

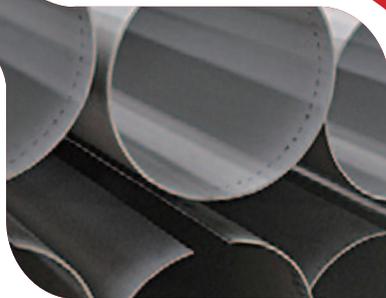
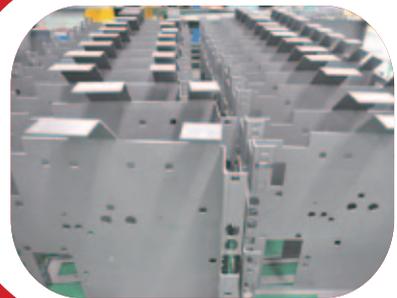


DA MING INTERNATIONAL HOLDINGS LIMITED

(Incorporated in the Cayman Islands with limited liability)

Stock code :1090

2015 Interim Report





Contents

Financial and Operating Highlights	1
Management Discussion and Analysis	3
Unaudited Condensed Consolidated Statement of Financial Position	12
Unaudited Condensed Consolidated Comprehensive Income Statement	14
Unaudited Condensed Consolidated Statement of Changes in Equity	15
Unaudited Condensed Consolidated Statement of Cash Flows	16
Notes to the Unaudited Condensed Consolidated Financial Statements	17
Other information	30

FINANCIAL AND OPERATING HIGHLIGHTS

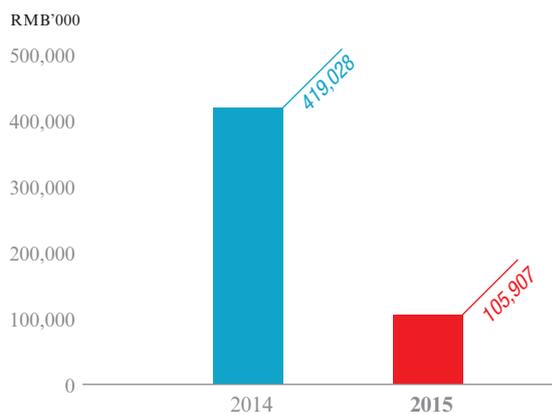
Financial Highlights

	Six months ended 30 June		% change
	2015 RMB'000	2014 RMB'000	
Revenue	9,179,057	8,581,721	+7.0%
Gross profit	105,907	419,028	-74.7%
Total comprehensive (losses)/income for the period	(87,865)	165,972	-152.9%

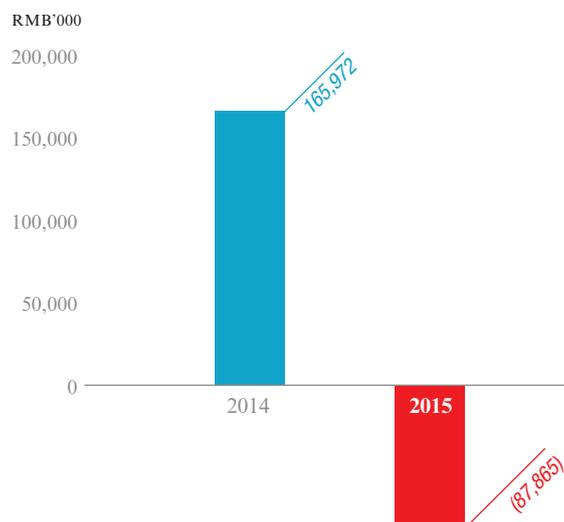
Revenue



Gross Profit



Total comprehensive income/(losses)



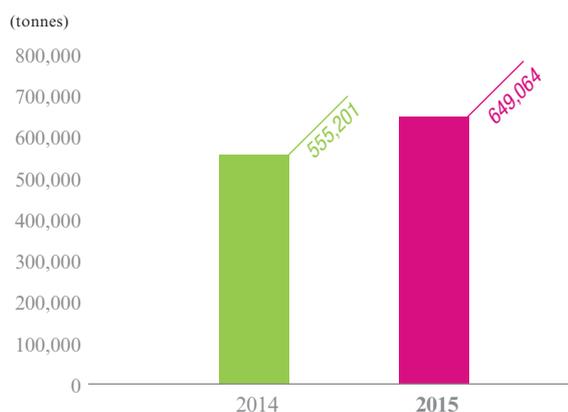
FINANCIAL AND OPERATING HIGHLIGHTS

Operating Highlights

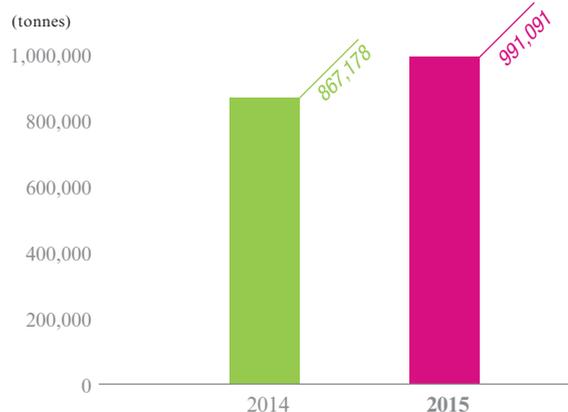
	Six months ended 30 June		% change
	2015	2014	
Stainless steel			
Sales volume (tonnes)	649,064	555,201	+16.9%
Processing volume (tonnes)	991,091	867,178	+14.3%
Processing multiple (note)	1.53	1.56	-1.9%
Carbon steel			
Sales volume (tonnes)	295,108	196,560	+50.1%
Processing volume (tonnes)	255,770	177,456	+44.1%
Processing multiple	0.87	0.90	-3.3%

Note : Processing multiple = Processing volume/Sales volume

Sales volume of stainless steel



Processing volume of stainless steel



Sales volume of carbon steel



Processing volume of carbon steel



MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

The Group is a reputable comprehensive steel servicing enterprise engaging in the sales and processing of stainless steel and carbon steel as well as the provision of technical services to our customers.

We have a variety of processing platforms and our “steel raw material supermarket” has an abundant collection of different steel type which can provide high-quality semi-finished products and parts to many domestic and international enterprises. In order to provide more in-depth services to the manufacturers, the Group have established Daming Precision Metals and Daming Heavy Industry processing centres. The Group have also strengthen its software services capabilities in area including human resources management, online VIP service platform and logistics systems.

The preliminary stage of the installation of processing equipments in our precision metals processing centre has been completed. Currently, we have received many orders from industries engaged in buildings, machineries, home appliances, petrochemical, ship building, transport and environmental protection.



MANAGEMENT DISCUSSION AND ANALYSIS

The first phase of Daming Heavy Industry and Daming Metal Technology in our Jingjiang processing centre have been completed. There are over 100 welding equipments in the welding platform of Daming Heavy Industry. The SFA plasma welding machine is capable of welding 12.5m steel plate which breaks the world record with reference to length. The machine is capable of welding products such as large steel structural parts, dual-phase steel ship plates, container's cylindrical bodies and precision metals. Daming Heavy Industry's machinery processing platform is an integrated machinery processing service platform, with machines imported from Japan, Germany, Italy, South Korea and Taiwan etc. The platform comprises equipment with a wide range of specification, which is highly precise, large-scaled and multi-functional. It is also equipped with various processing and servicing functions such as cutting, forming, surface processing and testing. In the future, Daming Heavy Industry will establish three major manufacturing ancillary units for pressurized containers, large structural parts and machinery equipment, and provide quality and fast-response deep-processed parts and components and semi-finished goods to the manufacturing industry around the world.

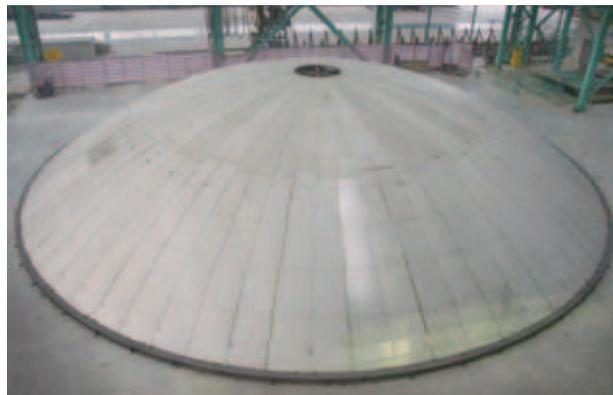


The Group recorded a net loss of approximately RMB87.9 million for the six months ended 30 June 2015 representing a decrease of approximately 152.9% as compared with a net profit of approximately RMB166.0 million for the six months ended 30 June 2014. The net loss was mainly due to (i) the influence of the unfavourable macro-economic environment in the People's Republic of China; and (ii) a decrease in the market price of stainless steel and carbon steel raw materials in the first half year of 2015.

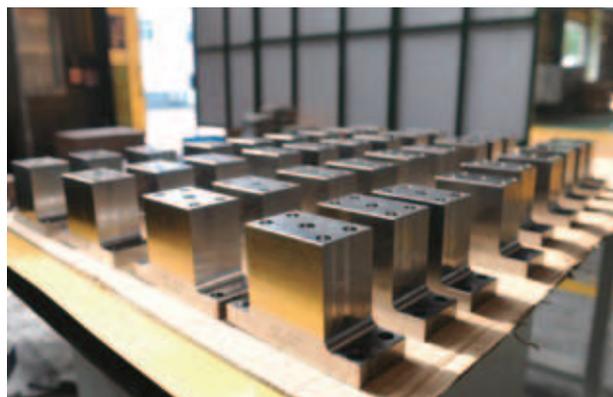
The sales volume of our stainless steel processing business increased from approximately 555,000 tonnes for the six months ended 30 June 2014 to approximately 649,000 tonnes for the six months ended 30 June 2015 representing an increase of approximately 16.9% while the processing volume increased from approximately 867,000 tonnes for the six months ended 30 June 2014 to approximately 991,000 tonnes for the six months ended 30 June 2015 representing an increase of approximately 14.3%.

The sales volume of our carbon steel processing business increased from approximately 197,000 tonnes for the six months ended 30 June 2014 to approximately 295,000 tonnes for the six months ended 30 June 2015 representing an increase of approximately 50.1% while the processing volume increased from approximately 177,000 tonnes for the six months ended 30 June 2014 to approximately 256,000 tonnes for the six months ended 30 June 2015 representing an increase of approximately 44.1%.

MANAGEMENT DISCUSSION AND ANALYSIS



On 26 June 2015, the Group entered into the Strategic Cooperation Agreement with Baosteel Stainless Steel Co., Ltd. (“Baosteel Stainless Steel”). According to the Strategic Cooperation Agreement, the Group and Baosteel Stainless Steel will strengthen their business cooperation in their business development and the sales and distribution, value-added services and research and development in respect of their products. The Strategic Cooperation Agreement is for a term of 5 years from the date of the Strategic Cooperation Agreement and will serve as a framework for the long-term business development cooperation between the Group and Baosteel Stainless Steel. As part of the strategic business cooperation between the Group and Baosteel Stainless Steel, Baosteel Stainless Steel subscribed for 103,750,000 new shares at the total subscription price of approximately HK\$382.8 million (being HK\$3.69 for each new share). The subscription of new shares by Baosteel Stainless Steel was completed on 8 July 2015 and Baosteel Stainless Steel beneficially interested in approximately 9.09% of the Company’s enlarged issued share capital upon completion.



MANAGEMENT DISCUSSION AND ANALYSIS

The sales volume and processing volume of our processing centres for the six months ended 30 June 2015 and the corresponding period in 2014 are as follows:

Stainless steel

	Six months ended 30 June		% change
	2015 tonnes	2014 tonnes	
Sales volume			
Wuxi	333,893	312,204	+6.9%
Wuhan	25,900	20,706	+25.1%
Hangzhou	106,039	85,322	+24.3%
Tianjin	76,391	84,215	-9.3%
Taiyuan	40,283	24,182	+66.6%
Other sales offices	66,558	28,572	+132.9%
Total	649,064	555,201	+16.9%
Processing volume			
Wuxi	671,949	590,120	+13.9%
Wuhan	18,347	9,540	+92.3%
Hangzhou	133,162	103,803	+28.3%
Tianjin	117,317	88,275	+32.9%
Taiyuan	50,316	75,440	-33.3%
Total	991,091	867,178	+14.3%

Carbon steel

	Six months ended 30 June		% change
	2015 tonnes	2014 tonnes	
Sales volume			
Wuxi	61,028	63,591	-4.0%
Hangzhou	116,249	108,214	+7.4%
Taiyuan	71,680	4,314	+1,561.6%
Daming Technology	12,459	–	n/a
Other sales offices	33,692	20,441	+64.8%
Total	295,108	196,560	+50.1%
Processing volume			
Wuxi	58,799	68,834	-14.6%
Hangzhou	110,440	108,622	+1.7%
Taiyuan	72,619	–	n/a
Daming Technology	13,912	–	n/a
Total	255,770	177,456	+44.1%

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW AND ANALYSIS

During the six months ended 30 June 2015, we recorded a revenue of approximately RMB9,179 million, gross profit of approximately RMB106 million and losses attributable to equity holders of the Company of approximately RMB88 million. Total assets of the Group as at 30 June 2015 amounted to approximately RMB6,420 million while equity attributable to equity holders of the Company amounted to approximately RMB1,668 million.

Revenue

Our revenue for the six months ended 30 June 2015 amounted to approximately RMB9,179 million comprising approximately RMB8,503 million from our stainless steel business and approximately RMB676 million from our carbon steel business. As compared with the revenue for the six months ended 30 June 2014 of approximately RMB8,582 million, it represented an increase of approximately 7%. Such increase was mainly due to:

- i) the increase in the sales volume of both our stainless steel and carbon steel processing businesses. The sales volume of our stainless steel processing business increased from 555,201 tonnes for the six months ended 30 June 2014 to 649,064 tonnes for the six months ended 30 June 2015 representing an increase of approximately 16.9%. The sales volume of our carbon steel processing business also increased from 196,560 tonnes for the six months ended 30 June 2014 to 295,108 tonnes for the six months ended 30 June 2015 representing an increase of approximately 50.1%.
- ii) the increase in processing fee income as reflected by the increase in the processing volume of our stainless steel processing business from 867,178 tonnes for the six months ended 30 June 2014 to 991,091 tonnes for the six months ended 30 June 2015 representing an increase of approximately 14.3%. The processing volume of our carbon steel processing business also increased from 177,456 tonnes for the six months ended 30 June 2014 to 255,770 tonnes for the six months ended 30 June 2015 representing an increase of approximately 44.1%.

MANAGEMENT DISCUSSION AND ANALYSIS

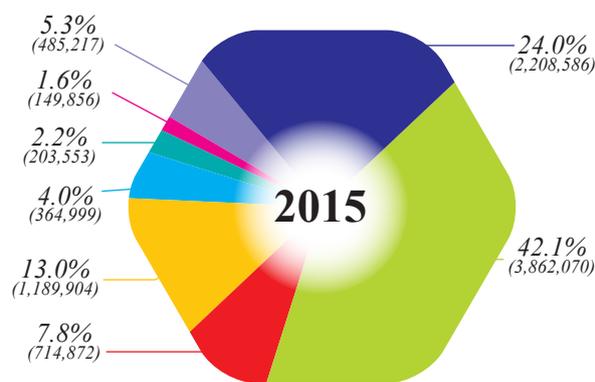
Analysis of revenue by key industry segments

During the six months ended 30 June 2015 and the corresponding period in 2014, our revenue by key industry segments are shown below:

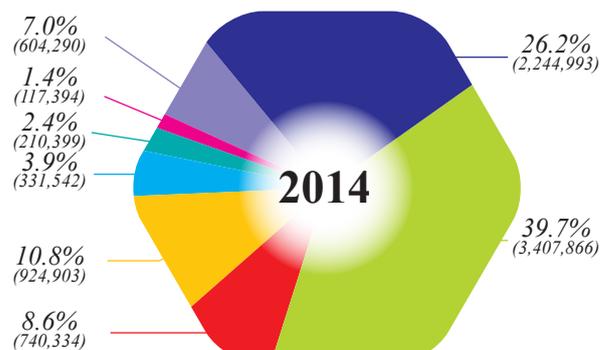
Revenue

Industry	Six months ended 30 June			
	2015		2014	
	RMB'000	%	RMB'000	%
Machineries	2,208,586	24.0	2,244,993	26.2
Distributors and Traders	3,862,070	42.1	3,407,866	39.7
Petrochemical	714,872	7.8	740,334	8.6
Home Hardware and Appliances	1,189,904	13.0	924,903	10.8
Automobile and Transport	364,999	4.0	331,542	3.9
Construction	203,553	2.2	210,399	2.4
Renewable Energy	149,856	1.6	117,394	1.4
Others	485,217	5.3	604,290	7.0
Total	9,179,057	100.0	8,581,721	100.0

RMB'000



Total = RMB9,179,057,000



Total = RMB8,581,721,000

- Machineries
- Distributors and Traders
- Petrochemical
- Home Hardware and Appliances

- Automobile and Transport
- Construction
- Renewable Energy
- Others

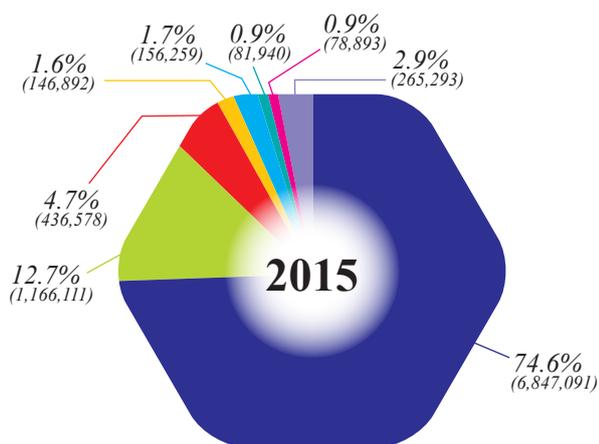
MANAGEMENT DISCUSSION AND ANALYSIS

Analysis of revenue by geographical regions

During the six months ended 30 June 2015 and the corresponding period in 2014, our revenue by geographical regions are shown below:

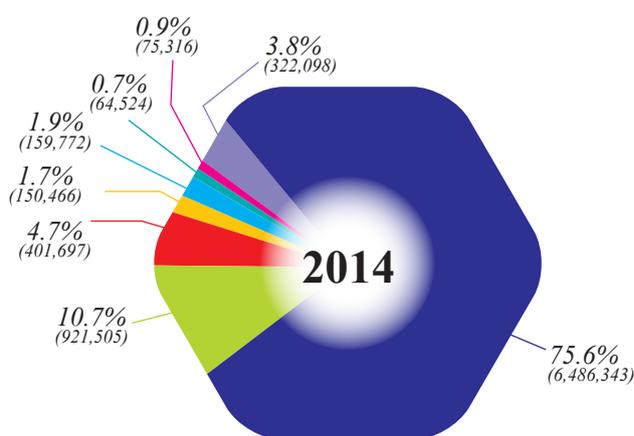
Region	Six months ended 30 June			
	2015		2014	
	RMB'000	%	RMB'000	%
Eastern region, China	6,847,091	74.6	6,486,343	75.6
Northern region, China	1,166,111	12.7	921,505	10.7
Central region, China	436,578	4.7	401,697	4.7
Southwestern region, China	146,892	1.6	150,466	1.7
Northeastern region, China	156,259	1.7	159,772	1.9
Northwestern region, China	81,940	0.9	64,524	0.7
Southern region, China	78,893	0.9	75,316	0.9
Overseas	265,293	2.9	322,098	3.8
Total	9,179,057	100.0	8,581,721	100.0

RMB'000



Total = RMB9,179,057,000

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



Total = RMB8,581,721,000

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

MANAGEMENT DISCUSSION AND ANALYSIS

Gross profit

Gross profit decreased from approximately RMB419.0 million for the six months ended 30 June 2014 to approximately RMB105.9 million for the six months ended 30 June 2015 mainly due to the continual decrease in the market price of stainless steel and carbon steel.

Other income

Other income increased from approximately RMB2.2 million for the six months ended 30 June 2014 to approximately RMB8.9 million for the six months ended 30 June 2015 due to the increase in government grants received.

Distribution costs

Distribution costs increased from approximately RMB65.7 million for the six months ended 30 June 2014 to approximately RMB68.0 million for the six months ended 30 June 2015. Such increase was mainly due to the increase in staff costs and transportation costs as a result of the increase in sales volume.

Administrative expenses

Administrative expenses increased from approximately RMB72.1 million for the six months ended 30 June 2014 to approximately RMB91.4 million for the six months ended 30 June 2015. Such increase was mainly due to the increase in staff costs and the increase in research and development costs.

Finance costs

Finance costs increased from approximately RMB54.4 million for the six months ended 30 June 2014 to approximately RMB69.9 million for the six months ended 30 June 2015. The increase in finance costs was mainly due to the increase in interest expenses on bank borrowings and bank acceptance notes as a result of the increase in borrowing of the Group.

Income tax credit

The Group recorded an income tax credit of approximately RMB27.7 million for the six months ended 30 June 2015 as compared to an income tax expense of approximately RMB62.6 million for the six months ended 30 June 2014 due to an operating losses being recorded for the six months ended 30 June 2015.

Losses for the period

The Group recorded a net losses of approximately RMB87.9 million for the six months ended 30 June 2015 as compared with a net profit of approximately RMB166.0 million for the six months ended 30 June 2014 representing a decrease of approximately 152.9%. The decrease was mainly due to (i) the influence of the unfavourable macro-economic environment in the People's Republic of China; and (ii) a decrease in the market price of stainless steel and carbon steel raw materials in the first half year of 2015.

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

Our Group does not use any forward contract or other instruments to hedge its foreign currency exposure. Our management will closely monitor the exchange rate fluctuations to ensure sufficient precautionary measures against any adverse impacts.

LIQUIDITY, CAPITAL STRUCTURE AND FINANCIAL RESOURCES

As at 30 June 2015, the bank borrowings of the Group amounted to approximately RMB2,318.1 million. Notes payable amounted to approximately RMB1,400.8 million while the bank balances were approximately RMB953.4 million of which approximately RMB731.2 million were restricted bank deposits for issuing letter of credit and notes payable.

As at 30 June 2015, the Group recorded a net current liabilities of approximately RMB234.0 million mainly due to the financing of the Group's capital expenditures by short term borrowings.

The gearing ratios as at 30 June 2015 and 31 December 2014 were 52.40% and 45.13% 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.

On 8 July 2015, the Group raised a net proceeds of approximately HK\$382 million (equivalent to approximately RMB301 million) by issuing 103,750,000 new shares to Baosteel Stainless Steel Co., Ltd. Approximately RMB122.4 million of the net proceeds has been applied for the development of the Jingjiang processing centre and the balances has been used as the working capital of the Group.

CONTINGENT LIABILITIES

As at 30 June 2015, the Group did not have any material contingent liabilities.

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2015

	<i>Note</i>	As at 30 June 2015 <i>RMB'000</i>	As at 31 December 2014 <i>RMB'000</i>
ASSETS			
Non-current assets			
Land use rights		250,347	253,203
Property, plant and equipment	6	2,429,920	2,267,301
Investment properties		7,933	8,221
Intangible assets		2,230	2,461
Deferred income tax assets		58,602	24,096
Other non-current assets		21,066	22,231
		<u>2,770,098</u>	<u>2,577,513</u>
Current assets			
Inventories	7	1,931,859	1,508,457
Trade receivables	8	265,070	248,328
Prepayments, deposits and other receivables	9	499,752	695,070
Restricted bank deposits		731,154	636,158
Cash and cash equivalents		222,288	292,054
		<u>3,650,123</u>	<u>3,380,067</u>
Total assets		<u>6,420,221</u>	<u>5,957,580</u>
EQUITY AND LIABILITIES			
Equity attributable to equity holders of the Company			
Share capital	10	89,215	89,215
Reserves		1,578,573	1,681,085
		<u>1,667,788</u>	<u>1,770,300</u>
Non-controlling interests		<u>236,232</u>	<u>235,954</u>
Total equity		<u>1,904,020</u>	<u>2,006,254</u>

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2015

	<i>Note</i>	As at 30 June 2015 <i>RMB'000</i>	As at 31 December 2014 <i>RMB'000</i>
LIABILITIES			
Non-current liabilities			
Borrowings	11	586,621	487,534
Deferred government grants		44,339	43,452
Deferred income tax liabilities		1,118	4,329
		<u>632,078</u>	<u>535,315</u>
Current liabilities			
Trade payables	12	1,749,169	1,543,748
Accruals, advances from customers and other current liabilities		393,328	381,237
Current income tax liabilities		9,021	33,505
Borrowings	11	1,731,466	1,454,796
Current portion of deferred government grants		1,139	2,725
		<u>3,884,123</u>	<u>3,416,011</u>
Total liabilities		<u>4,516,201</u>	<u>3,951,326</u>
Total equity and liabilities		<u>6,420,221</u>	<u>5,957,580</u>
Net current liabilities		<u>(234,000)</u>	<u>(35,944)</u>
Total assets less current liabilities		<u>2,536,098</u>	<u>2,541,569</u>

UNAUDITED CONDENSED CONSOLIDATED COMPREHENSIVE INCOME STATEMENT

For the six months ended 30 June 2015

	Note	Six months ended 30 June	
		2015 RMB'000	2014 RMB'000
Revenue	13	9,179,057	8,581,721
Cost of sales	14	(9,073,150)	(8,162,693)
Gross profit		105,907	419,028
Other income – net		8,915	2,173
Other losses – net		(1,091)	(430)
Distribution costs	14	(68,034)	(65,679)
Administrative expenses	14	(91,368)	(72,122)
Operating (losses)/profit		(45,671)	282,970
Finance income	15	5,467	9,532
Finance costs	15	(75,375)	(63,900)
Finance costs – net	15	(69,908)	(54,368)
(Losses)/profit before income tax		(115,579)	228,602
Income tax credit/(expense)	16	27,714	(62,630)
(Losses)/profit for the period		(87,865)	165,972
Other comprehensive income for the period		–	–
Total comprehensive (losses)/ income for the period		(87,865)	165,972
Attributable to:			
Equity holders of the Company		(88,143)	162,002
Non-controlling interests		278	3,970
		(87,865)	165,972
(Losses)/earnings per share for profit attributable to equity holders of the Company during the period (expressed in RMB per share)			
– basic (losses)/ earnings per share	17	(0.08)	0.16
– diluted (losses)/earnings per share	17	(0.08)	0.16
Interim dividends		–	–

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2015

	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 2015	89,215	1,681,085	235,954	2,006,254
Comprehensive losses				
(Losses)/profit for the period	–	(88,143)	278	(87,865)
Total comprehensive (losses)/profit for the period	–	(88,143)	278	(87,865)
Transaction with owners				
Employee share options scheme	–	2,000	–	2,000
Dividend paid	–	(16,369)	–	(16,369)
Total transaction with owners	–	(14,369)	–	(14,369)
Balance at 30 June 2015	<u>89,215</u>	<u>1,578,573</u>	<u>236,232</u>	<u>1,904,020</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>
Balance at 1 January 2014	89,215	1,519,675	144,068	1,752,958
Comprehensive income				
Profit for the period	–	162,002	3,970	165,972
Total comprehensive income for the period	–	162,002	3,970	165,972
Transaction with owners				
Employee share options scheme	–	709	–	709
Capital injection by a non-controlling interest	–	–	80,000	80,000
Partial disposal of a subsidiary	–	(635)	11,805	11,170
Dividend paid	–	(16,314)	–	(16,314)
Total transaction with owners	–	(16,240)	91,805	75,565
Balance at 30 June 2014	<u>89,215</u>	<u>1,665,437</u>	<u>239,843</u>	<u>1,994,495</u>

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2015

	Six months ended 30 June	
	2015	2014
	<i>RMB'000</i>	<i>RMB'000</i>
Cash flows from operating activities		
Cash generated from operations	(112,169)	306,826
Interest received	5,467	9,532
Interest paid	(75,375)	(63,900)
Income tax paid	(31,277)	(62,776)
	<u>(213,354)</u>	<u>189,682</u>
Cash flows from investing activities		
Purchase of property, plant and equipment	(206,196)	(209,278)
Other investing cash flow	2,052	1,846
	<u>(204,144)</u>	<u>(207,432)</u>
Cash flows from financing activities		
Net change in borrowings	375,757	222,993
Net change in restricted bank deposits	(94,996)	(298,244)
Capital injection by a non-controlling shareholder	–	80,000
Proceeds on partial disposal of a subsidiary	–	11,170
Dividend paid to shareholders	(16,369)	(16,314)
Net change in bank acceptance notes	83,340	33,150
	<u>347,732</u>	<u>32,755</u>
Net (decrease)/increase in cash and cash equivalents	(69,766)	15,005
Cash and cash equivalents at beginning of the period	<u>292,054</u>	<u>74,528</u>
Cash and cash equivalents at end of the period	<u>222,288</u>	<u>89,533</u>

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2015

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 2015 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.

The Group meets its day-to-day working capital requirements through its bank facilities. The current economic conditions continue to create uncertainty particularly over (a) the level of demand for the Group's products; and (b) the availability of bank finance for the foreseeable future. The Group's forecasts and projections, taking account of reasonably possible changes in trading performance, show that the Group should be able to operate within the level of its current facilities.

As at 30 June 2015, the Group recorded a net current liabilities of approximately RMB234 million. On 8 July 2015, the Group raised a net proceeds of approximately HK\$382 million (equivalent to approximately RMB301 million) by issuing 103,750,000 new shares to Baosteel Stainless Co., Ltd.

After making enquiries, the directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future.

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 2014, as described in those annual financial statements.

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

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2015

(a) New and amended standards adopted by the Group

The following new and amended standards are mandatory for the first time for the financial year beginning 1 January 2015:

HKFRS 2 (Amendment) “Share-based payment” is effective for annual periods beginning on or after 1 July 2014. This amendment clarifies the definition of a ‘vesting condition’ and separately defines ‘performance condition’ and ‘service condition’.

HKAS 24 (Amendment) “Related Party Disclosures” is effective for annual periods beginning on or after 1 July 2014. This standard is amended to address that the reporting entity is not required to disclose the compensation paid by the management entity (as a related party) to the management entity’s employee or directors, but it is required to disclose the amounts charged to the reporting entity by the management entity for services provided.

HKAS 16 (Amendment) “Property, plant and equipment” and HKAS 38 (Amendment) “Intangible assets” are effective for annual periods beginning on or after 1 July 2014. Both standards are amended to clarify how the gross carrying amount and the accumulated depreciation are treated where an entity uses the revaluation model.

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

(b) Standards, amendments and interpretations to existing standards effective in 2015 but not relevant to the Group

		Effective for annual periods beginning on or after
HKAS 19 (Amendment)	Defined benefit plans	1 July 2014
HKFRS 13	Fair value measurement	1 July 2014
HKAS 40	Investment property	1 July 2014
HKFRS 3 (Amendment)	Business combinations	1 July 2014
HKFRS 8 (Amendment)	Operating segments	1 July 2014
HKAS 37	Provisions, contingent liabilities and contingent assets	1 July 2014
HKFRS 16 (Amendment)	Property, plant and equipment	1 July 2014
HKAS 38 (Amendment)	Intangible assets	1 July 2014
HKAS 39	Financial instruments – Recognition and measurement	1 July 2014

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2015

- (c) The following new standards, new interpretations and amendments to standards and interpretations have been issued but are not effective for the financial year beginning on 1 January 2015 and have not been early adopted by the Group:

		Effective for annual periods beginning on or after
HKFRS 14	Regulatory deferral accounts	1 January 2016
HKFRS 11	Accounting for acquisitions of interests in joint operation	1 January 2016
HKAS 16 and HKAS 38 (Amendments)	Clarification of acceptable methods of depreciation and amortisation	1 January 2016
HKAS 16 and HKAS 41 (Amendments)	Agriculture: Bearer plants	1 January 2016
HKFRS 10 and HKAS 28 (Amendments)	Sale or contribution of assets between an investor and its associate or joint venture	1 January 2016
HKAS 27 (Amendment)	Equity method in separate financial statements	1 January 2016
HKFRS 10, HKFRS 12 and HKAS 28 (Amendments)	Investment entities: Applying the consolidation exception	1 January 2016
HKAS 1 (Amendments)	Disclosure initiative	1 January 2016
HKFRS 5 (Amendment)	Non-current assets held for sale and discontinued operations	1 January 2016
HKFRS 7 (Amendments)	Financial instruments: Disclosures	1 January 2016
HKAS 19 (Amendment)	Employee benefits	1 January 2016
HKAS 34 (Amendment)	Interim financial reporting	1 January 2016
HKFRS 15	Revenue from contracts with customers	1 January 2018
HKFRS 9	Financial instruments	1 January 2018

None of these new and amended standards is expected to have a significant effect on the interim condensed consolidated financial statements of the Group.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2015

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 2014.

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 2014.

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 2015

6. PROPERTY, PLANT AND EQUIPMENT

	Buildings and plant RMB'000	Machinery RMB'000	Vehicles RMB'000	Office equipment and others RMB'000	Leasehold improvements RMB'000	Construction in progress RMB'000	Total RMB'000
At 1 January 2014							
Cost	344,960	1,135,883	19,590	25,848	832	661,410	2,188,523
Accumulated depreciation	(52,049)	(296,006)	(9,341)	(15,178)	(550)	–	(373,124)
Net book amount	<u>292,911</u>	<u>839,877</u>	<u>10,249</u>	<u>10,670</u>	<u>282</u>	<u>661,410</u>	<u>1,815,399</u>
Year ended 31 December 2014							
Opening net book amount	292,911	839,877	10,249	10,670	282	661,410	1,815,399
Additions	1,694	7,767	3,460	4,502	–	508,414	525,837
Transfer	81,223	146,396	–	8,620	–	(236,239)	–
Disposals	–	(109)	(49)	(64)	–	–	(222)
Depreciation	(11,152)	(55,583)	(3,346)	(3,350)	(282)	–	(73,713)
Closing net book amount	<u>364,676</u>	<u>938,348</u>	<u>10,314</u>	<u>20,378</u>	<u>–</u>	<u>933,585</u>	<u>2,267,301</u>
At 31 December 2014							
Cost	427,877	1,289,931	22,560	38,554	832	933,585	2,713,339
Accumulated depreciation	(63,201)	(351,583)	(12,246)	(18,176)	(832)	–	(446,038)
Net book amount	<u>364,676</u>	<u>938,348</u>	<u>10,314</u>	<u>20,378</u>	<u>–</u>	<u>933,585</u>	<u>2,267,301</u>
Six months ended 30 June 2015							
Opening net book amount	364,676	938,348	10,314	20,378	–	933,585	2,267,301
Additions	–	–	5,761	16,697	–	182,200	204,658
Transfer	25,888	124,707	–	1,194	–	(151,789)	–
Disposals	–	(64)	(760)	(299)	–	–	(1,123)
Depreciation	(6,581)	(29,751)	(1,653)	(2,931)	–	–	(40,916)
Closing net book amount	<u>383,983</u>	<u>1,033,240</u>	<u>13,662</u>	<u>35,039</u>	<u>–</u>	<u>963,996</u>	<u>2,429,920</u>
At 30 June 2015							
Cost	453,765	1,414,574	27,561	56,146	–	963,996	2,916,042
Accumulated depreciation	(69,782)	(381,334)	(13,899)	(21,107)	–	–	(486,122)
Net book amount	<u>383,983</u>	<u>1,033,240</u>	<u>13,662</u>	<u>35,039</u>	<u>–</u>	<u>963,996</u>	<u>2,429,920</u>

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2015

7. INVENTORIES

	As at 30 June 2015 RMB'000	As at 31 December 2014 RMB'000
Raw materials	1,224,878	949,327
Finished goods	706,981	559,130
	1,931,859	1,508,457

For the six months ended 30 June 2015, the Group has recognised a loss of approximately RMB64,427,000 (2014: RMB42,919,000) 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 comprehensive income statements.

8. TRADE RECEIVABLES

	As at 30 June 2015 RMB'000	As at 31 December 2014 RMB'000
Accounts receivable	184,385	132,819
Notes receivable		
– bank acceptance notes	74,955	107,178
– commercial acceptance notes	6,599	9,203
	265,939	249,200
Less: provision for impairment	(869)	(872)
Trade receivables – net	265,070	248,328

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2015

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

	As at 30 June 2015 <i>RMB'000</i>	As at 31 December 2014 <i>RMB'000</i>
Accounts receivable		
– Within 30 days	175,912	118,660
– 30 days to 3 months	6,493	13,562
– 3 months to 6 months	763	58
– 6 months to 1 year	778	100
– 1 year to 2 years	21	21
– 2 years to 3 years	418	418
	<u>184,385</u>	<u>132,819</u>
Notes receivable		
– Within 6 months	81,554	116,381
	<u>265,939</u>	<u>249,200</u>

9. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	As at 30 June 2015 <i>RMB'000</i>	As at 31 December 2014 <i>RMB'000</i>
Prepayment for purchase of raw materials	245,220	534,146
Value added tax recoverable	180,099	144,768
Export tax refund	20,448	4,303
Deposits and other receivables	53,985	11,853
	<u>499,752</u>	<u>695,070</u>

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2015

10. SHARE CAPITAL

	Number of shares		
	'000	HKD'000	RMB'000
Authorised share capital			
As at 31 December 2014 and 30 June 2015	1,500,000	150,000	128,886
Issued and fully paid up			
As at 31 December 2014 and 30 June 2015	1,037,500	103,750	89,215

11. BORROWINGS

	As at 30 June 2015 RMB'000	As at 31 December 2014 RMB'000
Non-current		
Bank borrowings	497,902	366,332
Borrowing and finance lease arrangement	88,719	121,202
	586,621	487,534
Current		
Bank borrowings	1,667,698	1,391,998
Borrowing and finance lease arrangement	63,768	62,798
	1,731,466	1,454,796
Representing :		
Bank borrowings		
– Unsecured	1,981,819	1,534,089
– Secured	5,400	51,291
– Guaranteed	178,381	172,950
Finance lease arrangement	152,487	184,000
	2,318,087	1,942,330

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2015

12. TRADE PAYABLES

	As at 30 June 2015 <i>RMB'000</i>	As at 31 December 2014 <i>RMB'000</i>
Accounts payable	348,409	226,328
Notes payable	1,400,760	1,317,420
	1,749,169	1,543,748

The ageing analysis of the trade payable is as follows:

	As at 30 June 2015 <i>RMB'000</i>	As at 31 December 2014 <i>RMB'000</i>
Within 6 months	1,747,343	1,543,740
6 months to 1 year	1,818	8
1 year to 2 years	8	–
	1,749,169	1,543,748

13. SALES AND SEGMENT INFORMATION

	Six months ended 30 June 2015 <i>RMB'000</i>	30 June 2014 <i>RMB'000</i>
Sales of goods	9,179,057	8,581,721

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

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

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2015

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

	Six months ended	
	30 June 2015 <i>RMB'000</i>	30 June 2014 <i>RMB'000</i>
– Mainland China	8,913,764	8,259,623
– Hong Kong and other overseas countries and regions*	265,293	322,098
Total sales	<u>9,179,057</u>	<u>8,581,721</u>

* Other overseas countries and regions for the six months ended 30 June 2015 mainly represented North America, Australia, Europe, Middle East and South East Asia.

Other overseas countries and regions for the six months ended 30 June 2014 mainly represented Australia, Korea, Malaysia, Japan and USA.

14. EXPENSES BY NATURE

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

	Six months ended	
	30 June 2015 <i>RMB'000</i>	30 June 2014 <i>RMB'000</i>
Changes in inventories of finished goods	(174,918)	(147,690)
Raw materials consumed	8,999,426	8,125,399
Stamp duty, property tax and other surcharges	10,951	7,477
Transportation costs	52,583	55,094
Employee benefit expenses, including directors' emoluments	141,041	110,139
Depreciation and amortisation	43,577	36,523
Operating lease rental for buildings	1,399	929
Utilities charges	14,502	11,307
Provision for write-down of inventories	64,427	42,919
Entertainment and travelling expenses	13,442	17,658
Professional service expenses	1,931	953
Others	64,191	39,786
Total cost of sales, distribution costs and administrative expenses	<u>9,232,552</u>	<u>8,300,494</u>

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2015

15. FINANCE COSTS - NET

	Six months ended	
	30 June 2015	30 June 2014
	<i>RMB'000</i>	<i>RMB'000</i>
Interest expenses on bank borrowings	41,734	34,144
Interest expenses on bank acceptance notes	35,810	27,507
Exchange (gains)/losses, net	(2,169)	2,249
Total finance costs	75,375	63,900
Interest income	(5,467)	(9,532)
	69,908	54,368

16. INCOME TAX (CREDIT)/EXPENSE

	Six months ended	
	30 June 2015	30 June 2014
	<i>RMB'000</i>	<i>RMB'000</i>
Current income tax expense		
– Mainland China corporate income tax	6,793	73,611
Deferred income tax credit	(34,507)	(10,981)
	(27,714)	62,630

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 2015

17. (LOSSES)/EARNINGS PER SHARE

(a) Basic

Basic (losses)/earnings per share is calculated by dividing the (losses)/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 2015 RMB'000	30 June 2014 RMB'000
(Losses)/profit attributable to equity holders of the company	(88,143)	162,002
Weighted average number of ordinary shares in issue (<i>thousands</i>)	1,037,500	1,037,500

(b) Diluted

Diluted (losses)/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 2015 RMB'000	30 June 2014 RMB'000
(Losses)/profit used to determine diluted earnings per share	(88,143)	162,002
Weighted average number of ordinary shares in issue (<i>thousands</i>)	1,037,500	1,037,500
Adjustments for:		
– Share options (<i>thousands</i>)	530	–
Weighted average number of ordinary shares for diluted (losses)/earnings per share (<i>thousands</i>)	1,038,030	1,037,500

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2015

18. COMMITMENTS**(a) Capital commitments**

	As at 30 June 2015 <i>RMB'000</i>	As at 31 December 2014 <i>RMB'000</i>
Contracted but not provided for:		
Acquisition of property, plant and equipment	<u>449,526</u>	<u>411,873</u>

(b) Operating lease commitments

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

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

	As at 30 June 2015 <i>RMB'000</i>	As at 31 December 2014 <i>RMB'000</i>
Not later than 1 year	1,410	1,071
Later than 1 year and not later than 5 years	<u>736</u>	<u>809</u>
	<u>2,146</u>	<u>1,880</u>

OTHER INFORMATION

CORPORATE GOVERNANCE

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

The Company has complied with the Corporate Governance Code (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 2015 except for the deviation from code provision A.2.1 which stipulates that the roles of chairman and chief executive should be separated and should not be performed by the same individual. During the reporting period, the positions of the chairman and the chief executive officer were held by Mr. Zhou Keming. The Company adopted the CG Code as its own code of corporate governance.

The Company is of the view that Mr. Zhou Keming, with his profound expertise in the stainless steel industry, shall continue his dual capacity as the chairman and the chief executive officer of the Company. The Board would nevertheless review this arrangement from time to time in light of prevailing circumstances. For detailed information, please refer to the Corporate Governance Report in the Company's 2014 Annual Report.

MODEL CODE

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 of the Listing Rules (the "Model Code") as its code of conduct regarding securities transactions by the directors. Having made specific enquiry with all directors of the Company (the "Directors"), all Directors confirmed that they have complied with the required standard set out in the Model Code during the six months ended 30 June 2015.

SHARE CAPITAL

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

INTERIM DIVIDENDS

The Directors do not recommend payment of an interim dividend in respect of the six months ended 30 June 2015 (2014: 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 2015.

AUDIT COMMITTEE

The Audit Committee of the Company has discussed with the management and reviewed the unaudited condensed consolidated financial statements of the Group for the six months ended 30 June 2015 and considered that the Company has complied with all applicable accounting standards and requirements.

CHANGE IN INFORMATION OF DIRECTORS

Pursuant to Rule 13.51B(1) of the Listing Rules, the changes in information of Directors of the Company subsequent to the date of the 2014 Annual Report of the Company are set out below:

Name of Director	Detail of Change
Dr. Fukui Tsutomu	Appointed as a director of Jiangsu Daming Metal Products Co., Ltd. with effect from 10 March 2015.

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 2014 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 2015 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 2015	Number of share options			As at 30 June 2015	Exercise period
				Granted during the period	Exercised during the period	Cancelled/ lapsed during the period		
Directors								
Mr. Tang Zhonghai	21 December 2010	2.452	600,000 ⁽¹⁾	–	–	–	600,000	21 December 2013 to 20 December 2020
Mr. Kang In Soo	23 December 2014	2.364	400,000 ⁽²⁾	–	–	–	400,000	23 December 2017 to 22 December 2024
Dr. Fukui Tsutomu	23 December 2014	2.364	500,000 ⁽²⁾	–	–	–	500,000	23 December 2017 to 22 December 2024
Mr. Zhang Feng	21 December 2010	2.452	300,000 ⁽¹⁾	–	–	–	300,000	21 December 2013 to 20 December 2020
	23 December 2014	2.364	100,000 ⁽²⁾	–	–	–	100,000	23 December 2017 to 22 December 2024
Other employees in aggregate								
	21 December 2010	2.452	4,600,000 ⁽¹⁾	–	–	–	4,600,000	21 December 2013 to 20 December 2020
	23 December 2014	2.364	15,750,000 ⁽²⁾	–	–	–	15,750,000	23 December 2017 to 22 December 2024
Total			22,250,000	–	–	–	22,250,000	

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

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

OTHER INFORMATION

SHARE AWARD SCHEME

The Company adopted a share award scheme on 25 August 2011. Principal terms of the share award scheme were set out in our 2014 Annual Report.

For the period ended 30 June 2015, a total of 840,000 awarded shares were granted to directors and selected employees of the Group. As at 30 June 2015, the independent trustee holds 7,800,000 shares of the Company for the share award scheme.

Particulars of share awards movements for the six months ended 30 June 2015 are as follows:

Name of awardees	Date of grant	Number of Awarded Shares			As at 30 June 2015	Vesting date/period
		As at 1 January 2015	Granted during the period	Vested during the period		
Directors						
Mr. Tang Zhonghai	15 October 2014	900,000	–	–	900,000	31 October 2014 to 31 October 2016
Mr. Zhang Feng	15 October 2014	360,000	–	–	360,000	31 October 2014 to 31 October 2016
Dr. Fukui Tsutomu	5 May 2015	–	50,000	(50,000)	–	20 May 2015
Mr. Kang In Soo	5 May 2015	–	50,000	(50,000)	–	20 May 2015
Other employees in aggregate	15 October 2014	5,784,000	–	–	5,784,000	31 October 2014 to 31 October 2016
	5 May 2015	–	740,000	(740,000)	–	20 May 2015
Total		7,044,000	840,000	(840,000)	7,044,000	

EMPLOYMENT POLICY

The Group employed a total of 3,090 staffs as at 30 June 2015 (2014: 2,184).

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.

OTHER INFORMATION

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 2015, the interests and short positions of each director and chief executive in the shares, underlying shares and debentures of the Company and its associated corporation (within the meaning of Part XV of the Securities and Futures Ordinance (“SFO”)), as recorded in the register required to be kept by the Company under section 352 of Part XV of the SFO, or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) pursuant to the Model Code, were as follows:

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

Name of Director	Nature of interests	Number of shares/ underlying shares held	% of issued share capital
Mr. Zhou Keming (also Chief Executive Officer)	Corporate ⁽³⁾	737,559,000	71.09%
Ms. Xu Xia	Corporate ⁽³⁾	737,559,000	71.09%
Mr. Zou Xiaoping	Family ⁽⁴⁾	5,000,000	0.48%
Mr. Tang Zhonghai	Personal	1,500,000 ⁽⁵⁾	0.14%
Mr. Kang In Soo	Personal	450,000 ⁽⁶⁾	0.04%
Dr. Fukui Tsutomu	Personal and Family	1,416,000 ⁽⁷⁾	0.14%
Mr. Zhang Feng	Personal	2,000,000 ⁽⁸⁾	0.19%

⁽³⁾ The 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.

⁽⁴⁾ The shares are held by Mr. Zou Xiaoping's spouse, Ms. Li Jun.

⁽⁵⁾ The interest comprises 600,000 underlying shares in respect of the share options granted pursuant to the share option scheme and 900,000 underlying shares in respect of the awarded shares granted pursuant to the share award scheme as disclosed under sections headed share option scheme and share award scheme.

⁽⁶⁾ The interest comprises 50,000 shares and 400,000 underlying shares in respect of the share options granted pursuant to the share option scheme as disclosed under section headed share option scheme.

⁽⁷⁾ The interest comprises 866,000 shares held by Dr. Fukui Tsutomu's spouse, Ms. Mizuho Fukui, 50,000 shares held by Dr. Fukui and 500,000 underlying shares in respect of the share options granted pursuant to the share option scheme as disclosed under section headed share option scheme.

⁽⁸⁾ The interest comprises 1,240,000 shares, 400,000 underlying shares in respect of the share options granted pursuant to the share option scheme and 360,000 underlying shares in respect of the awarded shares granted pursuant to the share award scheme as disclosed under sections headed share option scheme and share award scheme.

OTHER INFORMATION

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

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

⁽⁹⁾ As at 30 June 2015, Ally Good Group Limited is the holder of 71.09% of the issued share capital of the Company and is an associated corporation under SFO.

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

Save as disclosed above, as at 30 June 2015, 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 2015, 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	737,559,000 ⁽¹¹⁾	71.09%
Hwabao Trust Co., Ltd. ⁽¹²⁾	103,750,000	10%
Baosteel Group Corporation ⁽¹³⁾	103,750,000	10%

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

⁽¹²⁾ A trustee for and on behalf of Baosteel Stainless Steel Co., Ltd. For details, please refer to the sections headed issuance of new shares.

⁽¹³⁾ A controlling shareholder of Hwabao Trust Co., Ltd.

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 2015.

OTHER INFORMATION

ISSUANCE OF NEW SHARES

On 26 June 2015, the Company, Baosteel Stainless Steel Co., Ltd. (“Baosteel”) and Hwabao Trust Co., Ltd. (as trustee for and on behalf of Baosteel) (“Hwabao”) entered into a Subscription Agreement, pursuant to which the Company has conditionally agreed to allot and issue and Hwabao has conditionally agreed to, for and on behalf of and for the benefit of Baosteel, subscribe for 103,750,000 new Shares at the total subscription price of approximately HK\$382.8 million (the “Subscription”). The subscription shares represent 10% of the issued share capital of the Company as at 26 June 2015 and approximately 9.09% of the Company’s enlarged issued share capital as at 8 July 2015.

EVENT AFTER THE END OF THE REPORTING PERIOD

Ally Good Group Limited, a substantial shareholder of the Company and a company owned as to 77.2% by Mr. Zhou Keming and 22.8% by Ms. Xu Xia, owned 739,461,000 shares (64.79%) in the share capital of the Company as at 20 July 2015 due to the following reasons:

- (1) during 2 July 2015 to 20 July 2015, 1,902,000 ordinary shares of the Company were acquired on Exchange; and
- (2) share dilution upon completion of the Subscription on 8 July 2015.