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 2017

FINANCIAL HIGHLIGHTS

	Six months ended 30 June		
	2017	2016	
	RMB'000	*RMB'000*	*% change*
Revenue	**12,980,543**	8,433,541	+53.9%
Gross profit	**172,551**	382,377	-54.9%
Total comprehensive (loss)/ income for the period	**(59,726)**	109,250	-154.7%

OPERATING HIGHLIGHTS

	Six months ended 30 June		
	2017	2016	*% change*
Stainless steel			
Sales volume (tonnes)	**830,165**	722,663	+14.9%
Processing volume (tonnes)	**1,180,382**	1,081,648	+9.1%
Processing multiple *(note)*	**1.42**	1.50	
Carbon steel			
Sales volume (tonnes)	**733,799**	451,889	+62.4%
Processing volume (tonnes)	**699,008**	422,609	+65.4%
Processing multiple	**0.95**	0.94	

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 2017 together with comparative figures for the six months ended 30 June 2016, as follows:

UNAUDITED CONDENSED CONSOLIDATED COMPREHENSIVE INCOME STATEMENT

For the six months ended 30 June 2017

		Six months ended 30 June	
		2017	2016
	Note	***RMB'000***	*RMB'000*
Revenue	6	**12,980,543**	8,433,541
Cost of sales	7	**(12,807,992)**	(8,051,164)
Gross profit		**172,551**	382,377
Other income – net		**4,657**	7,672
Other loss – net		**(2,768)**	(574)
Distribution costs	7	**(93,332)**	(79,787)
Administrative expenses	7	**(92,156)**	(95,200)
Operating (loss)/profit		**(11,048)**	214,488
Finance income	8	**5,971**	4,467
Finance costs	8	**(73,092)**	(71,212)
Finance costs – net	8	**(67,121)**	(66,745)
(Loss)/profit before income tax		**(78,169)**	147,743
Income tax credit/(expense)	9	**18,443**	(38,493)
(Loss)/profit for the period		**(59,726)**	109,250
Other comprehensive income for the period		**–**	–
Total comprehensive (loss)/income for the period		**(59,726)**	109,250
Attributable to:			
Equity holders of the Company		**(64,270)**	102,937
Non-controlling interests		**4,544**	6,313
		(59,726)	109,250
(Loss)/earnings per share for (loss)/profit attributable to equity holders of the Company during the period (expressed in RMB per share)			
– basic (loss)/earnings per share	10	**(0.05)**	0.09
– diluted (loss)/earnings per share	10	**(0.05)**	0.09
Interim dividends	11	**–**	–

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2017

	Note	**As at 30 June 2017** *RMB'000*	As at 31 December 2016 *RMB'000*
ASSETS			
Non-current assets			
Land use rights		**343,827**	313,950
Property, plant and equipment		**3,415,103**	3,136,776
Investment properties		**6,781**	7,069
Intangible assets		**1,959**	1,669
Deferred income tax assets		**64,079**	38,808
Other non-current assets		**3,660**	23,606
		3,835,409	3,531,878
Current assets			
Inventories		**1,909,061**	2,471,950
Trade receivables	12	**559,992**	346,715
Prepayments, deposits and other receivables		**660,503**	669,576
Restricted bank deposits		**612,259**	687,770
Cash and cash equivalents		**493,727**	53,085
		4,235,542	4,229,096
Total assets		**8,070,951**	7,760,974
EQUITY AND LIABILITIES			
Equity attributable to equity holders of the Company			
Share capital		**106,590**	97,400
Reserves		**2,180,976**	2,062,317
		2,287,566	2,159,717
Non-controlling interests		**258,674**	254,130
Total equity		**2,546,240**	2,413,847

	Note	As at 30 June 2017 RMB'000	As at 31 December 2016 RMB'000
LIABILITIES			
Non-current liabilities			
Borrowings		**1,132,199**	867,977
Deferred government grants		**52,376**	43,538
Deferred income tax liabilities		**9,927**	14,331
		1,194,502	925,846
Current liabilities			
Trade payables	13	**2,343,044**	2,491,814
Accruals, advances from customers and other current liabilities		**720,477**	666,655
Current income tax liabilities		**26,385**	67,073
Borrowings		**1,229,030**	1,192,907
Current portion of deferred government grants		**11,273**	2,832
		4,330,209	4,421,281
Total liabilities		**5,524,711**	5,347,127
Total equity and liabilities		**8,070,951**	7,760,974

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2017

	Attributable to equity holders of the Company		Non-controlling interests	Total equity
	Share Capital *RMB'000*	Reserves *RMB'000*	*RMB'000*	*RMB'000*
Balance at 1 January 2017	97,400	2,062,317	254,130	2,413,847
Comprehensive income				
(Loss)/profit for the period	–	(64,270)	4,544	(59,726)
Total comprehensive income for the period	–	(64,270)	4,544	(59,726)
Transaction with owners				
Employee share options scheme – value of employee services	–	2,102	–	2,102
Issuance of shares	9,190	312,494	–	321,684
Dividends	–	(131,667)	–	(131,667)
Total transaction with owners	9,190	182,929	–	192,119
Balance at 30 June 2017	106,590	2,180,976	258,674	2,546,240

	Attributable to equity holders of the Company		Non-controlling interests	Total equity
	Share Capital *RMB'000*	Reserves *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

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2017

	Six months ended 30 June	
	2017	2016
	RMB'000	*RMB'000*
Cash flows from operating activities		
Cash flows from operations	**327,368**	(466,690)
Interest received	**5,971**	4,467
Interest paid	**(73,092)**	(71,212)
Income tax paid	**(51,920)**	(39,699)
Net cash from/(used) in operating activities	**208,327**	(573,134)
Cash flows from investing activities		
Purchase of property, plant and equipment	**(329,495)**	(112,612)
Other investing cash flow	**5,033**	(28,552)
Net cash used in investing activities	**(324,462)**	(141,164)
Cash flows from financing activities		
Issuance of shares	**321,860**	–
Issuance of senior note	**406,187**	–
Net change in borrowings	**(105,842)**	268,957
Net change in restricted bank deposits	**75,511**	(175,085)
Dividend paid to the Company's shareholders	**(131,667)**	–
Net change in bank acceptance notes	**(9,096)**	552,798
Purchase of shares held for share award scheme	**–**	(6,718)
Net cash from financing activities	**556,953**	639,952
Net change in cash and cash equivalents	**440,818**	(74,346)
Cash and cash equivalents at beginning of the period	**53,085**	207,007
Exchange loss on cash and cash equivalents	**(176)**	–
Cash and cash equivalents at end of the period	**493,727**	132,661

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2017

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 2017 have been prepared in accordance with Hong Kong Accounting Standard 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and Appendix 16 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited. These unaudited condensed consolidated financial statements have not been reviewed by external auditors but have been reviewed by the Company's audit committee.

Going Concern

As at 30 June 2017, the Group's current liabilities exceeded its current assets by approximately RMB94,667,000 (31 December 2016: RMB192,185,000). Total equity of the Group amounted to approximately RMB2,546,240,000 and total liabilities amounted to approximately RMB5,524,711,000. 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.

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 2016, 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 and amended standards have been adopted by the Group for the first time for the financial year beginning 1 January 2017.

HKAS 7 (Amendments) "Statement of cash flows" is effective for annual periods beginning on or after 1 January 2017. The amendments introduced an additional disclosure that will enable users of financial statements to evaluate changes in liabilities arising from financing activities.

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 2017 but not relevant to the Group

		Effective for annual periods beginning on or after
HKAS 12 (Amendment)	Income taxes	1 January 2017
HKFRS 12 (Amendment)	Disclosure of interest in other entities	1 January 2017

(c) The following new standards, new interpretations and amendments to standards and interpretations have been issued and are relevant to the Group's operations, but they are not effective for the financial year beginning on 1 January 2017 and have not been early adopted by the Group. The Group is still in the process of assessing the impacts on adoption of these new standards, amendments and interpretations and is yet to conclude whether or not it will result in substantial changes to the consolidated financial statements of the Group.

		Effective for annual periods beginning on or after
HKFRS 2 (Amendment)	Share-based payment	1 January 2018
HKFRS 9	Financial instruments	1 January 2018
HKFRS 15	Revenue from contracts with customers	1 January 2018
HK (IFRIC) 22	Foreign currency transactions and advance consideration	1 January 2018
HKAS 40 (Amendments)	Investment property	1 January 2018
HKFRS 16	Leases	1 January 2019
HK (IFRIC) 23	Uncertainty over Income Tax Treatment	1 January 2019
Amendments to HKFRS 10 and HKAS 28	Sale or contribution of assets between an investor and its associate or joint venture	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 2016.

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 2016.

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 2017	30 June 2016
	RMB'000	*RMB'000*
Sales of goods	**12,980,543**	8,433,541

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 2017	30 June 2016
	RMB'000	*RMB'000*
– Mainland China	**12,618,569**	8,199,387
– Hong Kong and other overseas countries and regions*	**361,974**	234,154
Total sales	**12,980,543**	8,433,541

* Other overseas countries and regions for the six months ended 30 June 2017 mainly represented United States of America, Australia, South Korea and South East Asia.

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.

7. EXPENSES BY NATURE

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

	Six months ended 30 June 2017	Six months ended 30 June 2016
	RMB'000	*RMB'000*
Changes in inventories of finished goods	**36,259**	(113,595)
Raw materials consumed	**12,406,699**	7,972,172
Stamp duty, property tax and other surcharges	**20,876**	14,630
Transportation costs	**113,430**	60,894
Employee benefit expenses, including directors' emoluments	**205,677**	164,933
Depreciation and amortisation	**79,108**	58,543
Operating lease rental for buildings	**3,040**	2,807
Utilities charges	**25,088**	18,387
Provision for/(reversal of) write-down of inventories	**21,605**	(22,417)
Entertainment and travelling expenses	**15,984**	12,708
Professional service expenses	**439**	2,202
Others	**65,275**	54,887
Total cost of sales, distribution costs and administrative expenses	**12,993,480**	8,226,151

8. FINANCE COSTS – NET

	Six months ended 30 June 2017	Six months ended 30 June 2016
	RMB'000	*RMB'000*
Interest expenses on bank borrowings	**40,432**	41,100
Interest expenses on bank acceptance notes	**26,274**	27,351
Exchange loss, net	**6,386**	2,761
Total finance costs	**73,092**	71,212
Interest income	**(5,971)**	(4,467)
	67,121	66,745

9. INCOME TAX (CREDIT)/EXPENSE

	Six months ended	
	30 June 2017	30 June 2016
	RMB'000	*RMB'000*
Current income tax expense		
– Mainland China corporate income tax	**11,232**	38,493
Deferred income tax credit	**(29,675)**	–
	(18,443)	38,493

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. (LOSS)/EARNINGS PER SHARE

(a) Basic

Basic (loss)/earnings per share is calculated by dividing the (loss)/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 2017	30 June 2016
	RMB'000	*RMB'000*
(Loss)/profit attributable to equity holders of the company	**(64,270)**	102,937
Weighted average number of ordinary shares in issue *(thousands)*	**1,182,521**	1,141,250
Basic (loss)/earnings per share *(RMB)*	**(0.05)**	0.09

(b) Diluted

Diluted (loss)/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 2017	30 June 2016
	RMB'000	*RMB'000*
(Loss)/profit attributable to equity holders of the company	**(64,270)**	102,937
Weighted average number of ordinary shares in issue *(thousands)*	**1,182,521**	1,141,250
Adjustments for share option plan *(thousands)*	**1,660**	128
Weighted average number of ordinary shares for diluted earnings/(loss) per share *(thousands)*	**1,184,181**	1,141,378
Diluted (loss)/earnings per share *(RMB)*	**(0.05)**	0.09

11. INTERIM DIVIDENDS

The directors do not recommend the payment of an interim dividend in respect of the six months ended 30 June 2017 (2016: nil).

12. TRADE RECEIVABLES

	As at 30 June 2017	As at 31 December 2016
	RMB'000	*RMB'000*
Accounts receivable	**196,002**	114,150
Notes receivable		
– bank acceptance notes	**362,019**	230,594
– commercial acceptance notes	**3,000**	3,000
	561,021	347,744
Less: provision for impairment	**(1,029)**	(1,029)
Trade receivables – net	**559,992**	346,715

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 2017 *RMB'000*	As at 31 December 2016 *RMB'000*
Accounts receivable		
– Within 30 days	**185,797**	107,157
– 30 days to 3 months	**5,640**	4,644
– 3 months to 6 months	**2,720**	1,601
– 6 months to 1 year	**1,097**	617
– 1 year to 2 years	**706**	89
– 2 years to 3 years	**42**	42
	196,002	114,150
Notes receivable		
– Within 6 months	**365,019**	233,594
	561,021	347,744

13. TRADE PAYABLES

	As at 30 June 2017 *RMB'000*	As at 31 December 2016 *RMB'000*
Accounts payable	**1,041,424**	1,181,098
Notes payable	**1,301,620**	1,310,716
	2,343,044	2,491,814

The ageing analysis of the trade payable is as follows:

	As at 30 June 2017 *RMB'000*	As at 31 December 2016 *RMB'000*
Within 6 months	**2,343,007**	2,491,777
6 months to 1 year	**–**	–
1 year to 2 years	**29**	29
2 years to 3 years	**8**	8
	2,343,044	2,491,814

BUSINESS REVIEW

Business development

We are a leading metals processing service provider providing comprehensive processing service to modern manufacturers in China with more than 20,000 active customers. The Group has established seven processing centres strategically located in various regions in China, namely, Wuxi, Hangzhou, Tianjin, Wuhan, Taiyuan, Zibo and Jingjiang. The construction work of our eighth processing centre in Taian had been started on 28 October 2016. It is currently expected that the construction work will be substantially completed in the fourth quarter of 2017. Upon completion, it will provide high-strength carbon steel and stainless steel processing services to customers engaged in the industries of construction machineries, paper production equipment, pressurized containers and chemical equipment.

On 18 February 2017, the Group started the construction work of its ninth processing centre in Qianzhou, Wuxi, Jiangsu province. This processing centre will specialize in providing high quality precision cutting services to high-strength carbon steel and stainless steel materials and the prospective customers will include those manufacturers engaged in construction machineries, environmental protection, electricity, pressurized containers and chemical equipment. The expected processing capacity of this processing centre upon completion will be 800,000 tonnes per annum.

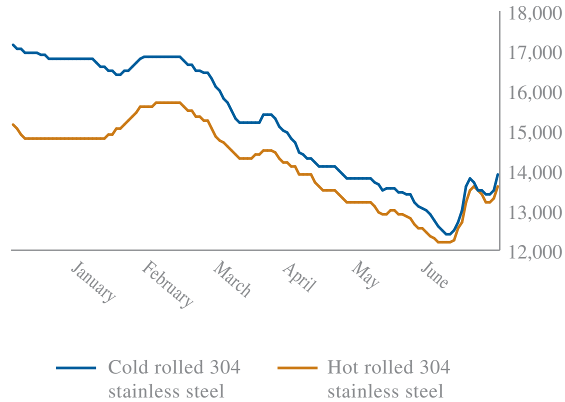
During the first half year of 2017, the Group has provided deep processing services in various area including renewable energy and petrochemical industries. Collaborating with the Institute of Plasma Physics Chinese Academy of Sciences, the Group has provided processing services for the construction of vacuum chamber components for large Tokamak nuclear fusion device (also known as the "Artificial Sun") and China's first small angle neutron scattering spectrometer for spallation neutron source.

The Group has also provided processing services in various projects for countries situated in the "One Belt and One Road" involving the production of large muffler components, tube sheets for heat exchanger, deaerator of boilers, water separators, turbine components for power generator, large cement containers and blown-down pipes for petroleum pipeline.

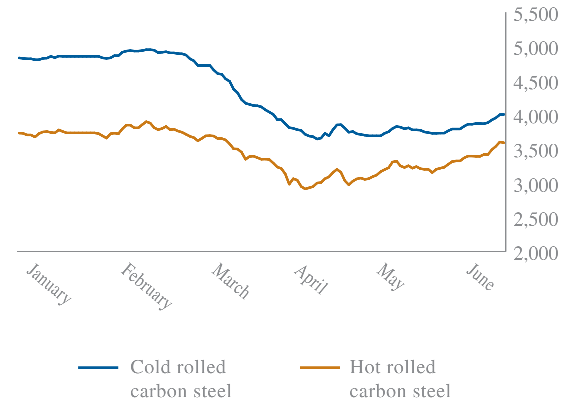
Operating results

Due to the decline in the market price of both stainless steel and carbon steel raw materials during the period, the Group recorded a net loss of approximately RMB59.7 million for the six months ended 30 June 2017 representing a decrease of approximately 154.7% as compared with the net profit of approximately RMB109.3 million for the six months ended 30 June 2016.

Price of cold/hot rolled 304 stainless steel in Mainland China for the first half of 2017



Price of cold/hot rolled carbon steel in Mainland China for the first half of 2017



The sales volume of our stainless steel processing business increased from approximately 723,000 tonnes for the six months ended 30 June 2016 to approximately 830,000 tonnes for the six months ended 30 June 2017 representing an increase of approximately 14.9% while the processing volume increased from approximately 1,082,000 tonnes for the six months ended 30 June 2016 to approximately 1,180,000 tonnes for the six months ended 30 June 2017 representing an increase of approximately 9.1%.

The sales volume of our carbon steel processing business increased from approximately 452,000 tonnes for the six months ended 30 June 2016 to approximately 734,000 tonnes for the six months ended 30 June 2017 representing an increase of approximately 62.4% while the processing volume increased from approximately 423,000 tonnes for the six months ended 30 June 2016 to approximately 699,000 tonnes for the six months ended 30 June 2017 representing an increase of approximately 65.4%.

The sales volume and processing volume of our processing centres for the six months ended 30 June 2017 and the corresponding period in 2016 are as follows:

Stainless steel

	Six months ended 30 June		
	2017	2016	
	tonnes	*tonnes*	*% change*
Sales volume			
Wuxi	**381,349**	364,522	+4.6%
Hangzhou	**128,378**	127,592	+0.6%
Tianjin	**111,089**	98,589	+12.7%
Taiyuan	**60,349**	54,332	+11.1%
Wuhan	**43,880**	34,002	+29.1%
Jingjiang	**59,732**	10,512	+468.2%
Zibo	**45,388**	33,114	+37.1%
Total	**830,165**	722,663	+14.9%
Processing volume			
Wuxi	**624,841**	607,335	+2.9%
Hangzhou	**161,738**	164,533	-1.7%
Tianjin	**136,936**	126,286	+8.4%
Taiyuan	**89,178**	98,721	-9.7%
Wuhan	**57,814**	35,711	+61.9%
Jingjiang	**67,757**	31,860	+112.7%
Zibo	**42,118**	17,202	+144.8%
Total	**1,180,382**	1,081,648	+9.1%

Carbon steel

	Six months ended 30 June		
	2017	2016	
	tonnes	*tonnes*	*% change*
Sales volume			
Wuxi	**123,918**	75,285	+64.6%
Hangzhou	**114,199**	108,334	+5.4%
Tianjin	**40,880**	–	n/a
Taiyuan	**108,571**	93,081	+16.6%
Wuhan	**126,447**	39,003	+244.2%
Jingjiang	**219,747**	135,776	+61.8%
Other sales offices	**37**	410	-91%
	733,799	451,889	+62.4%
Processing volume			
Wuxi	**51,865**	45,930	+12.9%
Hangzhou	**114,712**	110,274	+4.0%
Tianjin	**42,827**	–	n/a
Taiyuan	**132,646**	109,113	+21.6%
Wuhan	**116,825**	35,057	+233.2%
Jingjiang	**240,133**	122,235	+96.5%
	699,008	422,609	+65.4%

FINANCIAL REVIEW AND ANALYSIS

During the six months ended 30 June 2017, we recorded a revenue of approximately RMB12,981 million, gross profit of approximately RMB173 million and loss attributable to equity holders of the Company of approximately RMB64 million. Total assets of the Group as at 30 June 2017 amounted to approximately RMB8,071 million while equity attributable to equity holders of the Company amounted to approximately RMB2,288 million.

Revenue

Our revenue for the six months ended 30 June 2017 amounted to approximately RMB12,981 million comprising approximately RMB10,684 million from our stainless steel business and approximately RMB2,297 million from our carbon steel business. As compared with the revenue for the six months ended 30 June 2016 of approximately RMB8,434 million, it represented an increase of approximately 53.9%. Such increase was mainly due to the increase in the sales volume and processing volume of both of our stainless steel and carbon steel processing services.

The sales volume of our stainless steel processing business increased from 722,663 tonnes for the six months ended 30 June 2016 to 830,165 tonnes for the six months ended 30 June 2017 representing an increase of approximately 14.9%. The sales volume of our carbon steel processing business also increased from 451,889 tonnes for the six months ended 30 June 2016 to 733,799 tonnes for the six months ended 30 June 2017 representing an increase of approximately 62.4%.

The processing volume of our stainless steel processing business increased from 1,081,648 tonnes for the six months ended 30 June 2016 to 1,180,382 tonnes for the six months ended 30 June 2017 representing an increase of approximately 9.1%. The processing volume of our carbon steel processing business also increased from 422,609 tonnes for the six months ended 30 June 2016 to 699,008 tonnes for the six months ended 30 June 2017 representing an increase of approximately 65.4%.

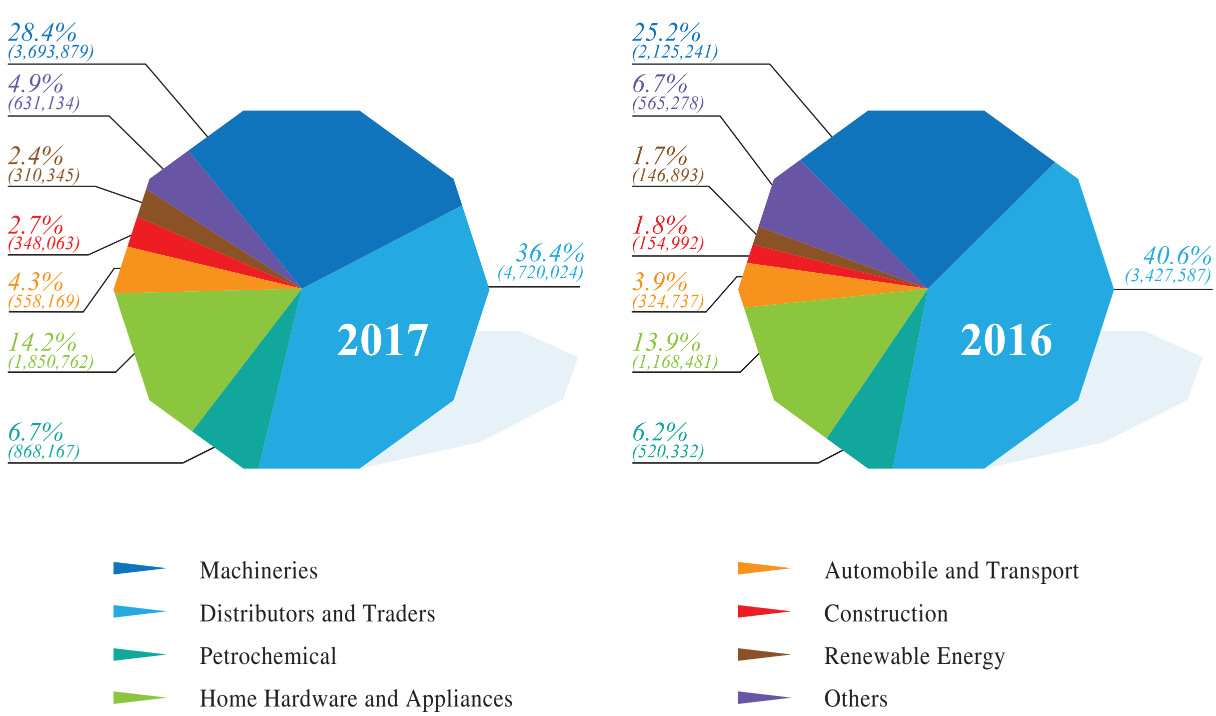
Analysis of revenue by key industry segments

During the six months ended 30 June 2017 and the corresponding period in 2016, our revenue by key industry segments are shown below:

Revenue

	Six months ended 30 June			
	2017		2016	
Industry	***RMB'000***	**%**	*RMB'000*	%
Machineries	**3,693,879**	**28.4**	2,125,241	25.2
Distributors and Traders	**4,720,024**	**36.4**	3,427,587	40.6
Petrochemical	**868,167**	**6.7**	520,332	6.2
Home Hardware and Appliances	**1,850,762**	**14.2**	1,168,481	13.9
Automobile and Transport	**558,169**	**4.3**	324,737	3.9
Construction	**348,063**	**2.7**	154,992	1.8
Renewable Energy	**310,345**	**2.4**	146,893	1.7
Others	**631,134**	**4.9**	565,278	6.7
Total	**12,980,543**	**100.0**	8,433,541	100.0

RMB'000

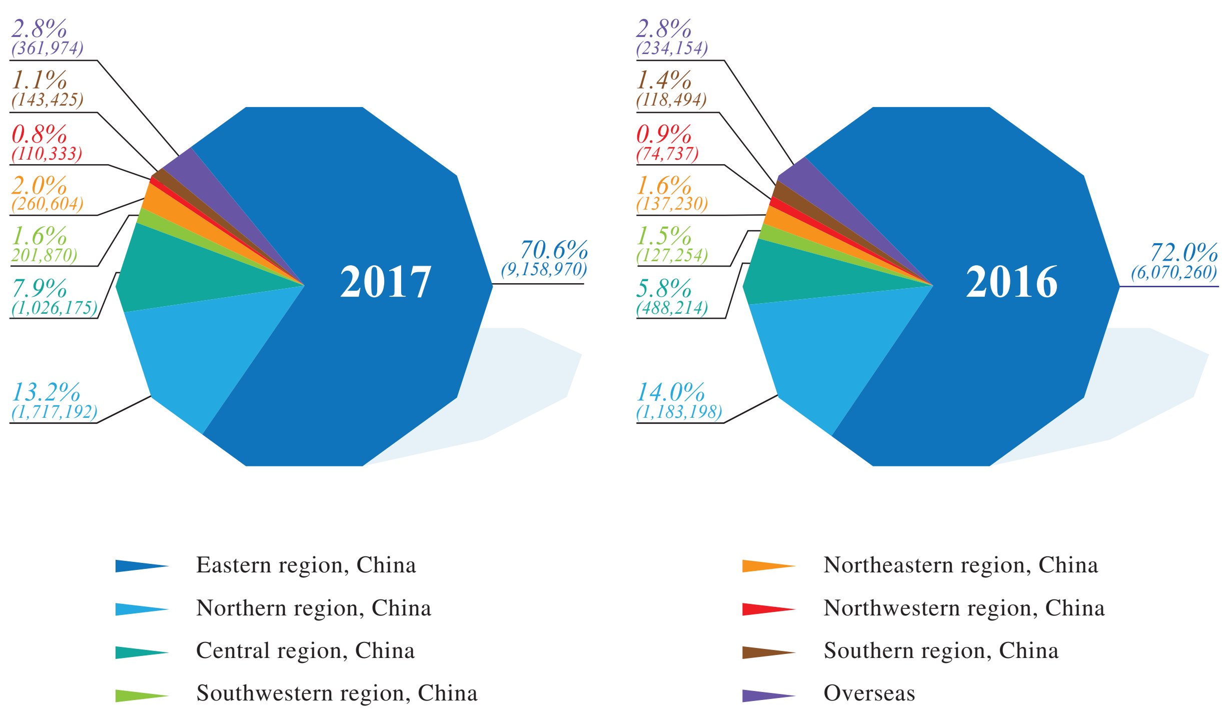


Analysis of revenue by geographical regions

During the six months ended 30 June 2017 and the corresponding period in 2016, our revenue by geographical regions are shown below:

	Six months ended 30 June			
	2017		2016	
Region	***RMB'000***	%	*RMB'000*	%
Eastern region, China	**9,158,970**	**70.6**	6,070,260	72.0
Northern region, China	**1,717,192**	**13.2**	1,183,198	14.0
Central region, China	**1,026,175**	**7.9**	488,214	5.8
Southwestern region, China	**201,870**	**1.6**	127,254	1.5
Northeastern region, China	**260,604**	**2.0**	137,230	1.6
Northwestern region, China	**110,333**	**0.8**	74,737	0.9
Southern region, China	**143,425**	**1.1**	118,494	1.4
Overseas	**361,974**	**2.8**	234,154	2.8
Total	**12,980,543**	**100.0**	8,433,541	100.0

RMB'000



Gross profit

Gross profit decreased significantly from approximately RMB382.4 million for the six months ended 30 June 2016 to approximately RMB172.6 million for the six months ended 30 June 2017 mainly due to the decrease in the market price of stainless steel and carbon steel raw materials during the period.

Other income

Other income decreased from approximately RMB7.7 million for the six months ended 30 June 2016 to approximately RMB4.7 million for the six months ended 30 June 2017 mainly due to the decrease in government grants received.

Distribution costs

Distribution costs increased from approximately RMB79.8 million for the six months ended 30 June 2016 to approximately RMB93.3 million for the six months ended 30 June 2017. 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 decreased from approximately RMB95.2 million for the six months ended 30 June 2016 to approximately RMB92.2 million for the six months ended 30 June 2017. Such decrease was mainly due to the reversal of over-accrued expenses made in previous year.

Finance costs

Finance costs increased slightly from approximately RMB66.7 million for the six months ended 30 June 2016 to approximately RMB67.1 million for the six months ended 30 June 2017.

Income tax credit/expense

The Group recorded an income tax credit of approximately RMB18.4 million for the six months ended 30 June 2017 as compared with an income tax expense of approximately RMB38.5 million for the six months ended 30 June 2016.

(Loss)/profit for the period

The Group recorded a net loss of approximately RMB59.7 million for the six months ended 30 June 2017 as compared with a net profit of approximately RMB109.3 million for the six months ended 30 June 2016. The decrease was mainly due to the decrease in gross profit caused by the decrease in the market price of stainless steel and carbon steel materials during the period.

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 2017, the borrowings of the Group amounted to approximately RMB2,361.2 million. Notes payable amounted to approximately RMB1,301.6 million while the bank balances were approximately RMB1,106.0 million of which approximately RMB612.3 million were restricted bank deposits for issuing letter of credit and notes payable.

As at 30 June 2017, the Group recorded a net current liabilities of approximately RMB94.7 million. The improvement in net working capital was mainly due to the subscription of 103,750,000 new shares by Tisco Stainless Steel (H.K.) Limited at a total subscription price of approximately HK$363.1 million and the issuance of a senior note of US$60,000,000 to an independent third party during the period.

The gearing ratios as at 30 June 2017 and 31 December 2016 were 42.31% and 45.41% 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 2017, 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 and Corporate Governance Report (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 2017 except for the deviation from code provisions A.2.1 and A.6.7. The Company adopted the CG Code as its own code of corporate governance.

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 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 2016 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. Cheuk Wa Pang and Mr. Chen Xuedong, both are independent non-executive directors of the Company, were absent from the annual general meeting of the Company held on 25 May 2017 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 2017 (2016: 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 2017.

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 2017 and considered that the Company has complied with all applicable accounting standards and requirements.

INTERIM REPORT

The 2017 Interim Report will be sent to shareholders on 20 September 2017. 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 19 September 2017.

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

Hong Kong, 24 August 2017

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. Jiang Changhong, Mr. Tang Zhonghai, Dr. Fukui Tsutomu, Mr. Zhang Feng and Mr. Wang Jian; the non-executive Director is Mr. Shen Dong; and the independent non-executive Directors are Mr. Chen Xuedong, Mr. Cheuk Wa Pang, Prof. Hua Min, Mr. Lu Daming and Mr. Liu Fuxing.