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)

ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2020

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 consolidated results of the Group for the year ended 31 December 2020, together with the comparative figures for the year ended 31 December 2019, which have been prepared in accordance with the Hong Kong Financial Reporting Standards ("HKFRSs") as below.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
For year ended 31 December 2020

	NOTES	**2020** *RMB'000*	2019 *RMB'000*
Revenue	*4*	**2,847,751**	2,162,605
Cost of sales		**(2,697,434)**	(2,048,064)
Gross profit		**150,317**	114,541
Other income, other gains and losses	*5*	**2,089**	13,978
Selling expenses		**(35,735)**	(27,407)
Administrative expenses		**(41,118)**	(38,096)
Share of loss of an associate		**(78)**	(40)
Profit before investment income and gain, net finance costs and taxation		**75,475**	62,976
Investment (loss) gain		**(2,155)**	2,059
Finance income	*6*	**1,690**	3,295
Finance costs	*6*	**(34,759)**	(42,654)
Finance costs, net	*6*	**(33,069)**	(39,359)
Profit before taxation		**40,251**	25,676
Income tax expense	*7*	**(3,833)**	(7,296)
Profit and total comprehensive income for the year attributable to owners of the Company		**36,418**	18,380
Earnings per share for profit attributable to owners of the Company,			
— Basic *(RMB cents)*	*10*	**6.07**	3.06

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2020

	NOTES	2020 RMB'000	2019 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment		**964,478**	741,458
Right-of-use assets		**168,419**	173,803
Interests in an associate		**–**	6,130
Deposits paid for acquisition of property, plant and equipment		**78,523**	109,100
Deferred tax assets		**5,407**	5,363
		1,216,827	1,035,854
CURRENT ASSETS			
Inventories		**224,117**	81,460
Trade, bills and other receivables	*11*	**500,898**	316,915
Derivative financial instruments at fair value through profit or loss		**–**	–
Tax recoverable		**4,490**	915
Restricted bank deposits		**50,871**	72,484
Bank balances and cash		**46,236**	38,695
		826,612	510,469
CURRENT LIABILITIES			
Trade, bills and other payables and accrued expenses	*12*	**351,533**	89,390
Contract liabilities	*13*	**135,036**	96,838
Tax payables		**5,103**	2,596
Amounts due to related parties	*14*	**–**	6,217
Borrowings — due within one year	*15*	**645,071**	418,290
Lease liabilities		**480**	1,313
		1,137,223	614,644
NET CURRENT LIABILITIES		**(310,611)**	(104,175)
TOTAL ASSETS LESS CURRENT LIABILITIES		**906,216**	931,679
NON-CURRENT LIABILITIES			
Borrowings — due more than one year	*15*	**314,809**	372,550
Lease liabilities		**2,844**	3,684
Deferred income		**18,150**	21,450
		335,803	397,684
NET ASSETS		**570,413**	533,995
CAPITAL AND RESERVES			
Share capital		**4,999**	4,999
Reserves		**565,414**	528,996
TOTAL EQUITY		**570,413**	533,995

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

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 CONSOLIDATED STATEMENTS

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). For the purpose of preparation of the consolidated financial statements, information is considered material if such information is reasonably expected to influence decisions made by primary users. 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 ("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 RMB310,611,000 as at 31 December 2020 and had capital commitments contracted for but not provided in the consolidated financial statements of RMB108,379,000 on the same date, of which RMB75,566,000 is due for payment in the next twelve months from 31 December 2020. The Group had incurred a net cash inflow of RMB7,589,000 and net operating cash inflow of RMB94,143,000 for the year ended 31 December 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 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 31 December 2020, the Group had total financing facilities relating to borrowings amounted to approximately RMB845,300,000, of which approximately RMB757,650,000 had been utilised, and the unutilised financing facilities amounted to RMB87,650,000. 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 fifteen months from the date of approval of these 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 consolidated financial statements on a going concern basis.

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

Amendments to HKFRSs that are mandatorily effective for the current year

In the current year, the Group has applied the Amendments to References to the Conceptual Framework in HKFRS Standards and the following amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants ("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 consolidated financial statements:

Amendments to HKAS 1 and HKAS 8	Definition of Material
Amendments to HKFRS 3	Definition of a Business
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 year had no material impact on the Group's financial positions and performance for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

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

The Group has applied the Amendments to HKAS 1 and HKAS 8 for the first time in the current year. 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 year had no impact on the consolidated financial statements.

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 and the related Amendments[1]
Amendment to HKFRS 16	COVID-19-Related Rent Concessions[4]
Amendments to HKFRS 3	Reference to the Conceptual Framework[2]
Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16	Interest Rate Benchmark Reform — Phase 2[5]
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	Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020)[1]
Amendments to HKFRS 16	Property, Plant and Equipment — Proceeds before Intended Use[2]
Amendments to HKAS 37	Onerous Contracts — Cost of Fulfilling a Contract[2]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2018–2020[2]

1 Effective for annual periods beginning on or after 1 January 2023.
2 Effective for annual periods beginning on or after 1 January 2022.
3 Effective for annual periods beginning on or after a date to be determined.
4 Effective for annual periods beginning on or after 1 June 2020.
5 Effective for annual periods beginning on or after 1 January 2021.

Except for the amendments to HKFRSs mentioned below, the directors of the Company anticipate that the application of all other new and amendments to HKFRSs will have no material impact on the consolidated financial statements in the foreseeable future.

Amendments to HKAS 1 Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020)

The amendments provide clarification and additional guidance on the assessment of right to defer settlement for at least twelve months from reporting date for classification of liabilities as current or non-current, which:

- specify that the classification of liabilities as current or non-current should be based on rights that are in existence at the end of the reporting period. Specifically, the amendments clarify that:

  (i) the classification should not be affected by management intentions or expectations to settle the liability within 12 months; and

  (ii) if the right is conditional on the compliance with covenants, the right exists if the conditions are met at the end of the reporting period, even if the lender does not test compliance until a later date.

- clarify that if a liability has terms that could, at the option of the counterparty, result in its settlement by the transfer of the entity's own equity instruments, these terms do not affect its classification as current or non-current only if the entity recognises the option separately as an equity instrument applying HKAS 32 Financial Instruments: Presentation.

In addition, Hong Kong Interpretation 5 was revised as a consequence of the Amendments to HKAS 1 to align the corresponding wordings with no change in conclusion.

Based on the Group's outstanding liabilities as at 31 December 2020, the application of the amendments will not result in reclassification of the Group's liabilities.

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 years ended 31 December 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 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:

	2020	2019
	RMB'000	*RMB'000*
Sales of cold-rolled steel products		
— steel strips and sheets	**2,056,133**	1,538,278
— welded steel tubes	**174,674**	187,503
Sales of galvanized steel products	**364,838**	326,872
Sales of hot-rolled steel products and others	**252,106**	109,952
	2,847,751	2,162,605

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:

	2020	2019
	RMB'000	*RMB'000*
PRC	**2,841,430**	2,151,849
Southeast Asia	**6,321**	10,756
	2,847,751	2,162,605

No revenue from any customer of the Group contributed to over 10% of the total revenue of the Group for the years ended 31 December 2020 and 2019.

5. OTHER INCOME, OTHER GAINS AND LOSSES

	2020	2019
	RMB'000	*RMB'000*
Government grants *(Notes i and ii)*	**4,193**	5,586
Gain on disposal of an associate *(note 16)*	**1,448**	–
(Loss)/gain on disposal of property, plant and equipment	**(594)**	754
Write-off of property, plant and equipment	**(2,323)**	–
Impairment losses of property, plant and equipment	**(765)**	–
Impairment losses of trade receivables under ECL model	**(388)**	–
Net foreign exchange loss	**(23)**	(1,231)
Gain on disposal of a subsidiary *(note 17)*	**–**	7,845
Others	**541**	1,024
	2,089	13,978

Notes:

(i) Incentives received from the PRC local authorities by the Group as encouragement of its business development amounting to RMB893,000 (2019: RMB2,286,000) are recognised in the profit or loss for the year ended 31 December 2020 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 (2019: RMB3,300,000) has been recognised in the profit or loss for the year ended 31 December 2020.

6. FINANCE INCOME AND COSTS

	2020	2019
	RMB'000	*RMB'000*
Finance costs		
— Interest expense on borrowings, net of amounts capitalised in the cost of qualifying assets of RMB11,037,000 (2019: RMB10,437,000)	**(34,553)**	(42,426)
— Interest expense on lease liabilities	**(206)**	(228)
	(34,759)	(42,654)
Finance income:		
— Interest income from bank deposits	**1,690**	3,295
Finance costs, net	**(33,069)**	(39,359)

Borrowing costs capitalised during the year ended 31 December 2020 arose on the general borrowing pool and are calculated by applying a capitalisation rate of 7.11% (2019: 6.0%) per annum to expenditure on qualifying assets.

7. INCOME TAX EXPENSE

	2020	2019
	RMB'000	*RMB'000*
Current tax charge:		
— PRC Enterprise Income Tax ("EIT")	**5,612**	4,437
— PRC withholding income tax	**–**	4,253
	5,612	8,690
Overprovision in prior years:		
— PRC EIT	**(1,735)**	(2,219)
Deferred tax (credit) charge	**(44)**	825
Income tax expense for the year	**3,833**	7,296

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:

	2020	2019
	RMB'000	*RMB'000*
Profit before taxation	**40,251**	25,676
Tax at the EIT rate of 25% (2019: 25%)	**10,063**	6,419
Tax effect of expenses not deductible for tax purpose	**939**	1,451
Tax effect of tax losses not recognised	**1,290**	222
Withholding tax on earnings of subsidiaries	**–**	4,253
Income tax at concessionary rate	**(4,745)**	(3,560)
Effect of super deduction of research and development cost	**(2,317)**	–
Effect of different tax rates of subsidiaries operating in other jurisdictions	**338**	730
Overprovision in prior years	**(1,735)**	(2,219)
Income tax expense for the year	**3,833**	7,296

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit for both years.

Singapore corporate tax is calculated at 17% 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 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 AND TOTAL COMPREHENSIVE INCOME FOR THE YEAR

	2020 ***RMB'000***	2019 *RMB'000*
Profit and total comprehensive income for the year has been arrived at after charging (crediting):		
Directors' remuneration		
— fees	**670**	660
— other emoluments, salaries, allowances and other benefits	**1,287**	1,091
— retirement benefit scheme contributions	**74**	74
	2,031	1,825
Staff salaries, allowances and other benefits	**78,558**	65,537
Retirement benefit scheme contributions, excluding those of directors *(Note)*	**2,152**	7,846
Total employee benefit expenses	**82,741**	75,208
Auditor's remuneration		
— audit services	**2,245**	1,743
— non-audit services	**863**	777
Depreciation of property, plant and equipment	**67,624**	57,192
Less: amount capitalised as cost of inventories manufactured	**(64,126)**	(54,631)
	3,498	2,561
Depreciation of right-of-use assets	**3,999**	3,916
Cost of inventories recognised as an expense	**2,695,437**	2,048,064

Note: For the year ended 31 December 2020, payment of certain retirement benefit scheme contributions for employees due to COVID-19 has been waived.

9. DIVIDENDS

Dividends recognised as distribution during the year:

	2020	2019
	RMB'000	*RMB'000*
2019 interim dividend of HK3.0 cents per share	**–**	16,232
2019 special interim dividend of HK10.0 cents per share	**–**	54,108
	–	70,340

At a meeting held on 21 January 2021, the Board of Directors has resolved to declare a special interim dividend of HK9.8 cents per ordinary share, in an aggregate amount of HK$58,800,000 (2019: nil). No final dividend has been proposed for the year ended 31 December 2020 since the end of the reporting period (2019: nil).

10. EARNINGS PER SHARE

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

	2020	2019
	RMB'000	*RMB'000*
Earnings:		
Profit for the year attributable to owners of the Company for the purpose of basic earnings per share	**36,418**	18,380

	2020	2019
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 2020 and 2019 as the Group had no potential ordinary shares in issue during both years.

11. TRADE, BILLS AND OTHER RECEIVABLES

	2020	2019
	RMB'000	*RMB'000*
Trade receivables from contracts with customers	**126,953**	102,912
Less: Allowance for credit losses	**(388)**	–
	126,565	102,912
Bills receivables	**160,276**	54,865
Prepayments to suppliers	**172,263**	134,926
Value-added tax recoverable	**31,293**	15,051
Other prepayments, deposits and other receivables	**10,501**	9,161
	500,898	316,915

As at 1 January 2019, trade receivables from contracts with customers amounted to RMB189,756,000.

For long-term customers with good credit quality and payment history, the Group may allow credit periods of up to 90 days (2019: 90 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, net of allowance for credit losses, presented based on the invoice dates and bills receipt dates respectively at the end of each reporting period:

	2020	2019
	RMB'000	*RMB'000*
Trade receivables:		
Within 30 days	**120,690**	98,256
31 – 60 days	**5,114**	3,050
61 – 90 days	**135**	358
91 – 120 days	**21**	488
121 – 180 days	**501**	416
181 – 365 days	**43**	315
Over 1 year	**61**	29
	126,565	102,912
Bills receivables:		
Within 30 days	**48,888**	1,267
31 – 60 days	**29,099**	352
61 – 90 days	**40,013**	279
91 – 120 days	**9,873**	827
121 – 180 days	**32,403**	38,803
181 – 365 days	**–**	13,337
	160,276	54,865

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 2020, included in the Group's trade receivables balance are debtors with aggregate carrying amount of RMB626,000 (2019: RMB1,248,000) which are past due as at the reporting date. Out of the past due balances, RMB21,000 (2019: 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 RMB158,458,000 (2019: RMB53,498,000), as at 31 December 2020 being the discounted bills receivables transferred to certain banks and suppliers with full recourse. If the issuing banks of bills receivables default payment on maturity, the banks have the right of recourse to request the Group to pay the unsettled balance. As the Group has not transferred substantially all the risks and rewards relating to these bills receivables, it continues to recognise the full carrying amount of the bills receivables and the corresponding amounts in bank borrowings from factoring of bills receivables with full recourse (note 15) and trade payables. These bills receivables are carried at amortised cost in the consolidated statement of financial position. All the bills receivables are with a maturity period of less than one year.

As at 31 December 2020 and 2019, the Group does not hold any collateral as security over these balances.

	2020	2019
	RMB'000	*RMB'000*
Carrying amount of transferred asset	**158,458**	53,498
Carrying amount of associated liability	**(158,458)**	(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 (2020: nil). 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 (2020: 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 had recognised the cash received on the transfer of the bills receivables as bank borrowings from factoring of trade receivables with full recourse.

12. TRADE, BILLS AND OTHER PAYABLES AND ACCRUED EXPENSES

	2020	2019
	RMB'000	*RMB'000*
Trade payables	**182,340**	28,785
Bills payables	**60,003**	–
Accrued staff costs	**9,972**	6,599
Construction payables	**60,366**	26,147
Transportation fees payable	**7,138**	1,237
Other tax payables	**6,606**	720
Consideration payable for acquisition of additional interest in a subsidiary	**–**	10,138
Other payables and accrued expenses	**25,108**	15,764
	351,533	89,390

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

	2020	2019
	RMB'000	*RMB'000*
Trade payables:		
Within 30 days	**69,943**	15,010
31 – 60 days	**30,881**	4,386
61 – 90 days	**22,598**	2,627
91 – 120 days	**15,659**	455
121 – 180 days	**36,763**	946
181 – 365 days	**3,732**	2,296
Over 1 year	**2,764**	3,065
	182,340	28,785
Bills payables:		
Within 30 days	**14,103**	–
61 – 90 days	**10,500**	–
121 – 180 days	**35,400**	–
	60,003	–

The average credit period granted by suppliers on purchase of goods is no longer than 30 (2019: 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

	2020	2019
	RMB'000	*RMB'000*
Sales of processed steel products and galvanized steel products and analysed for reporting purpose as current liabilities	**135,036**	96,838

As at 1 January 2019, contract liabilities amounted to RMB66,589,000.

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 2020 and 2019 have been recognised as revenue during the respective reporting periods.

14. AMOUNTS DUE TO RELATED PARTIES

	2020	2019
	RMB'000	*RMB'000*
Mr. Xu *(Note i)*	**–**	2,047
Jiangmen Jinyuan *(Note ii)*	**–**	4,165
Hua Jin Holdings Pte Ltd ("Hua Jin Holdings") *(Note iii)*	**–**	5
	–	6,217

Notes:

(i) The amount was non-trade in nature, interest free and unsecured and repayable within twelve months from 31 December 2019.

(ii) The amount was non-trade in nature, interest free, unsecured and repayment on demand.

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

15. BORROWINGS

	2020	2019
	RMB'000	*RMB'000*
Fixed-rate borrowings:		
Secured bank borrowings	**660,549**	352,100
Bank borrowings from factoring of bills receivables with full recourse *(note 11)*	**66,043**	125,844
Unsecured bank borrowings	**29,050**	29,437
Secured borrowings from entities established in the PRC and individuals independent with the Group	**63,528**	–
Unsecured borrowings from entities established in the PRC independent with the Group	**82,660**	50,459
	901,830	557,840
Variable-rate borrowings:		
Secured bank borrowings	**58,050**	233,000
	959,880	790,840
The carrying amounts of the above bank borrowings are repayable based on the scheduled repayment dates set out in the loan agreements as		
— within one year	**608,953**	412,831
— more than one year, but not more than two years	**6,523**	190,900
— more than two years, but not more than five years	**93,320**	50,600
— more than five years	**104,896**	86,050
	813,692	740,381
Less: amount due within one year shown under current liabilities	**(608,953)**	(412,831)
Amount shown under non-current liabilities	**204,739**	327,550
The carrying amounts of the above other borrowings are repayable based on the scheduled repayment dates set out in the loan agreements as		
— within one year	**36,118**	5,459
— more than one year, but not more than two years	**110,070**	–
— more than two years, but not more than five years	**–**	45,000
	146,188	50,549
Less: amount due within one year shown under current liabilities	**(36,118)**	(5,459)
Amount shown under non-current liabilities	**110,070**	45,000

The ranges of effective interest rates on the Group's borrowings are as follows:

	2020	2019
Fixed-rate borrowings	**1.00% to 9.6%**	1.00% to 11.00%
Variable-rate borrowings	**4.35% to 7.11%**	4.35% to 7.11%

The secured portion of the Group's borrowings are secured by certain assets of the Group as detailed in note 19. Certain of the Group's borrowings are also guaranteed personally by certain directors of the Company.

16. DISPOSAL OF AN ASSOCIATE

On 7 September 2020, the Group completed the disposal of entire 20% equity interest in Jiangmen Jinyuan, an inactive associate of the Group, for a total cash consideration of RMB7,500,000 to an independent third party and a gain on disposal of RMB1,448,000 was resulted. Upon completion of the disposal, the Group has lost significant influence over Jiangmen Jinyuan, which ceased to be an associate of the Group.

17. 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 had lost control of Jiangmen Jinyuan, which ceased to be a subsidiary of the Group. The Group's remaining 20% equity interest of Jiangmen Jinyuan was accounted for as interests in an associate as the directors of the Company considered the Group has significant influence over the investee. During the current year, the remaining 20% equity interest in Jiangmen Jinyuan has been disposed (Further details of the disposal are set out in note 16).

	RMB'000
Analysis of assets and liabilities of Jiangmen Jinyuan over which control was lost during the last year:	
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	7,845
Net cash inflow arose from 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 2019 prior to the disposal of it as a subsidiary was insignificant.

18. CAPITAL COMMITMENTS

	2020	2019
	RMB'000	*RMB'000*
Capital expenditure contracted but not provided for in the consolidated financial statements in respect of acquisition of property, plant and equipment	**108,379**	189,451

19. 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:

	2020	2019
	RMB'000	*RMB'000*
Property, plant and equipment	**747,871**	496,021
Right-of-use assets	**162,624**	168,972
Restricted bank deposits	**50,871**	72,484
	961,366	737,477

Furthermore, bills receivables issued by third parties with full 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 2020, the Group recorded revenue of RMB2,847.8 million and a profit attributable to shareholders of RMB36.4 million, representing an increase of 31.7% and 97.8%, respectively, from the corresponding period in 2019.

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 completed production of its first qualified coil successfully on 6 June 2020. The New Production Line began to contribute to the Group's operating performance in commercial production in the second half of 2020.

Our sales volume of processed steel products and galvanized steel products in aggregate was 618,787 tonnes for the year ended 31 December 2020, representing an increase of 147,485 tonnes or 31.3%, as compared to 471,302 tonnes for the year ended 31 December 2019. The annual processing capacity of our cold-rolling process and zinc coating process was approximately 750,000 tonnes and 250,000 tonnes respectively.

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 2020, the Group acquired property, plant and equipment and incurred construction costs of approximately RMB300.2 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 commenced its commercial productions in the second quarter of 2020.

The net current liabilities position as at 31 December 2020 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 2020, was approximately HK$108.4 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.

Having considered the business, financial and cash flow position of the Company and the Group, on 21 January 2021, the Board had resolved to declare a special interim dividend of HK$0.098 per ordinary share of the Company, in an aggregate amount of HK$58,800,000. The Board does not recommend the payment of a final dividend for the year ended 31 December 2020.

FINANCIAL REVIEW

Revenue

Our Group primarily generates revenue from the sales of processed steel products and galvanized steel products. Our revenue increased to approximately RMB2,847.8 million for the year ended 31 December 2020, by approximately RMB685.2 million or 31.7%, as compared with that of approximately RMB2,162.6 million for the year ended 31 December 2019.

Our sales volume of processed steel products increased to 536,912 tonnes for the year ended 31 December 2020, by 140,782 tonne or 35.5%, as compared with that of 396,130 tonnes for the year ended 31 December 2019. Our sales volume of galvanized steel products increased to 81,875 tonnes for the year ended 31 December 2020, by 6,703 tonnes or 8.9%, as compared with that of 75,172 tonnes for the year ended 31 December 2019. Thus, our sales volume of processed steel products and galvanized steel products in aggregate was 618,787 tonnes for the year ended 31 December 2020, representing an increase of 147,485 tonnes or 31.3%, as compared to 471,302 tonnes for the year ended 31 December 2019.

The increase in revenue was mainly attributable to the decrease in the average selling price and the increase in the sales volume of our products. The average selling price of our processed steel products decreased to RMB4,155 per tonne for the year ended 31 December 2020 as compared with that of RMB4,357 per tonne for the year ended 31 December 2019. The average selling price of our galvanized steel products increased to RMB4,456 per tonne for the year ended 31 December 2020 as compared with that of RMB4,348 per tonne for the year ended 31 December 2019. In summary, the average selling price of our processed steel products and galvanized steel products decreased to RMB4,195 per tonne for the year ended 31 December 2020 as compared with that of RMB4,355 per tonne for the year ended 31 December 2019.

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 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 8.9% of our revenue for the year ended 31 December 2020.

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

	Year ended 31 December			
	2020		2019	
	RMB'000	***%***	*RMB'000*	*%*
Sales of processed steel products	**2,230,807**	**78.3**	1,725,781	79.8
— processed steel strips and sheets	**2,056,133**	**72.2**	1,538,278	71.1
— welded steel tubes	**174,674**	**6.1**	187,503	8.7
Sales of galvanized steel products	**364,838**	**12.8**	326,872	15.1
Others	**252,106**	**8.9**	109,952	5.1
	2,847,751	**100.0**	2,162,605	100.0

Cost of sales

Our cost of sales increased to approximately RMB2,697.4 million for the year ended 31 December 2020, by approximately RMB649.3 million or 31.7%, as compared with that of approximately RMB2,048.1 million for the year ended 31 December 2019.

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

	Year ended 31 December			
	2020		2019	
	RMB'000	*%*	*RMB'000*	*%*
Direct materials	**2,420,866**	**89.7**	1,822,151	89.0
Utilities	**114,568**	**4.2**	82,979	4.0
Depreciation expense	**59,695**	**2.2**	54,631	2.7
Direct labour	**45,473**	**1.7**	44,132	2.2
Consumables	**50,333**	**1.9**	37,386	1.8
Others	**6,499**	**0.3**	6,785	0.3
	2,697,434	**100.0**	2,048,064	100.0

Direct materials represented the cost of raw materials, primarily hot-rolled steel coils. The direct materials accounted for over 89.7% of our cost of sales for the year ended 31 December 2020. The increase in direct materials was mainly attributable to the increase in the sales volume of processed steel products and galvanized steel products which was contributed by the commencement of operation of the new production plant in the second half of the year 2020.

Utilities related primarily to electricity, water, and natural gas consumed throughout our production process. Utilities expenses increased to approximately RMB114.6 million for the year ended 31 December 2020, by approximately RMB31.6 million or 38.1%, as compared with that of approximately RMB83.0 million for the year ended 31 December 2019. Such increase was mainly due to the increase in sales volume and production activities during the reporting period under review.

Depreciation expense experienced an increase to approximately RMB59.7 million for the year ended 31 December 2020, by approximately RMB5.1 million or 9.3%, as compared with that of approximately RMB54.6 million for the year ended 31 December 2019. Such increase was mainly due to the increase in depreciation for property, plant and equipment during the reporting period under review.

Our direct labour slightly increased to approximately RMB45.5 million for the year ended 31 December 2020, by approximately RMB1.4 million or 3.2%, as compared with that of approximately RMB44.1 million for the year ended 31 December 2019. Although the Group experienced the 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, our workers, subject to mandatory quarantine by the local government, resumed work gradually and the increase in our direct labour was in line with our increase in the sales volume of processed steel products and galvanized steel products contributed by the new production plant in the second half of the year 2020.

Consumables consisted of machinery spare parts and supplies consumed in the production process. Consumables increased to approximately RMB50.3 million for the year ended 31 December 2020, by approximately RMB12.9 million or 34.5%, as compared with that of approximately RMB37.4 million for the year ended 31 December 2019. Such increase was mainly attributable to the increased production activity for processed steel products and galvanized steel products during the reporting period under review.

Other costs primarily comprised other taxes and surcharges expenses.

Gross profit

Due to the decrease 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 increase in sales volume and other sales, the Group recorded a gross profit of approximately RMB150.3 million for the year ended 31 December 2020, representing an increase of approximately RMB35.8 million or 31.3%, as compared with that of approximately RMB114.5 million for the year ended 31 December 2019, and a gross profit margin of 5.3%, representing the same of 5.3% in the corresponding period in 2019.

The following table sets out the sale volume, average selling price of our products, average cost of direct materials used, and the difference between the average selling price and the average cost of direct materials used for the periods indicated:

	Year ended 31 December	
	2020	2019
Sales volume of processed steel products	**536,912 tonnes**	396,130 tonnes
— processed steel strips and sheets	**498,002 tonnes**	353,843 tonnes
— welded steel tubes	**38,910 tonnes**	42,287 tonnes
Sales volume of galvanized steel products	**81,875 tonnes**	75,172 tonnes
	618,787 tonnes	471,302 tonnes
Average selling price (per tonne)		
— processed steel products	**RMB4,155**	RMB4,357
— galvanized steel products	**RMB4,456**	RMB4,348
— processed steel products and galvanized steel products	**RMB4,195**	RMB4,355
Average cost of direct materials used (per tonne)	**RMB3,912**	RMB3,866
Difference (per tonne) between average selling price and average cost of direct materials used		
— processed steel products	**RMB243**	RMB491
— galvanized steel products	**RMB544**	RMB482
— processed steel products and galvanized steel products	**RMB283**	RMB489

Other income, other gains and losses

Other income, other gains and losses decreased to approximately RMB2.1 million for the year ended 31 December 2020, by approximately RMB11.9 million or 85.0%, as compared with that of approximately RMB14.0 million for the year ended 31 December 2019.

Selling expenses

Our selling expenses increased to approximately RMB35.7 million for the year ended 31 December 2020, by approximately RMB8.3 million or 30.3%, as compared with that of approximately RMB27.4 million for the year ended 31 December 2019. The increase in selling expenses during the reporting period under review was mainly attributable to the increase in salary, delivery costs and other selling related expenses.

Administrative expenses

Our administrative expenses increased to approximately RMB41.1 million for the year ended 31 December 2020, by approximately RMB3.0 million or 7.9%, as compared with that of approximately RMB38.1 million for the year ended 31 December 2019.

Investment (loss) gain

Our investment loss was approximately RMB2.2 million for the year ended 31 December 2020 when compared with investment gain of approximately RMB2.1 million for the year ended 31 December 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.

Finance costs

The finance costs comprised interest expenses on borrowings which were charged at interest rates ranging from 1.00% to 9.6% (2019: 1.00% to 11.00%) per annum for the year ended 31 December 2020. Finance costs decreased to approximately RMB34.8 million for the year ended 31 December 2020, by approximately RMB7.9 million or 18.5%, as compared with that of approximately RMB42.7 million for the year ended 31 December 2019. Such decrease was primarily resulted from the decrease in factoring cost during the reporting period under review.

Income tax expenses

Income tax expenses decreased to approximately RMB3.8 million for the year ended 31 December 2020, by approximately RMB3.5 million or 47.9%, as compared with that of approximately RMB7.3 million for the year ended 31 December 2019. Such decrease was mainly attributable to the decrease in PRC withholding income tax during the reporting period under review.

Profit for the year

Our profit attributable to shareholders of the Company increased to approximately RMB36.4 million for the year ended 31 December 2020, by approximately RMB18.0 million or 97.8%, as compared with that of approximately RMB18.4 million for the year ended 31 December 2019.

Net profit margin increased to approximately 1.3% for the year ended 31 December 2020 by approximately 0.4 percentage points from approximately 0.9% for the year ended 31 December 2019.

Liquidity and financial resources

As at 31 December 2020, the Group's bank balances and cash increased to approximately RMB46.2 million, by approximately RMB7.5 million or 19.4%, from approximately RMB38.7 million as at 31 December 2019. The Group's restricted bank deposits decreased to approximately RMB50.9 million as at 31 December 2020, by approximately RMB21.6 million or 29.8%, from approximately RMB72.5 million as at 31 December 2019.

As at 31 December 2020, the Group had the net current liabilities and the net assets of approximately RMB310.6 million (2019.: RMB104.2 million) and approximately RMB570.4 million (2019: RMB534.0 million), respectively. As at 31 December 2020, the current ratio calculated based on current assets divided by current liabilities of the Group was 72.7% as compared with that of 83.1% as at 31 December 2019.

At 31 December 2020, the Group's total borrowings amounted to approximately RMB959.9 million (2019: RMB790.8 million) and total equity amounted to approximately RMB570.4 million (2019: RMB534.0 million). The gearing ratio of the Group, calculated based on total borrowings divided by total equity, was approximately 1.68 times (31 December 2019: 1.48 times) as at 31 December 2020.

As at 31 December 2020, the Group had total financing facilities amounted to approximately RMB845.3 million (2019: RMB701.0 million), of which approximately RMB757.7 million (2019: RMB575.3 million) had been utilised, and the unutilised financing facilities amounted to approximately RMB87.6 million (2019: RMB125.7 million). The Group believes it has and will have sufficient unutilised financing facilities to meet its business operation, capital expenditures and expansion.

As at 31 December 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 fifteen months from the date of approval of these consolidated financial statements. The Group believes that 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.

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 2020 (2019: nil).

Employees

As at 31 December 2020, the Group had a total of 989 (31 December 2019: 845) full-time employees in mainland China, Hong Kong and Singapore. The Group's total staff costs (including Directors' remuneration) in the year of 2020 amounted to approximately RMB82.7 million (2019: RMB75.2 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 2020.

CORPORATE GOVERNANCE PRACTICES

The Board is committed to achieving high corporate governance standards. The Company recognises that sound and effective corporate governance practices are fundamental to the smooth, effective and transparent operation of a company and its ability to attract investment, protect the rights of the shareholder and stakeholders, and enhance shareholder value.

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 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 a 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.

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 2020 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 2020.

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 2020.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

At no time during the year ended 31 December 2020 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 2020, 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 2020; 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 2020.

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.

REVIEW BY AUDIT COMMITTEE

The Company's audit committee has reviewed the accounting principles and practices adopted by the Group with the management of the Company and the Company's external auditor, and has examined the annual results of the Group for the year ended 31 December 2020.

SCOPE OF WORK OF MESSRS. DELOITTE TOUCHE TOHMATSU

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year ended 31 December 2020 as set out in the preliminary announcement have been agreed by the Group's auditor, Messrs. Deloitte Touche Tohmatsu, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by Messrs. Deloitte Touche Tohmatsu in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the HKICPA and consequently no assurance has been expressed by Messrs. Deloitte Touche Tohmatsu on the preliminary announcement.

PUBLICATION OF ANNUAL RESULTS AND ANNUAL REPORT FOR THE YEAR ENDED 31 DECEMBER 2020 ON THE WEBSITES OF THE STOCK EXCHANGE AND THE COMPANY

This annual results announcement is published on the websites of the Company (www.huajin-hk.com) and the Stock Exchange (www.hkexnews.hk). The annual report of the Company containing all information required by the Listing Rules will be despatched to the shareholders and available on the above websites in due course.

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

Hong Kong, 31 March 2021

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.