

# DA MING INTERNATIONAL HOLDINGS LIMITED

(Incorporated in the Cayman Islands with limited liability)



# 2020

Interim Report

Stock code: 1090



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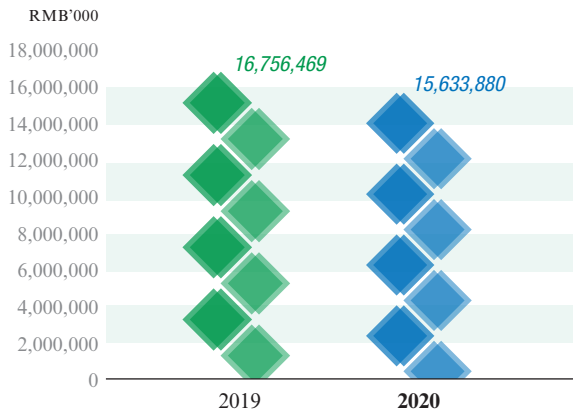
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# FINANCIAL AND OPERATING HIGHLIGHTS

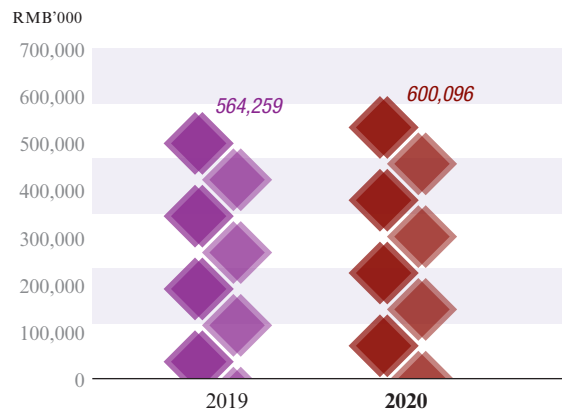
## Financial Highlights

	Six months ended 30 June		% change
	2020 RMB'000	2019 RMB'000	
Revenue	15,633,880	16,756,469	-6.7%
Gross profit	600,096	564,259	+6.4%
Total comprehensive income for the period	140,504	130,558	+7.6%

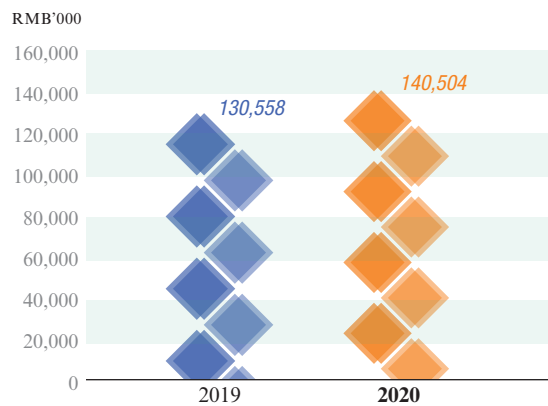
### Revenue



### Gross Profit



### Total comprehensive income



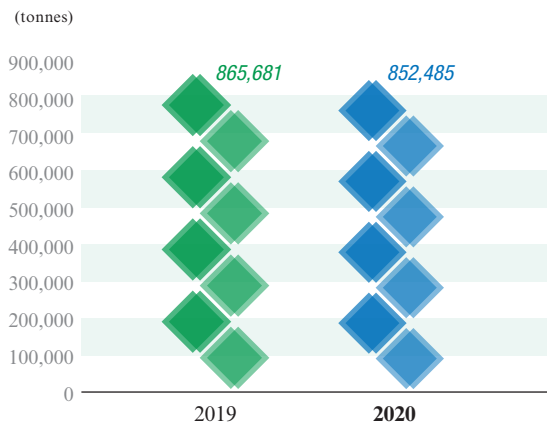
## FINANCIAL AND OPERATING HIGHLIGHTS

### Operating Highlights

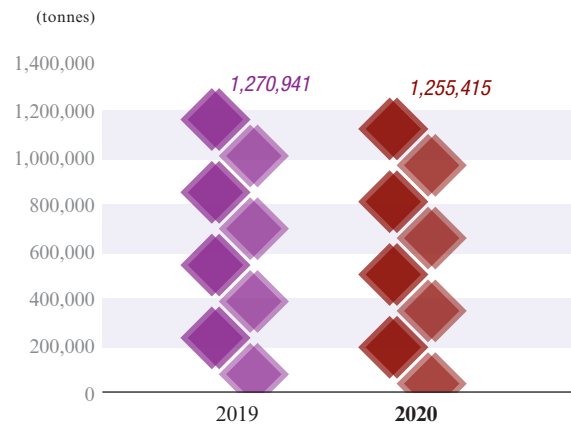
	Six months ended 30 June		% change
	2020	2019	
<b>Stainless steel</b>			
Sales volume (tonnes)	852,485	865,681	-1.5%
Processing volume (tonnes)	1,255,415	1,270,941	-1.2%
Processing multiple	1.47	1.47	
<b>Carbon steel</b>			
Sales volume (tonnes)	1,276,876	1,272,614	+0.3%
Processing volume (tonnes)	1,477,385	1,465,379	+0.8%
Processing multiple	1.16	1.15	

Note : Processing multiple = Processing volume/Sales volume

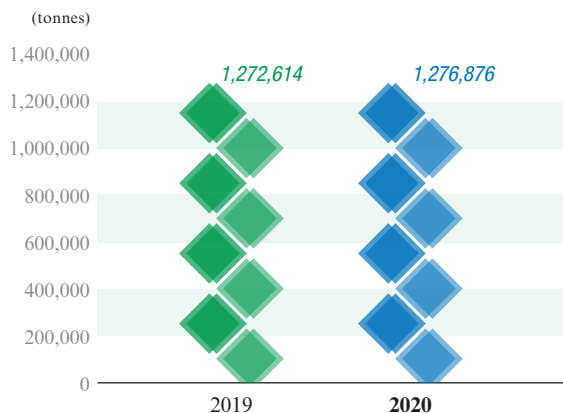
### Sales volume of stainless steel



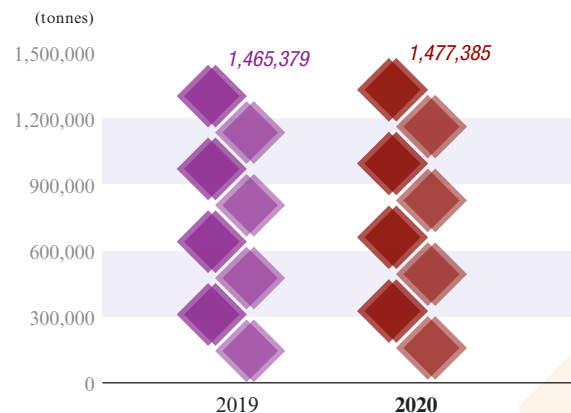
### Processing volume of stainless steel



### Sales volume of carbon steel



### Processing volume of carbon steel



## MANAGEMENT DISCUSSION AND ANALYSIS

### BUSINESS REVIEW

#### 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 ten processing centres strategically located in various regions in China, namely, Wuxi, Hangzhou, Tianjin, Wuhan, Taiyuan, Zibo, Jingjiang, Taian, Qianzhou and Jiaxing.

#### Business highlights

##### 1. Da Ming contributed to “Made in Wuxi” by providing for Huoshenshan Hospital

In the evening of 31 January 2020, the whole of Huoshenshan Hospital, the first hospital in Wuhan, Hubei based on the Xiaotangshan model, was connected to power. Three days before that, four high-efficiency precipitators manufactured by Wuxi Hi-Tech Environmental Protection were loaded for delivery. The giants Jiangsu Daming Metal Products Co., Ltd. and Daming Metal Products Wuxi Co., Ltd., both being companies under Da Ming International, joined hands with Wuxi Hi-Tech Environmental Protection in this project. Da Ming provided the raw materials of carbon steel (Q235B) and stainless steel (304, 316L) and ancillary services for parts processing such as cutting and bending, while Hi-Tech Environmental Protection was responsible for the construction of the precipitators. It took Da Ming only two days from taking the order to inspection and delivery.

During the pandemic, Da Ming made use of its strengths as a large corporation and produced items used in the medical equipment of Wuhan Leishenshan Hospital, Huoshenshan Hospital and Fangcang Hospital. Its subsidiaries also actively participated in the production of parts used in CT equipment, disinfection equipment, water treatment equipment, ultrasonic cleaners, hand-washing devices, important chemical equipment for medical supplies, etc.



### 2. Valmet RAPP (EN standards) dual-phase steel pulping machines with parts from Daming Heavy Industry shipped overseas

Daming Heavy Industry held the “Valmet RAPP Dual-phase Steel Pulping Machine Shipment Ceremony” to announce the shipment of four large-scale dual-phase steel digesters overseas.

Valmet is a leading developer and supplier for the pulping, paper manufacturing and energy industries in the world and screens and reviews suppliers stringently. After a long period of observation and study, Daming Heavy Industry has successfully been nominated for the supply of parts on a number of projects for Valmet. The projects covered equipment such as heat exchangers, carbon steel tanks, stainless steel containers and dual-phase steel digesters, which won high acclaim from customers in countries such as Chile, Indonesia and Brazil.



### 3. Jiangsu Daming kickstarted a high-end new energy vehicle parts project

Jiangsu Daming held the kickstart ceremony for the “High-end New Energy Vehicle Parts Project”.

This batch of products was the structural parts of the body frame for high-end new energy vehicles, and the professional and highly efficient cutting and processing services were provided by Jiangsu Daming. The products covered nine specifications with a total of over one million pieces. The order required a large quantity of items of a high quality requirement to be delivered within a short time frame, which was a test of the company’s ability to process parts. During the first half of 2020, more than 700,000 parts were completed.

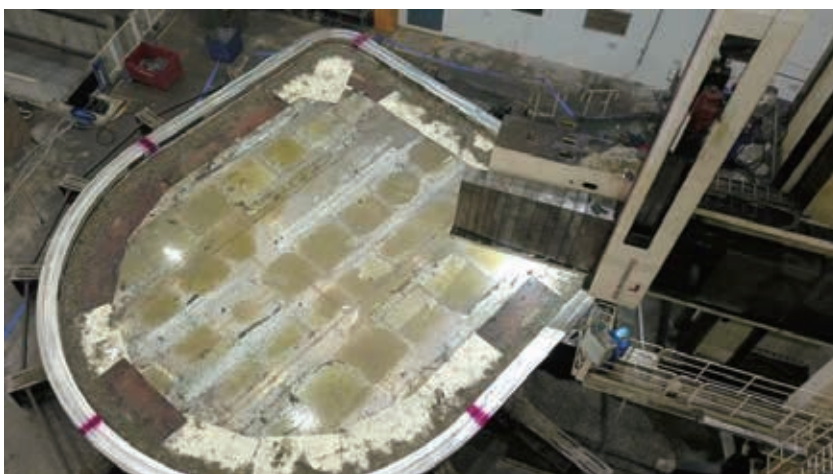
### 4. Daming Heavy Industry worked on a large project and started to ship prefabricated tank equipment to South America

After the full resumption of work, in February, Daming Heavy Industry loaded and shipped the large-scale equipment ordered by a renowned European enterprise to South America. The dual-phase steel equipment shipped this time weighed approximately 300 tonnes. This not only represented Daming Heavy Industry’s complete fulfillment of the client’s order, but also indicated Daming Heavy Industry is increasingly mature in the export of prefabricated tank equipment.

## MANAGEMENT DISCUSSION AND ANALYSIS

### 5. **Daming Heavy Industry shipped for the Hangzhou Oxygen U12 Project**

Daming Heavy Industry held a shipment ceremony for a state key project – Hangzhou Oxygen U12 State Key Project. The successful shipment of the key components of four sets of supersized containers indicates that the manufacturing standard of Daming Heavy Industry has raised to a higher level.



### 6. **The EOEG plant tower Daming Heavy Industry manufactured for Lianyungang Petrochemical has been shipped**

The first batch of EOEG equipment Daming Heavy Industry manufactured for Lianyungang Petrochemical has been shipped. The project covered 38 sets of equipment with a total weight of nearly 2,400 tonnes, including 14 sets of stainless steel equipment, 20 sets of composite panel equipment, 2 sets of carbon steel equipment and 2 heat exchangers, with a maximum diameter of 6.6 meters and a maximum length of 55 meters.

### 7. **Daming Heavy Industry contributes to a major international project and products for Shanghai Electric's Photo-thermal Storage Tank Project in Dubai (second phase) has been shipped**

Da Ming serves high-end power stations under the “Belt and Road” initiative to build an ecosphere for large-scale projects. The first batch of prefabricated steel plates for light-heat storage tanks that Daming Heavy Industry manufactured for Shanghai Electric's 700MW photo-thermal and 250MW photovoltaic solar power plant project in Dubai (second phase) has been shipped.

### 8. **Daming Heavy Industry and Daming Precision joined hands to provide for the environment-friendly equipment RTO**

Two major manufacturing companies of the Da Ming Group, Daming Heavy Industry and Daming Precision, jointly provided parts for the environment-friendly equipment RTO (Regenerative Thermal Oxidizer) of a renowned foreign-owned enterprise using their respective strengths.

## MANAGEMENT DISCUSSION AND ANALYSIS

**9. Daming Heavy Industry contributes to the Australian mining industry - a large-scale ore scrubber has been successfully exported**

A large-scale ore scrubber jointly manufactured and processed by Production Division 1, Production Division 3 and the Equipment Manufacturing Division of Daming Heavy Industry was successfully exported to Mclanahan in Australia. The final owner is FMG, the third largest mining giant in Australia and the fourth largest in the world.



**10. The world's largest welded tube sheet manufactured by Daming Heavy Industry has been successfully shipped**



A tube sheet with the longest diameter in the world at present that was manufactured and processed by the Machine Processing Division of Daming Heavy Industry for a paper project of Valmet has been successfully shipped to Brazil.



## MANAGEMENT DISCUSSION AND ANALYSIS

### **11. Daming Heavy Industry serves CNOOC's fertilizer project - heaters successfully shipped**

Air heaters manufactured by Daming Heavy Industry for a fertilizer project of CNOOC in Hainan have been successfully shipped. This also marks the inclusion of Daming Heavy Industry on CNOOC's supplier list in a real sense for the first time.

### **12. Daming Heavy Industry manufactured stacked heat exchangers to serve a 600,000-tonne ABS and AS project**

In mid-June, the manufacturing of parts by Daming Heavy for the first phase works of the Zhangzhou ABS and AS project, with an annual production capacity of 450,000 tonnes, entered the final stage. It was the first time that Daming Heavy Industry had joined hands with a large-scale Taiwan enterprise in the PRC and won a contract for nearly 50 heat exchangers, including 12 stacked heat exchangers, made of stainless steel.

### **Operating results**

The Group recorded a net profit of approximately RMB140.5 million for the six months ended 30 June 2020 representing an increase of approximately 7.6% as compared with the net profit of approximately RMB130.6 million for the six months ended 30 June 2019. The improvement in operating results was mainly due to the higher gross profit margin resulted from an improvement in operating efficiency.

The sales volume of our stainless steel processing business decreased from approximately 866,000 tonnes for the six months ended 30 June 2019 to approximately 852,000 tonnes for the six months ended 30 June 2020 representing a decrease of approximately 1.5%. The processing volume decreased slightly from approximately 1,271,000 tonnes for the six months ended 30 June 2019 to approximately 1,255,000 tonnes for the six months ended 30 June 2020 representing a decrease of approximately 1.2%.

The sales volume of our carbon steel processing business increased from approximately 1,273,000 tonnes for the six months ended 30 June 2019 to approximately 1,277,000 tonnes for the six months ended 30 June 2020 representing an increase of approximately 0.3% while the processing volume increased from approximately 1,465,000 tonnes for the six months ended 30 June 2019 to approximately 1,477,000 tonnes for the six months ended 30 June 2020 representing an increase of approximately 0.8%.

## MANAGEMENT DISCUSSION AND ANALYSIS

The sales volume and processing volume of our processing centres for the six months ended 30 June 2020 and the corresponding period in 2019 were as follows:

### Stainless steel

	Six months ended 30 June		% change
	2020 tonnes	2019 tonnes	
<b>Sales volume</b>			
Wuxi	336,730	330,673	+1.8%
Hangzhou	125,464	132,293	-5.2%
Tianjin	113,274	116,823	-3.0%
Taiyuan	80,218	67,726	+18.4%
Wuhan	38,940	48,327	-19.4%
Jingjiang	75,369	110,151	-31.6%
Shandong	77,395	59,688	+29.7%
Jiaxing	5,095	–	n/a
<b>Total</b>	<b>852,485</b>	<b>865,681</b>	<b>-1.5%</b>
<b>Processing volume</b>			
Wuxi	548,129	557,133	-1.6%
Hangzhou	152,146	172,579	-11.8%
Tianjin	121,650	128,577	-5.4%
Taiyuan	209,274	157,665	+32.7%
Wuhan	43,403	60,471	-28.2%
Jingjiang	104,587	140,502	-25.6%
Shandong	68,306	54,014	+26.5%
Jiaxing	7,920	–	n/a
<b>Total</b>	<b>1,255,415</b>	<b>1,270,941</b>	<b>-1.2%</b>

## MANAGEMENT DISCUSSION AND ANALYSIS

### Carbon steel

	Six months ended 30 June		% change
	2020 tonnes	2019 tonnes	
<b>Sales volume</b>			
Wuxi	259,637	261,341	-0.7%
Hangzhou	93,111	93,059	-0.1%
Tianjin	138,728	119,479	+16.1%
Taiyuan	122,826	103,624	+18.5%
Wuhan	140,232	260,582	-46.2%
Jingjiang	280,362	296,597	-5.5%
Shandong	158,130	121,124	+30.6%
Jiaxing	83,850	16,808	+398.9%
	<b>1,276,876</b>	<b>1,272,614</b>	<b>+0.3%</b>
<b>Processing volume</b>			
Wuxi	205,611	188,017	+9.4%
Hangzhou	101,419	100,369	+1.0%
Tianjin	203,565	201,121	+1.2%
Taiyuan	179,524	191,430	-6.2%
Wuhan	175,096	297,226	-41.1%
Jingjiang	358,444	348,812	+2.8%
Shandong	179,958	122,541	+46.9%
Jiaxing	73,768	15,863	+365.0%
	<b>1,477,385</b>	<b>1,465,379</b>	<b>+0.8%</b>

### FINANCIAL REVIEW AND ANALYSIS

During the six months ended 30 June 2020, we recorded a revenue of approximately RMB15,634 million, gross profit of approximately RMB600 million and profit attributable to equity holders of the Company of approximately RMB128 million. Total assets of the Group as at 30 June 2020 amounted to approximately RMB11,575 million while equity attributable to equity holders of the Company amounted to approximately RMB2,735 million.

#### Revenue

Our revenue for the six months ended 30 June 2020 amounted to approximately RMB15,634 million comprising approximately RMB10,479 million from our stainless steel processing business, approximately RMB4,345 million from our carbon steel processing business and approximately RMB810 million from our manufacturing business. As compared with the revenue for the six months ended 30 June 2019 of approximately RMB16,756 million, it represented a decrease of approximately 6.7%. Such decrease was mainly due to the decrease in the average market price of stainless steel and carbon steel raw materials.

The sales volume of our stainless steel processing business decreased slightly from 865,681 tonnes for the six months ended 30 June 2019 to 852,485 tonnes for the six months ended 30 June 2020 representing a decrease of approximately 1.5%. The sales volume of our carbon steel processing business increased from 1,272,614 tonnes for the six months ended 30 June 2019 to 1,276,876 tonnes for the six months ended 30 June 2020 representing an increase of approximately 0.3%.

The processing volume of our stainless steel processing business decreased slightly from 1,270,941 tonnes for the six months ended 30 June 2019 to 1,255,415 tonnes for the six months ended 30 June 2020 representing a decrease of approximately 1.2%. The processing volume of our carbon steel processing business increased from 1,465,379 tonnes for the six months ended 30 June 2019 to 1,477,385 tonnes for the six months ended 30 June 2020 representing an increase of approximately 0.8%.

## MANAGEMENT DISCUSSION AND ANALYSIS

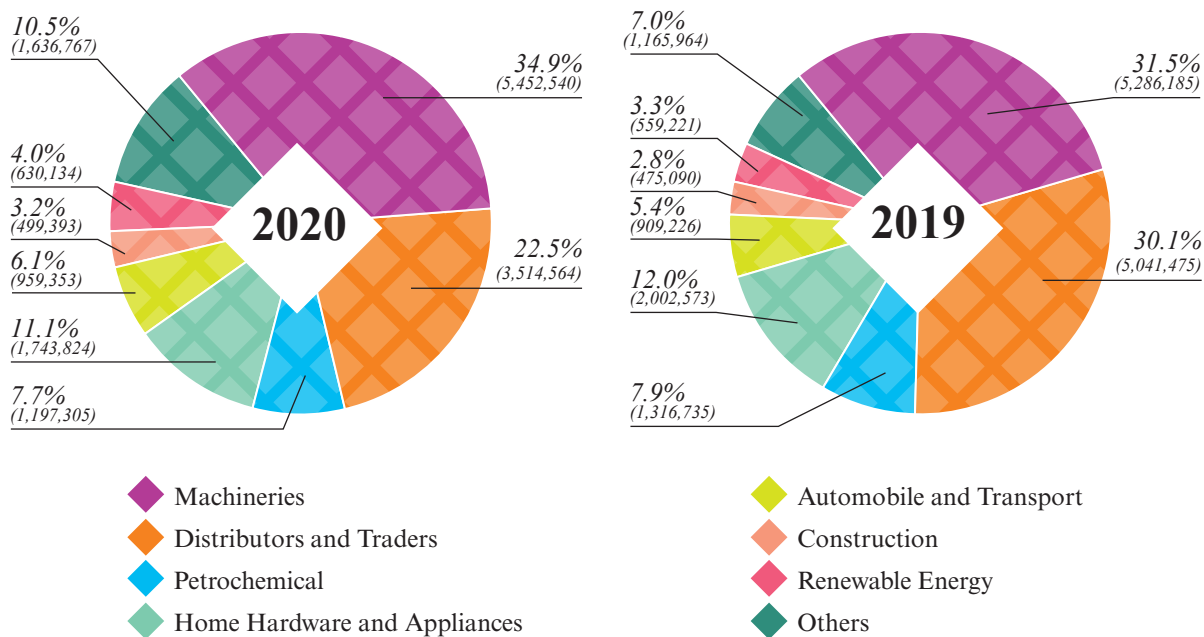
### Analysis of revenue by key industry segments

During the six months ended 30 June 2020 and the corresponding period in 2019, our revenue by key industry segments were shown below:

#### Revenue

Industry	Six months ended 30 June			
	2020		2019	
	RMB'000	%	RMB'000	%
Machineries	5,452,540	34.9	5,286,185	31.5
Distributors and Traders	3,514,564	22.5	5,041,475	30.1
Petrochemical	1,197,305	7.7	1,316,735	7.9
Home Hardware and Appliances	1,743,824	11.1	2,002,573	12.0
Automobile and Transport	959,353	6.1	909,226	5.4
Construction	499,393	3.2	475,090	2.8
Renewable Energy	630,134	4.0	559,221	3.3
Others	1,636,767	10.5	1,165,964	7.0
<b>Total</b>	<b>15,633,880</b>	<b>100.0</b>	<b>16,756,469</b>	<b>100.0</b>

RMB'000



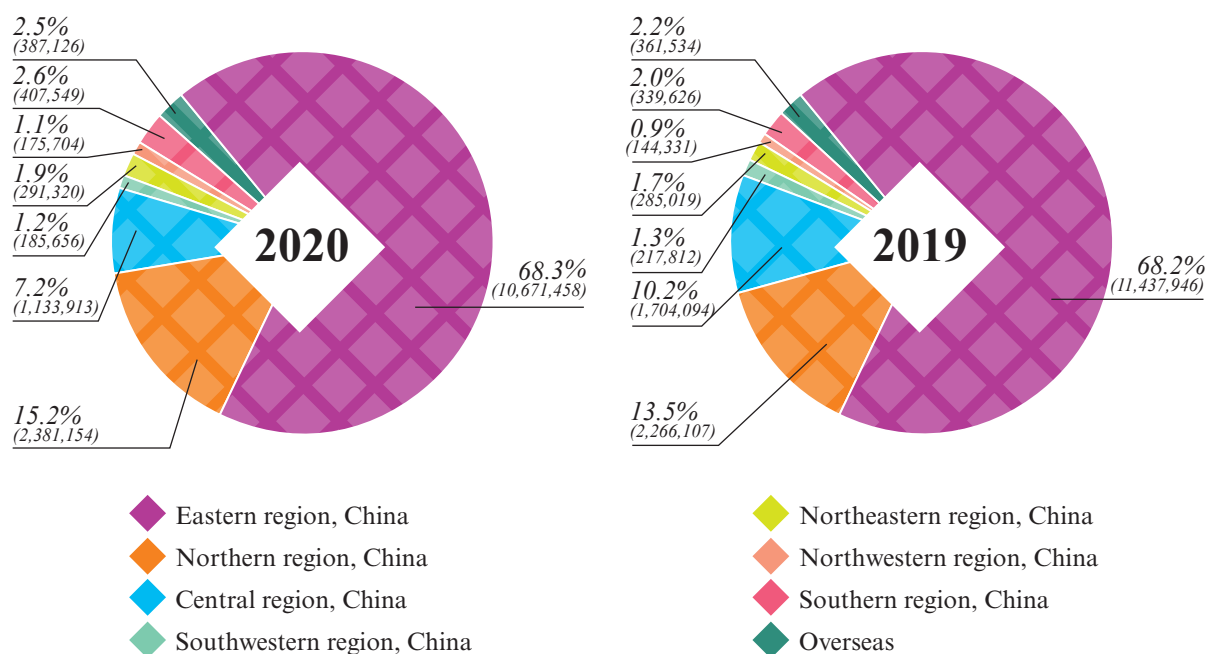
## MANAGEMENT DISCUSSION AND ANALYSIS

### Analysis of revenue by geographical regions

During the six months ended 30 June 2020 and the corresponding period in 2019, our revenue by geographical regions were shown below:

Region	Six months ended 30 June			
	2020		2019	
	RMB'000	%	RMB'000	%
Eastern region, China	10,671,458	68.3	11,437,946	68.2
Northern region, China	2,381,154	15.2	2,266,107	13.5
Central region, China	1,133,913	7.2	1,704,094	10.2
Southwestern region, China	185,656	1.2	217,812	1.3
Northeastern region, China	291,320	1.9	285,019	1.7
Northwestern region, China	175,704	1.1	144,331	0.9
Southern region, China	407,549	2.6	339,626	2.0
Overseas	387,126	2.5	361,534	2.2
<b>Total</b>	<b>15,633,880</b>	<b>100.0</b>	<b>16,756,469</b>	<b>100.0</b>

RMB'000



## MANAGEMENT DISCUSSION AND ANALYSIS

### **Gross profit**

Gross profit increased from approximately RMB564.3 million for the six months ended 30 June 2019 to approximately RMB600.1 million for the six months ended 30 June 2020 mainly due to the improvement in operating efficiency and contribution from our manufacturing business during the period.

### **Other income**

Other income increased from approximately RMB12.9 million for the six months ended 30 June 2019 to approximately RMB14.3 million for the six months ended 30 June 2020 mainly due to the increase in government grants received.

### **Distribution costs**

Distribution costs increased from approximately RMB167.5 million for the six months ended 30 June 2019 to approximately RMB168.9 million for the six months ended 30 June 2020. Such increase was mainly due to the increase in transportation costs.

### **Administrative expenses**

Administrative expenses increased from approximately RMB125.2 million for the six months ended 30 June 2019 to approximately RMB151.9 million for the six months ended 30 June 2020. Such increase was mainly due to the increase in staff costs.

### **Finance costs**

Finance costs increased from approximately RMB93.7 million for the six months ended 30 June 2019 to approximately RMB97.0 million for the six months ended 30 June 2020. Such increase was mainly due to the increase in interest expenses on bank acceptance notes and letters of credit.

### **Income tax expense**

The income tax expense decreased from approximately RMB59.6 million for the six months ended 30 June 2019 to approximately RMB54.3 million for the six months ended 30 June 2020.

### **Profit for the period**

The Group recorded a net profit of approximately RMB140.5 million for the six months ended 30 June 2020 as compared with a net profit of approximately RMB130.6 million for the six months ended 30 June 2019. The increase was mainly due to the increase in gross profit.

### 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, EURO 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 2020, the borrowings of the Group amounted to approximately RMB6,107 million. Notes payable amounted to approximately RMB279 million while the bank balances were approximately RMB1,908 million of which approximately RMB1,731 million were restricted bank deposits for issuing letter of credit and notes payable.

As at 30 June 2020, the Group recorded a net current liabilities of approximately RMB1,388 million.

The gearing ratios as at 30 June 2020 and 31 December 2019 were 65.86% and 62.62% 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 2020, the Group did not have any material contingent liabilities.



## UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2020

	<i>Note</i>	As at 30 June 2020 <i>RMB'000</i>	As at 31 December 2019 <i>RMB'000</i>
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	6	4,541,827	4,432,495
Right-of-use assets		512,465	519,362
Investment properties		4,022	4,214
Intangible assets		18,601	19,065
Deferred income tax assets		63,317	77,861
Trade receivables and contract assets	8	25,668	28,523
Other non-current assets		9,383	4,116
		<b>5,175,283</b>	<b>5,085,636</b>
<b>Current assets</b>			
Inventories	7	3,105,919	2,784,448
Trade receivables and contract assets	8	597,610	384,010
Prepayments, deposits and other receivables	9	788,632	814,805
Restricted bank deposits		1,731,246	1,039,691
Cash and cash equivalents		176,413	161,807
		<b>6,399,820</b>	<b>5,184,761</b>
<b>Total assets</b>		<b>11,575,103</b>	<b>10,270,397</b>
<b>EQUITY</b>			
<b>Equity attributable to equity holders of the Company</b>			
Share capital	10	106,607	106,607
Reserves		2,628,344	2,500,710
		<b>2,734,951</b>	<b>2,607,317</b>
<b>Non-controlling interests</b>		<b>339,713</b>	<b>326,843</b>
<b>Total equity</b>		<b>3,074,664</b>	<b>2,934,160</b>

## UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2020

		As at 30 June 2020 <i>RMB'000</i>	As at 31 December 2019 <i>RMB'000</i>
	<i>Note</i>		
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Borrowings	11	498,135	248,410
Deferred government grants		139,642	133,130
Deferred income tax liabilities		41,330	40,569
Trade payables	12	9,152	9,074
Long-term payables		24,782	24,060
		<b>713,041</b>	455,243
<b>Current liabilities</b>			
Trade payables	12	1,181,501	966,980
Accruals and other current liabilities		351,248	383,534
Contract liabilities		580,476	607,539
Current income tax liabilities		62,177	49,261
Borrowings	11	5,608,608	4,829,012
Lease liabilities		3,388	3,618
Dividends payable		–	41,050
		<b>7,787,398</b>	6,880,994
<b>Total liabilities</b>		<b>8,500,439</b>	7,336,237
<b>Total equity and liabilities</b>		<b>11,575,103</b>	10,270,397

## UNAUDITED CONDENSED CONSOLIDATED COMPREHENSIVE INCOME STATEMENT

For the six months ended 30 June 2020

	Note	Six months ended 30 June	
		2020 RMB'000	2019 RMB'000
Revenue	13	15,633,880	16,756,469
Cost of sales	14	(15,033,784)	(16,192,210)
<b>Gross profit</b>		<b>600,096</b>	564,259
Other income		14,324	12,947
Other expenses		(1,828)	(723)
Distribution costs	14	(168,873)	(167,486)
Administrative expenses	14	(151,880)	(125,174)
<b>Operating profit</b>		<b>291,839</b>	283,823
Finance income	15	14,651	15,625
Finance costs	15	(111,656)	(109,317)
Finance costs – net	15	(97,005)	(93,692)
<b>Profit before income tax</b>		<b>194,834</b>	190,131
Income tax expense	16	(54,330)	(59,573)
<b>Profit and total comprehensive income for the period</b>		<b>140,504</b>	130,558
<b>Attributable to:</b>			
Equity holders of the Company		127,634	117,675
Non-controlling interests		12,870	12,883
		<b>140,504</b>	130,558
<b>Earnings per share for profit attributable to equity holders of the Company during the period</b> (expressed in RMB per share)			
– basic earnings per share	17	0.10	0.09
– diluted earnings per share	17	0.10	0.09

## UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2020

	Attributable to equity holders of the Company		Non- controlling interests	Total equity
	Share Capital <i>RMB'000</i>	Reserves <i>RMB'000</i>		
<b>Balance at 1 January 2020</b>	106,607	2,500,710	326,843	2,934,160
<b>Comprehensive income</b>				
Profit for the period	–	127,634	12,870	140,504
<b>Total comprehensive income for the period</b>	–	127,634	12,870	140,504
<b>Transaction with owners</b>				
Employee share options scheme				
– value of employee services	–	–	–	–
Share award scheme				
– value of employee services	–	–	–	–
<b>Total transaction with owners</b>	–	–	–	–
<b>Balance at 30 June 2020</b>	106,607	2,628,344	339,713	3,074,664

	Attributable to equity holders of the Company		Non- controlling interests	Total equity
	Share Capital <i>RMB'000</i>	Reserves <i>RMB'000</i>		
<b>Balance at 1 January 2019</b>	106,607	2,387,020	358,975	2,852,602
<b>Comprehensive income</b>				
Profit for the period	–	117,675	12,883	130,558
<b>Total comprehensive income for the period</b>	–	117,675	12,883	130,558
<b>Transaction with owners</b>				
Employee share options scheme				
– value of employee services	–	486	–	486
Share award scheme				
– value of employee services	–	5,275	–	5,275
<b>Total transaction with owners</b>	–	5,761	–	5,761
<b>Balance at 30 June 2019</b>	106,607	2,510,456	371,858	2,988,921

## UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2020

	Six months ended 30 June	
	2020 RMB'000	2019 RMB'000
<b>Cash flows from operating activities</b>		
Cash flows from operations	104,621	253,586
Interest received	14,651	15,625
Interest paid	(111,656)	(109,317)
Income tax paid	(56,719)	(89,730)
Net cash (used in)/from operating activities	(49,103)	70,164
<b>Cash flows from investing activities</b>		
Purchase of property, plant and equipment	(235,052)	(196,724)
Other investing cash flow	2,045	21,160
Net cash used in investing activities	(233,007)	(175,564)
<b>Cash flows from financing activities</b>		
Net change in borrowings	1,029,321	817,665
Net change in restricted bank deposits	(691,555)	(68,447)
Net change in bank acceptance notes	–	(573,028)
Dividend paid	(41,050)	–
Net cash from financing activities	296,716	176,190
<b>Net change in cash and cash equivalents</b>	<b>14,606</b>	<b>70,790</b>
Cash and cash equivalents at beginning of the period	161,807	140,004
Exchange loss on cash and cash equivalents	–	–
<b>Cash and cash equivalents at end of the period</b>	<b>176,413</b>	<b>210,794</b>

## NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2020

### 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 2020 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 2020, the Group's current liabilities exceeded its current assets by approximately RMB1,387,578,000 (31 December 2019: RMB1,696,233,000). The Group meets its day-to-day working capital requirements mainly through its bank borrowings and facilities with banks in the PRC and Hong Kong 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 net cash inflows from operating activities;
- The available financing including bank borrowings in Mainland China and Hong Kong to be renewed during the next twelve 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 from pledge or restriction and would be available to secure further financing when necessary.

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 twelve months from period end 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 2020

### 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 2019, 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

The Group has applied the following standards and amendments for the first time for their annual financial period commencing 1 January 2020.

		<b>Effective for annual periods beginning on or after</b>
HKAS 1 and HKAS 8 (Amendments)	Definition of Material	1 January 2020
HKFRS 3 (Amendments)	Definition of a Business	1 January 2020
Revised Conceptual Framework	Revised Conceptual Framework for Financial Reporting	1 January 2020
HKRS 9, HKAS 39 and HKFRS 7 (Amendments)	Interest Rate Benchmark Reform	1 January 2020
HKFRS 16 (Amendments)	Covid-19-related Rent Concessions	1 June 2020

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

## NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2020

- (b) The following new standard has been issued but are not effective for the financial year beginning on 1 January 2020 and have not been early adopted.

		Effective for annual periods beginning on or after
HKAS 1 (Amendments)	Classification of Liabilities as Current or Non-current	1 January 2022
HKAS 16 (Amendments)	Property, Plant and Equipment: Proceeds before intended use	1 January 2022
HKAS 37 (Amendments)	Onerous Contracts – Cost of Fulfilling a Contract	1 January 2022
HKFRS 3 (Amendments)	Reference to the Conceptual Framework	1 January 2022
HKFRS 17	Insurance contracts	1 January 2023
HKFRS 10 and HKAS 28 (Amendments)	Sale or contribution of assets between an investor and its associate or joint venture	To be determined
Annual Improvements to HKFRS Standards 2018–2020		1 January 2022

The Group is assessing the full impact of the new standards, new interpretations and amendments to standards and interpretations.



## NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2020

### 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 2019.

### 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 2019.

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 2020

### 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
<b>At 1 January 2019</b>						
Cost	1,169,140	3,267,110	38,312	61,862	674,149	5,210,573
Accumulated depreciation	(158,651)	(782,869)	(25,260)	(39,293)	–	(1,006,073)
Net book amount	1,010,489	2,484,241	13,052	22,569	674,149	4,204,500
<b>Year ended 31 December 2019</b>						
Opening net book amount	1,010,489	2,484,241	13,052	22,569	674,149	4,204,500
Additions	1,413	11,791	5,319	5,936	433,451	457,910
Transfer	86,257	361,350	1,090	1,997	(450,694)	–
Transfer to intangible assets	–	–	–	–	(1,774)	(1,774)
Disposals	–	(97)	(473)	(395)	–	(965)
Depreciation	(36,000)	(178,277)	(4,452)	(8,447)	–	(227,176)
Closing net book amount	1,062,159	2,679,008	14,536	21,660	655,132	4,432,495
<b>At 31 December 2019</b>						
Cost	1,256,810	3,639,459	42,346	68,062	655,132	5,661,809
Accumulated depreciation	(194,651)	(960,451)	(27,810)	(46,402)	–	(1,229,314)
Net book amount	1,062,159	2,679,008	14,536	21,660	655,132	4,432,495
<b>Six months ended 30 June 2020</b>						
Opening net book amount	1,062,159	2,679,008	14,536	21,660	655,132	4,432,495
Additions	1,177	56,542	565	2,101	174,508	234,893
Transfer	–	52,583	–	–	(52,583)	–
Disposals	–	–	(130)	(48)	–	(178)
Depreciation	(17,990)	(103,389)	(1,538)	(2,466)	–	(125,383)
Closing net book amount	1,045,346	2,684,744	13,433	21,247	777,057	4,541,827
<b>At 30 June 2020</b>						
Cost	1,257,987	3,748,584	42,781	70,115	777,057	5,896,524
Accumulated depreciation	(212,641)	(1,063,840)	(29,348)	(48,868)	–	(1,354,697)
Net book amount	1,045,346	2,684,744	13,433	21,247	777,057	4,541,827

## NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2020

### 7. INVENTORIES

	As at 30 June 2020 RMB'000	As at 31 December 2019 RMB'000
Raw materials	2,367,159	1,971,978
Finished goods	738,760	812,470
	<b>3,105,919</b>	<b>2,784,448</b>

For the six months ended 30 June 2020, the Group has recorded a gain of approximately RMB14,882,000 for the reversal of provision of inventories to their net realisable value. A gain of approximately RMB41,367,000 was recorded for the six months ended 30 June 2019. These amounts have been included in the cost of sales in the unaudited condensed consolidated statement of comprehensive income.

### 8. TRADE RECEIVABLES AND CONTRACT ASSETS

	As at 30 June 2020			As at 31 December 2019		
	Current RMB'000	Non- Current RMB'000	Total RMB'000	Current RMB'000	Non- Current RMB'000	Total RMB'000
Contract assets	47,005	25,811	72,816	67,145	28,666	95,811
Accounts receivable	493,591	–	493,591	294,897	–	294,897
Notes receivable						
– bank acceptance notes	60,548	–	60,548	27,255	–	27,255
– commercial acceptance notes	5,427	–	5,427	3,682	–	3,682
	<b>606,571</b>	<b>25,811</b>	<b>632,382</b>	<b>392,979</b>	<b>28,666</b>	<b>421,645</b>
Less: provision for impairment	(8,961)	(143)	(9,104)	(8,969)	(143)	(9,112)
	<b>597,610</b>	<b>25,668</b>	<b>623,278</b>	<b>384,010</b>	<b>28,523</b>	<b>412,533</b>

## NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2020

### 9. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	As at 30 June 2020 <i>RMB'000</i>	As at 31 December 2019 <i>RMB'000</i>
Prepayment for purchase of raw materials	474,560	490,343
Discounted interest for notes receivable	42,632	35,361
Value added tax recoverable	221,626	258,257
Export tax refundable	4,418	9,615
Deposits and other receivables	40,957	18,490
Loan to Daming Logistics	4,439	2,739
	<b>788,632</b>	<b>814,805</b>

### 10. SHARE CAPITAL

	Number of shares '000	<i>HKD'000</i>	<i>RMB'000</i>
Authorised share capital As at 31 December 2019 and 30 June 2020 (ordinary shares of HKD0.10 each)	1,500,000	150,000	128,886
Issued and fully paid up As at 31 December 2019 and 30 June 2020 (ordinary shares of HKD0.10 each)	1,245,190	124,519	106,607

## NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2020

### 11. BORROWINGS

	As at 30 June 2020 <i>RMB'000</i>	As at 31 December 2019 <i>RMB'000</i>
<b>Non-current</b>		
Bank borrowings	414,000	206,000
Borrowing under finance lease arrangement	84,135	42,410
	<b>498,135</b>	<b>248,410</b>
<b>Current</b>		
Bank borrowings	5,551,941	4,732,841
Borrowing under finance lease arrangement	16,667	66,171
Other loans	40,000	30,000
	<b>5,608,608</b>	<b>4,829,012</b>
Total borrowings	<b>6,106,743</b>	<b>5,077,422</b>
Representing :		
Bank borrowings		
– unsecured	3,379,862	3,366,931
– secured	2,546,079	1,531,910
– guaranteed	40,000	40,000
Finance lease arrangement	100,802	108,581
Other loans	40,000	30,000
	<b>6,106,743</b>	<b>5,077,422</b>

## NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2020

### 12. TRADE PAYABLES

	As at 30 June 2020 <i>RMB'000</i>	As at 31 December 2019 <i>RMB'000</i>
Accounts payable	911,947	597,214
Notes payable	278,706	378,840
	<b>1,190,653</b>	976,054
Less: non-current portion of accounts payables	<b>(9,152)</b>	(9,074)
	<b>1,181,501</b>	966,980

The ageing analysis of the trade payable was as follows:

	As at 30 June 2020 <i>RMB'000</i>	As at 31 December 2019 <i>RMB'000</i>
Within 6 months	1,186,339	974,265
6 months to 1 year	3,824	1,377
1 year to 2 years	437	388
More than 2 years	53	24
	<b>1,190,653</b>	976,054

## NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2020

### 13. REVENUE

The result of its sales from external customers in different countries and regions was as follows:

	Six months ended 30 June	
	2020	2019
	<i>RMB'000</i>	<i>RMB'000</i>
– Mainland China	<b>15,246,754</b>	16,394,935
– Hong Kong and other overseas countries and regions (i)	<b>387,126</b>	361,534
Total sales	<b>15,633,880</b>	16,756,469

- (i) Other overseas countries and regions mainly represented Australia, United States of America, South Korea, Japan, Europe, South America and Southeast Asia.

Revenue of the Group consists of the following revenues for the six months ended 30 June 2020 and 2019. All revenues are derived from external customers.

	Six months ended 30 June	
	2020	2019
	<i>RMB'000</i>	<i>RMB'000</i>
Processing and sales of stainless steel and carbon steel products	<b>14,824,138</b>	16,297,995
Manufacturing of stainless steel and carbon steel products	<b>809,742</b>	458,474
	<b>15,633,880</b>	16,756,469

## NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2020

The segment results for the six months ended 30 June 2020:

	Processing RMB'000	Manufacturing RMB'000	Elimination RMB'000	Total RMB'000
Segment revenue	15,139,822	809,742	(315,684)	15,633,880
Segment results – including depreciation and amortisation	226,907	67,988	(15,552)	279,343
	91,199	34,521	–	125,720
Other income and expenses				12,496
Finance costs – net				(97,005)
Profit before income tax				194,834
Income tax expense				(54,330)
Profit for the period				140,504

The segment results for the six months ended 30 June 2019:

	Processing RMB'000	Manufacturing RMB'000	Elimination RMB'000	Total RMB'000
Segment revenue	16,482,335	458,474	(184,340)	16,756,469
Segment results – including depreciation and amortisation	278,125	4,533	(11,059)	271,599
	83,842	32,182	–	116,024
Other income and expenses				12,224
Finance costs – net				(93,692)
Profit before income tax				190,131
Income tax expense				(59,573)
Profit for the period				130,558



## NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2020

### 14. EXPENSES BY NATURE

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

	Six months ended	
	30 June 2020	30 June 2019
	<i>RMB'000</i>	<i>RMB'000</i>
Changes in inventories of finished goods	23,674	(155,527)
Raw materials consumed	14,475,623	15,915,906
Stamp duty, property tax and other surcharges	22,029	22,416
Transportation costs	172,887	148,843
Employee benefit expenses, including directors' emoluments	350,306	312,970
Depreciation and amortisation	125,720	116,024
Operating lease rental for buildings	2,743	3,619
Utilities charges	30,797	33,458
Reversal of write-down of inventories	(14,882)	(41,367)
Entertainment and travelling expenses	17,793	24,171
Professional service expenses	4,949	4,921
Others	142,898	99,436
	<b>15,354,537</b>	<b>16,484,870</b>

### 15. FINANCE COSTS - NET

	Six months ended	
	30 June 2020	30 June 2019
	<i>RMB'000</i>	<i>RMB'000</i>
Interest expenses on bank borrowings	60,106	73,674
Interest expenses on bank acceptance notes	50,221	39,217
Exchange loss/(gain), net	1,329	(3,574)
Total finance costs	111,656	109,317
Interest income	(14,651)	(15,625)
	<b>97,005</b>	<b>93,692</b>

## NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2020

### 16. INCOME TAX EXPENSE

	Six months ended	
	30 June 2020	30 June 2019
	<i>RMB'000</i>	<i>RMB'000</i>
Current income tax expense		
– Mainland China corporate income tax	<b>52,608</b>	57,968
Deferred income tax expense	<b>1,722</b>	1,605
	<b>54,330</b>	59,573

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 2020

### 17. EARNINGS PER SHARE

(a) **Basic**

Basic earnings per share is calculated by dividing the 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 2020	30 June 2019
Profit attributable to equity holders of the company (RMB'000)	127,634	117,675
Weighted average number of ordinary shares in issue (thousands)	1,245,190	1,245,190
Basic earnings per share (RMB)	0.10	0.09

(b) **Diluted**

Diluted 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 2020	30 June 2019
Profit attributable to equity holders of the company (RMB'000)	127,634	117,675
Weighted average number of ordinary shares in issue (thousands)	1,245,190	1,245,190
Adjustments for share option plan (thousands)	–	132
Weighted average number of ordinary shares for diluted earnings per share (thousands)	1,245,190	1,245,322
Diluted earnings per share (RMB)	0.10	0.09

## NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2020

### 18. INTERIM DIVIDENDS

The directors do not recommend the payment of an interim dividend in respect of the six months ended 30 June 2020 (2019: HK\$0.06 per share).

### 19. COMMITMENTS

#### Capital commitments

	As at 30 June 2020 <i>RMB'000</i>	As at 31 December 2019 <i>RMB'000</i>
Contracted but not provided for:		
Acquisition of property, plant and equipment	<u>372,073</u>	<u>278,484</u>

## OTHER INFORMATION

### 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 2020. The Company adopted the CG Code as its own code of corporate governance.

### 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 2020.

### 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 2020 (2019: HK\$0.06 per share).

### 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 2020.

### 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 2020 and considered that the Company has complied with all applicable accounting standards and requirements.

### BOARD CHANGES

On 27 March 2020, Mr. Lu Ping resigned as an executive director of the Company and Mr. Lu Jian was appointed as a non-executive director of the company.

## 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 2019 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 2020 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 2020	Number of share options			As at 30 June 2020	Exercise period
				Granted during the period	Exercised during the period	Cancelled/ lapsed during the period		
<b>Directors</b>								
Mr. Zhang Feng	21 December 2010	2.452	300,000 <sup>(1)</sup>	-	-	-	300,000	21 December 2013 to 20 December 2020
	23 December 2014	2.364	100,000 <sup>(2)</sup>	-	-	-	100,000	23 December 2017 to 22 December 2024
Dr. Fukui Tsutomu	23 December 2014	2.364	500,000 <sup>(2)</sup>	-	-	-	500,000	23 December 2017 to 22 December 2024
Mr. Wang Jian	23 December 2014	2.364	400,000 <sup>(2)</sup>	-	-	-	400,000	23 December 2017 to 22 December 2024
<b>Other employees in aggregate</b>								
	21 December 2010	2.452	4,420,000 <sup>(1)</sup>	-	-	(50,000)	4,370,000	21 December 2013 to 20 December 2020
	23 December 2014	2.364	13,500,000 <sup>(2)</sup>	-	-	(350,000)	13,150,000	23 December 2017 to 22 December 2024
Total			19,220,000	-	-	(400,000)	18,820,000	

<sup>(1)</sup> 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.

<sup>(2)</sup> 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 2019 Annual Report.

During the period ended 30 June 2020, an aggregate of 1,620,000 shares of the Company's existing ordinary shares have been purchased for the share award scheme, no awarded shares were granted and vested to directors and selected employees. As at 30 June 2020, the independent trustee holds 21,508,000 shares of the Company for the share award scheme.

### EMPLOYMENT POLICY

The Group employed a total of 5,732 staffs as at 30 June 2020 (2019: 4,997).

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 2020, 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, family and corporate	793,551,000 <sup>(3)</sup>	63.73%
Mr. Jiang Changhong (also Chief Executive Officer)	Personal	384,000	0.03%
Ms. Xu Xia	Personal, family and corporate	793,551,000 <sup>(3)</sup>	63.73%
Mr. Zou Xiaoping	Personal and family	5,060,000 <sup>(4)</sup>	0.41%
Dr. Fukui Tsutomu	Personal and family	1,864,000 <sup>(5)</sup>	0.15%
Mr. Zhang Feng	Personal	2,086,000 <sup>(6)</sup>	0.17%
Mr. Wang Jian	Personal and family	1,644,000 <sup>(7)</sup>	0.13%
Mr. Lu Ping (resigned on 27 March 2020)	Personal	34,000	0.00%

(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. 60,000 shares are held by Mr. Zhou Keming and 56,000 shares are held by Ms. Xu Xia personally.

(4) 60,000 shares are held by Mr. Zou Xiaoping and 5,000,000 shares are held by Mr. Zou Xiaoping's spouse, Ms. Li Jun.

(5) The interest comprises 498,000 shares held by Dr. Fukui Tsutomu, 866,000 shares held by Dr. Fukui Tsutomu'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 1,686,000 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 396,000 shares held by Mr. Wang Jian, 848,000 shares held by Mr. Wang Jian'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 <sup>(8)</sup>	Nature of interests	Number of shares held	% of issued share capital of associated corporation
Mr. Zhou Keming	Ally Good Group Limited	Personal <sup>(9)</sup>	1,000	100%
Ms. Xu Xia	Ally Good Group Limited	Personal <sup>(9)</sup>	1,000	100%

(8) As at 30 June 2020, 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.



## OTHER INFORMATION

Save as disclosed above, as at 30 June 2020, 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 2020, 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**

<b>Name of Shareholder</b>	<b>Number of ordinary shares held</b>	<b>Approximate percentage of the Company's issued share capital</b>
<i>Long position</i>		
Ally Good Group Limited	793,435,000 <sup>(10)</sup>	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 2020.