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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 2014

FINANCIAL HIGHLIGHTS

	Six months ended 30 June		
	2014	2013	% change
	RMB'000	RMB'000	
Revenue	8,581,721	6,793,499	+26.3%
Gross profit	419,028	168,375	+148.9%
Total comprehensive income for the period	165,972	10,770	+1,441.1%

OPERATING HIGHLIGHTS

	Six months ended 30 June		
	2014	2013	% change
Stainless steel			
Sales volume (tonnes)	555,201	421,242	+31.8%
Processing volume (tonnes)	867,178	603,606	+43.7%
Processing multiple (note 1)	1.56	1.43	+9.1%
Carbon steel			
Sales volume (tonnes)	196,560	70,388	+179.3%
Processing volume (tonnes)	177,456	69,731	+154.5%
Processing multiple	0.90	0.99	-9.1%

Note : 1. Processing multiple = Processing volume/Sales volume

2. Carbon steel processing services commenced in March 2013.

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 2014 together with comparative figures for the six months ended 30 June 2013, as follows: –

UNAUDITED CONDENSED CONSOLIDATED COMPREHENSIVE INCOME STATEMENT

For the six months ended 30 June 2014

		Six months ended 30 June	
		2014	2013
	Note	RMB'000	RMB'000
Revenue	6	8,581,721	6,793,499
Cost of sales	7	(8,162,693)	(6,625,124)
Gross profit		419,028	168,375
Other income – net		2,173	882
Other losses – net		(430)	(61)
Distribution costs	7	(65,679)	(46,671)
Administrative expenses	7	(72,122)	(59,947)
Operating profit		282,970	62,578
Finance income	8	9,532	3,515
Finance costs	8	(63,900)	(50,931)
Finance costs – net	8	(54,368)	(47,416)
Profit before income tax		228,602	15,162
Income tax expense	9	(62,630)	(4,392)
Profit for the period		165,972	10,770
Other comprehensive income for the period		–	–
Total comprehensive income for the period		165,972	10,770
Attributable to:			
Equity holders of the Company		162,002	12,800
Non-controlling interests		3,970	(2,030)
		165,972	10,770
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	0.16	0.01
– diluted earnings per share	10	0.16	0.01
Interim dividends	11	–	–

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2014

	<i>Note</i>	As at 30 June 2014 <i>RMB'000</i>	As at 31 December 2013 <i>RMB'000</i>
ASSETS			
Non-current assets			
Land use rights		203,457	205,773
Property, plant and equipment		1,991,206	1,815,399
Investment properties		7,531	7,758
Intangible assets		2,558	2,202
Deferred income tax assets		27,870	18,739
Other non-current assets		76,262	75,149
		2,308,884	2,125,020
Current assets			
Inventories		1,914,476	1,525,969
Trade receivables	12	439,483	463,550
Prepayments, deposits and other receivables		673,888	581,425
Restricted bank deposits		757,236	458,992
Cash and cash equivalents		89,533	74,528
		3,874,616	3,104,464
Total assets		6,183,500	5,229,484
EQUITY AND LIABILITIES			
Equity attributable to equity holders of the Company			
Share capital		89,215	89,215
Reserves		1,665,437	1,519,675
		1,754,652	1,608,890
Non-controlling interests		239,843	144,068
Total equity		1,994,495	1,752,958

		As at 30 June 2014 <i>RMB'000</i>	As at 31 December 2013 <i>RMB'000</i>
LIABILITIES			
Non-current liabilities			
Borrowings		296,150	346,150
Deferred government grants		28,137	25,140
Deferred income tax liabilities		756	2,606
		<u>325,043</u>	<u>373,896</u>
Current liabilities			
Trade payables	13	2,077,995	1,565,398
Accruals, advances from customers and other current liabilities		360,537	395,630
Current income tax liabilities		42,906	32,071
Borrowings		1,381,314	1,108,321
Current portion of deferred government grants		1,210	1,210
		<u>3,863,962</u>	<u>3,102,630</u>
Total liabilities		<u>4,189,005</u>	<u>3,476,526</u>
Total equity and liabilities		<u><u>6,183,500</u></u>	<u><u>5,229,484</u></u>
Net current assets		<u><u>10,654</u></u>	<u><u>1,834</u></u>
Total assets less current liabilities		<u><u>2,319,538</u></u>	<u><u>2,126,854</u></u>

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2014

	Attributable to equity holders of the Company		Non- controlling interests	Total equity
	Share Capital	Reserves		
	<i>RMB'000</i>	<i>RMB'000</i>		
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	<u>89,215</u>	<u>1,655,437</u>	<u>239,843</u>	<u>1,994,495</u>
	Attributable to equity holders of the Company		Non- controlling interests	Total equity
	Share Capital	Reserves		
	<i>RMB'000</i>	<i>RMB'000</i>		
Balance at 1 January 2013	89,215	1,428,836	143,920	1,661,971
Comprehensive income				
Profit/(Losses) for the period	–	12,800	(2,030)	10,770
Total comprehensive income for the period	–	12,800	(2,030)	10,770
Transaction with owners				
Employee share options scheme	–	740	–	740
Dividend paid	–	(8,412)	–	(8,412)
Total transaction with owners	–	(7,672)	–	(7,672)
Balance at 30 June 2013	<u>89,215</u>	<u>1,433,964</u>	<u>141,890</u>	<u>1,665,069</u>

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2014

	Six months ended 30 June	
	2014	2013
	RMB'000	RMB'000
Cash flows from operating activities		
Cash generated from operations	306,826	(41,749)
Interest received	9,532	3,515
Interest paid	(63,900)	(50,931)
Income tax paid	(62,776)	(19,813)
	<hr/>	<hr/>
Net cash flows from operating activities	189,682	(108,978)
	<hr/>	<hr/>
Cash flows from investing activities		
Purchase of property, plant and equipment	(209,278)	(205,725)
Purchase of land use rights	–	(38,384)
Other investing cash flow	1,846	59,553
	<hr/>	<hr/>
Net cash used in investing activities	(207,432)	(184,556)
	<hr/>	<hr/>
Cash flows from financing activities		
Net change in borrowings	222,993	26,318
Net change in restricted bank deposits	(298,244)	(152,087)
Capital injection by a non-controlling shareholder	80,000	–
Proceeds on partial disposal of a subsidiary	11,170	–
Dividend paid to shareholders	(16,314)	(8,412)
Net change in bank acceptance notes	33,150	415,200
	<hr/>	<hr/>
Net cash from financing activities	32,755	281,019
	<hr/>	<hr/>
Net increase/(decrease) in cash and cash equivalents	15,005	(12,515)
Cash and cash equivalents at beginning of the period	74,528	182,565
	<hr/>	<hr/>
Cash and cash equivalents at end of the period	89,533	170,050
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NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2014

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 2014 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 2013, 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 standards and amendments to standards are mandatory for the first time for the financial year beginning 1 January 2014:

HKFRS 10, 12 and HKAS 27 (Amendment)	Consolidation for investment entities
HK (IFRIC) Interpretation 21 HKAS 32 (Amendment)	Levies Financial instruments: Presentation – Offsetting financial assets and financial liabilities
Amendment to HKAS 36	Impairment of assets on recoverable amount disclosures
Amendment to HKAS 39	Financial Instruments: Recognition and measurement, on novation of derivatives

The adoption of the above standards have no significant impact on the Group's consolidated financial statements.

- (b) New and amended standards have been issued but are not effective for the financial year beginning 1 January 2014 and have not been early adopted:

		Effective for annual periods beginning on or after
Amendments to HKAS 19	Defined benefit plans	1 July 2014
HKFRS 2	Share-based payment	1 July 2014
HKFRS 3	Business combinations	1 July 2014
HKFRS 8	Operating segments	1 July 2014
HKFRS 13	Fair value measurement	1 July 2014
HKAS 16	Property, plant and equipment	1 July 2014
HKAS 24	Related party disclosures	1 July 2014
HKAS 37	Provisions, contingent liabilities and contingent assets	1 July 2014
HKAS 38	Intangible assets	1 July 2014
HKAS 39	Financial instruments – Recognition and measurement	1 July 2014
HKAS 40	Investment property	1 July 2014
HKFRS 14	Regulatory deferral accounts	1 January 2016
Amendments to HKFRS 11	Joint arrangements	1 January 2016
Amendments to HKAS 16	Property, plant and equipment	1 January 2016
Amendments to HKAS 38	Intangible assets	1 January 2016
HKFRS 15	Revenue from contracts with customers	1 January 2017
HKFRS 9	Financial instruments	1 January 2018

There are no new standards, new interpretations and amendments to standards and interpretations that are not yet effective that would be expected to have a material impact on 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 2013.

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 2013.

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 2014	30 June 2013
	<i>RMB'000</i>	<i>RMB'000</i>
Sales of goods	8,581,721	6,793,499

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 2014	30 June 2013
	<i>RMB'000</i>	<i>RMB'000</i>
– Mainland China	8,259,623	6,591,126
– Hong Kong and other overseas countries and regions*	322,098	202,373
Total sales	8,581,721	6,793,499

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

Other overseas countries and regions for the six months ended 30 June 2013 mainly represented Australia, New Zealand, Korea, Malaysia, USA and Canada.

7. EXPENSES BY NATURE

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

	Six months ended	
	30 June 2014	30 June 2013
	<i>RMB'000</i>	<i>RMB'000</i>
Changes in inventories of finished goods	(147,690)	(13,598)
Raw materials consumed	8,125,399	6,497,107
Stamp duty, property tax and other surcharges	7,477	5,076
Transportation costs	55,094	36,569
Employee benefit expenses, including directors' emoluments	110,139	80,416
Depreciation and amortisation	36,523	51,160
Operating lease rental for buildings	929	1,191
Utilities charges	11,307	8,952
Provision for write-down of inventories	42,919	22,705
Entertainment and travelling expenses	17,658	15,431
Professional service expenses	953	371
Others	39,786	26,362
	<hr/>	<hr/>
Total cost of sales, distribution costs and administrative expenses	8,300,494	6,731,742

8. FINANCE COSTS – NET

	Six months ended	
	30 June 2014	30 June 2013
	<i>RMB'000</i>	<i>RMB'000</i>
Interest expenses on bank borrowings	34,144	40,894
Interest expenses on bank acceptance notes	27,507	14,271
Exchange losses/(gains), net	2,249	(4,234)
	<hr/>	<hr/>
Total finance costs	63,900	50,931
Interest income	(9,532)	(3,515)
	<hr/>	<hr/>
	54,368	47,416

9. INCOME TAX EXPENSE/(CREDIT)

	Six months ended	
	30 June 2014	30 June 2013
	<i>RMB'000</i>	<i>RMB'000</i>
Current income tax expense		
– Mainland China corporate income tax	73,611	17,722
Deferred income tax credit	(10,981)	(13,330)
	<hr/>	<hr/>
	62,630	4,392

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 2014	30 June 2013
	<i>RMB'000</i>	<i>RMB'000</i>
Profit attributable to equity holders of the company	162,002	12,800
Weighted average number of ordinary shares in issue (<i>thousands</i>)	1,037,500	1,037,500

(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 2014	30 June 2013
	<i>RMB'000</i>	<i>RMB'000</i>
Profit used to determine diluted earnings per share	162,002	12,800
Weighted average number of ordinary shares in issue (<i>thousands</i>)	1,037,500	1,037,500
Adjustments for:		
– Share options (<i>thousands</i>)	–	–
Weighted average number of ordinary shares for diluted earnings per share (<i>thousands</i>)	1,037,500	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 2014 (2013: nil).

12. TRADE RECEIVABLES

	As at 30 June 2014 <i>RMB'000</i>	As at 31 December 2013 <i>RMB'000</i>
Accounts receivable	165,141	135,993
Notes receivable		
– bank acceptance notes	261,191	321,541
– commercial acceptance notes	14,932	7,797
	<hr/>	<hr/>
	441,264	465,331
Less: provision for impairment	(1,781)	(1,781)
	<hr/>	<hr/>
Trade receivables – net	439,483	463,550
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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 2014 <i>RMB'000</i>	As at 31 December 2013 <i>RMB'000</i>
Accounts receivable		
– Within 30 days	162,156	128,119
– 30 days to 3 months	1,790	4,707
– 3 months to 6 months	230	637
– 6 months to 1 year	2	431
– 1 year to 2 years	434	444
– 2 years to 3 years	–	1,139
– More than 3 years	529	516
	<hr/>	<hr/>
	165,141	135,993
Notes receivable		
– Within 6 months	276,123	329,338
	<hr/>	<hr/>
	441,264	465,331
	<hr/> <hr/>	<hr/> <hr/>

13. TRADE PAYABLES

	As at 30 June 2014 <i>RMB'000</i>	As at 31 December 2013 <i>RMB'000</i>
Accounts payable	257,145	175,228
Notes payable	1,820,850	1,390,170
	<u>2,077,995</u>	<u>1,565,398</u>

The ageing analysis of the trade payable is as follows:

	As at 30 June 2014 <i>RMB'000</i>	As at 31 December 2013 <i>RMB'000</i>
Within 6 months	2,077,978	1,565,386
6 months to 1 year	17	6
1 year to 2 years	–	6
	<u>2,077,995</u>	<u>1,565,398</u>

BUSINESS REVIEW

Stainless steel processing services

We are a leading stainless steel processing service provider in China which provides processing services to customers across different industries. We have a network of five processing centres situated in Wuxi, Wuhan, Hangzhou, Tianjin and Taiyuan providing coil cutting, surface polishing, plate cutting, forming, machining, flat bar processing, precision sheet metal processing and welding services to over 10,000 active customers. The sixth processing centre was under construction in Jingjiang, Jiangsu province.

The market price of stainless steel materials rose steadily from January 2014 to May 2014 and the Group was able to capture a significant increase in operating profit consequently. There was a significant drop in the market price of stainless steel materials in June 2014 and a provision for write-down of inventories was also recorded.

Carbon steel processing services

In order to widen our business scope, the Group had commenced its carbon steel processing services in March 2013. Carbon steel has high demands in a wide variety of industrial use including building infrastructures, containers and machineries and it has a lower unit price as compared with stainless steel. Developing into processing services of carbon steel will open more business opportunities to the Group. Carbon steel processing services are being provided by our Wuxi processing centre and Hangzhou processing centre currently. The current sales volume and processing volume of our carbon steel processing services reach over 30,000 tonnes per month.

Processing centres

The construction of the sixth phase of our Wuxi processing centre is expected to be completed in the fourth quarter of 2014 which will become our precision sheet metal processing centre. The precision sheet metal processing platform will serve customers mainly in the motor vehicles, health, environmental protection, weaving and electrical industries.

On 28 April, 2014, the Group entered into an equity transfer agreement with Baosteel Stainless Steel Co., Ltd. (“Baosteel”) pursuant to which the Group agreed to transfer 5% interest in Hangzhou Wanzhou Metal Products Co., Ltd at a consideration of RMB11,170,000. Baosteel is a key supplier of the Group and the entering into the equity transfer agreement will strengthen the Group’s strategic alliance with Baosteel.

The construction of the new Wuhan processing centre was substantially completed and installation of new machineries was started in May 2014. The machineries in the original Wuhan processing centre had also been relocated to the new processing centre in May 2014.

The building infrastructure of the Taiyuan processing centre was substantially completed and is under trial run currently. Equipped with coil and plate cutting, precision shearing and slitting, surface polishing and forming platforms, Taiyuan processing centre will provide processing services to both our stainless steel and carbon steel customers.

The construction of the Jingjiang processing centre in Jingjiang, Jiangsu province was substantially completed and installation of machineries was started in July 2014. The Jingjiang processing centre will provide processing services to our customers mainly involved in heavy industries such as pressurized container manufacturers and infrastructural parts manufacturers.

Prospect

With the experience in the processing service for mobile phones by using the flat bar processing platform, the Group obtained an order for the provision of stainless steel material and cutting service from the manufacturer of “Xiaomi 4” in July 2014.

The Group will proceed with the completion of the processing centres in Wuhan, Taiyuan and Jingjiang in the second half year of 2014. We shall also devote more resources to our carbon steel processing business in order to provide a more comprehensive service to our customers.

FINANCIAL REVIEW AND ANALYSIS

During the six months ended 30 June 2014, we recorded a revenue of approximately RMB8,582 million, gross profit of approximately RMB419 million and profit attributable to equity holders of the Company of approximately RMB162 million. Total assets of the Group as at 30 June 2014 amounted to approximately RMB6,184 million while equity attributable to equity holders of the Company amounted to approximately RMB1,755 million.

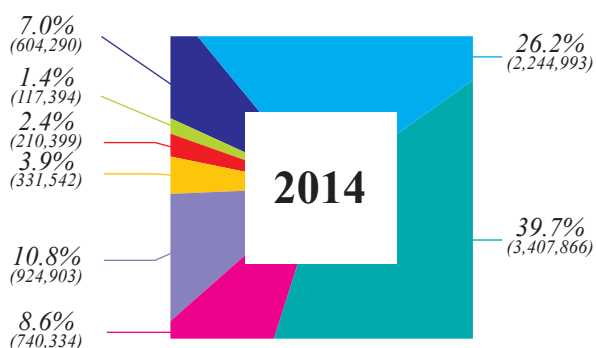
Analysis of revenue by key industry segments

During the six months ended 30 June 2014 and the corresponding period in 2013, our revenue by key industry segments are shown below:

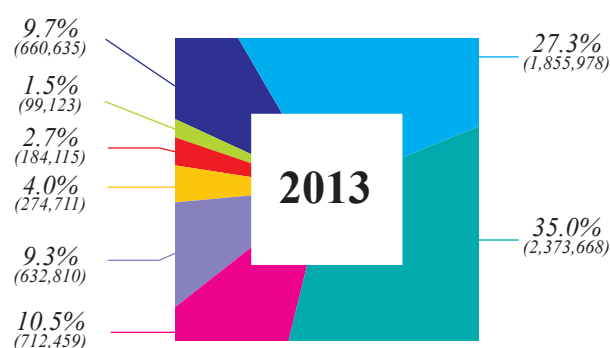
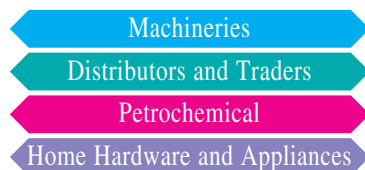
Revenue

Industry	Six months ended 30 June			
	2014		2013	
	RMB'000	%	RMB'000	%
Machineries	2,244,993	26.2	1,855,978	27.3
Distributors and Traders	3,407,866	39.7	2,373,668	35.0
Petrochemical	740,334	8.6	712,459	10.5
Home Hardware and Appliances	924,903	10.8	632,810	9.3
Automobile and Transport	331,542	3.9	274,711	4.0
Construction	210,399	2.4	184,115	2.7
Renewable Energy	117,394	1.4	99,123	1.5
Others	604,290	7.0	660,635	9.7
Total	8,581,721	100.0	6,793,499	100.0

RMB'000



Total = RMB8,581,721,000



Total = RMB6,793,499,000

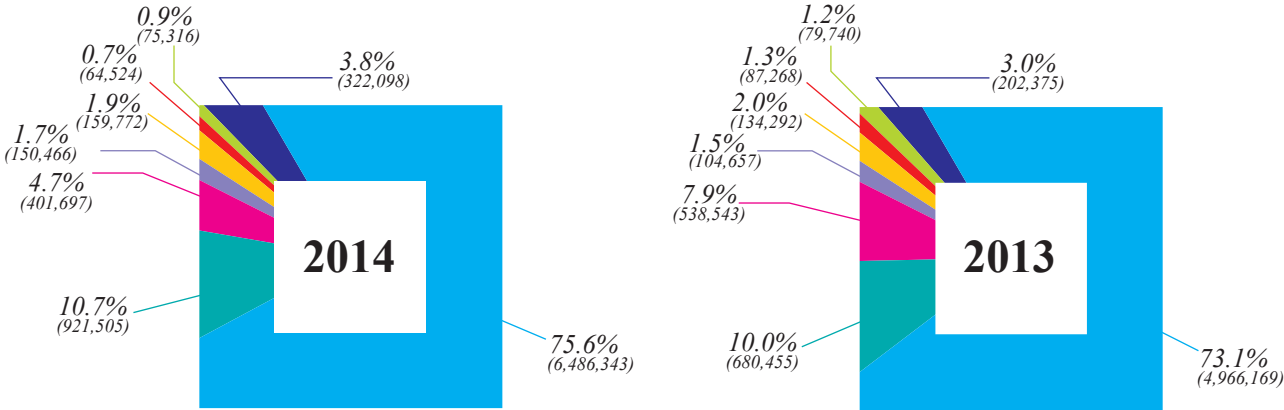


Analysis of revenue by geographical regions

During the six months ended 30 June 2014 and the corresponding period in 2013, our revenue by geographical regions are shown below:

Region	Six months ended 30 June 2014		2013	
	RMB'000	%	RMB'000	%
Eastern region, China	6,486,343	75.6	4,966,169	73.1
Northern region, China	921,505	10.7	680,455	10.0
Central region, China	401,697	4.7	538,543	7.9
Southwestern region, China	150,466	1.7	104,657	1.5
Northeastern region, China	159,772	1.9	134,292	2.0
Northwestern region, China	64,524	0.7	87,268	1.3
Southern region, China	75,316	0.9	79,740	1.2
Overseas	322,098	3.8	202,375	3.0
Total	8,581,721	100.0	6,793,499	100.0

RMB'000



Total = RMB 8,581,721,000

Total = RMB 6,793,499,000



The sales volume and processing volume of our processing centres for the six months ended 30 June 2014 and the corresponding period in 2013 are as follows:

Stainless steel

	Six months ended 30 June		
	2014 <i>tonnes</i>	2013 <i>tonnes</i>	% change
Sales volume			
Wuxi	312,204	272,769	14.5%
Wuhan	20,706	20,337	1.8%
Hangzhou	85,322	65,120	31.0%
Tianjin	84,215	61,374	37.2%
Taiyuan (in trial run)	24,182	1,642	1,372.7%
Others*	28,572	–	n/a
Total	555,201	421,242	31.8%
Processing volume			
Wuxi	590,120	461,240	27.9%
Wuhan	9,540	7,783	22.6%
Hangzhou	103,803	76,498	35.7%
Tianjin	88,275	56,374	56.6%
Taiyuan (in trial run)	75,440	1,711	4,309.1%
Total	867,178	603,606	43.7%

Carbon steel

	Six months ended 30 June		
	2014 <i>tonnes</i>	2013 <i>tonnes</i>	% change
Sales volume			
Wuxi	63,591	36,916	72.3%
Hangzhou	108,214	33,472	223.3%
Taiyuan (in trial run)	4,314	–	n/a
Others*	20,441	–	n/a
Total	196,560	70,388	179.3%
Processing volume			
Wuxi	68,834	36,423	89.0%
Hangzhou	108,622	33,308	226.1%
Total	177,456	69,731	154.5%

* Others comprise group companies in which processing centres have not yet been established.

Revenue

Our revenue for the six months ended 30 June 2014 amounted to approximately RMB8,582 million comprising approximately RMB7,983 million from our stainless steel business and approximately RMB599 million from our carbon steel business. As compared with the revenue for the six months ended 30 June 2013 of approximately RMB6,793 million, it represented an increase of approximately 26.3%. Such increase was mainly due to the increase in the sales volume of both our stainless steel and carbon steel businesses. The sales volume of our stainless steel business increased from 421,242 tonnes for the six months ended 30 June 2013 to 555,201 tonnes for the six months ended 30 June 2014 representing an increase of approximately 31.8%. The sales volume of our carbon steel business also increased from 70,388 tonnes for the six months ended 30 June 2013 to 196,560 tonnes for the six months ended 30 June 2014 representing an increase of approximately 179.3%.

Gross profit

Gross profit increased from approximately RMB168.4 million for the six months ended 30 June 2013 to approximately RMB419.0 million for the six months ended 30 June 2014 mainly due to the increase in sales volume and the increased demands in our deep processing services. Gross profit also increased due to the steady increase in the market price of stainless steel during the first five months of 2014.

Other income

Other income increased from approximately RMB0.9 million for the six months ended 30 June 2013 to approximately RMB2.2 million for the six months ended 30 June 2014 due to the receipt of compensation from various services providers.

Distribution costs

Distribution costs increased from approximately RMB46.7 million for the six months ended 30 June 2013 to approximately RMB65.7 million for the six months ended 30 June 2014. 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 RMB59.9 million for the six months ended 30 June 2013 to approximately RMB72.1 million for the six months ended 30 June 2014. Such increase was mainly due to the increase in staff costs.

Finance costs

Finance costs increased from approximately RMB47.4 million for the six months ended 30 June 2013 to approximately RMB54.4 million for the six months ended 30 June 2014. The increase in finance costs was mainly due to the increase in interest expenses on bank acceptance notes which was partially offset by a decrease in interest expenses on bank borrowings.

Income tax expense

Income tax expense increased from approximately RMB4.4 million for the six months ended 30 June 2013 to approximately RMB62.6 million for the six months ended 30 June 2014 due to the significant increase in operating profit.

Profit for the period

The Group recorded a net profit of approximately RMB166.0 million for the six months ended 30 June 2014 as compared with a net profit of approximately RMB10.8 million for the six months ended 30 June 2013 representing an increase of approximately 1,437%. The increase was mainly due to the increase in sales volume and processing volume of both our stainless steel and carbon steel processing services as well as the significant improvement in gross profit as a result of the steady increase in the market price of stainless steel materials during January 2014 to May 2014.

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 2014, the bank borrowings of the Group amounted to approximately RMB1,677.5 million. Bank acceptance notes amounted to approximately RMB1,820.9 million while the bank balances were approximately RMB846.8 million of which approximately RMB757.2 million were restricted bank deposits for issuing letter of credit and notes payable.

As at 30 June 2014, the net current assets of the Group amounted to approximately RMB10.7 million as compared with approximately RMB1.8 million as at 31 December 2013. The low net current assets level was mainly due to the capital expenditures required for the expansion of business.

The gearing ratios as at 30 June 2014 and 31 December 2013 were 44.33% and 44.05% 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 2014, 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 2014 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 2013 Annual Report.

INTERIM DIVIDENDS

The Directors do not recommend the payment of an interim dividend in respect of the six months ended 30 June 2014 (2013: 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 2014.

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 2014 and considered that the Company has complied with all applicable accounting standards and requirements.

INTERIM REPORT

The 2014 Interim Report will be sent to shareholders on 16 September 2014. 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 16 September 2014.

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

Hong Kong, 21 August 2014

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.