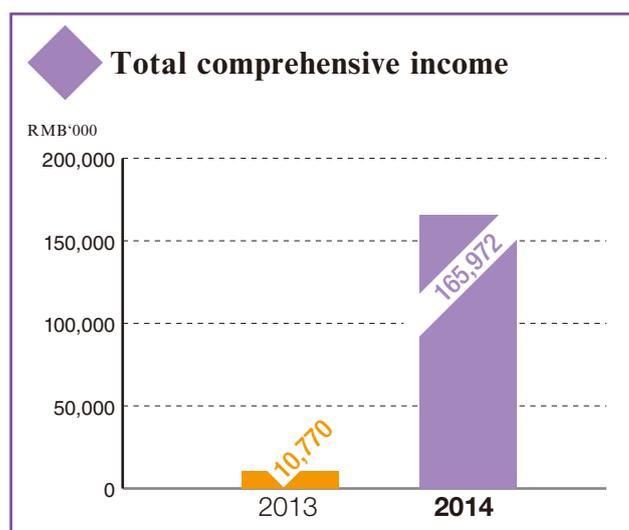
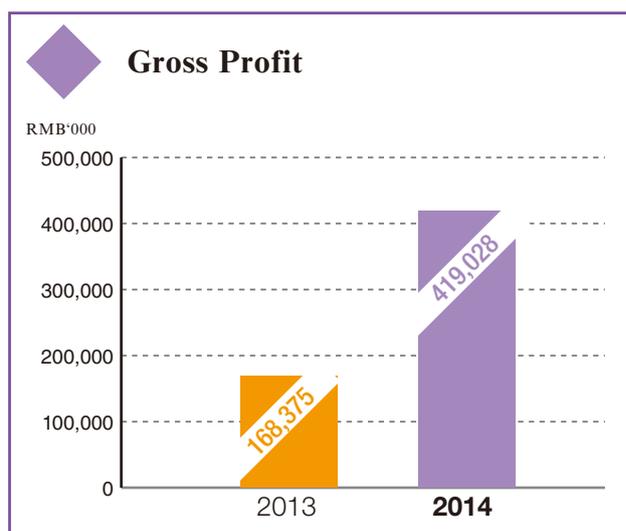
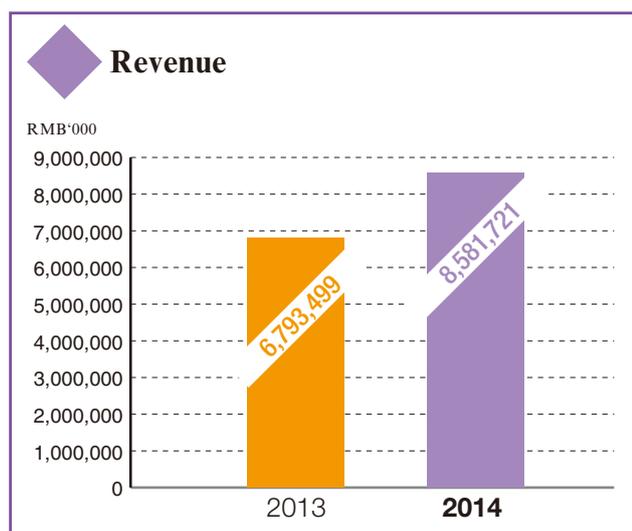


FINANCIAL AND OPERATING HIGHLIGHTS

Financial Highlights

	Six months ended 30 June		% change
	2014 RMB'000	2013 RMB'000	
Revenue	8,581,721	6,793,499	+26.3%
Gross profit	419,028	168,375	+148.9%
Total comprehensive income for the period	165,972	10,770	+1,441.1%

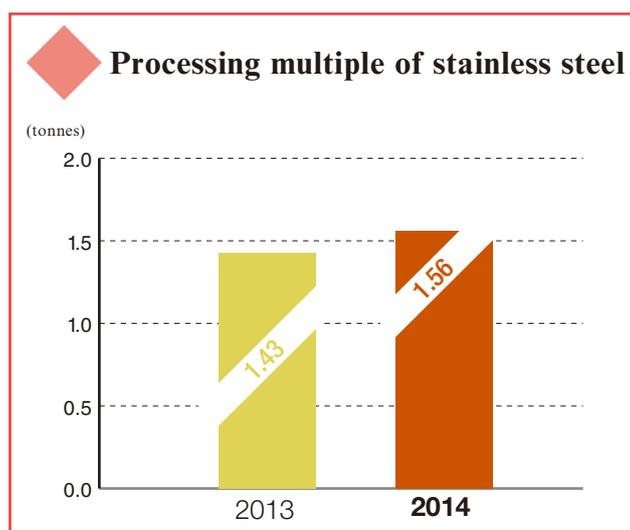
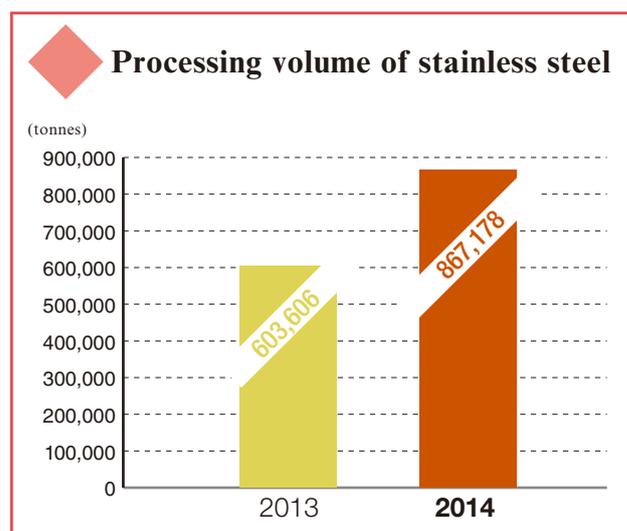
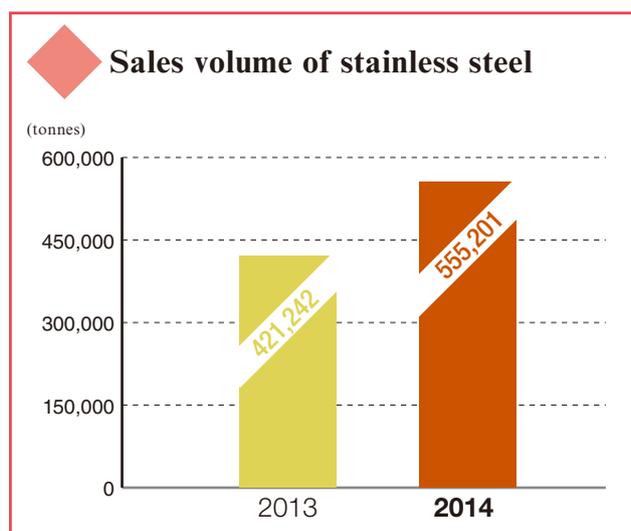


Financial and Operating Highlights

Operating Highlights

	Six months ended 30 June		% change
	2014	2013	
Stainless steel			
Sales volume (tonnes)	555,201	421,242	+31.8%
Processing volume (tonnes)	867,178	603,606	+43.7%
Processing multiple (note 1)	1.56	1.43	+9.1%
Carbon steel (note 2)			
Sales volume (tonnes)	196,560	70,388	+179.3%
Processing volume (tonnes)	177,456	69,731	+154.5%
Processing multiple	0.90	0.99	-9.1%

Note : 1. Processing multiple = Processing volume/Sales volume
 2. Carbon steel processing services commenced in March 2013.



MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

Stainless steel processing services

We are a leading stainless steel processing service provider in China which provides processing services to customers across different industries. We have a network of five processing centres situated in Wuxi, Wuhan, Hangzhou, Tianjin and Taiyuan providing coil cutting, surface polishing, plate cutting, forming, machining, flat bar processing, precision sheet metal processing and welding services to over 10,000 active customers. The sixth processing centre is now under construction in Jingjiang, Jiangsu province.

The market price of stainless steel materials rose steadily from January 2014 to May 2014 and the Group was able to capture a significant increase in operating profit consequently. There was a significant drop in the market price of stainless steel materials in June 2014 and a provision for write-down of inventories was also recorded.

Carbon steel processing services

In order to widen our business scope, the Group had commenced its carbon steel processing services in March 2013. Carbon steel has high demands in a wide variety of industrial use including building infrastructures, containers and machineries and it has a lower unit price as compared with stainless steel. Developing into processing services of carbon steel will open more business opportunities to the Group. Carbon steel processing services are being provided by our Wuxi processing centre and Hangzhou processing centre currently. The current sales volume and processing volume of our carbon steel processing services reach over 30,000 tonnes per month.



Management Discussion and Analysis

Processing centres

The construction of the sixth phase of our Wuxi processing centre is expected to be completed in the fourth quarter of 2014 which will become our precision sheet metal processing centre. The precision sheet metal processing platform will serve customers mainly in the motor vehicles, health, environmental protection, weaving and electrical industries.



On 28 April, 2014, the Group entered into an equity transfer agreement with Baosteel Stainless Steel Co., Ltd. (“Baosteel”) pursuant to which the Group agreed to transfer 5% interest in Hangzhou Wanzhou Metal Products Co., Ltd at a consideration of RMB11,170,000. Baosteel is a key supplier of the Group and the entering into the equity transfer agreement will strengthen the Group’s strategic alliance with Baosteel.



The construction of the new Wuhan processing centre was substantially completed and installation of new machineries was started in May 2014. The machineries in the original Wuhan processing centre had also been relocated to the new processing centre in May 2014.



Management Discussion and Analysis



The building infrastructure of the Taiyuan processing centre was substantially completed and is under trial run currently. Equipped with coil and plate cutting, precision shearing and slitting, surface polishing and forming platforms, Taiyuan processing centre will provide processing services to both our stainless steel and carbon steel customers.



The construction of the Jingjiang processing centre in Jingjiang, Jiangsu province was substantially completed and installation of machineries was started in July 2014. The Jingjiang processing centre will provide processing services to our customers mainly involved in heavy industries such as pressurized container manufacturers and infrastructural parts manufacturers.

Prospect

With the experience in the processing service for mobile phones by using the flat bar processing platform, the Group received an order for the provision of stainless steel material and cutting service from the manufacturer of “Xiaomi 4” in July 2014.

The Group will proceed with the completion of the processing centres in Wuhan, Taiyuan and Jingjiang in the second half year of 2014. We shall also devote more resources to our carbon steel processing business in order to provide a more comprehensive service to our customers.



Management Discussion and Analysis

FINANCIAL REVIEW AND ANALYSIS

During the six months ended 30 June 2014, we recorded a revenue of approximately RMB8,582 million, gross profit of approximately RMB419 million and profit attributable to equity holders of the Company of approximately RMB162 million. Total assets of the Group as at 30 June 2014 amounted to approximately RMB6,184 million while equity attributable to equity holders of the Company amounted to approximately RMB1,755 million.

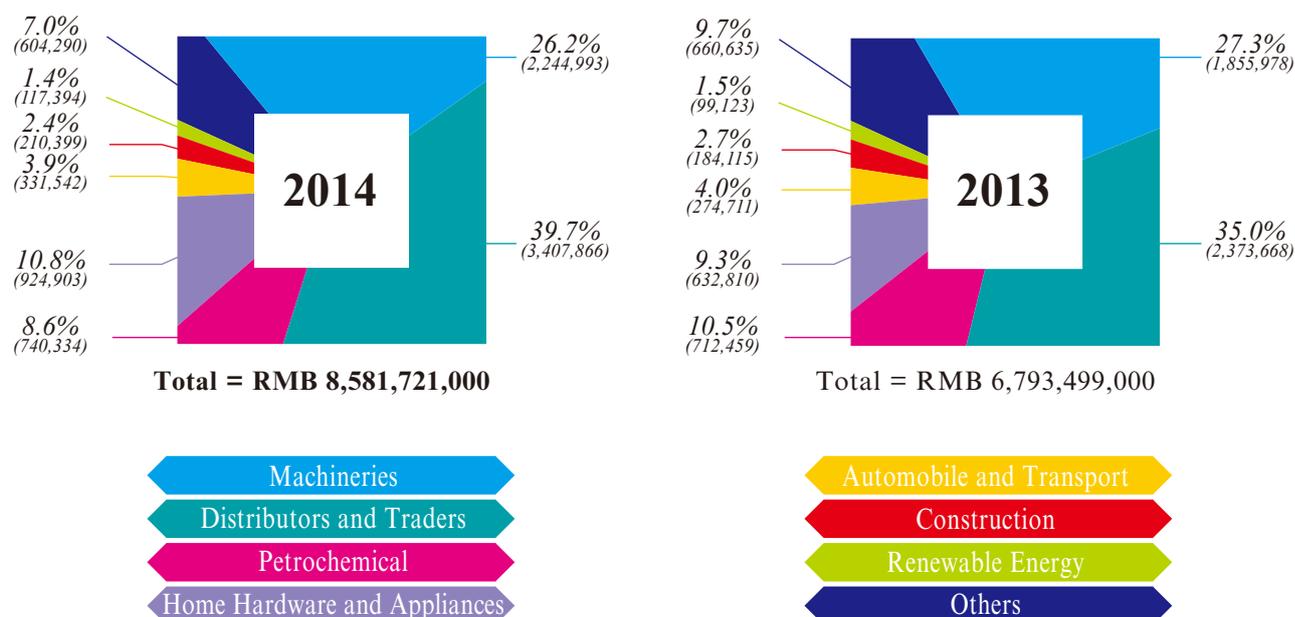
Analysis of revenue by key industry segments

During the six months ended 30 June 2014 and the corresponding period in 2013, our revenue by key industry segments are shown below:

Revenue

Industry	Six months ended 30 June			
	2014		2013	
	RMB'000	%	RMB'000	%
Machineries	2,244,993	26.2	1,855,978	27.3
Distributors and Traders	3,407,866	39.7	2,373,668	35.0
Petrochemical	740,334	8.6	712,459	10.5
Home Hardware and Appliances	924,903	10.8	632,810	9.3
Automobile and Transport	331,542	3.9	274,711	4.0
Construction	210,399	2.4	184,115	2.7
Renewable Energy	117,394	1.4	99,123	1.5
Others	604,290	7.0	660,635	9.7
Total	8,581,721	100.0	6,793,499	100.0

RMB'000



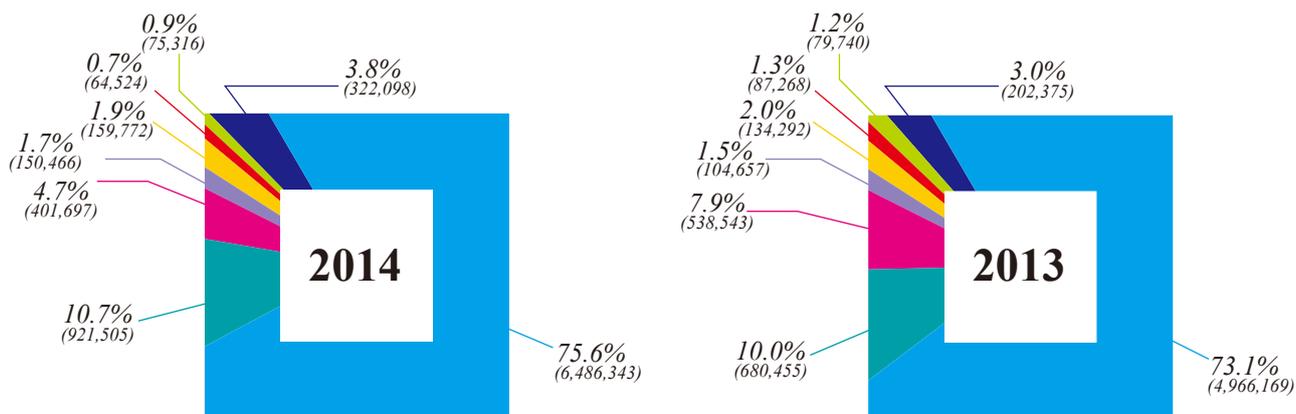
Management Discussion and Analysis

Analysis of revenue by geographical regions

During the six months ended 30 June 2014 and the corresponding period in 2013, our revenue by geographical regions are shown below:

Region	Six months ended 30 June			
	2014		2013	
	RMB'000	%	RMB'000	%
Eastern region, China	6,486,343	75.6	4,966,169	73.1
Northern region, China	921,505	10.7	680,455	10.0
Central region, China	401,697	4.7	538,543	7.9
Southwestern region, China	150,466	1.7	104,657	1.5
Northeastern region, China	159,772	1.9	134,292	2.0
Northwestern region, China	64,524	0.7	87,268	1.3
Southern region, China	75,316	0.9	79,740	1.2
Overseas	322,098	3.8	202,375	3.0
Total	8,581,721	100.0	6,793,499	100.0

RMB'000



Total = RMB8,581,721,000

Total = RMB6,793,499,000



Management Discussion and Analysis

The sales volume and processing volume of our processing centres for the six months ended 30 June 2014 and the corresponding period in 2013 are as follows:

Stainless steel

	Six months ended 30 June		% change
	2014 <i>tonnes</i>	2013 <i>tonnes</i>	
Sales volume			
Wuxi	312,204	272,769	14.5%
Wuhan	20,706	20,337	1.8%
Hangzhou	85,322	65,120	31.0%
Tianjin	84,215	61,374	37.2%
Taiyuan (in trial run)	24,182	1,642	1,372.7%
Others*	28,572	–	n/a
Total	555,201	421,242	31.8%
Processing volume			
Wuxi	590,120	461,240	27.9%
Wuhan	9,540	7,783	22.6%
Hangzhou	103,803	76,498	35.7%
Tianjin	88,275	56,374	56.6%
Taiyuan (in trial run)	75,440	1,711	4,309.1%
Total	867,178	603,606	43.7%

Carbon steel

	Six months ended 30 June		% change
	2014 <i>tonnes</i>	2013 <i>tonnes</i>	
Sales volume			
Wuxi	63,591	36,916	72.3%
Hangzhou	108,214	33,472	223.3%
Taiyuan (in trial run)	4,314	–	n/a
Others*	20,441	–	n/a
Total	196,560	70,388	179.3%
Processing volume			
Wuxi	68,834	36,423	89.0%
Hangzhou	108,622	33,308	226.1%
Total	177,456	69,731	154.5%

* Others comprise group companies in which processing centres have not yet been established.

Management Discussion and Analysis

Revenue

Our revenue for the six months ended 30 June 2014 amounted to approximately RMB8,582 million comprising approximately RMB7,983 million from our stainless steel business and approximately RMB599 million from our carbon steel business. As compared with the revenue for the six months ended 30 June 2013 of approximately RMB6,793 million, it represented an increase of approximately 26.3%. Such increase was mainly due to the increase in the sales volume of both our stainless steel and carbon steel businesses. The sales volume of our stainless steel business increased from 421,242 tonnes for the six months ended 30 June 2013 to 555,201 tonnes for the six months ended 30 June 2014 representing an increase of approximately 31.8%. The sales volume of our carbon steel business also increased from 70,388 tonnes for the six months ended 30 June 2013 to 196,560 tonnes for the six months ended 30 June 2014 representing an increase of approximately 179.3%.

Gross profit

Gross profit increased from approximately RMB168.4 million for the six months ended 30 June 2013 to approximately RMB419.0 million for the six months ended 30 June 2014 mainly due to the increase in sales volume and the increased demands in our deep processing services. Gross profit also increased due to the steady increase in the market price of stainless steel during the first five months of 2014.

Other income

Other income increased from approximately RMB0.9 million for the six months ended 30 June 2013 to approximately RMB2.2 million for the six months ended 30 June 2014 due to the receipt of compensation from various services providers.

Distribution costs

Distribution costs increased from approximately RMB46.7 million for the six months ended 30 June 2013 to approximately RMB65.7 million for the six months ended 30 June 2014. Such increase was mainly due to the increase in staff costs and transportation costs as a result of the increase in sales volume.

Administration expenses

Administrative expenses increased from approximately RMB59.9 million for the six months ended 30 June 2013 to approximately RMB72.1 million for the six months ended 30 June 2014. Such increase was mainly due to the increase in staff costs.

Finance costs

Finance costs increased from approximately RMB47.4 million for the six months ended 30 June 2013 to approximately RMB54.4 million for the six months ended 30 June 2014. The increase in finance costs was mainly due to the increase in interest expenses on bank acceptance notes which was partially offset by a decrease in interest expenses on bank borrowings.

Income tax expense

Income tax expense increased from approximately RMB4.4 million for the six months ended 30 June 2013 to approximately RMB6.6 million for the six months ended 30 June 2014 due to the significant increase in operating profit.

Management Discussion and Analysis

Profit for the period

The Group recorded a net profit of approximately RMB166.0 million for the six months ended 30 June 2014 as compared with a net profit of approximately RMB10.8 million for the six months ended 30 June 2013 representing an increase of approximately 1,437%. The increase was mainly due to the increase in sales volume and processing volume of both our stainless steel and carbon steel processing services as well as the significant improvement in gross profit as a result of the steady increase in the market price of stainless steel materials during January 2014 to May 2014.

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 2014, the bank borrowings of the Group amounted to approximately RMB1,677.5 million. Bank acceptance notes amounted to approximately RMB1,820.9 million while the bank balances were approximately RMB846.8 million of which approximately RMB757.2 million were restricted bank deposits for issuing letter of credit and notes payable.

As at 30 June 2014, the net current assets of the Group amounted to approximately RMB10.7 million as compared with approximately RMB1.8 million as at 31 December 2013. The low net current assets level was mainly due to the capital expenditures required for the expansion of business.

The gearing ratios as at 30 June 2014 and 31 December 2013 were 44.33% and 44.05% 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 2014, the Group did not have any material contingent liabilities.

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2014

	<i>Note</i>	As at 30 June 2014 <i>RMB'000</i>	As at 31 December 2013 <i>RMB'000</i>
ASSETS			
Non-current assets			
Land use rights		203,457	205,773
Property, plant and equipment	6	1,991,206	1,815,399
Investment properties		7,531	7,758
Intangible assets		2,558	2,202
Deferred income tax assets		27,870	18,739
Other non-current assets		76,262	75,149
		<u>2,308,884</u>	<u>2,125,020</u>
Current assets			
Inventories	7	1,914,476	1,525,969
Trade receivables	8	439,483	463,550
Prepayments, deposits and other receivables	9	673,888	581,425
Restricted bank deposits		757,236	458,992
Cash and cash equivalents		89,533	74,528
		<u>3,874,616</u>	<u>3,104,464</u>
Total assets		<u><u>6,183,500</u></u>	<u><u>5,229,484</u></u>
EQUITY AND LIABILITIES			
Equity attributable to equity holders of the Company			
Share capital	10	89,215	89,215
Reserves		1,665,437	1,519,675
		<u>1,754,652</u>	1,608,890
Non-controlling interests		<u>239,843</u>	144,068
Total equity		<u><u>1,994,495</u></u>	<u><u>1,752,958</u></u>

Unaudited Condensed Consolidated Statement of Financial Position

As at 30 June 2014

	<i>Note</i>	As at 30 June 2014 <i>RMB'000</i>	As at 31 December 2013 <i>RMB'000</i>
LIABILITIES			
Non-current liabilities			
Borrowings	<i>11</i>	296,150	346,150
Deferred government grants		28,137	25,140
Deferred income tax liabilities		756	2,606
		<u>325,043</u>	<u>373,896</u>
Current liabilities			
Trade payables	<i>12</i>	2,077,995	1,565,398
Accruals, advances from customers and other current liabilities		360,537	395,630
Current income tax liabilities		42,906	32,071
Borrowings	<i>11</i>	1,381,314	1,108,321
Current portion of deferred government grants		1,210	1,210
		<u>3,863,962</u>	<u>3,102,630</u>
Total liabilities		<u>4,189,005</u>	<u>3,476,526</u>
Total equity and liabilities		<u>6,183,500</u>	<u>5,229,484</u>
Net current assets		<u>10,654</u>	<u>1,834</u>
Total assets less current liabilities		<u>2,319,538</u>	<u>2,126,854</u>

UNAUDITED CONDENSED CONSOLIDATED COMPREHENSIVE INCOME STATEMENT

For the six months ended 30 June 2014

	Note	Six months ended 30 June	
		2014 RMB'000	2013 RMB'000
Revenue	13	8,581,721	6,793,499
Cost of sales	14	(8,162,693)	(6,625,124)
Gross profit		419,028	168,375
Other income – net		2,173	882
Other losses – net		(430)	(61)
Distribution costs	14	(65,679)	(46,671)
Administrative expenses	14	(72,122)	(59,947)
Operating profit		282,970	62,578
Finance income	15	9,532	3,515
Finance costs	15	(63,900)	(50,931)
Finance costs – net	15	(54,368)	(47,416)
Profit before income tax		228,602	15,162
Income tax expense	16	(62,630)	(4,392)
Profit for the period		165,972	10,770
Other comprehensive income for the period		–	–
Total comprehensive income for the period		165,972	10,770
Attributable to:			
Equity holders of the Company		162,002	12,800
Non-controlling interests		3,970	(2,030)
		165,972	10,770
Earnings per share for profit attributable to equity holders of the Company during the period (expressed in RMB per share)			
– basic earnings per share	17	0.16	0.01
– diluted earnings per share	17	0.16	0.01
Interim dividends		–	–

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2014

	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	89,215	1,655,437	239,843	1,994,495

	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 2013	89,215	1,428,836	143,920	1,661,971
Comprehensive income				
Profit/(Losses) for the period	–	12,800	(2,030)	10,770
Total comprehensive income for the period	–	12,800	(2,030)	10,770
Transaction with owners				
Employee share options scheme	–	740	–	740
Dividend paid	–	(8,412)	–	(8,412)
Total transaction with owners	–	(7,672)	–	(7,672)
Balance at 30 June 2013	89,215	1,433,964	141,890	1,665,069

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2014

	Six months ended 30 June	
	2014 <i>RMB'000</i>	2013 <i>RMB'000</i>
Cash flows from operating activities		
Cash generated from operations	306,826	(41,749)
Interest received	9,532	3,515
Interest paid	(63,900)	(50,931)
Income tax paid	(62,776)	(19,813)
Net cash flows from operating activities	<u>189,682</u>	<u>(108,978)</u>
Cash flows from investing activities		
Purchase of property, plant and equipment	(209,278)	(205,725)
Purchase of land use rights	–	(38,384)
Other investing cash flow	1,846	59,553
Net cash used in investing activities	<u>(207,432)</u>	<u>(184,556)</u>
Cash flows from financing activities		
Net change in borrowings	222,993	26,318
Net change in restricted bank deposits	(298,244)	(152,087)
Capital injection by a non-controlling shareholder	80,000	–
Proceeds on partial disposal of a subsidiary	11,170	–
Dividend paid to shareholders	(16,314)	(8,412)
Net change in bank acceptance notes	33,150	415,200
Net cash from financing activities	<u>32,755</u>	<u>281,019</u>
Net increase/(decrease) in cash and cash equivalents	15,005	(12,515)
Cash and cash equivalents at beginning of the period	<u>74,528</u>	<u>182,565</u>
Cash and cash equivalents at end of the period	<u>89,533</u>	<u>170,050</u>

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2014

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 2014 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 condensed consolidated financial statements are unaudited but have been reviewed by the Company's audit committee.

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 2013, 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.

(a) New and amended standards adopted by the Group

The following new standards and amendments to standards are mandatory for the first time for the financial year beginning 1 January 2014:

HKFRS 10, 12 and HKAS 27 (Amendment)	Consolidation for investment entities
HK (IFRIC) Interpretation 21	Levies
HKAS 32 (Amendment)	Financial instruments: Presentation – Offsetting financial assets and financial liabilities
Amendment to HKAS 36	Impairment of assets on recoverable amount disclosures
Amendment to HKAS 39	Financial Instruments: Recognition and measurement, on novation of derivatives

The adoption of the above standards have no significant impact on the Group's consolidated financial statements.

Notes to the Unaudited Condensed Consolidated Financial Statements

For the six months ended 30 June 2014

- (b) **New and amended standards have been issued but are not effective for the financial year beginning 1 January 2014 and have not been early adopted:**

		Effective for annual periods beginning on or after
Amendments to HKAS 19	Defined benefit plans	1 July 2014
HKFRS 2	Share-based payment	1 July 2014
HKFRS 3	Business combinations	1 July 2014
HKFRS 8	Operating segments	1 July 2014
HKFRS 13	Fair value measurement	1 July 2014
HKAS 16	Property, plant and equipment	1 July 2014
HKAS 24	Related party disclosures	1 July 2014
HKAS 37	Provisions, contingent liabilities and contingent assets	1 July 2014
HKAS 38	Intangible assets	1 July 2014
HKAS 39	Financial instruments – Recognition and measurement	1 July 2014
HKAS 40	Investment property	1 July 2014
HKFRS 14	Regulatory deferral accounts	1 January 2016
Amendments to HKFRS 11	Joint arrangements	1 January 2016
Amendments to HKAS 16	Property, plant and equipment	1 January 2016
Amendments to HKAS 38	Intangible assets	1 January 2016
HKFRS 15	Revenue from contracts with customers	1 January 2017
HKFRS 9	Financial instruments	1 January 2018

There are no new standards, new interpretations and amendments to standards and interpretations that are not yet effective that would be expected to have a material impact on the Group.

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 2013.

Notes to the Unaudited Condensed Consolidated Financial Statements

For the six months ended 30 June 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 2013.

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 2014

6. PROPERTY, PLANT AND EQUIPMENT

	Buildings and plant <i>RMB'000</i>	Machinery <i>RMB'000</i>	Vehicles <i>RMB'000</i>	Office equipment and others <i>RMB'000</i>	Leasehold improvements <i>RMB'000</i>	Construction in progress <i>RMB'000</i>	Total <i>RMB'000</i>
At 1 January 2013							
Cost	298,863	851,316	14,452	22,171	832	563,985	1,751,619
Accumulated depreciation	(40,474)	(234,865)	(7,137)	(12,870)	(440)	–	(295,786)
Net book amount	258,389	616,451	7,315	9,301	392	563,985	1,455,833
Year ended 31 December 2013							
Opening net book amount	258,389	616,451	7,315	9,301	392	563,985	1,455,833
Additions	1,321	5,220	5,696	3,659	–	421,886	437,782
Transfer	44,776	279,347	–	338	–	(324,461)	–
Disposals	–	–	(56)	(34)	–	–	(90)
Depreciation	(11,575)	(61,141)	(2,706)	(2,594)	(110)	–	(78,126)
Closing net book amount	292,911	839,877	10,249	10,670	282	661,410	1,815,399
At 31 December 2013							
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	292,911	839,877	10,249	10,670	282	661,410	1,815,399
Six months ended 30 June 2014							
Opening net book amount	292,911	839,877	10,249	10,670	282	661,410	1,815,399
Additions	372	14,471	3,200	1,993	1,241	197,913	219,190
Transfer	–	28,371	–	1,315	–	(29,686)	–
Disposals	–	(8,373)	(39)	(55)	(260)	–	(8,727)
Depreciation	(5,619)	(25,816)	(1,599)	(1,495)	(127)	–	(34,656)
Closing net book amount	287,664	848,530	11,811	12,428	1,136	829,637	1,991,206
At 30 June 2014							
Cost	345,332	1,170,352	22,751	29,101	1,813	829,637	2,398,986
Accumulated depreciation	(57,668)	(321,822)	(10,940)	(16,673)	(677)	–	(407,780)
Net book amount	287,664	848,530	11,811	12,428	1,136	829,637	1,991,206

Notes to the Unaudited Condensed Consolidated Financial Statements

For the six months ended 30 June 2014

7. INVENTORIES

	As at 30 June 2014 RMB'000	As at 31 December 2013 RMB'000
Raw materials	1,131,556	996,109
Finished goods	782,910	711,816
	1,914,476	1,525,969

For the six months ended 30 June 2014, the Group has recognised a loss of approximately RMB42,919,000 (2013: RMB22,705,000) 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 2014 RMB'000	As at 31 December 2013 RMB'000
Accounts receivable	165,141	135,993
Notes receivable		
– bank acceptance notes	261,191	321,541
– commercial acceptance notes	14,932	7,797
	441,264	465,331
Less: provision for impairment	(1,781)	(1,781)
Trade receivables – net	439,483	463,550

Notes to the Unaudited Condensed Consolidated Financial Statements

For the six months ended 30 June 2014

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 2014 RMB'000	As at 31 December 2013 RMB'000
Accounts receivable		
– Within 30 days	162,156	128,119
– 30 days to 3 months	1,790	4,707
– 3 months to 6 months	230	637
– 6 months to 1 year	2	431
– 1 year to 2 years	434	444
– 2 years to 3 years	–	1,139
– More than 3 years	529	516
	<u>165,141</u>	<u>135,993</u>
Notes receivable		
– Within 6 months	276,123	329,338
	<u>441,264</u>	<u>465,331</u>

9. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	As at 30 June 2014 RMB'000	As at 31 December 2013 RMB'000
Prepayment for purchase of raw materials	518,502	421,265
Value added tax recoverable	121,305	125,984
Export tax refund	3,003	1,970
Deposits and other receivables	31,078	32,206
	<u>673,888</u>	<u>581,425</u>

Notes to the Unaudited Condensed Consolidated Financial Statements

For the six months ended 30 June 2014

10. SHARE CAPITAL

	Number of shares		
	'000	HKD'000	RMB'000
Authorised share capital			
As at 31 December 2013 and 30 June 2014	1,500,000	150,000	128,886
Issued and fully paid up			
As at 31 December 2013 and 30 June 2014	1,037,500	103,750	89,215

11. BORROWINGS

	As at 30 June 2014 RMB'000	As at 31 December 2013 RMB'000
Non-current		
Bank borrowings	296,150	346,150
Current		
Bank borrowings	1,381,314	1,108,321
Representing :		
Unsecured	1,677,464	1,312,392
Pledged	–	142,079
	1,677,464	1,454,471

12. TRADE PAYABLES

	As at 30 June 2014 RMB'000	As at 31 December 2013 RMB'000
Accounts payable	257,145	175,228
Notes payable	1,820,850	1,390,170
	2,077,995	1,565,398

Notes to the Unaudited Condensed Consolidated Financial Statements

For the six months ended 30 June 2014

The ageing analysis of the trade payable is as follows:

	As at 30 June 2014 <i>RMB'000</i>	As at 31 December 2013 <i>RMB'000</i>
Within 6 months	2,077,978	1,565,386
6 months to 1 year	17	6
1 year to 2 years	–	6
	<u>2,077,995</u>	<u>1,565,398</u>

13. SALES AND SEGMENT INFORMATION

	Six months ended 30 June 2014 <i>RMB'000</i>	30 June 2013 <i>RMB'000</i>
Sales of goods	<u>8,581,721</u>	<u>6,793,499</u>

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 2014

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 2014 RMB'000	30 June 2013 RMB'000
– Mainland China	8,259,623	6,591,126
– Hong Kong and other overseas countries and regions*	322,098	202,373
Total sales	8,581,721	6,793,499

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

Other overseas countries and regions for the six months ended 30 June 2013 mainly represented Australia, New Zealand, Korea, Malaysia, USA and Canada.

14. EXPENSES BY NATURE

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

	Six months ended	
	30 June 2014 RMB'000	30 June 2013 RMB'000
Changes in inventories of finished goods	(147,690)	(13,598)
Raw materials consumed	8,125,399	6,497,107
Stamp duty, property tax and other surcharges	7,477	5,076
Transportation costs	55,094	36,569
Employee benefit expenses, including directors' emoluments	110,139	80,416
Depreciation and amortisation	36,523	51,160
Operating lease rental for buildings	929	1,191
Utilities charges	11,307	8,952
Provision for write-down of inventories	42,919	22,705
Entertainment and travelling expenses	17,658	15,431
Professional service expenses	953	371
Others	39,786	26,362
Total cost of sales, distribution costs and administrative expenses	8,300,494	6,731,742

Notes to the Unaudited Condensed Consolidated Financial Statements

For the six months ended 30 June 2014

15. FINANCE COSTS - NET

	Six months ended	
	30 June 2014	30 June 2013
	<i>RMB'000</i>	<i>RMB'000</i>
Interest expenses on bank borrowings	34,144	40,894
Interest expenses on bank acceptance notes	27,507	14,271
Exchange losses/(gains), net	2,249	(4,234)
Total finance costs	63,900	50,931
Interest income	(9,532)	(3,515)
	54,368	47,416

16. INCOME TAX EXPENSE/(CREDIT)

	Six months ended	
	30 June 2014	30 June 2013
	<i>RMB'000</i>	<i>RMB'000</i>
Current income tax expense		
– Mainland China corporate income tax	73,611	17,722
Deferred income tax credit	(10,981)	(13,330)
	62,630	4,392

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 2014

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 2014 <i>RMB'000</i>	30 June 2013 <i>RMB'000</i>
Profit attributable to equity holders of the company	162,002	12,800
Weighted average number of ordinary shares in issue (<i>thousands</i>)	1,037,500	1,037,500

(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 2014 <i>RMB'000</i>	30 June 2013 <i>RMB'000</i>
Profit used to determine diluted earnings per share	162,002	12,800
Weighted average number of ordinary shares in issue (<i>thousands</i>)	1,037,500	1,037,500
Adjustments for:		
– Share options (<i>thousands</i>)	–	–
Weighted average number of ordinary shares for diluted earnings per share (<i>thousands</i>)	1,037,500	1,037,500

Notes to the Unaudited Condensed Consolidated Financial Statements

For the six months ended 30 June 2014

18. COMMITMENTS

(a) Capital commitments

	As at 30 June 2014 <i>RMB'000</i>	As at 31 December 2013 <i>RMB'000</i>
Contracted but not provided for:		
Acquisition of property, plant and equipment	<u>245,752</u>	<u>251,299</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 2014 <i>RMB'000</i>	As at 31 December 2013 <i>RMB'000</i>
Not later than 1 year	856	2,159
Later than 1 year and not later than 5 years	<u>221</u>	<u>1,078</u>
	<u>1,077</u>	<u>3,237</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 2014 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 2013 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 2014.

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 2014 (2013: 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 2014.

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 2014 and considered that the Company has complied with all applicable accounting standards and requirements.

Other Information

CHANGE IN INFORMATION OF DIRECTORS

Pursuant to Rule 13.51(B) of the Listing Rules, the changes in information of Directors of the Company subsequent to the date of the 2013 Annual Report of the Company are set out below:

Name of Directors	Details of Changes
Zhou Keming	<ol style="list-style-type: none"> Resigned as the legal representative and chairman of Hangzhou Wanzhou Metal Products Co., Ltd.; and Appointed as the legal representative and chairman of Daming Metal Technology Co., Ltd., a wholly-owned subsidiary of the Company newly incorporated in Jiangsu province, China on 9 June 2014.
Xu Xia	Resigned as the sales director and was appointed as the vice chairman of Jiangsu Daming Metal Products Co., Ltd., a wholly-owned subsidiary of the Company, with effect from 11 January 2014.

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 2013 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 2014 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\$)	Number of share options				As at 30 June 2014	Exercise period
			As at 1 January 2014	Granted during the period	Exercised during the period	Cancelled/ lapsed during the period		
Director								
Mr. Tang Zhonghai	21 December 2010	2.452	600,000 ⁽¹⁾	–	–	–	600,000 ⁽¹⁾	21 December 2013 to 20 December 2020
Other employees in aggregate	21 December 2010	2.452	4,900,000 ⁽¹⁾	–	–	–	4,900,000 ⁽¹⁾	21 December 2013 to 20 December 2020
Total			5,500,000	–	–	–	5,500,000	

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

SHARE AWARD SCHEME

The Company adopted a share award scheme on 25 August 2011. Principal terms of the share award scheme were set out in our 2013 Annual Report.

For the period ended 30 June 2014, no shares were granted to the selected employees.

Other Information

EMPLOYMENT POLICY

The Group employed a total of 2,184 staffs as at 30 June 2014 (2013: 1,687).

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 2014, 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 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 ⁽²⁾	737,209,000	71.06%
Ms. Xu Xia	Corporate ⁽²⁾	737,209,000	71.06%
Mr. Zou Xiaoping	Family ⁽³⁾	5,000,000	0.48%
Mr. Tang Zhonghai	Personal ⁽⁴⁾	600,000	0.06%

⁽²⁾ 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.

⁽³⁾ The shares are held by Mr. Zou Xiaoping's spouse, Ms. Li Jun.

⁽⁴⁾ The interest represents the 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 of associated corporation(s)

Name of Director	Name of associated corporation ⁽⁵⁾	Nature of interests	Number of shares held	% of issued share capital of associated corporation
Mr. Zhou Keming	Ally Good Group Limited	Personal ⁽⁶⁾	1,000	100%
Ms. Xu Xia	Ally Good Group Limited	Personal ⁽⁶⁾	1,000	100%

⁽⁵⁾ As at 30 June 2014, Ally Good Group Limited is the holder of 71.06% of the issued share capital of the Company and is an associated corporation under SFO.

⁽⁶⁾ 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 2014, 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 2014, 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	737,209,000 ⁽⁷⁾	71.06%

⁽⁷⁾ As Ally Good Group Limited is owned as to 77.2% by Mr. Zhou Keming and 22.8% by Ms. Xu Xia, they have interest in these shares as disclosed under the previous section.

Save as disclosed above, no other parties were recorded in the register of the Company required to be kept under section 336 of the SFO as having interests or short positions in the shares or underlying shares of the Company as at 30 June 2014.

EVENT AFTER THE END OF THE REPORTING PERIOD

Mr. Lu Daming was appointed as an independent non-executive director and a member of each of the audit committee, nomination committee and remuneration committee of the Company with effect from 21 August 2014. For Mr. Lu's detailed information, please refer to the Company's announcement dated 21 August 2014.