

DA MING INTERNATIONAL HOLDINGS LIMITED

(Incorporated in the Cayman Islands with limited liability)



2021

Interim Report

Stock code: 1090



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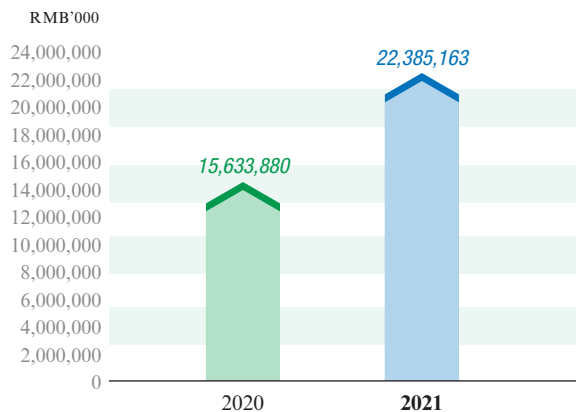
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FINANCIAL AND OPERATING HIGHLIGHTS

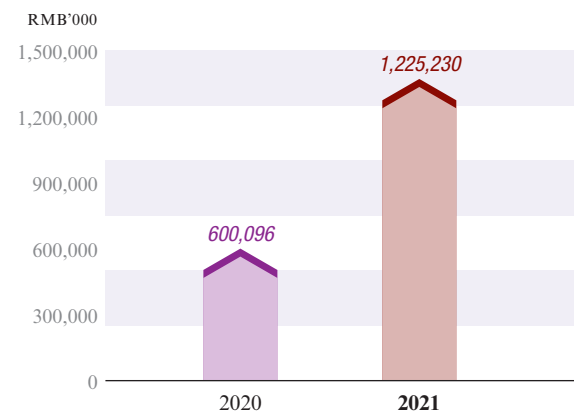
Financial Highlights

	Six months ended 30 June		% change
	2021	2020	
	<i>RMB'000</i>	<i>RMB'000</i>	
Revenue	22,385,163	15,633,880	+43.2%
Gross profit	1,225,230	600,096	+104.2%
Total comprehensive income for the period	468,264	140,504	+233.3%

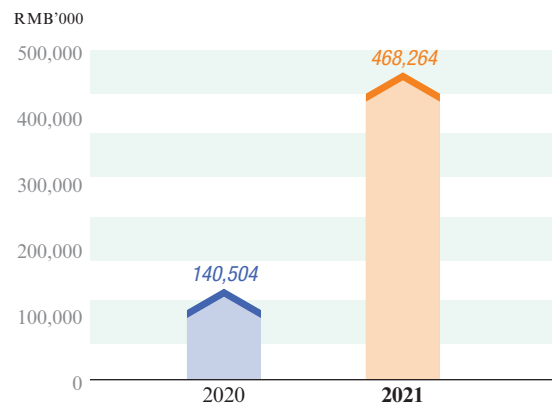
Revenue



Gross profit



Total comprehensive income



FINANCIAL AND OPERATING HIGHLIGHTS

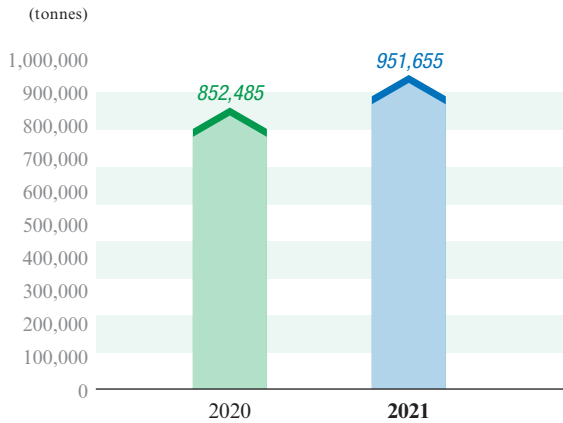
Operating Highlights

	Six months ended 30 June		% change
	2021	2020	
Stainless steel			
Sales volume (tonnes)	951,655	852,485	+11.6%
Processing volume (tonnes)	1,462,346	1,255,415	+16.5%
Including: cutting platform (tonnes)	576,762	501,108	+15.1%
slitting platform (tonnes)	655,041	585,578	+11.9%
polishing platform (tonnes)	118,551	94,142	+25.9%
other platforms (tonnes)	111,992	74,587	+50.1%
Processing multiple (<i>note</i>)	1.54	1.47	
Carbon steel			
Sales volume (tonnes)	1,575,317	1,276,876	+23.4%
Processing volume (tonnes)	1,850,946	1,477,385	+25.3%
Including: cutting platform (tonnes)	1,283,531	1,021,671	+25.6%
slitting platform (tonnes)	355,445	296,661	+19.8%
other platforms (tonnes)	211,970	159,053	+33.3%
Processing multiple (<i>note</i>)	1.17	1.16	

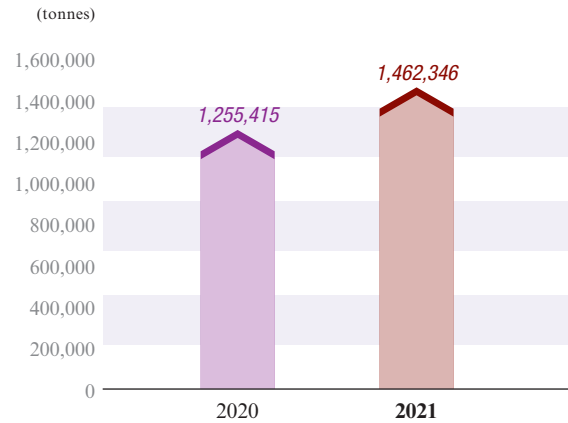
Note : $Processing\ multiple = \frac{Processing\ volume}{Sales\ volume}$

FINANCIAL AND OPERATING HIGHLIGHTS

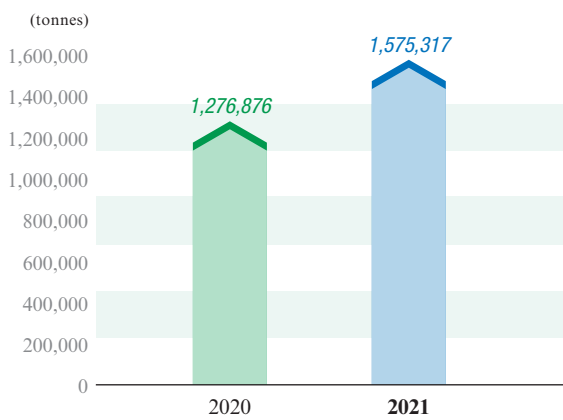
Sales volume of stainless steel



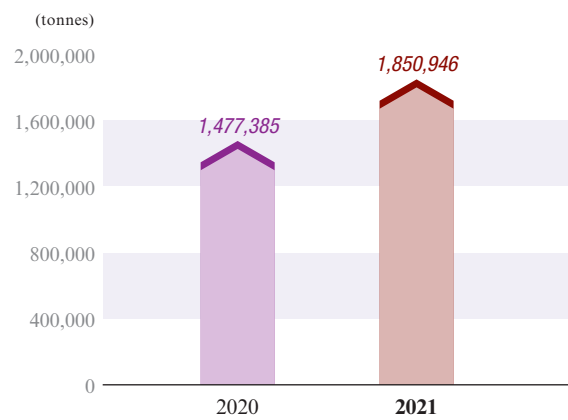
Processing volume of stainless steel



Sales volume of carbon steel



Processing volume of carbon steel



BUSINESS REVIEW

Processing centres

We are a leading provider of metal materials and components processing and high-end equipment manufacturing services. Through our ten processing centres and two manufacturing plants in China, we provide professional and customised metal materials processing and components and equipment manufacturing services to over 70,000 customers in a wide range of industries. The products of our high-end equipment manufacturing segment mainly include large-scaled structural parts and containers, as well as precision sheet metal parts.

As a professional metal solutions provider, the Company facilitates the connection between upstream metal manufacturers and downstream end-user enterprises. Metal materials with different specifications and models are provided by the upstream manufacturers, from which the Company purchases metal materials in bulk. The Company also carries out high-precision and customised material processing (in terms of size, shape, surface processing, etc.) and the manufacturing and sale of various components and high-end equipment in line with customers' needs. Upholding the "customer-centric" philosophy, the Company is committed to offering the downstream customers cost-effective and high-quality materials and manufacturing services together with fast delivery.

Thanks to our profound experience in equipment and technology application, the Company has the capacity to provide a complete range of processing and manufacturing services for the manufacturing industry. Our processing services cover the whole manufacturing process, including trimming, polishing, cutting, forming, pre-grooving, welding, heat treating, machinery, painting and assembling. Leveraging a variety of automated processing equipment and its capabilities to provide one-stop professional processing and manufacturing services, the Company saves time, manpower, costs and the needs of capital investment for our downstream customers. These merits enable the downstream customers to significantly reduce their investment in highly-utilised and cost-effective equipment, and hence to save their overall manufacturing costs. Such industry dynamics and business model have opened up a niche market for metal processing and manufacturing service providers.

MANAGEMENT DISCUSSION AND ANALYSIS

The market for metal materials is tremendous. Take steel as an example, according to the statistics of the World Steel Association, the world's total apparent consumption of steel reached 1,772 million tonnes in 2020, of which China recorded an apparent consumption of approximately 1,000 million tonnes. The statistics backs the Company with a solid market base for its metal materials and components processing services and high-end equipment manufacturing business. In the meantime, the decentralised end-market demand has largely mitigated the impact of the cyclical nature of different end-markets on the Company's performance and hence contributed to the stable growth of the Company's results. Moreover, capitalising on our extensive customer base and increasing customer reliance, the Company has established long-term and secure relationships with our upstream suppliers. Together with its diversified metal processing and product manufacturing capabilities, flexible processing scheduling, solid inventory management, reliable and just-in-time delivery, adjustable requirements for minimum order scale and outperforming quality control, the Company has managed to maintain our results and performance as an industry leader.

The Company strives to improve our profitability through continuous improvements in customer service, operational efficiency, technological innovation, inventory management and the adoption of higher standards of processing and manufacturing services. In recent years, since our existing and potential customers demand higher standards of metal processing and manufacturing services, the Company has boosted its investment in advanced processing equipment and technology to further enhance its processing and manufacturing service capacity, which also helps to raise the price of its products. The Company has also improved its operational efficiency through measures such as the intelligent transformation of certain equipment and optimisation of logistics services. In addition, the Company has invested in key regions to expand its production capacity, further heightening its regional competitiveness and contributing to the implementation of its overall growth strategy.

MANAGEMENT DISCUSSION AND ANALYSIS

1. Da Ming launched the second phase of construction of the high-end manufacturing project with a designed annual processing capacity of 200,000 tonnes of metal materials for Daming Tianjin Processing Centre

On 23 April 2021, the opening ceremony of the second phase project construction for Daming Tianjin Processing Centre was held. The overall site area of the second phase project for Daming Tianjin Processing Centre reached 36,515.57 square meters. Upon completion by the end of 2021, the Tianjin Processing Centre will have a total annual processing capacity of 1.4 million tonnes of stainless steel and carbon steel. The second phase of the project is expected to be completed by the end of this year with the construction of the factory and installation of certain equipment. After the relevant part is put into operation, the service capacity of the Tianjin Processing Centre will be significantly enhanced, which will also lay a solid foundation for the rapid and long-term development of the Company. The construction of the new factory strengthens the Tianjin Processing Centre's ability to support large-scale enterprises and major construction projects, and positions it to become a high-quality distribution base for export business of TISCO and Da Ming, as well as a processing and manufacturing support centre for Da Ming Group in the northern region, supporting the surrounding areas of the northern, northeast and northwest region in China.



The construction started at the end of April and topping-out completed in mid-June

MANAGEMENT DISCUSSION AND ANALYSIS

2. Da Ming obtained trial operation license for the 1,000-tonnage terminal of Jiaxing Processing Centre

On 10 February 2021, the 1,000-tonnage terminal, which was built by the authority of Jiaxing Economic and Technological Development Zone and operated by Daming Jiaxing Processing Centre, officially obtained the trial license for port operations (港口試運行經營許可證) issued by Jiaxing Municipal Bureau of Transportation. This marked the first green model terminal of Da Ming Group that is officially put into operation, which will make an important contribution to connecting upstream steel factories and downstream customers, improving circulation efficiency and reducing logistics costs, especially for the local economic and social development of Jiaxing, as well as to helping regional enterprises to upgrade their facilities.

In April, the 1,000-tonnage terminal of Daming Jiaxing Processing Centre was also shortlisted as one of the first green model terminals in Jiaxing.



Processing equipment

As at 30 June 2021, the Group was equipped with the following processing platforms:

	Slitting	Cutting	Polishing	Forming	Welding	Heat treating	Painting	Machinery
Number of equipment	114	221	62	257	37	3	4	223

Projects highlights

1. Daming Heavy Industry shipped the pulping machine with the largest diameter in the world as scheduled

The tenth cooperation project between Da Ming and Valmet, the Valmet Kemi project, which is a pulp and paper project with the largest investment scale in the world and consists of the pulping machine with the largest diameter in the world has been shipped to Finland in Northern Europe as scheduled.



The dual-phase steel equipment is also by far the pulping equipment with the largest diameter in the world, of which the diameter is up to 13.8 meters, and 1,200 tonnes of European standard dual-phase steel material was applied. Being the tenth cooperation project with Valmet, this batch of equipment will be shipped to Finland in Northern Europe, which marks the export of equipment by Daming Heavy Industry to Europe in a real sense for the first time. The equipment strictly meets the PED standard of the European Union, and the design and manufacturing of which were completed by applying EN dual-phase steel materials and EN design standards. The PED standards regarding raw materials, design, process, manufacturing and other aspects were followed to meet strict control requirements.

MANAGEMENT DISCUSSION AND ANALYSIS

2. Baihetan Hydropower Station has been put into operation, with Da Ming supporting the major hydropower project by providing dedicated processing and manufacturing services

The first batch of units of Baihetan Hydropower Station, which is the world's largest hydropower project under construction with the highest technical difficulty, and is the only station with a unit capacity of 1 GW in the world and the second-largest station in terms of installed capacity, were officially put into operation to generate electricity. President Xi Jinping sent a letter to express his congratulations. The last unit of Wudongde Hydropower Station, the world's seventh-largest and China's fourth-largest hydropower station, was successfully connected to the grid, and all 12 units were put into operation.



For the two major power stations, Baihetan and Wudongde, Daming Taiyuan Processing Centre provided support services in the processing and manufacturing of the rotor yoke parts of the hydro generator set. The materials applied in the project include more than 6,500 tonnes of yoke steel (material: SXRE750; specification: 3*1,215 and 4*992) and more than 9,500 tonnes of pole steel (2-3mm in thickness).

MANAGEMENT DISCUSSION AND ANALYSIS

3. CNOOC's Huizhou project successfully shipped

The five large-scale plant towers manufactured by Da Ming for CNOOC Huizhou Petrochemicals(中海油惠州石化) were successfully shipped as scheduled. The success of the first cooperation laid a solid foundation for further cooperation between both parties in the future.



CNOOC fully affirmed the processing quality, corporate strength, equipment capacity and service concept of Daming Heavy Industry, and Da Ming's capability to deliver on time and high-quality distribution service was highly acclaimed. CNOOC also expressed its aspiration to cooperate with us in future projects, with an aim to capitalise on our respective strengths, intensify cooperation and join hands to achieve mutual success.

4. Da Ming supported Overseas Wind Power Project with its group-wide services



Da Ming Group's processing centres in Jingjiang and Jiaying joined hands to support an enterprise in Jiangsu by providing processing and support services for wind power transport brackets and overseas shipping. The project was undertaken by Daming Jingjiang Processing Centre with Daming Jiaying Processing Centre assisting with the processing of the bending procedure, of which the end product was highly recognised by the customer.

This batch of order represented a processing project through long-term cooperation between both parties. The successful completion of the order also further consolidates our friendly collaboration, subsequent to which Jiaying Processing Centre will continue to provide comprehensive, high-quality and efficient "one-stop" processing support services, and make every effort to develop Da Ming's excellent brand image of "dedicated, focused and professional", solely for further satisfaction of customer needs.

MANAGEMENT DISCUSSION AND ANALYSIS

5. Large-scale mining equipment supported by Daming Heavy Industry for Metso's splitting mill project successfully shipped

The mining ball mill products manufactured by Daming Heavy Industry for Metso (a world-renowned mining machinery manufacturer) have been successfully shipped.



As Daming Heavy Industry's processing support capacity in the mining industry continues to grow, together with its increasingly solid service experience, its processing capability for mill products at present can reach a maximum diameter of 15 meters and a height of 5 meters. Despite the challenging manufacturing process and tight delivery schedule of this project, Daming Heavy Industry managed to complete the

manufacturing of the ball mills after months of effort, which met the quality requirements of the customer and gained acclamation from them.

Operating results

The Group recorded a net profit of approximately RMB468.3 million for the six months ended 30 June 2021 representing an increase of approximately 233.3% as compared with the net profit of approximately RMB140.5 million for the six months ended 30 June 2020. The improvement in operating results was mainly due to the higher gross profit margin resulted from an improvement in operating efficiency and contribution from our project business, in-depth processing services and manufacturing business during the period.

The sales volume of our stainless steel processing business increased from approximately 852,000 tonnes for the six months ended 30 June 2020 to approximately 952,000 tonnes for the six months ended 30 June 2021 representing an increase of approximately 11.6%. The processing volume increased from approximately 1,255,000 tonnes for the six months ended 30 June 2020 to approximately 1,462,000 tonnes for the six months ended 30 June 2021 representing an increase of approximately 16.5%.

The sales volume of our carbon steel processing business increased from approximately 1,277,000 tonnes for the six months ended 30 June 2020 to approximately 1,575,000 tonnes for the six months ended 30 June 2021 representing an increase of approximately 23.4% while the processing volume increased from approximately 1,477,000 tonnes for the six months ended 30 June 2020 to approximately 1,851,000 tonnes for the six months ended 30 June 2021 representing an increase of approximately 25.3%.

MANAGEMENT DISCUSSION AND ANALYSIS

The sales volume and processing volume of our processing centres for the six months ended 30 June 2021 and the corresponding period in 2020 were as follows:

Stainless steel

	Six months ended 30 June		% change
	2021 <i>tonnes</i>	2020 <i>tonnes</i>	
Sales volume			
Wuxi	378,912	336,730	+12.5%
Hangzhou	132,362	125,464	+5.5%
Tianjin	126,010	113,274	+11.2%
Taiyuan	70,900	80,218	-11.6%
Wuhan	48,078	38,940	+23.5%
Jingjiang	85,891	75,369	+14.0%
Shandong	79,247	77,395	+2.4%
Jiaxing	30,255	5,095	+493.8%
Total	951,655	852,485	+11.6%
Processing volume			
Wuxi	662,082	548,129	+20.8%
Hangzhou	178,493	152,146	+17.3%
Tianjin	156,166	121,650	+28.4%
Taiyuan	162,305	209,274	-22.4%
Wuhan	62,224	43,403	+43.4%
Jingjiang	130,459	104,587	+24.7%
Shandong	83,813	68,306	+22.7%
Jiaxing	26,804	7,920	+238.4%
Total	1,462,346	1,255,415	+16.5%

MANAGEMENT DISCUSSION AND ANALYSIS

Carbon steel

	Six months ended 30 June		% change
	2021 tonnes	2020 tonnes	
Sales volume			
Wuxi	318,073	259,637	+22.5%
Hangzhou	106,516	93,111	+14.4%
Tianjin	168,173	138,728	+21.2%
Taiyuan	125,905	122,826	+2.5%
Wuhan	223,678	140,232	+59.5%
Jingjiang	312,483	280,362	+11.5%
Shandong	180,725	158,130	+14.3%
Jiaxing	139,764	83,850	+66.7%
	1,575,317	1,276,876	+23.4%
Processing volume			
Wuxi	261,787	205,611	+27.3%
Hangzhou	114,868	101,419	+13.3%
Tianjin	235,110	203,565	+15.5%
Taiyuan	191,238	179,524	+6.5%
Wuhan	276,902	175,096	+58.1%
Jingjiang	428,248	358,444	+19.5%
Shandong	207,337	179,958	+15.2%
Jiaxing	135,456	73,768	+83.6%
	1,850,946	1,477,385	+25.3%

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW AND ANALYSIS

During the six months ended 30 June 2021, we recorded a revenue of approximately RMB22,385 million, gross profit of approximately RMB1,225 million and profit attributable to equity holders of the Company of approximately RMB454 million. Total assets of the Group as at 30 June 2021 amounted to approximately RMB13,991 million while equity attributable to equity holders of the Company amounted to approximately RMB3,352 million.

Revenue

Our revenue for the six months ended 30 June 2021 amounted to approximately RMB22,385 million comprising approximately RMB21,577 million from our processing business and approximately RMB808 million from our manufacturing business. As compared with the revenue for the six months ended 30 June 2020 of approximately RMB15,634 million, it represented an increase of approximately 43.2%. Such increase was mainly due to the increase in the revenue from our processing business.

The sales volume of our stainless steel processing business increased from 852,485 tonnes for the six months ended 30 June 2020 to 951,655 tonnes for the six months ended 30 June 2021 representing an increase of approximately 11.6%. The sales volume of our carbon steel processing business increased from 1,276,876 tonnes for the six months ended 30 June 2020 to 1,575,317 tonnes for the six months ended 30 June 2021 representing an increase of approximately 23.4%.

The processing volume of our stainless steel processing business increased from 1,255,415 tonnes for the six months ended 30 June 2020 to 1,462,346 tonnes for the six months ended 30 June 2021 representing an increase of approximately 16.5%. The processing volume of our carbon steel processing business increased from 1,477,385 tonnes for the six months ended 30 June 2020 to 1,850,946 tonnes for the six months ended 30 June 2021 representing an increase of approximately 25.3%.

MANAGEMENT DISCUSSION AND ANALYSIS

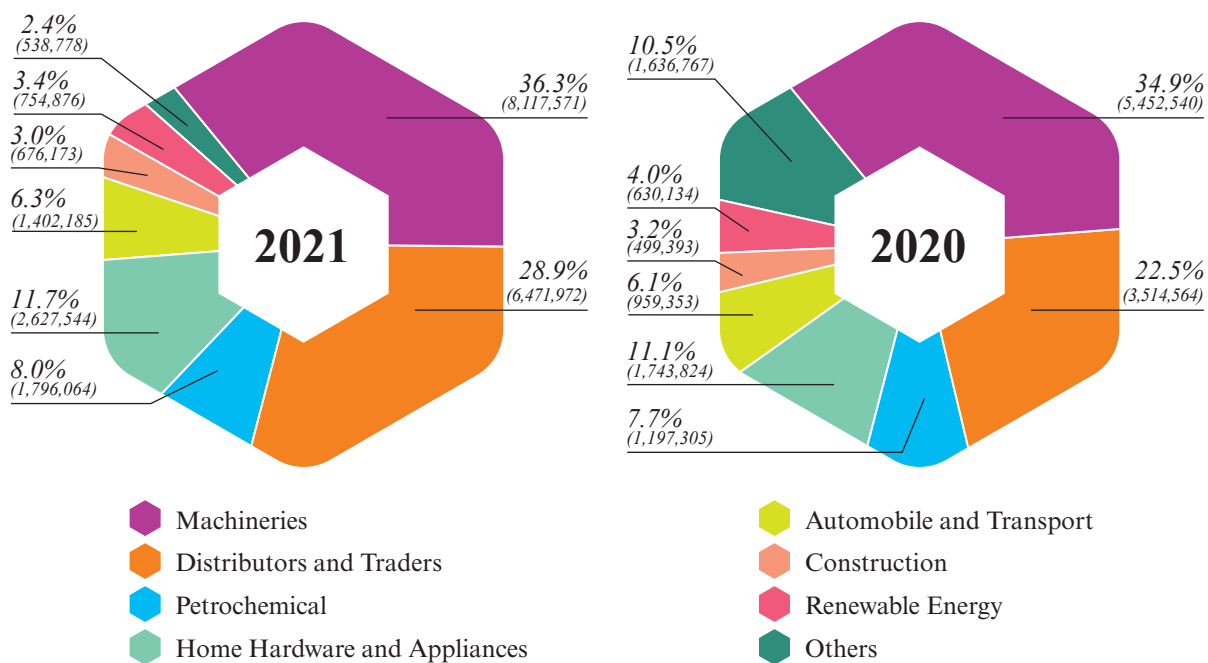
Analysis of revenue by key industry segments

During the six months ended 30 June 2021 and the corresponding period in 2020, our revenue by key industry segments were shown below:

Revenue

Industry	Six months ended 30 June			
	2021		2020	
	RMB'000	%	RMB'000	%
Machineries	8,117,571	36.3	5,452,540	34.9
Distributors and Traders	6,471,972	28.9	3,514,564	22.5
Petrochemical	1,796,064	8.0	1,197,305	7.7
Home Hardware and Appliances	2,627,544	11.7	1,743,824	11.1
Automobile and Transport	1,402,185	6.3	959,353	6.1
Construction	676,173	3.0	499,393	3.2
Renewable Energy	754,876	3.4	630,134	4.0
Others	538,778	2.4	1,636,767	10.5
Total	22,385,163	100.0	15,633,880	100.0

RMB'000



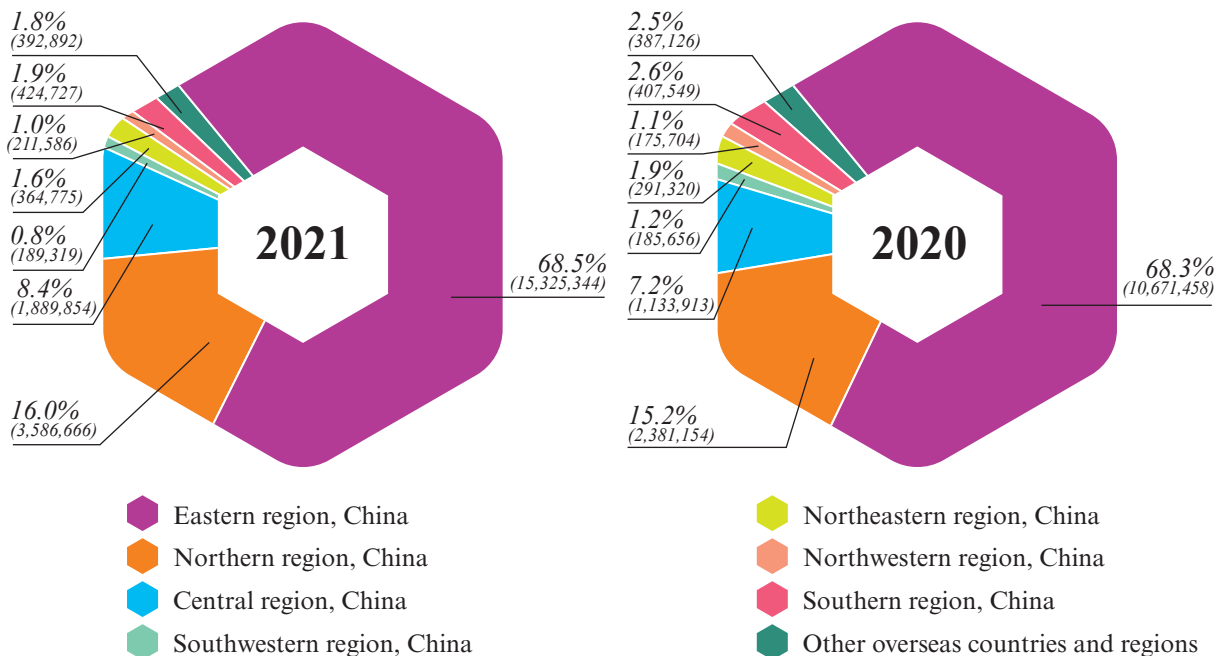
MANAGEMENT DISCUSSION AND ANALYSIS

Analysis of revenue by geographical regions

During the six months ended 30 June 2021 and the corresponding period in 2020, our revenue by geographical regions were shown below:

Region	Six months ended 30 June			
	2021	%	2020	%
	<i>RMB'000</i>		<i>RMB'000</i>	
Eastern region, China	15,325,344	68.5	10,671,458	68.3
Northern region, China	3,586,666	16.0	2,381,154	15.2
Central region, China	1,889,854	8.4	1,133,913	7.2
Southwestern region, China	189,319	0.8	185,656	1.2
Northeastern region, China	364,775	1.6	291,320	1.9
Northwestern region, China	211,586	1.0	175,704	1.1
Southern region, China	424,727	1.9	407,549	2.6
Other overseas countries and regions	392,892	1.8	387,126	2.5
Total	22,385,163	100.0	15,633,880	100.0

RMB'000



MANAGEMENT DISCUSSION AND ANALYSIS

Gross profit

Gross profit increased from approximately RMB600.1 million for the six months ended 30 June 2020 to approximately RMB1,225.2 million for the six months ended 30 June 2021 mainly due to the improvement in operating efficiency and contribution from our project business, in-depth processing services and manufacturing business during the period.

Other income

Other income decreased slightly from approximately RMB14.3 million for the six months ended 30 June 2020 to approximately RMB14.1 million for the six months ended 30 June 2021 mainly due to the decrease in government grants received.

Distribution costs

Distribution costs increased from approximately RMB168.9 million for the six months ended 30 June 2020 to approximately RMB264.3 million for the six months ended 30 June 2021. Such increase was mainly due to the increase in transportation costs and staff costs.

Administrative expenses

Administrative expenses increased from approximately RMB151.9 million for the six months ended 30 June 2020 to approximately RMB247.5 million for the six months ended 30 June 2021. Such increase was mainly due to the increase in staff costs.

Finance costs

Finance costs increased from approximately RMB97.0 million for the six months ended 30 June 2020 to approximately RMB111.6 million for the six months ended 30 June 2021. Such increase was mainly due to the increase in interest expenses on bank borrowings.

Income tax expense

The income tax expense increased from approximately RMB54.3 million for the six months ended 30 June 2020 to approximately RMB147.1 million for the six months ended 30 June 2021 due to the increase in profit.

Profit for the period

The Group recorded a net profit of approximately RMB468.3 million for the six months ended 30 June 2021 as compared with a net profit of approximately RMB140.5 million for the six months ended 30 June 2020. The increase was mainly due to the increase in gross profit.

MANAGEMENT DISCUSSION AND ANALYSIS

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, Hong Kong Dollar and Japanese Yen, which are exposed to foreign currency translation risk.

The 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 2021, the borrowings of the Group amounted to approximately RMB7,119 million. Notes payable amounted to approximately RMB214 million while the bank balances were approximately RMB2,460 million of which approximately RMB2,095 million were restricted bank deposits for issuing letter of credit and notes payable.

As at 30 June 2021, the Group recorded a net current liabilities of approximately RMB84 million.

The gearing ratios as at 30 June 2021 and 31 December 2020 were 64.65% and 61.31% 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 2021, the Group did not have any material contingent liabilities.

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2021

	<i>Note</i>	As at 30 June 2021 <i>RMB'000</i>	As at 31 December 2020 <i>RMB'000</i>
ASSETS			
Non-current assets			
Property, plant and equipment	6	4,796,164	4,693,561
Right-of-use assets		499,917	509,231
Investment properties		1,820	3,831
Intangible assets		20,038	20,282
Deferred income tax assets		13,531	14,497
Trade receivables and contract assets	8	24,266	25,354
Other non-current assets		37,495	37,612
		5,393,231	5,304,368
Current assets			
Inventories	7	4,270,129	3,237,265
Trade receivables and contract assets	8	770,426	451,661
Prepayments, deposits and other receivables	9	1,097,225	785,461
Restricted bank deposits		2,094,988	887,422
Cash and cash equivalents		364,712	103,189
		8,597,480	5,464,998
Total assets		13,990,711	10,769,366
EQUITY			
Equity attributable to equity holders of the Company			
Share capital	10	106,607	106,607
Reserves		3,244,965	2,853,629
		3,351,572	2,960,236
Non-controlling interests		340,723	355,725
Total equity		3,692,295	3,315,961

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2021

	<i>Note</i>	As at 30 June 2021 <i>RMB'000</i>	As at 31 December 2020 <i>RMB'000</i>
LIABILITIES			
Non-current liabilities			
Borrowings	11	1,442,833	964,188
Deferred government grants		134,044	134,160
Deferred income tax liabilities		30,176	27,600
Long-term payables		10,294	14,912
		<u>1,617,347</u>	<u>1,140,860</u>
Current liabilities			
Trade payables	12	1,391,243	568,081
Accruals and other current liabilities		664,511	544,799
Contract liabilities		806,763	720,340
Current income tax liabilities		112,156	73,352
Borrowings	11	5,676,024	4,394,387
Lease liabilities		2,372	4,386
Dividends payable		28,000	7,200
		<u>8,681,069</u>	<u>6,312,545</u>
Total liabilities		<u>10,298,416</u>	<u>7,453,405</u>
Total equity and liabilities		<u>13,990,711</u>	<u>10,769,366</u>

UNAUDITED CONDENSED CONSOLIDATED COMPREHENSIVE INCOME STATEMENT

For the six months ended 30 June 2021

	Note	Six months ended 30 June	
		2021 RMB'000	2020 RMB'000
Revenue	13	22,385,163	15,633,880
Cost of sales	14	(21,159,933)	(15,033,784)
Gross profit		1,225,230	600,096
Other income		14,115	14,324
Other expenses		(563)	(1,828)
Distribution costs	14	(264,281)	(168,873)
Administrative expenses	14	(247,541)	(151,880)
Operating profit		726,960	291,839
Finance income	15	18,166	14,651
Finance costs	15	(129,757)	(111,656)
Finance costs – net	15	(111,591)	(97,005)
Profit before income tax		615,369	194,834
Income tax expense	16	(147,105)	(54,330)
Profit and total comprehensive income for the period		468,264	140,504
Attributable to:			
Equity holders of the Company		454,216	127,634
Non-controlling interests		14,048	12,870
		468,264	140,504
Earnings per share for profit attributable to equity holders of the Company during the period (expressed in RMB per share)			
– basic earnings per share	17	0.36	0.10
– diluted earnings per share	17	0.36	0.10

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2021

	Attributable to equity holders of the Company		Non- controlling interests	Total equity
	Share Capital	Reserves		
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Balance at 1 January 2021	106,607	2,853,629	355,725	3,315,961
Comprehensive income				
Profit for the period	–	454,216	14,048	468,264
Total comprehensive income for the period	–	454,216	14,048	468,264
Transaction with owners				
Dividend	–	(62,880)	(29,050)	(91,930)
Total transaction with owners	–	(62,880)	(29,050)	(91,930)
Balance at 30 June 2021	106,607	3,244,965	340,723	3,692,295

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

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2021

	Six months ended 30 June	
	2021	2020
	RMB'000	RMB'000
Cash flows from operating activities		
Cash flows from operations	302,333	104,621
Interest received	18,166	14,651
Interest paid	(129,757)	(111,656)
Income tax paid	(104,759)	(56,719)
Net cash from/(used in) operating activities	85,983	(49,103)
Cash flows from investing activities		
Purchase of property, plant and equipment	(293,915)	(235,052)
Other investing cash flow	(7,881)	2,045
Net cash used in investing activities	(301,796)	(233,007)
Cash flows from financing activities		
Net change in borrowings	1,756,032	1,029,321
Net change in restricted bank deposits	(1,207,566)	(691,555)
Dividend paid	(71,130)	(41,050)
Net cash from financing activities	477,336	296,716
Net change in cash and cash equivalents	261,523	14,606
Cash and cash equivalents at beginning of the period	103,189	161,807
Exchange loss on cash and cash equivalents	–	–
Cash and cash equivalents at end of the period	364,712	176,413

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2021

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 2021 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 2021, the Group's current liabilities exceeded its current assets by approximately RMB83,589,000 (31 December 2020: RMB847,547,000). 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 2021

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 2020, 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 2021.

	Effective for annual periods beginning on or after
HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16 (Amendments)	Interest Rate Benchmark Reform – Phase 2 1 January 2021

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

(b) The following new standard has been issued but are not effective for the financial year beginning on 1 January 2021 and have not been early adopted.

	Effective for annual periods beginning on or after
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 1 and HKAS 28 (Amendments)	Presentation of financial statements, accounting policies, changes in accounting estimates and errors 1 January 2023
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 2021

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 2020 except for the change in accounting estimates on the useful lives of certain categories of machinery, building and plant.

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 2020.

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 2021

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 1 January 2020						
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	<u>1,062,159</u>	<u>2,679,008</u>	<u>14,536</u>	<u>21,660</u>	<u>655,132</u>	<u>4,432,495</u>
Year ended 31 December 2020						
Opening net book amount	1,062,159	2,679,008	14,536	21,660	655,132	4,432,495
Additions	729	30,533	4,683	7,414	471,174	514,533
Transfer from construction-in-progress to property, plant and equipment	270,846	390,990	534	1,199	(663,569)	–
Transfer from property, plant and equipment to construction-in-progress	–	(7,392)	–	–	7,392	–
Disposals	(27)	(787)	(315)	(265)	(275)	(1,669)
Depreciation	(42,395)	(197,630)	(4,780)	(6,993)	–	(251,798)
Closing net book amount	<u>1,291,312</u>	<u>2,894,722</u>	<u>14,658</u>	<u>23,015</u>	<u>469,854</u>	<u>4,693,561</u>
At 31 December 2020						
Cost	1,528,117	4,050,430	46,298	75,082	469,854	6,169,781
Accumulated depreciation	(236,805)	(1,155,708)	(31,640)	(52,067)	–	(1,476,220)
Net book amount	<u>1,291,312</u>	<u>2,894,722</u>	<u>14,658</u>	<u>23,015</u>	<u>469,854</u>	<u>4,693,561</u>
Six months ended 30 June 2021						
Opening net book amount	1,291,312	2,894,722	14,658	23,015	469,854	4,693,561
Additions	14,912	20,600	1,577	873	257,663	295,625
Transfer	8,925	65,413	–	–	(74,338)	–
Disposals	–	(392)	(1,121)	(197)	–	(1,710)
Depreciation	(33,035)	(154,829)	(767)	(2,681)	–	(191,312)
Closing net book amount	<u>1,282,114</u>	<u>2,825,514</u>	<u>14,347</u>	<u>21,010</u>	<u>653,179</u>	<u>4,796,164</u>
At 30 June 2021						
Cost	1,551,954	4,136,051	46,754	75,758	653,179	6,463,696
Accumulated depreciation	(269,840)	(1,310,537)	(32,407)	(54,748)	–	(1,667,532)
Net book amount	<u>1,282,114</u>	<u>2,825,514</u>	<u>14,347</u>	<u>21,010</u>	<u>653,179</u>	<u>4,796,164</u>

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2021

During the six months ended 30 June 2021, the management of the Group has reviewed and revised the estimated useful lives of certain categories of machinery, building and plant as follows:

	Revised useful lives
Machinery	10 to 20 years
Building and plant	20 to 30 years

The change in accounting estimates on the useful lives took effect from 1 January 2021 and resulted in an increase in depreciation charge by RMB50,030,000 for the six months ended 30 June 2021.

7. INVENTORIES

	As at 30 June 2021 RMB'000	As at 31 December 2020 RMB'000
Raw materials	3,205,345	2,207,043
Finished goods and work-in-progress	1,064,784	1,030,222
	4,270,129	3,237,265

For the six months ended 30 June 2021, the Group has recorded a loss of approximately RMB19,869,000 for the write-down of inventories to their net realisable value. A gain of approximately RMB14,882,000 was recorded for the six months ended 30 June 2020. These amounts have been included in the cost of sales in the unaudited condensed consolidated statement of comprehensive income.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2021

8. TRADE RECEIVABLES AND CONTRACT ASSETS

	As at 30 June 2021			As at 31 December 2020		
	Current RMB'000	Non- Current RMB'000	Total RMB'000	Current RMB'000	Non- Current RMB'000	Total RMB'000
Contract assets	27,278	24,389	51,667	40,770	25,482	66,252
Accounts receivable	675,089	–	675,089	400,263	–	400,263
Notes receivable						
– bank acceptance notes	25,318	–	25,318	16,152	–	16,152
– commercial acceptance notes	56,584	–	56,584	8,295	–	8,295
	784,269	24,389	808,658	465,480	25,482	490,962
Less: provision for impairment	(13,843)	(123)	(13,966)	(13,819)	(128)	(13,947)
	770,426	24,266	794,692	451,661	25,354	477,015

The carrying amounts of trade receivables and contract assets approximate their fair value as at the balance sheet date.

The majority of the Group's sales are made on (i) cash on delivery, (ii) bank or commercial acceptance notes with maturity within 1 year, and (iii) credit terms within 180 days. As at 30 June 2021 and 31 December 2020, the aging analysis of trade receivables was as follows:

	As at 30 June 2021 RMB'000	As at 31 December 2020 RMB'000
Accounts receivable		
– within 30 days	443,998	208,613
– 30 days to 3 months	113,536	92,786
– 3 months to 6 months	49,118	46,161
– 6 months to 1 year	44,763	39,547
– 1 year to 2 years	23,393	12,778
– over 2 years	281	378
	675,089	400,263
Notes receivable		
– within 1 year	81,902	24,447
	756,991	424,710

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2021

9. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	As at 30 June 2021 <i>RMB'000</i>	As at 31 December 2020 <i>RMB'000</i>
Prepayment for purchase of raw materials	853,144	533,864
Discounted interest for notes receivable	48,292	29,297
Value added tax recoverable	127,097	182,913
Export tax refundable	6,669	11,365
Deposits and other receivables	47,545	23,813
Loan to related parties	14,478	4,209
	<u>1,097,225</u>	<u>785,461</u>

10. SHARE CAPITAL

	Number of shares '000	<i>HKD'000</i>	<i>RMB'000</i>
Authorised share capital As at 31 December 2020 and 30 June 2021 (ordinary shares of HKD0.10 each)	<u>1,500,000</u>	<u>150,000</u>	<u>128,886</u>
Issued and fully paid up As at 31 December 2020 and 30 June 2021 (ordinary shares of HKD0.10 each)	<u>1,245,190</u>	<u>124,519</u>	<u>106,607</u>

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2021

11. BORROWINGS

	As at 30 June 2021 <i>RMB'000</i>	As at 31 December 2020 <i>RMB'000</i>
Non-current		
Bank borrowings	1,383,600	879,150
Borrowing under finance lease arrangement	59,233	85,038
	<u>1,442,833</u>	<u>964,188</u>
Current		
Bank borrowings	5,490,995	4,317,966
Borrowing under finance lease arrangement	25,807	16,421
Other loans	159,222	60,000
	<u>5,676,024</u>	<u>4,394,387</u>
Total borrowings	<u>7,118,857</u>	<u>5,358,575</u>
Representing :		
Bank borrowings		
– unsecured	3,975,615	3,491,497
– secured	2,769,990	1,585,619
– guaranteed	128,990	120,000
Finance lease arrangement	85,040	101,459
Other loans	159,222	60,000
	<u>7,118,857</u>	<u>5,358,575</u>

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2021

12. TRADE PAYABLES

	As at 30 June 2021 <i>RMB'000</i>	As at 31 December 2020 <i>RMB'000</i>
Accounts payable	1,177,243	480,581
Notes payable	214,000	87,500
	1,391,243	568,081

The ageing analysis of the trade payable was as follows:

	As at 30 June 2021 <i>RMB'000</i>	As at 31 December 2020 <i>RMB'000</i>
Within 6 months	1,380,618	549,899
6 months to 1 year	10,254	17,675
1 year to 2 years	244	459
More than 2 years	127	48
	1,391,243	568,081

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2021

13. REVENUE

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

	Six months ended 30 June	
	2021	2020
	<i>RMB'000</i>	<i>RMB'000</i>
– Mainland China	21,992,271	15,246,754
– Hong Kong and other overseas countries and regions (i)	392,892	387,126
Total sales	22,385,163	15,633,880

(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 2021 and 2020. All revenues are derived from external customers.

	Six months ended 30 June	
	2021	2020
	<i>RMB'000</i>	<i>RMB'000</i>
Processing services of metal materials	20,962,514	14,431,107
High-end equipment manufacturing services	807,744	760,708
Components manufacturing services	614,905	442,065
	22,385,163	15,633,880

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2021

The segment results for the six months ended 30 June 2021:

	Processing RMB'000	Manufacturing RMB'000	Elimination RMB'000	Total RMB'000
Segment revenue	21,917,700	928,317	(460,854)	22,385,163
– including external customers	21,577,419	807,744	–	22,385,163
– including internal customers	340,281	120,573	(460,854)	–
Segment results	665,319	54,261	(6,172)	713,408
– including depreciation and amortisation	153,570	43,819	–	197,389
Other income and expenses				13,552
Finance costs – net				(111,591)
Profit before income tax				615,369
Income tax expense				(147,105)
Profit for the period				468,264

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
– including external customers	14,873,172	760,708	–	15,633,880
– including internal customers	266,650	49,034	(315,684)	–
Segment results	226,907	67,988	(15,552)	279,343
– including depreciation and amortisation	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

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2021

14. EXPENSES BY NATURE

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

	Six months ended 30 June	
	2021	2020
	<i>RMB'000</i>	<i>RMB'000</i>
Changes in inventories of finished goods	(57,744)	23,674
Raw materials consumed	20,417,700	14,475,623
Stamp duty, property tax and other surcharges	33,828	22,029
Transportation costs	224,669	172,887
Employee benefit expenses, including directors' emoluments	640,002	350,306
Depreciation and amortisation	197,389	125,720
Operating lease rental for buildings	4,398	2,743
Utilities charges	32,752	30,797
Provision for /(Reversal of) write-down of inventories	19,869	(14,882)
Entertainment and travelling expenses	30,858	17,793
Professional service expenses	5,847	4,949
Others	122,187	142,898
	21,671,755	15,354,537

15. FINANCE COSTS - NET

	Six months ended 30 June	
	2021	2020
	<i>RMB'000</i>	<i>RMB'000</i>
Interest expenses on bank borrowings	74,746	60,106
Interest expenses on bank/commercial acceptance notes and letters of credit	53,914	50,221
Exchange loss, net	1,097	1,329
Total finance costs	129,757	111,656
Interest income	(18,166)	(14,651)
	111,591	97,005

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2021

16. INCOME TAX EXPENSE

	Six months ended 30 June	
	2021	2020
	<i>RMB'000</i>	<i>RMB'000</i>
Current income tax expense		
– Mainland China corporate income tax	143,206	52,608
Deferred income tax expense	3,899	1,722
	147,105	54,330

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 2021

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	
	2021	2020
Profit attributable to equity holders of the company (RMB'000)	454,216	127,634
Weighted average number of ordinary shares in issue (thousands)	1,245,190	1,245,190
Basic earnings per share (RMB)	0.36	0.10

(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	
	2021	2020
Profit attributable to equity holders of the company (RMB'000)	454,216	127,634
Weighted average number of ordinary shares in issue (thousands)	1,245,190	1,245,190
Adjustments for share option plan (thousands)	578	–
Weighted average number of ordinary shares for diluted earnings per share (thousands)	1,245,768	1,245,190
Diluted earnings per share (RMB)	0.36	0.10

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2021

18. INTERIM DIVIDENDS

The board of directors recommends the payment of an interim dividend in respect of the six months ended 30 June 2021 of HKD0.06 per share (2020: nil).

19. COMMITMENTS

Capital commitments

	As at 30 June 2021 <i>RMB'000</i>	As at 31 December 2020 <i>RMB'000</i>
Contracted but not provided for:		
Acquisition of property, plant and equipment	366,586	276,900

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 2021. 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 2021.

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 DIVIDEND

The board of Directors has declared an interim dividend of HK\$0.06 (2020: nil) per share, which will be payable on or about Thursday, 30 September 2021 to shareholders registered at the close of business on Thursday, 16 September 2021.

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 2021.

REVIEW OF INTERIM RESULTS

The Audit Committee of the Company has discussed with the management and reviewed the unaudited interim results, including the unaudited condensed consolidated financial statements, of the Group for the six months ended 30 June 2021 and considered that the Company has complied with all applicable accounting standards and requirements.

CHANGE IN INFORMATION OF DIRECTORS

On 18 May 2021, Mr. Lu Daming ceased to be an independent director of Zhuzhou Tiaoqiao Crane Co., Ltd. (Stock code: 002523, the shares of which are listed on the Shenzhen Stock Exchange).

On 11 June 2021, Mr. Lin Changchun resigned as a non-executive director of the Company and Mr. Zhu Baomin 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 2020 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 2021 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 2021	Number of share options			As at 30 June 2021	Exercise period
				Granted during the period	Exercised during the period	Cancelled/ lapsed during the period		
Directors								
Mr. Zhang Feng	23 December 2014	2.364	100,000 ⁽¹⁾	-	-	-	100,000	23 December 2017 to 22 December 2024
Dr. Fukui Tsutomu	23 December 2014	2.364	500,000 ⁽¹⁾	-	-	-	500,000	23 December 2017 to 22 December 2024
Mr. Wang Jian	23 December 2014	2.364	400,000 ⁽¹⁾	-	-	-	400,000	23 December 2017 to 22 December 2024
Other employees in aggregate	23 December 2014	2.364	12,500,000 ⁽¹⁾	-	-	-	12,500,000	23 December 2017 to 22 December 2024
Total			13,500,000	-	-	-	13,500,000	

⁽¹⁾ 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 2020 Annual Report.

During the period ended 30 June 2021, an aggregate of 302,000 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 2021, the independent trustee holds 17,842,000 shares of the Company for the share award scheme.

EMPLOYMENT POLICY

As at 30 June 2021, the Group employed a total of 6,377 staffs (2020: 5,732), of which 4,655 were production and technical personnel, representing 73.0%; 1,076 were sales personnel, representing 16.9%; and 646 were management and financial officer, representing 10.1%.

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 2021, 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:

OTHER INFORMATION

(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 ⁽¹⁾	63.73%
Mr. Jiang Changhong (also Chief Executive Officer)	Personal	384,000	0.03%
Ms. Xu Xia	Personal, family and corporate	793,551,000 ⁽¹⁾	63.73%
Mr. Zou Xiaoping	Personal and family	5,060,000 ⁽²⁾	0.41%
Dr. Fukui Tsutomu	Personal and family	1,864,000 ⁽³⁾	0.15%
Mr. Zhang Feng	Personal	2,244,000 ⁽⁴⁾	0.18%
Mr. Wang Jian	Personal and family	1,696,000 ⁽⁵⁾	0.14%

(1) 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.

(2) 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.

(3) The interest comprises 498,000 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.

(4) The interest comprises 2,144,000 shares, 100,000 underlying shares in respect of the share options granted pursuant to the share option scheme as disclosed under section headed share option scheme.

(5) The interest comprises 448,000 shares held by Mr. Wang Jian, 848,000 shares held by Mr. Wang's spouse, Ms. Zhang Minxian and 400,000 underlying shares in respect of the share options granted to Mr. Wang 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	Nature of interests	Number of shares held	% of issued share capital of associated corporation
Mr. Zhou Keming	Ally Good Group Limited ⁽¹⁾	Personal and family	1,000 ⁽²⁾	100%
Ms. Xu Xia	Ally Good Group Limited ⁽¹⁾	Personal and family	1,000 ⁽²⁾	100%

(1) As at 30 June 2021, 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.

(2) 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 2021, 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 2021, the interests or short positions of every person, other than a director or chief executive of the Company, in the shares and underlying shares of the Company as recorded in the register required to be kept under section 336 of the SFO, are set out below:

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

Name of Shareholder	Number of ordinary shares held	Approximate percentage of the Company's issued share capital
<i>Long position</i>		
Ally Good Group Limited	793,435,000 ⁽¹⁾	63.72%
China Baowu Steel Group Corporation Limited ("China Baowu")	207,500,000 ⁽²⁾	16.66%
Tisco Stainless Steel (H.K.) Limited ("Tisco")	103,750,000	8.33%

(1) 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.

(2) These Shares comprise 103,750,000 shares held by China Baowu directly and 103,750,000 shares held by China Baowu indirectly through Tisco. China Baowu owned 51% equity interests in Taiyuan Iron & Steel (Group) Co., Ltd. ("Taiyuan Steel"). Tisco is a wholly-owned subsidiary of Shanxi Taigang Stainless Steel Co., Ltd., which was in turn a subsidiary of Taiyuan Steel and then a subsidiary of China Baowu. As such, China Baowu was deemed to be interested in the same 103,750,000 shares in which Tisco held.

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 2021.