



# DA MING INTERNATIONAL HOLDINGS LIMITED

(Incorporated in the Cayman Islands with limited liability)



# 2023

## INTERIM REPORT

STOCK CODE : 1090



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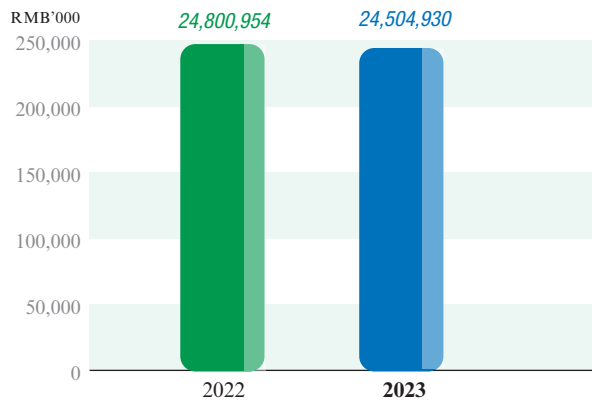
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## FINANCIAL AND OPERATING HIGHLIGHTS

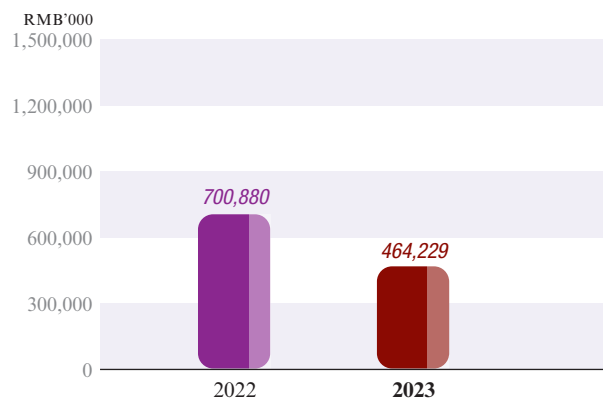
### Financial Highlights

	Six months ended 30 June		% change
	2023	2022	
	RMB'000	RMB'000	
Revenue	24,504,930	24,800,954	-1.2%
Gross profit	464,229	700,880	-33.8%
Total comprehensive income for the period	11,628	158,486	-92.7%

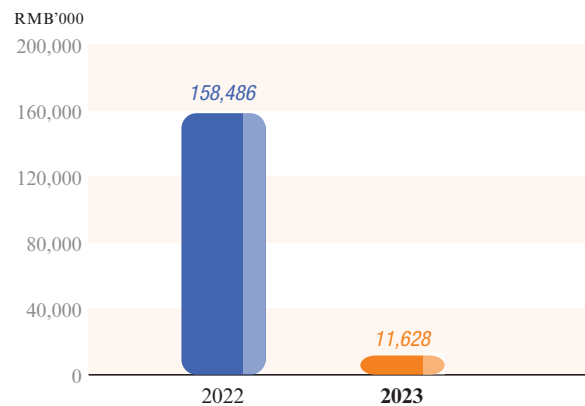
### Revenue



### Gross profit



### Total comprehensive income



## FINANCIAL AND OPERATING HIGHLIGHTS

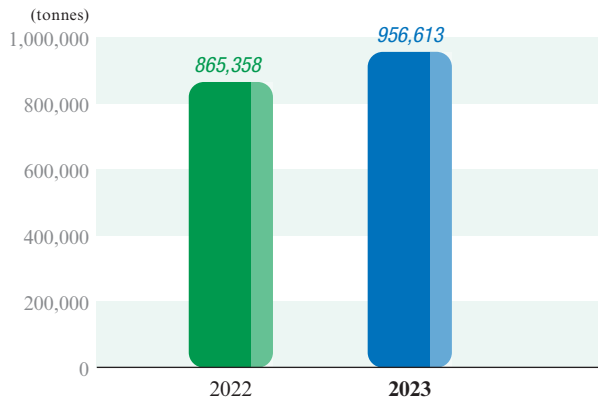
### Operating Highlights

	Six months ended 30 June		% change
	2023	2022	
<b>Stainless steel</b>			
Sales volume (tonnes)	<b>956,613</b>	865,358	+10.5%
Processing volume (tonnes)	<b>1,547,745</b>	1,379,928	+12.2%
Including: cutting platform (tonnes)	<b>572,278</b>	600,617	-4.7%
slitting platform (tonnes)	<b>678,109</b>	605,762	+11.9%
polishing platform (tonnes)	<b>125,402</b>	112,468	+11.5%
other platforms (tonnes)	<b>171,956</b>	61,081	+181.5%
Processing multiple ( <i>note</i> )	<b>1.62</b>	1.59	
<b>Carbon steel</b>			
Sales volume (tonnes)	<b>2,225,500</b>	1,755,596	+26.8%
Processing volume (tonnes)	<b>2,333,674</b>	1,924,192	+21.3%
Including: cutting platform (tonnes)	<b>1,594,540</b>	1,268,382	+25.7%
slitting platform (tonnes)	<b>466,059</b>	385,787	+20.8%
other platforms (tonnes)	<b>273,075</b>	270,023	+1.1%
Processing multiple ( <i>note</i> )	<b>1.05</b>	1.10	

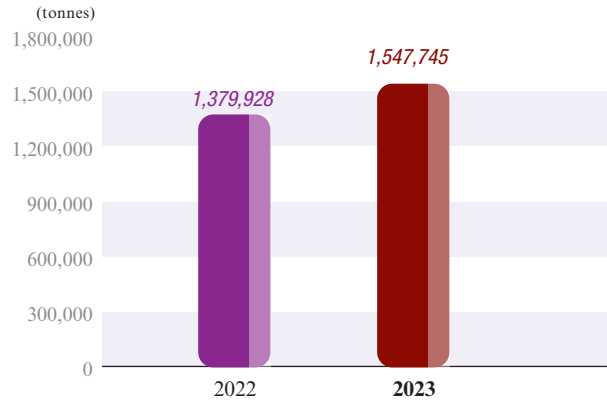
*Note* :  $Processing\ multiple = \frac{Processing\ volume}{Sales\ volume}$

## FINANCIAL AND OPERATING HIGHLIGHTS

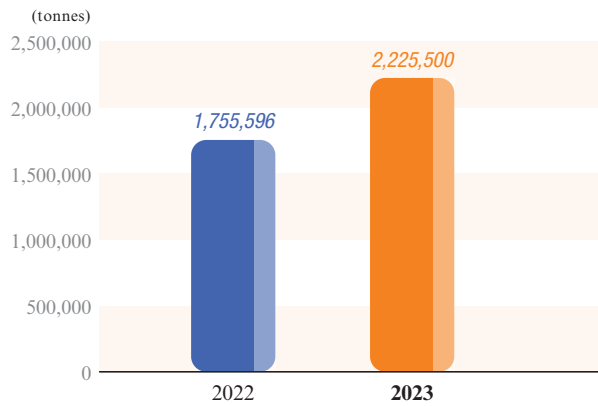
### Sales volume of stainless steel



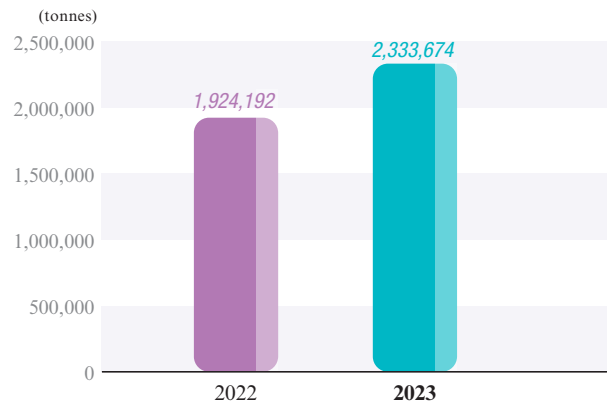
### Processing volume of stainless steel



### Sales volume of carbon steel



### Processing volume of carbon steel



## MANAGEMENT DISCUSSION AND ANALYSIS

### 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-scale 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 1,780 million tonnes in 2022, of which China recorded an apparent consumption of approximately 920 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

### Projects highlights

#### 1. Daming Heavy Industry delivered a new energy rotary kiln project with mass production

The new energy rotary kiln project for large-scale drying equipment of a famous domestic enterprise manufactured by the process equipment branch of Daming Heavy Industry has passed the qualification test of the customer and has ensured successful delivery by fast processing speed and stable production quality.



#### 2. Jiangsu Daming and TISCO served Yancheng SKO lithium battery workshops cleaning project of CESE3

For SK's largest global power battery project, Jiangsu Daming provided floor cleaning in the workshops.

Relying on the resources of steel mills, Daming extended its services and customized them according to the needs of customers, creating a full-process service from raw materials to the customer, and constructing an efficient processing service system and total solutions close to the customer.





## MANAGEMENT DISCUSSION AND ANALYSIS

3. **Metso Outotec carbon steel flotation machines were successfully shipped to serve large-scale copper milling project**



The successful shipment of the Metso Outotec carbon steel flotation machines for large-scale copper milling projects manufactured by Daming Energy Equipment will help the concentrator achieve more efficient resource comprehensive utilization, as well as save energy, improve the energy utilization rate, and reduce production costs.

4. **Daming's internal cooperation to serve the CHINALCO's nickel and cobalt smelting project in Indonesia**

Jiangsu Daming cooperated with Daming Taian Processing Center to complete the processing of tanks for the overseas project of the CHINALCO's nickel and cobalt smelting equipment system in Indonesia for the first time, which has successfully assisted the construction of the first phase of the project.



## MANAGEMENT DISCUSSION AND ANALYSIS

### STRATEGIC COOPERATION

1. Daming Heavy Industry entered cooperation agreement with CMOC and Liugong



2. DFEM entered strategic cooperation agreement with Daming Heavy Industry





## MANAGEMENT DISCUSSION AND ANALYSIS

3. German Trumpf (China) entered strategic cooperation agreement with Daming and awarded Daming “the Best Partner”



4. SEDIN Engineering entered strategic cooperation agreement with Daming Heavy Industry to deepen cooperation in the supply chain



## MANAGEMENT DISCUSSION AND ANALYSIS

### Operating results

The Group recorded a net profit of approximately RMB11.6 million for the six months ended 30 June 2023 representing a significant decrease of approximately 92.7% as compared with the net profit of approximately RMB158.5 million for the six months ended 30 June 2022. The decrease in operating results was mainly due to the decrease in the market price of steel materials during the period.

The sales volume of our stainless steel processing business increased from approximately 865,000 tonnes for the six months ended 30 June 2022 to approximately 957,000 tonnes for the six months ended 30 June 2023 representing an increase of approximately 10.5%. The processing volume increased from approximately 1,380,000 tonnes for the six months ended 30 June 2022 to approximately 1,548,000 tonnes for the six months ended 30 June 2023 representing an increase of approximately 12.2%.

The sales volume of our carbon steel processing business increased from approximately 1,756,000 tonnes for the six months ended 30 June 2022 to approximately 2,226,000 tonnes for the six months ended 30 June 2023 representing an increase of approximately 26.8%. The processing volume increased from approximately 1,924,000 tonnes for the six months ended 30 June 2022 to approximately 2,334,000 tonnes for the six months ended 30 June 2023 representing an increase of approximately 21.3%.

## MANAGEMENT DISCUSSION AND ANALYSIS

The sales volume and processing volume of our processing centres for the six months ended 30 June 2023 and the corresponding period in 2022 were as follows:

### Stainless steel

	Six months ended 30 June		% change
	2023 tonnes	2022 tonnes	
<b>Sales volume</b>			
Wuxi	395,970	376,920	+5.1%
Hangzhou	118,364	108,391	+9.2%
Tianjin	128,477	98,076	+31.0%
Taiyuan	70,169	62,502	+12.3%
Wuhan	45,566	43,853	+3.9%
Jingjiang	79,912	69,040	+15.7%
Shandong	72,105	71,540	+0.8%
Jiaxing	46,050	35,036	+31.4%
Total	<b>956,613</b>	865,358	+10.5%
<b>Processing volume</b>			
Wuxi	677,640	638,486	+6.1%
Hangzhou	148,610	150,342	-1.2%
Tianjin	134,257	128,939	+4.1%
Taiyuan	256,260	159,985	+60.2%
Wuhan	56,304	62,053	-9.3%
Jingjiang	157,823	136,744	+15.4%
Shandong	69,695	67,333	+3.5%
Jiaxing	47,156	36,046	+30.8%
Total	<b>1,547,745</b>	1,379,928	+12.2%

## MANAGEMENT DISCUSSION AND ANALYSIS

## Carbon steel

	Six months ended 30 June		% change
	2023 tonnes	2022 tonnes	
<b>Sales volume</b>			
Wuxi	387,966	347,504	+11.6%
Hangzhou	89,999	111,624	-19.4%
Tianjin	282,714	189,079	+49.5%
Taiyuan	142,808	120,702	+18.3%
Wuhan	313,732	262,456	+19.5%
Jingjiang	452,452	294,223	+45.4%
Shandong	282,393	212,177	+33.1%
Jiaxing	273,436	217,831	+25.5%
	<b>2,225,500</b>	<b>1,755,596</b>	<b>+26.8%</b>
<b>Processing volume</b>			
Wuxi	333,968	271,853	+22.8%
Hangzhou	7,418	111,848	-93.4%
Tianjin	291,044	223,093	+30.5%
Taiyuan	170,113	149,333	+13.9%
Wuhan	361,605	297,730	+21.5%
Jingjiang	537,319	426,720	+25.9%
Shandong	288,414	232,257	+24.2%
Jiaxing	343,793	211,358	+62.7%
	<b>2,333,674</b>	<b>1,924,192</b>	<b>+21.3%</b>



## MANAGEMENT DISCUSSION AND ANALYSIS

### FINANCIAL REVIEW AND ANALYSIS

During the six months ended 30 June 2023, we recorded a revenue of approximately RMB24,505 million, gross profit of approximately RMB464 million and profit attributable to equity holders of the Company of approximately RMB7 million. Total assets of the Group as at 30 June 2023 amounted to approximately RMB14,446 million while equity attributable to equity holders of the Company amounted to approximately RMB3,173 million.

#### Revenue

Our revenue for the six months ended 30 June 2023 amounted to approximately RMB24,505 million comprising approximately RMB23,897 million from our processing business and approximately RMB608 million from our manufacturing business. As compared with the revenue for the six months ended 30 June 2022 of approximately RMB24,801 million, it represented a slight decrease of approximately 1.2%.

The sales volume of our stainless steel processing business increased from 865,358 tonnes for the six months ended 30 June 2022 to 956,613 tonnes for the six months ended 30 June 2023 representing an increase of approximately 10.5%. The sales volume of our carbon steel processing business increased from 1,755,596 tonnes for the six months ended 30 June 2022 to 2,225,500 tonnes for the six months ended 30 June 2023 representing an increase of approximately 26.8%.

The processing volume of our stainless steel processing business increased from 1,379,928 tonnes for the six months ended 30 June 2022 to 1,547,745 tonnes for the six months ended 30 June 2023 representing an increase of approximately 12.2%. The processing volume of our carbon steel processing business increased from 1,924,192 tonnes for the six months ended 30 June 2022 to 2,333,674 tonnes for the six months ended 30 June 2023 representing an increase of approximately 21.3%.

## MANAGEMENT DISCUSSION AND ANALYSIS

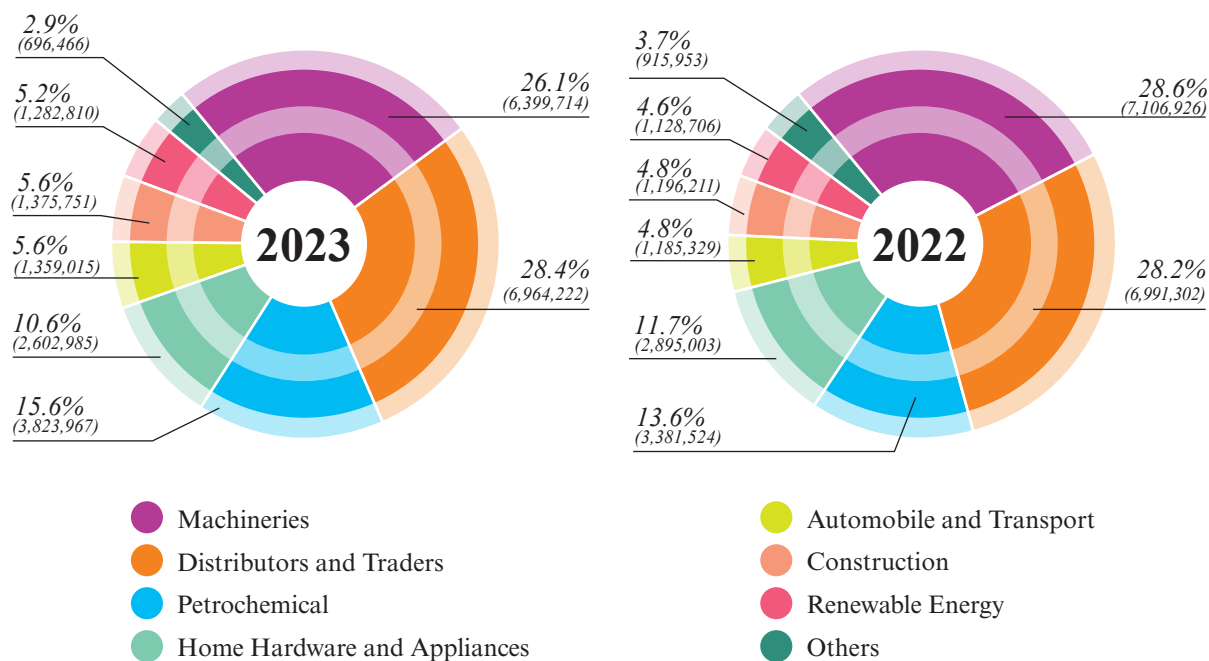
### Analysis of revenue by key industry segments

During the six months ended 30 June 2023 and the corresponding period in 2022, our revenue by key industry segments were shown below:

#### Revenue

Industry	Six months ended 30 June			
	2023		2022	
	RMB'000	%	RMB'000	%
Machineries	6,399,714	26.1	7,106,926	28.6
Distributors and Traders	6,964,222	28.4	6,991,302	28.2
Petrochemical	3,823,967	15.6	3,381,524	13.6
Home Hardware and Appliances	2,602,985	10.6	2,895,003	11.7
Automobile and Transport	1,359,015	5.6	1,185,329	4.8
Construction	1,375,751	5.6	1,196,211	4.8
Renewable Energy	1,282,810	5.2	1,128,706	4.6
Others	696,466	2.9	915,953	3.7
<b>Total</b>	<b>24,504,930</b>	<b>100.0</b>	<b>24,800,954</b>	<b>100.0</b>

RMB'000



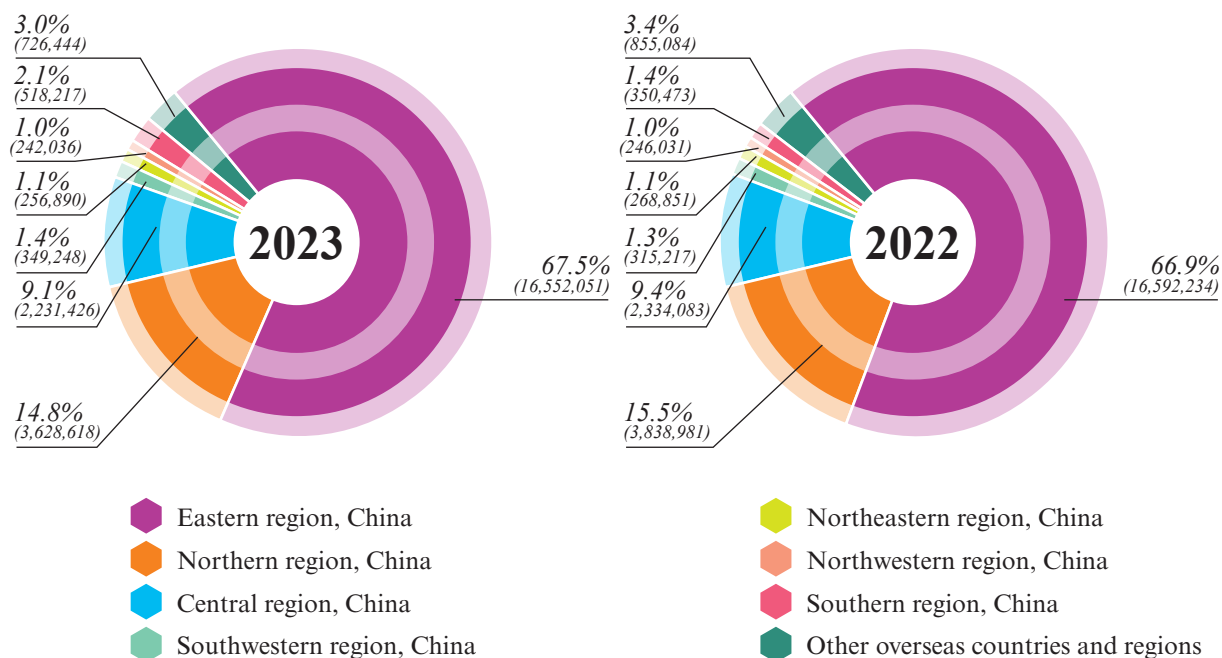
## MANAGEMENT DISCUSSION AND ANALYSIS

### Analysis of revenue by geographical regions

During the six months ended 30 June 2023 and the corresponding period in 2022, our revenue by geographical regions were shown below:

Region	Six months ended 30 June			
	2023		2022	
	RMB'000	%	RMB'000	%
Eastern region, China	16,552,051	67.5	16,592,234	66.9
Northern region, China	3,628,618	14.8	3,838,981	15.5
Central region, China	2,231,426	9.1	2,334,083	9.4
Southwestern region, China	349,248	1.4	315,217	1.3
Northeastern region, China	256,890	1.1	268,851	1.1
Northwestern region, China	242,036	1.0	246,031	1.0
Southern region, China	518,217	2.1	350,473	1.4
Other overseas countries and regions	726,444	3.0	855,084	3.4
<b>Total</b>	<b>24,504,930</b>	<b>100.0</b>	<b>24,800,954</b>	<b>100.0</b>

RMB'000



## MANAGEMENT DISCUSSION AND ANALYSIS

### **Gross profit**

Gross profit decreased from approximately RMB700.9 million for the six months ended 30 June 2022 to approximately RMB464.2 million for the six months ended 30 June 2023 mainly due to the decrease in the market price of steel materials during the period.

### **Other income**

Other income increased from approximately RMB7.9 million for the six months ended 30 June 2022 to approximately RMB41.3 million for the six months ended 30 June 2023 mainly due to the increase in government grants received.

### **Distribution costs**

Distribution costs decreased from approximately RMB231.5 million for the six months ended 30 June 2022 to approximately RMB225.4 million for the six months ended 30 June 2023. Such decrease was mainly due to the decrease in staff bonus expenses.

### **Administrative expenses**

Administrative expenses decreased from approximately RMB175.2 million for the six months ended 30 June 2022 to approximately RMB140.6 million for the six months ended 30 June 2023. Such decrease was mainly due to the decrease in staff bonus expenses.

### **Finance costs**

Finance costs increased from approximately RMB81.5 million for the six months ended 30 June 2022 to approximately RMB119.3 million for the six months ended 30 June 2023. Such increase was mainly due to the decrease in exchange gain recognised during the period.

### **Income tax expense**

The income tax expense decreased from approximately RMB60.9 million for the six months ended 30 June 2022 to approximately RMB6.7 million for the six months ended 30 June 2023 due to the decrease in profit.

### **Profit for the period**

The Group recorded a net profit of approximately RMB11.6 million for the six months ended 30 June 2023 as compared with a net profit of approximately RMB158.5 million for the six months ended 30 June 2022. The decrease was mainly due to the decrease 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 2023, the borrowings of the Group amounted to approximately RMB8,710 million. Notes payable amounted to approximately RMB30 million while the bank balances were approximately RMB2,676 million of which approximately RMB2,397 million were restricted bank deposits for issuing letter of credit and notes payable.

As at 30 June 2023, the Group recorded a net current liabilities of approximately RMB318 million.

The gearing ratios as at 30 June 2023 and 31 December 2022 were 70.54% and 65.05% 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 2023, the Group did not have any material contingent liabilities.

## UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2023

		As at 30 June 2023 <i>RMB'000</i>	As at 31 December 2022 <i>RMB'000</i>
	<i>Note</i>		
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	6	5,108,390	5,018,900
Right-of-use assets		551,938	532,750
Investment properties		1,318	1,130
Intangible assets		22,324	24,281
Deferred income tax assets		127,389	130,128
Trade receivables and contract assets	8	2,363	30,076
Other non-current assets		26,151	16,198
		<u>5,839,873</u>	<u>5,753,463</u>
<b>Current assets</b>			
Inventories	7	4,183,374	3,518,438
Trade receivables and contract assets	8	522,056	521,583
Prepayments, deposits and other receivables	9	1,171,821	1,119,325
Financial assets at fair value through other comprehensive income		53,102	55,571
Restricted bank deposits		2,397,361	1,402,791
Cash and cash equivalents		278,541	406,856
		<u>8,606,255</u>	<u>7,024,564</u>
<b>Total assets</b>		<u><b>14,446,128</b></u>	<u><b>12,778,027</b></u>
<b>EQUITY</b>			
<b>Equity attributable to equity holders of the Company</b>			
Share capital	10	109,041	109,041
Reserves		3,063,741	3,056,418
		<u>3,172,782</u>	<u>3,165,459</u>
<b>Non-controlling interests</b>		<u>347,675</u>	<u>339,226</u>
<b>Total equity</b>		<u><b>3,520,457</b></u>	<u><b>3,504,685</b></u>



## UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2023

	<i>Note</i>	As at 30 June 2023 <i>RMB'000</i>	As at 31 December 2022 <i>RMB'000</i>
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Borrowings	11	1,848,634	1,947,453
Deferred government grants		120,629	130,398
Deferred income tax liabilities		14,653	15,975
Lease liabilities		7,680	8,936
Long-term payables		9,902	14,773
		<u>2,001,498</u>	<u>2,117,535</u>
<b>Current liabilities</b>			
Trade payables	12	610,018	469,690
Accruals and other current liabilities		472,633	674,446
Contract liabilities		953,898	941,575
Current income tax liabilities		22,438	61,011
Borrowings	11	6,861,343	4,983,456
Lease liabilities		3,843	5,629
Dividends payable		–	20,000
		<u>8,924,173</u>	<u>7,155,807</u>
<b>Total liabilities</b>		<u>10,925,671</u>	<u>9,273,342</u>
<b>Total equity and liabilities</b>		<u>14,446,128</u>	<u>12,778,027</u>

## UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2023

	Note	Six months ended 30 June	
		2023 RMB'000	2022 RMB'000
Revenue	13	24,504,930	24,800,954
Cost of sales	14	(24,040,701)	(24,100,074)
<b>Gross profit</b>		<b>464,229</b>	700,880
Other income		41,277	7,855
Other expenses		(1,888)	(1,178)
Distribution costs	14	(225,415)	(231,457)
Administrative expenses	14	(140,558)	(175,249)
<b>Operating profit</b>		<b>137,645</b>	300,851
Finance income	15	32,304	26,655
Finance costs	15	(151,615)	(108,170)
Finance costs – net	15	(119,311)	(81,515)
<b>Profit before income tax</b>		<b>18,334</b>	219,336
Income tax expense	16	(6,706)	(60,850)
<b>Profit and total comprehensive income for the period</b>		<b>11,628</b>	158,486
<b>Attributable to:</b>			
Equity holders of the Company		7,323	149,114
Non-controlling interests		4,305	9,372
		<b>11,628</b>	158,486
<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	0.01	0.12
– diluted earnings per share	17	0.01	0.12

## UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2023

	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>
<b>Balance at 1 January 2022</b>	109,041	3,300,070	340,282	3,749,393
<b>Comprehensive income</b>				
Profit for the period	–	149,114	9,372	158,486
<b>Total comprehensive income for the period</b>	–	149,114	9,372	158,486
<b>Transaction with owners</b>				
Dividend	–	(64,041)	–	(64,041)
<b>Total transaction with owners</b>	–	(64,041)	–	(64,041)
<b>Balance at 30 June 2022</b>	<u>109,041</u>	<u>3,385,143</u>	<u>349,654</u>	<u>3,843,838</u>

	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>
<b>Balance at 1 January 2023</b>	109,041	3,056,418	339,226	3,504,685
<b>Comprehensive income</b>				
Profit for the period	–	7,323	4,305	11,628
<b>Total comprehensive income for the period</b>	–	7,323	4,305	11,628
<b>Transaction with owners</b>				
Capital injection from non-controlling shareholders	–	–	4,144	4,144
<b>Total transaction with owners</b>	–	–	4,144	4,144
<b>Balance at 30 June 2023</b>	<u>109,041</u>	<u>3,063,741</u>	<u>347,675</u>	<u>3,520,457</u>

## UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2023

	Six months ended 30 June	
	2023	2022
	RMB'000	RMB'000
<b>Cash flows from operating activities</b>		
Cash flows from operations	(392,600)	(197,148)
Interest received	32,304	26,655
Interest paid	(151,615)	(108,170)
Income tax paid	(43,862)	(134,061)
Net cash used in operating activities	(555,773)	(412,724)
<b>Cash flows from investing activities</b>		
Purchase of property, plant and equipment	(296,147)	(297,852)
Other investing cash flow	(45,037)	6,579
Net cash used in investing activities	(341,184)	(291,273)
<b>Cash flows from financing activities</b>		
Net change in borrowings	1,779,068	2,081,029
Net change in restricted bank deposits	(994,570)	(1,200,704)
Dividend paid	–	(64,041)
Dividend paid to non-controlling shareholders	(20,000)	–
Capital injection from non-controlling shareholders	4,144	–
Net cash from financing activities	768,642	816,284
<b>Net change in cash and cash equivalents</b>	(128,315)	112,287
Cash and cash equivalents at beginning of the period	406,856	141,196
<b>Cash and cash equivalents at end of the period</b>	<b>278,541</b>	<b>253,483</b>

## NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2023

### 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 2023 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 2023, the Group's current liabilities exceeded its current assets by approximately RMB317,918,000. 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 available financing including bank borrowings in Mainland China 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 2023

### 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 2022, as described in those annual financial statements.

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

#### (a) New and amended standards adopted by the Group

A number of amended standards became applicable for the current reporting period. The Group did not have to change its accounting policies as a result of adopting these standards except HKAS 12 (Amendments).

		<b>Effective for annual periods beginning on or after</b>
HKFRS17	Insurance Contracts	1 January 2023
HKAS 8 (Amendments)	Definition of Accounting Estimates	1 January 2023
HKAS 12 (Amendments)	Deferred Tax related to Assets and Liabilities arising from a Single Transaction	1 January 2023
HKAS 1 and HKFRS Practice Statement 2 (Amendments)	Disclosure of Accounting Policies	1 January 2023

The amendments to HKAS 12 Income Taxes require companies to recognise deferred tax on transactions that, on initial recognition, give rise to equal amounts of taxable and deductible temporary differences. They will typically apply to transactions such as leases of lessees and decommissioning obligations, and will require the recognition of additional deferred tax assets and liabilities.

The amendment should be applied to transactions that occur on or after the beginning of the earliest comparative period presented. In addition, entities should recognise deferred tax assets (to the extent that it is probable that they can be utilised) and deferred tax liabilities at the beginning of the earliest comparative period for all deductible and taxable temporary differences associated with:

- i) right-of-use assets and lease liabilities, and
- ii) decommissioning, restoration and similar liabilities, and the corresponding amounts recognised as part of the cost of the related assets.

The cumulative effect of recognising these adjustments as of 31 December 2022 was not material and hence no adjustment was made to the beginning retained earnings, or another component of equity.



## NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2023

- (b) The following new standards, new interpretations and amendments to standards and interpretations have been issued but are not effective for the financial year beginning on 1 January 2023 and have not been early adopted by the Group:

		<b>Effective for annual periods beginning on or after</b>
HKAS 1 (Amendments)	Classification of Liabilities as Current or Non-current	1 January 2024
HKAS 1 (Amendments)	Non-current liabilities with covenants	1 January 2024
HKFRS 16 (Amendments)	Lease liability in sale and leaseback	1 January 2024
HK Int 5 (Revised)	Presentation of Financial Statements- Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause	1 January 2024
HKFRS 10 and HKAS 28 (Amendments)	Sale or contribution of assets between an investor and its associate or joint venture	To be determined

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 2023

### 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 2022.

### 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 2022.

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 2023

### 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 2022</b>						
Cost	1,624,745	4,302,904	52,307	84,955	608,652	6,673,563
Accumulated depreciation	(297,520)	(1,478,304)	(34,551)	(57,799)	–	(1,868,174)
Net book amount	<u>1,327,225</u>	<u>2,824,600</u>	<u>17,756</u>	<u>27,156</u>	<u>608,652</u>	<u>4,805,389</u>
<b>Year ended 31 December 2022</b>						
Opening net book amount	1,327,225	2,824,600	17,756	27,156	608,652	4,805,389
Additions	349	18,596	4,783	2,654	589,301	615,683
Transfer from construction-in-progress	103,655	348,143	673	434	(452,905)	–
Transfer from investment properties	503	–	–	–	–	503
Transfer to intangible assets	–	–	–	–	(2,029)	(2,029)
Disposals	(42)	(1,250)	(563)	(162)	–	(2,017)
Depreciation	(63,666)	(323,480)	(5,360)	(6,123)	–	(398,629)
Closing net book amount	<u>1,368,024</u>	<u>2,866,609</u>	<u>17,289</u>	<u>23,959</u>	<u>743,019</u>	<u>5,018,900</u>
<b>At 31 December 2022</b>						
Cost	1,729,807	4,667,181	53,228	87,253	743,019	7,280,488
Accumulated depreciation	(361,783)	(1,800,572)	(35,939)	(63,294)	–	(2,261,588)
Net book amount	<u>1,368,024</u>	<u>2,866,609</u>	<u>17,289</u>	<u>23,959</u>	<u>743,019</u>	<u>5,018,900</u>
<b>Six months ended 30 June 2023</b>						
Opening net book amount	1,368,024	2,866,609	17,289	23,959	743,019	5,018,900
Additions	5,590	25,602	319	3,053	262,501	297,065
Transfer	4,846	49,777	1,928	1,562	(58,112)	–
Disposals	(53)	(622)	(141)	(102)	–	(918)
Depreciation	(34,089)	(167,248)	(1,783)	(3,538)	–	(206,657)
Closing net book amount	<u>1,344,318</u>	<u>2,774,118</u>	<u>17,612</u>	<u>24,934</u>	<u>947,408</u>	<u>5,108,390</u>
<b>At 30 June 2023</b>						
Cost	1,740,190	4,741,938	55,334	91,766	947,408	7,576,636
Accumulated depreciation	(395,872)	(1,967,820)	(37,722)	(66,832)	–	(2,468,246)
Net book amount	<u>1,344,318</u>	<u>2,774,118</u>	<u>17,612</u>	<u>24,934</u>	<u>947,408</u>	<u>5,108,390</u>

## NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2023

### 7. INVENTORIES

	As at 30 June 2023 <i>RMB'000</i>	As at 31 December 2022 <i>RMB'000</i>
Raw materials	3,300,284	2,380,025
Finished goods and work-in-progress	883,090	1,138,413
	<b>4,183,374</b>	<b>3,518,438</b>

For the six months ended 30 June 2023, the Group has recorded a loss of approximately RMB9,163,000 (2022: RMB122,411,000) for the write-down of inventories to their net realisable value. 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 2023

### 8. TRADE RECEIVABLES AND CONTRACT ASSETS

	As at 30 June 2023			As at 31 December 2022		
	Current RMB'000	Non- Current RMB'000	Total RMB'000	Current RMB'000	Non- Current RMB'000	Total RMB'000
Contract assets	59,531	2,382	61,913	29,660	30,319	59,979
Accounts receivable	473,444	–	473,444	504,452	–	504,452
Notes receivable						
– bank acceptance notes	1,621	–	1,621	–	–	–
– commercial acceptance notes	–	–	–	–	–	–
	<u>534,596</u>	<u>2,382</u>	<u>536,978</u>	<u>534,112</u>	<u>30,319</u>	<u>564,431</u>
Less: provision for impairment	(12,540)	(19)	(12,559)	(12,529)	(243)	(12,772)
	<u>522,056</u>	<u>2,363</u>	<u>524,419</u>	<u>521,583</u>	<u>30,076</u>	<u>551,659</u>

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 2023 and 31 December 2022, the aging analysis of trade receivables were as follows:

	As at 30 June 2023 RMB'000	As at 31 December 2022 RMB'000
Accounts receivable		
– within 30 days	307,485	322,339
– 30 days to 3 months	45,355	57,684
– 3 months to 6 months	34,369	59,270
– 6 months to 1 year	54,293	29,206
– 1 year to 2 years	23,365	33,522
– over 2 years	8,577	2,431
	<u>473,444</u>	<u>504,452</u>
Notes receivable		
– within 1 year	1,621	–
	<u>475,065</u>	<u>504,452</u>

## NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2023

### 9. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	As at 30 June 2023 <i>RMB'000</i>	As at 31 December 2022 <i>RMB'000</i>
Prepayment for purchase of raw materials	1,044,700	937,227
Discounted interest for notes receivable	42,402	38,070
Value added tax recoverable	43,585	97,218
Export tax refundable	5,573	5,994
Deposits and other receivables	35,561	40,816
	<u>1,171,821</u>	<u>1,119,325</u>

### 10. SHARE CAPITAL

	Number of shares '000	<i>HKD'000</i>	<i>RMB'000</i>
Authorised share capital As at 31 December 2022 and 30 June 2023 (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 2022 and 30 June 2023 (ordinary shares of HKD0.10 each)	<u>1,274,528</u>	<u>127,453</u>	<u>109,041</u>



## NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2023

### 11. BORROWINGS

	As at 30 June 2023 RMB'000	As at 31 December 2022 RMB'000
<b>Non-current</b>		
Bank borrowings	1,754,110	1,843,690
Borrowing under finance lease arrangement	94,524	103,763
	<u>1,848,634</u>	<u>1,947,453</u>
<b>Current</b>		
Bank borrowings	6,603,043	4,781,164
Borrowing under finance lease arrangement	78,300	82,292
Other loans	180,000	120,000
	<u>6,861,343</u>	<u>4,983,456</u>
Total borrowings	<u>8,709,977</u>	<u>6,930,909</u>
Representing :		
Bank borrowings		
– unsecured	4,541,473	3,859,844
– secured	3,795,690	2,745,010
– guaranteed	19,990	20,000
Finance lease arrangement	172,824	186,055
Other loans	180,000	120,000
	<u>8,709,977</u>	<u>6,930,909</u>

## NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2023

### 12. TRADE PAYABLES

	As at 30 June 2023 <i>RMB'000</i>	As at 31 December 2022 <i>RMB'000</i>
Accounts payable	580,018	429,690
Notes payable	30,000	40,000
	<b>610,018</b>	469,690

The ageing analysis of the trade payable were as follows:

	As at 30 June 2023 <i>RMB'000</i>	As at 31 December 2022 <i>RMB'000</i>
Within 6 months	599,004	451,200
6 months to 1 year	9,317	9,606
1 year to 2 years	1,254	8,379
More than 2 years	443	505
	<b>610,018</b>	469,690

## NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2023

### 13. REVENUE

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

	Six months ended 30 June	
	2023	2022
	<i>RMB'000</i>	<i>RMB'000</i>
– Mainland China	<b>23,778,486</b>	23,945,870
– Hong Kong and other overseas countries and regions (i)	<b>726,444</b>	855,084
Total sales	<b>24,504,930</b>	24,800,954

(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 consisted of the following revenues for the six months ended 30 June 2023 and 2022. All revenues were derived from external customers.

	Six months ended 30 June	
	2023	2022
	<i>RMB'000</i>	<i>RMB'000</i>
Processing services of metal materials	<b>22,917,635</b>	23,056,785
High-end equipment manufacturing services	<b>608,242</b>	987,064
Components manufacturing services	<b>979,053</b>	757,105
	<b>24,504,930</b>	24,800,954

## NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2023

The segment results for the six months ended 30 June 2023:

	Processing RMB'000	Manufacturing RMB'000	Elimination RMB'000	Total RMB'000
Segment revenue	24,234,216	677,262	(406,548)	24,504,930
– including external customers	23,896,688	608,242	–	24,504,930
– including internal customers	337,528	69,020	(406,548)	–
Segment results	143,977	(31,145)	(14,576)	98,256
– including depreciation and amortisation	156,032	55,098	–	211,130
Other income and expenses				39,389
Finance costs – net				(119,311)
Profit before income tax				18,334
Income tax expense				(6,706)
Profit for the period				11,628

The segment results for the six months ended 30 June 2022:

	Processing RMB'000	Manufacturing RMB'000	Elimination RMB'000	Total RMB'000
Segment revenue	24,230,981	1,094,783	(524,810)	24,800,954
– including external customers	23,813,890	987,064	–	24,800,954
– including internal customers	417,092	107,718	(524,810)	–
Segment results	292,726	13,775	(12,327)	294,174
– including depreciation and amortisation	162,280	46,143	–	208,423
Other income and expenses				6,677
Finance costs – net				(81,515)
Profit before income tax				219,336
Income tax expense				(60,850)
Profit for the period				158,486

## NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2023

### 14. EXPENSES BY NATURE

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

	Six months ended 30 June	
	2023	2022
	<i>RMB'000</i>	<i>RMB'000</i>
Changes in inventories of finished goods	60,003	(222,911)
Raw materials consumed	23,263,492	23,517,446
Stamp duty, property tax and other surcharges	46,194	30,425
Transportation costs	126,951	131,269
Employee benefit expenses, including directors' emoluments	479,615	528,828
Depreciation and amortisation	211,130	208,423
Operating lease rental for buildings	3,999	4,319
Utilities charges	43,746	39,452
Provision for write-down of inventories	9,163	122,411
Entertainment and travelling expenses	26,286	14,786
Professional service expenses	5,751	6,318
Others	130,344	126,014
	<b>24,406,674</b>	<b>24,506,780</b>

### 15. FINANCE COSTS - NET

	Six months ended 30 June	
	2023	2022
	<i>RMB'000</i>	<i>RMB'000</i>
Interest expenses on bank borrowings	114,562	83,548
Interest expenses on bank/commercial acceptance notes and letters of credit	47,084	57,413
Exchange gain, net	(10,031)	(32,791)
Total finance costs	151,615	108,170
Interest income	(32,304)	(26,655)
	<b>119,311</b>	<b>81,515</b>

## NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2023

### 16. INCOME TAX EXPENSE

	Six months ended 30 June	
	2023	2022
	<i>RMB'000</i>	<i>RMB'000</i>
Current income tax expense		
– Mainland China corporate income tax	<b>13,520</b>	106,190
Deferred income tax expense	<b>(6,814)</b>	(45,340)
	<b>6,706</b>	60,850

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 2023

### 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	
	2023	2022
Profit attributable to equity holders of the Company (RMB'000)	7,323	149,114
Weighted average number of ordinary shares in issue (thousands)	1,274,528	1,274,528
Basic earnings per share (RMB)	0.01	0.12

(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	
	2023	2022
Profit attributable to equity holders of the Company (RMB'000)	7,323	149,114
Weighted average number of ordinary shares in issue (thousands)	1,274,528	1,274,528
Adjustments for share option plan (thousands)	–	1,782
Weighted average number of ordinary shares for diluted earnings per share (thousands)	1,274,528	1,276,310
Diluted earnings per share (RMB)	0.01	0.12

## NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2023

### 18. INTERIM DIVIDENDS

The board of directors does not recommend the payment of an interim dividend in respect of the six months ended 30 June 2023 (2022: nil).

### 19. COMMITMENTS

#### Capital commitments

	As at 30 June 2023 <i>RMB'000</i>	As at 31 December 2022 <i>RMB'000</i>
Contracted but not provided for:		
Acquisition of property, plant and equipment	<b>234,838</b>	315,637

## 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 (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 2023. 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 2023.

### 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 does not recommend the payment of an interim dividend for the six months ended 30 June 2023 (2022: Nil).

### 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 2023.

### 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 2023 and considered that the Company has complied with all applicable accounting standards and requirements.

## OTHER INFORMATION

## 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 2022 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 2023 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 2023	Number of share options			As at 30 June 2023	Exercise period
				Granted during the period	Exercised during the period	Cancelled/ lapsed during the period		
<b>Directors</b>								
Mr. Zhang Feng	23 December 2014	2.364	100,000 <sup>(1)</sup>	–	–	–	100,000	23 December 2017 to 22 December 2024
<b>Other employees in aggregate</b>	23 December 2014	2.364	12,700,000 <sup>(1)</sup>	–	–	–	12,700,000	23 December 2017 to 22 December 2024
Total			12,800,000	–	–	–	12,800,000	

<sup>(1)</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 2022 Annual Report.

During the period ended 30 June 2023, no awarded shares were granted to directors and selected employees; and a total of 228,000 awarded shares were vested to a selected employee on 5 January 2023. As at 30 June 2023, the independent trustee holds 17,614,000 shares of the Company for the share award scheme.

Details of the awarded shares movement for the six months ended 30 June 2023 are as follows:

Name of awardee	Date of grant	Number of Awarded Shares				As at 30 June 2023	Vesting date/period
		As at 1 January 2023	Granted during the period	Vested during the period	Lapsed during the period		
Mr. Wang Jian <sup>(1)</sup>	29 December 2022	228,000	–	228,000	–	–	5 January 2023
Total		228,000	–	228,000	–	–	

<sup>(1)</sup> Mr. Wang Jian is a former executive director of the Company who resigned on 30 June 2022 and an employee of the Company. Thus, Mr. Wang was a connected person of the Company at the date of grant.

### EMPLOYMENT POLICY

As at 30 June 2023, the Group employed a total of 6,719 staffs (2022: 6,612), of which 4,881 were production and technical personnel, representing 72.6%; 1,126 were sales personnel, representing 16.8%; and 712 were management and financial officer, representing 10.6%.

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 2023, 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 <sup>(1)</sup>	62.26%
Ms. Xu Xia	Personal, family and corporate	793,551,000 <sup>(1)</sup>	62.26%
Mr. Zou Xiaoping	Personal and family	5,060,000 <sup>(2)</sup>	0.40%
Mr. Zhang Feng	Personal	2,244,000 <sup>(3)</sup>	0.18%
Mr. Qian Li	Personal	1,880,000	0.15%
Mr. Ni Chen	Personal	458,000	0.04%

(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 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".

## (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 <sup>(1)</sup>	Personal and family	1,000 <sup>(2)</sup>	100%
Ms. Xu Xia	Ally Good Group Limited <sup>(1)</sup>	Personal and family	1,000 <sup>(2)</sup>	100%

(1) As at 30 June 2023, Ally Good Group Limited is the holder of 62.25% 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 2023, 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 2023, 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 <sup>(1)</sup>	62.25%
China Baowu Steel Group Corporation Limited ("China Baowu")	207,500,000 <sup>(2)</sup>	16.28%
Baosteel Stainless Steel (International) Limited ("Baosteel")	103,750,000	8.14%
Tisco Stainless Steel (H.K.) Limited ("Tisco")	103,750,000	8.14%

(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 indirectly through Baosteel 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., ("Shanxi Taigang"), and Shanxi Taigang is a subsidiary of Taiyuan Steel. Tisco is in turn 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 2023.