DA MING INTERNATIONAL HOLDINGS LIMITED
大明國際控股有限公司

(Incorporated in the Cayman Islands with limited liability)
(Stock code: 1090)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2016

FINANCIAL HIGHLIGHTS

	Six months ended 30 June		
	2016	2015	
	RMB'000	*RMB'000*	*% change*
Revenue	**8,433,541**	9,179,057	-8.1%
Gross profit	**382,377**	105,907	+261.0%
Total comprehensive income/(losses) for the period	**109,250**	(87,865)	+224.3%

OPERATING HIGHLIGHTS

	Six months ended 30 June		
	2016	2015	*% change*
Stainless steel			
Sales volume (tonnes)	**722,663**	649,064	+11.3%
Processing volume (tonnes)	**1,081,648**	991,091	+9.1%
Processing multiple *(note)*	**1.50**	1.53	
Carbon steel			
Sales volume (tonnes)	**451,889**	295,108	+53.1%
Processing volume (tonnes)	**422,609**	255,770	+65.2%
Processing multiple	**0.94**	0.87	

Note : Processing multiple = Processing volume/Sales volume

INTERIM RESULTS

The board of directors (the "Board") of Da Ming International Holdings Limited (the "Company") announces the unaudited consolidated results of the Company and its subsidiaries (collectively, the "Group") for the six months ended 30 June 2016 together with comparative figures for the six months ended 30 June 2015, as follows:

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2016

		Six months ended 30 June	
		2016	2015
	Note	***RMB'000***	*RMB'000*
Revenue	6	**8,433,541**	9,179,057
Cost of sales	7	**(8,051,164)**	(9,073,150)
Gross profit		**382,377**	105,907
Other income – net		**7,672**	8,915
Other losses – net		**(574)**	(1,091)
Distribution costs	7	**(79,787)**	(68,034)
Administrative expenses	7	**(95,200)**	(91,368)
Operating profit/(losses)		**214,488**	(45,671)
Finance income	8	**4,467**	5,467
Finance costs	8	**(71,212)**	(75,375)
Finance costs – net	8	**(66,745)**	(69,908)
Profit/(losses) before income tax		**147,743**	(115,579)
Income tax (expense)/credit	9	**(38,493)**	27,714
Profit/(losses) for the period		**109,250**	(87,865)
Other comprehensive income for the period		**–**	–
Total comprehensive income/(losses) for the period		**109,250**	(87,865)
Attributable to:			
Equity holders of the Company		**102,937**	(88,143)
Non-controlling interests		**6,313**	278
		109,250	(87,865)
Earnings/(losses) per share for profit attributable to equity holders of the Company during the period (expressed in RMB per share)			
– basic earnings/(losses) per share	10	**0.09**	(0.08)
– diluted earnings/(losses) per share	10	**0.09**	(0.08)
Interim dividends	11	**–**	–

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 30 June 2016

	Note	**As at 30 June 2016** *RMB'000*	As at 31 December 2015 *RMB'000* (Restated)
ASSETS			
Non-current assets			
Land use rights		**244,634**	247,491
Property, plant and equipment		**2,822,818**	2,769,572
Investment properties		**7,357**	7,645
Intangible assets		**2,136**	2,272
Deferred income tax assets		**74,988**	104,987
Other non-current assets		**79,724**	53,814
		3,231,657	3,185,781
Current assets			
Inventories		**1,702,312**	1,257,126
Trade receivables	12	**352,427**	201,163
Prepayments, deposits and other receivables		**869,217**	558,352
Restricted bank deposits		**532,696**	357,611
Cash and cash equivalents		**132,661**	207,007
		3,589,313	2,581,259
Total assets		**6,820,970**	5,767,040
EQUITY AND LIABILITIES			
Equity attributable to equity holders of the Company			
Share capital		**97,400**	97,400
Reserves		**1,808,860**	1,710,283
		1,906,260	1,807,683
Non-controlling interests		**241,942**	235,629
Total equity		**2,148,202**	2,043,312

	Note	As at 30 June 2016 RMB'000	As at 31 December 2015 RMB'000 (Restated)
LIABILITIES			
Non-current liabilities			
Borrowings		**922,927**	765,660
Deferred government grants		**40,918**	43,560
Deferred income tax liabilities		**6,187**	6,040
		970,032	815,260
Current liabilities			
Trade payables	13	**2,066,407**	1,394,582
Accruals, advances from customers and other current liabilities		**520,955**	508,511
Current income tax liabilities		**2,102**	3,178
Borrowings		**1,111,162**	999,472
Current portion of deferred government grants		**2,110**	2,725
		3,702,736	2,908,468
Total liabilities		**4,672,768**	3,723,728
Total equity and liabilities		**6,820,970**	5,767,040

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2016

	Attributable to equity holders of the Company		Non-controlling	Total
	Share Capital	Reserves	interests	equity
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Balance at 1 January 2016 (restated)	**97,400**	**1,710,283**	**235,629**	**2,043,312**
Comprehensive income				
Profit for the period	**–**	**102,937**	**6,313**	**109,250**
Total comprehensive income for the period	**–**	**102,937**	**6,313**	**109,250**
Transaction with owners				
Employee share options scheme – value of employee services	**–**	**2,033**	**–**	**2,033**
Employee share award scheme – value of employee services	**–**	**6,462**	**–**	**6,462**
Shares held for Share Award Scheme	**–**	**(6,718)**	**–**	**(6,718)**
Effect of business combination under common control	**–**	**(6,137)**	**–**	**(6,137)**
Total transaction with owners	**–**	**(4,360)**	**–**	**(4,360)**
Balance at 30 June 2016	**97,400**	**1,808,860**	**241,942**	**2,148,202**

	Attributable to equity holders of the Company		Non-controlling	Total
	Share Capital	Reserves	interests	equity
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Balance at 1 January 2015	89,215	1,681,085	235,954	2,006,254
Comprehensive losses				
(Losses)/profit for the period	–	(88,143)	278	(87,865)
Total comprehensive (losses)/profit for the period	–	(88,143)	278	(87,865)
Transaction with owners				
Employee share options scheme	–	2,000	–	2,000
Dividend paid	–	(16,369)	–	(16,369)
Total transaction with owners	–	(14,369)	–	(14,369)
Balance at 30 June 2015	89,215	1,578,573	236,232	1,904,020

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2016

	Six months ended 30 June	
	2016	2015
	RMB'000	*RMB'000*
Cash flows from operating activities		
Cash flows from operations	**(466,690)**	(112,169)
Interest received	**4,467**	5,467
Interest paid	**(71,212)**	(75,375)
Income tax paid	**(39,699)**	(31,277)
Net cash used in operating activities	**(573,134)**	(213,354)
Cash flows from investing activities		
Purchase of property, plant and equipment	**(112,612)**	(206,196)
Other investing cash flow	**(28,552)**	2,052
Net cash used in investing activities	**(141,164)**	(204,144)
Cash flows from financing activities		
Net change in borrowings	**268,957**	375,757
Net change in restricted bank deposits	**(175,085)**	(94,996)
Dividend paid to the Company's shareholders	**–**	(16,369)
Net change in bank acceptance notes	**552,798**	83,340
Purchase of shares held for share award scheme	**(6,718)**	–
Net cash from financing activities	**639,952**	347,732
Net decrease in cash and cash equivalents	**(74,346)**	(69,766)
Cash and cash equivalents at beginning of the period	**207,007**	292,054
Cash and cash equivalents at end of the period	**132,661**	222,288

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2016

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 2016 have been prepared in accordance with Hong Kong Accounting Standard 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and Appendix 16 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited. These unaudited condensed consolidated financial statements have not been reviewed by external auditors but have been reviewed by the Company's audit committee.

(i) Going Concern

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

As at 30 June 2016, the Group's current liabilities exceeded its current assets by approximately RMB113,423,000 (31 December 2015: RMB327,209,000). Total equity of the Group amounted to RMB2,148,202,000 and total liability amounted to RMB4,672,768,000. The Group meets its day-to-day working capital requirements mainly through its bank borrowings and facilities with banks in PRC that are refinanced and/or renewed every twelve months. In preparing this financial statements, the directors of the Company have considered the Group's available sources of funds as follows:

- The Group expects a satisfactory growth in the business in the next 12 months; and;

- The available financing including PRC bank borrowings to be renewed during the next 12 months, the directors are confident that these bank financing could be renewed and/or extended for at least another twelve months upon renewal based on the Group's past experience and good credit standing; and

- Other available sources of financing from banks and other financial institutions given the Group's credit history and that most of the Group's property, plant and equipment are free of pledge or restriction and would be available to secure further financing.

Having considered the above, the directors of the Company believe that the Group has adequate resources to continue operation for the foreseeable future of not less than 12 months from the approval date of these financial statements. The directors therefore are of the opinion that it is appropriate to adopt the going concern basis in preparing the consolidated financial statements.

(ii) Business combination under common control

In March 2016, the Group acquired 65% equity interest in Jiangsu Daming Steel Union Logistics Company Limited. The transaction has been accounted for using the principles of merger accounting as prescribed in Hong Kong Accounting Guideline 5, "Merger Accounting for Common Control Combinations" issued by HKICPA.

The unaudited condensed consolidated financial information for the comparative period have been restated to incorporate the financial statements of the entity and business in which the common control combination as if it had been combined from the date when they first came under control of Mr. Zhou Keming and Ms. Xu Xia. Details are set out in note 14.

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 2015, 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

HKFRS 7 (Amendments) "Financial instruments: Disclosures condensed interim financial statements" is effective for annual periods beginning on or after 1 January 2016. This amendment clarifies that the additional disclosure required by the amendments to HKFRS 7, 'Disclosure – Offsetting financial assets and financial liabilities' is not specifically required for all interim periods, unless required by HKAS 34.

HKAS 19 (Amendments) "Employee benefits" is effective for annual periods beginning on or after 1 January 2016. This amendment clarifies that, when determining the discount rate for post-employment benefit obligations, it is the currency that the liabilities are denominated in that is important, and not the country where they arise. The assessment of whether there is a deep market in high-quality corporate bonds is based on corporate bonds in that currency, not corporate bonds in a particular country. Similarly, where there is no deep market in high-quality corporate bonds in that currency, government bonds in the relevant currency should be used.

HKAS 34 (Amendments) "Interim financial reporting" is effective for annual periods beginning on or after 1 January 2016. This amendment clarifies what is meant by the reference in the standard to 'information disclosed elsewhere in the interim financial report'. It also amends HKAS 34 to require a cross-reference from the interim financial statements to the location of that information. The amendment is retrospective.

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

(b) Standards, amendments and interpretations to existing standards effective in 2016 but not relevant to the Group.

		Effective for annual periods beginning on or after
HKAS 1 (Amendment)	Disclosure initiative	1 January 2016
HKAS 16 (Amendment)	Property, plant and equipment	1 January 2016
HKAS 27 (Amendment)	Separate financial statements	1 January 2016
HKAS 38 (Amendment)	Intangible assets	1 January 2016
HKAS 41 (Amendment)	Agriculture	1 January 2016
HKFRS 5 (Amendment)	Non-current assets held for sale and discontinued operations	1 January 2016
HKFRS 7 (Amendment)	Financial instruments: Disclosures – Application of the disclosure requirements to a servicing contract	1 January 2016
HKFRS 11 (Amendment)	Joint arrangements	1 January 2016
HKFRS 12 (Amendment)	Disclosure of interests in other entities	1 January 2016
HKFRS 14	Regulatory deferral accounts	1 January 2016

(c) The following new standards, new interpretations and amendments to standards and interpretations have been issued but are not effective for the financial year beginning on 1 January 2016 and have not been early adopted by the Group:

		Effective for annual periods beginning on or after
HKFRS 9	Financial instruments	1 January 2018
HKFRS 15	Revenue from contracts with customers	1 January 2018
HKFRS 16	Leases	1 January 2019
HKFRS 10 (Amendment)	Consolidated financial statements	To be determined
HKAS 28 (Amendment)	Investment in associates	To be determined

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 2015.

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 2015.

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.

6. SALES AND SEGMENT INFORMATION

	Six months ended	
	30 June 2016	30 June 2015
	RMB'000	*RMB'000*
Sales of goods	**8,433,541**	9,179,057

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.

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 2016	30 June 2015
	RMB'000	*RMB'000*
– Mainland China	**8,199,387**	8,913,764
– Hong Kong and other overseas countries and regions*	**234,154**	265,293
Total sales	**8,433,541**	9,179,057

* Other overseas countries and regions for the six months ended 30 June 2016 mainly represented North America, Australia, Russia, Middle East and South East Asia.

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

7. EXPENSES BY NATURE

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

	Six months ended	
	30 June 2016	30 June 2015
	RMB'000	*RMB'000*
Changes in inventories of finished goods	**(113,595)**	(174,918)
Raw materials consumed	**7,972,172**	8,999,426
Stamp duty, property tax and other surcharges	**14,630**	10,951
Transportation costs	**60,894**	52,583
Employee benefit expenses, including directors' emoluments	**164,933**	141,041
Depreciation and amortisation	**58,543**	43,577
Operating lease rental for buildings	**2,807**	1,399
Utilities charges	**18,387**	14,502
(Reversal of)/Provision for write-down of inventories	**(22,417)**	64,427
Entertainment and travelling expenses	**12,708**	13,442
Professional service expenses	**2,202**	1,931
Others	**54,887**	64,191
Total cost of sales, distribution costs and administrative expenses	**8,226,151**	9,232,552

8. FINANCE COSTS – NET

	Six months ended	
	30 June 2016	30 June 2015
	RMB'000	*RMB'000*
Interest expenses on bank borrowings	**41,100**	41,734
Interest expenses on bank acceptance notes	**27,351**	35,810
Exchange losses/(gains), net	**2,761**	(2,169)
Total finance costs	**71,212**	75,375
Interest income	**(4,467)**	(5,467)
	66,745	69,908

9. INCOME TAX EXPENSE/(CREDIT)

	Six months ended	
	30 June 2016	30 June 2015
	RMB'000	*RMB'000*
Current income tax expense		
– Mainland China corporate income tax	**38,493**	6,793
Deferred income tax credit	**–**	(34,507)
	38,493	(27,714)

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.

10. EARNINGS/(LOSSES) PER SHARE

(a) Basic

Basic earnings/(losses) per share is calculated by dividing the profit/(losses) 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 2016	30 June 2015
	RMB'000	*RMB'000*
Profit/(losses) attributable to equity holders of the company	**102,937**	(88,143)
Weighted average number of ordinary shares in issue *(thousands)*	**1,141,250**	1,037,500
Basic earnings/(loss) per share *(RMB)*	**0.09**	(0.08)

(b) Diluted

Diluted earnings/(losses) 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 2016	30 June 2015
	RMB'000	*RMB'000*
Profit/(losses) attributable to equity holders of the company	**102,937**	(88,143)
Weighted average number of ordinary shares in issue *(thousands)*	**1,141,250**	1,037,500
Adjustments for share option plan *(thousands)*	**128**	530
Weighted average number of ordinary shares for diluted earnings/(losses) per share *(thousands)*	**1,141,378**	1,038,030
Diluted earnings/(loss) per share *(RMB)*	**0.09**	(0.08)

11. INTERIM DIVIDENDS

The directors do not recommend the payment of an interim dividend in respect of the six months ended 30 June 2016 (2015: nil).

12. TRADE RECEIVABLES

	As at 30 June 2016	As at 31 December 2015
	RMB'000	*RMB'000* Restated
Accounts receivable	**166,055**	135,223
Notes receivable		
– bank acceptance notes	**182,472**	60,168
– commercial acceptance notes	**4,676**	6,572
	353,203	201,963
Less: provision for impairment	**(776)**	(800)
Trade receivables – net	**352,427**	201,163

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 2016 *RMB'000*	As at 31 December 2015 *RMB'000* Restated
Accounts receivable		
– Within 30 days	**152,834**	112,877
– 30 days to 3 months	**8,344**	5,025
– 3 months to 6 months	**4,295**	17,189
– 6 months to 1 year	**541**	46
– 1 year to 2 years	**41**	86
	166,055	135,223
Notes receivable		
– Within 6 months	**187,148**	66,740
	353,203	201,963

13. TRADE PAYABLES

	As at 30 June 2016 *RMB'000*	As at 31 December 2015 *RMB'000* Restated
Accounts payable	**500,129**	381,102
Notes payable	**1,566,278**	1,013,480
	2,066,407	1,394,582

The ageing analysis of the trade payable is as follows:

	As at 30 June 2016 *RMB'000*	As at 31 December 2015 *RMB'000* Restated
Within 6 months	**2,066,176**	1,394,368
6 months to 1 year	**17**	206
1 year to 2 years	**206**	8
2 years to 3 years	**8**	–
	2,066,407	1,394,582

14. BUSINESS COMBINATION UNDER COMMON CONTROL

In March 2016, the Group acquired 65% equity interest in Jiangsu Daming Steel Union Logistics Company Limited ("Steel Union Logistics") a company established in June 2015 and controlled by Mr. Zhou Keming and Ms. Xu Xia. The following is a reconciliation of the effect arising from the common control combination in respect of the acquisition of the above subsidiary on the consolidated balance sheets. No adjustment has been made to the consolidated statement of comprehensive income, statement of changes in equity and consolidated statement of cash flows for the six months ended 30 June 2015 since Steel Union Logistics did not have any operating activity during this period.

The consolidated balance sheet as at 31 December 2015:

	Group excluding Steel Union Logistics	Steel Union Logistics	Adjustments	Consolidated
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Total net assets	2,033,870	9,442		2,043,312
Share capital	97,400	10,000	(10,000)	97,400
Share premium	693,389			693,389
Statutory reserve	113,795			113,795
Merger reserve	48,611			48,611
Other reserve	9,122		6,500	15,622
Retained earnings	839,229	(558)	195	838,866
Non controlling interests	232,324		3,305	235,629
Total	2,033,870	9,442	–	2,043,312

The consolidated balance sheet as at 30 June 2016:

	Group excluding Steel Union Logistics	Steel Union Logistics	Adjustments	Consolidated
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Investment in Steel Union Logistics	6,137		(6,137)	–
Other assets-net	2,138,627	9,575		2,148,202
Share capital	97,400	10,000	(10,000)	97,400
Share premium	694,049			694,049
Statutory reserve	113,795			113,795
Merger reserve	48,611			48,611
Other reserve	10,238		363	10,601
Retained earnings	942,080	(425)	149	941,804
Non controlling interests	238,591		3,351	241,942
Total	2,144,764	9,575	(6,137)	2,148,202

BUSINESS REVIEW

We are a leading metals processing service provider providing comprehensive processing service to modern manufacturers in China. The Group has established seven processing centres strategically located in Wuxi, Hangzhou, Tianjin, Taiyuan, Shandong, Wuhan and Jingjiang. Currently, we have nine processing platforms including Cutting, Slitting, Grinding, Forming, Welding, Heat Treatment, Machining, Spraying and Assembling providing full range processing services on stainless steel, carbon steel and other metallic materials.

The first phase of our Jingjiang processing centre comprising Daming Heavy Industry and Daming Metal Technology commenced their businesses on 28 November 2015. Daming Metal Technology mainly provides processing services of high strength carbon steel products while Daming Heavy Industry engages in the manufacturing of parts for machinery equipment, large structural parts and pressurized containers. During the six months ended 30 June 2016, our Jingjiang processing centre recorded an encouraging results in the sales volume and processing volume in carbon steel business of 135,776 tonnes and 122,235 tonnes respectively.

The Group recorded a net profit of approximately RMB109.3 million for the six months ended 30 June 2016 representing a significant increase of approximately 224.3% as compared with the net loss of approximately RMB87.9 million for the six months ended 30 June 2015. The improvement in operating results was mainly due to (i) a relatively stable market price of stainless steel and carbon steel raw materials during the first half year of 2016; and (ii) improvement in operating efficiency and tight control on operating expenses.

The sales volume of our stainless steel processing business increased from approximately 649,000 tonnes for the six months ended 30 June 2015 to approximately 723,000 tonnes for the six months ended 30 June 2016 representing an increase of approximately 11% while the processing volume increased from approximately 991,000 tonnes for the six months ended 30 June 2015 to approximately 1,082,000 tonnes for the six months ended 30 June 2016 representing an increase of approximately 9%.

The sales volume of our carbon steel processing business increased from approximately 295,000 tonnes for the six months ended 30 June 2015 to approximately 452,000 tonnes for the six months ended 30 June 2016 representing an increase of approximately 53% while the processing volume increased from approximately 256,000 tonnes for the six months ended 30 June 2015 to approximately 423,000 tonnes for the six months ended 30 June 2016 representing an increase of approximately 65%.

The sales volume and processing volume of our processing centres for the six months ended 30 June 2016 and the corresponding period in 2015 are as follows:

Stainless steel

	Six months ended 30 June		
	2016	2015	
	tonnes	*tonnes*	*% change*
Sales volume			
Wuxi	**364,522**	333,893	+9.2%
Hangzhou	**127,592**	106,039	+20.3%
Tianjin	**98,589**	76,391	+29.1%
Taiyuan	**54,332**	40,283	+34.9%
Wuhan	**34,002**	25,900	+31.3%
Jingjiang	**10,512**	1,250	+741.0%
Shandong	**33,114**	21,106	+56.9%
Other sales offices	**–**	44,202	n/a
Total	**722,663**	649,064	+11.3%
Processing volume			
Wuxi	**607,335**	671,949	–9.6%
Hangzhou	**164,533**	133,162	+23.6%
Tianjin	**126,286**	117,317	+7.6%
Taiyuan	**98,721**	50,316	+96.2%
Wuhan	**35,711**	18,347	+94.6%
Jingjiang	**31,860**	–	n/a
Shandong	**17,202**	–	n/a
Total	**1,081,648**	991,091	+9.1%

Carbon steel

	Six months ended 30 June		
	2016	2015	
	tonnes	*tonnes*	*% change*
Sales volume			
Wuxi	**75,285**	61,028	+23.4%
Hangzhou	**108,334**	116,249	-6.8%
Taiyuan	**93,081**	71,680	+29.9%
Jingjiang	**135,776**	12,459	+989.8%
Wuhan	**39,003**	20	+194,915%
Other sales offices	**410**	33,672	-98.8%
	451,889	295,108	+53.1%
Processing volume			
Wuxi	**45,930**	58,799	-21.9%
Hangzhou	**110,274**	110,440	-0.2%
Taiyuan	**109,113**	72,619	+50.3%
Jingjiang	**122,235**	13,912	+778.6%
Wuhan	**35,057**	–	n/a
	422,609	255,770	+65.2%

FINANCIAL REVIEW AND ANALYSIS

During the six months ended 30 June 2016, we recorded a revenue of approximately RMB8,434 million, gross profit of approximately RMB382 million and profit attributable to equity holders of the Company of approximately RMB103 million. Total assets of the Group as at 30 June 2016 amounted to approximately RMB6,821 million while equity attributable to equity holders of the Company amounted to approximately RMB1,906 million.

Revenue

Our revenue for the six months ended 30 June 2016 amounted to approximately RMB8,434 million comprising approximately RMB7,422 million from our stainless steel business and approximately RMB1,012 million from our carbon steel business. As compared with the revenue for the six months ended 30 June 2015 of approximately RMB9,179 million, it represented a decrease of approximately 8.1%. Such decrease was mainly due to the decrease in the average market price of stainless steel and carbon steel raw materials. The decrease was partially offset by the following factors:

i) the increase in the sales volume of both our stainless steel and carbon steel processing businesses. The sales volume of our stainless steel processing business increased from 649,064 tonnes for the six months ended 30 June 2015 to 722,663 tonnes for the six months ended 30 June 2016 representing an increase of approximately 11.3%. The sales volume of our carbon steel processing business also increased from 295,108 tonnes for the six months ended 30 June 2015 to 451,889 tonnes for the six months ended 30 June 2016 representing an increase of approximately 53.1%.

ii) the increase in processing fee income as reflected by the increase in the processing volume of our stainless steel processing business from 991,091 tonnes for the six months ended 30 June 2015 to 1,081,648 tonnes for the six months ended 30 June 2016 representing an increase of approximately 9.1%. The processing volume of our carbon steel processing business also increased from 255,770 tonnes for the six months ended 30 June 2015 to 422,609 tonnes for the six months ended 30 June 2016 representing an increase of approximately 65.2%.

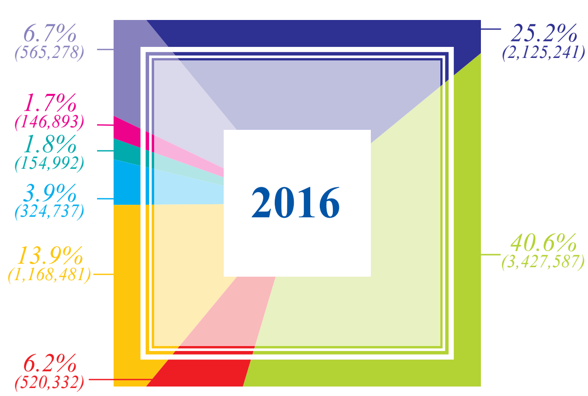
Analysis of revenue by key industry segments

During the six months ended 30 June 2016 and the corresponding period in 2015, our revenue by key industry segments are shown below:

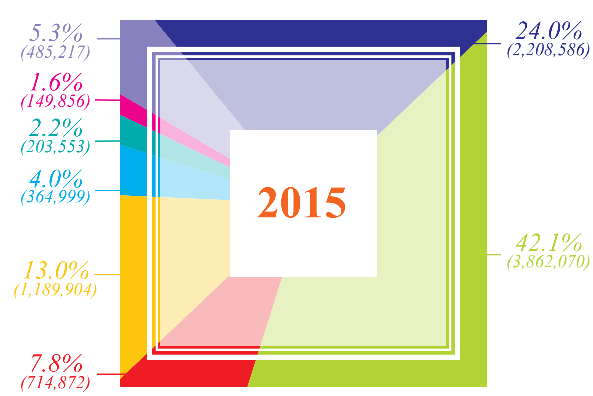
Revenue

	Six months ended 30 June			
	2016		2015	
Industry	***RMB'000***	**%**	*RMB'000*	%
Machineries	**2,125,241**	**25.2**	2,208,586	24.0
Distributors and Traders	**3,427,587**	**40.6**	3,862,070	42.1
Petrochemical	**520,332**	**6.2**	714,872	7.8
Home Hardware and Appliances	**1,168,481**	**13.9**	1,189,904	13.0
Automobile and Transport	**324,737**	**3.9**	364,999	4.0
Construction	**154,992**	**1.8**	203,553	2.2
Renewable Energy	**146,893**	**1.7**	149,856	1.6
Others	**565,278**	**6.7**	485,217	5.3
Total	**8,433,541**	**100.0**	9,179,057	100.0

RMB'000



Total = RMB8,433,541,000



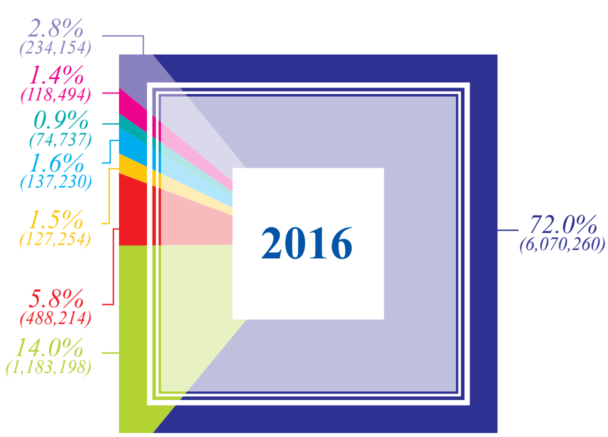
Total = RMB9,179,057,000

Analysis of revenue by geographical regions

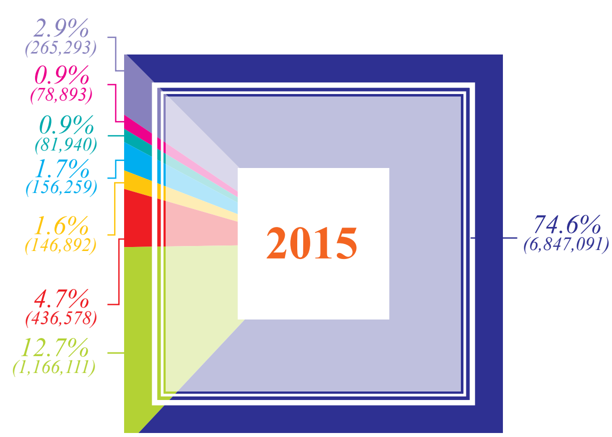
During the six months ended 30 June 2016 and the corresponding period in 2015, our revenue by geographical regions are shown below:

	Six months ended 30 June			
	2016		2015	
Region	***RMB'000***	**%**	*RMB'000*	%
Eastern region, China	**6,070,260**	**72.0**	6,847,091	74.6
Northern region, China	**1,183,198**	**14.0**	1,166,111	12.7
Central region, China	**488,214**	**5.8**	436,578	4.7
Southwestern region, China	**127,254**	**1.5**	146,892	1.6
Northeastern region, China	**137,230**	**1.6**	156,259	1.7
Northwestern region, China	**74,737**	**0.9**	81,940	0.9
Southern region, China	**118,494**	**1.4**	78,893	0.9
Overseas	**234,154**	**2.8**	265,293	2.9
Total	**8,433,541**	**100.0**	9,179,057	100.0

RMB'000



Total = RMB8,433,541,000



Total = RMB9,179,057,000

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

Gross profit

Gross profit increased significantly from approximately RMB105.9 million for the six months ended 30 June 2015 to approximately RMB382.4 million for the six months ended 30 June 2016 mainly due to the improvement in operating efficiency.

Other income

Other income decreased from approximately RMB8.9 million for the six months ended 30 June 2015 to approximately RMB7.7 million for the six months ended 30 June 2016 mainly due to the decrease in government grants received.

Distribution costs

Distribution costs increased from approximately RMB68.0 million for the six months ended 30 June 2015 to approximately RMB79.8 million for the six months ended 30 June 2016. Such increase was mainly due to the increase in staff costs and transportation costs as a result of the increase in sales volume.

Administrative expenses

Administrative expenses increased from approximately RMB91.4 million for the six months ended 30 June 2015 to approximately RMB95.2 million for the six months ended 30 June 2016. Such increase was mainly due to the increase in staff costs and the increase in research and development costs.

Finance costs

Finance costs decreased from approximately RMB69.9 million for the six months ended 30 June 2015 to approximately RMB66.7 million for the six months ended 30 June 2016. The decrease in finance costs was mainly due to the decrease in interest expenses on bank acceptance notes.

Income tax expense/credit

The Group recorded an income tax expense of approximately RMB38.5 million for the six months ended 30 June 2016 as compared to an income tax credit of approximately RMB27.7 million for the six months ended 30 June 2015 due to the operating profit recorded for the six months ended 30 June 2016.

Profit/(Losses) for the period

The Group recorded a net profit of approximately RMB109.3 million for the six months ended 30 June 2016 as compared with a net losses of approximately RMB87.9 million for the six months ended 30 June 2015. The increase was mainly due to the improvement in operating efficiency and the tight control on operating expenses.

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 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 2016, the borrowings of the Group amounted to approximately RMB2,034.1 million. Notes payable amounted to approximately RMB1,566.3 million while the bank balances were approximately RMB665.4 million of which approximately RMB532.7 million were restricted bank deposits for issuing letter of credit and notes payable.

As at 30 June 2016, the Group recorded a net current liabilities of approximately RMB113.4 million mainly due to the financing of the Group's capital expenditures by short term borrowings.

The gearing ratios as at 30 June 2016 and 31 December 2015 were 46.95% and 43.26% 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 2016, the Group did not have any material contingent liabilities.

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"), including new code provisions, of the revised Corporate Governance Code and Corporate Governance Report as set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited during the six months ended 30 June 2016 except for the deviation from code provisions A.2.1 and A.6.7.

Under code provision A.2.1 of the CG Code, 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 2015 Annual Report.

Under code provision A.6.7 of the CG Code, the independent non-executive directors and non-executive directors should attend general meeting of the Company. Mr. Shen Dong, a non-executive director of the Company and Mr. Chen Xuedong and Mr. Lu Daming, both are independent non-executive directors of the Company, were absent from the annual general meeting of the Company held on 3 June 2016 due to their other business commitments.

INTERIM DIVIDENDS

The Directors do not recommend the payment of an interim dividend in respect of the six months ended 30 June 2016 (2015: 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 2016.

AUDIT COMMITTEE

The Audit Committee of the Company has discussed with the management and reviewed the unaudited condensed consolidated accounts of the Group for the six months ended 30 June 2016 and considered that the Company has complied with all applicable accounting standards and requirements.

INTERIM REPORT

The 2016 Interim Report will be sent to shareholders on 21 September 2016. It will also be available on the Stock Exchange of Hong Kong Limited website at http://www.hkexnews.hk and the company website at http://www.dmssc.net by 20 September 2016.

By order of the Board of
Da Ming International Holdings Limited
Zhou Keming
Chairman

Hong Kong, 25 August 2016

As at the date of this announcement, the executive Directors are Mr. Zhou Keming (Chairman and Chief Executive Officer), Ms. Xu Xia, Mr. Zou Xiaoping, Mr. Tang Zhonghai, Dr. Fukui Tsutomu and Mr. Zhang Feng; the non-executive Directors are Mr. Jiang Changhong and Mr. Shen Dong; and the independent non-executive Directors are Mr. Chen Xuedong, Mr. Cheuk Wa Pang, Prof. Hua Min and Mr. Lu Daming.