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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)

NEGATIVE PROFIT ALERT

This announcement is made by Huajin International Holdings Limited (the “**Company**”, and together with its subsidiaries, the “**Group**”) pursuant to the Inside Information Provisions (as defined in the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”)) under Part XIVA of the Securities and Futures Ordinance (Cap. 571 of the Laws of Hong Kong) and Rule 13.09 of the Listing Rules.

The board (the “**Board**”) of directors of the Company wishes to inform the shareholders (the “**Shareholders**”) and potential investors of the Company that, based on the preliminary review of the Group’s unaudited consolidated management accounts for the six months ended 30 June 2018, the Group is expected to record a profit attributable to owners of the Company of approximately RMB12 million for the six months ended 30 June 2018 as compared to a profit of approximately RMB54.5 million for the corresponding period in 2017.

Based on the relevant information currently available, the Board considers that such decrease in profit was primarily attributable to, among others, the following factors:

- (1) the price of raw materials, namely hot-rolled steel coils, went up substantially during the first half of 2018, hitting the highest level in the past five years. Some of our customers adopted a wait and see approach in reordering their stock which resulted in a decrease in our sales volume as compared to the corresponding period of 2017. In addition, we reduced our average processing fee (being the difference between the selling price and the cost of direct materials) charged for our products in order to maintain our business flow in view of the keen competition in the market and rising raw material cost to our customers;
- (2) during the first half of 2018, finance costs increased by approximately RMB5.8 million when compared with the corresponding period in 2017. The Group continued to increase its investment in land use rights and equipments. The Group completed the acquisition of land use rights located at Zhoulang Village, Gujing Town, Xinhui District, Jiangmen City, Guangdong Province, the PRC* (中國廣東省江門市新會區古井鎮洲朗村) with an aggregate site area of approximately 284,860 sq.m. and paid the consideration of approximately RMB110 million. The Group plans to increase the production capacity of cold-rolled steel products and galvanized steel products by the expansion of its production base. In the first half of 2018, the price of the Group's major raw materials was the highest in the past five years resulting in

an increase in the Group's working capital requirements. As at 30 June 2018, the Group's borrowings increased by approximately RMB250 million when compared with that as at 31 December 2017. In addition to the borrowings from the financial institutions, the increase in the Group's borrowings included additional financial assistance from Mr. Xu Songqing, the Chairman of the Company, in the amount of approximately RMB48 million, and

- (3) net realised loss and fair value loss on derivative financial instruments in amount of approximately RMB6.6 million was recognised during the first half of 2018.

The Company is still in the process of finalising the interim results of the Group for the six months ended 30 June 2018. The information contained in this announcement is only a preliminary assessment by the management of the Company based on figures and information made available to the Board as at the date hereof and is not based on any figures or information which has been reviewed by the audit committee or the independent auditors of the Company. The actual unaudited interim results of the Group for the six months ended 30 June 2018 may be different from the financial information disclosed herein and are expected to be published by late August 2018.

Shareholders and potential investors are advised to exercise caution when dealing in the shares of the Company.

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

Hong Kong, 1 August 2018

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

- * *For identification purpose only and should not be regarded as the official English translation of the Chinese names. In the event of any inconsistency, the Chinese name prevails.*