DA MING INTERNATIONAL HOLDINGS LIMITED

(Incorporated in the Cayman Islands with limited liability)

2018
Interim Report

Stock code : 1090

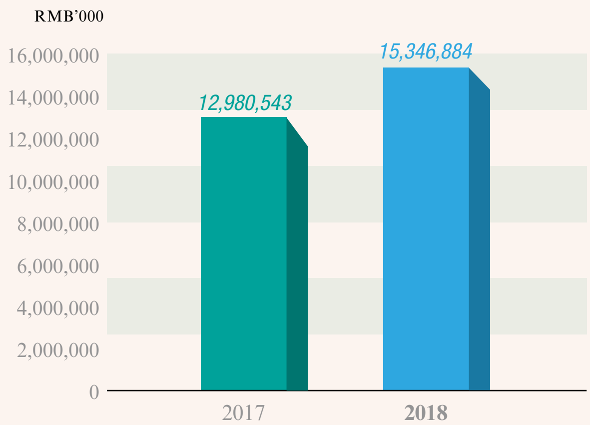
Contents

FINANCIAL AND OPERATING HIGHLIGHTS

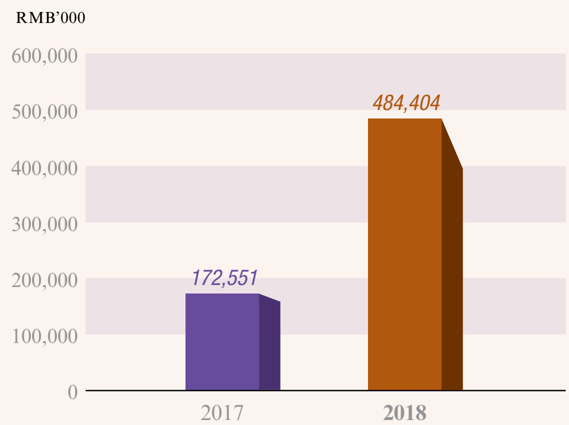
Financial Highlights

	Six months ended 30 June		
	2018	2017	
	RMB'000	*RMB'000*	*% change*
Revenue	**15,346,884**	12,980,543	+18.2%
Gross profit	**484,404**	172,551	+180.7%
Total comprehensive income/(loss) for the period	**120,087**	(59,726)	+301.1%

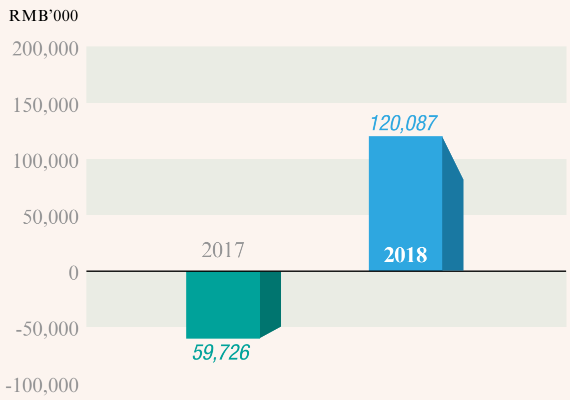
Revenue



Gross Profit



Total comprehensive income/(loss)

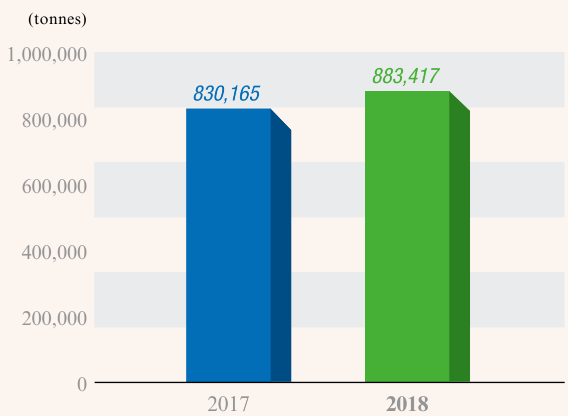


Operating Highlights

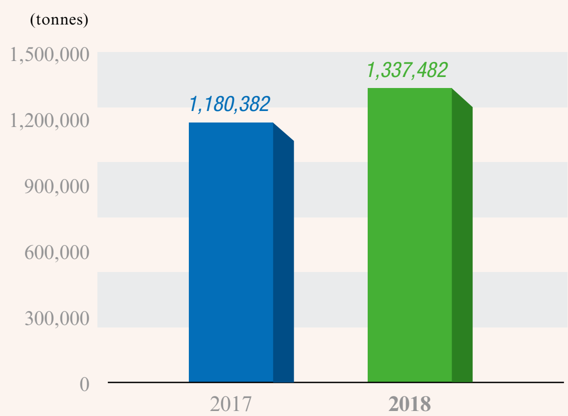
	Six months ended 30 June 2018	2017	*% change*
Stainless steel			
Sales volume (tonnes)	**883,417**	830,165	+6.4%
Processing volume (tonnes)	**1,337,482**	1,180,382	+13.3%
Processing multiple	**1.51**	1.42	
Carbon steel			
Sales volume (tonnes)	**913,657**	733,799	+24.5%
Processing volume (tonnes)	**935,674**	699,008	+33.9%
Processing multiple	**1.02**	0.95	

Note : Processing multiple = Processing volume/Sales volume

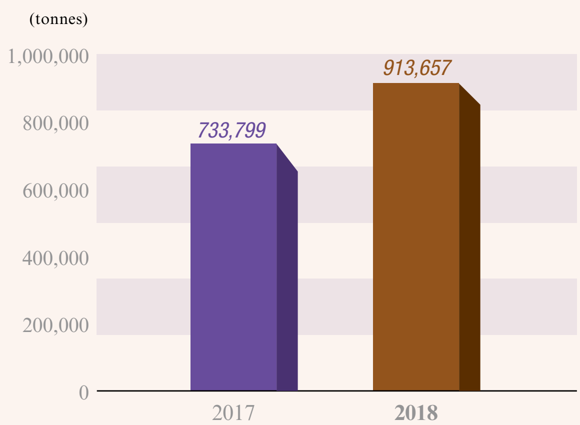
Sales volume of stainless steel



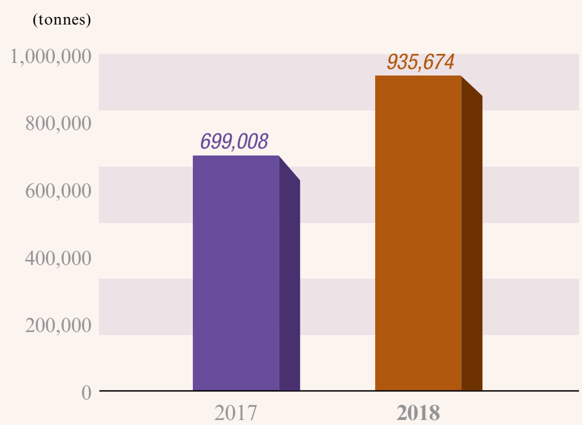
Processing volume of stainless steel



Sales volume of carbon steel



Processing volume of carbon steel



BUSINESS REVIEW

Processing centres

We are a leading metals processing service provider providing comprehensive processing service to modern manufacturers in China with more than 20,000 active customers. Our processing services cover the whole manufacturing process including cutting, slitting, polishing, forming, welding, heat treating, machinery, painting and assembling. The Group has established nine processing centres strategically located in various regions in China, namely, Wuxi, Hangzhou, Tianjin, Wuhan, Taiyuan, Zibo, Jingjiang, Taian and Qianzhou while the tenth processing centre will be built in Jiaxing, Zhejiang province.

The construction work of the Group's tenth processing centre in Jiaxing, Zhejiang province commenced on 23 May 2018 and processing equipment is expected to be installed in the last quarter of 2018.

Business development

On 19 March 2018, the Group entered into a joint venture agreement with Hanwa Co., Ltd. in respect of the formation of a joint venture in the PRC. The joint venture will be primarily engaged in the processing and sales of stainless steel, carbon steel and steel alloy, research and development, manufacturing, processing and sales of mechanical and metal parts, as well as import and export of various commodities and technology.

Through the formation of the joint venture, the Group will be able to collaborate with Hanwa Co., Ltd. to achieve technological and operational advancement, and to complement the strength of each another and share resources. It is intended that following its formation, the joint venture will set up a processing centre in Jiaxing, Zhejiang province of the PRC for processing stainless steel, carbon steel and steel alloy. Pursuant to the joint venture agreement, Hanwa Co., Ltd. shall, through the joint venture, assist the Group to promote its products to Japanese invested home electronic appliance, escalator, automobile manufacturers and expand the Group's market share in this regard.

Operating results

The Group recorded a net profit of approximately RMB120.1 million for the six months ended 30 June 2018 representing a significant increase of approximately 301.1% as compared with the net loss of approximately RMB59.7 million for the six months ended 30 June 2017. The improvement in operating results was mainly due to:

i) higher gross profit margin resulted from an improvement in operating efficiency;

ii) contribution from new projects and growth in sales of varieties steel products; and

iii) relatively stable market price of stainless steel and carbon steel raw materials during the first half year of 2018.

The sales volume of our stainless steel processing business increased from approximately 830,000 tonnes for the six months ended 30 June 2017 to approximately 883,000 tonnes for the six months ended 30 June 2018 representing an increase of approximately 6.4% while the processing volume increased from approximately 1,180,000 tonnes for the six months ended 30 June 2017 to approximately 1,337,000 tonnes for the six months ended 30 June 2018 representing an increase of approximately 13.3%.

The sales volume of our carbon steel processing business increased from approximately 734,000 tonnes for the six months ended 30 June 2017 to approximately 914,000 tonnes for the six months ended 30 June 2018 representing an increase of approximately 24.5% while the processing volume increased from approximately 699,000 tonnes for the six months ended 30 June 2017 to approximately 936,000 tonnes for the six months ended 30 June 2018 representing an increase of approximately 33.9%.

The sales volume and processing volume of our processing centres for the six months ended 30 June 2018 and the corresponding period in 2017 are as follows:

Stainless steel

	Six months ended 30 June		
	2018	2017	
	tonnes	*tonnes*	*% change*
Sales volume			
Wuxi	**330,458**	381,349	-13.3%
Hangzhou	**140,082**	128,378	+9.1%
Tianjin	**118,546**	111,089	+6.7%
Taiyuan	**63,857**	60,349	+5.8%
Wuhan	**49,933**	43,880	+13.8%
Jingjiang	**125,213**	59,732	+109.6%
Shandong	**55,328**	45,388	+21.9%
Total	**883,417**	830,165	+6.4%
Processing volume			
Wuxi	**595,670**	624,841	-4.7%
Hangzhou	**179,793**	161,738	+11.2%
Tianjin	**139,932**	136,936	+2.2%
Taiyuan	**137,807**	89,178	+54.5%
Wuhan	**62,107**	57,814	+7.4%
Jingjiang	**165,743**	67,757	+144.6%
Shandong	**56,430**	42,118	+34.0%
Total	**1,337,482**	1,180,382	+13.3%

Carbon steel

	Six months ended 30 June		
	2018	2017	
	tonnes	*tonnes*	*% change*
Sales volume			
Wuxi	**199,697**	123,918	+61.2%
Hangzhou	**103,170**	114,199	-9.7%
Tianjin	**71,593**	40,880	+75.1%
Taiyuan	**115,516**	108,571	+6.4%
Wuhan	**170,254**	126,447	+34.6%
Jingjiang	**221,997**	219,747	+1.0%
Shandong	**31,430**	37	+8,486.0%
	913,657	733,799	+24.5%
Processing volume			
Wuxi	**103,185**	51,865	+99.0%
Hangzhou	**104,909**	114,712	-8.5%
Tianjin	**93,230**	42,827	+117.7%
Taiyuan	**176,661**	132,646	+33.2%
Wuhan	**178,858**	116,825	+5.3%
Jingjiang	**247,353**	240,133	+3.0%
Shandong	**31,478**	–	n/a
	935,674	699,008	+33.9%

FINANCIAL REVIEW AND ANALYSIS

During the six months ended 30 June 2018, we recorded a revenue of approximately RMB15,347 million, gross profit of approximately RMB484 million and profit attributable to equity holders of the Company of approximately RMB109 million. Total assets of the Group as at 30 June 2018 amounted to approximately RMB10,403 million while equity attributable to equity holders of the Company amounted to approximately RMB2,540 million.

Revenue

Our revenue for the six months ended 30 June 2018 amounted to approximately RMB15,347 million comprising approximately RMB11,830 million from our stainless steel business and approximately RMB3,517 million from our carbon steel business. As compared with the revenue for the six months ended 30 June 2017 of approximately RMB12,981 million, it represented an increase of approximately 18.2%. 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 830,165 tonnes for the six months ended 30 June 2017 to 883,417 tonnes for the six months ended 30 June 2018 representing an increase of approximately 6.4%. The sales volume of our carbon steel processing business also increased from 733,799 tonnes for the six months ended 30 June 2017 to 913,657 tonnes for the six months ended 30 June 2018 representing an increase of approximately 24.5%.

The processing volume of our stainless steel processing business increased from 1,180,382 tonnes for the six months ended 30 June 2017 to 1,337,482 tonnes for the six months ended 30 June 2018 representing an increase of approximately 13.3%. The processing volume of our carbon steel processing business also increased from 699,008 tonnes for the six months ended 30 June 2017 to 935,674 tonnes for the six months ended 30 June 2018 representing an increase of approximately 33.9%.

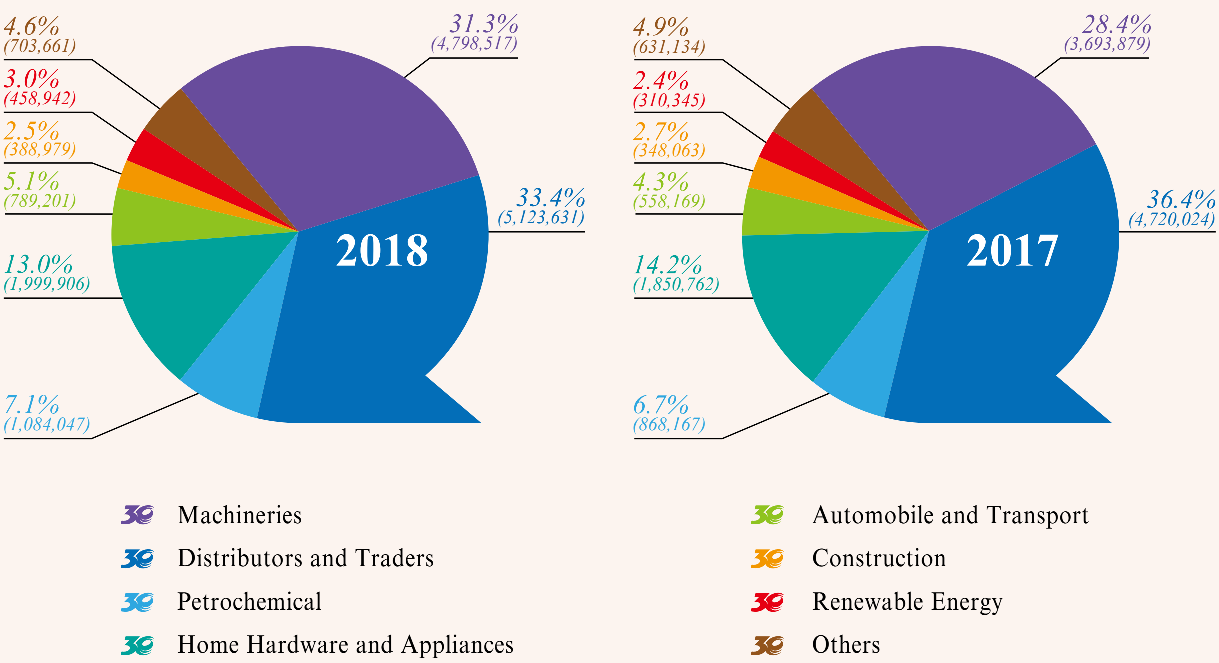
Analysis of revenue by key industry segments

During the six months ended 30 June 2018 and the corresponding period in 2017, our revenue by key industry segments are shown below:

Revenue

	Six months ended 30 June			
	2018		2017	
Industry	***RMB'000***	*%*	*RMB'000*	*%*
Machineries	**4,798,517**	**31.3**	3,693,879	28.4
Distributors and Traders	**5,123,631**	**33.4**	4,720,024	36.4
Petrochemical	**1,084,047**	**7.1**	868,167	6.7
Home Hardware and Appliances	**1,999,906**	**13.0**	1,850,762	14.2
Automobile and Transport	**789,201**	**5.1**	558,169	4.3
Construction	**388,979**	**2.5**	348,063	2.7
Renewable Energy	**458,942**	**3.0**	310,345	2.4
Others	**703,661**	**4.6**	631,134	4.9
Total	**15,346,884**	**100.0**	12,980,543	100.0

RMB'000

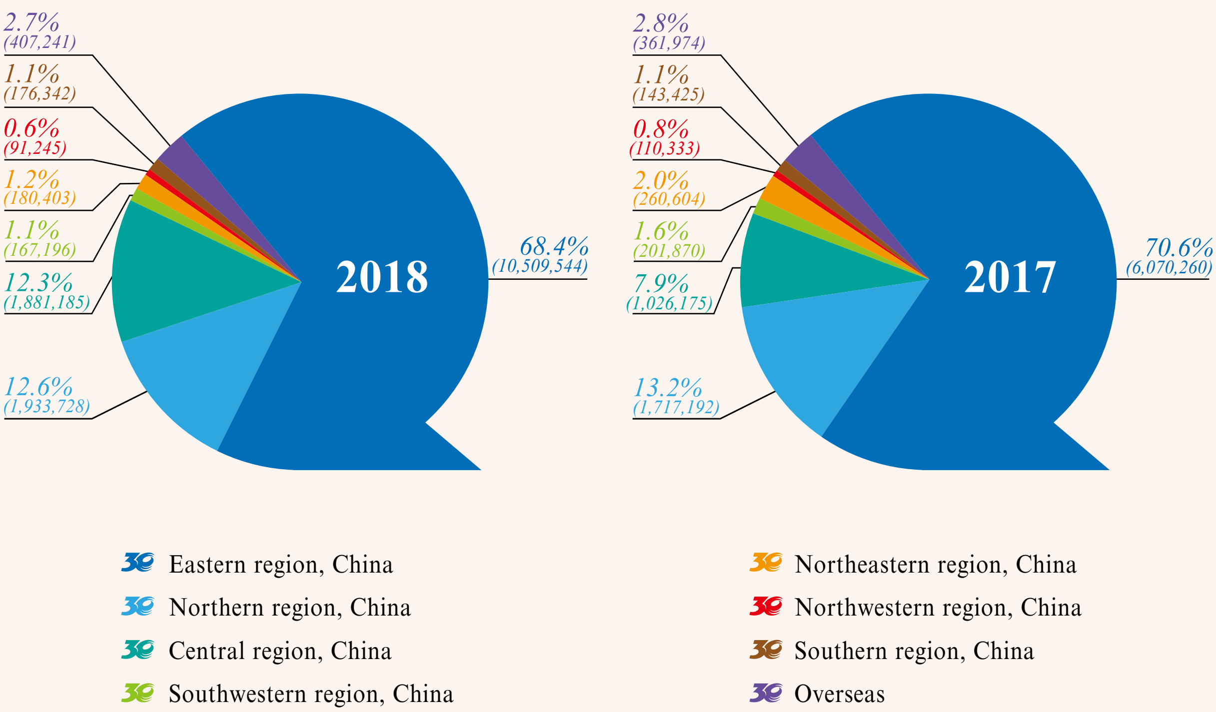


Analysis of revenue by geographical regions

During the six months ended 30 June 2018 and the corresponding period in 2017, our revenue by geographical regions are shown below:

	Six months ended 30 June			
	2018		2017	
Region	***RMB'000***	*%*	*RMB'000*	*%*
Eastern region, China	**10,509,544**	**68.4**	9,158,970	70.6
Northern region, China	**1,933,728**	**12.6**	1,717,192	13.2
Central region, China	**1,881,185**	**12.3**	1,026,175	7.9
Southwestern region, China	**167,196**	**1.1**	201,870	1.6
Northeastern region, China	**180,403**	**1.2**	260,604	2.0
Northwestern region, China	**91,245**	**0.6**	110,333	0.8
Southern region, China	**176,342**	**1.1**	143,425	1.1
Overseas	**407,241**	**2.7**	361,974	2.8
Total	**15,346,884**	**100.0**	12,980,543	100.0

RMB'000



Gross profit

Gross profit increased significantly from approximately RMB172.6 million for the six months ended 30 June 2017 to approximately RMB484.4 million for the six months ended 30 June 2018 mainly due to the improvement in operating efficiency and relatively stable market price of stainless steel and carbon steel raw materials during the period.

Other income

Other income increased from approximately RMB4.7 million for the six months ended 30 June 2017 to approximately RMB7.9 million for the six months ended 30 June 2018 mainly due to the increase in government grants received.

Distribution costs

Distribution costs increased from approximately RMB93.3 million for the six months ended 30 June 2017 to approximately RMB136.2 million for the six months ended 30 June 2018. 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 increased from approximately RMB92.2 million for the six months ended 30 June 2017 to approximately RMB110.1 million for the six months ended 30 June 2018. Such increase was mainly due to the increase in staff costs.

Finance costs

Finance costs increased from approximately RMB67.1 million for the six months ended 30 June 2017 to approximately RMB77.4 million for the six months ended 30 June 2018. Such increase was mainly due to the increase in interest paid for bank borrowings.

Income tax expense/credit

The Group recorded an income tax expense of approximately RMB47.5 million for the six months ended 30 June 2018 as compared with an income tax credit of approximately RMB18.4 million for the six months ended 30 June 2017.

Profit/(loss) for the period

The Group recorded a net profit of approximately RMB120.1 million for the six months ended 30 June 2018 as compared with a net loss of approximately RMB59.7 million for the six months ended 30 June 2017. The increase was mainly due to the increase in gross profit resulting from the improvement in operating efficiency.

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.

LIQUIDITY, CAPITAL STRUCTURE AND FINANCIAL RESOURCES

As at 30 June 2018, the borrowings of the Group amounted to approximately RMB3,562.1 million. Notes payable amounted to approximately RMB1,797.1 million while the bank balances were approximately RMB1,131.2 million of which approximately RMB807.1 million were restricted bank deposits for issuing letter of credit and notes payable.

As at 30 June 2018, the Group recorded a net current liabilities of approximately RMB64.3 million.

The gearing ratios as at 30 June 2018 and 31 December 2017 were 52.83% and 54.12% 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 2018, the Group did not have any material contingent liabilities.

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2018

	Note	As at 30 June 2018 RMB'000	As at 31 December 2017 RMB'000
ASSETS			
Non-current assets			
Land use rights		**338,157**	341,950
Property, plant and equipment	*6*	**3,943,900**	3,740,888
Investment properties		**4,788**	5,006
Intangible assets		**15,054**	15,330
Deferred income tax assets		**73,108**	61,062
Other non-current assets		**2,860**	2,711
		4,377,867	4,166,947
Current assets			
Inventories	*7*	**3,086,664**	2,689,366
Trade receivables	*8*	**708,414**	419,959
Prepayments, deposits and other receivables	*9*	**1,099,263**	888,085
Restricted bank deposits		**807,104**	824,868
Cash and cash equivalents		**324,068**	166,151
		6,025,513	4,988,429
Total assets		**10,403,380**	9,155,376
EQUITY AND LIABILITIES			
Equity attributable to equity holders of the Company			
Share capital	*10*	**106,607**	106,607
Reserves		**2,433,323**	2,322,971
		2,539,930	2,429,578
Non-controlling interests		**350,801**	267,626
Total equity		**2,890,731**	2,697,204

	Note	As at 30 June 2018 RMB'000	As at 31 December 2017 RMB'000
LIABILITIES			
Non-current liabilities			
Borrowings	11	**1,349,201**	1,295,161
Deferred government grants		**60,202**	53,535
Deferred income tax liabilities		**13,439**	11,349
		1,422,842	1,360,045
Current liabilities			
Trade payables	12	**3,049,187**	2,167,165
Accruals, advances from customers and other current liabilities		**761,757**	819,801
Current income tax liabilities		**64,061**	54,583
Borrowings	11	**2,212,854**	2,053,232
Current portion of deferred government grants		**1,948**	3,346
		6,089,807	5,098,127
Total liabilities		**7,512,649**	6,458,172
Total equity and liabilities		**10,403,380**	9,155,376

UNAUDITED CONDENSED CONSOLIDATED COMPREHENSIVE INCOME STATEMENT

For the six months ended 30 June 2018

	Note	Six months ended 30 June 2018 RMB'000	2017 RMB'000
Revenue	13	**15,346,884**	12,980,543
Cost of sales	14	**(14,862,480)**	(12,807,992)
Gross profit		**484,404**	172,551
Other income – net		**7,946**	4,657
Other loss – net		**(979)**	(2,768)
Distribution costs	14	**(136,232)**	(93,332)
Administrative expenses	14	**(110,125)**	(92,156)
Operating profit/(loss)		**245,014**	(11,048)
Finance income	15	**15,231**	5,971
Finance costs	15	**(92,608)**	(73,092)
Finance costs – net	15	**(77,377)**	(67,121)
Profit/(loss) before income tax		**167,637**	(78,169)
Income tax (expense)/credit	16	**(47,550)**	18,443
Profit/(loss) for the period		**120,087**	(59,726)
Other comprehensive income for the period		**–**	–
Total comprehensive income/(loss) for the period		**120,087**	(59,726)
Attributable to:			
Equity holders of the Company		**109,089**	(64,270)
Non-controlling interests		**10,998**	4,544
		120,087	(59,726)
Earnings/(loss) per share for profit/(loss) attributable to equity holders of the Company during the period (expressed in RMB per share)			
– basic earnings/(loss) per share	17	**0.09**	(0.05)
– diluted earnings/(loss) per share	17	**0.09**	(0.05)

	Attributable to equity holders of the Company		Non-controlling interests	Total equity
	Share Capital	Reserves		
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Balance at 1 January 2018	106,607	2,322,971	267,626	2,697,204
Comprehensive income				
Profit/(loss) for the period	–	109,089	10,998	120,087
Total comprehensive income for the period	–	109,089	10,998	120,087
Transaction with owners				
Employee share options scheme – value of employee services	–	1,263	–	1,263
Capital injection by a non-controlling interest	–	–	72,177	72,177
Total transaction with owners	–	1,263	72,177	73,440
Balance at 30 June 2018	106,607	2,433,323	350,801	2,890,731

	Attributable to equity holders of the Company		Non-controlling interests	Total equity
	Share Capital	Reserves		
	RMB'000	*RMB'000*	*RMB'000*	*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

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2018

	Six months ended 30 June	
	2018	2017
	RMB'000	*RMB'000*
Cash flows from operating activities		
Cash flows from operations	**24,786**	327,368
Interest received	**15,231**	5,971
Interest paid	**(92,068)**	(73,092)
Income tax paid	**(38,072)**	(51,920)
Net cash (used)/from in operating activities	**(90,123)**	208,327
Cash flows from investing activities		
Purchase of property, plant and equipment	**(298,201)**	(329,495)
Other investing cash flow	**6,794**	5,033
Net cash used in investing activities	**(291,407)**	(324,462)
Cash flows from financing activities		
Issuance of shares	**–**	321,860
Issuance of senior note	**–**	406,187
Net change in borrowings	**213,662**	(105,842)
Net change in restricted bank deposits	**17,764**	75,511
Dividend paid to the Company's shareholders	**–**	(131,667)
Net change in bank acceptance notes	**235,844**	(9,096)
Capital injection by a non-controlling shareholder	**72,177**	–
Net cash from financing activities	**539,447**	556,953
Net change in cash and cash equivalents	**157,917**	440,818
Cash and cash equivalents at beginning of the period	**166,151**	53,085
Exchange loss on cash and cash equivalents	**–**	(176)
Cash and cash equivalents at end of the period	**324,068**	493,727

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 2018 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 2018, the Group's current liabilities exceeded its current assets by approximately RMB64,294,000 (31 December 2017: RMB109,698,000). Total equity of the Group amounted to approximately RMB2,890,731,000 and total liabilities amounted to approximately RMB7,512,649,000. 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.

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 2017, 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 earnings.

(a) New and amended standards adopted by the Group

A number of new or amended standards became applicable for the current reporting period and the group had to change its accounting policies accordingly. The impact of adopting following standards are disclosed below:

(i) HKFRS 9 Financial instruments, and

(ii) HKFRS 15 Revenue from contracts with customers.

The other newly adopted standards did not have material impact on the group's accounting policies and did not require retrospective adjustments.

HKFRS 9 was generally adopted without restating comparative information with the exception of certain aspects of hedge accounting. The reclassifications and the adjustments arising from the new impairment rules (if any) are therefore not reflected in the restated balance sheet as at 31 December 2017, but are recognised in the opening balance sheet on 1 January 2018.

The Group adopted HKFRS 15 using the modified retrospective approach which means that the cumulative impact of the adoption (if any) will be recognised in retained earnings as of 1 January 2018 and that comparatives will not be restated.

(i) HKFRS 9 Financial instruments

HKFRS 9 replaces the provisions of HKAS 39 that relate to the recognition, classification and measurement of financial assets and financial liabilities, derecognition of financial instruments, impairment of financial assets and hedge accounting.

There is no impact on the Group's accounting for financial liabilities, as the new requirements only affect the accounting for financial liabilities that are designated at fair value through profit or loss and the Group does not have any such liabilities which are subject to HKFRS 9.

The adoption of HKFRS 9 Financial Instruments from 1 January 2018 resulted in changes in accounting policies and adjustments to the amounts recognised in the financial statements. In accordance with the transitional provisions in HKFRS 9(7.2.15) and (7.2.26), comparative figures have not been restated as the Group does not have any hedge instrument. As a result, the adjustments arising from the new impairment rules (if any) are not reflected in the balance sheet as at 31 December 2017, but are recognised in the opening balance sheet as at 1 January 2018.

The group has trade receivables for sales of products that are subject to HKFRS 9's new expected credit loss model, and the group was required to revise its impairment methodology under HKFRS 9 for these receivables.

The Group applies the HKFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables from initial recognition.

To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the ageing days. On that basis, the loss allowance as at 1 January 2018 was determined as follows for trade receivables:

	Within 1 years	**1 year to 2 years**	**2 years to 3 years**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
1 January 2018				
Gross carrying amount	156,759	593	11	157,363
Expected loss rate	0.5%	10%	50%	0.54%
Loss allowance	784	59	6	849

The Group has performed the assessment and concluded that no material financial impact exists, and therefore no adjustment to the opening balance of equity at 1 January 2018 was recognised.

The loss allowances decreased by RMB29,000 for trade receivables during the six months ended 30 June 2018. The difference between the decrease now and that under the incurred loss model of HKAS 39 is not material.

Trade receivables are written off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, amongst others, the failure of a debtor to engage in a repayment plan with the Group.

Accounting policy

Classification

From 1 January 2018, the Group classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through other comprehensive income, or through profit or loss), and

- those to be measured at amortised cost.

The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses will either be recorded in profit or loss or OCI. For investments in equity instruments that are not held for trading, this will depend on whether the Group has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income (FVOCI).

The Group reclassifies debt investments when and only when its business model for managing those assets changes.

Measurement

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss (FVPL), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVPL are expensed in profit or loss.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

Impairment

From 1 January 2018, the Group assesses the expected credit losses associated with its financial assets on a forward looking basis. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

For trade receivables, the Group applies the simplified approach permitted by HKFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables.

(ii) HKFRS 15 'Revenue from Contracts with Customers'

Impact of adoption

The Group has adopted HKFRS 15 Revenue from Contracts with Customers from 1 January 2018 which resulted in changes in accounting policies. The Group adopted HKFRS 15 using the modified retrospective approach which means that the cumulative impact of the adoption (if any) will be recognised in retained earnings as of 1 January 2018 and that comparatives will not be restated.

The Group engaged in the sales of stainless steel and carbon steel products. Management has assessed the effect of applying the new standard on the group's financial statements and has identified the following area that will be affected:

The Group does not expect to have any contracts where the period between the transfer of the promised goods to the customer and payment by the customer exceeds one year. As a consequence, the Group does not adjust any of the transaction prices for the time value of money.

The Group's obligations to provide a refund for faulty products are under the standard warranty terms. Accumulated experience is used to estimate such returns at the time of sale. Because of the large size and low value of each individual product, the amount of products returned were immaterial. It is highly probable that a significant reversal in the cumulative revenue recognised will not occur. Therefore, no refund liability for goods return was recognized. The validity of this assumption and the estimated amount of returns are reassessed at each reporting date. As a result, no accounting impact for refunds while applying HKFRS 15.

Presentation of contract assets and contract liabilities on the balance sheet – HKFRS 15 requires separate presentation of contract assets and contract liabilities on the balance sheet. The Group has assessed the adoption of this standard and concluded that it will not have a significant impact on the Group's results and financial position, except that certain new disclosures are introduced.

As a result, the adoption of HKFRS 15 did not result in any impact to the financial statements as the timing of revenue recognition on sales of products is not changed.

Accounting policy

The Group engaged in the sales of stainless steel and carbon steel products. Sales are recognised when control of the products has transferred, being when the products are delivered and the customers have inspected and accepted the products. Delivery occurs when the products have been shipped to the specific location. The risks of obsolescence and loss have been transferred to the customers when either the customer has accepted the products in accordance with the sales contract, or the Group has objective evidence that all criteria for acceptance have been satisfied.

(b) Standards, amendments and interpretations to existing standards effective in 2018 but not relevant to the Group.

		Effective for annual periods beginning on or after
HKFRS 1 (Amendment)	First time adoption of HKFRS	1 January 2018
HKFRS 4 (Amendments)	Insurance contracts	1 January 2018
HKAS 28 (Amendment)	Investments in associates and joint ventures	1 January 2018

(c) The following new standards, new interpretations and amendments to standards and interpretations have been issued but are not effective for the financial year beginning on 1 January 2018 and have not been early adopted.

		Effective for annual periods beginning on or after
HKFRS 16	Leases	1 January 2019
HK (IFRIC) 23	Uncertainty over income tax treatments	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
HKFRS 17	Insurance contracts	1 January 2021 or when apply HKFRS 15 and HKFRS 9

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 2017.

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 2017.

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.

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 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
Year ended 31 December 2017						
Opening net book amount	776,425	1,734,919	11,900	23,962	589,570	3,136,776
Additions	5,411	12,300	6,845	6,230	744,000	774,786
Transfer	84,257	465,590	–	1,960	(551,807)	–
Transfer from investment properties	1,601	–	–	–	–	1,601
Transfer to intangible assets	–	–	–	–	(13,504)	(13,504)
Disposals	–	(218)	(115)	(664)	–	(997)
Depreciation	(26,776)	(118,646)	(4,475)	(7,877)	–	(157,774)
Closing net book amount	840,918	2,093,945	14,155	23,611	768,259	3,740,888
At 31 December 2017						
Cost	969,215	2,728,371	36,200	56,015	768,259	4,558,060
Accumulated depreciation	(128,297)	(634,426)	(22,045)	(32,404)	–	(817,172)
Net book amount	840,918	2,093,945	14,155	23,611	768,259	3,740,888
Six months ended 30 June 2018						
Opening net book amount	840,918	2,093,945	14,155	23,611	768,259	3,740,888
Additions	16,616	158,479	912	2,916	118,511	297,434
Disposals	(483)	(5,600)	(1,104)	(291)	–	(7,478)
Depreciation	(14,466)	(67,742)	(1,240)	(3,496)	–	(86,944)
Closing net book amount	842,585	2,179,082	12,723	22,740	886,770	3,943,900
At 30 June 2018						
Cost	985,348	2,879,064	35,743	58,247	886,770	4,845,172
Accumulated depreciation	(142,763)	(699,982)	(23,020)	(35,507)	–	(901,272)
Net book amount	842,585	2,179,082	12,723	22,740	886,770	3,943,900

7. INVENTORIES

	As at 30 June 2018 RMB'000	As at 31 December 2017 RMB'000
Raw materials	**2,446,130**	2,132,499
Finished goods	**640,534**	556,867
	3,086,664	2,689,366

For the six months ended 30 June 2018, the Group has recorded a gain of approximately RMB5,358,000 for the reversal of provision of inventories to their net realisable value. A provision of approximately RMB21,605,000 was recorded for the six months ended 30 June 2017. 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 2018 RMB'000	As at 31 December 2017 RMB'000
Accounts receivable	**287,260**	157,363
Notes receivable		
– bank acceptance notes	**414,621**	260,671
– commercial acceptance notes	**8,136**	3,557
	710,017	421,591
Less: provision for impairment	**(1,603)**	(1,632)
Trade receivables – net	**708,414**	419,959

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 2018 *RMB'000*	As at 31 December 2017 *RMB'000*
Accounts receivable		
– Within 30 days	**278,976**	142,067
– 30 days to 3 months	**6,345**	11,422
– 3 months to 6 months	**1,114**	3,241
– 6 months to 1 year	**221**	29
– 1 year to 2 years	**516**	593
– 2 years to 3 years	**88**	11
	287,260	157,363
Notes receivable		
– Within 6 months	**422,757**	264,228
	710,017	421,591

9. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	As at 30 June 2018 *RMB'000*	As at 31 December 2017 *RMB'000*
Prepayment for purchase of raw materials	**532,514**	536,156
Value added tax recoverable	**367,779**	308,377
Export tax refund	**17,437**	11,575
Deposits and other receivables	**181,533**	31,777
	1,099,263	888,085

10. SHARE CAPITAL

	Number of shares *'000*	*HKD'000*	*RMB'000*
Authorised share capital			
As at 31 December 2017 and 30 June 2018 (ordinary shares of HKD0.10 each)	1,500,000	150,000	128,886
Issued and fully paid up			
As at 31 December 2017 and 30 June 2018 (ordinary shares of HKD0.10 each)	1,245,190	124,519	106,607

11. BORROWINGS

	As at 30 June 2018 ***RMB'000***	As at 31 December 2017 *RMB'000*
Non-current		
Bank borrowings	**1,299,571**	1,010,338
Borrowing under finance lease arrangement	**49,630**	284,823
	1,349,201	1,295,161
Current		
Bank borrowings	**1,976,088**	2,052,643
Borrowing under finance lease arrangement	**236,766**	589
	2,212,854	2,053,232
Representing :		
Bank borrowings		
– Unsecured	**2,794,091**	2,803,153
– Secured	**88,400**	183,840
– Guaranteed	**393,168**	75,988
Finance lease arrangement	**286,396**	285,412
	3,562,055	3,348,393

12. TRADE PAYABLES

	As at 30 June 2018 RMB'000	As at 31 December 2017 RMB'000
Accounts payable	**1,252,116**	605,938
Notes payable	**1,797,071**	1,561,227
	3,049,187	2,167,165

The ageing analysis of the trade payable is as follows:

	As at 30 June 2018 RMB'000	As at 31 December 2017 RMB'000
Within 6 months	**3,013,075**	2,167,121
6 months to 1 year	**36,068**	–
1 year to 2 years	**11**	23
2 years to 3 years	**33**	21
	3,049,187	2,167,165

13. SALES AND SEGMENT INFORMATION

	Six months ended	
	30 June 2018	30 June 2017
	RMB'000	*RMB'000*
Sales of goods	**15,346,884**	12,980,543

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 2018	30 June 2017
	RMB'000	*RMB'000*
– Mainland China	**14,939,643**	12,618,569
– Hong Kong and other overseas countries and regions*	**407,241**	361,974
Total sales	**15,346,884**	12,980,543

* Other overseas countries and regions for the six months ended 30 June 2018 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 2017 mainly represented United States of America, Australia, South Korea and South East Asia.

14. EXPENSES BY NATURE

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

	Six months ended	
	30 June 2018	30 June 2017
	RMB'000	*RMB'000*
Changes in inventories of finished goods	**(84,591)**	36,259
Raw materials consumed	**14,552,820**	12,406,699
Stamp duty, property tax and other surcharges	**23,262**	20,876
Transportation costs	**134,626**	113,430
Employee benefit expenses, including directors' emoluments	**268,918**	205,677
Depreciation and amortisation	**95,189**	79,108
Operating lease rental for buildings	**2,984**	3,040
Utilities charges	**30,285**	25,088
(Reversal of)/Provision for write-down of inventories	**(5,358)**	21,605
Entertainment and travelling expenses	**15,871**	15,984
Professional service expenses	**3,410**	439
Others	**71,421**	65,275
Total cost of sales, distribution costs and administrative expenses	**15,108,837**	12,993,480

15. FINANCE COSTS – NET

	Six months ended	
	30 June 2018	30 June 2017
	RMB'000	*RMB'000*
Interest expenses on bank borrowings	**70,673**	40,432
Interest expenses on bank acceptance notes	**20,452**	26,274
Exchange loss, net	**1,483**	6,386
Total finance costs	**92,608**	73,092
Interest income	**(15,231)**	(5,971)
	77,377	67,121

16. INCOME TAX EXPENSE/(CREDIT)

	Six months ended	
	30 June 2018	30 June 2017
	RMB'000	*RMB'000*
Current income tax expense		
– Mainland China corporate income tax	**57,506**	11,232
Deferred income tax credit	**(9,956)**	(29,675)
	47,550	(18,443)

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.

17. EARNINGS/(LOSS) PER SHARE

(a) Basic

Basic earnings/(loss) per share is calculated by dividing the profit/(loss) 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 2018	30 June 2017
Profit/(Loss) attributable to equity holders of the company (RMB'000)	**109,089**	(64,270)
Weighted average number of ordinary shares in issue (thousands)	**1,245,190**	1,182,521
Basic earnings/(loss) per share (RMB)	**0.09**	(0.05)

(b) Diluted

Diluted earnings/(loss) 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 2018	30 June 2017
Profit/(Loss) attributable to equity holders of the company (RMB'000)	**109,089**	(64,270)
Weighted average number of ordinary shares in issue (thousands)	**1,245,190**	1,182,521
Adjustments for share option plan (thousands)	**643**	1,660
Weighted average number of ordinary shares for diluted earnings/(loss) per share (thousands)	**1,245,833**	1,184,181
Diluted earnings/(loss) per share (RMB)	**0.09**	(0.05)

18. INTERIM DIVIDENDS

The Board has declared an interim dividend of HK$0.05 per share in respect of the six months ended 30 June 2018 (2017: nil).

19. COMMITMENTS

(a) Capital commitments

	As at 30 June 2018 *RMB'000*	As at 31 December 2017 *RMB'000*
Contracted but not provided for:		
Acquisition of property, plant and equipment	**476,053**	472,172

(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 2018 *RMB'000*	As at 31 December 2017 *RMB'000*
Not later than 1 year	**1,127**	1,328
Later than 1 year and not later than 5 years	**841**	320
	1,968	1,648

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 2018 except for the deviation from code provisions A.2.1 (up to 17 April 2018) 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. Up to 17 April 2018, the positions of the chairman and the chief executive officer were held by Mr. Zhou Keming. In order to enhance the corporate governance practices of the Company, on 18 April 2018, Mr. Zhou Keming has resigned as the chief executive officer of the Company and Mr. Jiang Changhong has been appointed as the chief executive officer of the Company. Mr. Zhou remains as the chairman of the Board and an executive director of the Company. For detailed information, please refer to the announcement of the Company dated 18 April 2018.

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. Chen Xuedong and Mr. Liu Fuxing, both are independent non-executive directors of the Company, were absent from the annual general meeting of the Company held on 30 May 2018 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 the 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 2018.

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

At the Board meeting held on 24 August 2018, the Directors declared an interim dividend of HK$0.05 (2017: nil) per share. The interim dividend, which total HK$62,259,500 (2017: nil), will be payable on Friday, 19 October 2018 to shareholder registered at the close of business on Friday, 21 September 2018.

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 2018.

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 2018 and considered that the Company has complied with all applicable accounting standards and requirements.

BOARD CHANGES

On 18 April 2018, Mr. Tang Zhonghai resigned as an executive director of the Company and Mr. Lu Ping was appointed as an executive director of the Company.

On 30 May 2018, Mr. Hu Xuefa 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 2017 Annual Report of the Company are set out below:

Name of Directors	**Details of Change**
Mr. Zhou Keming	Resigned as the chief executive officer of the Company with effect from 18 April 2018.
Ms. Xu Xia	Appointed as a vice-chairman of the Board of Directors of the Company with effect from 18 April 2018.
Mr. Zou Xiaoping	Appointed as a vice-chairman of the Board of Directors of the Company with effect from 18 April 2018.
Mr. Jiang Changhong	Appointed as the chief executive officer of the Company with effect from 18 April 2018.
Mr. Zhang Feng	Appointed as the general manager of Jiangsu Daming Metal Products Company Limited, a wholly owned subsidiary of the Company, with effect from 27 February 2018.
Dr. Fukui Tsutomu	Resigned as the general manager of Jiangsu Daming Metal Products Company Limited, a wholly owned subsidiary of the Company, with effect from 27 February 2018. On the same day, he was appointed as an officer of the Group's technology centre.
	Appointed as a director of Zhejiang Daming Hanwa Metal Technology Co., Ltd., a non-wholly owned subsidiary of the Company, with effect from 19 March 2018.

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 2017 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 2018 and share options granted, exercised, cancelled or lapsed under the share option scheme during such period are as follows:

			Number of share options					
Name or category of participant	Date of grant	Exercise price *(HK$)*	As at 1 January 2018	Granted during the period	Exercised during the period	Cancelled/ lapsed during the period	As at 30 June 2018	Exercise period
Directors								
Mr. Tang Zhonghai (resigned on 18 April 2018)	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	4,220,000[1]	–	–	–	4,220,000	21 December 2013 to 20 December 2020
	23 December 2014	2.364	15,200,000[2]	–	–	(400,000)	14,800,000	23 December 2017 to 22 December 2024
Total			21,320,000	–	–	(400,000)	20,920,000	

(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.

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 2017 Annual Report.

For the period ended 30 June 2018, no awarded shares were granted to directors and selected employees of the Group. As at 30 June 2018, the independent trustee holds 24,112,000 shares of the Company for the share award scheme.

EMPLOYMENT POLICY

The Group employed a total of 4,460 staffs as at 30 June 2018 (2017: 4,194).

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 2018, 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	Personal and corporate	793,485,000[3]	63.73%
Ms. Xu Xia	Personal and corporate	793,485,000[3]	63.73%
Mr. Zou Xiaoping	Personal and family	5,026,000[4]	0.40%
Mr. Jiang Changhong (also Chief Executive Officer)	Personal	260,000	0.02%
Dr. Fukui Tsutomu	Personal and family	1,642,000[5]	0.13%
Mr. Zhang Feng	Personal	1,794,000[6]	0.14%
Mr. Wang Jian	Personal and family	1,394,000[7]	0.11%

(3) 793,435,000 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. Ms. 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 276,000 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.

(6) The interest comprises 1,394,000 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.

(7) The interest comprises 146,000 shares held by Mr. Wang Jia, 848,000 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.

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

Name of Director	Name of associated corporation [8]	Nature of interests	Number of shares held	% of issued share capital of associated corporation
Mr. Zhou Keming	Ally Good Group Limited	Personal [9]	1,000	100%
Ms. Xu Xia	Ally Good Group Limited	Personal [9]	1,000	100%

(8) As at 30 June 2018, Ally Good Group Limited is the holder of 63.72% of the issued share capital of the Company and is an associated corporation under SFO.

(9) 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 2018, 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 2018, 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
Long position		
Ally Good Group Limited	793,435,000[(10)]	63.72%
China Baowu Steel Group Corporation Limited	103,750,000	8.33%
Tisco Stainless Steel (H.K.) Limited	103,750,000	8.33%

(10) 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.

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 2018.

EVENT AFTER THE END OF THE REPORTING PERIOD

On 10 July 2018, Mr. Jiang Changhong acquired 40,000 ordinary shares of the Company on exchange. Therefore, he holds 300,000 ordinary shares of the Company as at 24 August 2018.