**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 2023

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 2023 together with the comparative figures for the corresponding period in 2022. The unaudited results for the six months ended 30 June 2023 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 2023*

| | | Six months ended 30 June | |
|---|---|---|---|
| | | **2023** | 2022 |
| | *NOTES* | ***RMB'000*** | *RMB'000* |
| | | **(Unaudited)** | (Unaudited) |
| Revenue | *3* | **2,976,775** | 1,991,881 |
| Cost of sales | | **(2,837,435)** | (1,997,266) |
| Gross profit (loss) | | **139,340** | (5,385) |
| Other income, other gains and losses | | **1,966** | 414 |
| Selling expenses | | **(33,933)** | (9,167) |
| Administrative expenses | | **(26,986)** | (30,545) |
| Profit (loss) before investment gain (loss), net finance costs and taxation | | **80,387** | (44,683) |
| Investment gain (loss) | | **496** | (713) |
| Finance income | *4* | **2,466** | 1,522 |
| Finance costs | *4* | **(35,072)** | (37,465) |
| Finance costs, net | *4* | **(32,606)** | (35,943) |
| Profit (loss) before taxation | | **48,277** | (81,339) |
| Income tax (expense) credit | *5* | **(8,831)** | 22,401 |
| Profit (loss) and total comprehensive income (expense) for the period attributable to owners of the Company | *6* | **39,446** | (58,938) |
| Earnings (loss) per share for profit (loss) attributable to owners of the Company | *7* | | |
| — basic *(RMB cents)* | | **6.57** | (9.82) |
| — diluted *(RMB cents)* | | **6.57** | (9.82) |

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

*At 30 June 2023*

| | NOTES | **30 June 2023 RMB'000 (Unaudited)** | 31 December 2022 RMB'000 (Audited) |
|---|---|---|---|
| **NON-CURRENT ASSETS** | | | |
| Property, plant and equipment | *9* | **1,123,729** | 1,090,121 |
| Right-of-use assets | *9* | **188,587** | 158,647 |
| Deposits paid for acquisition of property, plant and equipment | | **38,704** | 27,736 |
| Equity investments designated at fair value through other comprehensive income ("FVTOCI") | | **1,768** | 1,768 |
| Restricted bank deposits | | **–** | 15,180 |
| Deferred tax assets | | **24,439** | 33,233 |
| | | **1,377,227** | 1,326,685 |
| **CURRENT ASSETS** | | | |
| Inventories | | **175,934** | 134,113 |
| Trade, bills and other receivables | *10* | **1,152,892** | 1,145,641 |
| Restricted bank deposits | | **152,094** | 174,235 |
| Cash and cash equivalents | | **47,589** | 16,093 |
| | | **1,528,509** | 1,470,082 |
| **CURRENT LIABILITIES** | | | |
| Trade, bills and other payables and accrued expenses | *11* | **389,377** | 382,845 |
| Contract liabilities | | **615,778** | 454,141 |
| Tax payables | | **–** | 1 |
| Amounts due to related parties | *12* | **2,854** | 3,050 |
| Borrowings — due within one year | *13* | **786,924** | 1,081,080 |
| Lease liabilities | | **1,547** | 1,027 |
| | | **1,796,480** | 1,922,144 |
| **NET CURRENT LIABILITIES** | | **(267,971)** | (452,062) |
| **TOTAL ASSETS LESS CURRENT LIABILITIES** | | **1,109,256** | 874,623 |

| | NOTES | 30 June 2023 RMB'000 (Unaudited) | 31 December 2022 RMB'000 (Audited) |
|---|---|---|---|
| **NON-CURRENT LIABILITIES** | | | |
| Borrowings — due more than one year | *13* | **623,579** | 435,025 |
| Lease liabilities | | **7,945** | 2,684 |
| Deferred income | | **9,900** | 11,550 |
| Deferred tax liabilities | | **63** | 26 |
| | | **641,487** | 449,285 |
| **NET ASSETS** | | **467,769** | 425,338 |
| **CAPITAL AND RESERVES** | | | |
| Share capital | *14* | **4,999** | 4,999 |
| Reserves | | **460,670** | 420,339 |
| Equity attributable to owners of the Company | | **465,669** | 425,338 |
| Non-controlling interests | | **2,100** | – |
| **TOTAL EQUITY** | | **467,769** | 425,338 |

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

*For the six months ended 30 June 2023*

### 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 Mr. Xu Songqing ("Mr. Xu").

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 the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on the Stock Exchange.

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 RMB267,971,000 as at 30 June 2023 and had capital commitments contracted for but not provided in the condensed consolidated financial statements of RMB431,604,000 on the same date, of which RMB245,280,000 expect to be due for payment in the next twelve months from 30 June 2023. The Group had incurred a net cash inflow of RMB31,472,000 and a net operating cash inflow of RMB1,132,000 for the six months ended 30 June 2023.

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 2023, the Group had total banking facilities relating to bank borrowings (excluding those related to factoring of bills receivable) and bills payables amounted to approximately RMB1,438,760,000, of which approximately RMB1,140,624,000 had been utilised, and the unutilised banking facilities amounted to RMB298,136,000. 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 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 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 change in accounting policies resulting from application of amendments to Hong Kong Financial Reporting Standards ("HKFRSs"), the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2023 are the same as those presented in the Group's annual financial statements for the year ended 31 December 2022.

**Application of amendments to HKFRSs**

In the current interim period, the Group has applied the following new and amendments to HKFRSs issued by the HKICPA, for the first time, which are mandatorily effective for the Group's annual period beginning on 1 January 2023 for the preparation of the Group's condensed consolidated financial statements:

| | |
|---|---|
| HKFRS 17 (including the October 2020 and February 2022 Amendments to HKFRS 17) | Insurance Contracts |
| Amendments to HKAS 8 | Definition of Accounting Estimates |
| Amendments to HKAS 12 | Deferred Tax related to Assets and Liabilities arising from a Single Transaction |

Except as described below, 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.

**Impacts and changes in accounting policies on application of Amendments to HKAS 12 "Deferred Tax related to Assets and Liabilities arising from a Single Transaction"**

***Accounting policies***

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from the initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit and at the time of the transaction does not give rise to equal taxable and deductible temporary differences. In addition, deferred tax liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill.

For leasing transactions in which the tax deductions are attributable to the lease liabilities, the Group applies HKAS 12 requirements to the lease liabilities and the related assets separately. The Group recognises a deferred tax asset related to lease liabilities to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilised and a deferred tax liability for all taxable temporary differences.

***Transition and summary of effects***

As disclosed in the Group's annual financial statements for the year ended 31 December 2022, the Group previously applied the HKAS 12 requirements to assets and liabilities arising from a single transaction as a whole and temporary differences relating to the relevant assets and liabilities were assessed on a net basis. Upon the application of the amendments, the Group assessed the relevant assets and liabilities separately. In accordance with the transition provision:

(i) the Group has applied the new accounting policy retrospectively to leasing transactions that occurred on or after 1 January 2022;

(ii) the Group also, as at 1 January 2022, recognised a deferred tax asset (to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilised) and a deferred tax liability for all deductible and taxable temporary difference associated with right-of-use-assets and lease liabilities.

The application of the amendments has had no material impact on the Group's financial position and performance, except that the Group recognised the related deferred tax assets of RMB593,000 and deferred tax liabilities of RMB560,000 on a gross basis but it has no material impact on the retained earnings at the earliest period presented.

## 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 2023 and 2022, 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** | |
|---|---|---|
| | **2023** | 2022 |
| | ***RMB'000*** | *RMB'000* |
| | **(Unaudited)** | (Unaudited) |
| Sales of cold-rolled steel products | | |
| — steel strips and sheets | **1,572,966** | 1,302,960 |
| — welded steel tubes | **57,092** | 114,511 |
| Sales of galvanized steel products | **1,178,601** | 463,653 |
| Sales of hot-rolled steel products and others | **168,116** | 110,757 |
| | **2,976,775** | 1,991,881 |

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 (including 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** | |
|---|---|---|
| | **2023** | 2022 |
| | ***RMB'000*** | *RMB'000* |
| | **(Unaudited)** | (Unaudited) |
| PRC (including Hong Kong) | **2,972,129** | 1,974,402 |
| Southeast Asia | **4,646** | 17,479 |
| | **2,976,775** | 1,991,881 |

## 4. FINANCE INCOME AND COSTS

| | **Six months ended 30 June** | |
|---|---|---|
| | **2023** | 2022 |
| | ***RMB'000*** | *RMB'000* |
| | **(Unaudited)** | (Unaudited) |
| Finance costs | | |
| — Interest expense on borrowings, net of amounts capitalised in the cost of qualifying assets of RMB4,365,000 (six months ended 30 June 2022: RMB4,301,000) | **(34,978)** | (37,378) |
| — Interest expense on lease liabilities | **(94)** | (87) |
| | **(35,072)** | (37,465) |
| Finance income | | |
| — Interest income from bank deposits | **2,466** | 1,522 |
| Finance costs, net | **(32,606)** | (35,943) |

Borrowing costs capitalised during the six months ended 30 June 2023 arose on the general borrowing pool and are calculated by applying a capitalisation rate of 7.11% (six months ended 30 June 2022: 7.09%) per annum to expenditure on qualifying assets.

## 5. INCOME TAX EXPENSE (CREDIT)

| | Six months ended 30 June | |
|---|---|---|
| | **2023** | 2022 |
| | ***RMB'000*** | *RMB'000* |
| | **(Unaudited)** | (Unaudited) |
| Current tax charge: | | |
| — PRC Enterprise Income Tax ("EIT") | **–** | – |
| Deferred tax charge (credit) | **8,831** | (22,401) |
| Income tax expense (credit) for the period | **8,831** | (22,401) |

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

| | Six months ended 30 June | |
|---|---|---|
| | **2023** | 2022 |
| | ***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 | **275** | 215 |
| — other emoluments, salaries, allowances and other benefits | **609** | 624 |
| — equity-settled share-based payments | **253** | 722 |
| — retirement benefit scheme contributions | **49** | 48 |
| | **1,186** | 1,609 |
| Staff salaries, allowances and other benefits | **52,461** | 49,060 |
| Equity-settled share-based payments, excluding those of directors | **614** | 1,218 |
| Retirement benefit scheme contributions, excluding those of directors | **6,184** | 6,399 |
| Total employee benefits expenses | **60,445** | 58,286 |
| Depreciation of property, plant and equipment | **45,873** | 44,638 |
| Less: amount capitalised as cost of inventories manufactured | **(39,514)** | (39,434) |
| | **6,359** | 5,204 |
| Depreciation of right-of-use assets | **2,749** | 2,341 |
| Less: amount capitalised as cost of construction in progress | **(1,076)** | (77) |
| | **1,673** | 2,264 |
| Cost of inventories recognised as an expense | **2,839,796** | 1,990,713 |
| (Reversal) write-down of inventories | **(2,361)** | 6,553 |
| Gain on disposal of property, plant and equipment | **(48)** | (10) |
| Impairment losses on property, plant and equipment | **–** | 1,724 |

## 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 | |
|---|---|---|
| | **2023** | 2022 |
| | ***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 | **39,446** | (58,938) |
| **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)* | **–** | – |
| Weighted average number of ordinary shares for the purpose of diluted earnings (loss) per share | **600,000,000** | 600,000,000 |

*Note:* The computation of diluted earnings (loss) per share for each 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 both interim periods.

## 8. DIVIDENDS

No interim dividend has been proposed for the period ended 30 June 2023 since the end of the reporting period (30 June 2022: 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 RMB79,547,000 (six months ended 30 June 2022: RMB115,955,000 (unaudited)).

In addition, during the current interim period, the Group disposed of certain property, plant and equipment with an aggregate carrying amount of RMB68,000 (six months ended 30 June 2022: RMB54,000) for proceeds of RMB116,000 (six months ended 30 June 2022: RMB64,000), resulting in a gain on disposal of RMB48,000 (six months ended 30 June 2022: RMB10,000).

During the current interim period, the Group obtained a land use right and incurred prepaid lease payments of RMB25,710,000 (six months ended 30 June 2022: nil (unaudited)).

During the current interim period, the Group renewed one lease agreement and entered into several new lease agreements with lease terms ranged from 2 to 50 years. On date of lease commencement, the Group recognised right-of-use assets and lease liabilities of RMB6,971,000. No new lease agreement entered during the six months ended 30 June 2022.

**Impairment assessment**

Certain property, plant and equipment and right-of-use assets amounted to a total of RMB33,667,000 were considered idle (the “Idle Assets”) as at end of the reporting period, which was considered as an indicator that these assets may be impaired by the management of the Group. The management conducted impairment assessment on the recoverable amounts of the Idle Assets. The recoverable amounts of the Idle Assets are estimated individually using fair value less costs to disposal calculations under Level 3 fair value hierarchy. The fair value less costs to disposal calculations are based on adjusted available market information, where the key input parameters include adjustment factors on market comparable assets and obsolescence rates.

As at 30 June 2023, no impairment loss (six months ended 30 June 2022: RMB1,724,000) in respect of property, plant and equipment has been recognised in profit or loss.

## 10. TRADE, BILLS AND OTHER RECEIVABLES

| | **30 June 2023** *RMB'000* **(Unaudited)** | 31 December 2022 *RMB'000* (Audited) |
|---|---|---|
| Trade receivables from contracts with customers | **50,612** | 50,260 |
| Less: Allowance for credit losses | **(2,228)** | (1,222) |
| | **48,384** | 49,038 |
| Bills receivables | **52,845** | 116,802 |
| Prepayments to suppliers | **1,014,537** | 914,096 |
| Value-added tax recoverable | **15,680** | 44,743 |
| Other prepayments, deposits and other receivables | **21,446** | 20,962 |
| | **1,152,892** | 1,145,641 |

For long-term customers with good credit quality and payment history, the Group may allow credit periods of up to 90 days (2022: 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 June 2023** *RMB'000* **(Unaudited)** | 31 December 2022 *RMB'000* (Audited) |
|---|---|---|
| Trade receivables: | | |
| Within 30 days | **42,543** | 40,660 |
| 31–60 days | **1,590** | 5,702 |
| 61–90 days | **30** | 598 |
| 91–120 days | **156** | 42 |
| 121–180 days | **76** | 1,461 |
| 181–365 days | **3,656** | 440 |
| Over 1 year | **333** | 135 |
| | **48,384** | 49,038 |
| Bills receivables: | | |
| Within 30 days | **8,292** | 63,073 |
| 31–60 days | **8,212** | 8,050 |
| 61–90 days | **8,411** | 10,217 |
| 91–120 days | **6,020** | 1,852 |
| 121–180 days | **21,910** | 33,610 |
| | **52,845** | 116,802 |

As at 30 June 2023, included in the Group's bills receivables are amounts of RMB52,012,000 (unaudited) (31 December 2022: RMB113,174,000 (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 and suppliers 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 13) 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 June 2023** | 31 December 2022 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| | **(Unaudited)** | (Audited) |
| Carrying amount of transferred asset | **52,012** | 113,174 |
| Carrying amount of associated bank borrowings | **(52,012)** | (96,827) |
| Carrying amount of associated trade payables | **–** | (16,347) |
| | **–** | – |

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 2023, bills receivables held by a subsidiary of the Company issued by other members of the Group of RMB95,170,000 (unaudited) (31 December 2022: RMB148,920,000 (audited)) 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. TRADE, BILLS AND OTHER PAYABLES AND ACCRUED EXPENSES

| | **30 June 2023** | 31 December 2022 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| | **(Unaudited)** | (Audited) |
| Trade payables *(Note a)* | **118,264** | 151,904 |
| Bills payables *(Note b)* | **89,140** | 85,000 |
| Accrued staff costs | **19,501** | 12,859 |
| Construction payables | **111,734** | 90,924 |
| Transportation fee payables | **8,877** | 4,620 |
| Other tax payables | **11,525** | 10,493 |
| Other payables and accrued expenses | **30,336** | 27,045 |
| | **389,377** | 382,845 |

*Notes:*

(a) Included in the amounts was RMB16,347,000 related to the trade payables in which the Group has endorsed bills to the relevant suppliers as at 31 December 2022. The details are set out in the note 10.

(b) These relate to the amounts in which the Group has issued bills to the relevant suppliers and were not yet matured as at year end. The Group continues to recognise these trade payables as the relevant banks are obliged to make payments only on due dates of the bills, under the same conditions as agreed with the suppliers without further extension. In the condensed consolidated statement of cash flows, settlements of these bills are included within operating cash flows based on the nature of the arrangements.

The ageing analysis of the trade payables, excluding those related to the trade payables in which the Group has endorsed bills to the relevant suppliers as described in note 11(a), based on the invoice dates at the end of each reporting period is presented as follows:

| | **30 June 2023** *RMB'000* **(Unaudited)** | 31 December 2022 *RMB'000* (Audited) |
|---|---|---|
| Trade payables: | | |
| Within 30 days | **89,606** | 89,101 |
| 31–60 days | **6,822** | 23,260 |
| 61–90 days | **7,201** | 7,571 |
| 91–120 days | **5,631** | 3,169 |
| 121–180 days | **3,280** | 4,642 |
| 181–365 days | **5,508** | 3,766 |
| Over 1 year | **216** | 4,048 |
| | **118,264** | 135,557 |

The maturity dates of the bills payables at the end of each reporting period are presented as follows:

| | 30 June 2023 RMB'000 (Unaudited) | 31 December 2022 RMB'000 (Audited) |
|---|---|---|
| Bills payables: | | |
| 31–60 days | **80,000** | 80,000 |
| 61–90 days | **7,140** | 4,000 |
| 121–180 days | **–** | 1,000 |
| 181–365 days | **2,000** | – |
| | **89,140** | 85,000 |

## 12. AMOUNTS DUE TO RELATED PARTIES

| | 30 June 2023 RMB'000 (Unaudited) | 31 December 2022 RMB'000 (Audited) |
|---|---|---|
| Mr. Xu | **2,694** | 2,890 |
| Mr. Chen Chunniu | **160** | 160 |
| | **2,854** | 3,050 |

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

## 13. BORROWINGS

| | 30 June 2023 RMB'000 (Unaudited) | 31 December 2022 RMB'000 (Audited) |
|---|---|---|
| Fixed-rate borrowings: | | |
| Secured bank borrowings | **941,940** | 1,031,810 |
| Bank borrowings from factoring of bills receivables with full recourse *(note 10)* | **147,182** | 245,747 |
| Secured borrowings from entities established in the PRC and individuals independent with the Group | **138,263** | 169,950 |
| Unsecured borrowings from entities established in the PRC independent with the Group | **68,598** | 68,598 |
| | **1,295,983** | 1,516,105 |
| Variable-rate borrowings: | | |
| Secured bank borrowings | **114,520** | – |
| | **1,410,503** | 1,516,105 |
| 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 | **668,024** | 950,307 |
| — more than one year, but not more than two years | **155,052** | 103,212 |
| — more than two years, but not more than five years | **380,566** | 223,908 |
| — more than five years | **–** | 130 |
| | **1,203,642** | 1,277,557 |
| Less: amount due within one year shown under current liabilities | **(668,024)** | (950,307) |
| Amount shown under non-current liabilities | **535,618** | 327,250 |
| 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 | **118,900** | 130,773 |
| — more than one year, but not more than two years | **19,363** | 107,775 |
| — more than two years, but not more than five years | **68,598** | – |
| | **206,861** | 238,548 |
| Less: amount due within one year shown under current liabilities | **(118,900)** | (130,773) |
| Amount shown under non-current liabilities | **87,961** | 107,775 |

The secured portion of the Group's borrowings are secured by certain assets of the Group as detailed in note 17. Certain of the Group's borrowings are also guaranteed personally by certain directors of the Company.

## 14. SHARE CAPITAL

| | Number of shares | Share capital<br>*HK$'000* |
|---|---|---|
| Ordinary shares of HK$0.01 each | | |
| **Authorised:** | | |
| At 1 January 2022, 31 December 2022 and 30 June 2023 | 8,000,000,000 | 80,000 |
| **Issued:** | | |
| At 1 January 2022 (audited), 31 December 2022 (audited) and 30 June 2023 (unaudited) | 600,000,000 | 6,000 |

| | **30 June 2023**<br>***RMB'000***<br>**(Unaudited)** | 31 December 2022<br>*RMB'000*<br>(Audited) |
|---|---|---|
| Shown in the condensed consolidated statement of financial position | **4,999** | 4,999 |

## 15. 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 2023 | **25,272,720** |
| Granted during the period | **–** |
| Outstanding as at 30 June 2023 | **25,272,720** |

Details of share options granted by the Company and outstanding as at 30 June 2023 and 31 December 2022 are as follows:

| Date of grant | Vesting period | Exercise period | Number of share options granted | Exercise price *(HK$)* |
|---|---|---|---|---|
| **Directors** | | | | |
| 2 June 2021 | 2 June 2021 – 2 June 2022 | 3 June 2022 – 2 June 2025 | 5,309,088 | 2.75 |
| | 2 June 2021 – 2 June 2023 | 3 June 2023 – 2 June 2026 | 3,981,816 | 2.75 |
| | 2 June 2021 – 2 June 2024 | 3 June 2024 – 2 June 2027 | 3,981,820 | 2.75 |
| | | | 13,272,724 | |
| **Other grantees** | | | | |
| 2 June 2021 | 2 June 2021 – 2 June 2022 | 3 June 2022 – 2 June 2025 | 4,800,000 | 2.75 |
| | 2 June 2021 – 2 June 2023 | 3 June 2023 – 2 June 2026 | 3,599,999 | 2.75 |
| | 2 June 2021 – 2 June 2024 | 3 June 2024 – 2 June 2027 | 3,599,997 | 2.75 |
| | | | 11,999,996 | |
| | | | 25,272,720 | |

The fair value of the options determined at the date of grant using the Binomial model was HK$11,598,000. Out of the outstanding share options of 25,272,720 (31 December 2022: 25,272,720), 17,690,903 (31 December 2022: 10,109,088) options were exercisable as at 30 June 2023 with an exercise price of HK$2.75 per share.

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.

## 16. CAPITAL COMMITMENTS

| | **30 June 2023** | 31 December 2022 |
|---|---|---|
| | ***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 | **431,604** | 90,895 |

## 17. PLEDGE OF ASSETS

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

| | **30 June 2023** | 31 December 2022 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| | **(Unaudited)** | (Audited) |
| Trade receivables | **4,926** | 8,697 |
| Property, plant and equipment | **863,735** | 879,299 |
| Right-of-use assets | **124,558** | 142,601 |
| Restricted bank deposits | **152,094** | 189,415 |
| | **1,145,313** | 1,220,012 |

## 18. RELATED PARTY DISCLOSURES

### (a) Related party balance

Details of the outstanding balance with related parties are set out in the condensed consolidated statement of financial position and in note 12.

### (b) Related party transactions

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

| | | **Six months ended 30 June** | |
|---|---|---|---|
| **Related parties** | **Nature of transactions** | **2023** | 2022 |
| | | ***RMB'000*** | *RMB'000* |
| | | **(Unaudited)** | (Unaudited) |
| Hua Jin Holdings Pte. Ltd ("Hua Jin Holdings") *(Note i)* | Interest expense on lease liabilities | **5** | 2 |
| Oriental Surplus Link Limited *(Note ii)* | Interest expense on lease liabilities | **11** | 10 |

*Notes:*

(i) Hua Jin Holdings is 100% owned by Mr. Xu. The Group entered into a lease agreement with Hua Jin Holdings, with the lease term till 2022 for the use of office premise and furniture located in Tradehub 21, 8 Boon Lay Way, 609964 in District 22, Singapore and have renewed the lease agreement with the lease term till July 2024 in August 2022. During the current interim period, the Group have made repayment of the lease liability of RMB155,000 (six months ended 30 June 2022: RMB140,000). As at 30 June 2023, the corresponding carrying amount of the lease liabilities is RMB343,000 (31 December 2022: RMB458,000).

(ii) The Group entered into a lease agreement with Oriental Surplus Link Limited, which was wholly-owned by Mr. Xu, with the lease term till 2022 for the use of staff quarter located in Sai Kung, New Territories, Hong Kong and have renewed the lease agreement with the lease term till December 2023 in December 2022. During the current interim period, the Group have made repayment of the lease liability of RMB297,000 (six months ended 30 June 2022: RMB264,000). As at 30 June 2023, the corresponding carrying amount of the lease liabilities is RMB255,000 (31 December 2022: RMB536,000).

**(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 2023 and 31 December 2022 as set out in note 13.

**(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** | |
|---|---|---|
| | **2023** | 2022 |
| | ***RMB'000*** | *RMB'000* |
| | **(Unaudited)** | (Unaudited) |
| Directors' fees | **275** | 215 |
| Salaries, allowances and other benefits | **2,511** | 2,404 |
| Retirement benefit scheme contributions | **149** | 147 |
| Share-based payment expense | **867** | 1,940 |
| | **3,802** | 4,706 |

## 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 People's Republic of China ("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 but not limited to 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 2023, the Group generated revenue of approximately RMB2,976.8 million, representing an increase of RMB984.9 million or 49.4%, as compared to that of approximately RMB1,991.9 million in the first half of 2022. Profit attributable to owners of the Company for the first half of 2023 was approximately RMB39.4 million when compared with profit attributable to owners of the Company of approximately RMB58.9 million for the corresponding period in 2022. The net profit of the Group during the first half of 2023 was mainly due to (i) the increase in the revenue and sales volume of the Group's products; (ii) the increase in the average processing fee (being the difference between the selling price and the cost of the raw materials) of the Group's cold-rolled steel products and galvanized steel products; and (iii) the decrease in the unit cost of sales.

The sales volume of cold-rolled steel products and galvanized steel products in aggregate was 655,828 tonnes in the first half of 2023, representing an increase of 297,628 tonnes or 83.1%, as compared to 358,200 tonnes in the first half of 2022. During the first half of 2023, the Group acquired property, plant and equipment and incurred construction costs of approximately RMB79.5 million.

The net current liabilities position of approximately RMB268.0 million (31 December 2022: RMB452.1 million) as at 30 June 2023 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.

The capital commitments towards the acquisition of property, plant and equipment, as at 30 June 2023, was approximately RMB431.6 million (31 December 2022: RMB90.9 million), which will be financed by the Group's internal resources and borrowings.

The Board does not recommend the payment of an interim dividend for the six months ended 30 June 2023.

## FINANCIAL REVIEW

### Revenue

The Group primarily generates revenue from sales of cold-rolled steel products and galvanized steel products. The revenue for the first half of 2023 amounted to approximately RMB2,976.8 million, representing an increase of approximately RMB984.9 million or 49.4%, as compared with that of approximately RMB1,991.9 million for the first half of 2022.

The sales volume of cold-rolled steel products increased to 383,597 tonnes in the first half of 2023, by 110,579 tonne or 40.5%, as compared with that of 273,018 tonnes in the first half of 2022. The sales volume of galvanized steel products increased to 272,231 tonnes in the first half of 2023, by 187,049 tonnes or 219.6%, as compared with that of 85,182 tonnes in the first half of 2022. Thus, the sales volume of cold-rolled steel products and galvanized steel products in aggregate was 655,828 tonnes in the first half of 2023, representing an increase of 297,628 tonnes or 83.1%, as compared to 358,200 tonnes in the first half of 2022.

The increase in revenue was mainly attributable to the increase in sales volume of our cold-rolled steel products and galvanized steel products. The average selling price of our cold-rolled steel products decreased to RMB4,249 per tonne in the first half of 2023 as compared with that of RMB5,192 per tonne in the first half of 2022. The average selling price of our galvanized steel products decreased to RMB4,329 per tonne in the first half of 2023 as compared with that of RMB5,443 per tonne in the first half of 2022. In summary, the average selling price of our cold-rolled steel products and galvanized steel products decreased to RMB4,283 per tonne in the first half of 2023 as compared with that of RMB5,252 per tonne in the first half of 2022.

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 5.7% (first half of 2022: 5.6%) of the revenue during the first half of 2023.

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

| | Six months ended 30 June | | | |
|---|---|---|---|---|
| | **2023** | | 2022 | |
| | ***RMB'000*** | **%** | *RMB'000* | % |
| Sales of cold-rolled steel products | **1,630,058** | **54.7** | 1,417,471 | 71.1 |
| — steel strips and sheets | **1,572,966** | **52.8** | 1,302,960 | 65.4 |
| — welded steel tubes | **57,092** | **1.9** | 114,511 | 5.7 |
| Sales of galvanized steel products | **1,178,601** | **39.6** | 463,653 | 23.3 |
| Sales of hot-rolled steel products and others | **168,116** | **5.7** | 110,757 | 5.6 |
| | **2,976,775** | **100.0** | 1,991,881 | 100.0 |

***Cost of sales***

The cost of sales increased to approximately RMB2,837.4 million in the first half of 2023, by approximately RMB840.1 million or 42.1%, as compared with that of approximately RMB1,997.3 million in the first half of 2022.

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

| | Six months ended 30 June | | | |
|---|---|---|---|---|
| | **2023** | | 2022 | |
| | ***RMB'000*** | **%** | *RMB'000* | % |
| Direct materials | **2,596,195** | **91.5** | 1,802,088 | 90.2 |
| Utilities | **106,796** | **3.8** | 76,486 | 3.8 |
| Direct labour | **42,651** | **1.5** | 41,294 | 2.1 |
| Depreciation expense | **40,678** | **1.4** | 39,434 | 2.0 |
| Consumables | **47,148** | **1.7** | 33,631 | 1.7 |
| Others | **3,967** | **0.1** | 4,333 | 0.2 |
| | **2,837,435** | **100.0** | 1,997,266 | 100.0 |

Direct materials represented the cost of raw materials, primarily hot-rolled steel coils. The direct materials accounted for over 91.5% (first half of 2022: 90.2%) of the cost of sales in the first half of 2023. The increase in direct materials was mainly attributable to the increase in the sales volume of cold-rolled steel products and galvanized steel products. During the first half of 2022, the inventories were written down by the management in an amount of approximately RMB6.5 million after determining the net realisable value of inventories. During the first half of 2023, the write-down of inventories was reversed by approximately RMB2.4 million.

Utilities related primarily to electricity, water, and natural gas consumed throughout our production process. Utilities expenses increased to approximately RMB106.8 million in the first half of 2023, by approximately RMB30.3 million or 39.6%, as compared with that of approximately RMB76.5 million in the first half of 2022. Such increase was mainly due to the increase in the electricity and natural gas consumption in our Gujing production plant during the reporting period under review.

Direct labour increased to approximately RMB42.7 million in the first half of 2023, by approximately RMB1.4 million or 3.4%, as compared with that of approximately RMB41.3 million in the first half of 2022. The increase in direct labour was mainly attributable to employment of additional workers for our Gujing production plant during the reporting period under review.

Depreciation expense experienced an increase to approximately RMB40.7 million in the first half of 2023, by approximately RMB1.3 million or 3.3%, as compared with that of approximately RMB39.4 million in the first half of 2022. 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 RMB47.1 million in the first half of 2023, by approximately RMB13.5 million or 40.2%, as compared with that of approximately RMB33.6 million in the first half of 2022.

Other costs primarily comprised other taxes and surcharges expenses.

*Gross profit (loss)*

Due to the increase in sales volume with an increase 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 cold-rolled steel products and galvanized steel products, and the decrease in the unit cost of sales, the Group recorded a gross profit of approximately RMB139.3 million in the first half of 2023 while there was gross loss of approximately RMB5.4 million in the first half of 2022.

The gross profit margin was approximately 4.7% in the first half of 2023 when compared with gross loss margin of 0.3% in the first half of 2022.

*Other income, other gains and losses*

Other income, other gains and losses increased to approximately RMB2.0 million in the first half of 2023, by approximately RMB1.6 million or 400.0%, as compared with that of approximately RMB0.4 million in the first half of 2022. There were impairment losses on property, plant and equipment in the amount of approximately RMB1.7 million during the first half of 2022.

*Selling expenses*

Selling expenses increased to approximately RMB33.9 million in the first half of 2023, by approximately RMB24.7 million or 268.5%, as compared with that of approximately RMB9.2 million in the first half of 2022. The increase in selling expenses was mainly attributable to the increase in delivery costs resulting from the increase in sales volume of our cold-rolled steel products and galvanized steel products during the reporting period under review.

*Administrative expenses*

The administrative expenses decreased to approximately RMB27.0 million in the first half of 2023, by approximately RMB3.5 million or 11.5%, as compared with that of approximately RMB30.5 million in the first half of 2022. The decrease in administrative expenses was mainly attributable to the decrease in depreciation, equity-settled share-based payments and business related expenses during the reporting period under review.

***Investment gain (loss)***

The investment gain was approximately RMB0.5 million in the first half of 2023 when compared with the investment loss of approximately RMB0.7 million in the first half of 2022. Such investment gain during the reporting period under review was primarily due to the net realised gain on derivative financial instruments in relation to the commodity futures contracts.

***Finance costs***

Finance costs decreased to approximately RMB35.1 million in the first half of 2023, by approximately RMB2.4 million or 6.4%, as compared with that of approximately RMB37.5 million in the first half of 2022. Such decrease was mainly attributable to the decrease in the interest on bill discounting during the reporting period under review.

***Income tax expenses (credit)***

Income tax expenses relating to deferred tax charge amounted to approximately RMB8.8 million in the first half of 2023 while there was income tax credit relating to deferred tax credit amounted to approximately RMB22.4 million in the first half of 2022. No income tax was provided for during the first half of 2023.

***Profit (loss) for the period***

The profit attributable to owners of the Company was approximately RMB39.4 million in the first half of 2023 when compared with the loss attributable to owners of the Company of approximately RMB58.9 million in the first half of 2022.

Net profit margin was approximately 1.3% in the first half of 2023 when compared with net loss margin of 3.0% in the first half of 2022.

**Liquidity and financial resources**

As at 30 June 2023, the Group's bank balances and cash increased to approximately RMB47.6 million, by approximately RMB31.5 million or 195.7%, from approximately RMB16.1 million as at 31 December 2022. The Group's restricted bank deposits decreased to approximately RMB152.1 million as at 30 June 2023, by approximately RMB37.3 million or 19.7%, from approximately RMB189.4 million as at 31 December 2022.

As at 30 June 2023, the Group had the net current liabilities and the net assets of approximately RMB268.0 million (31 December 2022: RMB452.1 million) and approximately RMB467.8 million (31 December 2022: RMB425.3 million), respectively. As at 30 June 2023, the current ratio calculated based on current assets divided by current liabilities of the Group was 85.1% as compared with that of 76.5% as at 31 December 2022.

At 30 June 2023, the Group's total borrowings amounted to approximately RMB1,410.5 million (31 December 2022: RMB1,516.1 million) and total equity amounted to approximately RMB467.8 million (31 December 2022: RMB425.3 million). As at 30 June 2023, the gearing ratio of the Group, calculated based on total borrowings divided by total equity, was approximately 3.02 times (31 December 2022: 3.56 times).

As at 30 June 2023, the Group had total banking facilities relating to bank borrowings (excluding those related to factoring of bills receivables) and bills payables amounted to approximately RMB1,438.7 million (31 December 2022: RMB1,433.1 million), of which approximately RMB1,140.6 million (31 December 2022: RMB1,107.6 million) had been utilised, and the unutilised banking facilities amounted to approximately RMB298.1 million (31 December 2022: 325.5 million). In addition, based on the best estimation of the directors of the Company, all of the currently utilised banking facilities would be renewed upon expiry.

As at 30 June 2023, 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 and Mr. Luo Canwen respectively. Mr. Xu 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.

**Foreign currency exposure**

As the functional currency of the PRC subsidiaries is Renminbi ("RMB") and a portion of the 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. The Group currently does not have any foreign currency hedging policy. However, the 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 2023, 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 2023 are set out in note 13 to the condensed consolidated financial statements.

**Capital structure**

Details of the share capital are set out in note 14 to the condensed consolidated financial statements.

**Capital commitment**

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

**Pledge of assets**

Details of the pledge of assets are set out in note 17 to the condensed consolidated financial statements.

**Contingent liabilities**

During the reporting period under review, the Company provided guarantees to banks as securities for financing facilities granted to certain subsidiaries of the Company in the PRC. The Group did not provide any guarantee to any third parties and did not have contingent liabilities as at 30 June 2023 (31 December 2022: nil).

### Employees

As at 30 June 2023, the Group had a total of 1,118 (31 December 2022: 1,170) full-time employees (including executive Directors) in mainland China, Hong Kong and Singapore. The Group's total staff costs (including Directors' remuneration) during the first half of 2023 amounted to approximately RMB60.4 million (first half of 2022: RMB58.3 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 granted on 2 June 2021 and resulted in the share-based payment expenses of approximately RMB0.9 million (first half of 2022: RMB1.9 million) included in the above staff costs during the first half of 2023.

## FUTURE PROSPECTS

Our cold-rolled and galvanized steel processing service business will continue to be the principal business providing a stable source of income to the Group. With our broad and diversified customer base, our management will also consider the possibilities to expand and diversify our business by investing into new business opportunities which can enhance the diversity of our revenue and shareholder value.

## DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Other than the interests in share options of the Company as disclosed above, at no time during the six months ended 30 June 2023 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 2023.

## INTERIM DIVIDEND

The Directors do not recommend the payment of an interim dividend for the six months ended 30 June 2023 (six months ended 30 June 2022: 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 corporate governance principles of the Group emphasise an effective Board, sound internal controls, appropriate independence policy, and transparency and accountability to the Shareholders. The Group is committed to striking a balance between earnings and sustainable development. The Company believes outstanding business environment, society and corporate governance are fundamental to maintaining long-term sustainable success.

The Company has applied the principles of good corporate governance and 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 as set out in Appendix 14 to the Listing Rules throughout the six months ended 30 June 2023.

## 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 2023.

## 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 2023 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 2023 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 2023.

## 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, 31 August 2023

*As at the date of this announcement, the Board is comprised of Mr. Xu Songqing (Chairman), Mr. Xu Jianhong (Vice Chairman), Mr. Luo Canwen (Chief Executive Officer) and Mr. Xu Songman as executive Directors, and Mr. Goh Choo Hwee, Mr. Ou Qiyuan and Mr. Suen To Wai as independent non-executive Directors.*