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 2019

FINANCIAL HIGHLIGHTS

	Six months ended 30 June		
	2019	2018	
	RMB'000	*RMB'000*	*% change*
Revenue	**16,756,469**	15,346,884	+9.2%
Gross profit	**564,259**	484,404	+16.5%
Total comprehensive income for the period	**130,558**	120,087	+8.7%

OPERATING HIGHLIGHTS

	Six months ended 30 June		
	2019	2018 (Restated)	*% change*
Stainless steel			
Sales volume (tonnes)	**865,681**	865,693	0.0%
Processing volume (tonnes)	**1,270,941**	1,281,391	-0.8%
Processing multiple	**1.47**	1.48	
Carbon steel			
Sales volume (tonnes)	**1,272,614**	912,841	+39.4%
Processing volume (tonnes)	**1,465,379**	933,177	+57.0%
Processing multiple	**1.15**	1.02	

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 2019 together with comparative figures for the six months ended 30 June 2018, as follows:

UNAUDITED CONDENSED CONSOLIDATED COMPREHENSIVE INCOME STATEMENT

For the six months ended 30 June 2019

		Six months ended 30 June	
		2019	2018
	Note	***RMB'000***	*RMB'000*
Revenue	6	**16,756,469**	15,346,884
Cost of sales	7	**(16,192,210)**	(14,862,480)
Gross profit		**564,259**	484,404
Other income – net		**12,947**	7,946
Other loss – net		**(723)**	(979)
Distribution costs	7	**(167,486)**	(136,232)
Administrative expenses	7	**(125,174)**	(110,125)
Operating profit		**283,823**	245,014
Finance income	8	**15,625**	15,231
Finance costs	8	**(109,317)**	(92,608)
Finance costs – net	8	**(93,692)**	(77,377)
Profit before income tax		**190,131**	167,637
Income tax expense	9	**(59,573)**	(47,550)
Profit for the period		**130,558**	120,087
Other comprehensive income for the period		**–**	–
Total comprehensive income for the period		**130,558**	120,087
Attributable to:			
Equity holders of the Company		**117,675**	109,089
Non-controlling interests		**12,883**	10,998
		130,558	120,087
Earnings per share for profit attributable to equity holders of the Company during the period			
(expressed in RMB per share)			
– basic earnings per share	10	**0.09**	0.09
– diluted earnings per share	10	**0.09**	0.09

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2019

	Note	**As at 30 June 2019** *RMB'000*	As at 31 December 2018 *RMB'000*
ASSETS			
Non-current assets			
Land use rights		**–**	487,286
Right-of-use assets		**483,591**	–
Property, plant and equipment		**4,285,200**	4,204,500
Investment properties		**4,405**	4,597
Intangible assets		**17,552**	16,453
Deferred income tax assets		**82,921**	75,500
Trade receivable	12	**25,170**	27,674
Other non-current assets		**8,405**	5,881
		4,907,244	4,821,891
Current assets			
Inventories		**3,197,300**	2,689,628
Trade receivables	12	**482,186**	506,697
Prepayments, deposits and other receivables		**886,889**	927,627
Restricted bank deposits		**1,144,511**	1,076,064
Cash and cash equivalents		**210,794**	140,004
		5,921,680	5,340,020
Total assets		**10,828,924**	10,161,911
EQUITY			
Equity attributable to equity holders of the Company			
Share capital		**106,607**	106,607
Reserves		**2,510,456**	2,387,020
		2,617,063	2,493,627
Non-controlling interests		**371,858**	358,975
Total equity		**2,988,921**	2,852,602

	Note	As at 30 June 2019 RMB'000	As at 31 December 2018 RMB'000
LIABILITIES			
Non-current liabilities			
Borrowings		**800,100**	850,183
Deferred government grants		**116,672**	87,909
Deferred income tax liabilities		**24,662**	15,636
Trade payables	*13*	**9,421**	8,959
Long-term payables		**28,109**	38,750
		978,964	1,001,437
Current liabilities			
Trade payables	*13*	**1,795,547**	2,153,632
Accruals and other current liabilities		**342,997**	389,720
Lease liability		**1,634**	–
Contract liabilities		**560,109**	439,470
Current income tax liabilities		**44,875**	75,032
Borrowings		**4,111,284**	3,243,536
Current portion of deferred government grants		**4,593**	4,482
Dividends payables		**–**	2,000
		6,861,039	6,307,872
Total liabilities		**7,840,003**	7,309,309
Total equity and liabilities		**10,828,924**	10,161,911

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2019

	Attributable to equity holders of the Company		Non-controlling interests	Total equity
	Share Capital	**Reserves**		
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Balance at 1 January 2019	106,607	2,387,020	358,975	2,852,602
Comprehensive income				
Profit for the period	–	117,675	12,883	130,558
Total comprehensive income for the period	–	117,675	12,883	130,558
Transaction with owners				
Employee share options scheme				
– value of employee services	–	486	–	486
Share award scheme				
– value of employee services	–	5,275	–	5,275
Total transaction with owners	–	5,761	–	5,761
Balance at 30 June 2019	106,607	2,510,456	371,858	2,988,921

	Attributable to equity holders of the Company		Non-controlling interests	Total equity
	Share Capital	**Reserves**		
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Balance at 1 January 2018	106,607	2,322,971	267,626	2,697,204
Comprehensive income				
Profit for the period	–	109,089	10,998	120,087
Total comprehensive income for the period	–	109,089	10,998	120,087
Transaction with owners				
Employee share options scheme				
– value of employee services	–	1,263	–	1,263
Capital injection by a non-controlling interest	–	–	72,177	72,177
Total transaction with owners	–	1,263	72,177	73,440
Balance at 30 June 2018	106,607	2,433,323	350,801	2,890,731

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2019

	Six months ended 30 June	
	2019	2018
	RMB'000	*RMB'000*
Cash flows from operating activities		
Cash flows from operations	**253,586**	24,786
Interest received	**15,625**	15,231
Interest paid	**(109,317)**	(92,068)
Income tax paid	**(89,730)**	(38,072)
Net cash from/(used) in operating activities	**70,164**	(90,123)
Cash flows from investing activities		
Purchase of property, plant and equipment	**(196,724)**	(298,201)
Other investing cash flow	**21,160**	6,794
Net cash used in investing activities	**(175,564)**	(291,407)
Cash flows from financing activities		
Net change in borrowings	**817,665**	213,662
Net change in restricted bank deposits	**(68,447)**	17,764
Net change in bank acceptance notes	**(573,028)**	235,844
Capital injection by a non-controlling shareholder	**–**	72,177
Net cash from financing activities	**176,190**	539,447
Net change in cash and cash equivalents	**70,790**	157,917
Cash and cash equivalents at beginning of the period	**140,004**	166,151
Exchange loss on cash and cash equivalents	**–**	–
Cash and cash equivalents at end of the period	**210,794**	324,068

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2019

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 2019 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 2019, the Group's current liabilities exceeded its current assets by approximately RMB939,359,000 (31 December 2018: RMB967,852,000). The Group meets its day-to-day working capital requirements mainly through its bank borrowings and facilities with banks in the PRC and Hong Kong 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 net cash inflows from operating activities;

- The available financing including bank borrowings in the PRC and Hong Kong to be renewed during the next twelve 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 2018, 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 earnings.

(a) New and amended standards adopted by the Group

The Group has applied the following standards and amendments for the first time for their annual financial period commencing 1 January 2019:

(a) HKFRS 16 Leases

(b) Annual improvements 2015-2017 Cycle

(c) HK (IFRIC) – Int 23 Uncertainty over Income Tax Treatments

(d) Prepayment Features with Negative Compensation – Amendments to HKFRS 9

(e) Long-term Interests in Associates and Joint Ventures – Amendments to HKAS 28, and

(f) Plan Amendment, Curtailment or Settlement – Amendments to HKAS 19.

The group has adopted HKFRS 16 from 1 January 2019, but has not restated comparatives for the 2018 reporting period, as permitted under the specific transitional provisions in the standard. The reclassifications and the adjustments arising from the new leasing rules are therefore recognised in the opening balance sheet on 1 January 2019.

(i) HKFRS 16 Leases

On adoption of HKFRS 16, the group recognised lease liabilities in relation to leases which had previously been classified as 'operating leases' under the principles of HKAS 17 Leases. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as of 1 January 2019. The weighted average lessee's incremental borrowing rate applied to the lease liabilities on 1 January 2019 was 4.9%.

	2019 **RMB'000**
Operating lease commitments disclosed as at 31 December 2018	**114**
Lease liabilities recognised on extension option estimation	**1,959**
(Less): short-term leases recognised on a straight-line basis as expense	**(114)**
	1,959
Discounted using the lessee's incremental borrowing rate at the date of initial application	**1,806**
Add: rental prepayment recognised as at 31 December 2018	**479**
	2,285
Add: Reclassification of leasehold land and land use rights	**487,286**
Right-of-use assets recognised as at 1 January 2019	**489,571**

The associated right-of-use assets for property leases were measured at the amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the balance sheet as at 31 December 2018. There were no onerous lease contracts that would have required an adjustment to the right-of-use assets at the date of initial application.

All the recognised right-of-use assets relate to land use rights.

The change in accounting policy affected the following items in the balance sheet on 1 January 2019:

Prepayments, deposit and other receivables – decreased by 479,000
Right-of-use assets – increased by 489,571,000
Land use rights – decreased by 487,286,000
Lease liability – increased by 1,806,000

There was no impact on retained earnings on 1 January 2019.

The other newly adopted standards did not have material impact on the group's accounting policies and did not require retrospective adjustments.

(b) 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 2019 and have not been early adopted.

		Effective for annual periods beginning on or after
Amendments to HKFRS 10 and HKAS 28	Sale or contribution of assets between an investor and its associate or joint venture	To be determined
Amendments to HKAS 1 and HKAS 8	Definition of Material	1 January 2020
Amendments to HKFRS 3	Definition of a Business	1 January 2020
Revised Conceptual Framework	Revised Conceptual Framework for Financial Reporting	1 January 2020
HKFRS 17	Insurance contracts	1 January 2021

The Group is assessing the full impact of the new standards, new interpretations and amendments to standards and interpretations.

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 2018.

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 2018.

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 2019	30 June 2018
	RMB'000	*RMB'000*
Sales of goods	**16,756,469**	15,346,884

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 2019	30 June 2018
	RMB'000	*RMB'000*
– Mainland China	**16,394,935**	14,939,643
– Hong Kong and other overseas countries and regions*	**361,534**	407,241
Total sales	**16,756,469**	15,346,884

* Other overseas countries and regions for the six months ended 30 June 2019 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 2018 mainly represented United States of America, Australia, South Korea 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 2019	30 June 2018
	RMB'000	*RMB'000*
Changes in inventories of finished goods	**(155,527)**	(84,591)
Raw materials consumed	**15,915,906**	14,552,820
Stamp duty, property tax and other surcharges	**22,416**	23,262
Transportation costs	**148,843**	134,626
Employee benefit expenses, including directors' emoluments	**312,970**	268,918
Depreciation and amortisation	**116,024**	95,189
Operating lease rental for buildings	**3,619**	2,984
Utilities charges	**33,458**	30,285
Reversal of write-down of inventories	**(41,367)**	(5,358)
Entertainment and travelling expenses	**24,171**	15,871
Professional service expenses	**4,921**	3,410
Others	**99,436**	71,421
Total cost of sales, distribution costs and administrative expenses	**16,484,870**	15,108,837

8. FINANCE COSTS – NET

	Six months ended	
	30 June 2019	30 June 2018
	RMB'000	*RMB'000*
Interest expenses on bank borrowings	**73,674**	70,673
Interest expenses on bank acceptance notes	**39,217**	20,452
Exchange (gain)/loss, net	**(3,574)**	1,483
Total finance costs	**109,317**	92,608
Interest income	**(15,625)**	(15,231)
	93,692	77,377

9. INCOME TAX EXPENSE

	Six months ended	
	30 June 2019	30 June 2018
	RMB'000	*RMB'000*
Current income tax expense		
– Mainland China corporate income tax	**57,968**	57,506
Deferred income tax expense/(credit)	**1,605**	(9,956)
	59,573	47,550

The Company was incorporated in the Cayman Islands as an exempted company with limited liability under the Companies Law, Cap. 22 (Law 3 of 1961, as consolidated and revised) of Cayman Islands and, accordingly, is exempted from payment of Cayman Islands income tax.

The subsidiary incorporated in British Virgin Islands under the International Business Companies Acts of the British Virgin Islands is exempted from payment of British Virgin Islands income tax.

Hong Kong profits tax has not been provided as there is no estimated assessable profit arising in or derived from Hong Kong during the financial periods.

The PRC corporate income tax is calculated based on the statutory profit of subsidiaries incorporated in the PRC in accordance with the PRC tax laws and regulations, after adjustments on certain income and expense items, which are not assessable or deductible for income tax purposes.

10. EARNINGS PER SHARE

(a) Basic

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

	Six months ended	
	30 June 2019	30 June 2018
Profit attributable to equity holders of the company (RMB'000)	**117,675**	109,089
Weighted average number of ordinary shares in issue (thousands)	**1,245,190**	1,245,190
Basic earnings per share (RMB)	**0.09**	0.09

(b) Diluted

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

	Six months ended	
	30 June 2019	30 June 2018
Profit attributable to equity holders of the company (RMB'000)	**117,675**	109,089
Weighted average number of ordinary shares in issue (thousands)	**1,245,190**	1,245,190
Adjustments for share option plan (thousands)	**132**	643
Weighted average number of ordinary shares for diluted earnings per share (thousands)	**1,245,322**	1,245,833
Diluted earnings per share (RMB)	**0.09**	0.09

11. INTERIM DIVIDENDS

The Board has declared an interim dividend of HK$0.06 per share in respect of the six months ended 30 June 2019 (2018: HK$0.05 per share).

12. TRADE RECEIVABLES

	As at 30 June 2019 *RMB'000*	As at 31 December 2018 *RMB'000*
Accounts receivable	**433,109**	329,077
Notes receivable		
– bank acceptance notes	**66,506**	196,277
– commercial acceptance notes	**9,825**	11,126
	509,440	536,480
Less: provision for impairment	**(2,084)**	(2,109)
	507,356	534,371
Less: non-current portion of accounts receivable	**(25,170)**	(27,674)
	482,186	506,697

The majority of the Group's sales are made on (i) cash on delivery; (ii) bank or commercial acceptance notes with maturity within 1 year; and (iii) credit terms within 180 days. Ageing analysis of trade receivables was as follows:

	As at 30 June 2019 *RMB'000*	As at 31 December 2018 *RMB'000*
Accounts receivable		
– within 30 days	**357,345**	308,514
– 30 days to 3 months	**39,893**	14,294
– 3 months to 6 months	**34,896**	3,214
– 6 months to 1 year	**459**	2,599
– 1 year to 2 years	**474**	278
– over 2 years	**42**	178
	433,109	329,077
Notes receivable		
– within 1 year	**76,331**	207,403
	509,440	536,480

13. TRADE PAYABLES

	As at 30 June 2019 *RMB'000*	As at 31 December 2018 *RMB'000*
Accounts payable	**989,180**	773,775
Notes payable	**815,788**	1,388,816
	1,804,968	2,162,591
Less: non-current portion of accounts payables	**(9,421)**	(8,959)
	1,795,547	2,153,632

The ageing analysis of the trade payable was as follows:

	As at 30 June 2019 *RMB'000*	As at 31 December 2018 *RMB'000*
Within 6 months	**1,797,653**	2,162,516
6 months to 1 year	**7,280**	50
1 year to 2 years	**11**	12
2 years to 3 years	**11**	13
Over 3 years	**13**	–
	1,804,968	2,162,591

BUSINESS REVIEW

Processing centres

We are a leading metals processing service provider providing comprehensive processing service to modern manufacturers in China with more than 20,000 active customers. Our processing services cover the whole manufacturing process including cutting, slitting, polishing, forming, welding, heat treating, machinery, painting and assembling. The Group has established ten processing centres strategically located in various regions in China, namely, Wuxi, Hangzhou, Tianjin, Wuhan, Taiyuan, Zibo, Jingjiang, Taian, Qianzhou and Jiaxing.

The construction work of the first and second phases of the main building of our Group's tenth processing centre in Jiaxing, Zhejiang province was completed during the first half year of 2019. Three production lines have been installed recently.

Deep processing services

1. First vessel-used scrubbing column project supported by Daming Heavy Industry delivered

   The first offshore vessel-used scrubbing column supported by Daming Heavy Industry for Yara Marine Technologies ("YMT") has been successfully delivered. This project represents a significant milestone for Daming Heavy Industry in vessel-used scrubbing column processing services.

   YMT is a global company engaged in providing integrated desulfurisation and denitrification services. It provides in aggregate over one million hours of reliable operation time for desulfurisation and denitrification equipment of more than 100 shipowners around the world. In the area of vessel-used desulfurisation scrubbing column, YMT has always been the market leader with technology advantages. As the main environmental protection equipment of marine navigation, vessel-used desulfurisation scrubbing columns is made of nickel-based high-end alloy material, which associated with a higher level of difficulties and risks in terms of manufacturing. Daming Heavy Industry has overcome many technical problems in the production process, such as welding deformation and thin-walled tube joint deformation. With the efforts and hardworking of all of our project members, the first set of scrubbing column was delivered one month ahead of schedule.

2. Large-scale mining trucks supported by Daming Heavy Industry for Xuzhou Construction Machinery Group ("XCMG") exported in bulk to Australia

   A large number of cargo compartments of XCMG's DE120 large-scale mining trucks supported by Daming Heavy Industry have been successfully shipped to Australia. This was another large-scale project completed after the previous export of 64 110-ton cargo compartments to the Middle East. It also laid a solid foundation for the forthcoming production project of 300-ton mining cargo compartments.

The 12 completed large-scale mining truck cargo compartments, each has a load-bearing capacity of over 150 tons, were designed by XCMG and produced and processed by Daming Heavy Industry. From steel plate customisation, cutting, assembling, welding, machinery processing turning and milling, spraying to packaging, all processes were strictly controlled in accordance with ISO and AWC standards. Daming Heavy Industry project team strictly followed the project plan and, working closely with all departments, we gave full play to the advantages of welding, machinery processing and spraying, and pursued excellence while eusuring meeting the delivery date, which was highly praised by the customer.

3. Daming Heavy Industry supported pumped-storage power station with magnetic yoke steel processing
   Daming Heavy Industry has completed processing of magnetic yoke steel for a pumped-storage power station project. The processing project has overcome a series of technical difficulties and ensured the quality of products.

   As magnetic yoke steels are valuable, the product quality requirements are correspondingly higher. Staff from sales department of Daming Heavy Industry, together with the project managers of technology and production departments, negotiated with customers and finally determined the technical requirements and technics for processing. Every step of the processing process has been tested and reviewed thoroughly, and risks identified that may resulted in product defects were basically avoided. Daming Heavy Industry's technology department has discussed numerous times in the process of determining technics. Through reasonable adjustment of the process, uncontrollable deformation were controlled before the rough milling process. Daming Heavy Industry managed the key factors affecting the product quality from five aspects of "personnel, machine, material, method and condition" and made specific improvements so as to avoid the problems regarding product quality to the greatest extent.

4. First air separation project supported by Daming Heavy Industry for Air Liquide exported to the United States of America
   The air purifier equipment supported by Daming Heavy Industry for Air Liquide's air separation project has been successfully delivered. This was the first project exported to the United States of America between the two parties following the first shipping of the Baosteel Gases/Weihua project.

   The project was designed by Air Liquide, while Daming Heavy Industry has provided the "one-stop" processing services of high standard cutting, grooving, rolling, welding and seamless inspection. All processes were finished strictly in accordance with customer standards and were finally examined and accepted.

5. Pressure vessel products manufactured by Daming Heavy Industry for Wanhua Chemical successfully delivered

   All pressure vessel products manufactured by Daming Heavy Industry for Wanhua Chemical have been successfully delivered. Wanhua Chemistry and Daming Heavy Industry have previously entered into five contracts, all regarding large pressure vessel products. Manufacturing of such products involved long period and high difficulties, especially for three reactors and two pyrolysis gas gas phase dryers, which associated with a high degree of difficulties.

   The three reactors were stirred tank reactors of 110 tons each. The pyrolysis gas gas phase dryers weighed 250 tons each, with special structures which required exceptional technics.

6. Daming Hubei processing centre undertook construction of several arenas in the Military World Games

   Daming Hubei processing centre has previously cooperated with renowned steel mould enterprises to provide steel truss and outfitting supporting services for the badminton stadium of the Military World Games located in Wuhan University, and to provide roof ventilation pipes and drainage system supporting services for the main badminton stadium of the Military World Games located in Jiangxia Dahuashan Outdoor Sports Centre. Recently, Hubei processing centre received another project of supporting the Military World Games, supporting the stadium located in the Sports College.

   In order to meet the delivery date, all departments of Hubei processing centre fully cooperated while the units of slicing, leveling and bending joined forces seamlessly and completed the delivery before the deadline required by customers. The strong processing ability and high quality service of Hubei processing centre truly impressed the customers. This cooperation has strengthened the confidence of the customers and they have already expressed their willingness of further cooperation in the future.

7. Daming Precision successfully completed the delivery of its first whole set metro ticket vending and checking machine
   Daming Precision successfully completed its first processing service for whole set stainless steel ticket vending and checking machine prototype, which was highly praised by the customer. This marks that Daming Precision formally entered the field of metro station system equipment manufacturing.

   The customer was the renowned AFC (metro ticket vending and checking system) equipment manufacturer in China. It won the bid for AGM (metro ticket checking machine) and TVM (metro ticket vending machine) projects of Foshan Metro Line 2 in Guangdong Province. Daming Precision was commissioned to process four ticket checking machines and one ticket vending machine prototype. There were more than 2,000 parts and components in the five prototype machines, and the delivery deadline was extremely tight, which was a huge challenge for the processing service ability of Daming Precision. With the help of the Group's materials and technology, Daming Precision's production and technology departments worked days and nights, and finally the processing was completed on time with good quality, which fully demonstrated Daming's ability and strength of processing supporting services.

   Rail transit industry is Daming's key service sector. Over the years, Daming has provided processing and supporting services for door panels and interior accessories to famous enterprises such as CRRC. This successful supporting for ticket vending and checking equipment has laid a solid foundation for entering related markets such as urban rail transit and airport stations.

Operating results

The Group recorded a net profit of approximately RMB130.6 million for the six months ended 30 June 2019 representing an increase of approximately 8.7% as compared with the net profit of approximately RMB120.1 million for the six months ended 30 June 2018. The improvement in operating results was mainly due to:

i) higher gross profit margin resulted from an improvement in operating efficiency;

ii) contribution from new projects and growth in sales of varieties steel products; and

The sales volume of our stainless steel processing business was approximately 866,000 tonnes for both of the six months ended 30 June 2018 and six months ended 30 June 2019. The processing volume decreased slightly from approximately 1,281,000 tonnes for the six months ended 30 June 2018 to approximately 1,271,000 tonnes for the six months ended 30 June 2019 representing a decrease of approximately 0.8%.

The sales volume of our carbon steel processing business increased from approximately 913,000 tonnes for the six months ended 30 June 2018 to approximately 1,273,000 tonnes for the six months ended 30 June 2019 representing an increase of approximately 39.4% while the processing volume increased from approximately 933,000 tonnes for the six months ended 30 June 2018 to approximately 1,465,000 tonnes for the six months ended 30 June 2019 representing an increase of approximately 57.0%.

The sales volume and processing volume of our processing centres for the six months ended 30 June 2019 and the corresponding period in 2018 were as follows:

Stainless steel

	Six months ended 30 June		
	2019	2018	
	tonnes	*tonnes*	*% change*
		(Restated)	
Sales volume			
Wuxi	**330,673**	328,580	+0.6%
Hangzhou	**132,293**	140,082	-5.6%
Tianjin	**116,823**	118,546	-1.5%
Taiyuan	**67,726**	63,857	+6.1%
Wuhan	**48,327**	49,933	-3.2%
Jingjiang	**110,151**	109,367	+0.7%
Shandong	**59,688**	55,328	+7.9%
Total	**865,681**	865,693	0.0%
Processing volume			
Wuxi	**557,133**	584,140	-4.6%
Hangzhou	**172,579**	179,793	-4.0%
Tianjin	**128,577**	139,932	-8.1%
Taiyuan	**157,665**	137,807	+14.4%
Wuhan	**60,471**	62,107	-2.6%
Jingjiang	**140,502**	121,182	+15.9%
Shandong	**54,014**	56,430	-4.3%
Total	**1,270,941**	1,281,391	-0.8%

Carbon steel

	Six months ended 30 June		
	2019	2018	
	tonnes	*tonnes*	*% change*
		(Restated)	
Sales volume			
Wuxi	**261,341**	198,881	+31.4%
Hangzhou	**93,059**	103,170	-9.8%
Tianjin	**119,479**	71,593	+66.9%
Taiyuan	**103,624**	115,516	-10.3%
Wuhan	**260,582**	170,254	+53.1%
Jingjiang	**296,597**	221,997	+33.6%
Shandong	**121,124**	31,430	+285.4%
Jiaxing	**16,808**	–	n/a
	1,272,614	912,841	+39.4%
Processing volume			
Wuxi	**188,017**	100,688	+86.7%
Hangzhou	**100,369**	104,909	-4.3%
Tianjin	**201,121**	93,230	+115.7%
Taiyuan	**191,430**	176,661	+8.4%
Wuhan	**297,226**	178,858	+66.2%
Jingjiang	**348,812**	247,353	+41.0%
Shandong	**122,541**	31,478	+289.3%
Jiaxing	**15,863**	–	n/a
	1,465,379	933,177	+57.0%

FINANCIAL REVIEW AND ANALYSIS

During the six months ended 30 June 2019, we recorded a revenue of approximately RMB16,756 million, gross profit of approximately RMB564 million and profit attributable to equity holders of the Company of approximately RMB118 million. Total assets of the Group as at 30 June 2019 amounted to approximately RMB10,829 million while equity attributable to equity holders of the Company amounted to approximately RMB2,617 million.

Revenue

Our revenue for the six months ended 30 June 2019 amounted to approximately RMB16,756 million comprising approximately RMB12,084 million from our stainless steel business and approximately RMB4,672 million from our carbon steel business. As compared with the revenue for the six months ended 30 June 2018 of approximately RMB15,347 million, it represented an increase of approximately 9.2%. Such increase was mainly due to the increase in the sales volume and processing volume of our carbon steel processing services.

The sales volume of our stainless steel processing business was 865,681 tonnes for the six months ended 30 June 2019 which was almost the same as that for the six months ended 30 June 2018. The sales volume of our carbon steel processing business increased from 912,841 tonnes for the six months ended 30 June 2018 to 1,272,614 tonnes for the six months ended 30 June 2019 representing an increase of approximately 39.4%.

The processing volume of our stainless steel processing business decreased slightly from 1,281,391 tonnes for the six months ended 30 June 2018 to 1,270,941 tonnes for the six months ended 30 June 2019 representing a decrease of approximately 0.8%. The processing volume of our carbon steel processing business increased from 933,177 tonnes for the six months ended 30 June 2018 to 1,465,379 tonnes for the six months ended 30 June 2019 representing an increase of approximately 57.0%.

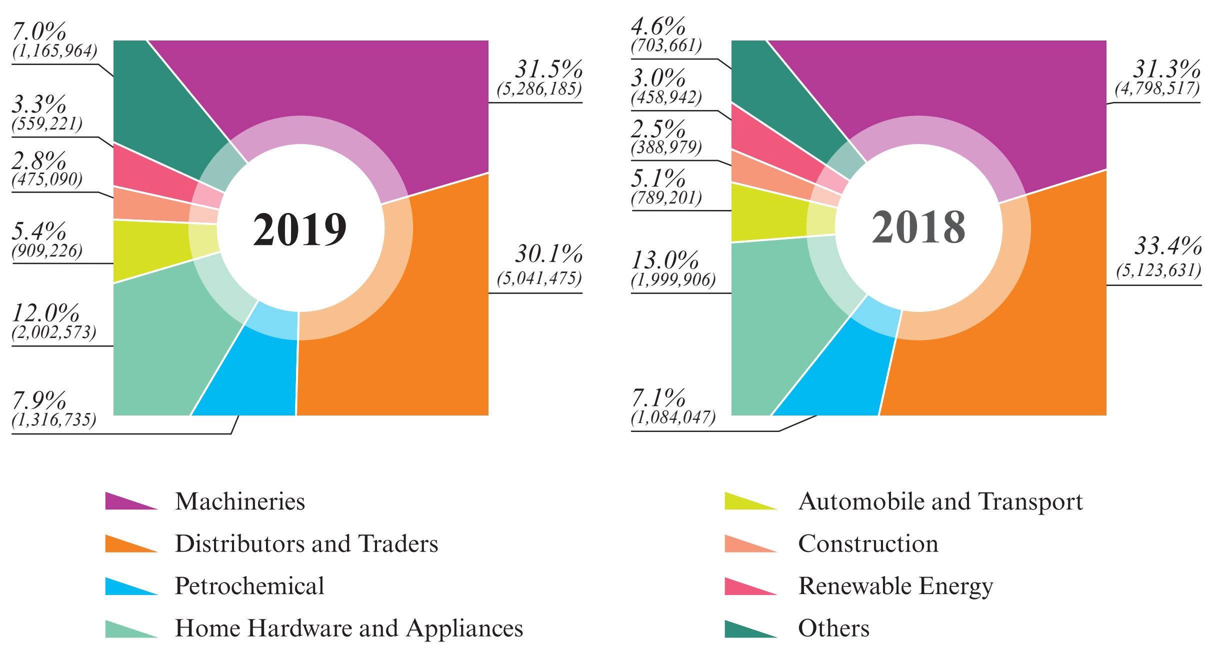
Analysis of revenue by key industry segments

During the six months ended 30 June 2019 and the corresponding period in 2018, our revenue by key industry segments were shown below:

Revenue

	Six months ended 30 June			
	2019		2018	
Industry	***RMB'000***	*%*	*RMB'000*	*%*
Machineries	**5,286,185**	**31.5**	4,798,517	31.3
Distributors and Traders	**5,041,475**	**30.1**	5,123,631	33.4
Petrochemical	**1,316,735**	**7.9**	1,084,047	7.1
Home Hardware and Appliances	**2,002,573**	**12.0**	1,999,906	13.0
Automobile and Transport	**909,226**	**5.4**	789,201	5.1
Construction	**475,090**	**2.8**	388,979	2.5
Renewable Energy	**559,221**	**3.3**	458,942	3.0
Others	**1,165,964**	**7.0**	703,661	4.6
Total	**16,756,469**	**100.0**	15,346,884	100.0

RMB'000

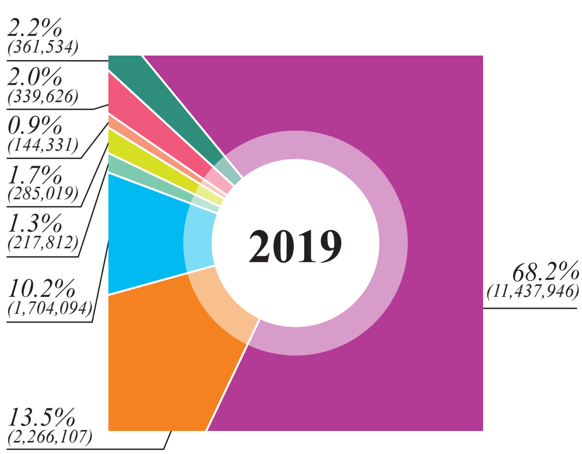


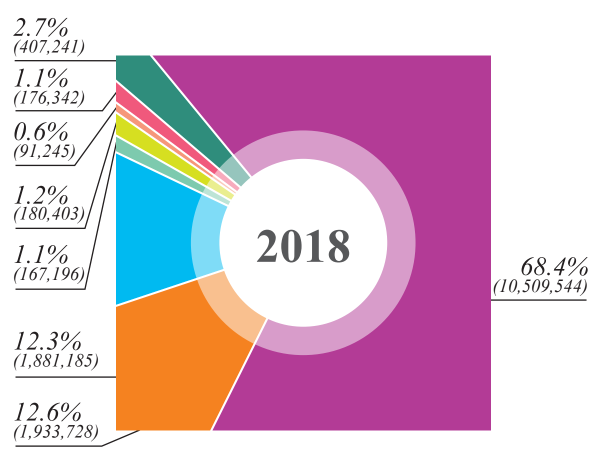
Analysis of revenue by geographical regions

During the six months ended 30 June 2019 and the corresponding period in 2018, our revenue by geographical regions were shown below:

	Six months ended 30 June			
	2019		2018	
Region	***RMB'000***	*%*	*RMB'000*	*%*
Eastern region, China	**11,437,946**	**68.2**	10,509,544	68.4
Northern region, China	**2,266,107**	**13.5**	1,933,728	12.6
Central region, China	**1,704,094**	**10.2**	1,881,185	12.3
Southwestern region, China	**217,812**	**1.3**	167,196	1.1
Northeastern region, China	**285,019**	**1.7**	180,403	1.2
Northwestern region, China	**144,331**	**0.9**	91,245	0.6
Southern region, China	**339,626**	**2.0**	176,342	1.1
Overseas	**361,534**	**2.2**	407,241	2.7
Total	**16,756,469**	**100.0**	15,346,884	100.0

RMB'000





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

Gross profit

Gross profit increased from approximately RMB484.4 million for the six months ended 30 June 2018 to approximately RMB564.3 million for the six months ended 30 June 2019 mainly due to the improvement in operating efficiency and relatively stable market price of stainless steel and carbon steel raw materials during the period.

Other income

Other income increased from approximately RMB7.9 million for the six months ended 30 June 2018 to approximately RMB12.9 million for the six months ended 30 June 2019 mainly due to the increase in government grants received.

Distribution costs

Distribution costs increased from approximately RMB136.2 million for the six months ended 30 June 2018 to approximately RMB167.5 million for the six months ended 30 June 2019. Such increase was mainly due to the increase in staff costs and transportation costs as a result of the increase in sales volume.

Administrative expenses

Administrative expenses increased from approximately RMB110.1 million for the six months ended 30 June 2018 to approximately RMB125.2 million for the six months ended 30 June 2019. Such increase was mainly due to the increase in staff costs and entertainment expenses.

Finance costs

Finance costs increased from approximately RMB77.4 million for the six months ended 30 June 2018 to approximately RMB93.7 million for the six months ended 30 June 2019. Such increase was mainly due to the increase in interest expenses on bank acceptance notes.

Income tax expense

The Group recorded an income tax expense of approximately RMB59.6 million for the six months ended 30 June 2019 as compared with an income tax expense of approximately RMB47.6 million for the six months ended 30 June 2018.

Profit for the period

The Group recorded a net profit of approximately RMB130.6 million for the six months ended 30 June 2019 as compared with a net profit of approximately RMB120.1 million for the six months ended 30 June 2018. The increase was mainly due to the increase in gross profit.

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, EURO 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 2019, the borrowings of the Group amounted to approximately RMB4,911.4 million. Notes payable amounted to approximately RMB815.8 million while the bank balances were approximately RMB1,355.3 million of which approximately RMB1,144.5 million were restricted bank deposits for issuing letter of credit and notes payable.

As at 30 June 2019, the Group recorded a net current liabilities of approximately RMB939.4 million.

The gearing ratios as at 30 June 2019 and 31 December 2018 were 61.13% and 58.09% 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 2019, 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 2019.

INTERIM DIVIDENDS

The Board has declared an interim dividend of HK$0.06 (2018: HK$0.05) per share. The interim dividend, which total HK$74,711,400 (2018: HK$62,259,500), will be payable on Tuesday, 24 September 2019 to shareholders registered at the close of business on Friday, 13 September 2019.

CLOSURE OF REGISTER OF MEMBERS

For the purpose of ascertaining Shareholders' entitlement to the interim dividend, the register of members of the Company will be closed from Wednesday, 11 September 2019 to Friday, 13 September 2019, both days inclusive. During the aforementioned periods, no request for the transfer of shares will be accepted. All transfers of shares accompanied by the relevant share certificates and transfer forms must be lodged with the Company's Share Registrar in Hong Kong, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not later than 4:30 p.m. on Tuesday, 10 September 2019.

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 2019.

AUDIT COMMITTEE

The Audit Committee of the Company has discussed with the management and reviewed the unaudited condensed consolidated financial statements of the Group for the six months ended 30 June 2019 and considered that the Company has complied with all applicable accounting standards and requirements.

INTERIM REPORT

The 2019 Interim Report will be sent to shareholders on 19 September 2019. 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 18 September 2019.

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

Hong Kong, 23 August 2019

As at the date of this announcement, the executive Directors are Mr. Zhou Keming (Chairman), Mr. Jiang Changhong (Chief Executive Officer), Ms. Xu Xia, Mr. Zou Xiaoping, Dr. Fukui Tsutomu, Mr. Zhang Feng, Mr. Wang Jian and Mr. Lu Ping; the non-executive Director is Mr. Lin Changchun and the independent non-executive Directors are Mr. Cheuk Wa Pang, Prof. Hua Min, Mr. Lu Daming, Mr. Liu Fuxing and Mr. Hu Xuefa.