Huajin International Holdings Limited
華津國際控股有限公司

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 2738

INTERIM REPORT

2017

Contents

CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Mr. Xu Songqing *(Chairman)*
Mr. Luo Canwen *(Chief Executive Officer)*
Mr. Chen Chunniu
Mr. Xu Songman

Independent non-executive Directors

Mr. Goh Choo Hwee
Mr. Tam Yuk Sang Sammy
Mr. Wu Chi Keung

AUDIT COMMITTEE

Mr. Wu Chi Keung *(Chairman)*
Mr. Goh Choo Hwee
Mr. Tam Yuk Sang Sammy

REMUNERATION COMMITTEE

Mr. Tam Yuk Sang Sammy *(Chairman)*
Mr. Xu Songqing
Mr. Goh Choo Hwee
Mr. Wu Chi Keung

NOMINATION COMMITTEE

Mr. Xu Songqing *(Chairman)*
Mr. Goh Choo Hwee
Mr. Tam Yuk Sang Sammy
Mr. Wu Chi Keung

COMPANY SECRETARY

Mr. Wong Chak Keung

COMPLIANCE ADVISER

Shenwan Hongyuan Capital (H.K.) Limited

PRINCIPAL BANKERS

Agricultural Bank of China (Muzhou Branch)
Xinhui Rural Commercial Bank (Muzhou Branch)
Jiangmen Roughe Rural Commercial Bank (Head Office)

AUDITOR

Deloitte Touche Tohmatsu
Certified Public Accountants

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Conyers Trust Company (Cayman) Limited
Cricket Square, P.O. Box 2681
Grand Cayman, KY1-1111
Cayman Islands

BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Union Registrars Limited
Suites 3301–04,
33/F., Two Chinachem Exchange Square,
338 King's Road, North Point,
Hong Kong

REGISTERED OFFICE

Cricket Square, Hutchins Drive
P.O. Box 2681, Grand Cayman
KY1-1111, Cayman Islands

HEADQUARTER IN THE PEOPLE'S REPUBLIC OF CHINA (THE "PRC")

Xinsha Industrial Zone of Muzhou Town
Xinhui District, Jiangmen City
Guangdong Province, the PRC

PRINCIPAL PLACE OF BUSINESS

Room 518, Tower A
New Mandarin Plaza
No. 14 Science Museum Road
Tsim Sha Tsui East
Kowloon, Hong Kong

STOCK CODE

2738

WEBSITE

www.huajin-hk.com

FINANCIAL HIGHLIGHTS

- Revenue increased to approximately RMB1,384.8 million in the first half of 2017, by approximately RMB586.2 million or 73.4%, from that of approximately RMB798.6 million in the first half of 2016. The increase in revenue during the reporting period was mainly attributable to the increase in the average selling price of our products and the increase in sales of zinc coated steel products.

- Our sales volume of processed steel products decreased to 260,785 tonnes in the first half of 2017, by 25,856 tonnes or 9.0%, as compared with that of 286,641 tonnes in the first half of 2016. Our sales volume of zinc coated steel products increased to 62,874 tonnes in the first half of 2017, by 61,132 tonnes or 35 times, as compared with that of 1,742 tonnes in the first half of 2016. Thus, our sales volume of processed steel and zinc coated steel products in aggregate was 323,659 tonnes in the first half of 2017, representing an increase of 35,276 tonnes or 12.2%, as compared to 288,383 tonnes in the first half of 2016.

- Gross profit decreased to approximately RMB109.4 million for the first half of 2017, representing a decrease of approximately RMB16.5 million or 13.1%, as compared with approximately RMB125.9 million for the first half of 2016.

- Gross profit margin decreased to approximately 7.9% for the first half of 2017, by approximately 7.9 percentage points, as compared with that of approximately 15.8% for the first half of 2016.

- Profit attributable to shareholders of the Company increased to approximately RMB54.5 million for the first half of 2017, representing an increase of approximately RMB4.2 million or 8.3%, as compared with approximately RMB50.3 million for the first half of 2016.

- Basic earnings per share decreased to approximately RMB9.08 cents in the first half of 2017 as compared with that of approximately RMB9.79 cents in the first half of 2016.

- The Board recommended the declaration of an interim dividend of HK3.5 cents (2016: HK4.8 cents) per share for the six months ended 30 June 2017.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

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 zinc coated 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 zinc coated steel products.

During the first half of 2017, the Group recorded revenue of RMB1,384.8 million and a profit attributable to shareholders of RMB54.5 million, representing an increase of 73.4% and 8.3%, respectively, from the first half of 2016.

On 4 January 2017, the Group succeeded in public auction for the acquisition of the land use right of an industrial land parcel with a site area of approximately 47,486 sq.m. located at Lingang Industrial Zone, The Economic Development Zone, Xinhui District, Guangdong Province, the PRC for a total consideration of approximately RMB21.4 million. The bidding price has been fully paid by the Group during the first half of 2017 and the relevant industrial land parcel will be designated for specific uses by metal products industry.

On 28 December 2016, the Group entered into a memorandum of understanding (the "MOU") with 江門市新會區展程製衣有限公司 (the "Vendor"), which is beneficially wholly–owned by Mr. Xu, a substantial shareholder, an executive Director and the Chairman of the Company, in relation to the possible acquisition of the land use right of a parcel of land with a site area of approximately 24,881 sq.m. located at Reng Zi Wei, the Villagers' Committee of Nan An, Muzhou Town, Xinhui District, Jiangmen City, Guangdong Province, the PRC and the plant building to be built on such land parcel as required by the Group. On 26 June 2017, the Group and the Vendor entered into a supplemental letter to the MOU to extend the exclusivity period of the MOU to 31 October 2017. The land parcel, being adjacent to the Group's existing production facilities, and the plant building being under construction with a gross floor area of approximately 8,125 sq.m. (subject to change) as required by the Group, will present an ideal location for the Group to pursue its further development in the future.

During the first half of 2017, the Group acquired property, plant and equipment and incurred construction costs of approximately RMB18.9 million and made an aggregate sum of approximately RMB32.3 million as deposit paid for acquisition of property, plant and equipment including mainly the coupled pickling line and tandem cold rolling mill under the equipment supply contract as set out in the announcement of the Company dated 24 January 2017.

MANAGEMENT DISCUSSION AND ANALYSIS

The Group envisages ongoing growth in demand for its products and an ongoing need to increase its production capacity. The Directors of the Company consider that the expansion in the production capacity by acquiring land use right, property, plant and equipment is in line with the business development strategy and plan of the Group.

FINANCIAL REVIEW

Revenue

Our group primarily generates revenue from the sales of processed steel products and zinc coated steel products. Our total revenue increased to approximately RMB1,384.8 million in the first half of 2017, by approximately RMB586.2 million or 73.4%, as compared with that of approximately RMB798.6 million in the first half of 2016.

Our sales volume of processed steel products decreased to 260,785 tonnes in the first half of 2017, by 25,856 tonnes or 9.0%, as compared with that of 286,641 tonnes in the first half of 2016. Our sales volume of zinc coated steel products increased to 62,874 tonnes in the first half of 2017, by 61,132 tonnes or 35 times, as compared with that of 1,742 tonnes in the first of 2016 after a full scale operation of the production line for the manufacture of zinc coated steel products in the second half of 2016. Thus, our sales volume of processed steel and zinc coated steel products in aggregate was 323,659 tonnes in the first half of 2017, representing an increase of 35,276 tonnes or 12.2%, as compared to 288,383 tonnes in the first half of 2016.

The increase in revenue was mainly attributable to the increase in the average selling price of our products and the increase in sales of zinc coated steel products. The market price of steel products, including hot–rolled steel and cold–rolled steel, experienced upward trend since February 2016. The average selling price of processed steel products increased to RMB4,018 per tonne in the first half of 2017 as compared with that of RMB2,673 per tone in the first half of 2016. The average selling price of zinc coated steel products increased to RMB4,229 per tonne in the first half of 2017 as compared with that of RMB3,084 per tone in the first half of 2016.

Our domestic sales in the PRC market contributed over 97% of our total revenue while the remaining portion was attributable to sales to our customers located in Southeast Asia.

Other revenue was primarily attributable to the trading of steel products, sales of scrap steel which was the residual in our manufacturing process to recycling agents and the provision of processing service to the customers who engage us to process hot–rolled steel coils provided by them. Such other revenue accounted for about 5.1% of our total revenue during the first half of 2017.

MANAGEMENT DISCUSSION AND ANALYSIS

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

	Six months ended 30 June			
	2017		2016	
	RMB'000	***%***	*RMB'000*	*%*
	(Unaudited)		*(Unaudited)*	
Sales of processed steel products	**1,047,841**	**75.7**	766,156	95.9
— processed steel strips and sheets	**959,588**	**69.3**	676,527	84.7
— welded steel tubes	**88,253**	**6.4**	89,629	11.2
Sales of zinc coated steel products	**265,887**	**19.2**	5,371	0.7
Others	**71,051**	**5.1**	27,040	3.4
	1,384,779	**100.0**	798,567	100.0

Cost of sales

Our cost of sales increased to approximately RMB1,275.4 million in the first half of 2017, by approximately RMB602.8 million or 89.6%, as compared with that of approximately RMB672.6 million in the first half of 2016.

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

	Six months ended 30 June			
	2017		2016	
	RMB'000	***%***	*RMB'000*	*%*
	(Unaudited)		*(Unaudited)*	
Direct materials	1,115,230	87.4	561,032	83.4
Utilities	58,806	4.6	47,374	7.0
Consumables	32,554	2.6	24,875	3.7
Depreciation expense	23,383	1.8	11,834	1.8
Direct labour	38,141	3.0	23,570	3.5
Others	7,266	0.6	3,942	0.6
	1,275,380	100.0	672,627	100.0

MANAGEMENT DISCUSSION AND ANALYSIS

Direct materials represented the cost of raw materials, primarily hot–rolled steel coils. The direct materials accounted for over 87% of our cost of sales during the first half of 2017. Such increase was mainly attributable to the increase in the prevailing market price of our direct materials and the increase in total sales volume during the period under review.

Utilities related primarily to electricity, water, and natural gas consumed throughout our production process. Utilities expenses increased to approximately RMB58.8 million in the first half of 2017, by approximately RMB11.4 million or 24.1%, as compared with that of approximately RMB47.4 million in the first half of 2016. Such increase was mainly due to the increased production activity for zinc coated steel products.

Consumables consisted of machinery spare parts and supplies consumed in the production process. Our consumables also increased to approximately RMB32.6 million in the first half of 2017, by approximately RMB7.7 million or 30.9%, as compared with that of approximately RMB24.9 million in the first half of 2016. Such increase was mainly attributable to the increased production activity for zinc coated steel products.

Depreciation expense experienced an increase to approximately RMB23.4 million in the first half of 2017, by approximately RMB11.6 million or 98.3%, as compared with that of approximately RMB11.8 million in the first half of 2016. Such increase was attributable to the addition of our property, plant and equipment including those for the production of zinc coated steel products which commenced operation and production in mid-2016.

Our direct labour increased to approximately RMB38.1 million in the first half of 2017, by approximately RMB14.5 million or 61.4%, as compared with that of approximately RMB23.6 million in the first half of 2016. The increase in our direct labour was mainly due to the increase in the number of workers for the new production line on zinc coated steel products and the increase in the contribution to the social insurance funds and the housing provident funds by our PRC subsidiaries.

Other costs primarily comprised other taxes and surcharges, repair and maintenance, and other miscellaneous expenses.

MANAGEMENT DISCUSSION AND ANALYSIS

Gross profit

In view of the intensified competition in the industry partly due to the steel price volatility, the Group reduced the processing fee (being the difference between the selling price and the cost of the raw materials, namely hot-rolled steel coils) charged for its processed steel products to an average of approximately RMB613 per tonne during the first half of 2017 as compared with that of approximately RMB734 per tonne during the first half of 2016, in order to maintain its market share and business volume. Due to the lowered processing fee and increased cost of sales, we recorded a lower increase in revenue by approximately RMB586.2 million than that in cost of sales by approximately RMB602.8 million. Accordingly, the Group recorded a gross profit of approximately RMB109.4 million in the first half of 2017, representing a decrease of approximately RMB16.5 million or 13.1%, as compared with that of approximately RMB125.9 million in the first half of 2016 and a gross profit margin of 7.9%, representing a decrease of approximately 7.9 percentage points as compared with that of 15.8% in the corresponding periods.

Other income, other gains and losses

Other income, other gains and losses increased to approximately RMB6.5 million in the first half of 2017, by approximately RMB2.1 million or 47.7%, as compared with that of approximately RMB4.4 million in the first half of 2016. Such increase was mainly attributable to the increase in government subsidies granted to high and new technology enterprises recognized in profit or loss during the period under review.

Selling expenses

Our selling expenses increased to approximately RMB20.7 million in the first half of 2017, by approximately RMB4.8 million or 30.2%, as compared with that of approximately RMB15.9 million in the first half of 2016. The increase in selling expenses during the period under review was mainly attributable to the increase in salary, delivery costs and other selling related expenses.

Administrative expenses

Our administrative expenses decreased to approximately RMB18.6 million in the first half of 2017, by approximately RMB4.6 million or 19.8%, as compared with that of approximately RMB23.2 million in the first half of 2016. Such decrease was primarily due to the decrease in staff costs and other administrative expenses.

Fair value change on derivative financial instruments

The Group entered into certain commodity futures contracts to hedge against the risks associated with the volatility in the raw materials price during the first half of 2017. Fair value change on derivative financial instruments in relation to the commodity futures contracts amounted to approximately RMB5.8 million was recognised in profit or loss during the period under review.

Finance costs

The finance costs comprised interest expenses on borrowings which were charged at interest rates ranging from 4.35% to 8.39% (first half of 2016: 4.35% to 8.39%) per annum for the first half of 2017. Finance costs increased to approximately RMB20.4 million in the first half of 2017, by approximately RMB6.6 million or 47.8%, as compared with that of approximately RMB13.8 million in the first half of 2016. Such increase was primarily resulted from the increase in borrowings during the period under review.

Income tax expenses

Income tax expenses decreased to approximately RMB8.5 million in the first half of 2017, by approximately RMB13.0 million or 60.5%, as compared with that of approximately RMB21.5 million in the first half of 2016. The decrease was mainly attributable to the decrease in the applicable enterprise income tax rate from 25% to 15% for our two major subsidiaries in the PRC. In February 2017, our two major PRC subsidiaries were recognized as high and new technology enterprises in the PRC and enjoyed a preferential enterprise income tax rate of 15% for a term of three years from 1 January 2016 to 31 December 2018.

Profit for the period

Our profit attributable to shareholders of the Company increased to approximately RMB54.5 million in the first half of 2017, by approximately RMB4.2 million or 8.3%, as compared with that of approximately RMB50.3 million in the first half of 2016.

Net profit margin decreased to approximately 3.9% in the first half of 2017 by approximately 2.4 percentage points from approximately 6.3% in the first half of 2016.

MANAGEMENT DISCUSSION AND ANALYSIS

Liquidity and financial resources

As at 30 June 2017, the Group's bank balances and cash decreased to approximately RMB84.9 million, by approximately RMB34.4 million or 28.8%, from approximately RMB119.3 million as at 31 December 2016. The Group's restricted bank deposits increased to approximately RMB74.8 million as at 30 June 2017, by approximately RMB7.2 million or 10.7%, from approximately RMB67.6 million as at 31 December 2016.

As at 30 June 2017, the Group had the net current assets and the net assets of approximately RMB94.7 million (31 December 2016: RMB230.6 million) and approximately RMB579.6 million (31 December 2016: RMB537.3 million), respectively. As at 30 June 2017, the current ratio calculated based on current assets divided by current liabilities of the Group was 108.7% as compared with 137.1% as at 31 December 2016.

At 30 June 2017, the Group's total borrowings amounted to approximately RMB849.9 million (31 December 2016: RMB634.1 million) and total equity amounted to approximately RMB579.6 million (31 December 2016: RMB537.3 million). The gearing ratio of the Group, calculated based on total borrowings divided by total equity, was approximately 1.47 times (31 December 2016: 1.18 times) as at 30 June 2017.

As at 30 June 2017, the Group had total banking facilities amounted to approximately RMB934.0 million (31 December 2016: RMB687.2 million), of which approximately RMB849.9 million (31 December 2016: RMB634.1 million) had been utilised for trade finance and machinery finance. The Group believes it has and will have sufficient unutilised banking facilities to meet its business operation, capital expenditures and expansion.

Foreign currency exposure

As the functional currency of our PRC subsidiaries is RMB and a portion of our revenue is derived from sales to overseas customers who settle in USD, we are exposed to risks associated with fluctuations in USD against RMB. In addition, we are exposed to foreign currency risk arising from certain bank balances which are denominated in USD, RMB, HKD and SGD. Our Group currently does not have any foreign currency hedging policy. However, our management closely monitors its exposure to foreign currency risk and will consider hedging significant foreign currency exposure should the need arise.

Financial instruments

During the period under review, apart from the commodity futures contacts, the Group had not entered into any financial instruments for hedging purpose.

Material acquisitions and disposal

The Group acquired property, plant and equipment and incurred construction costs of approximately RMB18.9 million and incurred loss on disposal of property, plant and equipment amounting to approximately RMB0.3 million during the first half of 2017. Save as disclosed above, the Group had no other material acquisition or disposal during the first half of 2017.

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 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 period under review, the Company provided guarantees to banks as securities for banking 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 2017 (31 December 2016: nil).

MANAGEMENT DISCUSSION AND ANALYSIS

Employees

As at 30 June 2017, the Group had a total of 1,245 (31 December 2016: 1,260) full–time employees in mainland China, Hong Kong and Singapore. The Group's total staff costs (including Directors' remuneration) during the first half of 2017 amounted to approximately RMB54.1 million (first half of 2016: RMB39.4 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. No share option was granted during the six months ended 30 June 2017.

Changes since 31 December 2016

Save as disclosed in this report, since 31 December 2016, there were no other significant changes in the Group's financial position and there were no other significant changes in relation to the information disclosed under the section headed "Management Discussion and Analysis" in the annual report of the Company for the year ended 31 December 2016.

Future plans for material investments or capital assets

Under the memorandum of understanding (the "MOU") dated 28 December 2016 and a supplemental letter to the MOU dated 26 June 2017 entered into between the Group and 江門市新會區展程製衣有限公司 (the "Vendor A"), an entity controlled by Mr. Xu, a plant building with a gross floor area of approximately 8,125 sq.m. (subject to change) as required by the Group to be built on the land parcel, being adjacent to the Group's existing production facilities, is currently under construction. The Group will engage an independent property valuer to assess the fair value of the land use right of the land parcel and the plant building. As at the date of this report, no formal sale and purchase agreement has been signed. If a legally binding formal agreement is entered into between the Group and the Vendor A, it is expected that the possible acquisition will constitute a notifiable transaction and connected transaction of the Company pursuant to the Listing Rules. In this regard, the Company will comply with the reporting, disclosure and/or shareholders' approval requirements under the Listing Rules. The Board believes that, if materialised, the possible acquisition will be financed by internal resources of the Group and/or borrowings.

The Group currently intends to increase the processing capacity of the existing production facilities by purchasing production machinery and equipment. As disclosed in the announcements of the Company dated 24 January 2017 and 17 May 2017, the Group entered into three equipment supply contracts with CERI Technology Co., Ltd. (the "Vendor B"), a limited liability company established under the laws of the PRC, in relation to, among others, the purchase and installation of the coupled pickling line and tandem cold rolling mill, the continuous hot dip galvanizing line and the single stand 6–high reversing cold mill at an aggregated contract price of approximately RMB182.8 million (inclusive of 17% value–added tax). The Vendor B is one of the leading manufacturers producing metal smelting equipment, steel rolling equipment, pickling equipment, and other machinery in the PRC. As at 30 June 2017, the Group made an aggregate sum of approximately RMB32.3 million as deposit paid for acquisition of property, plant and equipment. The payment under the three equipment supply contracts will be financed by internal resources of the Group and/or borrowings. As at the date of this report, the Directors negotiated at their best efforts with the Vendor B the terms for the possible purchase and installation of another set of pickling lines having an annual processing capacity of 600,000 tonnes.

Save as disclosed above, the Group had no other future plans for material investments or capital assets as at 30 June 2017.

Outlook

As a leading cold–rolled steel processor in Guangdong Province, the PRC, our Group has a competitive advantage in providing processing, cutting, slitting, storage and delivery services of the customized processed steel products and establishing long–term relationship with customers by providing cold–rolled steel strips, sheets and welded steel tubes and zinc coated steel products customized to the specifications of our customers. Our extension to the production and sales of zinc coated steel products will enhance our product mix.

Our Group currently intends to increase the processing capacity and the scale of production of our existing production facilities by purchasing additional production machinery and equipment including, among others, the coupled pickling line and tandem cold rolling mill, the continuous hot dip galvanizing line and the single stand 6–high reversing cold mill. With the Groups' competitive edge in the industry by providing processed steel products customized to the specification of the customers, the Board believes that the expansion in production facilities and processing capacity will enhance the Group's capability to meet customers' need and achieve economies of scale with the objective to bring better returns for our shareholders.

DISCLOSURE OF INTERESTS

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES OF THE COMPANY

As at 30 June 2017 the interests and short positions of the Directors and the chief executive of the Company and their associates in the ordinary share(s) of HK$0.01 each in the share capital of the Company (the "Shares") and underlying Shares of the Company which have been notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to Divisions 7 and 8 of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) ("SFO"), or which were recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") were as follows:

Long positions in the Shares of the Company

Name of Directors	Nature of interest	Number of Shares held	Percentage of the issued share capital of the Company
Mr. Xu Songqing ("Mr. Xu")	Interest held jointly with another person *(note 1)*; Interest of controlled corporation *(note 2)*	450,000,000	75.00%
Mr. Luo Canwen ("Mr. Luo")	Interest held jointly with another person *(note 1)*; Interest of controlled corporation *(note 2)*	450,000,000	75.00%

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES OF THE COMPANY *(Continued)*

Long positions in the Shares of the Company *(Continued)*

Notes:

1. On 4 January 2016, Mr. Xu and Mr. Luo entered into the acting in concert agreement, pursuant to which, among other things, Mr. Xu and Mr. Luo acknowledged and confirmed that they, as ultimate shareholders of our Group, have been parties acting in concert throughout the period and up to the date thereof and will continue to act in concert thereafter. As such, following the completion of the global offering, our ultimate controlling shareholders together control 75.0% interest in the share capital of our Company through Intrend Ventures, Zhong Cheng and Haiyi (as defined below). As a result, each of our ultimate controlling shareholders and their respective holding company is deemed to be interested in such 75.0% interest in the share capital of our Company.

2. The entire issued share capital of Intrend Ventures is legally and beneficially wholly–owned by Mr. Xu. Intrend Ventures owns 87.0% of the issued share capital of Haiyi and is taken to be interested in all the Shares held by Haiyi for the purposes of the SFO. Haiyi is legally and beneficially owned as to 12.0% by Zhong Cheng, an investment holding company wholly–owned by Mr. Luo.

3. The percentage of shareholding is calculated on the basis of the Company's issued share capital of 600,000,000 Shares as at 30 June 2017.

Save as disclosed above, as at 30 June 2017, none of the Directors or chief executive of the Company nor their associates had any interests or short positions in the Shares or underlying Shares of the Company which had to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO or which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein or which were required, pursuant to the Model Code, to be notified to the Company and the Stock Exchange.

DISCLOSURE OF INTERESTS

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS IN SHARES AND UNDERLYING SHARES OF THE COMPANY

As at 30 June 2017, so far as the Directors are aware, the following persons or corporations (not being a Director or a chief executive of the Company) who had interests and/or short position in the Shares or underlying Shares of the Company which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO as recorded in the register required to be kept by the Company pursuant to section 336 of the SFO were:

Long positions in Shares of the Company

Name of shareholders	Nature of interest	Number of Shares held	Percentage of the issued share capital of the Company
Intrend Ventures Limited ("Intrend Ventures")	Interest held jointly with another person *(note 1)*; Interest of controlled corporation *(note 2)*	450,000,000	75.00%
Zhong Cheng International Limited ("Zhong Cheng")	Interest held jointly with another person *(note 1)*; Interest of controlled corporation *(note 2)*	450,000,000	75.00%
Haiyi Limited ("Haiyi")	Beneficial owner	450,000,000	75.00%

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS IN SHARES AND UNDERLYING SHARES OF THE COMPANY *(Continued)*

Long positions in Shares of the Company *(Continued)*

Notes:

1. On 4 January 2016, Mr. Xu and Mr. Luo entered into the acting in concert agreement, pursuant to which, among other things, Mr. Xu and Mr. Luo acknowledged and confirmed that they, as ultimate shareholders of our Group, have been parties acting in concert throughout the period and up to the date thereof and will continue to act in concert thereafter. As such, following the completion of the global offering, our ultimate controlling shareholders together control 75.0% interest in the share capital of our Company through Intrend Ventures, Zhong Cheng and Haiyi. As a result, each of our ultimate controlling shareholders and their respective holding company is deemed to be interested in such 75.0% interest in the share capital of our Company.

2. The entire issued share capital of Intrend Ventures is legally and beneficially wholly–owned by Mr. Xu. Intrend Ventures owns 87.0% of the issued share capital of Haiyi and is taken to be interested in all the Shares held by Haiyi for the purposes of the SFO. Haiyi is legally and beneficially owned as to 12.0% by Zhong Cheng, an investment holding company wholly–owned by Mr. Luo.

3. The percentage of shareholding is calculated on the basis of the Company's issued share capital of 600,000,000 Shares as at 30 June 2017.

Save as disclosed above, as at 30 June 2017, the Company has not been notified by any person nor corporation (other than Directors or the chief executive of the Company) who had interests or short positions in the Shares or underlying Shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO.

OTHER INFORMATION

USE OF PROCEEDS FROM THE GLOBAL OFFERING

The Shares of the Company became listed on the Stock Exchange on 15 April 2016.

Based on the offer price of HK$2.38 per Share and the actual listing expenses incurred, the net proceeds from the global offering received by the Company amounted to approximately HK$330.7 million (equivalent of approximately RMB276.8 million) and the balance of unutilised net proceeds of approximately HK$3.6 million (equivalent of approximately RMB3.0 million) were kept at the bank accounts of the Group as at 30 June 2017.

The net proceeds from the global offering (adjusted on a pro rata basis based on the actual net proceeds) are substantially utilised in accordance with the purposes set out in the section "Future Plans and Use of Proceeds" of the prospectus of the Company dated 5 April 2016. The below table sets out the planned applications of the net proceeds and actual usage up to 30 June 2017:

Use of proceeds	Planned applications *(HK$ million)*	% of total net proceeds *(%)*	Actual usage up to 30 June 2017 *(HK$ million)*	Actual usage up to 30 June 2017 *(RMB million)*
To repay working capital loans from PRC commercial banks	150.0	45.4	150.0	126.1
To purchase production machinery and equipment	71.0	21.5	71.0	59.6
To finance the acquisition of two parcels of industrial lands and the operational buildings erected thereon from Mr. Xu	48.6	14.7	48.6	40.5
To finance the construction and operation of Workshop No. 4	27.3	8.2	27.3	22.7
To upgrade our ERP system	4.1	1.2	0.5	0.4
For general working capital and other general corporate purposes	29.7	9.0	29.7	24.5
Total	330.7	100.0	327.1	273.8

SHARE OPTIONS

Pursuant to the written resolution of all the shareholders of the Company passed on 23 March 2016, the Company adopted a share option scheme conditional upon the Listing of the Company's Shares on the Stock Exchange. Since the adoption of the share option scheme on 23 March 2016 and up to 30 June 2017, no options have been granted by the Company.

INTERIM DIVIDEND

The Board has resolved to declare the payment of an interim dividend of HK3.5 cents per share (2016: HK4.8 cents per share) for the six months ended 30 June 2017 to the shareholders of the Company whose names appear on the register of members of the Company at the close of business on Tuesday, 12 September 2017. The interim dividend is expected to be distributed from the share premium account on Monday, 18 September 2017.

Under section 34(2) of the Cayman Islands Companies Law, the share premium account may be applied by a company in paying dividends to members provided that no distribution or dividend may be paid to members out of the share premium account unless, immediately following the date on which the distribution or dividend is proposed to be paid, the company shall be able to pay its debts as they fall due in the ordinary course of business. The Board confirms that with respect to the payment of the interim dividend out of the share premium account, the Company shall be able to pay its debts as they fall due in the ordinary course of business immediately following the date on which the interim dividend is proposed to be distributed.

CLOSURE OF THE REGISTER OF MEMBERS

The register of members of the Company will be closed from Friday, 8 September 2017 to Tuesday, 12 September 2017, both days inclusive, during which period no transfer of Shares will be registered. In order to qualify for the interim dividend payable on Monday, 18 September 2017, all completed transfer forms accompanied by the relevant share certificates must be lodged with the Company's Branch Share Registrar in Hong Kong, Union Registrars Limited, at Suites 3301–04, 33/F., Two Chinachem Exchange Square, 338 King's Road, North Point, Hong Kong not later than 4:00 p.m. on Thursday, 7 September 2017.

OTHER INFORMATION

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

Neither the Company nor any of its subsidiaries purchased, redeemed or sold any of the Company's Shares during the six months ended 30 June 2017.

ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURES

At no time during the six months ended 30 June 2017 was the Company or its subsidiary a party to any arrangement to enable the Directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

CORPORATE GOVERNANCE PRACTICE

The Company has adopted the code provisions set out in the Corporate Governance Code (the "CG Code") contained in Appendix 14 to the Listing Rules as its code of corporate governance. The Company has complied with the applicable code provisions in the CG Code during the six months ended 30 June 2017, 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 but are subject to retirement by rotation and re–election by the shareholders at the forthcoming annual general meeting in accordance with the Articles of Association. As such, the Board considers that sufficient measures have been taken to ensure that the Company's corporate governance practices are no less exacting than those set out in the CG Code.

The Directors will continue to use their best endeavours to procure the Company to comply with the CG Code.

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 2017.

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 report, the Company has maintained the prescribed public float required by the Listing Rules for the six months ended 30 June 2017 and up to the date of this report.

REVIEW OF FINANCIAL STATEMENTS

The Audit Committee has reviewed the Group's unaudited condensed consolidated financial statements for the six months ended 30 June 2017 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 2017.

CHANGES IN INFORMATION OF DIRECTORS, SUPERVISORS AND CHIEF EXECUTIVES

Changes in Directors' and chief executives' other information which are required to be disclosed under Rule 13.51B(1) of the Listing Rules subsequent to the Company's 2016 annual report are set out below:

— Mr. Xu Songqing was appointed as the legal representative and an executive director of 江門市津源金屬制品有限公司 (transliterated as Jiangmen Jin Yuan Metal Product Company Limited and "Jin Yuan") on 15 December 2016.

— Mr. Luo Canwen resigned as a director of Huajin (Singapore) Pte. Ltd. on 25 April 2017 and was appointed as the supervisor of a new subsidiary, 江門市海潤再生資源回收有限公司 (transliterated as Jiangmen Hai Run Renewable Resources Recycling Company Limited and "Hai Run") on 12 May 2017, being the date of incorporation of the subsidiary.

— Mr. Chen Chunniu appointed as the supervisor of Jin Yuan on 15 December 2016, and was appointed as the legal representative and an executive director of Hai Run on 12 May 2017.

— Mr. Lee Chi Ho resigned as the chief financial officer of the Group with his resignation letter received by the Company on 10 July 2017 and Mr. Wong Chak Keung was appointed as the chief financial officer of the Group with effect from 10 July 2017.

OTHER INFORMATION

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, 24 August, 2017

As at the date of this report, the Board is comprised of Mr. Xu Songqing (Chairman), Mr. Luo Canwen (Chief Executive Officer), Mr. Chen Chunniu and Mr. Xu Songman as executive Directors, and Mr. Goh Choo Hwee, Mr. Tam Yuk Sang, Sammy and Mr. Wu Chi Keung as independent non–executive Directors

REPORT ON REVIEW OF CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Deloitte. 德勤

TO THE BOARD OF DIRECTORS OF
HUAJIN INTERNATIONAL HOLDINGS LIMITED
華津國際控股有限公司
(incorporated in the Cayman Islands with limited liability)

INTRODUCTION

We have reviewed the condensed consolidated financial statements of Huajin International Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 25 to 46, which comprise the condensed consolidated statement of financial position as of 30 June 2017 and the related condensed consolidated statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the six–month period then ended, and certain explanatory notes. The Main Board Listing Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and the Hong Kong Accounting Standard 34 "Interim Financial Reporting" ("HKAS 34") issued by the Hong Kong Institute of Certified Public Accountants. The directors of the Company are responsible for the preparation and presentation of these condensed consolidated financial statements in accordance with HKAS 34. Our responsibility is to express a conclusion on these condensed consolidated financial statements based on our review, and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

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REPORT ON REVIEW OF CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

SCOPE OF REVIEW

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants. A review of these condensed consolidated financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the condensed consolidated financial statements are not prepared, in all material respects, in accordance with HKAS 34.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
24 August 2017

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CONDENSED CONSOLIDATION STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2017

	Notes	Six months ended 30 June 2017 RMB'000 (Unaudited)	2016 RMB'000 (Unaudited)
Revenue	3	**1,384,779**	798,567
Cost of sales		**(1,275,380)**	(672,627)
Gross profit		**109,399**	125,940
Other income, other gains and losses		**6,490**	4,353
Selling expenses		**(20,668)**	(15,862)
Administrative expenses		**(18,586)**	(23,157)
Listing expenses		**–**	(6,113)
Profit before fair value change on derivative financial instruments, net finance costs and taxation		**76,635**	85,161
Fair value change on derivative financial instruments		**5,841**	–
Finance income	4	**911**	447
Finance costs	4	**(20,389)**	(13,777)
Finance costs, net	4	**(19,478)**	(13,330)
Profit before taxation		**62,998**	71,831
Income tax expenses	5	**(8,492)**	(21,540)
Profit for the period, attributable to owners of the Company	6	**54,506**	50,291
Other comprehensive income for the period — exchange differences arising on translation of foreign operations which may be subsequently reclassified to profit or loss		**172**	1,427
Total comprehensive income for the period, attributable to owners of the Company		**54,678**	51,718
Earnings per share for profit attributable to owners of the Company,	7		
— basic (RMB cents)		**9.08**	9.79
— diluted (RMB cents)		**N/A**	9.73

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2017

	Notes	**30.6.2017** **RMB'000** **(Unaudited)**	31.12.2016 RMB'000 (Audited)
NON–CURRENT ASSETS			
Property, plant and equipment	9	**415,536**	428,230
Prepaid lease payments		**84,025**	63,227
Deposit paid for acquisition of property, plant and equipment		**43,266**	10,976
Deposit paid for acquisition of prepared lease payments	18(a)	**6,000**	6,000
Deferred tax assets		**4,455**	–
		553,282	508,433
CURRENT ASSETS			
Prepaid lease payments		**1,817**	1,450
Inventories		**269,502**	195,215
Trade, bills and other receivables	10	**710,260**	461,672
Loan receivable	11	**26,038**	–
Derivative financial instruments	12	**3,773**	–
Tax recoverable		**16,610**	6,866
Restricted bank deposits		**74,807**	67,570
Bank balances and cash		**84,894**	119,328
		1,187,701	852,101
CURRENT LIABILITIES			
Trade, bills and other payables and accrued expenses	13	**279,908**	156,765
Tax payables		**1,933**	49
Borrowings — due within one year	14	**811,150**	464,675
		1,092,991	621,489
NET CURRENT ASSETS		**94,710**	230,612
TOTAL ASSETS LESS CURRENT LIABILITIES		**647,992**	739,045

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2017

	Notes	**30.6.2017** ***RMB'000*** **(Unaudited)**	31.12.2016 *RMB'000* (Audited)
NON–CURRENT LIABILITIES			
Borrowings — due more than one year	14	**38,732**	169,403
Deferred income		**29,700**	31,350
Deferred tax liability		**–**	1,000
		68,432	201,753
NET ASSETS		**579,560**	537,292
CAPITAL AND RESERVES			
Share capital	15	**4,999**	4,999
Reserves		**564,961**	528,293
Equity attributable to owners of the Company		**569,960**	533,292
Non–controlling interest		**9,600**	4,000
TOTAL EQUITY		**579,560**	537,292

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2017

	Equity attributable to owners of the Company								
	Share Capital	Share Premium	Statutory Reserve	Capital Reserve	Translation Reserve	Retained Profits	Sub-total	Non-controlling interest	Total
	RMB'000	*RMB'000*	*RMB'000* *Note i*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January 2016 (audited)	–	–	18,787	58,696	(5,910)	151,900	223,473	–	223,473
Profit for the period	–	–	–	–	–	50,291	50,291	–	50,291
Other comprehensive income for the period	–	–	–	–	1,427	–	1,427	–	1,427
Total comprehensive income for the period	–	–	–	–	1,427	50,291	51,718	–	51,718
Dividend paid	–	–	–	–	–	(52,470)	(52,470)	–	(52,470)
Issue of new shares (note 15)	1,230	297,482	–	–	–	–	298,712	–	298,712
Transaction costs attributable to issue of new shares	–	(11,090)	–	–	–	–	(11,090)	–	(11,090)
Issue of shares by capitalization of share premium account	3,769	(3,769)	–	–	–	–	–	–	–
At 30 June 2016 (unaudited)	4,999	282,623	18,787	58,696	(4,483)	149,721	510,343	–	510,343
At 1 January 2017 (audited)	**4,999**	**282,623**	**29,287**	**58,696**	**561**	**157,126**	**533,292**	**4,000**	**537,292**
Profit for the period	**–**	**–**	**–**	**–**	**–**	**54,506**	**54,506**	**–**	**54,506**
Other comprehensive income for the period	**–**	**–**	**–**	**–**	**172**	**–**	**172**	**–**	**172**
Total comprehensive income for the period	**–**	**–**	**–**	**–**	**172**	**54,506**	**54,678**	**–**	**54,678**
Capital contributed to a subsidiary	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**5,600**	**5,600**
Dividend paid	**–**	**–**	**–**	**–**	**–**	**(18,010)**	**(18,010)**	**–**	**(18,010)**
At 30 June 2017 (unaudited)	**4,999**	**282,623**	**29,287**	**58,696**	**733**	**193,622**	**569,960**	**9,600**	**579,560**

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2017

Note:

(i) Amount represents statutory reserve of the Group's subsidiaries in the People's Republic of China (the "PRC"). According to the relevant laws in the PRC, the Group's subsidiaries in the PRC are required to transfer at least 10% of their net profit after taxation, as determined under the PRC accounting regulations, to a non–distributable reserve fund until the reserve balance reaches 50% of their registered capital. The transfer to this reserve must be made before the distribution of a dividend to owners. Such reserve fund can be used to offset the previous years' losses, if any, and is non–distributable other than upon liquidation.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2017

	Six months ended 30 June	
	2017	2016
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
NET CASH USED IN OPERATING ACTIVITIES	**(113,406)**	(194,265)
INVESTING ACTIVITIES		
Placement of restricted bank deposits	**(73,137)**	(41,911)
Deposit paid for acquisition and purchase of property, plant and equipment	**(51,199)**	(131,142)
Increase in loan receivable	**(26,038)**	–
Payment for land use right	**(22,075)**	(14,500)
Purchase of derivative financial instruments	**(3,773)**	–
Withdrawal of restricted bank deposits	**65,900**	41,544
Proceeds on disposal of property, plant and equipment	**5,382**	–
Repayment from related parties	**–**	122,411
Other investing cash flows	**911**	447
NET CASH USED IN INVESTING ACTIVITIES	**(104,029)**	(23,151)
FINANCING ACTIVITIES		
New borrowings raised	**820,063**	486,122
Capital contributed by non–controlling interest of a subsidiary	**5,600**	–
Repayment of borrowings	**(604,263)**	(445,972)
Dividend paid	**(18,010)**	(52,470)
Expenses on issue of shares	**–**	(11,090)
Proceeds from issue of shares	**–**	298,712
Other financing cash flows	**(20,389)**	(13,777)
NET CASH FROM FINANCING ACTIVITIES	**183,001**	261,525
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	**(34,434)**	44,109
CASH AND CASH EQUIVALENTS AT 1 JANUARY	**119,328**	96,190
CASH AND CASH EQUIVALENTS AT 30 JUNE, represented by bank balances and cash	**84,894**	140,299

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2017

1. BASIS OF PREPARATION

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 (the "Stock Exchange").

The shares of the Company were listed on the Stock Exchange since 15 April 2016.

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.

Except as described below, the accounting policies and method of computation used in the condensed consolidated financial statements for the six months ended 30 June 2017 are the same as those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2016.

Derivative financial instruments

Derivatives are initially recognised at fair value at the date when derivative contracts are entered into and are subsequently remeasured to their fair value at the end of the reporting period. The resulting gain or loss is recognised in profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship.

In the current interim period, the Group has also applied, for the first time, certain amendments to Hong Kong Financial Reporting Standards ("HKFRSs") issued by the HKICPA that are mandatorily effective for the current interim period.

The application of the amendments to HKFRSs in the current interim period has had no material effect on the amounts reported and/or disclosures set out in these condensed consolidated financial statements.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2017

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 chief operating decision makers (the "CODM"), being Mr. Xu Songqing ("Mr. Xu") and Mr. Luo Canwen ("Mr. Luo"), in order to allocate resources to segments and to assess their performance. During the periods ended 30 June 2017 and 2016, the CODM assess the operating performance and allocate the resources of the Group as a whole as the Group is primarily engaged in processing and sales of processed steel products and zinc coated 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.

	Six months ended 30 June	
	2017	2016
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Sales of processed steel products		
— Processed steel strips and sheets	**959,588**	676,527
— Welded steel tubes	**88,253**	89,629
Sales of zinc coated steel products	**265,887**	5,371
Others	**71,051**	27,040
	1,384,779	798,567

The Group's revenue is mainly derived from customers located in the PRC and the Southeast Asia. The Group's revenue by the geographical locations of the customers, determined based on the destination of goods delivered, irrespective of the origin of goods, is detailed below:

	Six months ended 30 June	
	2017	2016
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
PRC	**1,344,743**	751,491
Southeast Asia	**40,036**	47,076
	1,384,779	798,567

3. REVENUE AND SEGMENT INFORMATION *(Continued)*

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 2017 (six months ended 30 June 2016: nil (unaudited)).

4. FINANCE INCOME AND COSTS

	Six months ended 30 June	
	2017	2016
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Interest income from bank deposits	**911**	447
Interest expense on borrowings, net of amounts capitalised in the cost of qualifying assets of RMB1,000,000 (six months ended 30 June 2016: RMB2,100,000)	**(20,389)**	(13,777)
Finance costs, net	**(19,478)**	(13,330)

Borrowing costs capitalised during the six months ended 30 June 2017 arose on the general borrowing pool and are calculated by applying a capitalisation rate of 5.7% (six months ended June 2016: 6.2%) per annum to expenditure on qualifying assets.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2017

5. INCOME TAX EXPENSES

	Six months ended 30 June	
	2017	2016
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Current tax charge:		
— Hong Kong Profits Tax	**180**	–
— PRC Enterprise Income Tax ("EIT")	**8,090**	19,540
— PRC withholding income tax	**2,000**	2,000
	10,270	21,540
Under provision in prior year:		
— PRC EIT	**3,677**	–
Deferred tax credit	**(5,455)**	–
Income tax expenses for the period	**8,492**	21,540

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit for the periods ended 30 June 2017 and 2016.

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

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

10% PRC withholding income tax is generally imposed on dividends declared in respect of profits earned by the Group's PRC subsidiaries to Inter Consortium Holdings Limited ("Inter Consortium"). Inter Consortium entitles a reduced PRC withholding income tax rate of 5% according to PRC tax regulations when Inter Consortium is qualified as a Hong Kong tax resident.

6. PROFIT FOR THE PERIOD

	Six months ended 30 June	
	2017	2016
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Profit for the period has been arrived at after charging (crediting):		
Directors' remuneration		
— Fees	**265**	140
— Other emoluments, salaries, bonus and other benefits	**375**	382
— Retirement benefit scheme contributions	**16**	7
	656	529
Other staff salaries, benefits and allowances	**49,044**	32,366
Retirement benefit scheme contributions, excluding those of directors	**4,417**	6,481
Total employee benefits expenses	**54,117**	39,376
Amortisation of prepaid lease payments	**909**	558
Depreciation of property, plant and equipment	**25,919**	17,290
Loss on disposal of property, plant and equipment	**303**	–
Exchange gain, net	**(1,564)**	(345)

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2017

7. EARNINGS PER SHARE

The calculation of basic and diluted earnings per share are based on the following data:

	Six months ended 30 June	
	2017	2016
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Earnings:		
Profit for the period attributable to owners of the Company for the purpose of basic and diluted earnings per share	**54,506**	50,291
Number of shares:		
Weighted average number of ordinary shares for the purpose of basic earnings per share (in thousands)	**600,000**	513,462
Add: Effect of diluted potential ordinary share arising from the over–allotment option (in thousands)	**N/A**	3,511
Weighted average number of ordinary shares for the purpose of diluted earnings per share (in thousands)	**N/A**	516,973

The weighted average number of ordinary shares for the purpose of calculating the basic and diluted earnings per share for the six months ended 30 June 2016 has been adjusted to reflect the effects of the capitalisation issue of 449,999,900 ordinary shares as described in note 15(iii) had been effective on 1 January 2016.

No diluted earnings per share is presented for the six months ended 30 June 2017 as the Group had no potential dilutive ordinary shares in issue during the period.

8. DIVIDENDS

During the current interim period, a final dividend of HK3.4 cents per share in respect of the year ended 31 December 2016 was declared and distributed to the owners of the Company. The aggregate amount of the final dividend declared and distributed in this interim period amounted to HK$20,400,000 (equivalent to RMB18,010,000).

The aggregate sum of dividends amounting to RMB52,470,000 was declared and approved by the directors of the Company during the six months ended 30 June 2016 and had been distributed to the then shareholders of the Company prior to the listing of the company on Stock Exchange on 15 April 2016.

The directors of the Company have resolved to declare an interim dividend of HK3.5 cents per share amounting to HK$21,000,000 in aggregate for the six months ended 30 June 2017 (six months ended 30 June 2016: HK4.8 cents per share).

9. MOVEMENTS IN PROPERTY, PLANT AND EQUIPMENT

During the current interim period, the Group acquired property, plant and equipment and incurred construction costs of RMB18,909,000 (unaudited) (six months ended 30 June 2016: RMB128,604,000 (unaudited)).

10. TRADE, BILLS AND OTHER RECEIVABLES

	30.6.2017 ***RMB'000*** **(Unaudited)**	31.12.2016 *RMB'000* (Audited)
Trade receivables	**277,730**	193,009
Bill receivables	**185,736**	138,958
Prepayments to suppliers	**217,944**	120,386
Value–added tax recoverable	**18,453**	604
Other prepayments, deposits and other receivables	**10,397**	8,715
	710,260	461,672

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2017

10. TRADE, BILLS AND OTHER RECEIVABLES *(Continued)*

No allowance for bad and doubtful was provided for the six months ended 30 June 2017 (six months ended 30 June 2016: nil (unaudited)), and no provision for bad and doubtful debt balances were recognised as at the end of the reporting period (31 December 2016: nil).

For long–term customers with good credit quality and payment history, the Group allows credit periods of no longer than 120 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 at the end of each reporting period:

	30.6.2017	31.12.2016
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Trade receivables:		
Within 30 days	**189,015**	114,553
31–60 days	**49,095**	58,383
61–90 days	**22,393**	10,006
91–120 days	**10,954**	1,995
121–180 days	**404**	4,037
181–365 days	**2,962**	4,035
Over 1 year	**2,907**	–
	277,730	193,009

10. TRADE, BILLS AND OTHER RECEIVABLES *(Continued)*

	30.6.2017 ***RMB'000*** **(Unaudited)**	31.12.2016 *RMB'000* (Audited)
Bills receivables:		
Within 30 days	**39,108**	17,750
31–60 days	**6,738**	28,187
61–90 days	**10,350**	26,341
91–120 days	**48,580**	23,930
121–180 days	**74,148**	38,790
181–365 days	**6,812**	3,960
	185,736	138,958

As at 30 June 2017, included in the Group's bills receivables are amounts of RMB175,594,000 (31 December 2016: RMB109,948,000), being the discounted bills receivables transferred to certain banks with full recourse. If the issuing banks of bills receivables default payment on maturity, the banks have the right of recourse to request the Group to pay the unsettled balance. As the Group has not transferred substantially all the risks and rewards relating to these bills receivables, it continues to recognise the full carrying amount of the bills receivables and has recognised the cash received on the transfer as bank borrowings from factoring of trade receivables with full recourse (note 14). The financial asset is carried at amortised cost in the condensed consolidated statement of financial position.

	30.6.2017 ***RMB'000*** **(Unaudited)**	31.12.2016 *RMB'000* (Audited)
Carrying amount of transferred asset	**175,594**	109,948
Carrying amount of associated liability	**(175,594)**	(109,948)
	–	–

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2017

11. LOAN RECEIVABLE

	30.6.2017 *RMB'000* **(Unaudited)**	31.12.2016 *RMB'000* (Audited)
Fixed–rate loan receivable	**26,038**	–

The amount is due from an independent third party and is unsecured, repayable within twelve months from the end of the reporting period and interest–bearing at fixed interest rate of 12% per annum as at 30 June 2017 (31 December 2016: nil).

12. DERIVATIVE FINANCIAL INSTRUMENTS

As at 30 June 2017, the derivative financial instruments represent the outstanding future contracts of hot rolled coils with total notional amount of approximately RMB3,700,000 with maturity date in October 2017 which are publicly traded in a futures exchange. Net fair value change and net realised gain on the derivative financial instruments were recognised under fair value change on derivative financial instruments in the condensed consolidated statement of profit or loss.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2017

13. TRADE, BILLS, AND OTHER PAYABLES AND ACCRUED EXPENSES

	30.6.2017 ***RMB'000*** **(Unaudited)**	31.12.2016 *RMB'000* (Audited)
Trade payables	**24,769**	21,393
Bill payables	**75,395**	13,750
Receipts in advance from customers	**133,657**	73,195
Accrued staff costs	**14,824**	7,610
Construction payables	**14,077**	20,394
Transportation fee payables	**1,519**	1,616
Other tax payables	**1,708**	337
Other payables and accrued expenses	**13,959**	18,470
	279,908	156,765

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

	30.6.2017 ***RMB'000*** **(Unaudited)**	31.12.2016 *RMB'000* (Audited)
Trade payables:		
Within 30 days	**9,642**	8,789
31–60 days	**1,227**	3,944
61–90 days	**3,243**	1,435
91–120 days	**2,752**	825
121–180 days	**1,167**	1,377
181–365 days	**4,858**	2,892
Over 1 year	**1,880**	2,131
	24,769	21,393

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2017

13. TRADE, BILLS, AND OTHER PAYABLES AND ACCRUED EXPENSES *(Continued)*

	30.6.2017 ***RMB'000*** **(Unaudited)**	31.12.2016 *RMB'000* (Audited)
Bills payables:		
Within 30 days	**51,460**	–
31–60 days	**23,935**	–
61–90 days	**–**	–
91–120 days	**–**	–
121–180 days	**–**	13,750
	75,395	13,750

14. BORROWINGS

	30.6.2017 ***RMB'000*** **(Unaudited)**	31.12.2016 *RMB'000* (Audited)
Fixed rate borrowings:		
Unsecured other borrowings	**46,967**	–
Secured bank borrowings	**627,321**	524,130
Bank borrowings from factoring of bills receivables with full recourse *(note 10)*	**175,594**	109,948
	849,882	634,078
The carrying amounts are repayable as follows:		
— within one year	**811,150**	464,675
— more than one year, but not more than two years	**38,732**	169,403
	849,882	634,078
Less: amounts due within one year shown under current liabilities	**(811,150)**	(464,675)
Amounts shown under non–current liabilities	**38,732**	169,403

15. SHARE CAPITAL

	Number of shares	Share capital *HK$'000*
Ordinary shares of HK$0.01 each		
Authorised:		
At 13 March 2015 (date of incorporation) and 31 December 2015 *(note i)*	38,000,000	380
Increase on 23 March 2016 *(note ii)*	7,962,000,000	79,620
At 31 December 2016 and 30 June 2017	8,000,000,000	80,000
Issued:		
At 1 January 2016	100	–
Issue of shares *(note iii)*	599,999,900	6,000
At 31 December 2016 (audited) and 30 June 2017 (unaudited)	600,000,000	6,000

	30.6.2017 ***RMB'000*** **(Unaudited)**	31.12.2016 *RMB'000* (Audited)
Shown in the condensed consolidated statement of financial position	**4,999**	4,999

Notes:

(i) The Company was incorporated in Cayman Islands on 13 March 2015 as an exempted company with an authorised capital of HK$380,000, divided into 38,000,000 shares of HK$0.01 each. On the date of incorporation, 1 share of HK$0.01 of the Company was allotted and issued to the initial subscriber and was further transferred to Haiyi Limited ("Haiyi"). On the same day, an additional 99 shares of HK$0.01 each were allotted to Haiyi. At 31 December 2015, 100 shares of the Company were issued to Haiyi.

(ii) Pursuant to the resolution passed by the shareholders of the Company on 23 March 2016, the authorised share capital of the Company was increased from HK$380,000 to HK$80,000,000 by the creation of additional 7,962,000,000 ordinary shares of HK$0.01 each.

(iii) On 15 April 2016, the Company issued a total of 150,000,000 ordinary shares of HK$0.01 each at HK$2.38 (equivalent to RMB1.99) per share pursuant to the initial public offering of the Company's shares. On the same date, the Company allotted and issued 449,999,900 ordinary shares of HK$0.01 each credited as fully paid to the shareholders by capitalising an amount of HK$4,499,999 (equivalent to RMB3,769,000) from the share premium account of the Company.

(iv) All the shares issued during the six months ended 30 June 2017 and the year ended 31 December 2016 ranked pari passu in all respects with the then existing shares in issue.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2017

16. CAPITAL COMMITMENTS

	30.6.2017 RMB'000 (Unaudited)	31.12.2016 RMB'000 (Audited)
Capital expenditure contracted but not provided for in the condensed consolidated financial statements in respect of acquisition of property, plant and equipment	**173,226**	3,509

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:

	30.6.2017 RMB'000 (Unaudited)	31.12.2016 RMB'000 (Audited)
Property, plant and equipment	**343,023**	401,585
Prepaid lease payments	**64,173**	64,677
Trade receivables	**4,093**	4,093
Restricted bank deposits	**74,807**	67,570
	486,096	537,925

18. RELATED PARTY DISCLOSURES

(a) Related parties balances

As at 30 June 2017 and 31 December 2016, deposit paid for acquisition of prepaid lease payments was a deposit made by the Group to 江門市新會區展程製衣有限公司, an entity controlled by Mr. Xu regarding the acquisition of a parcel of industrial land and the buildings to be built on such land parcel which are situated in Jiangmen, Guangdong Province, the PRC. As at the date of this report, no formal sale and purchase agreement has been signed.

18. RELATED PARTY DISCLOSURES *(Continued)*

(b) Related party transactions

(i) The Group had the following transaction with related party, which is controlled by Mr. Xu, during the reporting period:

Related party	Nature of transactions	Six months ended 30 June **2017** ***RMB'000*** **(Unaudited)**	2016 *RMB'000* (Unaudited)
Hua Jin Holdings Pte. Ltd.	Rental expenditure	**150**	–

(ii) During the six months ended 30 June 2016, the Group acquired certain lands and buildings erected thereon which are situated in Jiangmen, Guangdong Province, the PRC (the "Lands and Properties") from Mr. Xu at an aggregate consideration of RMB45,000,000 (the "Consideration"). The Consideration was determined by reference to the market value of the Lands and Properties prepared by Greater China Appraisal Limited, an independent professional valuer.

(c) 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 **2017** ***RMB'000*** **(Unaudited)**	2016 *RMB'000* (Unaudited)
Directors' fees	**265**	140
Salaries, bonus and other benefits	**1,250**	1,012
Retirement benefit scheme contributions	**31**	40
	1,546	1,192

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2017

19. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS

Some of the Group's financial assets are measured at fair value at the end of each reporting period. The following table gives information about how the fair values of these financial assets and financial liabilities are determined (in particular, the valuation technique(s) and inputs used), as well as the level of the fair value hierarchy into which the fair value measurements are categorised (levels 1, 2 or 3) based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirely, which are described as follows:

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active market for identical assets or liabilities;

- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and

- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Financial asset	Fair value as at 30.6.2017 *RMB'000* (Unaudited)	Fair value as at 31.12.2016 *RMB'000* (Audited)	Fair value hierarchy	Valuation techniques and key inputs
Derivative financial instruments: — Future contracts of hot rolled coils	**4,361**	–	Level 1	Quoted bid prices in an active market

Except for the above financial assets that are measured at fair value on a recurring basis, the directors of the Company consider that the carrying amounts of financial assets and financial liabilities recognised at amortised cost in the condensed consolidated financial statements approximate to their fair values at the end of the reporting period.