,000 respectively).

(iii) During the current interim period, the Group has disposed of certain property, plant and equipment with an aggregate carrying amount of RMB617,000 to Mr. Xu for consideration of the same amount. As at 30 June 2020, the amount has not yet been settled.

(c) Guarantees provided by related parties

Certain of the Group's borrowings are secured by guarantees provided by certain directors of the Company as at 30 June 2020 and 31 December 2019 as set out in note 15.

(d) Compensation of key management personnel

The remuneration of directors and other members of key management during the reporting period were as follows:

	Six months ended 30 June	
	2020	2019
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Directors' fees	**340**	324
Salaries, allowances and other benefits	**1,443**	1,406
Retirement benefit scheme contributions	**62**	75
	1,845	1,805

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 2020, the Group recorded revenue of approximately RMB910.4 million and a loss attributable to shareholders of approximately RMB14.0 million, representing a decrease of 1.8% and 233.6%, respectively, from the corresponding period in 2019.

The sales volume of processed steel products and galvanized steel products in aggregate was 208,299 tonnes in the first half of 2020, representing an increase of 10,892 tonnes or 5.5%, as compared to 197,407 tonnes in the first half of 2019. 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 46.1% (first half of 2019: 46.3%), and 28.5% (first half of 2019: 19.1%), respectively during the reporting period under review. The utilisation rate for the galvanized steel products was slightly improved during the reporting period under review. After three years of preparation, planning and construction for the Group's new production plant located at Gujing Town, Xinhui District, Jiangmen City, Guangdong Province, the PRC, the 950mm coupled pickling and tandem cold rolling mill (the "New Production Line") has begun the trial production and has completed production of its first qualified coil successfully on 6 June 2020. The Board anticipates that the New Production Line will begin to contribute to the Group's operating performance in commercial production in the second half of 2020.

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 2020, the Group incurred the addition of property, plant and equipment, and construction costs of approximately RMB149.0 million.

The capital commitments towards the acquisition of property, plant and equipment and land use rights, as at 30 June 2020, was approximately RMB172.7 million, which will be financed by the Group's internal resources and borrowings. 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

The Group primarily generates revenue from sales of processed steel products and galvanized steel products. The revenue slightly decreased to approximately RMB910.4 million for the first half of 2020, by approximately RMB16.9 million or 1.8%, as compared with that of approximately RMB927.3 million in the first half of 2019.

The sales volume of processed steel products slightly decreased to 172,689 tones in the first half of 2020, by 789 tonnes or 0.5%, as compared with that of 173,478 tonnes in the first half of 2019. The sales volume of galvanized steel products increased to 35,610 tonnes in the first half of 2020, by 11,681 tonnes or 48.8%, as compared with that of 23,929 tonnes in the first half of 2019. Thus, the sales volume of processed steel products and galvanized steel products in aggregate was 208,299 tonnes during the first half of 2020, representing an increase of 10,892 tonnes or 5.5%, as compared to 197,407 tonnes during the first half of 2019.

The decrease in revenue was mainly attributable to the decrease in the average selling price of the products and the drop in other sales. The average selling price of the processed steel products decreased to approximately RMB4,036 per tonne in the first half of 2020 as compared with that of approximately RMB4,245 per tonne in the first half of 2019. The average selling price of the galvanized steel products decreased to approximately RMB4,304 per tonne in the first half of 2020 as compared with that of approximately RMB4,521 per tonne in the first half of 2019. On average, the average selling price of the processed steel products and galvanized steel products decreased to approximately RMB4,082 per tonne in the first half of 2020 as compared with that of approximately RMB4,278 per tonne in the first half of 2019.

The domestic sales in the PRC market contributed over 99% (first half of 2019: 99%) of the revenue while the remaining portion was attributable to sales to our customers located in Southeast Asia.

Other revenue was primarily attributable to the sales of scrap steel residual in the manufacturing process to recycling agents and the provision of processing service to the customers. Such other revenue accounted for about 6.6% (first half of 2019: 8.9%) of the revenue during the first half of 2020.

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

	Six months ended 30 June			
	2020		2019	
	RMB'000	*%*	*RMB'000*	*%*
Sales of processed steel products	**697,013**	**76.6**	736,364	79.4
— processed steel strips and sheets	**628,770**	**69.1**	643,963	69.4
— welded steel tubes	**68,243**	**7.5**	92,401	10.0
Sales of galvanized steel products	**153,258**	**16.8**	108,184	11.7
Others	**60,141**	**6.6**	82,801	8.9
	910,412	**100.0**	927,349	100.0

Cost of sales

Our cost of sales increased to approximately RMB885.6 million in the first half of 2020, by approximately RMB14.7 million or 1.7%, as compared with that of approximately RMB870.9 million in the first half of 2019.

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

	Six months ended 30 June			
	2020		2019	
	RMB'000	*%*	*RMB'000*	*%*
Direct materials	**775,173**	**87.5**	761,274	87.4
Utilities	**44,822**	**5.1**	38,194	4.4
Depreciation expense	**25,286**	**2.9**	20,030	2.3
Direct labour	**18,319**	**2.1**	23,804	2.7
Consumables	**17,604**	**2.0**	21,001	2.4
Others	**4,359**	**0.4**	6,635	0.8
	885,563	**100.0**	870,938	100.0

Direct materials represented the cost of raw materials, primarily hot-rolled steel coils. The direct materials accounted for 87.5% (first half of 2019: 87.4%) of the cost of sales in the first half of 2020. The increase in direct materials was mainly attributable to the increase in raw material price and increase in the sales volume of 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 increased to approximately RMB44.8 million in the first half of 2020, by approximately RMB6.6 million or 17.3%, as compared with that of approximately RMB38.2 million in the first half of 2019. Such increase was mainly due to the increase in production activities during the reporting period under review.

Depreciation expense experienced an increase to approximately RMB25.3 million in the first half of 2020, by approximately RMB5.3 million or 26.5%, as compared with that of approximately RMB20.0 million in the first half of 2019. Such increase was mainly due to the increase in depreciation for property, plant and equipment during the reporting period under review.

Direct labour decreased to approximately RMB18.3 million in the first half of 2020, by approximately RMB5.5 million or 23.1%, as compared with that of approximately RMB23.8 million in the first half of 2019. The decrease in direct labour was mainly due to (a) production halt of the Group's factories for around two weeks due to the Chinese New Year holidays and compliance with the local government's preventive policies, (b) a number of our workers, subject to mandatory quarantine by the local government, resumed work gradually, and (c) basic wages were paid to certain newly employed workers during the reporting period under review.

Consumables consisted of machinery spare parts and supplies consumed in the production process. Consumables also decreased to approximately RMB17.6 million in the first half of 2020, by approximately RMB3.4 million or 16.2%, as compared with that of approximately RMB21.0 million in the first half of 2019. Such decrease was mainly attributable to the drop in the consumption of consumables in the production process during the reporting period under review.

Other costs primarily comprised other taxes and surcharges, and other direct cost consumed during the production process.

Gross profit

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) of the Group's processed steel products and galvanized steel products and the drop in other sales, the Group recorded a gross profit of approximately RMB24.8 million in the first half of 2020, representing a decrease of approximately RMB31.6 million or 56.0%, as compared with that of approximately RMB56.4 million in the first half of 2019, and a gross profit margin of 2.7%, representing a decrease of approximately 3.4 percentage points as compared with that of 6.1% in the corresponding period in 2019.

Other income, other gains and losses

Other income, other gains and losses decreased to approximately RMB2.3 million in the first half of 2020, by approximately RMB2.1 million or 47.7%, as compared with that of approximately RMB4.4 million in the first half of 2019.

Selling expenses

The selling expenses increased to approximately RMB11.2 million in the first half of 2020, by approximately RMB2.7 million or 31.8%, as compared with that of approximately RMB8.5 million in the first half of 2019. The increase in selling expenses during the reporting period under review was mainly attributable to the increase in delivery costs and other selling related expenses.

Administrative expenses

The administrative expenses slightly decreased to approximately RMB18.1 million in the first half of 2020, by approximately RMB1.5 million or 7.7%, as compared with that of approximately RMB19.6 million in the first half of 2019.

Investment (loss) gain

Investment loss was approximately RMB1.9 million in the first half of 2020 when compared with investment gain of approximately RMB1.7 million in the first half of 2019. Such investment loss during the reporting period under review was primarily due to the net realised loss on derivative financial instruments in relation to the commodity futures contracts amounting to approximately RMB1.9 million.

Finance costs

The finance costs comprised interest expenses on borrowings which were charged at interest rates ranging from 1.00% to 7.1% (first half of 2019: 4.35% to 8.05%) per annum in the first half of 2020. Finance costs decreased to approximately RMB14.4 million in the first half of 2020, by approximately RMB5.0 million or 25.8%, as compared with that of approximately RMB19.4 million in the first half of 2019. Such decrease was primarily resulted from the decrease in factoring cost during the reporting period under review.

Income tax expenses

Income tax credit was approximately RMB3.2 million during the first half of 2020 while there were income tax expenses of approximately RMB5.8 million during the first half of 2019. The changes was mainly attributable to the recognition of unutilised tax losses of approximately RMB4.2 million as deferred tax assets in one of the Group's principal subsidiary in the PRC during the first half of 2020.

Profit for the period

The Group's EBITDA decreased to approximately RMB28.6 million in the first half of 2020, by approximately RMB34.5 million or 54.7%, as compared with that of approximately RMB63.1 million in the first half of 2019. Such decrease reflected the drop in the operating cash flow from our business during the reporting period under review.

The loss attributable to shareholders of the Company decreased to approximately RMB14.0 million in the first half of 2020 when compared with the profit attributable to shareholders of the Company of approximately RMB10.5 million in the first half of 2019.

Net loss margin was approximately 1.5% in the first half of 2020 when compared with net profit margin of approximately 1.1% in the first half of 2019.

Liquidity and financial resources

As at 30 June 2020, the Group's bank balances and cash decreased to approximately RMB23.6 million, by approximately RMB15.1 million or 39.0%, from approximately RMB38.7 million as at 31 December 2019. The Group's restricted bank and other deposits decreased to approximately RMB20.5 million as at 30 June 2020, by approximately RMB52.0 million or 71.7%, from approximately RMB72.5 million as at 31 December 2019.

As at 30 June 2020, the Group had the net current liabilities and the net assets of approximately RMB65.9 million (31 December 2019: RMB104.2 million) and approximately RMB520.0 million (31 December 2019: RMB534.0 million), respectively. As at 30 June 2020, the current ratio calculated based on current assets divided by current liabilities of the Group was 90.3% as compared with that of 83.1% as at 31 December 2019.

At 30 June 2020, the Group's total borrowings amounted to approximately RMB839.4 million (31 December 2019: RMB790.8 million) and total equity amounted to approximately RMB520.0 million (31 December 2019: RMB534.0 million). The gearing ratio of the Group, calculated based on total borrowings divided by total equity, was approximately 1.61 times (31 December 2019: 1.48 times) as at 30 June 2020.

As at 30 June 2020, the Group had total financing facilities amounted to approximately RMB793.9 million (31 December 2019: RMB701.0 million), of which approximately RMB687.9 million (31 December 2019: RMB575.3 million) had been utilised. As at 30 June 2020, certain of the Group's borrowings, which were secured by certain assets of the Group, were also secured by personal guarantees from Mr. Xu Songqing, Mr. Luo Canwen and Mr. Chen Chunniu respectively. Mr. Xu and Mr. Luo also agreed to provide necessary financial support to enable the Group to meet its financial obligations as they fall due for a period of eighteen months from the date of approval of these condensed consolidated financial statements. 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 Renminbì ("RMB") and a portion of our revenue is derived from sales to overseas customers who settle in United States dollars ("USD"), we are exposed to risks associated with fluctuations in USD against RMB. In addition, we are exposed to foreign currency risk arising from certain bank balances which are denominated in USD, Hong Kong dollars and Singapore dollars. 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.

Capital structure

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

Capital commitment

Details of the capital commitment are set out in note 17 to the condensed consolidated financial statements.

Pledge of assets

Details of the pledge of assets are set out in note 18 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 2020 (31 December 2019: nil).

Employees

As at 30 June 2020, the Group had a total of 858 (31 December 2019: 845) full-time employees in mainland China, Hong Kong and Singapore. The Group's total staff costs (including Directors' remuneration) during the first half of 2020 amounted to approximately RMB35.4 million (first half of 2019: RMB37.9 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 2020.

PROSPECTS

The outbreak of Covid-19 and the subsequent quarantine measures as well as the travel restrictions imposed by many countries have had negative impacts to the global economy and business environment which would directly and indirectly affect the operations of the Group. The operations of the Group's factories in Jiangmen city, Guangdong Province, the PRC had been suspended for around two weeks and had resumed their operations in February 2020 due to mandatory government quarantine measures in an effort to contain the spread of the pandemic.

Despite the above, the 950mm coupled pickling and tandem cold rolling mill has begun its trial production in the Group's new production plant and has completed production of its first qualified coil successfully on 6 June 2020. The successful trial production of the New Production Line marks an important milestone for the Group. The Group's annual processing design capacity for cold rolling processes is expected to increase from the existing 750,000 tonnes to 1,350,000 tonnes when the New Production Line will be commencing commercial production in the second half of 2020. Based on the preliminary assessment by the Group's management, the sales volume of processed steel products and galvanized steel products in aggregate amounting to approximately 67,000 tonnes, representing an increase of approximately 93% as compared with the average monthly sales volume of approximately 34,700 tonnes in the first half of 2020, was completed and recognized in the month of July 2020. As at 31 July 2020, the Group's total backlog on sales orders for processed steel products and galvanized steel products in aggregate amounted to approximately 83,900 tonnes.

Notwithstanding the loss incurred by the Group during the first half of 2020, the Board anticipates that the New Production Line will begin to contribute to the Group's operating performance in commercial production in the second half of 2020. Based on the preliminary assessment of the Group's unaudited consolidated management accounts for the seven months ended 31 July 2020, which has not been reviewed by the audit committee or the independent auditors of the Company, the Group's operation was back to profit. The Board anticipates that the Group's operating performance in the second half of 2020 will improve significantly when compared to the first half of 2020. The Board is optimistic that the Group's operating results will achieve better performance for the financial year ending 31 December 2020. The Group will continue to maintain its leading position in the cold rolled carbon steel processors in Guangdong Province in terms of annual production volume. The New Production Line will enhance quality products and production efficiency of the Group thereby providing a solid foundation for the entrenchment of the Company's long term competitive advantage.

INTERIM DIVIDEND

The Directors do not recommend the payment of an interim dividend for the six months ended 30 June 2020 (six months ended 30 June 2019: interim dividend of HK3 cents and special interim dividend of HK10 cents per Share).

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

Neither the Company nor any of its subsidiaries purchased, redeemed or sold any of the Company's shares during the six months ended 30 June 2020.

ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURES

At no time during the six months ended 30 June 2020 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 2020, 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 an initial term of three years. All the independent non-executive Directors 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 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 2020.

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 2020 and up to the date of this announcement.

REVIEW OF FINANCIAL STATEMENTS

The audit committee of the Company (the "Audit Committee") has reviewed the Group's unaudited condensed consolidated financial statements for the six months ended 30 June 2020 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 2020.

PUBLICATION OF INTERIM REPORT

The Company's interim report for the six months ended 30 June 2020 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, 27 August 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.