HUAJIN INTERNATIONAL HOLDINGS LIMITED
華 津 國 際 控 股 有 限 公 司
(Incorporated in the Cayman Islands with limited liability)
(Stock Code: 2738)

ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2023

The board (the "Board") of directors (the "Directors") of Huajin International Holdings Limited (the "Company", together with its subsidiaries, the "Group") is pleased to announce the consolidated results of the Group for the year ended 31 December 2023, together with the comparative figures for the year ended 31 December 2022, which have been prepared in accordance with the Hong Kong Financial Reporting Standards as below.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For year ended 31 December 2023

	NOTES	**2023** RMB'000	2022 RMB'000
Revenue	4	**6,589,901**	4,663,563
Cost of sales		**(6,293,347)**	(4,683,695)
Gross profit (loss)		**296,554**	(20,132)
Other income, other gains and losses	5	**8,772**	4,528
Selling expenses		**(68,960)**	(39,369)
Administrative expenses		**(58,627)**	(64,767)
Profit (loss) before investment gain (loss), net finance costs and taxation		**177,739**	(119,740)
Investment gain (loss)		**194**	(656)
Finance income	6	**3,832**	2,419
Finance costs	6	**(80,604)**	(79,441)
Finance costs, net	6	**(76,772)**	(77,022)
Profit (loss) before taxation		**101,161**	(197,418)
Income tax (expenses) credit	7	**(15,681)**	32,119
Profit (loss) for the year	8	**85,480**	(165,299)
Other comprehensive income (expense)			
Item that will not be reclassified to profit or loss:			
Fair value gain (loss) on equity investments designated at fair value through other comprehensive income ("FVTOCI"), net of income tax		**28**	(456)
Other comprehensive income (expense) for the year, net of income tax		**28**	(456)
Total comprehensive income (expense) for the year		**85,508**	(165,755)
Profit (loss) for the year attributable to:			
Owners of the Company		**85,656**	(165,299)
Non-controlling interests		**(176)**	–
		85,480	(165,299)
Total comprehensive income (expense) attributable to:			
Owners of the Company		**85,684**	(165,755)
Non-controlling interests		**(176)**	–
		85,508	(165,755)
Earnings (losses) per share	10		
— Basic *(RMB cents)*		**14.28**	(27.55)
— Diluted *(RMB cents)*		**14.28**	(27.55)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2023

	NOTES	2023 RMB'000	2022 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment		**1,402,330**	1,090,121
Right-of-use assets		**186,256**	158,647
Deposits paid for acquisition of property, plant and equipment		**200,399**	27,736
Equity investments designated at FVTOCI		**1,799**	1,768
Restricted bank deposits		**–**	15,180
Deferred tax assets		**19,611**	33,233
		1,810,395	1,326,685
CURRENT ASSETS			
Inventories		**315,179**	134,113
Trade, bills and other receivables	*11*	**1,311,308**	1,145,641
Tax recoverable		**4,692**	–
Restricted bank deposits		**247,715**	174,235
Bank balances and cash		**98,386**	16,093
		1,977,280	1,470,082
CURRENT LIABILITIES			
Trade, bills and other payables and accrued expenses	*12*	**386,288**	382,845
Contract liabilities	*13*	**586,844**	454,141
Tax payables		**–**	1
Amounts due to related parties	*14*	**2,814**	3,050
Borrowings — due within one year	*15*	**1,266,382**	1,081,080
Lease liabilities		**1,687**	1,027
		2,244,015	1,922,144
NET CURRENT LIABILITIES		**(266,735)**	(452,062)
TOTAL ASSETS LESS CURRENT LIABILITIES		**1,543,660**	874,623

	NOTES	2023	2022
		RMB'000	RMB'000
NON-CURRENT LIABILITIES			
Borrowings — due more than one year	*15*	**1,011,520**	435,025
Lease liabilities		**7,739**	2,684
Deferred income		**8,250**	11,550
Deferred tax liabilities		**1,402**	26
		1,028,911	449,285
NET ASSETS		**514,749**	425,338
CAPITAL AND RESERVES			
Share capital		**4,999**	4,999
Reserves		**507,826**	420,339
Equity attributable to owners of the Company		**512,825**	425,338
Non-controlling interests		**1,924**	–
TOTAL EQUITY		**514,749**	425,338

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

1. GENERAL INFORMATION

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 principal activity of the Company is investment holding. The Group's principal subsidiaries, including Inter Consortium Holdings Limited, Jiangmen Huajin Metal Product Company Limited, Jiangmen Huamu Metals Company Limited and Huajin (Singapore) Pte. Ltd., are engaged in the processing and sales of cold-rolled steel products and galvanized steel products. The address of the Company's registered office is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands and principal place of business in Hong Kong is Room 518, Tower A, New Mandarin Plaza, No.14 Science Museum Road, Tsim Sha Tsui East, Kowloon, Hong Kong.

The consolidated financial statements are presented in Renminbi ("RMB"), which is the same as the functional currency of the Company.

2. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). For the purpose of preparation of the consolidated financial statements, information is considered material if such information is reasonably expected to influence decisions made by primary users. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Listing Rules") and by the Hong Kong Companies Ordinance.

In preparing the consolidated financial statements of the Group, the directors of the Company has given careful consideration to the future liquidity of the Group in light of the fact that the Group's current liabilities exceeded its current assets by RMB266,735,000 as at 31 December 2023 and had capital commitments contracted for but not provided in the consolidated financial statements of RMB257,440,000 on the same date, of which RMB199,099,000 is due for payment in the next twelve months from 31 December 2023. The Group had generated a net cash inflow of RMB82,265,000 and net operating cash outflow of RMB371,976,000 for the year ended 31 December 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 the available bank facilities from various banks for the operation requirements of the Group based on the past history of renewal of such facilities and the working capital estimated to be generated from operating activities. As at 31 December 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 RMB1,649,780,000, of which approximately RMB1,192,201,000 had been utilised, and the unutilised financing facilities amounted to RMB457,579,000. 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 these consolidated financial statements.

Based on the aforesaid factors, the directors of the Company are satisfied that the Group will have sufficient financial resources to meet in full its financial obligations as and when they fall due for the foreseeable future. Accordingly, the directors of the Company consider that it is appropriate to prepare the consolidated financial statements on a going concern basis.

The consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments that are measured at fair values at the end of each reporting period. Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

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

New and amendments to HKFRSs that are mandatorily effective for the current year

In the current year, the Group has applied the following new and amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants ("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 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
Amendments to HKAS 12	International Tax Reform — Pillar Two Model Rules
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies

Except as described below, the application of the new and amendments to HKFRSs in the current year has had no material impact on the Group's financial positions and performance for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

3.1 Impacts on application of Amendments to HKAS 12 Deferred Tax related to Assets and Liabilities arising from a Single Transaction

The Group has applied the amendments for the first time in the current year. The amendments narrow the scope of the recognition exemption of deferred tax liabilities and deferred tax assets in paragraphs 15 and 24 of HKAS 12 Income Taxes ("HKAS 12") so that it no longer applies to transactions that, on initial recognition, give rise to equal taxable and deductible temporary differences.

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, on 1 January 2022, the Group disclosed the related deferred tax assets of RMB560,000 and deferred tax liabilities of RMB560,000 on a gross basis but it has no impact on the retained earnings.

3.2 Impacts on application of Amendments to HKAS 1 and HKFRS Practice Statement 2 Disclosure of Accounting Policies

The Group has applied the amendments for the first time in the current year. HKAS 1 Presentation of Financial Statements is amended to replace all instances of the term "significant accounting policies" with "material accounting policy information". Accounting policy information is material if, when considered together with other information included in an entity's financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements.

The amendments also clarify that accounting policy information may be material because of the nature of the related transactions, other events or conditions, even if the amounts are immaterial. However, not all accounting policy information relating to material transactions, other events or conditions is itself material. If an entity chooses to disclose immaterial accounting policy information, such information must not obscure material accounting policy information.

HKFRS Practice Statement 2 Making Materiality Judgements (the "Practice Statement") is also amended to illustrate how an entity applies the "four-step materiality process" to accounting policy disclosures and to judge whether information about an accounting policy is material to its financial statements. Guidance and examples are added to the Practice Statement.

The application of the amendments has had no material impact on the Group's financial positions and performance.

Amendments to HKFRSs in issue but not yet effective

The Group has not early applied the following amendments to HKFRSs that have been issued but are not yet effective:

Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[1]
Amendments to HKFRS 16	Lease Liability in a Sale and Leaseback[2]
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020) [2]
Amendments to HKAS 1	Non-current Liabilities with Covenants[2]
Amendments to HKAS 7 and HKFRS 7	Supplier Finance Arrangements[2]
Amendments to HKAS 21	Lack of Exchangeability[3]

[1] Effective for annual periods beginning on or after a date to be determined.

[2] Effective for annual periods beginning on or after 1 January 2024.

[3] Effective for annual periods beginning on or after 1 January 2025.

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

Amendments to HKAS 1 Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020) (the "2020 Amendments") and Amendments to HKAS 1 Non-current Liabilities with Covenants (the "2022 Amendments")

The 2020 Amendments provide clarification and additional guidance on the assessment of right to defer settlement for at least twelve months from reporting date for classification of liabilities as current or non-current, which:

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

- specify that the classification of liabilities as current or non-current should be based on rights that are in existence at the end of the reporting period. Specifically, the amendments clarify that the classification should not be affected by management intentions or expectations to settle the liability within 12 months.

For rights to defer settlement for at least twelve months from reporting date which are conditional on the compliance with covenants, the requirements introduced by the 2020 Amendments have been modified by the 2022 Amendments. The 2022 Amendments specify that only covenants with which an entity is required to comply with on or before the end of the reporting period affect the entity's right to defer settlement of a liability for at least twelve months after the reporting date. Covenants which are required to comply with only after the reporting period do not affect whether that right exists at the end of the reporting period.

In addition, the 2022 Amendments specify the disclosure requirements about information that enables users of financial statements to understand the risk that the liabilities could become repayable within twelve months after the reporting period, if an entity classifies liabilities arising from loan arrangements as non-current when the entity's right to defer settlement of those liabilities is subject to the entity complying with covenants within twelve months after the reporting period.

The 2022 Amendments also defer the effective date of applying the 2020 Amendments to annual reporting periods beginning on or after 1 January 2024. The 2022 Amendments, together with the 2020 Amendments, are effective for annual reporting periods beginning on or after 1 January 2024, with early application permitted. If an entity applies the 2020 Amendments for an earlier period after the issue of the 2022 Amendments, the entity should also apply the 2022 Amendments for that period.

Based on the Group's outstanding liabilities as at 31 December 2023, the application of the 2020 and 2022 Amendments will not result in reclassification of the Group's liabilities.

4. REVENUE AND SEGMENT INFORMATION

Operating segments are identified on the basis of internal reports about components of the Group that are regularly reviewed by the executive directors Mr. Xu and Mr. Luo Canwen ("Mr. Luo"), being the chief operating decision maker (the "CODM"), in order to allocate resources to segments and to assess their performance. During the years ended 31 December 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 the 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 People's Republic of China (the "PRC") and the Group's non-current assets are also mainly located in the PRC.

The CODM reviews the overall results and financial position of the Group as a whole based on the same accounting policies and no further segment information is presented.

The Group's sales of cold-rolled steel products and galvanized steel products is recognised when control of the goods has transferred, being when the goods have been shipped or delivered to the customers' specific locations or when the goods are collected by customers at the Group's production plants at their choice. The payment terms and credit terms (if any) are set out in note 11. The Group's product warranty typically requires it to produce products free from defects in material and workmanship and in conformity with specifications of the customers. If the Group fails to meet the product requirements, its customers may return such non-conforming products within 15 days and the Group shall repair or replace such products free of charge.

Disaggregation of revenue from contracts with customers by types of goods is as follow:

Segments	**2023**	2022
	RMB'000	*RMB'000*
Sales of cold-rolled steel products		
— steel strips and sheets	**3,573,976**	2,655,077
— welded steel tubes	**127,846**	199,796
Sales of galvanized steel products	**2,498,571**	1,553,571
Sales of hot-rolled steel products and others	**389,508**	255,119
	6,589,901	4,663,563

All revenue of the Group are recognised at a point in time. All products are delivered within a period less than one year. As permitted under HKFRS 15, the transaction price allocated to the unsatisfied contracts is not disclosed.

The Group's revenue is derived from customers located in the PRC (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:

	2023	2022
	RMB'000	*RMB'000*
PRC (including Hong Kong)	**6,557,538**	4,642,217
Southeast Asia	**32,363**	21,346
	6,589,901	4,663,563

Information about major customer

No revenue from any customer contributed over 10% of the total revenue of the Group for the year ended 31 December 2022. Revenue from customer contributing over 10% of the Group's total revenue for the year ended 31 December 2023 are as follows:

	2023
	RMB'000
Customer A	**1,084,556**

5. OTHER INCOME, OTHER GAINS AND LOSSES

	2023	2022
	RMB'000	*RMB'000*
Government grants *(Notes i, ii and iii)*	**8,203**	4,165
Rental income	**2,371**	1,257
Net foreign exchange gain	**126**	539
Gain on disposal of property, plant and equipment	**48**	5
Write-off of property, plant and equipment	**–**	(397)
Impairment losses of property, plant and equipment	**–**	(1,295)
Impairment losses of trade receivables under expected credit loss model	**(2,163)**	(551)
Others	**187**	805
	8,772	4,528

Notes:

(i) Incentives received from the PRC local authorities by the Group as encouragement of its business development amounting to RMB195,000 (2022: RMB865,000) are recognised in the profit or loss for the year ended 31 December 2023 for the purpose of giving immediate financial support to the Group with no future related costs expected to be incurred nor related to any assets.

(ii) Grants amounting to RMB33,000,000 were recorded as a deferred income in previous years, of which RMB3,300,000 (2022: RMB3,300,000) has been recognised in the profit or loss for the year ended 31 December 2023.

(iii) Grants amounting to RMB4,708,000 represented value-added tax additional deduction for the year ended 31 December 2023.

6. FINANCE INCOME AND COSTS

	2023	2022
	RMB'000	*RMB'000*
Finance costs:		
— Interest expense on borrowings, net of amounts capitalised in the cost of qualifying assets of RMB10,890,000 (2022: RMB8,466,000)	**(80,423)**	(79,272)
— Interest expense on lease liabilities	**(181)**	(169)
	(80,604)	(79,441)
Finance income:		
— Interest income from bank deposits	**3,832**	2,419
Finance costs, net	**(76,772)**	(77,022)

Borrowing costs capitalised during the year ended 31 December 2023 arose on the general borrowing pool are calculated by applying a capitalisation rate of 5.87% (2022: 7.11%) per annum to expenditure on qualifying assets.

7. INCOME TAX EXPENSES (CREDIT)

	2023	2022
	RMB'000	*RMB'000*
PRC Enterprise Income Tax ("EIT")		
— Current year	**686**	1
— Overprovision in prior year	**–**	(1,434)
Current tax charge (credit)	**686**	(1,433)
Deferred tax	**14,995**	(30,686)
	15,681	(32,119)

The taxation for the year can be reconciled to the profit (loss) before taxation per the consolidated statement of profit or loss and other comprehensive income (expense) as follows:

	2023	2022
	RMB'000	*RMB'000*
Profit (loss) before taxation	**101,161**	(197,418)
Tax at the EIT rate of 25% (2022: 25%)	**25,290**	(49,355)
Tax effect of expenses not deductible for tax purpose	**465**	4,163
Tax effect of tax losses not recognised	**3,702**	822
Utilisation of tax losses previously not recognised	**(446)**	(191)
Withholding tax on earnings of subsidiaries	**1,373**	(1,334)
Income tax at concessionary rate	**(11,587)**	17,091
Effect of super deduction of research and development cost	**(3,703)**	(3,239)
Effect of different tax rates of subsidiaries operating in other jurisdictions	**587**	1,358
Overprovision in prior years	**–**	(1,434)
Income tax expense (credit) for the year	**15,681**	(32,119)

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

Singapore corporate tax is calculated at 17% of the estimated assessable profit for both years.

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

Two major subsidiaries established in the PRC are approved as enterprises that satisfied the conditions as high and new technology enterprises and obtained the Certificates of High and New Technology Enterprises (the "HNTE Certificates") enjoying the preferential enterprise income tax rate of 15% for a consecutive three calendar years from 2019 to 2021. During 2022, the two relevant subsidiaries have renewed and obtained the HNTE Certificates and the concessionary tax rate of 15% continue to be applied for a consecutive three calendar years from 2022 to 2024.

10% withholding income tax is generally imposed on dividends declared in respect of profits earned by the Group's subsidiaries established in the PRC to its subsidiary incorporated in Hong Kong, which entitles a reduced withholding income tax rate of 5% according to the PRC tax regulations when it is qualified as a Hong Kong tax resident.

8. PROFIT (LOSS) AND TOTAL COMPREHENSIVE INCOME (EXPENSE) FOR THE YEAR

	2023	2022
	RMB'000	*RMB'000*
Profit (loss) and total comprehensive income (expense) for the year has been arrived at after charging (crediting):		
Directors' remuneration		
— fees	**513**	447
— other emoluments, salaries, allowances and other benefits	**1,238**	1,226
— equity-settled share-based payments	**516**	1,335
— retirement benefit scheme contributions	**101**	95
	2,368	3,103
Staff salaries, allowances and other benefits	**106,388**	98,058
Equity-settled share-based payments, excluding those of directors	**1,253**	2,688
Retirement benefit scheme contributions, excluding those of directors	**12,998**	12,805
Total employee benefit expenses	**123,007**	116,654
Auditor's remuneration		
— auditor of the Company	**2,439**	2,273
— non-audit services	**464**	504
— other auditors	**632**	588
Depreciation of property, plant and equipment	**76,851**	91,326
Less: amount capitalised as cost of inventories manufactured	**(72,330)**	(83,152)
	4,521	8,174
Depreciation of right-of-use assets	**5,655**	4,855
Less: amount capitalised as cost of construction in progress	**(1,554)**	(929)
	4,101	3,926
Cost of inventories recognised as an expense	**6,295,708**	4,681,334
(Reversal of) write-down of inventories	**(2,361)**	2,361
Gain on disposal of property, plant and equipment	**(48)**	(5)
Impairment losses on property, plant and equipment	**–**	1,295

9. DIVIDENDS

No dividends were recognised as distribution for both years.

No final dividend for the year ended 31 December 2023 was recommended by the directors.

10. EARNINGS (LOSSES) PER SHARE

The calculation of basic and diluted earnings (losses) per share is based on the following data:

	2023	2022
	RMB'000	*RMB'000*
Earnings (losses):		
Profit (loss) for the year attributable to owners of the Company for the purpose of basic and diluted earnings (losses) per share	**85,656**	(165,299)

	2023	2022
Weighted average number of ordinary shares for the purpose of basic earnings (losses) 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 (losses) per share	**600,000,000**	600,000,000

Note: The computation of diluted earnings (losses) per share for the years ended 31 December 2023 and 2022 does not assume the exercise of the Company's options because the adjusted exercise price of unvested options and exercise price of vested options are both higher than the average market price for shares during the years ended 31 December 2023 and 2022.

11. TRADE, BILLS AND OTHER RECEIVABLES

	2023	2022
	RMB'000	*RMB'000*
Trade receivables from contracts with customers	**82,279**	50,260
Less: Allowance for credit losses	**(3,385)**	(1,222)
	78,894	49,038
Bills receivables	**234,474**	116,802
Prepayments to suppliers	**811,352**	857,483
Value-added tax recoverable	**81,225**	44,743
Other prepayments, deposits and other receivables	**105,363**	77,575
	1,311,308	1,145,641

As at 1 January 2022, trade receivables from contracts with customers amounted to RMB129,697,000.

The Group normally requires full payment upon delivery of goods. 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).

The Group generally makes prepayments to those suppliers in exchange of the price advantage of the hot-rolled steel, the main raw materials for production in the industry where the Group operates. It is a common industry practice as the steel price fluctuates greatly due to market influence. Fixing the steel price in advance is a cost-effective solution for the Group to manage the business efficiently.

The prepayments to suppliers represent the payments in advance to suppliers for the purchase of raw materials. The Group assesses the recoverability of prepayments to suppliers at the end of each reporting period, taking into consideration of raw material purchase and utilisation plan. No impairment loss is recognised on the prepayments to suppliers as at 31 December 2023 and 31 December 2022.

The following is an aging analysis of trade receivables and bills receivables, net of allowance for credit losses, presented based on the invoice dates and bills maturity dates respectively at the end of each reporting period:

	2023	2022
	RMB'000	*RMB'000*
Trade receivables:		
Within 30 days	**70,339**	40,660
31–60 days	**4,022**	5,702
61–90 days	**189**	598
91–120 days	**17**	42
121–180 days	**2,033**	1,461
181–365 days	**1,784**	440
Over 1 year	**510**	135
	78,894	49,038
Bills receivables:		
Within 30 days	**24,446**	63,073
31–60 days	**45,891**	8,050
61–90 days	**61,337**	10,217
91–120 days	**55,546**	1,852
121–180 days	**47,254**	33,610
	234,474	116,802

Before accepting any new customer, the Group assesses the potential customer's credit quality and defines credit limits by customer. Credit limits attributed to customers and credit terms granted to customers are reviewed regularly. All of the trade receivables that are neither past due nor impaired have no history of default.

As at 31 December 2023, included in the Group's trade receivables balance are debtors with aggregate carrying amount of RMB57,868,000 (2022: RMB37,189,000) which are past due as at the reporting date. Out of the past due balances, RMB2,293,000 (2022: RMB2,078,000) has been past due 90 days or more and is not considered as in default as the Group considered such balances could be recovered based on historical experience and taking into consideration of forward-looking information.

Included in the Group's bills receivables are amounts of RMB233,499,000 (2022: RMB113,174,000), as at 31 December 2023 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 15) and trade payables (note 12). These bills receivables are carried at amortised cost in the consolidated statement of financial position. All the bills receivables are with a maturity period of less than one year.

As at 31 December 2023 and 2022, the Group does not hold any collateral as security over these balances.

	2023	2022
	RMB'000	*RMB'000*
Carrying amount of transferred asset	**233,499**	113,174
Carrying amount of associated bank borrowings	**(229,932)**	(96,827)
Carrying amount of associated trade payables	**(3,567)**	(16,347)
	–	–

During the year ended 31 December 2023 and 2022, certain transactions between subsidiaries of the Company arising from steel processing services were settled by bank bills. As at 31 December 2023, bills receivables held by two subsidiaries of the Company issued by other members of the Group of RMB175,400,000 (2022: RMB148,920,000) 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 bill receivables with full recourse.

12. TRADE, BILLS AND OTHER PAYABLES AND ACCRUED EXPENSES

	2023	2022
	RMB'000	*RMB'000*
Trade payables *(Note a)*	**109,671**	151,904
Bills payables *(Note b)*	**84,000**	85,000
Accrued staff costs	**21,159**	12,859
Construction payables	**117,115**	90,924
Transportation fees payable	**9,301**	4,620
Other tax payables	**15,947**	10,493
Other payables and accrued expenses	**29,095**	27,045
	386,288	382,845

Notes:

(a) Included in the amounts was RMB3,567,000 (2022: RMB16,347,000) related to the trade payables in which the Group has endorsed bills to the relevant suppliers. The details are set out in note 11.

(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 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 12(a), based on the invoice dates at the end of each reporting period is presented as follows:

	2023	2022
	RMB'000	*RMB'000*
Trade payables:		
Within 30 days	**48,305**	89,101
31–60 days	**24,158**	23,260
61–90 days	**11,615**	7,571
91–120 days	**5,078**	3,169
121–180 days	**5,030**	4,642
181–365 days	**6,864**	3,766
Over 1 year	**5,054**	4,048
	106,104	135,557

The maturity dates of the trade payables in which the Group has endorsed bills to the relevant suppliers as described in note 12(a) at the end of each reporting period are presented as follows:

	2023	2022
	RMB'000	*RMB'000*
Trade payables:		
Within 30 days	**746**	9,958
31–60 days	**261**	748
61–90 days	**2,155**	2,386
91–120 days	**405**	1,497
121–180 days	**–**	1,758
	3,567	16,347

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

	2023	2022
	RMB'000	*RMB'000*
Bills payables:		
Within 30 days	**12,000**	–
31–60 days	**70,000**	80,000
61–90 days	**2,000**	4,000
121–180 days	**–**	1,000
	84,000	85,000

The average credit period granted by suppliers on purchase of goods is no longer than 30 (2022: 30) days from certain of its suppliers. For other suppliers, the Group is required to prepay in advance and make full payment upon receipt of the goods purchased.

13. CONTRACT LIABILITIES

	2023	2022
	RMB'000	*RMB'000*
Sales of cold-rolled steel products and galvanized steel products and analysed for reporting purpose as current liabilities	**586,844**	454,141

As at 1 January 2022, contract liabilities amounted to RMB215,650,000.

Contract liabilities represent the deposit amount received from certain customers at the requests of the Group when they place confirmed orders. The entire balance of contract liabilities as at 1 January 2023 and 2022 have been recognised as revenue during the respective reporting periods.

14. AMOUNTS DUE TO RELATED PARTIES

	2023	2022
	RMB'000	*RMB'000*
Mr. Xu	**2,654**	2,890
Mr. Chen Chunniu	**160**	160
	2,814	3,050

Note: The amounts are non-trade in nature, interest free, unsecured and repayable within twelve months from 31 December 2023 and 2022, respectively.

15. BORROWINGS

	2023	2022
	RMB'000	*RMB'000*
Fixed-rate borrowings:		
Secured bank borrowings	**1,435,410**	1,031,810
Bank borrowings from factoring of bills receivables with full recourse *(note 11)*	**405,332**	245,747
Secured borrowings from entities established in the PRC independent with the Group	**168,432**	169,950
Unsecured borrowings from entities established in the PRC independent with the Group	**11,738**	68,598
	2,020,912	1,516,105
Variable-rate borrowings:		
Secured bank borrowings	**256,990**	–
Total borrowings	**2,277,902**	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	**1,145,169**	950,307
— more than one year, but not more than two years	**180,537**	103,212
— more than two years, but not more than five years	**565,026**	223,908
— more than five years	**207,000**	130
	2,097,732	1,277,557
Less: amount due within one year shown under current liabilities	**(1,145,169)**	(950,307)
Amount shown under non-current liabilities	**952,563**	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	**121,213**	130,773
— more than one year, but not more than two years	**47,219**	107,775
— more than two years, but not more than five years	**11,738**	–
	180,170	238,548
Less: amount due within one year shown under current liabilities	**(121,213)**	(130,773)
Amount shown under non-current liabilities	**58,957**	107,775

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

	2023	2022
Fixed-rate borrowings	**3.10%-16.90%**	3.20% to 16.90%
Variable-rate borrowings	**3.75%-4.50%**	N/A

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.

16. CAPITAL COMMITMENTS

	2023	2022
	RMB'000	*RMB'000*
Capital expenditure contracted but not provided for in the consolidated financial statements in respect of acquisition of property, plant and equipment	**257,440**	90,895

17. PLEDGE OF ASSETS

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

	2023	2022
	RMB'000	*RMB'000*
Trade receivables	**6,826**	8,697
Property, plant and equipment	**1,351,981**	879,299
Right-of-use assets	**176,999**	142,601
Restricted bank deposits	**247,715**	189,415
	1,783,521	1,220,012

Furthermore, bills receivables issued by third parties with full recourse that is discounted to banks for settlement of payables for purchasing of steel raw materials is disclosed in note 15.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

The Company is an investment holding company and the Group is a leading cold-rolled steel processor in Guangdong Province, the PRC. The Group is principally engaged in processing of hot-rolled steel coils into cold-rolled steel strips, sheets and welded steel tubes and galvanized steel products customised to the specification of the customers covering a wide range of industries, including light industrial hardware, home appliances, furniture, motorcycle/bicycle accessories, LED and lighting. The Group provides processing, cutting, slitting, warehousing and delivery services on customized cold-rolled steel products and galvanized steel products.

During the year of 2023, the Group generated revenue of approximately RMB6,589.9 million, representing an increase of RMB1,926.3 million or 41.3%, as compared to that of approximately RMB4,663.6 million during the year of 2022. Profit attributable to owners of the Company during the year of 2023 was approximately RMB85.7 million when compared with loss attributable to owners of the Company of approximately RMB165.3 million for the year of 2022.

The Board considered that the net profit of the Group for the year of 2023 was mainly due to, among others, (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 approximately 1,470,387 tonnes during the year of 2023, representing an increase of approximately 512,261 tonnes or 53.5%, as compared to that of approximately 958,126 tonnes during the year of 2022.

During the year of 2023, the Group acquired property, plant and equipment and incurred construction costs of approximately RMB389.2 million.

The net current liabilities position of approximately RMB266.7 million (31 December 2022: RMB452.1 million) as at 31 December 2022 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 31 December 2023, was approximately RMB257.4 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 a final dividend for the year of 2023.

FINANCIAL REVIEW

Revenue

The Group primarily generates revenue from the sales of cold-rolled steel products and galvanized steel products. The revenue increased to approximately RMB6,589.9 million during the year of 2023, by approximately RMB1,926.3 million or 41.3%, as compared with that of approximately RMB4,663.6 million during the year of 2022.

The sales volume of cold-rolled steel products increased to approximately 886,949 tones during the year of 2023, by approximately 272,209 tonnes or 44.2%, as compared with that of 614,740 tonnes during the year of 2022. The sales volume of galvanized steel products increased to approximately 583,438 tonnes during the year of 2023, by approximately 240,052 tonnes or 69.9%, as compared with that of approximately 343,386 tonnes during the year of 2022. Thus, the sales volume of cold-rolled steel products and galvanized steel products in aggregate was approximately 1,470,387 tonnes during the year of 2023, representing an increase of approximately 512,261 tonnes or 53.5%, as compared to that of 958,126 tonnes during the year of 2022.

The increase in revenue was mainly attributable to the increase in the sales volume of our cold-rolled steel products and galvanized steel products during the year of 2023. The average selling price of our cold-rolled steel products decreased to RMB4,174 per tonne during the year of 2023 as compared with that of RMB4,644 per tonne during the year of 2022. The average selling price of our galvanized steel products decreased to RMB4,282 per tonne during the year of 2023 as compared with that of RMB4,524 per tonne during the year of 2022.

During the year of 2023, the domestic sales in the PRC market, including Hong Kong, contributed over 99.5% of the revenue while the remaining portion was attributable to sales to the customers located in Southeast Asia.

Other revenue was primarily attributable to the sales of hot-rolled steel products, 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 around 5.9% (2022: 5.5%) of the revenue during the year of 2023.

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

	Year ended 31 December			
	2023		2022	
	RMB'000	*%*	*RMB'000*	*%*
Sales of cold-rolled steel products	**3,701,822**	**56.2**	2,854,873	61.2
— steel strips and sheets	**3,573,976**	**54.2**	2,655,077	56.9
— welded steel tubes	**127,846**	**2.0**	199,796	4.3
Sales of galvanized steel products	**2,498,571**	**37.9**	1,553,571	33.3
Sales of hot-rolled steel products and others	**389,508**	**5.9**	255,119	5.5
	6,589,901	**100.0**	4,663,563	100.0

Cost of sales

The cost of sales increased to approximately RMB6,293.3 million during the year of 2023, by approximately RMB1,609.6 million or 34.4%, as compared with that of approximately RMB4,683.7 million during the year of 2022.

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

	Year ended 31 December			
	2023		2022	
	RMB'000	*%*	*RMB'000*	*%*
Direct materials	**5,801,540**	**92.2**	4,235,126	90.4
Utilities	**238,636**	**3.8**	185,536	4.0
Direct labour	**89,999**	**1.4**	88,622	1.9
Depreciation expense	**66,416**	**1.1**	80,302	1.7
Consumables	**82,395**	**1.3**	79,089	1.7
Others	**14,361**	**0.2**	15,020	0.3
	6,293,347	**100.0**	4,683,695	100.0

Direct materials represented the cost of raw materials, primarily hot-rolled steel coils. The direct materials accounted for over 92% (2022: 90%) of the cost of sales during the year 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 year of 2023. The write-down of inventories in an amount of approximately RMB2.4 million, after determining the net realisable value of inventories, as at 31 December 2022 was released during the year of 2023.

Utilities related primarily to electricity, water, and natural gas consumed throughout the production process. Utilities expenses increased to approximately RMB238.6 million during the year of 2023, by approximately RMB53.1 million or 28.6%, as compared with that of approximately RMB185.5 million the year of 2022. Such increase was mainly due to the increase in sales volume and production activities during the year of 2023.

The direct labour slightly increased to approximately RMB90.0 million during the year of 2023, by approximately RMB1.4 million or 1.6%, as compared with that of approximately RMB88.6 million during the year of 2022. The increase in direct labour was mainly attributable to employment of additional workers for our Gujing production plant during the year of 2023.

Depreciation expense experienced a decrease to approximately RMB66.4 million during the year of 2023, by approximately RMB13.9 million or 17.3%, as compared with that of approximately RMB80.3 million during the year of 2022. Such decrease was mainly due to the change of estimated useful lives of certain machines and equipment made by the management of the Group during the year of 2023.

Consumables consisted of machinery spare parts and supplies consumed in the production process. Consumables increased to approximately RMB82.4 million during the year of 2023, by approximately RMB3.3 million or 4.2%, as compared with that of approximately RMB79.1 million during the year of 2022. Such increase was mainly attributable to the increased production activity for cold-rolled steel products and galvanized steel products during the year of 2023.

Other costs primarily comprised other taxes and surcharges expenses.

Gross profit (loss)

Due to the increase in the sales volume of the Group's products, the 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' 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 RMB296.6 million during the year of 2023 while there was gross loss of approximately RMB20.1 million during the year of 2022.

The gross profit margin was approximately 4.5% during the year of 2023 when compared with gross loss margin of 0.4% during the year of 2022.

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

	Year ended 31 December	
	2023	2022
Sales volume of cold-rolled steel products	**886,949 tonnes**	614,740 tonnes
— steel strips and sheets	**858,648 tonnes**	575,989 tonnes
— welded steel tubes	**28,301 tonnes**	38,751 tonnes
Sales volume of galvanized steel products	**583,438 tonnes**	343,386 tonnes
	1,470,387 tonnes	958,126 tonnes
Average selling price (per tonne)		
— cold-rolled steel products	**RMB4,174**	RMB4,644
— galvanized steel products	**RMB4,282**	RMB4,524
— cold-rolled steel products and galvanized steel products	**RMB4,217**	RMB4,601
Average cost of direct materials used (per tonne)	**RMB3,799**	RMB4,265
Difference (per tonne) between average selling price and average cost of direct materials used		
— cold-rolled steel products	**RMB375**	RMB379
— galvanized steel products	**RMB483**	RMB259
— cold-rolled steel products and galvanized steel products	**RMB418**	RMB336

Other income, other gains and losses

Other income, other gains and losses increased to approximately RMB8.8 million during the year of 2023, by approximately RMB4.3 million or 95.6%, as compared with that of approximately RMB4.5 million during the year of 2022. The increase in other income, other gains and losses was mainly due to the additional deduction in value-valued tax in the amount of approximately RMB4.7 million during the year of 2023.

Selling expenses

The selling expenses increased to approximately RMB69.0 million during the year of 2023, by approximately RMB29.6 million or 75.1%, as compared with that of approximately RMB39.4 million during the year of 2022. The increase in selling expenses was mainly attributable to the increase in delivery costs resulting from the increase in sales volume of the Group's products during the year of 2023.

Administrative expenses

The administrative expenses decreased to approximately RMB58.6 million during the year of 2023, by approximately RMB6.2 million or 9.6%, as compared with that of approximately RMB64.8 million during the year of 2022. The decrease in administrative expenses was mainly attributable to the decrease in equity-settled share-based payments and business related expenses during the year of 2023.

Investment gain (loss)

There was investment gain on commodity futures contracts amounting to approximately RMB0.2 million was recognised by the Group during the year of 2023 as compared to the investment loss of that amounting to approximately RMB0.7 million during the year of 2022.

Finance costs

Finance costs increased to approximately RMB80.6 million during the year of 2023, by approximately RMB1.2 million or 1.5%, as compared with that of approximately RMB79.4 million during the year of 2023. Such increase was mainly attributable to the increased level of borrowings during the year of 2023.

Income tax (expenses) credit

Income tax expenses amounted to approximately RMB15.7 million during the year of 2023 while there was income tax credit amounted to approximately RMB32.1 million during the year of 2022.

Profit (loss) for the year

The profit attributable to owners of the Company was approximately RMB85.7 million during the year of 2023 when compared with the loss attributable to owners of the Company of approximately RMB165.3 million during the year of 2022.

Net profit margin was approximately 1.3% during the year of 2023 when compared with net loss margin of 3.5% during the year of 2022.

Liquidity and financial resources

As at 31 December 2023, the Group's bank balances and cash increased to approximately RMB98.4 million, by approximately RMB82.3 million or 511.2%, from approximately RMB16.1 million as at 31 December 2022. The Group's restricted bank deposits increased to approximately RMB247.7 million as at 31 December 2023, by approximately RMB58.3 million or 30.8%, from approximately RMB189.4 million as at 31 December 2022.

As at 31 December 2023, the Group had the net current liabilities and the net assets of approximately RMB266.7 million (31 December 2022: RMB452.1 million) and approximately RMB514.7 million (31 December 2022: RMB425.3 million), respectively. As at 31 December 2023, the current ratio calculated based on current assets divided by current liabilities of the Group was 88.1% as compared with that of 76.5% as at 31 December 2022.

At 31 December 2023, the Group's total borrowings amounted to approximately RMB2,277.9 million (31 December 2022: RMB1,516.1 million) and total equity amounted to approximately RMB514.7 million (31 December 2022: RMB425.3 million). The gearing ratio of the Group, calculated based on total borrowings divided by total equity, was approximately 4.43 times (31 December 2022: 3.56 times) as at 31 December 2022.

As at 31 December 2023, the Group had total banking facilities relating to bank borrowings (excluding those related to factoring of bills receivables) and bills payable amounted to approximately RMB1,649.8 million, of which approximately RMB1,192.2 million had been utilised, and the unutilised banking facilities amounted to approximately RMB457.6 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 31 December 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 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 year of 2023, apart from the commodity futures contracts, the Group had not entered into any financial instruments for hedging purpose.

Material acquisitions and disposal

During the year of 2023, the Group had no material acquisitions or disposal of subsidiaries, associates and joint ventures.

Contingent liabilities

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

Employees

As at 31 December 2023, the Group had a total of 1,183 (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 year of 2023 amounted to approximately RMB123.0 million (2022: RMB116.7 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 2022 and resulted in the share-based payment expenses of approximately RMB1.8 million (2022: RMB4.1 million) included in the above staff costs during the year of 2023.

SUBSEQUENT EVENT

The Group's existing production plant located at Gujing Town, Xinhui District, Jiangmen City, Guangdong Province, the PRC, has been developed into Huajin metal industrial park ("Huajin Metal Industrial Park"). With reference to the local government plan and the support from the government, Huajin terminal ("Huajin Terminal") with the construction of three pier berths will be built near to the coast of Huajin Metal Industrial Park. The Group will build, operate and manage three berths with a maximum docking capacity of 30,000 deadweight tons for the Group's own use and external operations. In early 2024, the Group has completed the construction works for the berth no. 3 of Huajin Terminal and, on 23 January 2024, the Group has obtained the licence for port operations issued by Jiangmen Xinhui District Transportation Bureau for berth no. 3 of Huajin Terminal. The Board expects that the construction works for the berth no. 1 and 2 of Huajin Terminal will be completed in mid-2024.

The 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, the Board believes that the terminal business will help broaden the income source of the Group with the saving of the transportation costs and time, and boosting distribution and warehousing.

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 throughout the year ended 31 December 2023.

The Board considers that sufficient measures have been taken to ensure that the Company's corporate governance practices are no less exacting than those set out in the CG Code.

Further information on the Company's corporate governance practices during the year of 2023 will be set out in the Corporate Governance Report to be contained in the Company's 2023 annual report which will be sent to the shareholders in due course.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers ("Model Code") as set out in Appendix 10 to the Listing Rules as the Company's code of conduct regarding Directors' securities transactions. Having made specific enquiry of all Directors, all the Directors confirmed that they had complied with the required standard set out in the Model Code throughout the year ended 31 December 2023.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities for the year ended 31 December 2023.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Other than the interests in share options of the Company at no time during the year ended 31 December 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.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

Save for their respective interests in the Company, none of the Directors and controlling shareholders of the Company (as defined under the Listing Rules) nor their respective associates were interested in any business which competes or is likely to compete, either directly or indirectly, with the businesses of the Group pursuant to Rule 8.10 of the Listing Rules during the year ended 31 December 2023 and up to the date of this annual report.

NON-COMPETITION UNDERTAKINGS BY CONTROLLING SHAREHOLDERS

On 23 March 2016, each of the controlling shareholders, namely Mr. Xu, Mr. Luo, Haiyi Limited ("Haiyi"), Intrend Ventures Limited ("Intrend Ventures") and Zhong Cheng International Limited ("Zhong Cheng") entered into the deed of non-competition (the "Deed of Non-competition") in favour of the Company, pursuant to which they undertook to the Company, inter alia, not to carry on, participate in, hold, engage in, acquire or operate, or to provide any form of assistance to any person, firm or company (except members of the Group) to conduct any business which, directly or indirectly, competes or may compete with the business carried on by the Group from time to time. Upon the execution of the termination deed on 16 December 2021, Mr. Luo and Zhong Cheng ceased to be controlling shareholders of the Company and would no longer be bound by the Deed of Non-competition, whereas Mr. Xu, Haiyi and Intrend Ventures will continue to be bound by the Deed of Non-competition notwithstanding the execution of the termination deed.

Details of the Deed of Non-competition are set out in the paragraph headed "Relationship with our Controlling Shareholders — Non-competition undertakings" in the prospectus of the Company dated 5 April 2016.

Each of the controlling shareholders, namely Mr. Xu, Haiyi and Intrend Ventures has provided written confirmation to the Company that, for the year ended 31 December 2023, each of the controlling shareholders has complied with the non-competition undertakings (the "Undertakings") given under the Deed of Non-competition.

Upon receiving the above confirmations, the independent non-executive Directors of the Company had reviewed the same as part of the annual examination. In determining whether the controlling shareholders had fully complied with the Undertakings, the independent non-executive Directors noted that (a) the controlling shareholders declared that they had fully complied with the Undertakings; (b) no new competing business was reported by the controlling shareholders for the year ended 31 December 2023; and (c) there was no particular situation rendering the full compliance of the Undertakings being questionable. In view of the above, the independent non-executive Directors confirmed that the controlling shareholders had fully complied with the Deed of Non-competition for the year ended 31 December 2023.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE

As required by the Listing Rules, the Company is required to report on environmental, social and governance ("ESG") information of the Group on an annual basis and regarding the same period covered in this announcement. The Company will publish the ESG report on the websites of the Company and the Stock Exchange in due course.

SUFFICIENCY OF PUBLIC FLOAT

Based on the publicly available information to the Company and within the knowledge of the Directors as at the date of this announcement, the Company has maintained the prescribed public float under the Listing Rules.

REVIEW BY AUDIT COMMITTEE

The Company's audit committee has reviewed the accounting principles and practices adopted by the Group with the management of the Company and the Company's external auditor, and has examined the annual results of the Group for the year ended 31 December 2023.

SCOPE OF WORK OF MESSRS. DELOITTE TOUCHE TOHMATSU

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year ended 31 December 2023 as set out in the preliminary announcement have been agreed by the Group's auditor, Messrs. Deloitte Touche Tohmatsu, to the amounts set out in the audited consolidated financial statements of the Group for the year as approved by the Board of Directors on 28 March 2024. The work performed by Messrs. Deloitte Touche Tohmatsu in this respect did not constitute an assurance engagement and consequently no opinion or assurance conclusion has been expressed by Messrs. Deloitte Touche Tohmatsu on the preliminary announcement.

PUBLICATION OF ANNUAL RESULTS AND ANNUAL REPORT FOR THE YEAR ENDED 31 DECEMBER 2023 ON THE WEBSITES OF THE STOCK EXCHANGE AND THE COMPANY

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

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

Hong Kong, 28 March 2024

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.