



DA MING INTERNATIONAL HOLDINGS LIMITED

(Incorporated in the Cayman Islands with limited liability)

2017

Interim Report

Stock code : 1090





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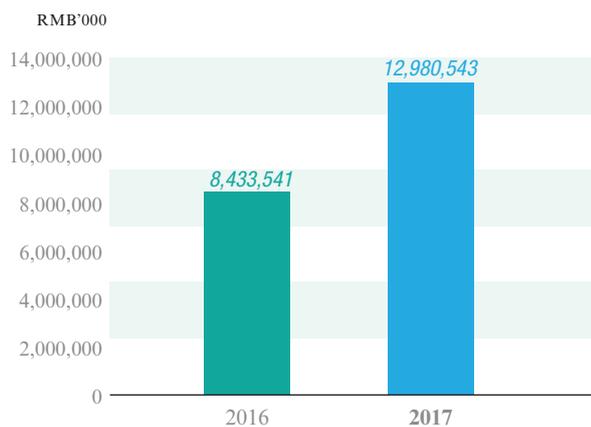


FINANCIAL AND OPERATING HIGHLIGHTS

Financial Highlights

	Six months ended 30 June		% change
	2017 RMB'000	2016 RMB'000	
Revenue	12,980,543	8,433,541	+53.9%
Gross profit	172,551	382,377	-54.9%
Total comprehensive (loss)/income for the period	(59,726)	109,250	-154.7%

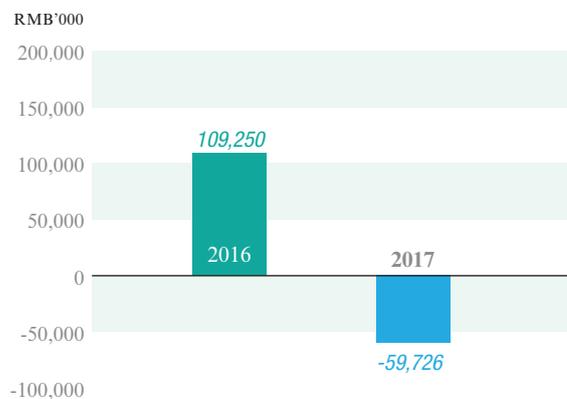
Revenue



Gross Profit



Total comprehensive income/(loss)



FINANCIAL AND OPERATING HIGHLIGHTS

Operating Highlights

	Six months ended 30 June		% change
	2017	2016	
Stainless steel			
Sales volume (tonnes)	830,165	722,663	+14.9%
Processing volume (tonnes)	1,180,382	1,081,648	+9.1%
Processing multiple (<i>note</i>)	1.42	1.50	
Carbon steel			
Sales volume (tonnes)	733,799	451,889	+62.4%
Processing volume (tonnes)	699,008	422,609	+65.4%
Processing multiple	0.95	0.94	

Note : Processing multiple = Processing volume/Sales volume

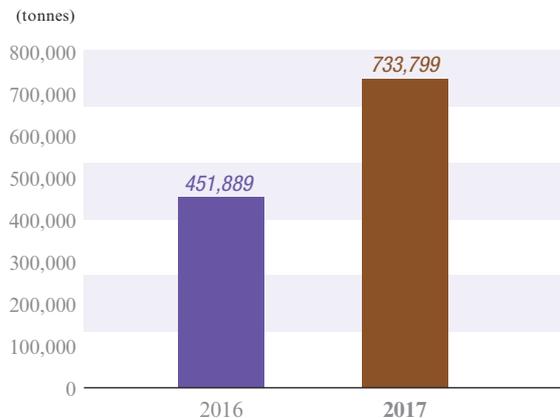
Sales volume of stainless steel



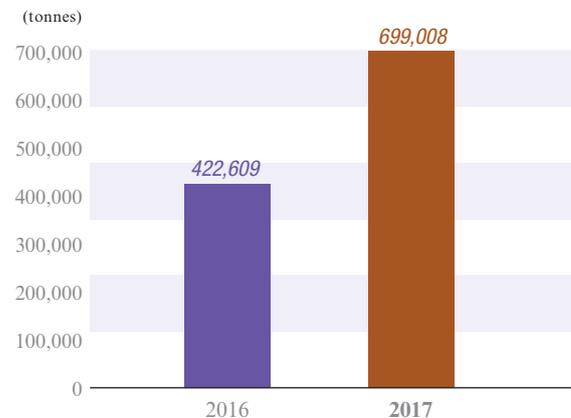
Processing volume of stainless steel



Sales volume of carbon steel



Processing volume of carbon steel





MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

Business development



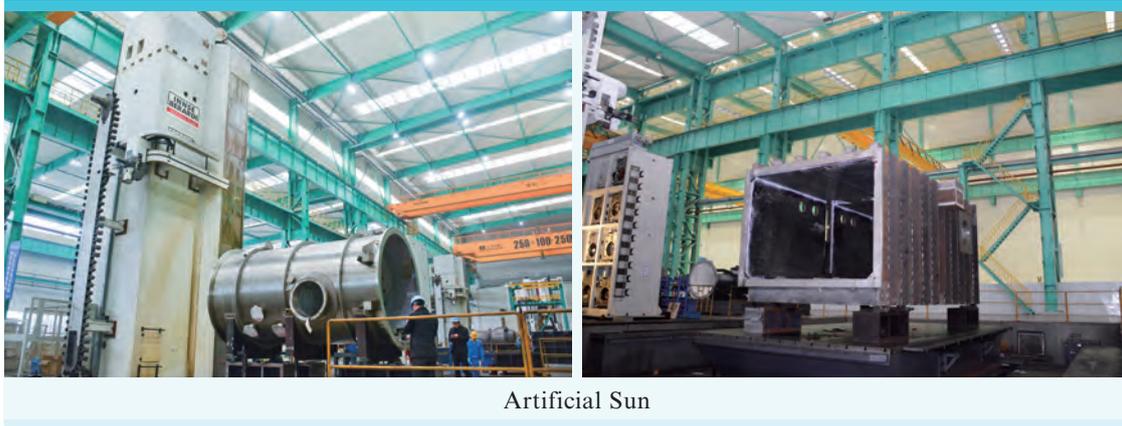
We are a leading metals processing service provider providing comprehensive processing service to modern manufacturers in China with more than 20,000 active customers. The Group has established seven processing centres strategically located in various regions in China, namely, Wuxi, Hangzhou, Tianjin, Wuhan, Taiyuan, Zibo and Jingjiang. The construction work of our eighth processing centre in Taian had been started on 28 October 2016. It is currently expected that the construction work will be substantially completed in the fourth quarter of 2017. Upon completion, it will provide high-strength carbon steel and stainless steel processing services to customers engaged in the industries of construction machineries, paper production equipment, pressurized containers and chemical equipment.

On 18 February 2017, the Group started the construction work of its ninth processing centre in Qianzhou, Wuxi, Jiangsu province. This processing centre will specialize in providing high quality precision cutting services to high-strength carbon steel and stainless steel materials and the prospective customers will include those manufacturers engaged in construction machineries, environmental protection, electricity, pressurized containers and chemical equipment. The expected processing capacity of this processing centre upon completion will be 800,000 tonnes per annum.



MANAGEMENT DISCUSSION AND ANALYSIS

During the first half year of 2017, the Group has provided deep processing services in various area including renewable energy and petrochemical industries. Collaborating with the Institute of Plasma Physics Chinese Academy of Sciences, the Group has provided processing services for the construction of vacuum chamber components for large Tokamak nuclear fusion device (also known as the “Artificial Sun”) and China’s first small angle neutron scattering spectrometer for spallation neutron source.



The Group has also provided processing services in various projects for countries situated in the “One Belt and One Road” involving the production of large muffler components, tube sheets for heat exchanger, deaerator of boilers, water separators, turbine components for power generator, large cement containers and blown-down pipes for petroleum pipeline.



Large muffler components



Tube sheets for heat exchanger



Deaerator of boilers



Water separators



MANAGEMENT DISCUSSION AND ANALYSIS



Turbine components for power generator

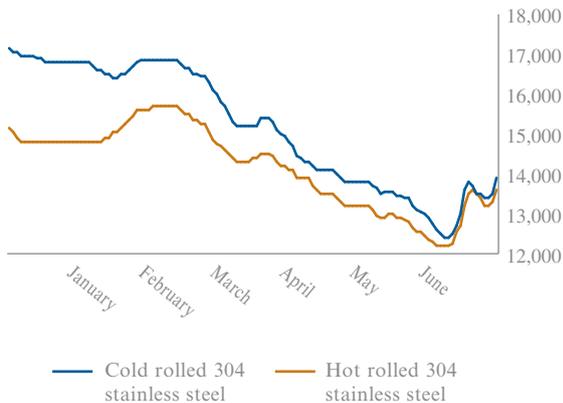
Large cement containers

Blown-down pipes for petroleum pipeline

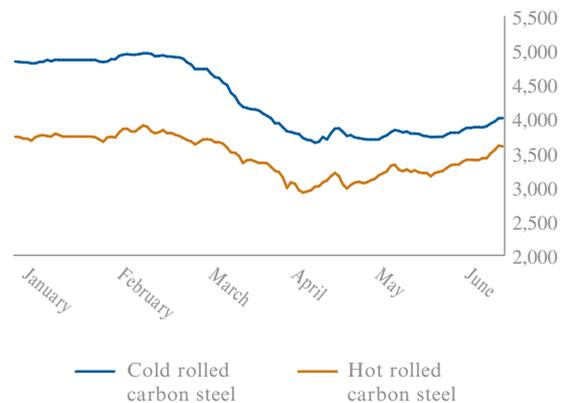
Operating results

Due to the decline in the market price of both stainless steel and carbon steel raw materials during the period, the Group recorded a net loss of approximately RMB59.7 million for the six months ended 30 June 2017 representing a decrease of approximately 154.7% as compared with the net profit of approximately RMB109.3 million for the six months ended 30 June 2016.

Price of cold/hot rolled 304 stainless steel in Mainland China for the first half of 2017



Price of cold/hot rolled carbon steel in Mainland China for the first half of 2017



The sales volume of our stainless steel processing business increased from approximately 723,000 tonnes for the six months ended 30 June 2016 to approximately 830,000 tonnes for the six months ended 30 June 2017 representing an increase of approximately 14.9% while the processing volume increased from approximately 1,082,000 tonnes for the six months ended 30 June 2016 to approximately 1,180,000 tonnes for the six months ended 30 June 2017 representing an increase of approximately 9.1%.

The sales volume of our carbon steel processing business increased from approximately 452,000 tonnes for the six months ended 30 June 2016 to approximately 734,000 tonnes for the six months ended 30 June 2017 representing an increase of approximately 62.4% while the processing volume increased from approximately 423,000 tonnes for the six months ended 30 June 2016 to approximately 699,000 tonnes for the six months ended 30 June 2017 representing an increase of approximately 65.4%.

MANAGEMENT DISCUSSION AND ANALYSIS

The sales volume and processing volume of our processing centres for the six months ended 30 June 2017 and the corresponding period in 2016 are as follows:

Stainless steel

	Six months ended 30 June		% change
	2017 tonnes	2016 tonnes	
Sales volume			
Wuxi	381,349	364,522	+4.6%
Hangzhou	128,378	127,592	+0.6%
Tianjin	111,089	98,589	+12.7%
Taiyuan	60,349	54,332	+11.1%
Wuhan	43,880	34,002	+29.1%
Jingjiang	59,732	10,512	+468.2%
Zibo	45,388	33,114	+37.1%
Total	830,165	722,663	+14.9%
Processing volume			
Wuxi	624,841	607,335	+2.9%
Hangzhou	161,738	164,533	-1.7%
Tianjin	136,936	126,286	+8.4%
Taiyuan	89,178	98,721	-9.7%
Wuhan	57,814	35,711	+61.9%
Jingjiang	67,757	31,860	+112.7%
Zibo	42,118	17,202	+144.8%
Total	1,180,382	1,081,648	+9.1%

Carbon steel

	Six months ended 30 June		% change
	2017 tonnes	2016 tonnes	
Sales volume			
Wuxi	123,918	75,285	+64.6%
Hangzhou	114,199	108,334	+5.4%
Tianjin	40,880	–	n/a
Taiyuan	108,571	93,081	+16.6%
Wuhan	126,447	39,003	+244.2%
Jingjiang	219,747	135,776	+61.8%
Other sales offices	37	410	-91%
Total	733,799	451,889	+62.4%
Processing volume			
Wuxi	51,865	45,930	+12.9%
Hangzhou	114,712	110,274	+4.0%
Tianjin	42,827	–	n/a
Taiyuan	132,646	109,113	+21.6%
Wuhan	116,825	35,057	+233.2%
Jingjiang	240,133	122,235	+96.5%
Total	699,008	422,609	+65.4%



MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW AND ANALYSIS

During the six months ended 30 June 2017, we recorded a revenue of approximately RMB12,981 million, gross profit of approximately RMB173 million and loss attributable to equity holders of the Company of approximately RMB64 million. Total assets of the Group as at 30 June 2017 amounted to approximately RMB8,071 million while equity attributable to equity holders of the Company amounted to approximately RMB2,288 million.

Revenue

Our revenue for the six months ended 30 June 2017 amounted to approximately RMB12,981 million comprising approximately RMB10,684 million from our stainless steel business and approximately RMB2,297 million from our carbon steel business. As compared with the revenue for the six months ended 30 June 2016 of approximately RMB8,434 million, it represented an increase of approximately 53.9%. Such increase was mainly due to the increase in the sales volume and processing volume of both of our stainless steel and carbon steel processing services.

The sales volume of our stainless steel processing business increased from 722,663 tonnes for the six months ended 30 June 2016 to 830,165 tonnes for the six months ended 30 June 2017 representing an increase of approximately 14.9%. The sales volume of our carbon steel processing business also increased from 451,889 tonnes for the six months ended 30 June 2016 to 733,799 tonnes for the six months ended 30 June 2017 representing an increase of approximately 62.4%.

The processing volume of our stainless steel processing business increased from 1,081,648 tonnes for the six months ended 30 June 2016 to 1,180,382 tonnes for the six months ended 30 June 2017 representing an increase of approximately 9.1%. The processing volume of our carbon steel processing business also increased from 422,609 tonnes for the six months ended 30 June 2016 to 699,008 tonnes for the six months ended 30 June 2017 representing an increase of approximately 65.4%.

MANAGEMENT DISCUSSION AND ANALYSIS

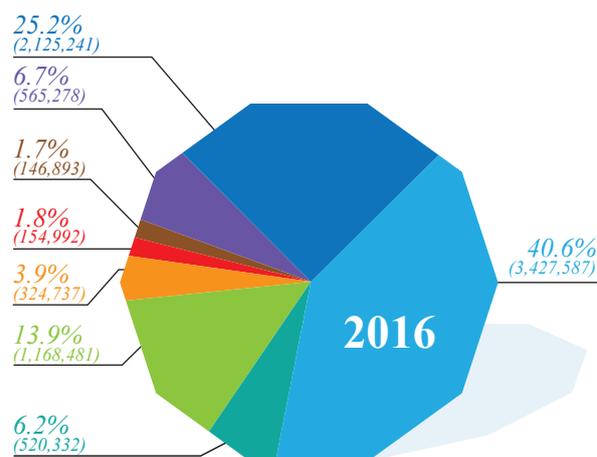
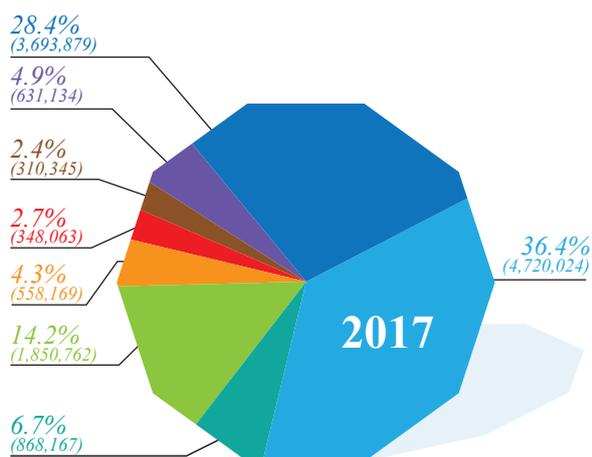
Analysis of revenue by key industry segments

During the six months ended 30 June 2017 and the corresponding period in 2016, our revenue by key industry segments are shown below:

Revenue

Industry	Six months ended 30 June			
	2017		2016	
	RMB'000	%	RMB'000	%
Machineries	3,693,879	28.4	2,125,241	25.2
Distributors and Traders	4,720,024	36.4	3,427,587	40.6
Petrochemical	868,167	6.7	520,332	6.2
Home Hardware and Appliances	1,850,762	14.2	1,168,481	13.9
Automobile and Transport	558,169	4.3	324,737	3.9
Construction	348,063	2.7	154,992	1.8
Renewable Energy	310,345	2.4	146,893	1.7
Others	631,134	4.9	565,278	6.7
Total	12,980,543	100.0	8,433,541	100.0

RMB'000





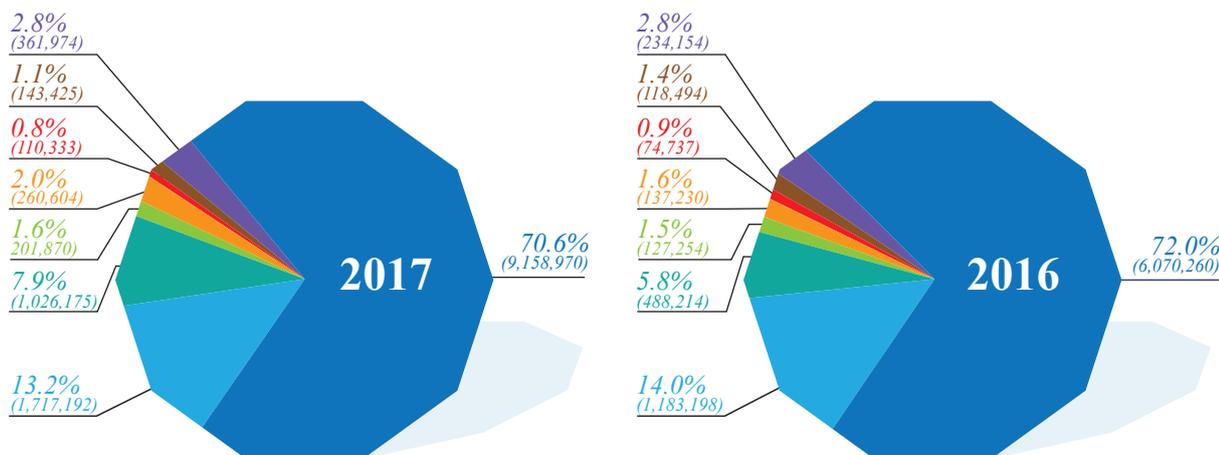
MANAGEMENT DISCUSSION AND ANALYSIS

Analysis of revenue by geographical regions

During the six months ended 30 June 2017 and the corresponding period in 2016, our revenue by geographical regions are shown below:

Region	Six months ended 30 June			
	2017		2016	
	RMB'000	%	RMB'000	%
Eastern region, China	9,158,970	70.6	6,070,260	72.0
Northern region, China	1,717,192	13.2	1,183,198	14.0
Central region, China	1,026,175	7.9	488,214	5.8
Southwestern region, China	201,870	1.6	127,254	1.5
Northeastern region, China	260,604	2.0	137,230	1.6
Northwestern region, China	110,333	0.8	74,737	0.9
Southern region, China	143,425	1.1	118,494	1.4
Overseas	361,974	2.8	234,154	2.8
Total	12,980,543	100.0	8,433,541	100.0

RMB'000



- ▬ Eastern region, China
- ▬ Northern region, China
- ▬ Central region, China
- ▬ Southwestern region, China

- ▬ Northeastern region, China
- ▬ Northwestern region, China
- ▬ Southern region, China
- ▬ Overseas

Gross profit

Gross profit decreased significantly from approximately RMB382.4 million for the six months ended 30 June 2016 to approximately RMB172.6 million for the six months ended 30 June 2017 mainly due to the decrease in the market price of stainless steel and carbon steel raw materials during the period.

Other income

Other income decreased from approximately RMB7.7 million for the six months ended 30 June 2016 to approximately RMB4.7 million for the six months ended 30 June 2017 mainly due to the decrease in government grants received.

Distribution costs

Distribution costs increased from approximately RMB79.8 million for the six months ended 30 June 2016 to approximately RMB93.3 million for the six months ended 30 June 2017. Such increase was mainly due to the increase in staff costs and transportation costs as a result of the increase in sales volume.

Administrative expenses

Administrative expenses decreased from approximately RMB95.2 million for the six months ended 30 June 2016 to approximately RMB92.2 million for the six months ended 30 June 2017. Such decrease was mainly due to the reversal of over-accrued expenses made in previous year.

Finance costs

Finance costs increased slightly from approximately RMB66.7 million for the six months ended 30 June 2016 to approximately RMB67.1 million for the six months ended 30 June 2017.

Income tax credit/expense

The Group recorded an income tax credit of approximately RMB18.4 million for the six months ended 30 June 2017 as compared with an income tax expense of approximately RMB38.5 million for the six months ended 30 June 2016.

(Loss)/profit for the period

The Group recorded a net loss of approximately RMB59.7 million for the six months ended 30 June 2017 as compared with a net profit of approximately RMB109.3 million for the six months ended 30 June 2016. The decrease was mainly due to the decrease in gross profit caused by the decrease in the market price of stainless steel and carbon steel materials during the period.

Foreign exchange risk management

The Group mainly operates in the PRC with most of the transactions denominated and settled in RMB. However, the Group has certain trade receivables, restricted bank balances, cash and cash equivalents, trade payables, other payables and borrowings denominated in foreign currencies, mainly United States Dollar and Hong Kong Dollar, which are exposed to foreign currency translation risk.

Our management will closely monitor the exchange rate fluctuations to ensure sufficient precautionary measures against any adverse impacts.



MANAGEMENT DISCUSSION AND ANALYSIS

LIQUIDITY, CAPITAL STRUCTURE AND FINANCIAL RESOURCES

As at 30 June 2017, the borrowings of the Group amounted to approximately RMB2,361.2 million. Notes payable amounted to approximately RMB1,301.6 million while the bank balances were approximately RMB1,106.0 million of which approximately RMB612.3 million were restricted bank deposits for issuing letter of credit and notes payable.

As at 30 June 2017, the Group recorded a net current liabilities of approximately RMB94.7 million. The improvement in net working capital was mainly due to the subscription of 103,750,000 new shares by Tisco Stainless Steel (H.K.) Limited at a total subscription price of approximately HK\$363.1 million and the issuance of a senior note of US\$60,000,000 to an independent third party during the period.

The gearing ratios as at 30 June 2017 and 31 December 2016 were 42.31% and 45.41% respectively. The ratios are calculated as net debt divided by total capital. Net debt is calculated as total borrowings less cash and cash equivalents while total capital is calculated as total equity plus net debt.

CONTINGENT LIABILITIES

As at 30 June 2017, the Group did not have any material contingent liabilities.

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2017

	<i>Note</i>	As at 30 June 2017 <i>RMB'000</i>	As at 31 December 2016 <i>RMB'000</i>
ASSETS			
Non-current assets			
Land use rights		343,827	313,950
Property, plant and equipment	6	3,415,103	3,136,776
Investment properties		6,781	7,069
Intangible assets		1,959	1,669
Deferred income tax assets		64,079	38,808
Other non-current assets		3,660	23,606
		3,835,409	3,531,878
Current assets			
Inventories	7	1,909,061	2,471,950
Trade receivables	8	559,992	346,715
Prepayments, deposits and other receivables	9	660,503	669,576
Restricted bank deposits		612,259	687,770
Cash and cash equivalents		493,727	53,085
		4,235,542	4,229,096
Total assets		8,070,951	7,760,974
EQUITY AND LIABILITIES			
Equity attributable to equity holders of the Company			
Share capital	10	106,590	97,400
Reserves		2,180,976	2,062,317
		2,287,566	2,159,717
Non-controlling interests		258,674	254,130
Total equity		2,546,240	2,413,847



UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2017

	<i>Note</i>	As at 30 June 2017 RMB'000	As at 31 December 2016 RMB'000
LIABILITIES			
Non-current liabilities			
Borrowings	11	1,132,199	867,977
Deferred government grants		52,376	43,538
Deferred income tax liabilities		9,927	14,331
		<u>1,194,502</u>	<u>925,846</u>
Current liabilities			
Trade payables	12	2,343,044	2,491,814
Accruals, advances from customers and other current liabilities		720,477	666,655
Current income tax liabilities		26,385	67,073
Borrowings	11	1,229,030	1,192,907
Current portion of deferred government grants		11,273	2,832
		<u>4,330,209</u>	<u>4,421,281</u>
Total liabilities		<u>5,524,711</u>	<u>5,347,127</u>
Total equity and liabilities		<u>8,070,951</u>	<u>7,760,974</u>

UNAUDITED CONDENSED CONSOLIDATED COMPREHENSIVE INCOME STATEMENT

For the six months ended 30 June 2017

	Note	Six months ended 30 June	
		2017 RMB'000	2016 RMB'000
Revenue	13	12,980,543	8,433,541
Cost of sales	14	<u>(12,807,992)</u>	<u>(8,051,164)</u>
Gross profit		172,551	382,377
Other income – net		4,657	7,672
Other loss – net		(2,768)	(574)
Distribution costs	14	(93,332)	(79,787)
Administrative expenses	14	<u>(92,156)</u>	<u>(95,200)</u>
Operating (loss)/profit		(11,048)	214,488
Finance income	15	5,971	4,467
Finance costs	15	<u>(73,092)</u>	<u>(71,212)</u>
Finance costs – net	15	<u>(67,121)</u>	<u>(66,745)</u>
(Loss)/profit before income tax		(78,169)	147,743
Income tax credit/(expense)	16	<u>18,443</u>	<u>(38,493)</u>
(Loss)/profit for the period		(59,726)	109,250
Other comprehensive income for the period		–	–
Total comprehensive (loss)/income for the period		(59,726)	109,250
Attributable to:			
Equity holders of the Company		(64,270)	102,937
Non-controlling interests		<u>4,544</u>	<u>6,313</u>
		(59,726)	109,250
(Loss)/earnings per share for (loss)/profit attributable to equity holders of the Company during the period (expressed in RMB per share)			
– basic (loss)/earnings per share	17	(0.05)	0.09
– diluted (loss)/earnings per share	17	<u>(0.05)</u>	<u>0.09</u>
Interim dividends		–	–



UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2017

	Attributable to equity holders of the Company		Non- controlling interests RMB'000	Total equity RMB'000
	Share Capital RMB'000	Reserves RMB'000		
Balance at 1 January 2017	97,400	2,062,317	254,130	2,413,847
Comprehensive income				
(Loss)/profit for the period	–	(64,270)	4,544	(59,726)
Total comprehensive income for the period	–	(64,270)	4,544	(59,726)
Transaction with owners				
Employee share options scheme – value of employee services	–	2,102	–	2,102
Issuance of shares	9,190	312,494	–	321,684
Dividends	–	(131,667)	–	(131,667)
Total transaction with owners	9,190	182,929	–	192,119
Balance at 30 June 2017	106,590	2,180,976	258,674	2,546,240

	Attributable to equity holders of the Company		Non- controlling interests RMB'000	Total equity RMB'000
	Share Capital RMB'000	Reserves RMB'000		
Balance at 1 January 2016 (restated)	97,400	1,710,283	235,629	2,043,312
Comprehensive income				
Profit for the period	–	102,937	6,313	109,250
Total comprehensive income for the period	–	102,937	6,313	109,250
Transaction with owners				
Employee share options scheme – value of employee services	–	2,033	–	2,033
Employee share award scheme – value of employee services	–	6,462	–	6,462
Shares held for Share Award Scheme	–	(6,718)	–	(6,718)
Effect of business combination under common control	–	(6,137)	–	(6,137)
Total transaction with owners	–	(4,360)	–	(4,360)
Balance at 30 June 2016	97,400	1,808,860	241,942	2,148,202

UNAUDITED 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
Cash flows from operating activities		
Cash flows from operations	327,368	(466,690)
Interest received	5,971	4,467
Interest paid	(73,092)	(71,212)
Income tax paid	(51,920)	(39,699)
	<hr/>	<hr/>
Net cash from/(used) in operating activities	208,327	(573,134)
Cash flows from investing activities		
Purchase of property, plant and equipment	(329,495)	(112,612)
Other investing cash flow	5,033	(28,552)
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Net cash used in investing activities	(324,462)	(141,164)
Cash flows from financing activities		
Issuance of shares	321,860	–
Issuance of senior note	406,187	–
Net change in borrowings	(105,842)	268,957
Net change in restricted bank deposits	75,511	(175,085)
Dividend paid to the Company's shareholders	(131,667)	–
Net change in bank acceptance notes	(9,096)	552,798
Purchase of shares held for share award scheme	–	(6,718)
	<hr/>	<hr/>
Net cash from financing activities	556,953	639,952
Net change in cash and cash equivalents	440,818	(74,346)
Cash and cash equivalents at beginning of the period	53,085	207,007
Exchange loss on cash and cash equivalents	(176)	–
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Cash and cash equivalents at end of the period	493,727	132,661
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NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2017

1. GENERAL INFORMATION

The Company was incorporated in the Cayman Islands on 14 February 2007 as an exempted company with limited liability under the Companies Law, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands. The Company's registered office is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands.

The shares of the Company have been listed on the Main Board of The Stock Exchange of Hong Kong Limited since 1 December 2010.

2. BASIS OF PREPARATION

The unaudited condensed consolidated financial statements for the six months ended 30 June 2017 have been prepared in accordance with Hong Kong Accounting Standard 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and Appendix 16 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited. These unaudited condensed consolidated financial statements have not been reviewed by external auditors but have been reviewed by the Company's audit committee.

Going Concern

As at 30 June 2017, the Group's current liabilities exceeded its current assets by approximately RMB94,667,000 (31 December 2016: RMB192,185,000). Total equity of the Group amounted to approximately RMB2,546,240,000 and total liabilities amounted to approximately RMB5,524,711,000. The Group meets its day-to-day working capital requirements mainly through its bank borrowings and facilities with banks in PRC that are refinanced and/or renewed every twelve months. In preparing this financial statements, the directors of the Company have considered the Group's available sources of funds as follows:

- The Group expects a satisfactory growth in the business in the next 12 months; and
- The available financing including PRC bank borrowings to be renewed during the next 12 months, the directors are confident that these bank financing could be renewed and/or extended for at least another twelve months upon renewal based on the Group's past experience and good credit standing; and
- Other available sources of financing from banks and other financial institutions given the Group's credit history and that most of the Group's property, plant and equipment are free of pledge or restriction and would be available to secure further financing.

Having considered the above, the directors of the Company believe that the Group has adequate resources to continue operation for the foreseeable future of not less than 12 months from the approval date of these financial statements. The directors therefore are of the opinion that it is appropriate to adopt the going concern basis in preparing the consolidated financial statements.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2017

3 SIGNIFICANT ACCOUNTING POLICIES

Except as described below, the accounting policies applied are consistent with those of the annual financial statements for the year ended 31 December 2016, as described in those annual financial statements.

Taxes on income in the interim periods are accrued using the tax rate that would be applicable to expected total annual earnings.

(a) New and amended standards adopted by the Group

The following new and amended standards have been adopted by the Group for the first time for the financial year beginning 1 January 2017.

HKAS 7 (Amendments) “Statement of cash flows” is effective for annual periods beginning on or after 1 January 2017. The amendments introduced an additional disclosure that will enable users of financial statements to evaluate changes in liabilities arising from financing activities.

Amendments and interpretations as mentioned above are not expected to have a material effect on the Group’s operating results, financial position or comprehensive income.

(b) Standards, amendments and interpretations to existing standards effective in 2017 but not relevant to the Group

		Effective for annual periods beginning on or after
HKAS 12 (Amendment)	Income taxes	1 January 2017
HKFRS 12 (Amendment)	Disclosure of interest in other entities	1 January 2017

(c) The following new standards, new interpretations and amendments to standards and interpretations have been issued and are relevant to the Group’s operations, but they are not effective for the financial year beginning on 1 January 2017 and have not been early adopted by the Group. The Group is still in the process of assessing the impacts on adoption of these new standards, amendments and interpretations and is yet to conclude whether or not it will result in substantial changes to the consolidated financial statements of the Group.

		Effective for annual periods beginning on or after
HKFRS 2 (Amendment)	Share-based payment	1 January 2018
HKFRS 9	Financial instruments	1 January 2018
HKFRS 15	Revenue from contracts with customers	1 January 2018
HK (IFRIC) 22	Foreign currency transactions and advance consideration	1 January 2018
HKAS 40 (Amendments)	Investment property	1 January 2018
HKFRS 16	Leases	1 January 2019
HK (IFRIC) 23	Uncertainty over Income Tax Treatment	1 January 2019
Amendments to HKFRS 10 and HKAS 28	Sale or contribution of assets between an investor and its associate or joint venture	To be determined



NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2017

4. ESTIMATES

The preparation of unaudited condensed consolidated interim financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates.

In preparing these unaudited condensed consolidated interim financial statements, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements for the year ended 31 December 2016.

5. FINANCIAL RISK MANAGEMENT

5.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including currency risk and fair value interest rate risk), credit risk, and liquidity risk.

The unaudited condensed consolidated interim financial statements do not include all financial risk management information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements as at 31 December 2016.

There have been no changes in the risk management department since year end or in any risk management policies.

5.2 Fair value estimation

There are no financial assets/liabilities carried at fair value determined by valuation method. The carrying value of cash and cash equivalents, restricted bank deposits, trade and other receivables and financial liabilities including trade and other payables and borrowings are assumed to approximate their fair values.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2017

6. PROPERTY, PLANT AND EQUIPMENT

	Buildings and plant RMB'000	Machinery RMB'000	Vehicles RMB'000	Office equipment and others RMB'000	Construction in progress RMB'000	Total RMB'000
At 31 December 2015 (Restated)						
Cost	745,916	1,860,919	27,870	45,294	622,426	3,302,425
Accumulated depreciation	(77,219)	(418,137)	(14,938)	(22,672)	–	(532,966)
Net book amount	668,697	1,442,782	12,932	22,622	622,426	2,769,459
Year ended 31 December 2016						
Opening net book amount	668,697	1,442,782	12,932	22,622	622,426	2,769,459
Additions	1,164	8,993	3,644	2,942	485,052	501,795
Transfer	129,937	382,822	–	5,149	(517,908)	–
Disposals	–	(100)	(266)	(294)	–	(660)
Depreciation	(23,373)	(99,578)	(4,410)	(6,457)	–	(133,818)
Closing net book amount	776,425	1,734,919	11,900	23,962	589,570	3,136,776
At 31 December 2016						
Cost	877,017	2,251,112	30,466	51,574	589,570	3,799,739
Accumulated depreciation	(100,592)	(516,193)	(18,566)	(27,612)	–	(662,963)
Net book amount	776,425	1,734,919	11,900	23,962	589,570	3,136,776
Six months ended 30 June 2017						
Opening net book amount	776,425	1,734,919	11,900	23,962	589,570	3,136,776
Additions	1,285	20,055	3,337	1,741	327,148	353,566
Transfer	–	80,483	–	–	(80,483)	–
Disposals	–	(20,980)	(2,529)	(562)	–	(24,071)
Depreciation	(13,181)	(36,114)	(201)	(1,672)	–	(51,168)
Closing net book amount	764,529	1,778,363	12,507	23,469	836,235	3,415,103
At 30 June 2017						
Cost	878,302	2,330,670	31,274	52,753	836,235	4,129,234
Accumulated depreciation	(113,773)	(552,307)	(18,767)	(29,284)	–	(714,131)
Net book amount	764,529	1,778,363	12,507	23,469	836,235	3,415,103



NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2017

7. INVENTORIES

	As at 30 June 2017 <i>RMB'000</i>	As at 31 December 2016 <i>RMB'000</i>
Raw materials	1,477,887	2,004,517
Finished goods	431,174	467,433
	1,909,061	2,471,950

For the six months ended 30 June 2017, the Group has recorded a loss of approximately RMB21,605,000 for the write-down of inventories to their net realisable value. A reversal of provision of approximately RMB22,417,000 was recorded for the six months ended 30 June 2016. These amounts have been included in the cost of sales in the unaudited condensed consolidated statement of comprehensive income.

8. TRADE RECEIVABLES

	As at 30 June 2017 <i>RMB'000</i>	As at 31 December 2016 <i>RMB'000</i>
Accounts receivable	196,002	114,150
Notes receivable		
– bank acceptance notes	362,019	230,594
– commercial acceptance notes	3,000	3,000
	561,021	347,744
Less: provision for impairment	(1,029)	(1,029)
Trade receivables – net	559,992	346,715

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2017

The Group's sales are mainly made on (i) cash on delivery; (ii) notes receivable with maturity within 6 months; and (iii) credit terms of 1-90 days. Ageing analysis of trade receivables is as follows:

	As at 30 June 2017 <i>RMB'000</i>	As at 31 December 2016 <i>RMB'000</i>
Accounts receivable		
– Within 30 days	185,797	107,157
– 30 days to 3 months	5,640	4,644
– 3 months to 6 months	2,720	1,601
– 6 months to 1 year	1,097	617
– 1 year to 2 years	706	89
– 2 years to 3 years	42	42
	196,002	114,150
Notes receivable		
– Within 6 months	365,019	233,594
	561,021	347,744

9. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	As at 30 June 2017 <i>RMB'000</i>	As at 31 December 2016 <i>RMB'000</i>
Prepayment for purchase of raw materials	401,156	373,959
Value added tax recoverable	214,146	264,633
Export tax refund	20,592	13,116
Deposits and other receivables	24,609	17,868
	660,503	669,576



NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2017

10. SHARE CAPITAL

	Number of shares '000	HKD'000	RMB'000
Authorised share capital As at 31 December 2016 and 30 June 2017	1,500,000	150,000	128,886
Issued and fully paid up As at 31 December 2016	1,141,250	114,125	97,400
Issue of shares	103,750	10,375	9,190
As at 30 June 2017	1,245,000	124,500	106,590

11. BORROWINGS

	As at 30 June 2017 RMB'000	As at 31 December 2016 RMB'000
Non-current		
Bank borrowings	440,628	722,358
Borrowing and finance lease arrangement	285,384	145,619
Senior note	406,187	–
	1,132,199	867,977
Current		
Bank borrowings	1,209,658	1,043,555
Borrowing and finance lease arrangement	19,372	149,352
	1,229,030	1,192,907
Representing :		
Bank borrowings		
– Unsecured	1,175,323	1,277,020
– Secured	398,497	386,948
– Guaranteed	76,466	101,945
Finance lease arrangement	304,756	294,971
Senior note	406,187	–
	2,361,229	2,060,884

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2017

12. TRADE PAYABLES

	As at 30 June 2017 <i>RMB'000</i>	As at 31 December 2016 <i>RMB'000</i>
Accounts payable	1,041,424	1,181,098
Notes payable	1,301,620	1,310,716
	2,343,044	2,491,814

The ageing analysis of the trade payable is as follows:

	As at 30 June 2017 <i>RMB'000</i>	As at 31 December 2016 <i>RMB'000</i>
Within 6 months	2,343,007	2,491,777
6 months to 1 year	–	–
1 year to 2 years	29	29
2 years to 3 years	8	8
	2,343,044	2,491,814



NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2017

13. SALES AND SEGMENT INFORMATION

	Six months ended	
	30 June 2017	30 June 2016
	<i>RMB'000</i>	<i>RMB'000</i>
Sales of goods	12,980,543	8,433,541

The chief operating decision-maker has been identified as the executive directors and all top management. The decision-maker reviews the Group's internal reporting in order to assess performance and allocate resources.

Based on these reports, the decision-maker has determined that single business segment information is presented as all of the Group's sales and operating profits are derived from the sales of stainless steel and carbon steel products and all of the Group's productions and operating assets are located in Mainland China which is considered as one segment with similar risks and returns.

The Group is domiciled in Mainland China. The result of its sales from external customers in different countries and regions is as follows:

	Six months ended	
	30 June 2017	30 June 2016
	<i>RMB'000</i>	<i>RMB'000</i>
– Mainland China	12,618,569	8,199,387
– Hong Kong and other overseas countries and regions*	361,974	234,154
Total sales	12,980,543	8,433,541

* Other overseas countries and regions for the six months ended 30 June 2017 mainly represented United States of America, Australia, South Korea and South East Asia.

Other overseas countries and regions for the six months ended 30 June 2016 mainly represented North America, Australia, Russia, Middle East and South East Asia.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2017

14. EXPENSES BY NATURE

Expenses included in cost of sales, distribution costs and administrative expenses were analysed as follows:

	Six months ended	
	30 June 2017	30 June 2016
	<i>RMB'000</i>	<i>RMB'000</i>
Changes in inventories of finished goods	36,259	(113,595)
Raw materials consumed	12,406,699	7,972,172
Stamp duty, property tax and other surcharges	20,876	14,630
Transportation costs	113,430	60,894
Employee benefit expenses, including directors' emoluments	205,677	164,933
Depreciation and amortisation	79,108	58,543
Operating lease rental for buildings	3,040	2,807
Utilities charges	25,088	18,387
Provision for/(reversal of) write-down of inventories	21,605	(22,417)
Entertainment and travelling expenses	15,984	12,708
Professional service expenses	439	2,202
Others	65,275	54,887
Total cost of sales, distribution costs and administrative expenses	12,993,480	8,226,151

15. FINANCE COSTS - NET

	Six months ended	
	30 June 2017	30 June 2016
	<i>RMB'000</i>	<i>RMB'000</i>
Interest expenses on bank borrowings	40,432	41,100
Interest expenses on bank acceptance notes	26,274	27,351
Exchange loss, net	6,386	2,761
Total finance costs	73,092	71,212
Interest income	(5,971)	(4,467)
	67,121	66,745



NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2017

16. INCOME TAX (CREDIT)/EXPENSE

	Six months ended	
	30 June 2017	30 June 2016
	<i>RMB'000</i>	<i>RMB'000</i>
Current income tax expense		
– Mainland China corporate income tax	11,232	38,493
Deferred income tax credit	(29,675)	–
	(18,443)	38,493

The Company was incorporated in the Cayman Islands as an exempted company with limited liability under the Companies Law, Cap. 22 (Law 3 of 1961, as consolidated and revised) of Cayman Islands and, accordingly, is exempted from payment of Cayman Islands income tax.

The subsidiary incorporated in British Virgin Islands under the International Business Companies Acts of the British Virgin Islands is exempted from payment of British Virgin Islands income tax.

Hong Kong profits tax has not been provided as there is no estimated assessable profit arising in or derived from Hong Kong during the financial periods.

The PRC corporate income tax is calculated based on the statutory profit of subsidiaries incorporated in the PRC in accordance with the PRC tax laws and regulations, after adjustments on certain income and expense items, which are not assessable or deductible for income tax purposes.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2017

17. (LOSS)/EARNINGS PER SHARE

(a) Basic

Basic (loss)/earnings per share is calculated by dividing the (loss)/profit attributable to equity holders of the company by the weighted average number of ordinary shares in issue during the period.

	Six months ended	
	30 June 2017 RMB'000	30 June 2016 RMB'000
(Loss)/profit attributable to equity holders of the company	(64,270)	102,937
Weighted average number of ordinary shares in issue (thousands)	1,182,521	1,141,250
Basic (loss)/earnings per share (RMB)	(0.05)	0.09

(b) Diluted

Diluted (loss)/earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. The dilutive potential ordinary shares of the company are share options. For the share options, a calculation is done to determine the number of shares that could have been acquired at fair value (determined as the average annual market share price of the company's shares) based on the monetary value of the subscription rights attached to outstanding share options. The number of shares calculated as above is compared with the number of shares that would have been issued assuming the exercise of the share options.

	Six months ended	
	30 June 2017 RMB'000	30 June 2016 RMB'000
(Loss)/profit attributable to equity holders of the company	(64,270)	102,937
Weighted average number of ordinary shares in issue (thousands)	1,182,521	1,141,250
Adjustments for share option plan (thousands)	1,660	128
Weighted average number of ordinary shares for diluted earnings/(loss) per share (thousands)	1,184,181	1,141,378
Diluted (loss)/earnings per share (RMB)	(0.05)	0.09



NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2017

18. COMMITMENTS

(a) **Capital commitments**

	As at 30 June 2017 <i>RMB'000</i>	As at 31 December 2016 <i>RMB'000</i>
Contracted but not provided for:		
Acquisition of property, plant and equipment	<u>599,865</u>	<u>408,206</u>

(b) **Operating lease commitments**

The Group leases certain office premises, plant and equipment under non-cancellable operating lease agreements.

The future aggregate minimum lease payments under non-cancellable operating leases are as follows:

	As at 30 June 2017 <i>RMB'000</i>	As at 31 December 2016 <i>RMB'000</i>
Not later than 1 year	1,710	1,926
Later than 1 year and not later than 5 years	<u>3,868</u>	<u>3,053</u>
	<u>5,578</u>	<u>4,979</u>

CORPORATE GOVERNANCE

The Company is committed to ensuring high standards of corporate governance in enhancing shareholders' value and safeguarding interests of shareholders and other stakeholders.

The Company has complied with the Corporate Governance Code and Corporate Governance Report (the "CG Code") set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") during the six months ended 30 June 2017 except for the deviation from code provisions A.2.1 and A.6.7. The Company adopted the CG Code as its own code of corporate governance.

Under code provision A.2.1 of the CG Code, the roles of chairman and chief executive should be separated and should not be performed by the same individual. During the reporting period, the positions of the chairman and the chief executive officer were held by Mr. Zhou Keming. The Company is of the view that Mr. Zhou Keming, with his profound expertise in the stainless steel industry, shall continue his dual capacity as the chairman and the chief executive officer of the Company. The Board would nevertheless review this arrangement from time to time in light of prevailing circumstances. For detailed information, please refer to the Corporate Governance Report in the Company's 2016 Annual Report.

Under code provision A.6.7 of the CG Code, the independent non-executive directors and non-executive directors should attend general meeting of the Company. Mr. Shen Dong, a non-executive director of the Company and Mr. Cheuk Wa Pang and Mr. Chen Xuedong, both are independent non-executive directors of the Company, were absent from the annual general meeting of the Company held on 25 May 2017 due to their other business commitments.

MODEL CODE

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 of the Listing Rules (the "Model Code") as its code of conduct regarding securities transactions by the directors. Having made specific enquiry with all directors of the Company (the "Directors"), all Directors confirmed that they have complied with the required standard set out in the Model Code during the six months ended 30 June 2017.

SHARE CAPITAL

Details of the movements in the share capital of the Company are set out in Note 10 to the unaudited condensed consolidated financial statements.

INTERIM DIVIDENDS

The Directors do not recommend the payment of an interim dividend in respect of the six months ended 30 June 2017 (2016: nil).



OTHER INFORMATION

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

There was no purchase, sale or redemption of the Company's listed shares by the Company or any of its subsidiaries during the six months ended 30 June 2017.

AUDIT COMMITTEE

The Audit Committee of the Company has discussed with the management and reviewed the unaudited condensed consolidated financial statements of the Group for the six months ended 30 June 2017 and considered that the Company has complied with all applicable accounting standards and requirements.

BOARD APPOINTMENTS

On 25 May 2017, Mr. Wang Jian was appointed as an executive director of the Company; and Mr. Liu Fuxing was appointed as an independent non-executive director of the Company and a member of each of the Audit Committee, the Nomination Committee and the Remuneration Committee of the Company.

CHANGE IN INFORMATION OF DIRECTORS

Pursuant to Rule 13.51B(1) of the Listing Rules, the changes in information of Directors of the Company subsequent to the date of the 2016 Annual Report of the Company are set out below:

Name of Directors	Details of Change
Mr. Zhou Keming	Resigned as a legal representative of Daming Heavy Industry Co., Limited, a subsidiary of the Company.
Mr. Wang Jian	Appointed as a legal representative of Daming Heavy Industry Co., Limited, a subsidiary of the Company.
Mr. Lu Daming	Appointed as an independent director of Noblelift Equipment Joint Stock Company Limited (stock code: 603611), the shares of which are listed on The Shanghai Stock Exchange, with effect from April 2017.

SHARE OPTION SCHEME

The Company adopted a share option scheme on 9 November 2010. Principal terms of the share option scheme were set out in our 2016 Annual Report.

Particulars of share options outstanding under the share option scheme at the beginning and at the end of the financial period for the six months ended 30 June 2017 and share options granted, exercised, cancelled or lapsed under the share option scheme during such period are as follows:

Name or category of participant	Date of grant	Exercise price (HK\$)	As at 1 January 2017	Number of share options			As at 30 June 2017	Exercise period
				Granted during the period	Exercised during the period	Cancelled/ lapsed during the period		
Directors								
Mr. Tang Zhonghai	21 December 2010	2.452	600,000 ⁽¹⁾	-	-	-	600,000	21 December 2013 to 20 December 2020
Dr. Fukui Tsutomu	23 December 2014	2.364	500,000 ⁽²⁾	-	-	-	500,000	23 December 2017 to 22 December 2024
Mr. Zhang Feng	21 December 2010	2.452	300,000 ⁽¹⁾	-	-	-	300,000	21 December 2013 to 20 December 2020
	23 December 2014	2.364	100,000 ⁽²⁾	-	-	-	100,000	23 December 2017 to 22 December 2024
Mr. Wang Jian	23 December 2014	2.364	400,000 ⁽²⁾	-	-	-	400,000	23 December 2017 to 22 December 2024
Other employees in aggregate	21 December 2010	2.452	4,580,000 ⁽¹⁾	-	-	(80,000)	4,500,000	21 December 2013 to 20 December 2020
	23 December 2014	2.364	15,500,000 ⁽²⁾	-	-	(150,000)	15,350,000	23 December 2017 to 22 December 2024
Total			21,980,000	-	-	(230,000)	21,750,000	

⁽¹⁾ 30% of share options are exercisable from the third anniversary date of the date of grant; 60% of share options are exercisable from the fourth anniversary date of the date of grant; and all share options are exercisable from the fifth anniversary date of the date of grant.

⁽²⁾ 40% of share options are exercisable from the third anniversary date of the date of grant; 70% of share options are exercisable from the fourth anniversary date of the date of grant; and all share options are exercisable from the fifth anniversary date of the date of grant.



OTHER INFORMATION

SHARE AWARD SCHEME

The Company adopted a share award scheme on 25 August 2011. Principal terms of the share award scheme were set out in our 2016 Annual Report.

For the period ended 30 June 2017, no awarded shares were granted to directors and selected employees of the Group. As at 30 June 2017, the independent trustee holds 27,190,000 shares of the Company for the share award scheme.

EMPLOYMENT POLICY

The Group employed a total of 4,194 staffs as at 30 June 2017 (2016: 3,443).

The remuneration of the Directors and employees was based on their performance, skills, knowledge, experiences and market trend. The remuneration committee reviews the remuneration policies and packages of the Group on a regular basis. In addition to basic salaries, employees may be offered with discretionary bonus on individual performance. The Group has also adopted share option scheme and share award scheme for its employees, providing incentives and rewards to eligible participants with reference to their contribution.

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND/OR SHORT POSITIONS IN THE SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY OR ANY ASSOCIATED CORPORATION

As at 30 June 2017, the interests and short positions of each director and chief executive in the shares, underlying shares and debentures of the Company and its associated corporation (within the meaning of Part XV of the Securities and Futures Ordinance (“SFO”)), as recorded in the register required to be kept by the Company under section 352 of Part XV of the SFO, or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) pursuant to the Model Code, were as follows:

(a) Long and short position in the shares and underlying shares of the Company

Name of Director	Nature of interests	Number of shares/underlying shares held	% of issued share capital
Mr. Zhou Keming (also Chief Executive Officer)	Personal and corporate	786,689,000 ⁽³⁾	63.19%
Ms. Xu Xia	Personal and corporate	786,687,000 ⁽³⁾	63.19%
Mr. Zou Xiaoping	Personal and family	5,026,000 ⁽⁴⁾	0.40%
Mr. Tang Zhonghai	Personal	1,080,000 ⁽⁵⁾	0.09%
Dr. Fukui Tsutomu	Personal and family	1,442,000 ⁽⁶⁾	0.12%
Mr. Zhang Feng	Personal	2,024,000 ⁽⁷⁾	0.16%
Mr. Wang Jian	Personal and family	1,234,000 ⁽⁸⁾	0.10%

⁽³⁾ 786,663,000 shares are held by Ally Good Group Limited, which is owned as to 77.2% by Mr. Zhou Keming and 22.8% by Ms. Xu Xia. Mr. Zhou Keming and Ms. Xu Xia personally hold 26,000 shares and 24,000 shares of the Company respectively.

⁽⁴⁾ 5,000,000 shares are held by Mr. Zou Xiaoping’s spouse, Ms. Li Jun and 26,000 shares are held by Mr. Zou Xiaoping.

⁽⁵⁾ The interest comprises 480,000 shares, 600,000 underlying shares in respect of the share options granted pursuant to the share option scheme as disclosed under section headed share option scheme.

⁽⁶⁾ The interest comprises 76,000 shares held by Dr. Fukui Tsutomu, 866,000 shares held by Dr. Fukui’s spouse, Ms. Mizuho Fukui and 500,000 underlying shares in respect of the share options granted to Dr. Fukui pursuant to the share option scheme as disclosed under section headed share option scheme.

⁽⁷⁾ The interest comprises 1,624,000 shares, 400,000 underlying shares in respect of the share options granted pursuant to the share option scheme as disclosed under section headed share option scheme.

⁽⁸⁾ The interest comprises 46,000 shares held by Mr. Wang Jian, 788,000 shares held by Mr. Wang’s spouse, Ms. Zhang Minxian and 400,000 underlying shares in respect of the share options granted pursuant to the share option scheme as disclosed under section headed share option scheme.



OTHER INFORMATION

(b) Long position in the shares in associated corporation(s)

Name of Director	Name of associated corporation ⁽⁹⁾	Nature of interests	Number of shares held	% of issued share capital of associated corporation
Mr. Zhou Keming	Ally Good Group Limited	Personal ⁽¹⁰⁾	1,000	100%
Ms. Xu Xia	Ally Good Group Limited	Personal ⁽¹⁰⁾	1,000	100%

⁽⁹⁾ As at 30 June 2017, Ally Good Group Limited is the holder of 63.19% of the issued share capital of the Company and is an associated corporation under SFO.

⁽¹⁰⁾ 772 shares are held by Mr. Zhou Keming and 228 shares are held by Ms. Xu Xia. Ms. Xu Xia is the spouse of Mr. Zhou Keming.

Save as disclosed above, as at 30 June 2017, none of the directors or chief executive and their associates, had interests or short positions in any shares, underlying shares or debentures of the Company and its associated corporations which were recorded in the register required to be kept under section 352 of the SFO or notified to the Company and the Stock Exchange pursuant to the Model Code.

At no time during the reporting period was the Company, its subsidiaries, its associated companies, its fellow subsidiaries or its parent company a party to any arrangement to enable the directors and chief executives of the Company (including their spouse and children under 18 years of age) to hold any interest or short positions in the shares or underlying shares in, or debenture of the Company or its associated corporation.

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND/OR SHORT POSITIONS IN THE SHARES AND UNDERLYING SHARES OF THE COMPANY

As at 30 June 2017, the interests or short positions of every person, other than a director or chief executive of the Company, in the shares and underlying shares of the Company as recorded in the register required to be kept under section 336 of the SFO, are set out below:

Aggregate long position in the shares and underlying shares of the Company

Name of Shareholder	Number of ordinary shares held	Approximate percentage of the Company's issued share capital
<i>Long position</i>		
Ally Good Group Limited	786,663,000 ⁽¹¹⁾	63.19%
Baosteel Group Corporation	103,750,000	8.33% ⁽¹²⁾
Tisco Stainless Steel (H.K.) Limited	103,750,000	8.33%

⁽¹¹⁾ As Ally Good Group Limited is owned as to 77.2% by Mr. Zhou Keming and 22.8% by Ms. Xu Xia, they have interest in these shares as disclosed under the previous section.

⁽¹²⁾ According to the notice given by Baosteel Group Corporation to the Company, their approximate percentage of the Company's issued share capital was reported as 9.09%. However, the approximate percentage of the Company's issued share capital should have been diluted to approximately 8.33% after the Transaction as disclosed under section headed Connected Transaction and Issuance of New Shares.

Save as disclosed above, no other parties were recorded in the register of the Company required to be kept under section 336 of the SFO as having interests or short positions in the shares or underlying shares of the Company as at 30 June 2017.



OTHER INFORMATION

CONNECTED TRANSACTION AND ISSUANCE OF NEW SHARES

On 20 March 2017, the Company and Tisco Stainless Steel (H.K.) Limited (“Tisco HK”) entered into a subscription agreement (the “Agreement”), pursuant to which, the Company had conditionally agreed to allot and issue and Tisco HK had conditionally agreed to subscribe for 103,750,000 new shares at the total subscription price of approximately HK\$363.1 million (the “Transaction”). The subscription shares represent approximately 9.09% of the issued share capital of the Company as at 20 March 2017 and approximately 8.33% of the Company’s enlarged issued share capital as at 20 April 2017.

As Tisco HK is an indirect non-wholly owned subsidiary of Taiyuan Iron & Steel (Group) Co., Limited (“Taiyuan Steel”), which is a substantial shareholder of Taiyuan Taigang Daming Metal Products Company Limited, which is in turn a non wholly-owned subsidiary of the Company. Accordingly, Taiyuan Steel is a connected person of the Company, and Tisco HK, being an associate of Taiyuan Steel, is also a connected person of the Company at the subsidiary level. The entering into of the Agreement and the Transaction thereunder therefore constituted a connected transaction of the Company pursuant to Chapter 14A of the Listing Rules. For further details of the Transaction, please refer to our announcements dated 20 March 2017, 21 March 2017, 23 March 2017, 3 April 2017 and 20 April 2017 and the circular dated 10 April 2017.

EVENT AFTER THE END OF THE REPORTING PERIOD

1. During 4 July 2017 to 7 July 2017, Ally Good Group Limited, a substantial shareholder of the Company and a company owned as to 77.2% by Mr. Zhou Keming, and 22.8% by Ms. Xu Xia, acquired 6,772,000 ordinary shares of the Company on exchange. Therefore, the deemed interest of Mr. Zhou Keming and Mr. Xu Xia in the Company increased to approximately 63.73% as at 24 August 2017.
2. 120,000 share options were exercised by an employee, not being a director, under the share option scheme in July 2017, the number of issued shares of the Company was then increased to 1,245,120,000 shares as at 24 August 2017.