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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 2021

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 2021 together with the comparative figures for the corresponding period in 2020. The unaudited results for the six months ended 30 June 2021 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 2021

		Six months ended 30 June	
		2021	2020
	NOTES	***RMB'000***	*RMB'000*
		(Unaudited)	(Unaudited)
Revenue	*3*	**2,240,723**	910,412
Cost of sales		**(2,109,297)**	(885,563)
Gross profit		**131,426**	24,849
Other income, other gains and losses		**3,440**	2,341
Selling expenses		**(17,317)**	(11,167)
Administrative expenses		**(21,374)**	(18,129)
Share of loss of an associate		**–**	(50)
Profit (loss) before investment loss, net finance costs and taxation		**96,175**	(2,156)
Investment loss		**(381)**	(1,944)
Finance income	*4*	**465**	1,341
Finance costs	*4*	**(26,556)**	(14,441)
Finance costs, net	*4*	**(26,091)**	(13,100)
Profit (loss) before taxation		**69,703**	(17,200)
Income tax (expenses) credit	*5*	**(14,877)**	3,199
Profit (loss) and total comprehensive income (expense) for the period attributable to owners of the Company	*6*	**54,826**	(14,001)
Earnings (loss) per share for profit (loss) attributable to owners of the Company	*7*		
— basic (RMB cents)		**9.14**	(2.33)
— diluted (RMB cents)		**9.14**	N/A

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2021

	NOTES	**30 June 2021** **RMB'000** **(Unaudited)**	31 December 2020 *RMB'000* (Audited)
NON-CURRENT ASSETS			
Property, plant and equipment	*9*	**1,033,745**	964,478
Right-of-use assets	*9*	**166,946**	168,419
Deposits paid for acquisition of property, plant and equipment		**49,018**	78,523
Deferred tax assets		**4,994**	5,407
		1,254,703	1,216,827
CURRENT ASSETS			
Inventories		**166,420**	224,117
Trade, bills and other receivables	*10*	**735,936**	500,898
Derivative financial instruments at fair value through profit or loss	*11*	**–**	–
Tax recoverable		**739**	4,490
Restricted bank and other deposits		**84,376**	50,871
Bank balances and cash		**198,756**	46,236
		1,186,227	826,612
CURRENT LIABILITIES			
Trade, bills and other payables and accrued expenses	*12*	**249,037**	351,533
Contract liabilities		**222,626**	135,036
Tax payables		**5,756**	5,103
Amount due to a director	*13*	**2,996**	–
Borrowings — due within one year	*14*	**903,994**	645,071
Lease liabilities		**780**	480
		1,385,189	1,137,223
NET CURRENT LIABILITIES		**(198,962)**	(310,611)
TOTAL ASSETS LESS CURRENT LIABILITIES		**1,055,741**	906,216

	NOTES	30 June 2021 RMB'000 (Unaudited)	31 December 2020 RMB'000 (Audited)
NON-CURRENT LIABILITIES			
Borrowings — due more than one year	*14*	**459,674**	314,809
Lease liabilities		**2,868**	2,844
Deferred income		**16,500**	18,150
		479,042	335,803
NET ASSETS		**576,699**	570,413
CAPITAL AND RESERVES			
Share capital	*15*	**4,999**	4,999
Reserves		**571,700**	565,414
TOTAL EQUITY		**576,699**	570,413

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2021

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 RMB198,962,000 as at 30 June 2021 and had capital commitments contracted for but not provided in the condensed consolidated financial statements of RMB90,990,000 on the same date, of which RMB86,050,000 is due for payment in the next twelve months from 30 June 2021. The Group had also incurred a net operating cash outflow of RMB91,269,000 for the six months ended 30 June 2021.

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 2021, the Group had total financing facilities relating to borrowings amounted to approximately RMB995,300,000, of which approximately RMB945,470,000 had been utilised, and the unutilised financing facilities amounted to RMB49,830,000. 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 twelve months from the date of approval of the condensed consolidated financial statements.

Based on the aforesaid factors, the directors of the Company have, at the time of approving the condensed consolidated financial statements, a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the condensed consolidated financial statements.

2. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments, which are measured at fair values, as appropriate.

Other than the application of accounting policy in respect of equity-settled share-based payments transactions, the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2021 are the same as those presented in the Group's annual financial statements for the year ended 31 December 2020.

Adoption of new accounting policy in respect of equity-settled share-based payments transactions

Equity-settled share-based payments to employees and others providing similar services are measured at the fair value of the equity instruments at the grant date.

The fair value of the equity-settled share-based payments determined at the grant date without taking into consideration all non-market vesting conditions is expensed on a straight-line basis over the vesting period, based on the Group's estimate of equity instruments that will eventually vest, with a corresponding increase in equity (share-based payments reserve). At the end of each reporting period, the Group revises its estimate of the number of equity instruments expected to vest based on assessment of all relevant non-market vesting conditions. The impact of the revision of the original estimates, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to the share-based payments reserve.

Application of amendments to Hong Kong Financial Reporting Standards ("HKFRSs")

In the current interim period, the Group has applied the following amendments to HKFRSs issued by the HKICPA, for the first time, which are mandatorily effective for the annual periods beginning on or after 1 January 2021 for the preparation of the Group's condensed consolidated financial statements:

Amendment to HKFRS 16	Covid-19-Related Rent Concessions
Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16	Interest Rate Benchmark Reform — Phase 2

The application of the amendments to HKFRSs in the current interim 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.

3. REVENUE AND SEGMENT INFORMATION

Operating segments are identified on the basis of internal reports about components of the Group that are regularly reviewed by the 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 2021 and 2020, 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	
	2021	2020
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Sales of cold-rolled steel products		
— steel strips and sheets	**1,569,980**	628,770
— welded steel tubes	**97,416**	68,243
Sales of galvanized steel products	**361,033**	153,258
Sales of hot-rolled steel products and others	**212,294**	60,141
	2,240,723	910,412

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, Hong Kong 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	
	2021	2020
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
PRC, Hong Kong	**2,234,902**	909,151
Southeast Asia	**5,821**	1,261
	2,240,723	910,412

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 2021 (six months ended 30 June 2020: nil (unaudited)).

4. FINANCE INCOME AND COSTS

	Six months ended 30 June	
	2021	2020
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Finance costs		
— Interest expense on borrowings, net of amounts capitalised in the cost of qualifying assets of RMB4,170,000 (six months ended 30 June 2020: RMB6,292,000)	**(26,474)**	(14,341)
— Interest expense on lease liabilities	**(82)**	(100)
	(26,556)	(14,441)
Finance income		
— Interest income from bank deposits	**465**	1,341
Finance costs, net	**(26,091)**	(13,100)

Borrowing costs capitalised during the six months ended 30 June 2021 arose on the general borrowing pool and are calculated by applying a capitalisation rate of 7.11% (six months ended 30 June 2020: 7.11%) per annum to expenditure on qualifying assets.

5. INCOME TAX EXPENSES (CREDIT)

	Six months ended 30 June	
	2021	2020
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Current tax charge:		
— PRC Enterprise Income Tax ("EIT")	**11,814**	2,282
PRC withholding income tax	**2,650**	–
Overprovision in prior year:		
— PRC EIT	**–**	(1,736)
Deferred tax charge (credit)	**413**	(3,745)
Income tax expenses (credit) for the period	**14,877**	(3,199)

6. PROFIT (LOSS) AND TOTAL COMPREHENSIVE INCOME (EXPENSE) FOR THE PERIOD

	Six months ended 30 June	
	2021	2020
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Profit (loss) and total comprehensive income (expense) for the period has been arrived at after charging (crediting):		
Directors' remuneration		
— fees	**292**	340
— other emoluments, salaries, allowances and other benefits	**659**	739
— equity-settled share-based payments	**253**	–
— retirement benefit scheme contributions	**46**	51
	1,250	1,130
Other staff salaries, allowances and other benefits	**37,705**	32,678
Equity-settled share-based payments, excluding those of directors	**221**	–
Retirement benefit scheme contributions, excluding those of directors	**3,863**	1,617
Total employee benefits expenses	**43,039**	35,425
Depreciation of property, plant and equipment	**30,949**	29,402
Less: amount capitalised as cost of inventories manufactured	**(28,663)**	(25,286)
	2,286	4,116
Depreciation of right-of-use assets	**2,285**	1,967
Cost of inventories recognised as an expense	**2,109,297**	883,567
Gain on disposal of property, plant and equipment	**(479)**	(276)

7. EARNINGS (LOSS) PER SHARE

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

	Six months ended 30 June	
	2021	2020
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Earnings (loss):		
Profit (loss) for the period attributable to owners of the Company for the purpose of basic and diluted earnings (loss) per share	**54,826**	(14,001)
Number of shares:		
Weighted average number of ordinary shares for the purpose of basic earnings (loss) per share	**600,000,000**	600,000,000
Effect of dilutive potential ordinary shares brought by share options *(Note)*	**–**	N/A
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**600,000,000**	N/A

Note: The computation of diluted earnings per share for the current interim period does not assume the exercise of the Company's options because the adjusted exercise price of those options was higher than the average market price for shares during the current interim period.

No diluted loss per share for the six months ended 30 June 2020 were presented as there were no potential ordinary shares in issue for the period.

8. DIVIDENDS

During the current interim period, a special dividend of HK9.8 cents per share was declared and paid to owners of the Company. The aggregate amount of the special dividend declared and paid in the interim period amounted to HK$58,800,000 (equivalent to RMB49,022,000) (six months ended 30 June 2020, no dividend has been paid).

No interim dividend for the six months ended 30 June 2021 has been proposed since the end of the reporting period (six months ended 30 June 2020: nil).

9. 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 RMB103,215,000 (unaudited) (six months ended 30 June 2020: RMB149,029,000 (unaudited)).

During the current interim period, the Group disposed of certain property, plant and equipment with an aggregate carrying amount of RMB2,999,000 (six months ended 30 June 2020: RMB5,678,000) for proceeds of RMB3,478,000 (six months ended 30 June 2020: RMB5,954,000), resulting in a gain on disposal of RMB479,000 (six months ended 30 June 2020: RMB276,000).

During the current interim period, the Group entered into a new lease agreement with a lease term of 3 years. On lease commencement, the Group recognised right-of-use asset and lease liability of RMB821,000 (six months ended 30 June 2020: nil).

Impairment assessment

Certain property, plant and equipment and right-of-use assets remained idle during the current interim period, which was considered as an indicator that these assets may be impaired by the management of the Group. The Group has performed an impairment test on these assets and concluded that no impairment loss of these assets has been recognised in profit or loss for the period ended 30 June 2021 (six months ended 30 June 2020: nil).

10. TRADE, BILLS AND OTHER RECEIVABLES

	30.6.2021	31.12.2020
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Trade receivables from contracts with customers	**133,384**	126,565
Bills receivables	**240,165**	160,276
Prepayments to suppliers	**335,228**	172,263
Value-added tax recoverable	**14,492**	31,293
Other prepayments, deposits and other receivables	**12,667**	10,501
	735,936	500,898

No allowance of credit losses was provided for the six months ended 30 June 2021 and 30 June 2020.

For long-term customers with good credit quality and payment history, the Group may allow credit periods of up to 90 days (2020: 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:

	30.6.2021	31.12.2020
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Trade receivables:		
Within 30 days	**121,670**	120,690
31–60 days	**11,403**	5,114
61–90 days	**62**	135
91–120 days	**62**	21
121–180 days	**74**	501
181–365 days	**113**	43
Over 1 year	**–**	61
	133,384	126,565
Bills receivables:		
Within 30 days	**56,939**	48,888
31–60 days	**56,303**	29,099
61–90 days	**32,600**	40,013
91–120 days	**32,844**	9,873
121–180 days	**61,479**	32,403
	240,165	160,276

As at 30 June 2021, included in the Group's bills receivables are amounts of RMB233,251,000 (unaudited) (31 December 2020: RMB158,458,000 (audited)), 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 14) and trade payables. These bills receivables are 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.

	30.6.2021	31.12.2020
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Carrying amount of transferred asset	**233,251**	158,458
Carrying amount of associated liability	**(233,251)**	(158,458)
	–	–

During the current interim period, certain transactions between subsidiaries of the Company arising from steel processing services were settled by bank bills. As at 30 June 2021, bills receivables held by a subsidiary of the Company issued by other members of the Group of RMB48,400,000 (31 December 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.

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

As at 30 June 2021 and 2020, the Group has no outstanding hot rolled coils future contracts. Future contracts of hot rolled coils entered into during the six-month periods ended 30 June 2021 and 2020 have been fully settled before the end of each reporting period. The resulting gain or loss on the derivative financial instruments during the six-month periods ended 30 June 2021 and 2020 were recognised in profit or loss and presented as 'Investment loss'.

12. TRADE, BILLS AND OTHER PAYABLES AND ACCRUED EXPENSES

	30.6.2021	31.12.2020
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Trade payables	**106,917**	182,340
Bills payables	**20,000**	60,003
Accrued staff costs	**15,349**	9,972
Construction payables	**75,777**	60,366
Transportation fee payables	**301**	7,138
Other tax payables	**11,625**	6,606
Other payables and accrued expenses	**19,068**	25,108
	249,037	351,533

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:

	30.6.2021	31.12.2020
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Trade payables:		
Within 30 days	**38,690**	69,943
31–60 days	**27,274**	30,881
61–90 days	**18,694**	22,598
91–120 days	**7,274**	15,659
121–180 days	**10,144**	36,763
181–365 days	**1,714**	3,732
Over 1 year	**3,127**	2,764
	106,917	182,340
Bills payables:		
Within 30 days	**–**	14,103
31–60 days	**20,000**	–
61–90 days	**–**	10,500
121–180 days	**–**	35,400
	20,000	60,003

13. AMOUNT DUE TO A DIRECTOR

	30.6.2021	31.12.2020
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Mr. Xu	**2,996**	–

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

14. BORROWINGS

	30.6.2021	31.12.2020
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Fixed-rate borrowings:		
Secured bank borrowings	**726,420**	660,549
Bank borrowings from factoring of bills receivables with full recourse *(note 10)*	**228,791**	66,043
Unsecured bank borrowings	**204,050**	29,050
Secured borrowings from entities established in the PRC and individuals independent with the Group	**95,877**	63,528
Unsecured borrowings from entities established in the PRC independent with the Group	**78,530**	82,660
	1,333,668	901,830
Variable-rate borrowings:		
Secured bank borrowings	**30,000**	58,050
	1,363,668	959,880
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	**903,994**	645,071
— more than one year, but not more than two years	**259,789**	116,593
— more than two years, but not more than five years	**136,145**	93,320
— more than five years	**63,740**	104,896
	1,363,668	959,880
Less: amounts due within one year shown under current liabilities	**(903,994)**	(645,071)
Amounts shown under non-current liabilities	**459,674**	314,809

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.

15. SHARE CAPITAL

	Number of shares	Share capital
		HK$'000
Ordinary shares of HK$0.01 each		
Authorised:		
At 1 January 2020, 31 December 2020 and 30 June 2021	8,000,000,000	80,000
Issued:		
At 1 January 2020 (audited), 31 December 2020 (audited) and 30 June 2021 (unaudited)	600,000,000	6,000

	30.6.2021	31.12.2020
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Shown in the condensed consolidated statement of financial position	**4,999**	4,999

16. SHARE-BASED PAYMENTS

Pursuant to a resolution passed on 2 June 2021, the board of directors of the Company has offered to grant share options to certain directors and other eligible grantees under the share option scheme of the Company adopted on 23 March 2016.

The table below discloses movement of the Scheme:

	Number of share options
Outstanding as at 1 January 2021	–
Granted during the period	**25,272,720**
Outstanding as at 30 June 2021	**25,272,720**

The closing price of the Company's shares immediately before 2 June 2021, the date of grant, was HK$2.70.

The vesting periods of 10,109,088, 7,581,816 and 7,581,816 options granted during the current interim period are 2 June 2021 to 2 June 2022, 2 June 2021 to 2 June 2023 and 2 June 2021 to 2 June 2024 respectively.

The fair value of the options determined at the date of grant using the Binomial model was HK$11,598,000.

The following assumptions were used to calculate the fair value of share options:

	2 June 2021
Closing price on the date of grant	HK$2.75
Exercise price	HK$2.75
Expected life	ranging from 4 to 6 years
Expected volatility	ranging from 22.70% to 24.29%
Expected dividend yield	2.00%
Risk-free interest rate	ranging from 0.44% to 0.83%

The Binomial model has been used to estimate the fair value of the options. The variables and assumptions used in computing the fair value of the share options are based on the valuer's best estimate. Changes in variables and assumptions may result in changes in the fair value of the options.

At the end of each interim period, the Group reassesses its estimates of the number of options that are expected to vest ultimately. The impact of the revision of the estimates, if any, is recognised in profit and loss, with a corresponding adjustment to the share-based payments reserve.

17. CAPITAL COMMITMENTS

	30.6.2021	31.12.2020
	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	**90,990**	108,379

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:

	30.6.2021	31.12.2020
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Property, plant and equipment	**1,021,208**	747,871
Right-of-use assets	**163,618**	162,624
Restricted bank deposits	**84,376**	50,871
	1,269,202	961,366

19. RELATED PARTY DISCLOSURES

(a) Related party balance

Details of the outstanding balance with a related party are set out in the condensed consolidated statement of financial position and in note 13.

(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 **2021** ***RMB'000*** **(Unaudited)**	 2020 *RMB'000* (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
Hua Jin Holdings Pte. Ltd ("Hua Jin Holdings") *(Note ii)*	Interest expense on lease liabilities	**6**	10

Notes:

(i) During the six months ended 30 June 2020, Jiangmen Huazhi was owned as to 60% by Mr. Xu Jianhong and 40% by Mr. Chen Chunniu and both were the directors of the Company. Since October 2020, Mr. Xu Jianhong and Mr. Chen Chunniu no longer hold any equity interest of Jiangmen Huazhi. In 2018, the Group entered into a lease agreement with Jiangmen Huazhi for a warehouse located in Muzhou Town, Xinhui District, Jiangmen City with a lease term till 2020. During the six months ended 30 June 2020, the Group made repayment of the lease liability of RMB336,000.

(ii) Hua Jin Holdings is 100% owned by Mr. Xu. The Group entered into a lease agreement with Hua Jin Holdings for the use of office premise and furniture located in Tradehub 21, 8 Boon Lay Way, 609964 in District 22, Singapore. During the current interim period, the Group have made repayment of the lease liability of RMB146,000 (six months ended 30 June 2020: RMB203,000). As at 30 June 2021, the corresponding carrying amount of the lease liabilities is RMB306,000 (31 December 2020: RMB457,000).

(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 2021 and 31 December 2020 as set out in note 14.

(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	
	2021	2020
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Directors' fees	**292**	340
Salaries, allowances and other benefits	**2,389**	1,443
Retirement benefit scheme contributions	**134**	62
Share-based payment expense	**474**	–
	3,289	1,845

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

Huajin International Holdings Limited (the "Company", and together with its subsidiaries, the "Group") 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 2021, the Group recorded revenue of approximately RMB2,240.7 million, representing an increase of RMB1,330.3 million or 146.1%, as compared to that of approximately RMB910.4 million in the first half of 2020. Profit attributable to owners of the Company for the first half of 2021 was approximately RMB54.8 million when compared with loss attributable to owners of the Company of approximately RMB14.0 million for the corresponding period in 2020.

The sales volume of processed steel products and galvanized steel products in aggregate was 383,230 tonnes in the first half of 2021, representing an increase of 174,931 tonnes or 84.0%, as compared to 208,299 tonnes in the first half of 2020. The annual processing capacity of our cold-rolling process and galvanizing 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 and new production plant and facilities. During the first half of 2021, the Group incurred capital expenditure of approximately RMB103.2 million in property, plant and equipment, and construction costs.

The Group's capital commitments at 30 June 2021 amounted to approximately RMB91.0 million which will be financed by the Group's internal resources and borrowings. They were related to the installation of continuous hot dip galvanizing line, push-pull pickling lines and other construction works and projects mainly in the new production plant at Gujing Town. The Group envisages ongoing growth in demand for its products and an ongoing need to increase its production capacity. It is believed that these investments will contribute to the Group's business growth and net profit margin improvement in the years ahead.

Financial Review

Revenue

The Group primarily generates revenue from sales of processed steel products and galvanized steel products. The revenue for the first half of 2021 amounted to approximately RMB2,240.7 million, representing a significant increase of approximately RMB1,330.3 million or 146.1%, as compared with that of approximately RMB910.4 million for the first half of 2020.

The sales volume of processed steel products increased to 320,197 tonnes in the first half of 2021, by 147,508 tonne or 85.4%, as compared with that of 172,689 tonnes in the first half of 2020. The sales volume of galvanized steel products increased to 63,033 tonnes in the first half of 2021, by 27,423 tonnes or 77.0%, as compared with that of 35,610 tonnes in the first half of 2020. Thus, the sales volume of processed steel products and galvanized steel products in aggregate was 383,230 tonnes in the first half of 2021, representing an increase of 174,931 tonnes or 84.0%, as compared to 208,299 tonnes in the first half of 2020.

The increase in revenue was mainly attributable to the increase in the average selling price and the increase in sales volume of our processed steel products and galvanized steel products. The average selling price of our processed steel products increased to RMB5,207 per tonne in the first half of 2021 as compared with that of RMB4,036 per tonne in the first half of 2020. The average selling price of our galvanized steel products increased to RMB5,728 per tonne in the first half of 2021 as compared with that of RMB4,304 per tonne in the first half of 2020. In summary, the average selling price of our processed steel products and galvanized steel products increased to RMB5,293 per tonne in the first half of 2021 as compared with that of RMB4,082 per tonne in the first half of 2020.

The domestic sales in the PRC market contributed over 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 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 9.5% (first half of 2020: 6.6%) of the revenue during the first half of 2021.

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

	Six months ended 30 June			
	2021		2020	
	RMB'000	*%*	*RMB'000*	*%*
Sales of processed steel products	**1,667,396**	**74.4**	697,013	76.6
— processed steel strips and sheets	**1,569,980**	**70.1**	628,770	69.1
— welded steel tubes	**97,416**	**4.3**	68,243	7.5
Sales of galvanized steel products	**361,033**	**16.1**	153,258	16.8
Others	**212,294**	**9.5**	60,141	6.6
	2,240,723	**100.0**	910,412	100.0

Cost of sales

Our cost of sales increased to approximately RMB2,109.3 million in the first half of 2021, by approximately RMB1,223.7 million or 138.2%, as compared with that of approximately RMB885.6 million in the first half of 2020.

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

	Six months ended 30 June			
	2021		2020	
	RMB'000	*%*	*RMB'000*	*%*
Direct materials	**1,965,316**	**93.2**	775,173	87.5
Utilities	**54,623**	**2.6**	44,822	5.1
Direct labour	**29,787**	**1.4**	18,319	2.1
Depreciation expense	**28,663**	**1.4**	25,286	2.9
Consumables	**28,439**	**1.3**	17,604	2.0
Others	**2,469**	**0.1**	4,359	0.4
	2,109,297	**100.0**	885,563	100.0

Direct materials represented the cost of raw materials, primarily hot-rolled steel coils. The direct materials accounted for 93.2% (first half of 2020: 87.5%) of our cost of sales in the first half of 2021. The increase in direct materials was mainly attributable to the increase in raw material price and increase in the sales volume of processed steel products and galvanized steel products during the reporting period under review.

Utilities related primarily to electricity, water, and natural gas consumed throughout our production process. Utilities expenses increased to approximately RMB54.6 million in the first half of 2021, by approximately RMB9.8 million or 21.9%, as compared with that of approximately RMB44.8 million in the first half of 2020. Such increase was mainly due to the increase in sales volume and production activities during the reporting period under review.

The direct labour increased to approximately RMB29.8 million in the first half of 2021, by approximately RMB11.5 million or 62.8%, as compared with that of approximately RMB18.3 million in the first half of 2020. The increase in direct labour was in line with our increase in the sales volume of processed steel products and galvanized steel products in the first half of 2021.

Depreciation expense experienced an increase to approximately RMB28.7 million in the first half of 2021, by approximately RMB3.4 million or 13.4%, as compared with that of approximately RMB25.3 million in the first half of 2020. Such increase was mainly due to the increase in depreciation for property, plant and equipment during the reporting period under review.

Consumables consisted of machinery spare parts and supplies consumed in the production process. Consumables increased to approximately RMB28.4 million in the first half of 2021, by approximately RMB10.8 million or 61.4%, as compared with that of approximately RMB17.6 million in the first half of 2020. 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 significant increase in revenue from sales of the Group's processed steel products and galvanized steel products and the increase in other sales together with a lower unit production costs, the Group recorded a gross profit of approximately RMB131.4 million in the first half of 2021, representing a significant increase of approximately RMB106.6 million or 429.8%, as compared with that of approximately RMB24.8 million in the first half of 2020, and a gross profit margin of 5.9%, representing an increase of approximately 3.2 percentage points as compared with that of 2.7% in the corresponding period in 2020.

Other income, other gains and losses

Other income, other gains and losses increased to approximately RMB3.4 million in the first half of 2021, by approximately RMB1.1 million or 47.8%, as compared with that of approximately RMB2.3 million in the first half of 2020.

Selling expenses

The selling expenses increased to approximately RMB17.3 million in the first half of 2021, by approximately RMB6.1 million or 54.5%, as compared with that of approximately RMB11.2 million in the first half of 2020. 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

The administrative expenses increased to approximately RMB21.4 million in the first half of 2021, by approximately RMB3.3 million or 18.2%, as compared with that of approximately RMB18.1 million in the first half of 2020.

Investment loss

The investment loss was approximately RMB0.4 million in the first half of 2021 when compared with investment loss of approximately RMB1.9 million in the first half of 2020. 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 8.25% (first half of 2020: 1.00% to 7.10%) per annum in the first half of 2021. Finance costs increased to approximately RMB26.6 million in the first half of 2021, by approximately RMB12.2 million or 84.7%, as compared with that of approximately RMB14.4 million in the first half of 2020. Such increase was primarily resulted from the increase in borrowings during the reporting period under review.

Income tax (expenses) credit

Income tax expenses was approximately RMB14.9 million in the first half of 2021 while there was income tax credit amounted to approximately RMB3.2 million in the first half of 2020. The increase in income tax expenses was mainly attributable to the increase in PRC enterprise income tax and PRC withholding income tax during the reporting period under review.

Profit for the period

The Group's EBITDA increased to approximately RMB129.0 million in the first half of 2021, by approximately RMB101.7 million or 372.5%, as compared with that of approximately RMB27.3 million in the first half of 2020.

The profit attributable to shareholders of the Company increased to approximately RMB54.8 million in the first half of 2021 when compared with the loss attributable to shareholders of the Company of approximately RMB14.0 million in the first half of 2020.

Net profit margin was approximately 2.4% in the first half of 2021 when compared with net loss margin of approximately 1.5% in the first half of 2020.

Liquidity and financial resources

As at 30 June 2021, the Group's bank balances and cash increased to approximately RMB198.8 million, by approximately RMB152.6 million or 330.3%, from approximately RMB46.2 million as at 31 December 2020. The Group's restricted bank and other deposits increased to approximately RMB84.4 million as at 30 June 2021, by approximately RMB33.5 million or 65.8%, from approximately RMB50.9 million as at 31 December 2020.

As at 30 June 2021, the Group had the net current liabilities and the net assets of approximately RMB199.0 million (31 December 2020: RMB310.6 million) and approximately RMB576.7 million (31 December 2020: RMB570.4 million), respectively. As at 30 June 2021, the current ratio calculated based on current assets divided by current liabilities of the Group was 85.6% as compared with that of 72.7% as at 31 December 2020.

As at 30 June 2021, the Group's total borrowings amounted to approximately RMB1,363.7 million (31 December 2020: RMB959.9 million) and total equity amounted to approximately RMB576.7 million (31 December 2020: RMB570.4 million). The gearing ratio of the Group, calculated based on total borrowings divided by total equity, was approximately 2.36 times (31 December 2020: 1.68 times) as at 30 June 2021.

As at 30 June 2021, the Group had total financing facilities amounted to approximately RMB995.3 million (31 December 2020: RMB845.3 million), of which approximately RMB945.5 million (31 December 2020: RMB757.7 million) had been utilised, and the unutilised financing facilities amounted to approximately RMB49.8 million (31 December 2020: RMB87.6 million). The Group believes it has and will have sufficient unutilised financing facilities to meet its business operation, capital expenditures and expansion.

As at 30 June 2021, 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 twelve months from the date of approval of the condensed 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 Renminbi ("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 first half of 2021, the Group had no material acquisitions or disposal of subsidiaries, associates and joint ventures.

Borrowings

Details of the borrowings of the Group as at 30 June 2021 are set out in note 14 to the condensed consolidated financial statements.

Capital structure

Details of the share capital are set out in note 15 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 2021 (31 December 2020: nil).

Employees

As at 30 June 2021, the Group had a total of 1,036 (31 December 2020: 989) full-time employees (including Directors) in mainland China, Hong Kong and Singapore. The Group's total staff costs (including Directors' remuneration) for the first half of 2021 amounted to approximately RMB43.0 million (first half of 2020: RMB35.4 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. Share options to certain Directors and employees were granted on 2 June 2021 resulting in the share-based payment expenses of approximately RMB474,000 included in the above staff costs for the first half of 2021 whilst no such expenses were recorded in the first half of 2020.

PROSPECTS

The impact of the COVID-19 epidemic has posed great uncertainty to the world's economic development. The Group put the rights and interests of its employees at first priority and attached great importance to the prevention and control of the epidemic.

The revenue and the operating results of the Group in the first half of 2021 was improved significantly when compared with that in the first half of 2020. The Group will install continuous hot dip galvanizing line, push-pull pickling lines and other construction works and projects mainly in the new production plant at Gujing Town to enhance production capabilities and flexibility. The Board will continue to focus on monitoring the return and financial performance of the Group's operation so as to generate stable income and cash flows, and lower the gearing ratio of the Group. The Directors will also look for opportunities to enhance the long term growth and prosperity of the businesses of the Group.

INTERIM DIVIDEND

On 21 January 2021, the Board, having considered the business, financial and cash flow position of the Company and the Group, resolved to declare a special interim dividend (the "Special Interim Dividend") of HK$0.098 per Share, amounting to HK$58,800,000 (equivalent to RMB49,022,000) in total and the Special Interim Dividend was paid on 19 February 2021.

The Directors do not recommend the payment of an interim dividend for the six months ended 30 June 2021 (six months ended 30 June 2020: nil).

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 shareholders 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 six months ended 30 June 2021, except as noted hereunder.

Code provision A.4.1

In respect of the code provision A.4.1 of the CG Code, non-executive directors should be appointed for a specific term, subject to re-election. All the independent non-executive Directors of the Company are not appointed for a specific term. 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.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Other than the interests in share options of the Company as disclosed in the announcement of the Company dated 2 June 2021, at no time during the six months ended 30 June 2021 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.

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 six months ended 30 June 2021.

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 2021.

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 2021 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 2021 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 2021.

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.

On behalf of the Board
Huajin International Holdings Limited
Xu Songqing
Chairman

Hong Kong, 30 August 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, Mr. Xu Songman and Mr. Xu Jianhong as executive Directors, and Mr. Goh Choo Hwee, Mr. Tam Yuk Sang Sammy and Mr. Wu Chi Keung as independent non-executive Directors.