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 2011

FINANCIAL HIGHLIGHTS

	Six months ended 30 June		
	2011	2010	
	RMB'000	*RMB'000*	*% change*
Revenue	**5,741,943**	4,072,830	+41.0%
Gross profit	**236,278**	181,520	+30.2%
Profit attributable to equity holders of the Company	**97,647**	86,460	+12.9%
Gross profit per ton	**RMB885**	RMB828	+6.9%

OPERATING HIGHLIGHTS

	Six months ended 30 June		
	2011	2010	*% change*
Sales volume	**266,970**	219,191	+21.8%
Processing volume	**348,896**	247,055	+41.2%
Processing multiple *(note)*	**1.31**	1.13	+15.9%

Note: Processing multiple = Processing volume/Sales volume

INTERIM RESULTS

The board of directors (the "Board") of Da Ming International Holdings Limited (the "Company") is pleased to announce the unaudited consolidated results of the Company and its subsidiaries (collectively, the "Group") for the six months ended 30 June 2011 together with comparative figures for the six months ended 30 June 2010, as follows: –

CONDENSED CONSOLIDATED COMPREHENSIVE INCOME STATEMENT

For the six months ended 30 June 2011

		Six months ended 30 June	
		2011	2010
	Note	***RMB'000***	*RMB'000*
Revenue	3	**5,741,943**	4,072,830
Cost of sales	4	**(5,505,665)**	(3,891,310)
Gross profit		**236,278**	181,520
Other income, net		**2,425**	3,684
Other (losses)/gains, net		**(788)**	59
Distribution costs	4	**(31,788)**	(24,992)
Administrative expenses	4	**(34,059)**	(30,527)
Operating profit		**172,068**	129,744
Finance income	5	**5,465**	6,528
Finance costs	5	**(48,093)**	(24,961)
Finance costs – net	5	**(42,628)**	(18,433)
Profit before income tax		**129,440**	111,311
Income tax expense	6	**(31,328)**	(24,229)
Profit for the period		**98,112**	87,082
Other comprehensive income		**–**	–
Total comprehensive income for the period		**98,112**	87,082
Attributable to:			
Equity holders of the Company		**97,647**	86,460
Non-controlling interest		**465**	622
		98,112	87,082
Earnings per share for profit attributable to equity holders of the Company during the period (expressed in RMB per share)			
– basic earnings per share	7	**0.09**	0.12
– diluted earnings per share	7	**0.09**	0.12
Interim dividends	8	**–**	–

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2011

	Note	As at 30 June 2011 RMB'000	As at 31 December 2010 RMB'000
ASSETS			
Non-current assets			
Land use rights		**110,129**	111,396
Property, plant and equipment		**1,021,956**	873,709
Investment property		**8,896**	9,123
Intangible assets		**2,964**	2,683
Deferred income tax assets		**8,612**	7,013
		1,152,557	1,003,924
Current assets			
Inventories		**1,433,325**	1,202,356
Trade receivables	9	**507,684**	188,703
Prepayments, deposits and other receivables		**240,639**	521,698
Restricted bank deposits		**432,142**	408,003
Cash and cash equivalents		**126,525**	379,036
		2,740,315	2,699,796
Total assets		**3,892,872**	3,703,720
EQUITY AND LIABILITIES			
Equity attributable to equity holders of the Company			
Share capital		**89,215**	89,215
Reserves		**1,435,884**	1,337,377
		1,525,099	1,426,592
Non-controlling interest		**25,326**	24,861
Total equity		**1,550,425**	1,451,453

	Note	As at 30 June 2011 RMB'000	As at 31 December 2010 RMB'000
LIABILITIES			
Non-current liabilities			
Deferred government grants		**14,486**	15,020
Deferred income tax liabilities		**2,131**	3,340
		16,617	18,360
Current liabilities			
Trade payables	10	**912,009**	1,139,489
Accruals, advances from customers and other current liabilities		**326,126**	199,614
Current income tax liabilities		**18,654**	25,522
Borrowings		**1,067,974**	868,215
Current portion of deferred government grants		**1,067**	1,067
		2,325,830	2,233,907
Total liabilities		**2,342,447**	2,252,267
Total equity and liabilities		**3,892,872**	3,703,720
Net current assets		**414,485**	465,889
Total assets less current liabilities		**1,567,042**	1,469,813

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the period ended 30 June 2011

	Attributable to equity holders of the Company		Non interest controlling	Total equity
	Share Capital	Reserves		
	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	–	97,647	465	98,112
Transaction with owners				
Employee share option scheme	–	860	–	860
Total transaction with owners	–	860	–	860
Balance at 30 June 2011	89,215	1,435,884	25,326	1,550,425

	Attributable to equity holders of the Company		Non controlling interest	Total equity
	Share Capital	Reserves		
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Balance at 1 January 2010	1	681,141	7,176	688,318
Comprehensive income				
Profit for the period	–	86,460	622	87,082
Total comprehensive income	–	86,460	622	87,082
Transaction with owners				
Capital injection by equity holders of the Company	–	34,026	–	34,026
Capital injection by non-controlling shareholder	–	–	15,587	15,587
Total transaction with owners	–	34,026	15,587	49,613
Balance at 30 June 2010	1	801,627	23,385	825,013

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2011

	Six months ended 30 June	
	2011	2010
	RMB'000	*RMB'000*
Cash flows from operating activities	**(250,948)**	(138,005)
Cash flows from investing activities	**(177,183)**	(117,480)
Cash flows from from financing activities	**175,620**	283,942
Net (decrease)/increase in cash and cash equivalents	**(252,511)**	28,457
Cash and cash equivalents at beginning of the period	**379,036**	79,168
Exchange losses on cash and cash equivalents	**–**	(601)
Cash and cash equivalents at end of the period	**126,525**	107,024

NOTES TO THE FINANCIAL STATEMENTS

For the six months ended 30 June 2011

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.

The unaudited condensed consolidated financial statements for the six months ended 30 June 2011 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.

2. 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 2010, 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 2011:

- HKAS 24 (Revised), "Related Party Disclosures" is effective for annual period beginning on or after 1 January 2011. It introduces an exemption from all of the disclosure requirements of HKAS 24 for transactions among government related entities and the government. Those disclosures are replaced with a requirement to disclose:

  – The name of the government and the nature of their relationship;
  – The nature and amount of any individually significant transactions; and
  – The extent of any collectively-significant transactions qualitatively or quantitatively.

It also clarifies and simplifies the definition of a related party.

- Amendment to IAS/HKAS 34 'Interim financial reporting' is effective for annual periods beginning on or after 1 January 2011. It emphasizes the existing disclosure principles in IAS/HKAS34 and adds further guidance to illustrate how to apply these principles. Greater emphasis has been placed on the disclosure principles for significant events and transactions. Additional requirements cover disclosure of changes to fair value measurement (if significant), and the need to update relevant information from the most recent annual report. The change in accounting policy only results in additional disclosures.

(b) Amendments and interpretations to existing standards effective in 2011 but not relevant to the Group:

- Amendment to HKAS 32 'Classification of rights issues' is effective for annual periods beginning on or after 1 February 2010. This is not currently applicable to the Group, as it has not made any rights issue.

- Amendment to HK(IFRIC) - Int-14 'Prepayments of a minimum funding requirement' is effective for annual periods beginning on or after 1 January 2011. This is not currently relevant to the Group, as it does not have a minimum funding requirement.

- HK(IFRIC) - Int 19 'Extinguishing financial liabilities with equity instruments' is effective for annual periods beginning on or after 1 July 2010. This is not currently applicable to the Group, as it has no extinguishment of financial liabilities replaced with equity instruments currently.

- Third improvements to Hong Kong Financial Reporting Standards (2010) were issued in May 2010 by both IASB and the HKICPA, except for amendment to HKAS 34 'Interim financial reporting' as disclosed in note 2(a) and the clarification to allow the presentation of an analysis of the components of other comprehensive income by item within the notes, all are not currently relevant to the Group. All improvements are effective in the financial year of 2011.

(c) The following new standards and amendments to standards have been issued but are not effective for the financial year beginning 1 January 2011 and have not been early adopted:

Standards and amendments	Effective date
HKFRS 9: Financial instruments: classification, measurement and derecognition of financial assets and financial liabilities.	1 January 2013
HKAS 12 (Amendment): Deferred tax: Recovery of underlying assets	1 January 2012
HKFRS 7 (Amendment): Disclosures – Transfers of financial assets	1 July 2011

3. SALES AND SEGMENT INFORMATION

	Six months ended	
	30 June 2011	30 June 2010
	RMB'000	*RMB'000*
Sales of goods	**5,741,943**	4,072,830

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 2011	30 June 2010
	RMB'000	*RMB'000*
– Mainland China	**5,637,698**	4,045,018
– Hong Kong and other overseas countries and regions*	**104,245**	27,812
Total sales	**5,741,943**	4,072,830

* Other overseas countries and regions mainly represented Singapore, North Korea, USA and Russia.

4. EXPENSES BY NATURE

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

	Six months ended 30 June 2011 RMB'000	30 June 2010 RMB'000
Changes in inventories of finished goods	**(167,389)**	(107,711)
Raw materials consumed	**5,605,757**	3,931,264
Stamp duty, property tax and other surcharges	**4,530**	2,954
Transportation costs	**27,369**	22,689
Employee benefit expenses, including directors' emoluments	**34,429**	26,284
Depreciation and amortisation	**31,759**	26,766
Operating lease rental for buildings	**983**	864
Utilities charges	**3,438**	3,215
Provision for write-down of inventories	**8,708**	23,776
Auditor's remuneration	**–**	910
Provision for impairment of trade receivables	**509**	322
Entertainment and travelling expenses	**10,450**	7,620
Professional service expenses	**1,244**	1,380
Others	**9,725**	6,496
Total cost of sales, distribution costs and administrative expenses	**5,571,512**	3,946,829

5. FINANCE COSTS, NET

	Six months ended 30 June 2011 RMB'000	30 June 2010 RMB'000
Interest expenses on bank borrowings	**24,127**	10,508
Interest expenses on bank acceptance notes	**22,860**	16,665
Exchange losses/(gains), net	**1,106**	(2,212)
Total finance cost	**48,093**	24,961
Interest income from bank deposit	**(5,465)**	(6,528)
	42,628	18,433

6. INCOME TAX EXPENSE

	Six months ended 30 June 2011 RMB'000	30 June 2010 RMB'000
Current income tax		
– Mainland China enterprise income tax	**32,190**	32,878
Deferred income tax	**(862)**	(8,649)
	31,328	24,229

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.

7. 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 2011	30 June 2010
	RMB'000	*RMB'000*
Profit attributable to equity holders of the company	**97,647**	86,460
Weighted average number of ordinary shares in issue *(thousands)*	**1,037,500**	750,000

(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 2011	30 June 2010
	RMB'000	*RMB'000*
Profit used to determine diluted earnings per share	**97,647**	86,460
Weighted average number of ordinary shares in issue *(thousands)*	**1,037,500**	750,000
Adjustments for:		
– Share options *(thousands)*	**–**	–
Weighted average number of ordinary shares for diluted earnings per share *(thousands)*	**1,037,500**	750,000

8. INTERIM DIVIDENDS

The directors do not recommend payment of an interim dividend in respect of the six months ended 30 June 2011 (2010: nil).

9. TRADE RECEIVABLES

	As at 30 June 2011 *RMB'000*	As at 31 December 2010 *RMB'000*
Accounts receivable	**160,428**	102,938
Notes receivable		
– bank acceptance notes	**341,102**	82,531
– commercial acceptance notes	**7,418**	4,000
	508,948	189,469
Less: provision for impairment	**(1,264)**	(766)
	507,684	188,703

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 2011 *RMB'000*	As at 31 December 2010 *RMB'000*
Accounts receivable		
– Within 30 days	**154,475**	97,178
– 30 days to 3 months	**1,086**	3,970
– 3 months to 6 months	**4,110**	503
– 6 months to 1 year	**26**	19
– 1 year to 2 years	**526**	847
– 2 years to 3 years	**205**	421
	160,428	102,938
Notes receivable		
– Within 6 months	**348,520**	86,531
	508,948	189,469

10. TRADE PAYABLES

	As at 30 June 2011 *RMB'000*	As at 31 December 2010 *RMB'000*
Accounts payable	**47,762**	19,689
Notes payable	**864,247**	1,119,800
	912,009	1,139,489

The ageing analysis of the trade payable is as follows:

	As at 30 June 2011 *RMB'000*	As at 31 December 2010 *RMB'000*
Up to 6 months	**912,005**	1,137,969
6 months to 1 year	**–**	1,520
1 year to 2 years	**4**	–
	912,009	1,139,489

BUSINESS REVIEW

Processing facilities enhancement

The building and infrastructure works of the fifth phase in our Wuxi processing centre were completed in April 2011 and started to provide processing services gradually in May 2011. Focusing on deep processing techniques, the fifth phase processing centre will be equipped with plate cutting, forming and machining processing facilities. Relocation of existing platforms and the installation of newly acquired machineries are now in progress.

The design of the second phase in our Hangzhou processing centre has been completed and the construction work is expected to commence in the second half of 2011. In addition, we have also added several plate cutting and forming machineries in our Tianjin processing centre during the first six months of 2011.

Upon completion of the above-mentioned expansion plans, the aggregate deep processing capacity of the Group will be much enhanced.

In addition to enhancing its deep processing capacity, the Group has also diversified its processing services to cover other non stainless steel metals like titanium alloy, high-strength carbon steel and nickel-based alloy. We have started to provide processing services of stainless steel materials suitable for operating in low temperature for use in liquefied natural gas (LNG) projects as well as processing of stainless steel materials for mobile phone accessories. With regard to high-strength carbon steel, we have provided processing services to the manufacturers of jibs as well as processing of materials for use in water-power stations.

Achievements

After the installation of more sophisticated equipments and the advancement in processing techniques, the Group started to provide processing services to high-end customers in the field of chemical tanker manufacturing industry, wind power station construction and LNG storage production in 2011.

According to information published by the Stainless Steel Division of the Metallic Materials Distribution Association of China, our principal subsidiary, Jiangsu Daming Metals Products Company Limited was once again ranked No.1 on the ranking of stainless steel processors and re-sellers in 2010. On the other hand, the monthly sales of the Group achieved a record high of over 52,000 tons in May 2011 despite the continued downward trend of the stainless steel price.

Recent development

On 13 July 2011, the Group entered into a shareholder's agreement with Taiyuan Iron & Steel (Group) Co., Ltd ("Taiyuan steel Group") for the formation of Taiyuan Taigang Daming Metal Products Company Limited, a company established in the PRC owned as to 60% by the Group and 40% by the Taiyuan Steel Group. A processing centre for the processing of stainless steel and carbon steel will be established in Taiyuan, Shanxi Province, the PRC. This is the second project in which we have strategic co-operation with the Taiyuan Steel Group following the Tianjin processing centre. The annual processing capacity target of this processing centre will be 300,000 tons of stainless steel and 200,000 tons of carbon steel. The establishment of this processing centre will expand our servicing network to the mid-west region of the PRC.

Prospect

The Group will commence the design and construction of the sixth phase in our Wuxi processing centre in the second half of 2011 with a view to further enhance and complement its deep processing capability.

On the other hand, the preliminary preparation and design of a new processing and logistics complex in Jingjiang, Jiangsu Province, the PRC will also be commenced in the second half of 2011. The Group will also evaluate the expansion and relocation plan of our Wuhan processing centre in the fourth quarter of 2011.

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 2010.

FINANCIAL REVIEW AND ANALYSIS

During the six months ended 30 June 2011, we recorded a revenue of approximately RMB5,742 million, gross profit of approximately RMB236 million and profit attributable to equity holders of the Company of approximately RMB98 million. Total assets of the Group as at 30 June 2011 amounted to approximately RMB3,893 million while equity attributable to equity holders of the Company amounted to approximately RMB1,525 million.

Revenue

Our revenue increased by approximately RMB1,669 million, or 41%, from approximately RMB4,073 million for the six months ended 30 June 2010 to approximately RMB5,742 million for the six months ended 30 June 2011. Such increase was mainly due to an increase of sales volume from 219,191 tons for the six months ended 30 June 2010 to 266,970 tons for the six months ended 30 June 2011 and the increase in average selling price of RMB18,581 per ton for the six months ended 30 June 2010 to RMB21,508 per ton for the six months ended 30 June 2011.

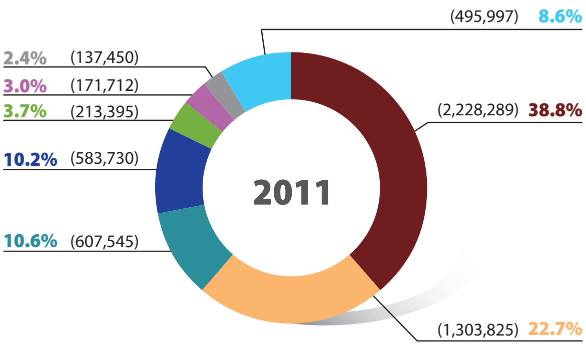
Analysis of revenue by key industry segments

During the six months ended 30 June 2011 and the corresponding period in 2010, our revenue by key industry segments was shown below:

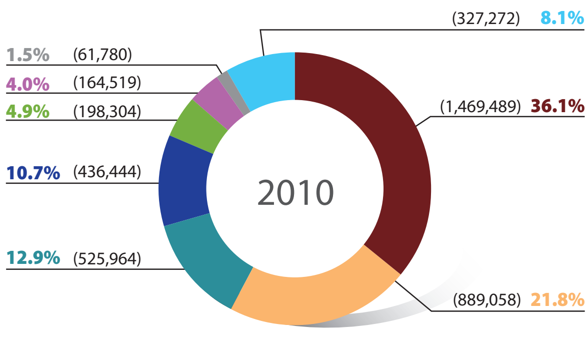
Revenue

	Six months ended 30 June			
	2011		2010	
Industry	*RMB'000*	%	*RMB'000*	%
Machineries	2,228,289	38.8	1,469,489	36.1
Trading/Distributors	1,303,825	22.7	889,058	21.8
Petrochemical	607,545	10.6	525,964	12.9
Home Hardware & Appliances	583,730	10.2	436,444	10.7
Automobile and Transport	213,395	3.7	198,304	4.9
Construction	171,712	3.0	164,519	4.0
Renewable Energy	137,450	2.4	61,780	1.5
Others	495,997	8.6	327,272	8.1
Total	5,741,943	100.0	4,072,830	100.0

RMB'000



Total = RMB 5,741,943,000



Total = RMB 4,072,830,000

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

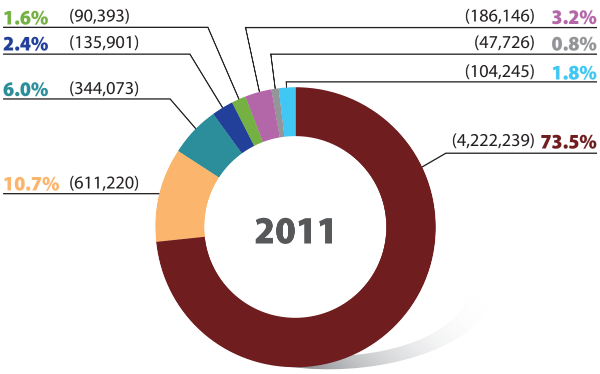
Machineries, trading/distributors, petrochemical and home hardware & appliances remained the four largest customer segments during the six months ended 30 June 2011 and 2010. In aggregate, these accounted for over 80% of our total revenue.

Analysis of revenue by geographical regions

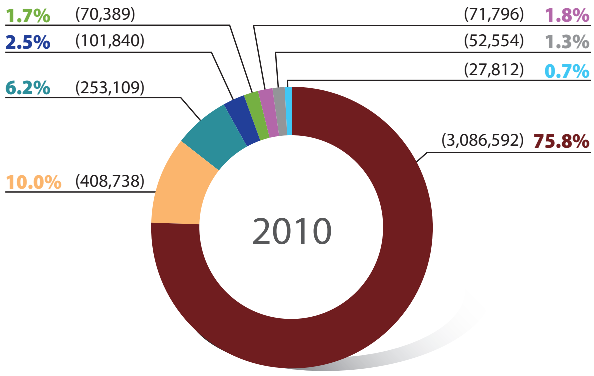
During the six months ended 30 June 2011 and the corresponding period in 2010, our revenue by geographical regions was shown below:

	Six months ended 30 June			
	2011		2010	
Region	*RMB'000*	%	*RMB'000*	%
Eastern region, China	4,222,239	73.5	3,086,592	75.8
Northern region, China	611,220	10.7	408,738	10.0
Central region, China	344,073	6.0	253,109	6.2
Southwestern region, China	135,901	2.4	101,840	2.5
Northeastern region, China	90,393	1.6	70,389	1.7
Northwestern region, China	186,146	3.2	71,796	1.8
Southern region, China	47,726	0.8	52,554	1.3
Overseas	104,245	1.8	27,812	0.7
Total	5,741,943	100.0	4,072,830	100.0

RMB'000



Total = RMB 5,741,943,000



Total = RMB 4,072,830,000

- 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 2011 and 2010.

The sales volume and processing volume of our processing centres for the six months ended 30 June 2011 and the corresponding period in 2010 were as follows:

	Sales volume Six months ended 30 June		
	2011	2010	
Processing centre	***tons***	*tons*	*% change*
Wuxi	**179,727**	155,307	+15.7%
Wuhan	**14,184**	11,154	+27.2%
Hangzhou	**38,479**	30,494	+26.2%
Tianjin	**34,580**	22,236	+55.5%
Total	**266,970**	219,191	+21.8%

	Processing volume Six months ended 30 June		
	2011	2010	
Processing centre	***tons***	*tons*	*% change*
Wuxi	**278,789**	202,335	+37.8%
Wuhan	**5,925**	2,221	+166.8%
Hangzhou	**37,655**	29,155	+29.2%
Tianjin	**26,527**	13,344	+98.8%
Total	**348,896**	247,055	+41.2%

Gross profit

Gross profit increased from approximately RMB181.5million for the six months ended 30 June 2010 to approximately RMB236.3 million for the six months ended 30 June 2011 due to the increases in sales volume and the raising processing fee per ton. Gross profit per ton increased from RMB828 for the six months ended 30 June 2010 to RMB885 for the six months ended 30 June 2011 representing an increase of approximately 6.9% primarily due to the increased demand in in-depth processing services from our customers.

Other income

Other income decreased from approximately RMB3.7million for the six months ended 30 June 2010 to approximately RMB2.4 million for the six months ended 30 June 2011 due to the decrease in income from provision of loading service.

Distribution costs

Distribution costs increased from approximately RMB25.0million for the six months ended 30 June 2010 to approximately RMB31.8 million for the six months ended 30 June 2011 mainly due to the increase in entertainment expenses and transportation expenses resulting from a higher sales volume in 2011.

Administrative expenses

Administrative expenses increased from approximately RMB30.5 million to approximately RMB34.1million due to the increase in legal and professional fees, amortization of employee share option expenses and directors fees paid for the current period.

Finance costs, net

Finance costs increased from approximately RMB18.4 million for the six months ended 30 June 2010 to approximately RMB42.6 million for the six months ended 30 June 2011 due to the increase in interest expenses on bank borrowings and bank acceptance notes as a result of the increased financing for larger operation scale as well as the increase in interest rates in the PRC.

Income tax expense

Income tax expense increased from approximately RMB24.2 million for the six months ended 30 June 2010 to approximately RMB31.3 million for the six months ended 30 June 2011 mainly attributable to the increase in operating profit.

Profit for the period

Profit for the period increased from approximately RMB87.1million for the six months ended 30 June 2010 to approximately RMB98.1 million for the six months ended 30 June 2011 representing an increase of approximately 12.7%.

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 2011, the short term bank borrowings of the Group amounted to approximately RMB1,068.0 million. Bank acceptance notes amounted to approximately RMB864.2 million as at 30 June 2011 while the bank balances were approximately RMB558.7 million of which approximately RMB432.1 million were pledged mainly for bank borrowings and the issuance of bank acceptance notes and letter of credit.

The gearing ratios as at 30 June 2011 and 31 December 2010 were 37.8% and 25.2% respectively. The ratios were calculated as net debt divided by total capital. Net debt was calculated as total borrowings less cash and cash equivalents while total capital was calculated as total equity plus net debt.

CONTINGENT LIABILITIES

As at 30 June 2011, 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 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 2011, approximately RMB127.5 million had been applied towards the purchase of processing equipment and the construction of the fifth phase in our Wuxi processing centre and approximately RMB14.2 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

During the six months ended 30 June 2011, the Company has complied with the Code on Corporate Governance Practices (the "CG Code") as set out in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"), except CG Code provision A.2.1, the roles of chairman and chief executive officer should be separated and should not be performed by the same individual. During the reporting period, the positions of the chairman and the chief executive officer were held by Mr. Zhou Keming. The Company is of the view that Mr. Zhou Keming, with his profound expertise in the stainless steel industry, shall continue in his dual capacity as the chairman and 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 2010 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 2011.

INTERIM DIVIDENDS

The Directors do not recommend payment of an interim dividend in respect of the six months ended 30 June 2011 (2010: 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 2011.

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 2011 and considered that the Company has complied with all applicable accounting standards and requirements.

INTERIM REPORT

The 2011 Interim Report will be sent to shareholders on 9 September 2011. 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 9 September 2011.

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

Hong Kong, 25 August 2011

As at the date of this announcement, the executive directors are Mr. Zhou Keming, Ms. Xu Xia, Mr. Qian Li, Mr. Zou Xiaoping and Mr. Tang Zhonghai; 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.