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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 2015

FINANCIAL HIGHLIGHTS

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

OPERATING HIGHLIGHTS

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

Note : Processing multiple = Processing volume/Sales volume

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 2015 together with comparative figures for the six months ended 30 June 2014, as follows:

UNAUDITED CONDENSED CONSOLIDATED COMPREHENSIVE INCOME STATEMENT

For the six months ended 30 June 2015

| | | Six months ended 30 June | |
|--|-------------|---------------------------------|----------------|
| | | 2015 | 2014 |
| | <i>Note</i> | <i>RMB'000</i> | <i>RMB'000</i> |
| Revenue | 6 | 9,179,057 | 8,581,721 |
| Cost of sales | 7 | (9,073,150) | (8,162,693) |
| Gross profit | | 105,907 | 419,028 |
| Other income – net | | 8,915 | 2,173 |
| Other losses – net | | (1,091) | (430) |
| Distribution costs | 7 | (68,034) | (65,679) |
| Administrative expenses | 7 | (91,368) | (72,122) |
| Operating (losses)/profit | | (45,671) | 282,970 |
| Finance income | 8 | 5,467 | 9,532 |
| Finance costs | 8 | (75,375) | (63,900) |
| Finance costs – net | 8 | (69,908) | (54,368) |
| (Losses)/profit before income tax | | (115,579) | 228,602 |
| Income tax credit/(expense) | 9 | 27,714 | (62,630) |
| (Losses)/profit for the period | | (87,865) | 165,972 |
| Other comprehensive income for the period | | – | – |
| Total comprehensive (losses)/ income for the period | | (87,865) | 165,972 |
| Attributable to: | | | |
| Equity holders of the Company | | (88,143) | 162,002 |
| Non-controlling interests | | 278 | 3,970 |
| | | (87,865) | 165,972 |
| (Losses)/earnings per share for profit attributable to equity holders of the Company during the period (expressed in RMB per share) | | | |
| – basic (losses)/ earnings per share | 10 | (0.08) | 0.16 |
| – diluted (losses)/earnings per share | 10 | (0.08) | 0.16 |
| Interim dividends | 11 | – | – |

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2015

| | | As at 30 June 2015 <i>RMB'000</i> | As at 31 December 2014 <i>RMB'000</i> |
|---|-------------|--|--|
| | <i>Note</i> | | |
| ASSETS | | | |
| Non-current assets | | | |
| Land use rights | | 250,347 | 253,203 |
| Property, plant and equipment | | 2,429,920 | 2,267,301 |
| Investment properties | | 7,933 | 8,221 |
| Intangible assets | | 2,230 | 2,461 |
| Deferred income tax assets | | 58,602 | 24,096 |
| Other non-current assets | | 21,066 | 22,231 |
| | | <u>2,770,098</u> | <u>2,577,513</u> |
| Current assets | | | |
| Inventories | | 1,931,859 | 1,508,457 |
| Trade receivables | 12 | 265,070 | 248,328 |
| Prepayments, deposits and other receivables | | 499,752 | 695,070 |
| Restricted bank deposits | | 731,154 | 636,158 |
| Cash and cash equivalents | | 222,288 | 292,054 |
| | | <u>3,650,123</u> | <u>3,380,067</u> |
| Total assets | | <u>6,420,221</u> | <u>5,957,580</u> |
| EQUITY AND LIABILITIES | | | |
| Equity attributable to equity holders of the Company | | | |
| Share capital | | 89,215 | 89,215 |
| Reserves | | 1,578,573 | 1,681,085 |
| | | <u>1,667,788</u> | <u>1,770,300</u> |
| Non-controlling interests | | <u>236,232</u> | <u>235,954</u> |
| Total equity | | <u>1,904,020</u> | <u>2,006,254</u> |

| | | As at 30 June 2015 RMB'000 | As at 31 December 2014 RMB'000 |
|--|------|-------------------------------------|---|
| | Note | | |
| LIABILITIES | | | |
| Non-current liabilities | | | |
| Borrowings | | 586,621 | 487,534 |
| Deferred government grants | | 44,339 | 43,452 |
| Deferred income tax liabilities | | 1,118 | 4,329 |
| | | <u>632,078</u> | <u>535,315</u> |
| Current liabilities | | | |
| Trade payables | 13 | 1,749,169 | 1,543,748 |
| Accruals, advances from customers and other current liabilities | | 393,328 | 381,237 |
| Current income tax liabilities | | 9,021 | 33,505 |
| Borrowings | | 1,731,466 | 1,454,796 |
| Current portion of deferred government grants | | 1,139 | 2,725 |
| | | <u>3,884,123</u> | <u>3,416,011</u> |
| Total liabilities | | <u>4,516,201</u> | <u>3,951,326</u> |
| Total equity and liabilities | | <u>6,420,221</u> | <u>5,957,580</u> |
| Net current liabilities | | <u>(234,000)</u> | <u>(35,944)</u> |
| Total assets less current liabilities | | <u>2,536,098</u> | <u>2,541,569</u> |

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2015

| | 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 |

| | 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 2014 | 89,215 | 1,519,675 | 144,068 | 1,752,958 |
| Comprehensive income | | | | |
| Profit for the period | — | 162,002 | 3,970 | 165,972 |
| Total comprehensive income for the period | — | 162,002 | 3,970 | 165,972 |
| Transaction with owners | | | | |
| Employee share options scheme | — | 709 | — | 709 |
| Capital injection by a non-controlling interest | — | — | 80,000 | 80,000 |
| Partial disposal of a subsidiary | — | (635) | 11,805 | 11,170 |
| Dividend paid | — | (16,314) | — | (16,314) |
| Total transaction with owners | — | (16,240) | 91,805 | 75,565 |
| Balance at 30 June 2014 | 89,215 | 1,665,437 | 239,843 | 1,994,495 |

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
For the six months ended 30 June 2015

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

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2015

1. GENERAL INFORMATION

The Company was incorporated in the Cayman Islands on 14 February 2007 as an exempted company with limited liability under the Companies Law, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands. The Company's registered office is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands.

The shares of the Company have been listed on the Main Board of The Stock Exchange of Hong Kong Limited since 1 December 2010.

2. BASIS OF PREPARATION

The unaudited condensed consolidated financial statements for the six months ended 30 June 2015 have been prepared in accordance with Hong Kong Accounting Standard 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and Appendix 16 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited. These unaudited condensed consolidated financial statements have not been reviewed by external auditors but have been reviewed by the Company's audit committee.

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES

Except as described below, the accounting policies applied are consistent with those of the annual financial statements for the year ended 31 December 2014, as described in those annual financial statements.

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

(a) New and amended standards adopted by the Group

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

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

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

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

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

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

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

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

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

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

4. ESTIMATES

The preparation of unaudited condensed consolidated interim financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates.

In preparing these unaudited condensed consolidated interim financial statements, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements for the year ended 31 December 2014.

5. FINANCIAL RISK MANAGEMENT

5.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including currency risk and fair value interest rate risk), credit risk, and liquidity risk.

The unaudited condensed consolidated interim financial statements do not include all financial risk management information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements as at 31 December 2014.

There have been no changes in the risk management department since year end or in any risk management policies.

5.2 Fair value estimation

There are no financial assets/liabilities carried at fair value determined by valuation method. The carrying value of cash and cash equivalents, restricted bank deposits, trade and other receivables and financial liabilities including trade and other payables and borrowings are assumed to approximate their fair values.

6. SALES AND SEGMENT INFORMATION

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

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

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

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

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

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

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

7. EXPENSES BY NATURE

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

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

8. FINANCE COSTS – NET

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

9. INCOME TAX (CREDIT)/EXPENSE

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

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. (LOSSES)/EARNINGS PER SHARE

(a) Basic

Basic (losses)/earnings per share is calculated by dividing the (losses)/profit attributable to equity holders of the company by the weighted average number of ordinary shares in issue during the period.

| | Six months ended | |
|---|------------------|--------------|
| | 30 June 2015 | 30 June 2014 |
| | RMB'000 | RMB'000 |
| (Losses)/profit attributable to equity holders of the company | (88,143) | 162,002 |
| Weighted average number of ordinary shares in issue (<i>thousands</i>) | 1,037,500 | 1,037,500 |

(b) Diluted

Diluted (losses)/earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. The dilutive potential ordinary shares of the company are share options. For the share options, a calculation is done to determine the number of shares that could have been acquired at fair value (determined as the average annual market share price of the company's shares) based on the monetary value of the subscription rights attached to outstanding share options. The number of shares calculated as above is compared with the number of shares that would have been issued assuming the exercise of the share options.

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

11. INTERIM DIVIDENDS

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

12. TRADE RECEIVABLES

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

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

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

13. TRADE PAYABLES

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

The ageing analysis of the trade payable is as follows:

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

BUSINESS REVIEW

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

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

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

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

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

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

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

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

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

Stainless steel

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

Carbon steel

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

FINANCIAL REVIEW AND ANALYSIS

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

Revenue

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

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

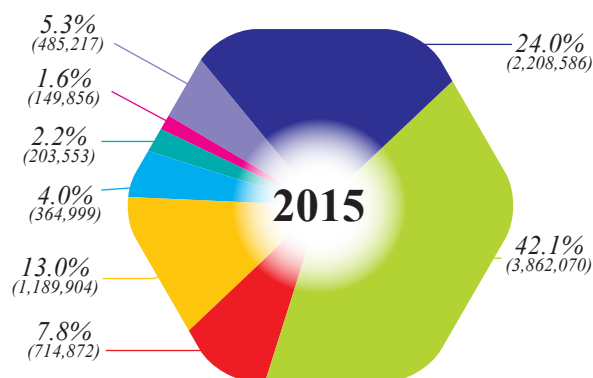
Analysis of revenue by key industry segments

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

Revenue

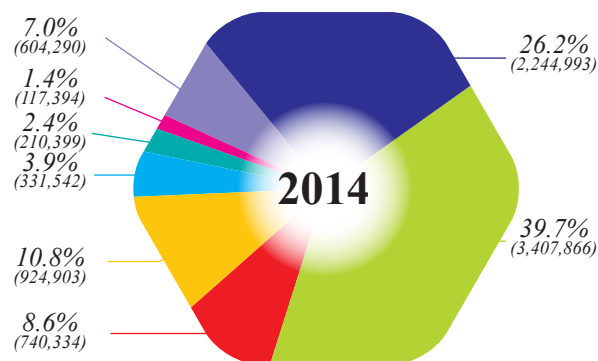
| Industry | Six months ended 30 June | | | |
|------------------------------|--------------------------|--------------|------------------|--------------|
| | 2015 | | 2014 | |
| | RMB'000 | % | RMB'000 | % |
| Machineries | 2,208,586 | 24.0 | 2,244,993 | 26.2 |
| Distributors and Traders | 3,862,070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

RMB'000



Total = RMB9,179,057,000

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



Total = RMB8,581,721,000

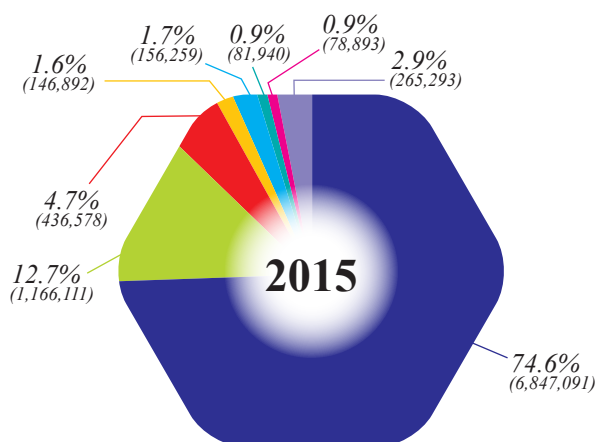
- Automobile and Transport
- Construction
- Renewable Energy
- Others

Analysis of revenue by geographical regions

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

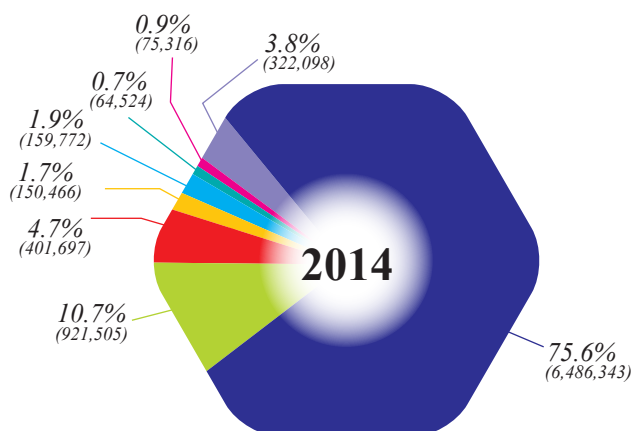
| Region | Six months ended 30 June 2015 | | 2014 | |
|----------------------------|-------------------------------|--------------|------------------|--------------|
| | RMB'000 | % | RMB'000 | % |
| Eastern region, China | 6,847,091 | 74.6 | 6,486,343 | 75.6 |
| Northern region, China | 1,166,111 |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

RMB'000



Total = RMB9,179,057,000

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



Total = RMB8,581,721,000

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

Gross profit

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

Other income

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

Distribution costs

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

Administration expenses

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

Finance costs

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

Income tax credit

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

Losses for the period

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

Foreign exchange risk management

The Group mainly operates in the PRC with most of the transactions denominated and settled in RMB. However, the Group has certain trade receivables, restricted bank balances, cash and cash equivalents, trade payables, other payables and borrowings denominated in foreign currencies, mainly United States Dollar and Hong Kong Dollar, which are exposed to foreign currency translation risk.

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

LIQUIDITY, CAPITAL STRUCTURE AND FINANCIAL RESOURCES

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

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

The gearing ratios as at 30 June 2015 and 31 December 2014 were 52.40% and 45.13% respectively. The ratios are calculated as net debt divided by total capital. Net debt is calculated as total borrowings less cash and cash equivalents while total capital is calculated as total equity plus net debt.

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

CONTINGENT LIABILITIES

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

CORPORATE GOVERNANCE

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

The Company has complied with the Corporate Governance Code (the "CG Code") set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited during the six months ended 30 June 2015 except for the deviation from code provision A.2.1 which stipulates that the roles of chairman and chief executive should be separated and should not be performed by the same individual.

During the reporting period, the positions of the chairman and the chief executive officer were held by Mr. Zhou Keming. The Company adopted the CG Code as its own code of corporate governance.

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

INTERIM DIVIDENDS

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

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

There was no purchase, sale or redemption of the Company's listed shares by the Company or any of its subsidiaries during the six months ended 30 June 2015.

AUDIT COMMITTEE

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

INTERIM REPORT

The 2015 Interim Report will be sent to shareholders on 22 September 2015. 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 21 September 2015.

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

Hong Kong, 28 August 2015

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, Mr. Kang In Soo, Dr. Fukui Tsutomu and Mr. Zhang Feng; the non-executive Director is Mr. Jiang Changhong; and the independent non-executive Directors are Mr. Chen Xuedong, Mr. Cheuk Wa Pang, Prof. Hua Min and Mr. Lu Daming.