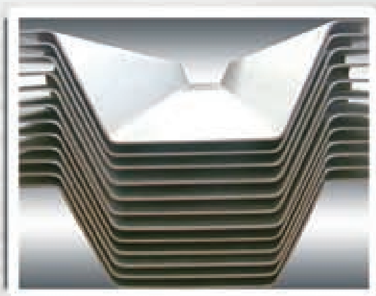
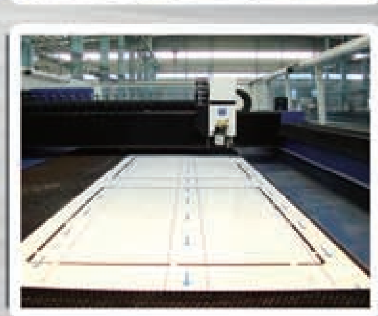
DA MING INTERNATIONAL HOLDINGS LIMITED

(Incorporated in the Cayman Islands with limited liability)

Stock code :1090

2011 Interim Report





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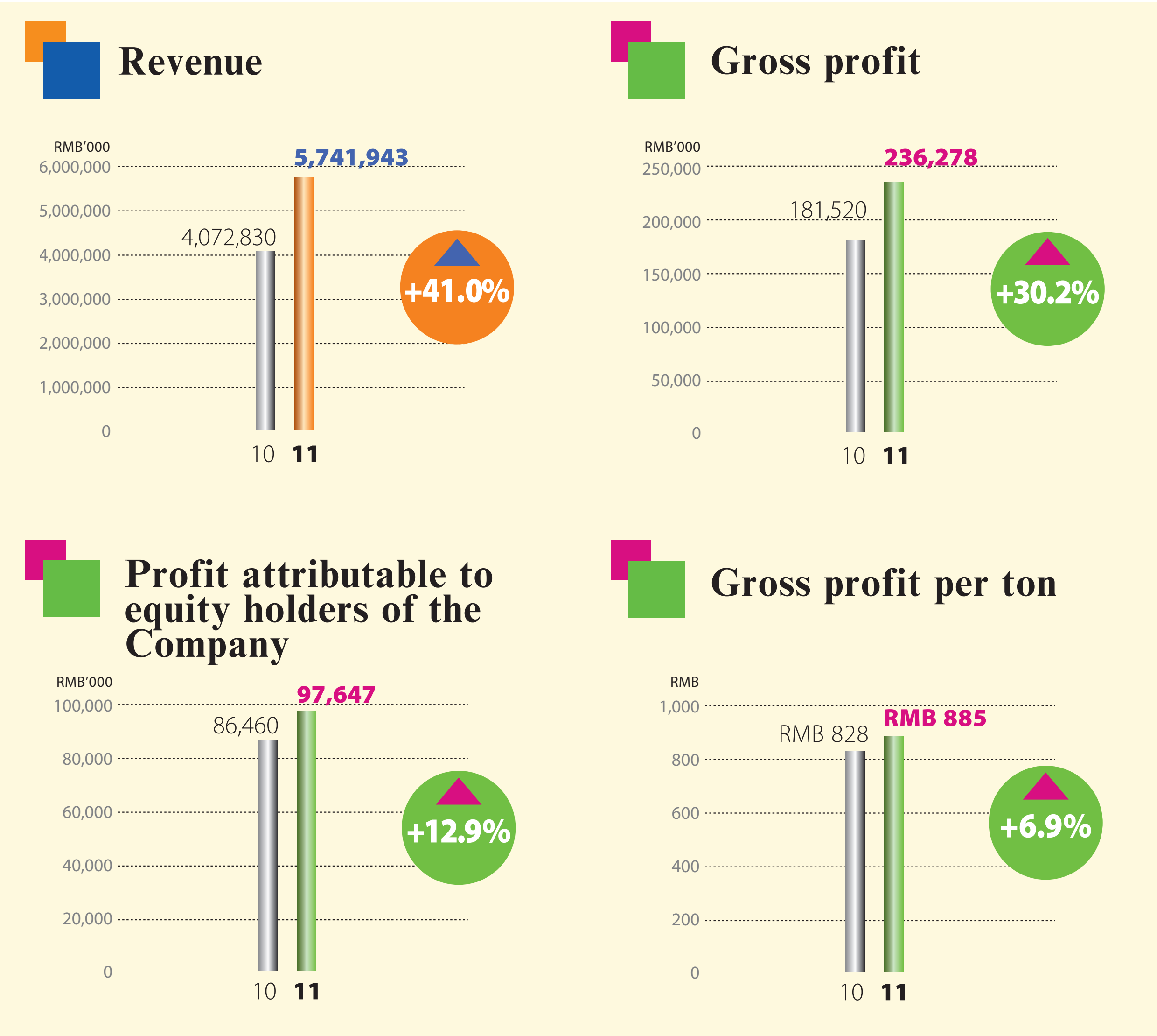
FINANCIAL AND OPERATING HIGHLIGHTS

Financial Highlights

	Six months ended 30 June		
	2011	2010	
	RMB'000	*RMB'000*	*% change*
Revenue	**5,741,943**	4,072,830	+41.0%
Gross profit	**236,278**	181,520	+30.2%
Profit attributable to equity holders of the Company	**97,647**	86,460	+12.9%
Gross profit per ton	**RMB885**	RMB828	+6.9%



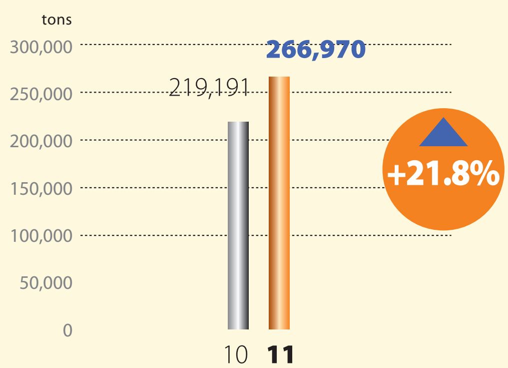
Financial and Operating Highlights

Operating Highlights

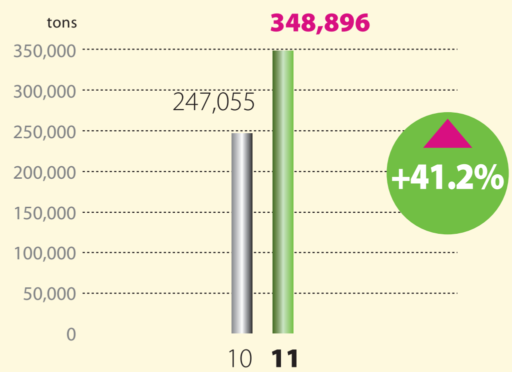
	Six months ended 30 June		
	2011	2010	*% change*
Sales volume	**266,970 tons**	219,191 tons	+21.8%
Processing volume	**348,896 tons**	247,055 tons	+41.2%
Processing multiple *(note)*	**1.31**	1.13	+15.9%

Note: Processing multiple = Processing volume/Sales volume

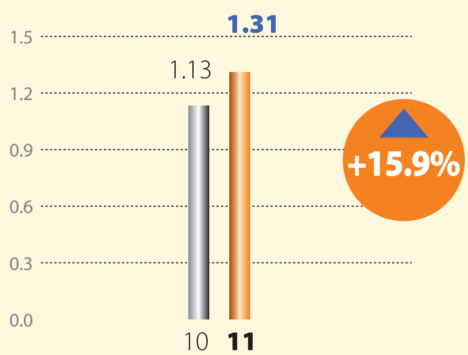
Sales volume



Processing volume



Processing multiple



GROUP PROFILE

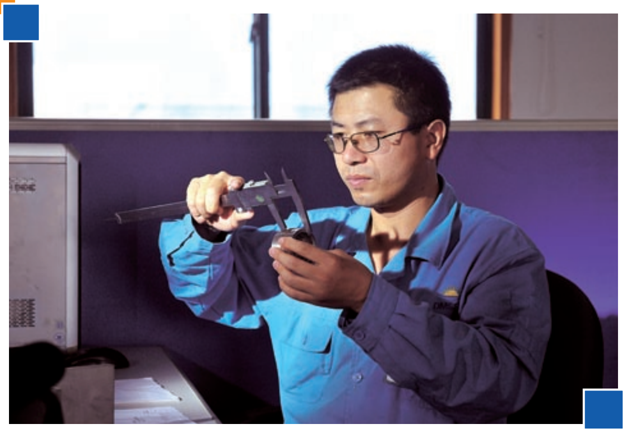
We are a leading stainless steel processing service provider in China which provides processing services to manufactures across different industries.

BUSINESS MODEL

Stainless steel producers typically sell their products in the form of standard sized coils and plates. As stainless steel production is capital-intensive, stainless steel producers generally do not provide direct supply and delivery to manufacturing customers with small orders. On the other hand, the numerous manufacturing customers have their own individualized requirements and specifications which the stainless steel producers cannot satisfy due to efficiency concerns.

We are an important link within the manufacturing value chain. By aggregating the demand from the numerous downstream manufacturing customers, we purchase the stainless steel raw materials in large volume from upstream producers and then process them according to the individual specification of these customers. In addition to sourcing services, we also provide technical advices to our customers on choices of stainless steel materials as well as scientific solutions to increase their material utilization rate.

With the comprehensive processing facilities in our processing centres and a team of engineers, we are able to process the stainless steel raw materials according to the individual specifications of different manufacturing customers. By outsourcing their sourcing and processing operations to us, our customers can reduce their material costs and manufacturing costs.



PROCESSING SERVICES

We have a network of four processing centres situated in Wuxi, Wuhan, Hangzhou and Tianjin. They provide a wide variety of processing services to our customers, including coil cutting, surface polishing, plate cutting, forming and machining services.

We have more than 7,000 active customers covering different industries, including machineries, petrochemical, home hardware & appliances, automobile and transport, construction and renewable energy. Our broad and diversified customer base allows us to capture growth in various industries, while at the same time reduces our business concentration risk from any unexpected downturn in a particular industry.

Group Profile

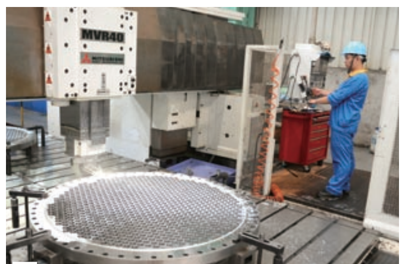
Coil Cutting

Surface Polishing

Our production process includes coil cutting, surface polishing and forming. Coil cutting includes cutting to length and slitting. Cutting to length involves the cutting of stainless steel coils into stainless steel plates of lengths specified by the customers. Slitting involves the cutting of stainless steel coils into strips of different widths according to customers' requirements. Surface polishing includes coil polishing and plate polishing. Plate cutting involves the cutting of stainless steel plates into different shapes and cutting holes and patterns specified by our customers. Our plate cutting machines includes laser cutting, plasma cutting and water jet cutting which cater for different needs of our customers. Forming involves the bending and transforming of stainless steel plates into three-dimensional shapes. Machining is currently the most in-depth processing service we provide to our customers which involves the processing of stainless steel raw materials into large-size parts and structures by our machining platforms.

Plate Cutting

Forming



Machining Services

PRICING

Our pricing method is based on the prevailing market price of stainless steel raw material as at the date of the sales orders plus processing fees and the costs of packaging and delivery. Processing fees to be charged by us depend on the complexity of the processing services required. Higher processing fees will be charged for more complicated or time-consuming processing services.

The processing multiple, which is defined as the processing volume divided by the sales volume during a period, indicates the average number of rounds of processing services our customers require from us. A higher processing multiple implies that more in-depth processing services are provided which, in turn, implies that higher processing fees will be charged to our customers.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

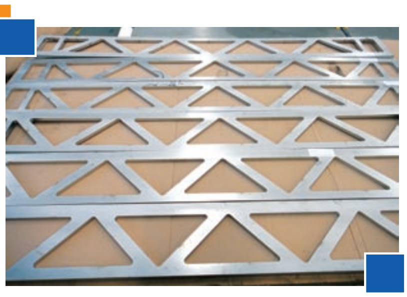
Processing facilities enhancement

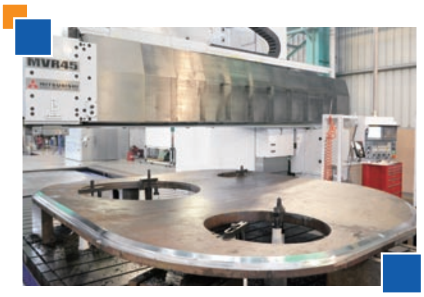
The building and infrastructure works of the fifth phase in our Wuxi processing centre were completed in April 2011 and started to provide processing services gradually in May 2011. Focusing on deep processing techniques, the fifth phase processing centre will be equipped with plate cutting, forming and machining processing facilities. Relocation of existing platforms and the installation of newly acquired machineries are now in progress.

The design of the second phase in our Hangzhou processing centre has been completed and the construction work is expected to commence in the second half of 2011. In addition, we have also added several plate cutting and forming machineries in our Tianjin processing centre during the first six months of 2011.

Upon completion of the above-mentioned expansion plans, the aggregate deep processing capacity of the Group will be much enhanced.

In addition to enhancing its deep processing capacity, the Group has also diversified its processing services to cover other non stainless steel metals like titanium alloy, high-strength carbon steel and nickel-based alloy. We have started to provide processing services of stainless steel materials suitable for operating in low temperature for use in liquefied natural gas (LNG) projects as well as processing of stainless steel materials for mobile phone accessories. With regard to high-strength carbon steel, we have provided processing services to the manufacturers of jibs as well as processing of materials for use in water-power stations.





Management Discussion and Analysis

Achievements

After the installation of more sophisticated equipments and the advancement in processing techniques, the Group started to provide processing services to high-end customers in the field of chemical tanker manufacturing industry, wind power station construction and LNG storage production in 2011.

According to information published by the Stainless Steel Division of the Metallic Materials Distribution Association of China, our principal subsidiary, Jiangsu Daming Metals Products Company Limited was once again ranked No.1 on the ranking of stainless steel processors and re-sellers in 2010. On the other hand, the monthly sales of the Group achieved a record high of over 52,000 tons in May 2011 despite the continued downward trend of the stainless steel price.

Recent development

On 13 July 2011, the Group entered into a shareholder's agreement with Taiyuan Iron & Steel (Group) Co., Ltd ("Taiyuan Steel Group") for the formation of Taiyuan Taigang Daming Metal Products Company Limited, a company established in the PRC owned as to 60% by the Group and 40% by the Taiyuan Steel Group. A processing centre for the processing of stainless steel and carbon steel will be established in Taiyuan, Shanxi Province, the PRC. This is the second project in which we have strategic co-operation with the Taiyuan Steel Group following the Tianjin processing centre. The annual processing capacity target of this processing centre will be 300,000 tons of stainless steel and 200,000 tons of carbon steel. The establishment of this processing centre will expand our servicing network to the mid-west region of the PRC.

Prospect

The Group will commence the design and construction of the sixth phase in our Wuxi processing centre in the second half of 2011 with a view to further enhance and complement its deep processing capability.

On the other hand, the preliminary preparation and design of a new processing and logistics complex in Jingjiang, Jiangsu Province, the PRC will also be commenced in the second half of 2011. The Group will also evaluate the expansion and relocation plan of our Wuhan processing centre in the fourth quarter of 2011.

There have been no material changes in respect of the Group's business since the publication of the Company's annual report for the year ended 31 December 2010.

FINANCIAL REVIEW AND ANALYSIS

During the six months ended 30 June 2011, we recorded a revenue of approximately RMB5,742 million, gross profit of approximately RMB236 million and profit attributable to equity holders of the Company of approximately RMB98 million. Total assets of the Group as at 30 June 2011 amounted to approximately RMB3,893 million while equity attributable to equity holders of the Company amounted to approximately RMB1,525 million.

Revenue

Our revenue increased by approximately RMB1,669 million, or 41%, from approximately RMB4,073 million for the six months ended 30 June 2010 to approximately RMB5,742 million for the six months ended 30 June 2011. Such increase was mainly due to an increase of sales volume from 219,191 tons for the six months ended 30 June 2010 to 266,970 tons for the six months ended 30 June 2011 and the increase in average selling price of RMB18,581 per ton for the six months ended 30 June 2010 to RMB21,508 per ton for the six months ended 30 June 2011.

Management Discussion and Analysis

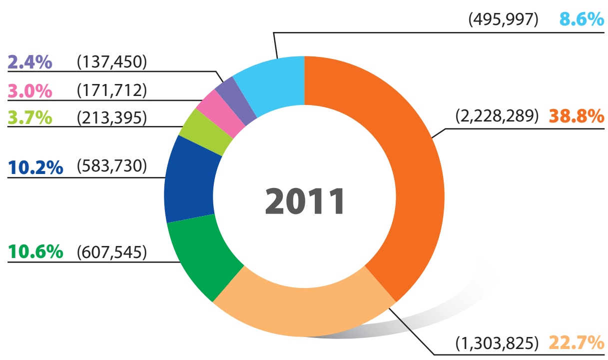
Analysis of revenue by key industry segments

During the six months ended 30 June 2011 and the corresponding period in 2010, our revenue by key industry segments was shown below:

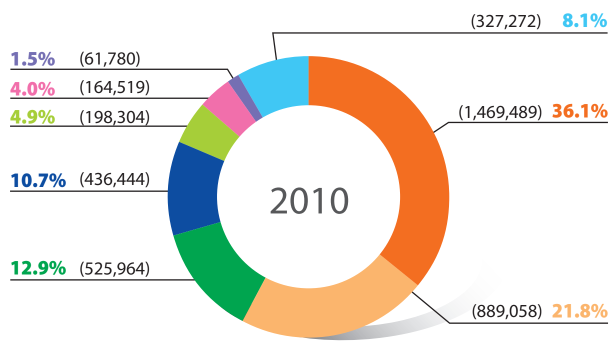
Revenue

	Six months ended 30 June			
	2011		2010	
Industry	***RMB'000***	*%*	*RMB'000*	*%*
Machineries	**2,228,289**	**38.8**	1,469,489	36.1
Distributors	**1,303,825**	**22.7**	889,058	21.8
Petrochemical	**607,545**	**10.6**	525,964	12.9
Home Hardware & Appliances	**583,730**	**10.2**	436,444	10.7
Automobile and Transport	**213,395**	**3.7**	198,304	4.9
Construction	**171,712**	**3.0**	164,519	4.0
Renewable Energy	**137,450**	**2.4**	61,780	1.5
Others	**495,997**	**8.6**	327,272	8.1
Total	**5,741,943**	**100.0**	4,072,830	100.0

RMB'000



Total = RMB 5,741,943,000



Total = RMB 4,072,830,000

Machineries, distributors, petrochemical and home hardware & appliances remained the four largest customer segments during the six months ended 30 June 2011 and 2010. In aggregate, these accounted for over 80% of our total revenue.

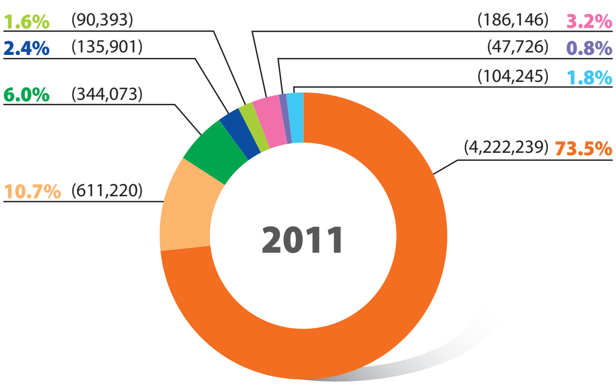
Management Discussion and Analysis

Analysis of revenue by geographical regions

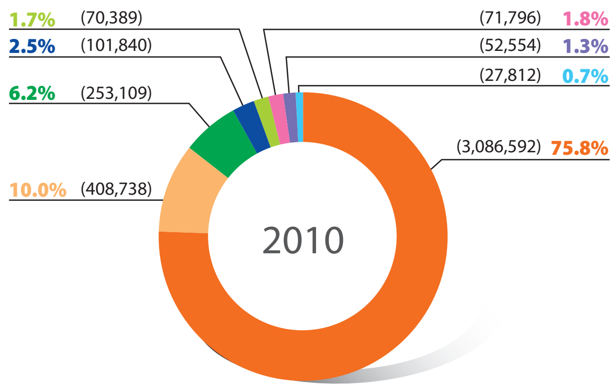
During the six months ended 30 June 2011 and the corresponding period in 2010, our revenue by geographical regions was shown below:

	Six months ended 30 June			
	2011		2010	
Region	***RMB'000***	*%*	*RMB'000*	*%*
Eastern region, China	**4,222,239**	**73.5**	3,086,592	75.8
Northern region, China	**611,220**	**10.7**	408,738	10.0
Central region, China	**344,073**	**6.0**	253,109	6.2
Southwestern region, China	**135,901**	**2.4**	101,840	2.5
Northeastern region, China	**90,393**	**1.6**	70,389	1.7
Northwestern region, China	**186,146**	**3.2**	71,796	1.8
Southern region, China	**47,726**	**0.8**	52,554	1.3
Overseas	**104,245**	**1.8**	27,812	0.7
Total	**5,741,943**	**100.0**	4,072,830	100.0

RMB'000



Total = RMB 5,741,943,000



Total = RMB 4,072,830,000

- Eastern region, China
- Northern region, China
- Central region, China
- Southwestern region, China
- Northeastern region, China
- Northwestern region, China
- Southern region, China
- Overseas

Eastern region of China, where the majority of stainless steel is consumed in China, remained the largest source of our revenue for the six months ended 30 June 2011 and 2010.

Management Discussion and Analysis

The sales volume and processing volume of our processing centres for the six months ended 30 June 2011 and the corresponding period in 2010 were as follows:

	Sales volume Six months ended 30 June		
	2011	2010	
Processing centre	***tons***	*tons*	*% change*
Wuxi	**179,727**	155,307	+15.7%
Wuhan	**14,184**	11,154	+27.2%
Hangzhou	**38,479**	30,494	+26.2%
Tianjin	**34,580**	22,236	+55.5%
Total	**266,970**	219,191	+21.8%

	Processing volume Six months ended 30 June		
	2011	2010	
Processing centre	***tons***	*tons*	*% change*
Wuxi	**278,789**	202,335	+37.8%
Wuhan	**5,925**	2,221	+166.8%
Hangzhou	**37,655**	29,155	+29.2%
Tianjin	**26,527**	13,344	+98.8%
Total	**348,896**	247,055	+41.2%

Gross profit

Gross profit increased from approximately RMB181.5 million for the six months ended 30 June 2010 to approximately RMB236.3 million for the six months ended 30 June 2011 due to the increases in sales volume and the rising processing fee per ton. Gross profit per ton increased from RMB828 for the six months ended 30 June 2010 to RMB885 for the six months ended 30 June 2011 representing an increase of approximately 6.9% primarily due to the increased demand in in-depth processing services from our customers.

Other income

Other income decreased from approximately RMB3.7 million for the six months ended 30 June 2010 to approximately RMB2.4 million for the six months ended 30 June 2011 due to the decrease in income from provision of loading service.

Distribution costs

Distribution costs increased from approximately RMB25.0 million for the six months ended 30 June 2010 to approximately RMB31.8 million for the six months ended 30 June 2011 mainly due to the increase in entertainment expenses and transportation expenses resulting from a higher sales volume in 2011.

Administrative expenses

Administrative expenses increased from approximately RMB30.5 million to approximately RMB34.1 million due to the increase in legal and professional fees, amortization of employee share option expenses and directors fees paid for the current period.

Finance costs, net

Finance costs increased from approximately RMB18.4 million for the six months ended 30 June 2010 to approximately RMB42.6 million for the six months ended 30 June 2011 due to the increase in interest expenses on bank borrowings and bank acceptance notes as a result of the increased financing for larger operation scale as well as the increase in interest rates in the PRC.

Income tax expense

Income tax expense increased from approximately RMB24.2 million for the six months ended 30 June 2010 to approximately RMB31.3 million for the six months ended 30 June 2011 mainly attributable to the increase in operating profit.

Profit for the period

Profit for the period increased from approximately RMB87.1 million for the six months ended 30 June 2010 to approximately RMB98.1 million for the six months ended 30 June 2011 representing an increase of approximately 12.7%.

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 and borrowings denominated in foreign currencies, mainly United States Dollar and Hong Kong Dollar, which are exposed to foreign currency translation risk.

Our Group did 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 2011, the short term bank borrowings of the Group amounted to approximately RMB1,068.0 million. Bank acceptance notes amounted to approximately RMB864.2 million as at 30 June 2011 while the bank balances were approximately RMB558.7 million of which approximately RMB432.1 million were pledged mainly for bank borrowings and the issuance of bank acceptance notes and letter of credit.

The gearing ratios as at 30 June 2011 and 31 December 2010 were 37.8% and 25.2% respectively. The ratios were calculated as net debt divided by total capital. Net debt was calculated as total borrowings less cash and cash equivalents while total capital was calculated as total equity plus net debt.

CONTINGENT LIABILITIES

As at 30 June 2011, the Group did not have any material contingent liabilities.

Management Discussion and Analysis

USE OF PROCEEDS FROM GLOBAL OFFERING

The Company's shares were listed on the Main Board of the Stock Exchange of Hong Kong Limited in December 2010 with a total of 287,500,000 offer shares (including shares issued as a result of the exercise of the over-allotment option). The net proceeds from the global offering of approximately HK$553.4 million were to be utilized in the manner as stated in the Company's prospectus dated 17 November 2010.

As at 30 June 2011, approximately RMB127.5 million had been applied towards the purchase of processing equipment and the construction of the fifth phase in our Wuxi processing centre and approximately RMB14.2 million had been used for the development of the second phase in our Hangzhou processing centre. The remaining balance of the proceeds from the global offering which were not immediately required for the above purposes were held in short-term deposits with licensed banks in Hong Kong and the PRC.

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2011

	Note	As at 30 June 2011 RMB'000	As at 31 December 2010 RMB'000
ASSETS			
Non-current assets			
Land use rights		**110,129**	111,396
Property, plant and equipment	3	**1,021,956**	873,709
Investment property		**8,896**	9,123
Intangible assets		**2,964**	2,683
Deferred income tax assets		**8,612**	7,013
		1,152,557	1,003,924
Current assets			
Inventories	4	**1,433,325**	1,202,356
Trade receivables	5	**507,684**	188,703
Prepayments, deposits and other receivables	6	**240,639**	521,698
Restricted bank deposits		**432,142**	408,003
Cash and cash equivalents		**126,525**	379,036
		2,740,315	2,699,796
Total assets		**3,892,872**	3,703,720
EQUITY AND LIABILITIES			
Equity attributable to equity holders of the Company			
Share capital	7	**89,215**	89,215
Reserves		**1,435,884**	1,337,377
		1,525,099	1,426,592
Non-controlling interest		**25,326**	24,861
Total equity		**1,550,425**	1,451,453

Condensed consolidated statement of financial position (Continued)

As at 30 June 2011

	Note	As at 30 June 2011 RMB'000	As at 31 December 2010 RMB'000
LIABILITIES			
Non-current liabilities			
Deferred government grants		**14,486**	15,020
Deferred income tax liabilities		**2,131**	3,340
		16,617	18,360
Current liabilities			
Trade payables	8	**912,009**	1,139,489
Accruals, advances from customers and other current liabilities		**326,126**	199,614
Current income tax liabilities		**18,654**	25,522
Borrowings	9	**1,067,974**	868,215
Current portion of deferred government grants		**1,067**	1,067
		2,325,830	2,233,907
Total liabilities		**2,342,447**	2,252,267
Total equity and liabilities		**3,892,872**	3,703,720
Net current assets		**414,485**	465,889
Total assets less current liabilities		**1,567,042**	1,469,813

CONDENSED CONSOLIDATED COMPREHENSIVE INCOME STATEMENT

For the six months ended 30 June 2011

	Note	Six months ended 30 June 2011 RMB'000	2010 RMB'000
Revenue	10	**5,741,943**	4,072,830
Cost of sales	11	**(5,505,665)**	(3,891,310)
Gross profit		**236,278**	181,520
Other income, net		**2,425**	3,684
Other (losses)/gains, net		**(788)**	59
Distribution costs	11	**(31,788)**	(24,992)
Administrative expenses	11	**(34,059)**	(30,527)
Operating profit		**172,068**	129,744
Finance income	12	**5,465**	6,528
Finance costs	12	**(48,093)**	(24,961)
Finance costs – net	12	**(42,628)**	(18,433)
Profit before income tax		**129,440**	111,311
Income tax expense	13	**(31,328)**	(24,229)
Profit for the period		**98,112**	87,082
Other comprehensive income		**–**	–
Total comprehensive income for the period		**98,112**	87,082
Attributable to:			
Equity holders of the Company		**97,647**	86,460
Non-controlling interest		**465**	622
		98,112	87,082
Earnings per share for profit attributable to equity holders of the Company during the period (expressed in RMB per share)			
– basic earnings per share	14	**0.09**	0.12
– diluted earnings per share	14	**0.09**	0.12
Interim dividends		**–**	–

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2011

	Attributable to equity holders of the Company		Non controlling	Total
	Share Capital	Reserves	interest	equity
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Balance at 1 January 2011	89,215	1,337,377	24,861	1,451,453
Comprehensive income				
Profit for the period	–	97,647	465	98,112
Total comprehensive income	–	97,647	465	98,112
Transaction with owners				
Employee share option scheme	–	860	–	860
Total transaction with owners	–	860	–	860
Balance at 30 June 2011	89,215	1,435,884	25,326	1,550,425

	Attributable to equity holders of the Company		Non controlling	Total
	Share Capital	Reserves	interest	equity
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Balance at 1 January 2010	1	681,141	7,176	688,318
Comprehensive income				
Profit for the period	–	86,460	622	87,082
Total comprehensive income	–	86,460	622	87,082
Transaction with owners				
Capital injection by equity holders of the Company	–	34,026	–	34,026
Capital injection by non-controlling shareholder	–	–	15,587	15,587
Total transaction with owners	–	34,026	15,587	49,613
Balance at 30 June 2010	1	801,627	23,385	825,013

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2011

	Six months ended 30 June	
	2011	2010
	RMB'000	*RMB'000*
Cash flows from operating activities	**(250,948)**	(138,005)
Cash flows from investing activities	**(177,183)**	(117,480)
Cash flows from financing activities	**175,620**	283,942
Net (decrease)/increase in cash and cash equivalents	**(252,511)**	28,457
Cash and cash equivalents at beginning of the period	**379,036**	79,168
Exchange losses on cash and cash equivalents	**–**	(601)
Cash and cash equivalents at end of the period	**126,525**	107,024

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2011

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.

The unaudited condensed consolidated financial statements for the six months ended 30 June 2011 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.

2. 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 2010, 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 2011:

- HKAS 24 (Revised), "Related Party Disclosures" is effective for annual period beginning on or after 1 January 2011. It introduces an exemption from all of the disclosure requirements of HKAS 24 for transactions among government related entities and the government. Those disclosures are replaced with a requirement to disclose:

  – The name of the government and the nature of their relationship;
  – The nature and amount of any individually significant transactions; and
  – The extent of any collectively-significant transactions qualitatively or quantitatively.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2011

2. ACCOUNTING POLICIES (Continued)

It also clarifies and simplifies the definition of a related party.

- Amendment to IAS/HKAS 34 'Interim financial reporting' is effective for annual periods beginning on or after 1 January 2011. It emphasizes the existing disclosure principles in IAS/HKAS34 and adds further guidance to illustrate how to apply these principles. Greater emphasis has been placed on the disclosure principles for significant events and transactions. Additional requirements cover disclosure of changes to fair value measurement (if significant), and the need to update relevant information from the most recent annual report. The change in accounting policy only results in additional disclosures.

(b) Amendments and interpretations to existing standards effective in 2011 but not relevant to the Group:

- Amendment to HKAS 32 'Classification of rights issues' is effective for annual periods beginning on or after 1 February 2010. This is not currently applicable to the Group, as it has not made any rights issue.

- Amendment to HK(IFRIC) - Int-14 'Prepayments of a minimum funding requirement' is effective for annual periods beginning on or after 1 January 2011. This is not currently relevant to the Group, as it does not have a minimum funding requirement.

- HK(IFRIC) - Int 19 'Extinguishing financial liabilities with equity instruments' is effective for annual periods beginning on or after 1 July 2010. This is not currently applicable to the Group, as it has no extinguishment of financial liabilities replaced with equity instruments currently.

- Third improvements to Hong Kong Financial Reporting Standards (2010) were issued in May 2010 by both IASB and the HKICPA, except for amendment to HKAS 34 'Interim financial reporting' as disclosed in note 2(a) and the clarification to allow the presentation of an analysis of the components of other comprehensive income by item within the notes, all are not currently relevant to the Group. All improvements are effective in the financial year of 2011.

(c) The following new standards and amendments to standards have been issued but are not effective for the financial year beginning 1 January 2011 and have not been early adopted:

Standards and amendments	Effective date
HKFRS 9: Financial instruments: classification, measurement and derecognition of financial assets and financial liabilities.	1 January 2013
HKAS 12 (Amendment): Deferred tax: Recovery of underlying assets	1 January 2012
HKFRS 7 (Amendment): Disclosures – Transfers of financial assets	1 July 2011

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2011

3. PROPERTY, PLANT AND EQUIPMENT

	Buildings	Plant and machinery	Vehicles	Office equipment and others	Leasehold improvements	Construction in progress	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January 2010							
Cost	186,075	409,857	5,876	13,812	549	101,830	717,999
Accumulated depreciation	(9,491)	(76,586)	(3,489)	(5,784)	(166)	–	(95,516)
Net book amount	176,584	333,271	2,387	8,028	383	101,830	622,483
Year ended 31 December 2010							
Opening net book amount	176,584	333,271	2,387	8,028	383	101,830	622,483
Additions	691	3,129	3,180	2,452	15	295,161	304,628
Transfer	11,809	37,576	–	38	270	(49,693)	–
Disposals	–	(1,382)	(132)	(75)	–	–	(1,589)
Depreciation	(9,049)	(38,969)	(1,173)	(2,548)	(74)	–	(51,813)
Closing net book amount	180,035	333,625	4,262	7,895	594	347,298	873,709
At 31 December 2010							
Cost	198,575	448,644	8,543	16,094	832	347,298	1,019,986
Accumulated depreciation	(18,540)	(115,019)	(4,281)	(8,199)	(238)	–	(146,277)
Net book amount	180,035	333,625	4,262	7,895	594	347,298	873,709
Six months ended 30 June 2011							
Opening net book amount	180,035	333,625	4,262	7,895	594	347,298	873,709
Additions	–	26,278	966	537	–	149,474	177,255
Transfer	–	152,463	–	–	–	(152,463)	–
Disposals	–	–	(344)	(9)	–	–	(353)
Depreciation	(4,472)	(22,466)	(377)	(1,290)	(50)	–	(28,655)
Closing net book amount	175,563	489,900	4,507	7,133	544	344,309	1,021,956
At 30 June 2011							
Cost	198,575	627,385	9,165	16,622	832	344,309	1,196,888
Accumulated depreciation	(23,012)	(137,485)	(4,658)	(9,489)	(288)	–	(174,932)
Net book amount	175,563	489,900	4,507	7,133	544	344,309	1,021,956

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2011

4. INVENTORIES

	As at 30 June 2011 *RMB'000*	As at 31 December 2010 *RMB'000*
Raw materials	**706,733**	677,518
Finished goods	**726,592**	524,838
	1,433,325	1,202,356

For the six months ended 30 June 2011, the Group has recognised a loss of approximately RMB8,708,000 (2010: RMB23,776,000) for the write-down of inventories to their net realisable value. These amounts have been included in the cost of sales in the consolidated comprehensive income statements.

5. TRADE RECEIVABLES

	As at 30 June 2011 *RMB'000*	As at 31 December 2010 *RMB'000*
Accounts receivable	**160,428**	102,938
Notes receivable		
– bank acceptance notes	**341,102**	82,531
– commercial acceptance notes	**7,418**	4,000
	508,948	189,469
Less: provision for impairment	**(1,264)**	(766)
	507,684	188,703

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2011

5. TRADE RECEIVABLES (Continued)

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 2011 *RMB'000*	As at 31 December 2010 *RMB'000*
Accounts receivable		
– Within 30 days	**154,475**	97,178
– 30 days to 3 months	**1,086**	3,970
– 3 months to 6 months	**4,110**	503
– 6 months to 1 year	**26**	19
– 1 year to 2 years	**526**	847
– 2 years to 3 years	**205**	421
	160,428	102,938
Notes receivable		
– Within 6 months	**348,520**	86,531
	508,948	189,469

6. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	As at 30 June 2011 *RMB'000*	As at 31 December 2010 *RMB'000*
Prepayment for purchase of raw materials	**192,719**	434,290
Value Added Tax recoverable	**42,855**	63,944
Government grants receivables	**–**	17,881
Deposits and other receivables	**5,065**	5,583
	240,639	521,698

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2011

7. SHARE CAPITAL

	Number of shares *'000*	*HKD'000*	*RMB'000*
Authorised share capital			
As at 31 December 2010 and 30 June 2011	1,500,000	150,000	128,886
Issued and fully paid up			
As at 31 December 2010 and 30 June 2011	1,037,500	103,750	89,215

8. TRADE PAYABLES

	As at 30 June 2011 ***RMB'000***	As at 31 December 2010 *RMB'000*
Accounts payable	**47,762**	19,689
Notes payable	**864,247**	1,119,800
	912,009	1,139,489

The ageing analysis of the trade payable is as follows:

	As at 30 June 2011 ***RMB'000***	As at 31 December 2010 *RMB'000*
Up to 6 months	**912,005**	1,137,969
6 months to 1 year	**–**	1,520
1 year to 2 years	**4**	–
	912,009	1,139,489

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2011

9. BORROWINGS

	As at 30 June 2011 *RMB'000*	As at 31 December 2010 *RMB'000*
Bank borrowings	**1,067,974**	868,215
Representing :		
Unsecured	**954,045**	630,642
Pledged	**113,929**	237,573
	1,067,974	868,215

As at 30 June 2011, bank borrowings of RMB113,929,000 were secured by pledged bank deposits of RMB132,731,000 in the bank.

As at 31 December 2010, bank borrowings of RMB116,573,000 were secured by pledged bank deposits of RMB132,196,000 in the bank. Bank borrowings of RMB121,000,000 were secured by letter of credit issued by a bank, in lieu of which the Group has placed pledged bank deposits of RMB18,150,000 in the bank.

10. SALES AND SEGMENT INFORMATION

	Six months ended	
	30 June 2011 *RMB'000*	30 June 2010 *RMB'000*
Sales of goods	**5,741,943**	4,072,830

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 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 Condensed Consolidated Financial Statements

For the six months ended 30 June 2011

10. SALES AND SEGMENT INFORMATION (Continued)

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 2011	30 June 2010
	RMB'000	*RMB'000*
– Mainland China	**5,637,698**	4,045,018
– Hong Kong and other overseas countries and regions*	**104,245**	27,812
Total sales	**5,741,943**	4,072,830

* Other overseas countries and regions mainly represented Singapore, North Korea, USA and Russia.

11. EXPENSES BY NATURE

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

	Six months ended	
	30 June 2011	30 June 2010
	RMB'000	*RMB'000*
Changes in inventories of finished goods	**(167,389)**	(107,711)
Raw materials consumed	**5,605,757**	3,931,264
Stamp duty, property tax and other surcharges	**4,530**	2,954
Transportation costs	**27,369**	22,689
Employee benefit expenses, including directors' emoluments	**34,429**	26,284
Depreciation and amortisation	**31,759**	26,766
Operating lease rental for buildings	**983**	864
Utilities charges	**3,438**	3,215
Provision for write-down of inventories	**8,708**	23,776
Auditor's remuneration	**–**	910
Provision for impairment of trade receivables	**509**	322
Entertainment and travelling expenses	**10,450**	7,620
Professional service expenses	**1,244**	1,380
Others	**9,725**	6,496
Total cost of sales, distribution costs and administrative expenses	**5,571,512**	3,946,829

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2011

12. FINANCE COSTS, NET

	Six months ended	
	30 June 2011	30 June 2010
	RMB'000	*RMB'000*
Interest expenses on bank borrowings	**24,127**	10,508
Interest expenses on bank acceptance notes	**22,860**	16,665
Exchange losses/(gains), net	**1,106**	(2,212)
Total finance cost	**48,093**	24,961
Interest income from bank deposit	**(5,465)**	(6,528)
	42,628	18,433

13. INCOME TAX EXPENSE

	Six months ended	
	30 June 2011	30 June 2010
	RMB'000	*RMB'000*
Current income tax		
– Mainland China enterprise income tax	**32,190**	32,878
Deferred income tax	**(862)**	(8,649)
	31,328	24,229

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 Condensed Consolidated Financial Statements

For the six months ended 30 June 2011

14. 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 2011	30 June 2010
	RMB'000	*RMB'000*
Profit attributable to equity holders of the company	**97,647**	86,460
Weighted average number of ordinary shares in issue *(thousands)*	**1,037,500**	750,000

(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 2011	30 June 2010
	RMB'000	*RMB'000*
Profit used to determine diluted earnings per share	**97,647**	86,460
Weighted average number of ordinary shares in issue *(thousands)*	**1,037,500**	750,000
Adjustments for:		
– Share options *(thousands)*	**–**	–
Weighted average number of ordinary shares for diluted earnings per share *(thousands)*	**1,037,500**	750,000

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2011

15. COMMITMENTS

(a) Capital commitments

	As at 30 June 2011 *RMB'000*	As at 31 December 2010 *RMB'000*
Contracted but not provided for:		
Acquisition of property, plant and equipment	**125,196**	179,908

(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 2011 *RMB'000*	As at 31 December 2010 *RMB'000*
Not later than 1 year	**2,041**	1,438
Later than 1 year and not later than 5 years	**4,202**	3,214
	6,243	4,652

OTHER INFORMATION

CORPORATE GOVERNANCE

During the six months ended 30 June 2011, the Company has complied with the Code on Corporate Governance Practices (the "CG Code") as set out in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"), except CG Code provision A.2.1, the roles of chairman and chief executive officer 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 is of the view that Mr. Zhou Keming, with his profound expertise in the stainless steel industry, shall continue in his dual capacity as the chairman and 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 2010 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 2011.

SHARE CAPITAL

Details of the movements in share capital of the Company are set out in note 7 to the 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 2011 (2010: 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 2011.

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 2011 and considered that the Company has complied with all applicable accounting standards and requirements.

DIRECTORS' PARTICULARS

Changes in the particulars of the Directors are set out as follows:

1. Mr. Zhou Keming was appointed as the director and legal representative of Jiangsu Daming Heavy Industry Company Limited.

2. Mr. Tang Zhonghai was appointed as a supervisor of Jiangsu Daming Heavy Industry Company Limited.

Other Information

SHARE OPTIONS

The Company adopted a share option scheme (the "Scheme") on 9 November 2010. Principal terms of the Scheme were set out in our 2010 Annual Report.

Particulars of share options outstanding under the Scheme at the beginning and at the end of the financial period for the six months ended 30 June 2011 and share options granted, exercised, cancelled or lapsed under the Scheme during such period are as follows:

Name or category of participant	Date of grant	Exercise price (HK$)	As at 1 January 2011	Granted during the period	Exercised during the period	Cancelled/ lapsed during the period	As at 30 June 2011	Exercise period
			Number of share options					
Director								
Tang Zhonghai	21 December 2010	2.452	600,000 [1]	–	–	–	600,000	21 December 2013 to 20 December 2020
Other employees in aggregate	21 December 2010	2.452	5,550,000 [1]	–	–	150,000	5,400,000	21 December 2013 to 20 December 2020

(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.

EMOLUMENT POLICY

The Group employed a total of 1,089 staffs as at 30 June 2011 (2010: 864).

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 a share option 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 2011, 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 of the Company
Zhou Keming (also Chief Executive Officer)	Corporate (2)	709,275,000	68.36%
Xu Xia	Corporate (2)	709,275,000	68.36%
Qian Li	Personal	7,350,000	0.71%
Zou Xiaoping	Family (3)	7,350,000	0.71%
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 represent the underlying shares in respect of the share options granted pursuant to the Scheme as disclosed under Share Options.

(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
Zhou Keming	Ally Good Group Limited	Personal (6)	1,000	100%
Xu Xia	Ally Good Group Limited	Personal (6)	1,000	100%

(5) As at 30 June 2011, Ally Good Group Limited is the holder of 68.36% 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 2011, 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 2011, 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:

Name of Shareholder	**Number of ordinary shares held**	**Approximate percentage of the Company's issued share capital**
Long position		
Ally Good Group Limited	709,275,000 (7)	68.36%
Deutsche Bank Aktiengesellschaft	72,550,000 (8)	6.99%
Short position		
Deutsche Bank Aktiengesellschaft	33,400,000 (8)	3.21%

(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.

(8) The shares held by Deutsche Bank Aktiengesellschaft are held in the following capacities:

Capacity	**No. of shares**
Beneficial owner	33,400,000 (Long position)
	33,400,000 (Short position)
Person having a security interest in shares	39,150,000 (Long position)

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 2011.