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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 2012

FINANCIAL HIGHLIGHTS

	Six months ended 30 June		
	2012	2011	
	RMB'000	*RMB'000*	*% change*
Revenue	**5,641,062**	5,741,943	-1.8%
Gross profit	**65,901**	236,278	-72.1%
(Losses)/Profit attributable to equity holders of the Company	**(53,175)**	97,647	-154.5%
Gross profit per tonne *(note 1)*	**RMB202**	RMB885	-77.2%

OPERATING HIGHLIGHTS

	Six months ended 30 June		
	2012	2011	*% change*
Sales volume (tonnes)	**325,846**	266,970	+22.1%
Processing volume (tonnes)	**456,283**	348,896	+30.8%
Processing multiple *(note 2)*	**1.40**	1.31	+6.9%

Note : *1.* Gross profit per tonne = Gross profit/Sales volume
2. 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 2012 together with comparative figures for the six months ended 30 June 2011, as follows: –

CONDENSED CONSOLIDATED COMPREHENSIVE INCOME STATEMENT

For the six months ended 30 June 2012

	Note	Six months ended 30 June **2012** *RMB'000*	2011 *RMB'000*
Revenue	6	**5,641,062**	5,741,943
Cost of sales	7	**(5,575,161)**	(5,505,665)
Gross profit		**65,901**	236,278
Other income – net		**1,244**	2,425
Other losses – net		**(80)**	(788)
Distribution costs	7	**(39,492)**	(31,788)
Administrative expenses	7	**(38,259)**	(34,059)
Operating (losses)/profit		**(10,686)**	172,068
Finance income	8	**5,117**	5,465
Finance costs	8	**(63,440)**	(48,093)
Finance costs – net	8	**(58,323)**	(42,628)
(Losses)/Profit before income tax		**(69,009)**	129,440
Income tax credit/(expense)	9	**15,220**	(31,328)
(Losses)/Profit for the period		**(53,789)**	98,112
Other comprehensive income for the period		**–**	–
Total comprehensive income for the period		**(53,789)**	98,112
Attributable to:			
Equity holders of the Company		**(53,175)**	97,647
Non-controlling interests		**(614)**	465
		(53,789)	98,112
(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	**(0.05)**	0.09
– diluted (losses)/earnings per share	10	**(0.05)**	0.09
Interim dividends	11	**–**	–

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2012

	Note	As at 30 June 2012 RMB'000	As at 31 December 2011 RMB'000
ASSETS			
Non-current assets			
Land use rights		**115,334**	108,863
Property, plant and equipment		**1,330,560**	1,188,133
Investment properties		**8,441**	8,668
Intangible assets		**2,772**	2,982
Deferred income tax assets		**32,421**	13,937
Other non-current assets		**30,308**	27,500
		1,519,836	1,350,083
Current assets			
Inventories		**1,595,555**	1,504,981
Trade receivables	12	**311,661**	469,726
Prepayments, deposits and other receivables		**382,707**	501,483
Restricted bank deposits		**490,859**	334,851
Cash and cash equivalents		**198,015**	282,854
		2,978,797	3,093,895
Total assets		**4,498,633**	4,443,978
EQUITY AND LIABILITIES			
Equity attributable to equity holders of the Company			
Share capital		**89,215**	89,215
Reserves		**1,344,340**	1,426,210
		1,433,555	1,515,425
Non-controlling interests		**103,835**	64,449
Total equity		**1,537,390**	1,579,874

	Note	As at 30 June 2012 RMB'000	As at 31 December 2011 RMB'000
LIABILITIES			
Non-current liabilities			
Borrowings		**45,000**	50,000
Deferred government grants		**13,419**	13,953
Deferred income tax liabilities		**4,596**	1,905
		63,015	65,858
Current liabilities			
Trade payables	13	**1,342,074**	740,995
Accruals, advances from customers and other current liabilities		**323,147**	240,214
Current income tax liabilities		**205**	5,624
Borrowings		**1,231,735**	1,810,346
Current portion of deferred government grants		**1,067**	1,067
		2,898,228	2,798,246
Total liabilities		**2,961,243**	2,864,104
Total equity and liabilities		**4,498,633**	4,443,978
Net current assets		**80,569**	295,649
Total assets less current liabilities		**1,600,405**	1,645,732

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2012

	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 2012	89,215	1,426,210	64,449	1,579,874
Comprehensive income				
Losses for the period	–	(53,175)	(614)	(53,789)
Total comprehensive income for the period	–	(53,175)	(614)	(53,789)
Transaction with owners				
Employee share options scheme	–	744	–	744
Capital injection by a non-controlling shareholder	–	–	40,000	40,000
Dividend paid	–	(29,439)	–	(29,439)
Total transaction with owners	–	(28,695)	40,000	11,305
Balance at 30 June 2012	89,215	1,344,340	103,835	1,537,390

	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 2011	89,215	1,337,377	24,861	1,451,453
Comprehensive income				
Profit for the period	–	97,647	465	98,112
Total comprehensive income for the period	–	97,647	465	98,112
Transaction with owners				
Employee share options scheme	–	860	–	860
Total transaction with owners	–	860	–	860
Balance at 30 June 2011	89,215	1,435,884	25,326	1,550,425

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2012

	Six months ended 30 June	
	2012	2011
	RMB'000	*RMB'000*
Cash flows from operating activities	**678,682**	(250,948)
Cash flows from investing activities	**(219,910)**	(177,183)
Cash flows from financing activities	**(543,611)**	175,620
Net decrease in cash and cash equivalents	**(84,839)**	(252,511)
Cash and cash equivalents at beginning of the period	**282,854**	379,036
Cash and cash equivalents at end of the period	**198,015**	126,525

NOTES TO THE FINANCIAL STATEMENTS

For the six months ended 30 June 2012

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 2012 have been prepared in accordance with Hong Kong Accounting Standard 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and Appendix 16 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited. These condensed consolidated financial statements are unaudited but have been reviewed by the Company's audit committee.

3. SIGNIFICANT ACCOUNTING POLICIES

Except as described below, the accounting policies applied are consistent with those of the annual financial statements for the year ended 31 December 2011, 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 amendments to standards are mandatory for the first time for the financial year beginning 1 January 2012:

Amendment to HKFRS 7 "Disclosures —Transfers of financial assets" is effective for annual periods beginning on or after 1 July 2011. This amendment will promote transparency in the reporting of transfer transactions and improve users' understanding of the risk exposures relating to transfers of financial assets and the effect of those risks on an entity's financial position, particularly those involving securitisation of financial assets. The adoption of this amendment and will result in additional disclosures where necessary.

(b) Standards, amendments and interpretations to existing standards effective in 2012 but not relevant to the Group

HKFRS 1 (Amendment)	Severe hyperinflation and removal of fixed dates for first-time adopters
HKFRS 12 (Amendment)	Deferred tax: Recovery of underlying assets

(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 2012 and have not been early adopted:

		Effective for annual periods beginning on or after
HKAS 1 (Amendment)	Presentation of financial statements	1 July 2012
HKFRS 10	Consolidated financial statements	1 January 2013
HKAS 27(Revised 2011)	Separate financial statements	1 January 2013
HKFRS 11	Joint arrangements	1 January 2013
HKAS 28 (Revised 2011)	Associates and joint ventures	1 January 2013
HKFRS 12	Disclosure of interests in other entities	1 January 2013
HKFRS 13	Fair value measurements	1 January 2013
HKAS 19 (Amendment)	Employee benefits	1 January 2013
HKFRS 7 (Amendment)	Financial instruments: Disclosures – Offsetting financial assets and financial liabilities	1 January 2013
HKFRIC 20	Stripping costs in the production phase of a surface mine	1 January 2013
HKAS 32 (Amendment)	Financial instruments: Presentation - Offsetting financial assets and financial liabilities	1 January 2014
HKFRS 9	Financial Instruments	1 January 2015
HKFRS 7 and HKFRS 9 (Amendments)	Mandatory effective date and transition disclosures	1 January 2015

4. ESTIMATES

The preparation of 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 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 2011.

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 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 2011.

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 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 2012	30 June 2011
	RMB'000	*RMB'000*
Sales of goods	**5,641,062**	5,741,943

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

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

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 2012	30 June 2011
	RMB'000	*RMB'000*
– Mainland China	**5,472,394**	5,637,698
– Hong Kong and other overseas countries and regions*	**168,668**	104,245
Total sales	**5,641,062**	5,741,943

* Other overseas countries and regions for the six months ended 30 June 2012 mainly represented Australia, Korea, India, Malaysia, USA and Russia.

Other overseas countries and regions for the six months ended 30 June 2011 mainly represented Singapore, Korea, USA and Russia.

7. EXPENSES BY NATURE

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

	Six months ended	
	30 June 2012	30 June 2011
	RMB'000	*RMB'000*
Changes in inventories of finished goods	**33,813**	(167,389)
Raw materials consumed	**5,453,719**	5,605,757
Stamp duty, property tax and other surcharges	**6,919**	4,530
Transportation costs	**29,556**	27,369
Employee benefit expenses, including directors' emoluments	**54,301**	34,429
Depreciation and amortisation	**37,460**	31,759
Operating lease rental for buildings	**774**	983
Utilities charges	**6,477**	3,438
Provision for write-down of inventories	**3,544**	8,708
Provision for impairment of trade receivables	**–**	509
Entertainment and travelling expenses	**11,231**	10,450
Professional service expenses	**838**	1,244
Others	**14,280**	9,725
Total cost of sales, distribution costs and administrative expenses	**5,652,912**	5,571,512

8. FINANCE COSTS – NET

	Six months ended	
	30 June 2012	30 June 2011
	RMB'000	*RMB'000*
Interest expenses on bank borrowings	**55,144**	24,127
Interest expenses on bank acceptance notes	**5,026**	22,860
Exchange losses, net	**3,270**	1,106
Total finance costs	**63,440**	48,093
Interest income from bank deposit	**(5,117)**	(5,465)
	58,323	42,628

9. INCOME TAX CREDIT/(EXPENSE)

	Six months ended	
	30 June 2012	30 June 2011
	RMB'000	*RMB'000*
Current income tax credit/(expense)		
– Mainland China corporate income tax	**14,940**	(32,190)
Deferred income tax	**280**	862
	15,220	(31,328)

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 2012	30 June 2011
	RMB'000	*RMB'000*
(Losses)/Profit attributable to equity holders of the company	**(53,175)**	97,647
Weighted average number of ordinary shares in issue *(thousands)*	**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 2012	30 June 2011
	RMB'000	*RMB'000*
(Losses)/profit used to determine diluted (losses)/earnings per share	**(53,175)**	97,647
Weighted average number of ordinary shares in issue *(thousands)*	**1,037,500**	1,037,500
Adjustments for:		
– Share options *(thousands)*	**–**	–
Weighted average number of ordinary shares for diluted earnings per share *(thousands)*	**1,037,500**	1,037,500

11. INTERIM DIVIDENDS

The directors do not recommend payment of an interim dividend in respect of the six months ended 30 June 2012 (2011: nil).

12. TRADE RECEIVABLES

	As at 30 June 2012 *RMB'000*	As at 31 December 2011 *RMB'000*
Accounts receivable	**116,895**	115,764
Notes receivable		
– bank acceptance notes	**183,958**	341,627
– commercial acceptance notes	**11,850**	13,377
	312,703	470,768
Less: provision for impairment	**(1,042)**	(1,042)
Trade receivables – net	**311,661**	469,726

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 2012 *RMB'000*	As at 31 December 2011 *RMB'000*
Accounts receivable		
– Within 30 days	**113,367**	92,613
– 30 days to 3 months	**1,083**	19,734
– 3 months to 6 months	**171**	2,691
– 6 months to 1 year	**1,141**	–
– 1 year to 2 years	**924**	–
– 2 years to 3 years	**–**	517
– 3 years to 4 years	**209**	209
	116,895	115,764
Notes receivable		
– Within 6 months	**195,808**	355,004
	312,703	470,768

13. TRADE PAYABLES

	As at 30 June 2012 *RMB'000*	As at 31 December 2011 *RMB'000*
Accounts payable	**62,535**	35,195
Notes payable	**1,279,539**	705,800
	1,342,074	740,995

The ageing analysis of the trade payable is as follows:

	As at 30 June 2012 *RMB'000*	As at 31 December 2011 *RMB'000*
Within 6 months	**1,342,067**	740,995
6 months to 1 year	**7**	–
	1,342,074	740,995

BUSINESS REVIEW

Processing facilities enhancement

Pursuant to the shareholders' agreement entered into with 太原鋼鐵(集團)有限公司 (Taiyuan Iron & Steel (Group) Co., Ltd.) dated 13 July 2011, a processing centre is to be established in Taiyuan, Shanxi Province, the PRC. During the first six months of 2012, the building infrastructure of the processing centre was substantially completed. The processing machineries are expected to be installed from September 2012 onwards.

The second phase of our Hangzhou processing centre was also completed in March 2012. More advance processing equipments will be installed in order to enhance the overall processing capacities and capabilities of our Hangzhou processing centre.

Recent development

Our Tianjin processing centre grew satisfactorily both in terms of sales volume and processing volume for the six months ended 30 June 2012 as compared with the same period in 2011. In view of its special geographical location, the Group has planned to expand the export business in our Tianjin processing centre.

The Group has also launched its sixth processing services namely, the welding processing service, during the first half of 2012. The welding processing service further enhances the Group's abilities in serving customers in the machineries, petrochemical and ship building industries.

Our principal subsidiary, 江蘇大明金屬制品有限公司(Jiangsu Daming Metal Products Co., Ltd.), once again was the 2011 largest stainless steel re-seller in terms of sales volume in China(中國不鏽鋼行業貿易量第一名)as announced by 中國金屬材料流通協會不鏽鋼分會 (Stainless Steel Division of the Metallic Materials Distribution Association of China).

Outlook

The unfavourable business environment caused by the sovereign debt crisis in the Eurozone continues to affect the stainless steel industry as a whole. Stainless steel price dropped more than 10% during the six months ended 30 June 2012. Nevertheless, the Group recorded an increase in sales volume of over 20% during the six months ended 30 June 2012 as compared with the same period in 2011 despite the unfavorable business environment.

The Group will cautiously monitor the trend of the stainless steel price in the second half of 2012 and will implement a tight inventory control policy to mitigate the adverse effect of the stainless price movement on the Group.

There have been no material changes in respect of the Group's business since the publication of the Company's annual report for the year ended 31 December 2011.

FINANCIAL REVIEW AND ANALYSIS

During the six months ended 30 June 2012, we recorded a revenue of approximately RMB5,641 million, gross profit of approximately RMB66 million and losses attributable to equity holders of the Company of approximately RMB53 million. Total assets of the Group as at 30 June 2012 amounted to approximately RMB4,499 million while equity attributable to equity holders of the Company amounted to approximately RMB1,434 million.

Revenue

Our revenue decreased by approximately RMB101 million, or 1.8%, from approximately RMB5,742 million for the six months ended 30 June 2011 to approximately RMB5,641 million for the six months ended 30 June 2012. Such decrease was mainly due to the decrease in average selling price of RMB21,508 per tonne for the six months ended 30 June 2011 to RMB17,312 per tonne for the six months ended 30 June 2012. On the other hand, the decrease was substantially offset by an increase in sales volume from 266,970 tonnes for the six months ended 30 June 2011 to 325,846 tonnes for the six months ended 30 June 2012.

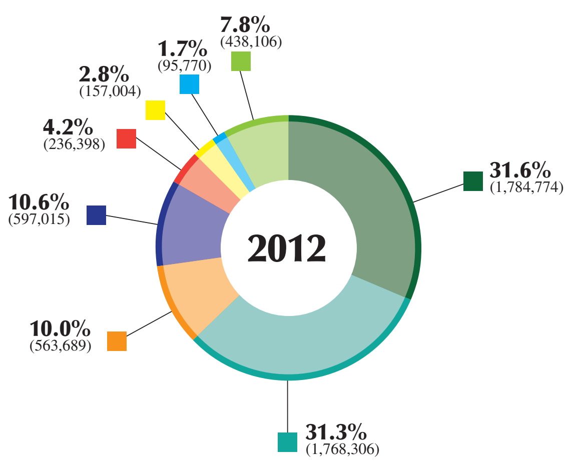
Analysis of revenue by key industry segments

During the six months ended 30 June 2012 and the corresponding period in 2011, our revenue by key industry segments are shown below:

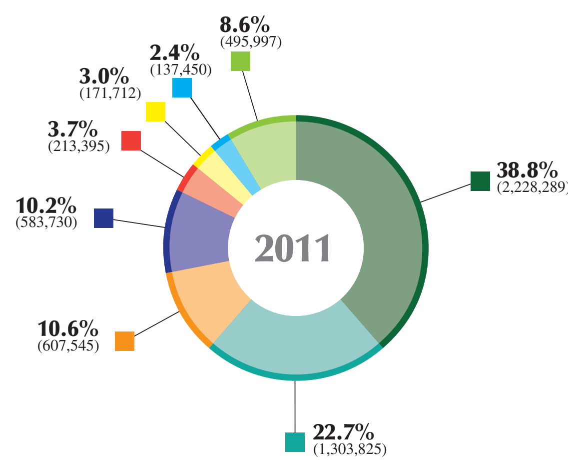
Revenue

	Six months ended 30 June			
	2012		2011	
Industry	***RMB'000***	*%*	*RMB'000*	*%*
Machineries	**1,784,774**	**31.6**	2,228,289	38.8
Distributors	**1,768,306**	**31.3**	1,303,825	22.7
Petrochemical	**563,689**	**10.0**	607,545	10.6
Home Hardware & Appliances	**597,015**	**10.6**	583,730	10.2
Automobile and Transport	**236,398**	**4.2**	213,395	3.7
Construction	**157,004**	**2.8**	171,712	3.0
Renewable Energy	**95,770**	**1.7**	137,450	2.4
Others	**438,106**	**7.8**	495,997	8.6
Total	**5,641,062**	**100.0**	5,741,943	100.0

RMB'000



Total = RMB 5,641,062,000



Total = RMB 5,741,943,000

- Machineries
- Distributors
- Petrochemical
- Home Hardware & Appliances
- Automobile and Transport
- Construction
- Renewable Energy
- Others

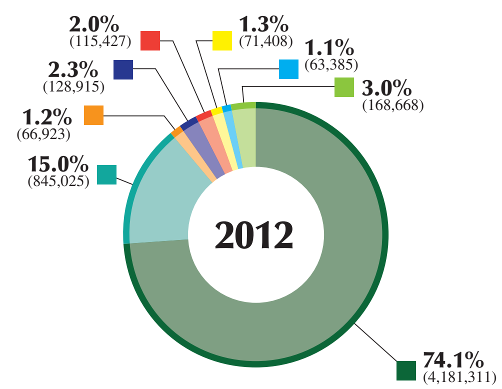
Machineries, distributors, petrochemical and home hardware & appliances remained the four largest customer segments during the six months ended 30 June 2012 and 2011. In aggregate, these accounted for over 80% of our total revenue.

Analysis of revenue by geographical regions

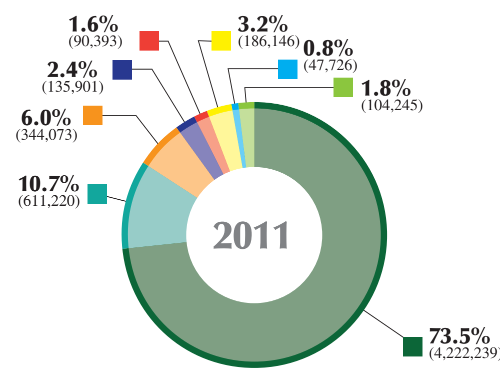
During the six months ended 30 June 2012 and the corresponding period in 2011, our revenue by geographical regions are shown below:

	Six months ended 30 June			
	2012		2011	
Region	***RMB'000***	**%**	*RMB'000*	%
Eastern region, China	**4,181,311**	**74.1**	4,222,239	73.5
Northern region, China	**845,025**	**15.0**	611,220	10.7
Central region, China	**66,923**	**1.2**	344,073	6.0
Southwestern region, China	**128,915**	**2.3**	135,901	2.4
Northeastern region, China	**115,427**	**2.0**	90,393	1.6
Northwestern region, China	**71,408**	**1.3**	186,146	3.2
Southern region, China	**63,385**	**1.1**	47,726	0.8
Overseas	**168,668**	**3.0**	104,245	1.8
Total	**5,641,062**	**100.0**	5,741,943	100.0

RMB'000



Total = RMB 5,641,062,000



Total = RMB 5,741,943,000

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

Eastern region of China, where the majority of stainless steel is consumed in China, remained the largest source of our revenue for the six months ended 30 June 2012 and 2011.

The sales volume and processing volume of our processing centres for the six months ended 30 June 2012 and the corresponding period in 2011 are as follows:

	Sales volume Six months ended 30 June		
	2012	2011	
Processing centre	***tonnes***	*tonnes*	*% change*
Wuxi	**211,798**	179,727	17.8%
Wuhan	**14,955**	14,184	5.4%
Hangzhou	**49,501**	38,479	28.6%
Tianjin	**49,592**	34,580	43.4%
Total	**325,846**	266,970	22.1%

	Processing volume Six months ended 30 June		
	2012	2011	
Processing centre	***tonnes***	*tonnes*	*% change*
Wuxi	**366,208**	278,789	31.4%
Wuhan	**6,306**	5,925	6.4%
Hangzhou	**46,719**	37,655	24.1%
Tianjin	**37,050**	26,527	39.7%
Total	**456,283**	348,896	30.8%

Gross profit

Gross profit decreased from approximately RMB236.3 million for the six months ended 30 June 2011 to approximately RMB65.9 million for the six months ended 30 June 2012 mainly due to the decreases in average selling price as a result of the decline in market price of stainless steel. Gross profit per tonne decreased from RMB885 for the six months ended 30 June 2011 to RMB202 for the six months ended 30 June 2012 representing a decrease of approximately 77.2%.

Other income – net

Other income decreased from approximately RMB2.4 million for the six months ended 30 June 2011 to approximately RMB1.2 million for the six months ended 30 June 2012 due to the decrease in government grant.

Distribution costs

Distribution costs increased from approximately RMB31.8 million for the six months ended 30 June 2011 to approximately RMB39.5 million for the six months ended 30 June 2012 mainly due to the increase in staff salaries and transportation expenses resulting from a higher sales volume in 2012.

Administrative expenses

Administrative expenses increased from approximately RMB34.1 million for the six months ended 30 June 2011 to approximately RMB38.3 million for the six months ended 30 June 2012 mainly due to the increase in staff salaries.

Finance costs – net

Finance costs increased from approximately RMB42.6 million for the six months ended 30 June 2011 to approximately RMB58.3 million for the six months ended 30 June 2012 due to the increase in interest expenses on bank borrowings as a result of the increased financing for larger operation scale.

Income tax credit/(expense)

Income tax expense decreased from approximately RMB31.3 million for the six months ended 30 June 2011 to a tax credit of approximately RMB15.2 million for the six months ended 30 June 2012 mainly attributable to the decrease in operating profit.

(Losses)/profit for the period

Our Group recorded a loss of approximately RMB53.8 million for the six months ended 30 June 2012 as compared with a profit of approximately RMB98.1 million for the six months ended 30 June 2011 representing a decrease of approximately 154.8%. Such decrease was mainly attributable to the continual decline in the market price of stainless steel which, in turn, adversely affected the profit margin of the Group.

Foreign exchange risk management

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

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

LIQUIDITY, CAPITAL STRUCTURE AND FINANCIAL RESOURCES

As at 30 June 2012, the short term bank borrowings of the Group amounted to approximately RMB1,231.7 million. Bank acceptance notes amounted to approximately RMB1,279.5 million as at 30 June 2012 while the bank balances were approximately RMB688.9 million of which approximately RMB490.9 million were pledged mainly for bank borrowings and the issuance of bank acceptance notes and letter of credit.

As at 30 June 2012, the net current assets of the Group amounted to approximately RMB80.6 million as compared with approximately RMB295.6 million as at 31 December 2011. Such decrease in working capital was mainly attributable to the net loss for the period and the acquisitions of machineries.

The gearing ratios as at 30 June 2012 and 31 December 2011 were 41.2% and 50.0% 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 2012, the Group did not have any material contingent liabilities.

USE OF PROCEEDS FROM GLOBAL OFFERING

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

As at 30 June 2012, approximately RMB164.8 million had been applied towards the purchase of processing equipment and the construction of the fifth phase in our Wuxi processing centre and approximately RMB40.0 million had been used for the development of the second phase in our Hangzhou processing centre. The remaining balance of the proceeds from the Global Offering which were not immediately required for the above purposes were held in short-term deposits with licensed banks in Hong Kong and the PRC.

CORPORATE GOVERNANCE

The Company adopted the Corporate Governance Code (the "CG Code") set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") as its own code of corporate governance. The Company has complied with the CG Code during the six months ended 30 June 2012 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 were held by Mr. Zhou Keming. The Company is of the view that Mr. Zhou Keming, with his extensive knowledge in the stainless steel industry, shall continue his dual capacity as the chairman and the chief executive 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 2011 Annual Report.

MODEL CODE

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 of the Listing Rules (the "Model Code") as its code of conduct regarding securities transactions by the directors. Having made specific enquiry with all directors of the Company (the "Directors"), all Directors confirmed that they have complied with the required standard set out in the Model Code during the six months ended 30 June 2012.

INTERIM DIVIDENDS

The Directors do not recommend payment of an interim dividend in respect of the six months ended 30 June 2012 (2011: 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 2012.

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 2012 and considered that the Company has complied with all applicable accounting standards and requirements.

INTERIM REPORT

The 2012 Interim Report will be sent to shareholders on 11 September 2012. 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 11 September 2012.

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

Hong Kong, 22 August 2012

As at the date of this announcement, the executive directors are Mr. Zhou Keming, Ms. Xu Xia, Mr. Zou Xiaoping, Mr. Tang Zhonghai and Mr. Kang In Soo; the non-executive director is Mr. Jiang Changhong; and the independent non-executive directors are Prof. Hua Min, Mr. Chen Xuedong and Mr. Cheuk Wa Pang.