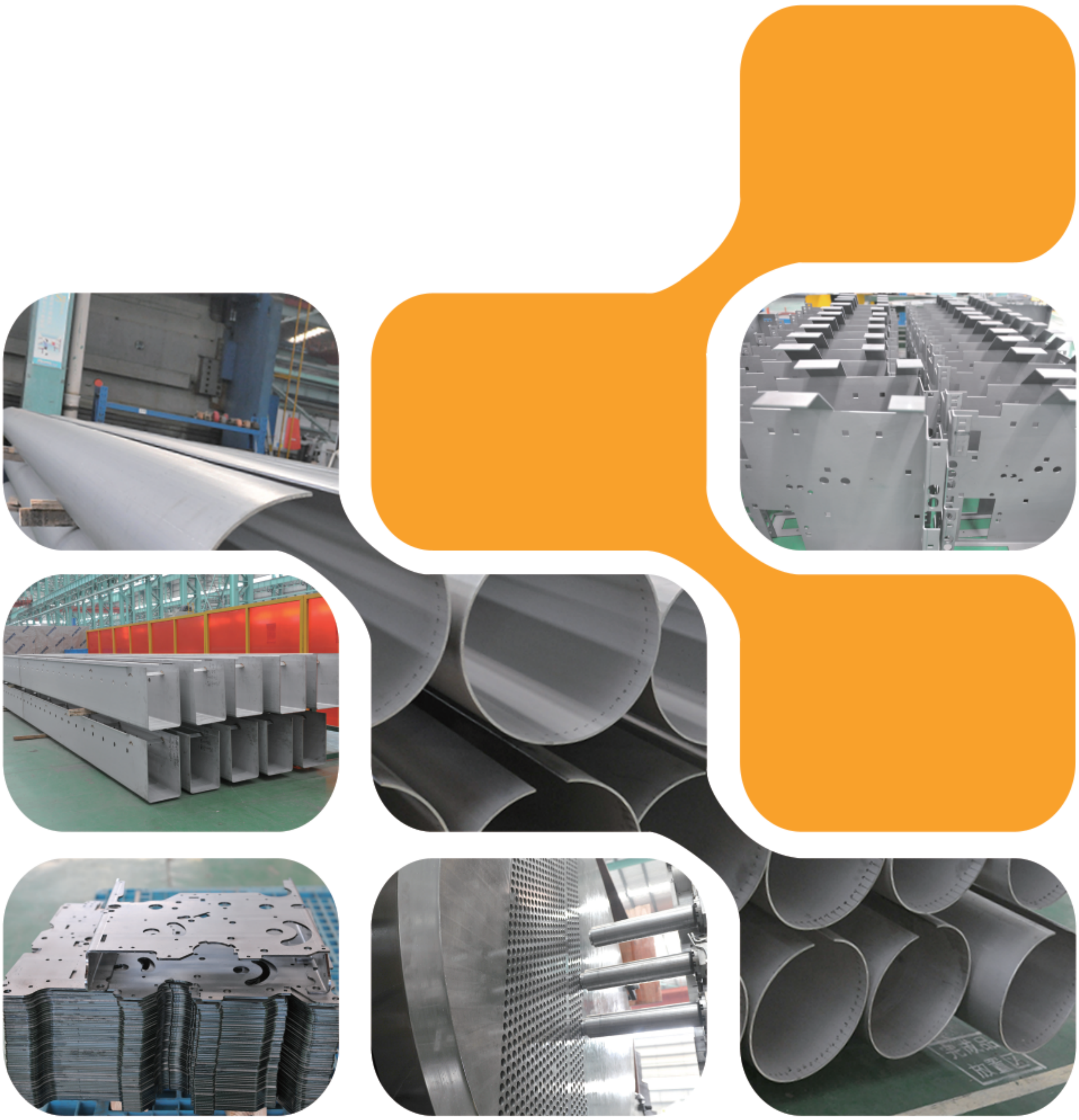
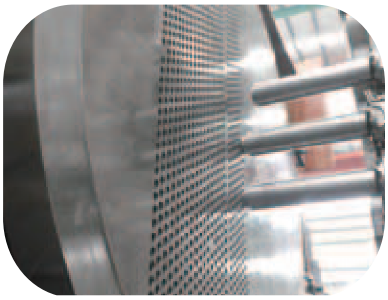
DA MING INTERNATIONAL HOLDINGS LIMITED

(Incorporated in the Cayman Islands with limited liability)

Stock code :1090

2014 Annual Report





CONTENTS

Corporate Information

BOARD OF DIRECTORS

Executive Directors

Mr. Zhou Keming *(Chairman)*
Ms. Xu Xia
Mr. Zou Xiaoping
Mr. Tang Zhonghai
Mr. Kang In Soo
Dr. Fukui Tsutomu
Mr. Zhang Feng

Non-executive Director

Mr. Jiang Changhong

Independent Non-executive Directors

Prof. Hua Min
Mr. Chen Xuedong
Mr. Cheuk Wa Pang
Mr. Lu Daming

COMPANY SECRETARY

Mr. Leung Man Fai

AUTHORISED REPRESENTATIVES

Mr. Zou Xiaoping
Mr. Leung Man Fai

AUDIT COMMITTEE

Prof. Hua Min
Mr. Chen Xuedong
Mr. Cheuk Wa Pang
Mr. Lu Daming

REMUNERATION COMMITTEE

Prof. Hua Min
Mr. Chen Xuedong
Mr. Cheuk Wa Pang
Mr. Lu Daming
Mr. Zou Xiaoping

NOMINATION COMMITTEE

Prof. Hua Min
Mr. Chen Xuedong
Mr. Cheuk Wa Pang
Mr. Lu Daming
Mr. Zou Xiaoping

REGISTERED OFFICE IN THE CAYMAN ISLANDS

Cricket Square
Hutchins Drive, P.O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

HEADQUARTERS AND PRINCIPAL PLACE OF BUSINESS IN CHINA

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Wuxi, Jiangsu
People's Republic of China

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18 Harbour Road, Wanchai
Hong Kong

LEGAL ADVISERS TO THE COMPANY

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18 Chater Road
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As to Cayman Islands Law

Conyers Dill & Pearman
Cricket Square
Hutchins Drive, P.O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

HONG KONG SHARE REGISTRAR

Computershare Hong Kong Investor Services Limited
Shops 1712-1716
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183 Queen's Road East
Wanchai
Hong Kong

AUDITOR

PricewaterhouseCoopers
Certified Public Accountants
22nd Floor, Prince's Building
Central
Hong Kong

PRINCIPAL BANKERS

In Hong Kong

China CITIC Bank International Limited
China Construction Bank Hong Kong Branch

In China

Agricultural Bank of China, Xishan Sub-branch
China CITIC Bank, Wuxi Guangrui Road Sub-branch
Bank of China, Xishan District Dongbei Tang Sub-branch
China Everbright Bank, Wuxi Branch

STOCK CODE

SEHK: 1090

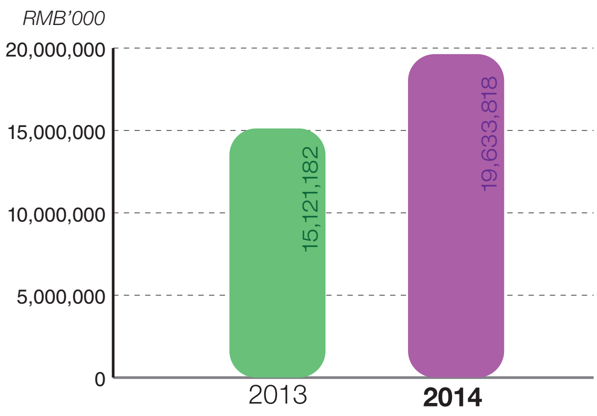
WEBSITE

http://www.dmssc.net

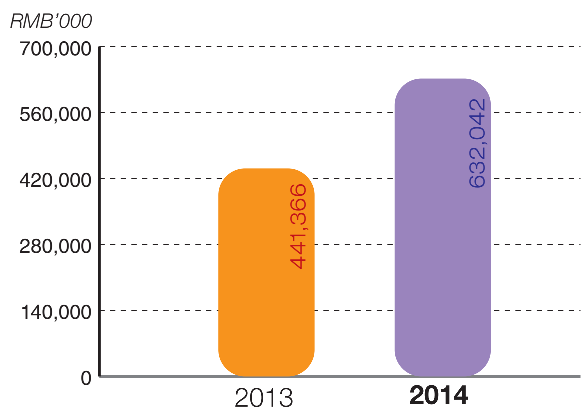
Financial and Operating Highlights

	Year ended 31 December 2014 RMB'000	2013 RMB'000	% change
FINANCIAL HIGHLIGHTS			
Revenue	**19,633,818**	15,121,182	+29.8%
Gross profit	**632,042**	441,366	+43.2%
Total comprehensive income for the year	**165,888**	97,982	+69.3%

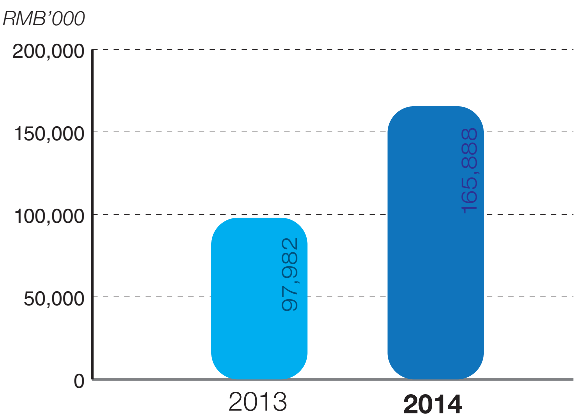
Revenue



Gross profit



Total comprehensive income for the year

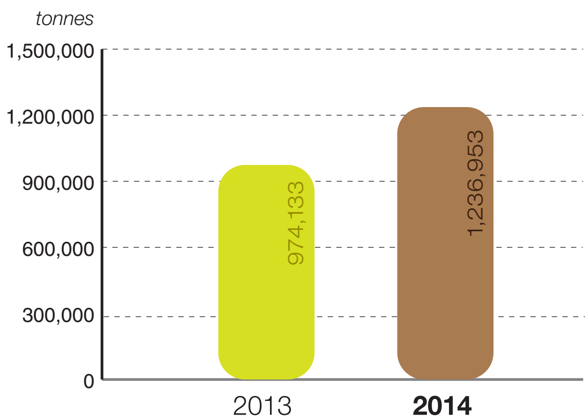


Financial and Operating Highlights

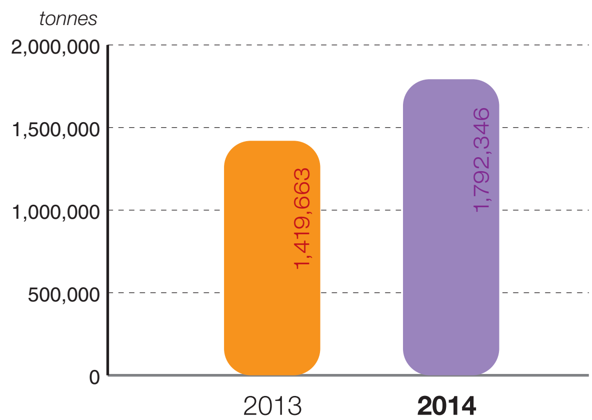
	Year ended 31 December		
	2014	2013	% change
OPERATING HIGHLIGHTS			
Stainless steel			
Sales volume (tonnes)	**1,236,953**	974,133	+27.0%
Processing volume (tonnes)	**1,792,346**	1,419,663	+26.3%
Processing multiple (note 1)	**1.45**	1.46	-0.7%
Carbon steel			
Sales volume (tonnes)	**572,008**	257,823	+121.9%
Processing volume (tonnes)	**522,743**	238,430	+119.2%
Processing multiple (note 1)	**0.91**	0.92	-1.1%

Notes: 1. Processing multiple = Processing volume/Sales volume
2. Carbon steel processing services commenced in March 2013

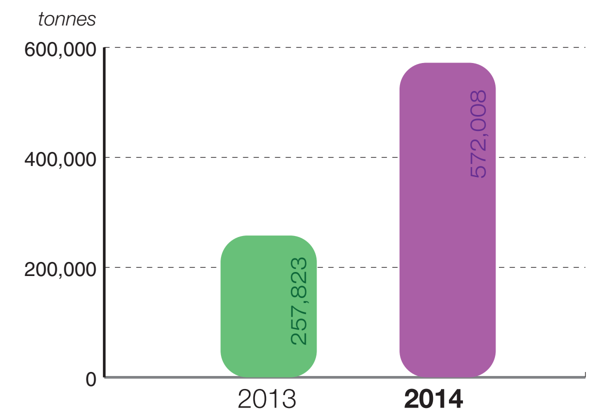
Sales volume of stainless steel



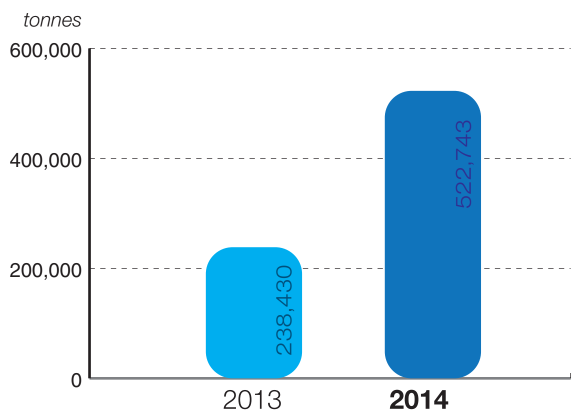
Processing volume of stainless steel



Sales volume of carbon steel



Processing volume of carbon steel



Financial and Operating Highlights

The sales volume and processing volume of our processing centres for the year ended 31 December 2014 and the corresponding period in 2013 are as follows:

	Year ended 31 December		
	2014	2013	
Stainless steel	***tonnes***	*tonnes*	*% change*
Sales volume			
Wuxi	**663,128**	610,647	+8.6%
Wuhan	**48,799**	45,935	+6.2%
Hangzhou	**195,852**	153,695	+27.4%
Tianjin	**174,289**	146,713	+18.8%
Taiyuan	**60,196**	10,397	+479.0%
Other sales offices	**94,689**	6,746	+1,303.6%
Total	**1,236,953**	974,133	+27.0%
Processing volume			
Wuxi	**1,275,428**	1,054,382	+21.0%
Wuhan	**28,010**	17,789	+57.5%
Hangzhou	**230,933**	177,053	+30.4%
Tianjin	**201,213**	137,699	+46.1%
Taiyuan	**56,762**	32,740	+73.4%
Total	**1,792,346**	1,419,663	+26.3%

	Year ended 31 December		
	2014	2013	
Carbon steel	***tonnes***	*tonnes*	*% change*
Sales volume			
Wuxi	**144,533**	98,420	+46.9%
Hangzhou	**229,374**	136,016	+68.6%
Taiyuan	**134,678**	2,003	+6,623.8%
Other sales offices	**63,423**	21,384	+196.6%
	572,008	257,823	+121.9%
Processing volume			
Wuxi	**159,798**	102,589	+55.8%
Hangzhou	**226,145**	135,841	+66.5%
Taiyuan	**136,800**	–	n/a
	522,743	238,430	+119.2%

Chairman's Statement

Dear Shareholders:

On behalf of the board of directors of Da Ming International Holdings Limited (the "Company", together with its subsidiaries as the "Group"), I hereby present to the shareholders the annual report of the Group for the year ended 31 December 2014.

BUSINESS REVIEW

The results

The Group achieved a net profit of approximately RMB165.9 million for the year ended 31 December 2014 representing an increase of approximately 69.3% as compared with that for the year ended 31 December 2013.

The annual sales volume of our stainless steel processing business increased from approximately 974,000 tonnes in 2013 to approximately 1,237,000 tonnes in 2014 representing an increase of approximately 27% while the annual processing volume increased from approximately 1,420,000 tonnes in 2013 to approximately 1,792,000 tonnes in 2014 representing an increase of approximately 26%.

The annual sales volume of our carbon steel processing business increased from approximately 258,000 tonnes in 2013 to approximately 572,000 tonnes in 2014 representing an increase of approximately 122% while the annual processing volume increased from approximately 238,000 tonnes in 2013 to approximately 523,000 tonnes in 2014 representing an increase of approximately 119%.

The Group recorded a satisfactory growth in the carbon steel processing services in 2014 and we expect that there will still be strong growth potential in this business in 2015. Our customers for the carbon steel processing business include those manufacturers mainly from the escalators, pressurized containers, building infrastructures and pharmaceutical appliances industries.

Development of processing centres

The building infrastructure of the sixth phase of our Wuxi processing centre is expected to be completed in the first half year of 2015 and a portion of machineries are currently under installation. The sixth phase will become our precision sheet metal processing centre providing various processing services for customers mainly in the motor vehicles, health, environmental protection, weaving and electrical industries.

Chairman's Statement

The new Wuhan processing centre commenced operation in June 2014. The machineries in the original Wuhan processing centre had already been relocated to the new processing centre. Two laser cut equipments had also been installed in the new Wuhan processing centre to broaden its processing service range.

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.

Chairman's Statement

The construction and installation of machineries in our Taiyuan processing centre are progressing satisfactorily in accordance with our original plan. 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 first phase of the Jingjiang processing centre and the installation of some machineries have substantially been completed. The Group will continue to install additional machineries in the Jingjiang processing centre in 2015. 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.

FUTURE DEVELOPMENT

With the completion and enhancement of the processing centres of our Group in 2015, we anticipate a rapid growth both in our sales volume and processing volume in the coming years. We shall also devote more resources including the hiring of more staff in our carbon steel processing business in order to provide a more comprehensive service to our customers.

APPRECIATION

On behalf of the Board, I would like to thank the management and staff for their dedication, effort and contribution towards the Company. I would also like to thank the shareholders for their support to the Company.

FINANCIAL REVIEW AND ANALYSIS

During the year under review, we recorded a revenue of approximately RMB19,634 million, gross profit of approximately RMB632 million and the profit attributable to equity holders of the Company of approximately RMB166 million. Total assets of the Group as at 31 December 2014 amounted to approximately RMB5,958 million while equity attributable to equity holders of the Company amounted to approximately RMB1,770 million.

Revenue

Our revenue for the year ended 31 December 2014 amounted to approximately RMB19,634 million comprising approximately RMB17,981 million from our stainless steel processing business and approximately RMB1,653 million from our carbon steel processing business. As compared with the revenue for the year ended 31 December 2013 of approximately RMB15,121 million, it represented an increase of approximately 29.8%. Such increase was mainly due to:

i) The increase in the sales volume of our stainless steel processing business from 974,133 tonnes for the year ended 31 December 2013 to 1,236,953 tonnes for the year ended 31 December 2014 representing an increase of approximately 27.0%.

ii) The increase in the sales volume of our carbon steel processing business from 257,823 tonnes for the year ended 31 December 2013 to 572,008 tonnes for the year ended 31 December 2014 representing an increase of approximately 121.9%.

iii) The increase in processing fee income as reflected by the increase in the processing volume of our stainless steel processing business from 1,419,663 tonnes for the year ended 31 December 2013 to 1,792,346 tonnes for the year ended 31 December 2014 representing an increase of approximately 26.3%.

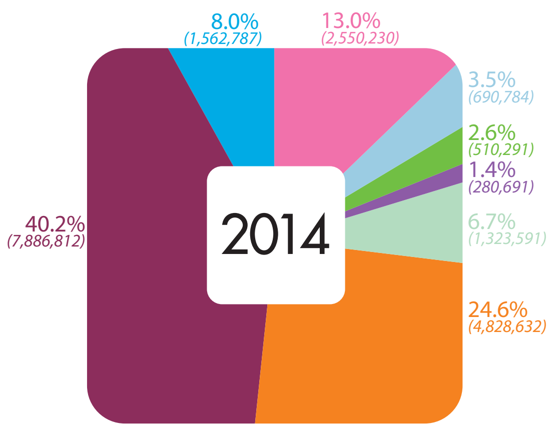
Management Discussion and Analysis

Analysis of revenue by key industry segments

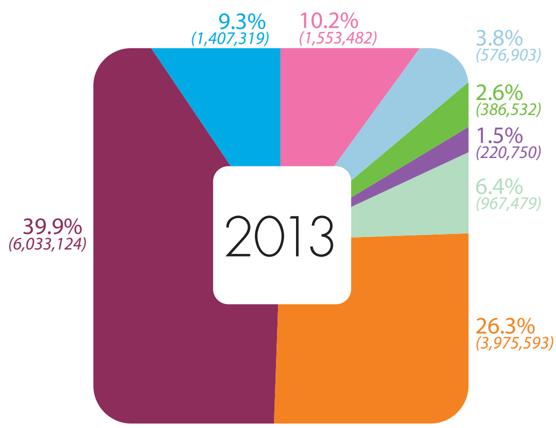
During the years ended 31 December 2014 and 2013, our revenue by key industry segments are shown below:

	Revenue For the year ended 31 December			
	2014		2013	
Industry	***RMB'000***	***%***	*RMB'000*	*%*
Machineries	**4,828,632**	**24.6**	3,975,593	26.3
Distributors	**7,886,812**	**40.2**	6,033,124	39.9
Petrochemical	**1,562,787**	**8.0**	1,407,319	9.3
Home Hardware and Appliances	**2,550,230**	**13.0**	1,553,482	10.2
Automobile and Transport	**690,784**	**3.5**	576,903	3.8
Construction	**510,291**	**2.6**	386,532	2.6
Renewable Energy	**280,691**	**1.4**	220,750	1.5
Others	**1,323,591**	**6.7**	967,479	6.4
Total	**19,633,818**	**100.0**	15,121,182	100.0

RMB'000



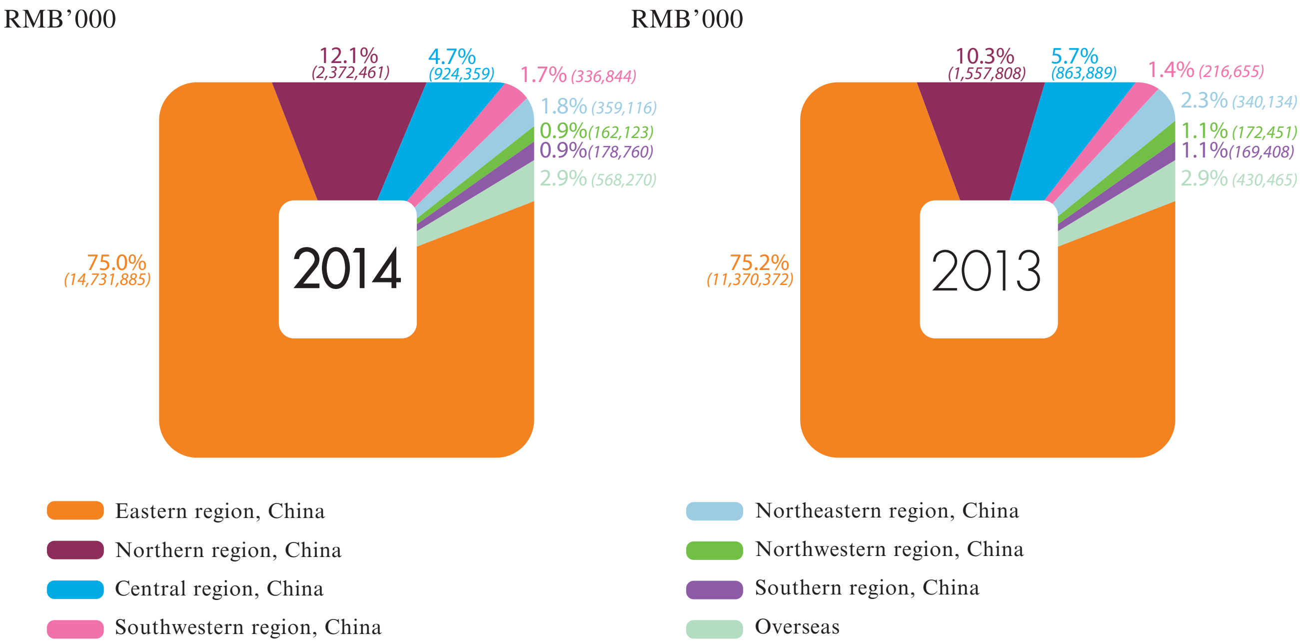
RMB'000



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

Analysis of revenue by geographic regions

Region	Revenue For the year ended 31 December 2014 RMB'000	2014 %	2013 RMB'000	2013 %
Eastern region, China	**14,731,885**	**75.0**	11,370,372	75.2
Northern region, China	**2,372,461**	**12.1**	1,557,808	10.3
Central region, China	**924,359**	**4.7**	863,889	5.7
Southwestern region, China	**336,844**	**1.7**	216,655	1.4
Northeastern region, China	**359,116**	**1.8**	340,134	2.3
Northwestern region, China	**162,123**	**0.9**	172,451	1.1
Southern region, China	**178,760**	**0.9**	169,408	1.1
Overseas	**568,270**	**2.9**	430,465	2.9
	19,633,818	**100.0**	15,121,182	100.0



Management Discussion and Analysis

Gross profit

Gross profit increased from approximately RMB441.4 million in 2013 to approximately RMB632.0 million in 2014 mainly due to the increase in sales volume and the increased demands in our deep processing services.

Other income

Other income increased from approximately RMB16.0 million for the year ended 31 December 2013 to approximately RMB22.8 million for the year ended 31 December 2014 mainly due to the increase in sales of scraps and packaging materials.

Other gain/(losses) – net

The Group recorded other gain of approximately RMB2.3 million for the year ended 31 December 2014 as compared with other losses of approximately RMB2.5 million for the year ended 31 December 2013. Such increase was mainly due to a foreign exchange gain recorded in 2014 as compared with a foreign exchange losses recorded in 2013.

Distribution costs

Distribution costs increased from approximately RMB105.7 million for the year ended 31 December 2013 to approximately RMB139.1 million for the year ended 31 December 2014. Such increase was mainly due to the increase in staff costs and transportation costs as a result of the increase in sales.

Administrative expenses

Administrative expenses increased from approximately RMB115.6 million for the year ended 31 December 2013 to approximately RMB180.0 million for the year ended 31 December 2014. Such increase was mainly due to the increase in property related taxes and staff costs including an amount of approximately RMB11.6 million for the award of the Company's shares to certain selected staff in October 2014.

Finance costs – net

Finance costs increased from approximately RMB91.8 million for the year ended 31 December 2013 to approximately RMB102.3 million for the year ended 31 December 2014. The increase in finance costs was mainly due to the increase in interest expenses on bank acceptances notes.

Income tax expenses

Income tax expenses increased from approximately RMB42.4 million for the year ended 31 December 2013 to approximately RMB67.6 million for the year ended 31 December 2014 due to the increase in operating profit.

Profit for the year

The Group recorded a profit of approximately RMB165.9 million for the year ended 31 December 2014 as compared with a profit of approximately RMB98.0 million for the year ended 31 December 2013 representing an increase of approximately 69.3%. The increase was mainly due to the increase in sales volume and processing volume of both our stainless steel and carbon steel processing business.

Capital Expenditure

In 2014, our capital expenditure consisted of additions of property, plant and equipment which amounted to approximately RMB525.8 million (2013: RMB437.8 million) and the additions of land use rights of approximately RMB53.8 million (2013: RMB34.9 million).

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 deposits, cash and cash equivalents, trade payables, other payables and borrowings denominated in foreign currencies, mainly United States Dollar, Euro, Hong Kong Dollar and Japanese Yen, 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 AND FINANCIAL RESOURCES

As at 31 December 2014, the bank loans of the Group amounted to approximately RMB1,942.3 million of which approximately RMB1,454.8 million were repayable within one year, notes payables amounted to approximately RMB1,317.4 million while the bank balances were approximately RMB928.2 million of which approximately RMB636.2 million were pledged mainly for the issuance of notes payable and letter of credit.

As at 31 December 2014, the Group recorded a net current liabilities of approximately RMB35.9 million mainly due to the use of short term borrowings to finance the Group's capital expenditure in the current year. According to our experience, the Group will be able to extend the short term borrowings when due and will not cause any going concern issue. The Group will also review and monitor its financing structure in the coming year.

The Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings less cash and cash equivalents. Total capital is calculated as total equity plus net debt. The gearing ratio as at 31 December 2014 and 2013 calculated on this basis was 45.13% and 44.05% respectively.

CORPORATE GOVERNANCE PRACTICES

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 (the "Listing Rules") throughout the year ended 31 December 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. Section headed "Chairman and Chief Executive Officer" explains the deviation. The Company adopted the CG Code as its own code of corporate governance.

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 year ended 31 December 2014.

BOARD OF DIRECTORS

Composition

The Board of Directors (the "Board") comprises 7 executive directors, 1 non-executive director and 4 independent non-executive directors. As at 31 December 2014, the Directors are as follows:

Executive directors:
Mr. Zhou Keming *(Chairman)*
Ms. Xu Xia
Mr. Zou Xiaoping
Mr. Tang Zhonghai
Mr. Kang In Soo
Dr. Fukui Tsutomu
Mr. Zhang Feng

Non-executive director:
Mr. Jiang Changhong

Independent non-executive directors:
Prof. Hua Min
Mr. Chen Xuedong
Mr. Cheuk Wa Pang
Mr. Lu Daming

The biographical details of the Directors are set out on pages 29 to 31 of this Annual Report. Save as Mr. Zhou Keming is the spouse of Ms. Xu Xia and Mr. Zhang Feng is a cousin of Mr. Zhou Keming, none of the members of the Board is related to one another.

The Company recognises and embraces the benefits of having a diverse Board to enhance the quality of its performance. In August 2013, the Board adopted a Board Diversity Policy which has been made available on the Company's website. Board diversity has been considered from a number of aspects, including but not limited to gender, age, cultural and educational background, or professional experience. All Board appointments are made on merit, in the content of the talents, skills and experience the Board as a whole requires to be effective.

BOARD MEETING

The Board meets regularly and board meetings are held at least four times a year at approximately quarterly intervals. All the Directors are given opportunities to include matter in the agenda for regular board meetings. Notices of regular board meetings are given to all Directors at least 14 days before the meeting. For all other board meetings, reasonable notice will be given. The company secretary of the Company is responsible to take and keep minutes of all board meetings and committee meetings. Draft minutes are normally circulated to Directors for comment within a reasonable time after each meeting and the final signed version is sent to all Directors for their records and is opened for Directors' inspection.

Eight board meetings had been held in the financial year ended 31 December 2014. The individual attendance record of each director at the meetings of the Board is set out below:

	No. of meeting attended/ No. of meeting held	Attendance rate
Executive Directors		
Mr. Zhou Keming *(Chairman)*	8/8	100%
Ms. Xu Xia	8/8	100%
Mr. Zou Xiaoping	8/8	100%
Mr. Tang Zhonghai	8/8	100%
Mr. Kang In Soo	8/8	100%
Dr. Fukui Tsutomu	2/2[(a)]	100%
Mr. Zhang Feng	1/2[(b)]	50%
Non-executive Director		
Mr. Jiang Changhong	8/8	100%
Independent non-executive Directors		
Prof. Hua Min	7/8	87.5%
Mr. Chen Xuedong	7/8	87.5%
Mr. Cheuk Wa Pang	8/8	100%
Mr. Lu Daming	3/3[(c)]	100%

(a) Dr. Fukui Tsutomu was appointed as an executive director with effect from 15 October 2014.

(b) Mr. Zhang Feng was appointed as an executive director with effect from 15 October 2014.

(c) Mr. Lu Daming was appointed as an independent non-executive director with effect from 21 August 2014.

During the year, a meeting of the chairman of the Board (the "Chairman") and the non-executive directors (including independent non-executive directors) without the presence of other executive directors and the management was held to discuss and review the performance of the executive directors and the management.

DIRECTORS' CONTINUING PROFESSIONAL DEVELOPMENT

To ensure all Directors' contributions to the Board remain informed and relevant, all Directors had participated in continuous professional development to develop and refresh their knowledge and skills.

During the year, the Company had organised a training seminar relating to Equity Securities – Notifiable Transactions and Connected Transactions. Eight out of nine directors as at the date of training*, namely Mr. Zhou Keming, Ms. Xu Xia, Mr. Zou Xiaoping, Mr. Tang Zhonghai, Mr. Kang In Soo, Mr. Jiang Changhong, Prof. Hua Min and Mr. Cheuk Wa Pang attended the training seminar. The remaining director, Mr. Chen Xuedong, participated in other courses to update his knowledge in his focused professional area. And, the three newly appointed directors, namely Mr. Lu Daming, Dr. Fukui Tsutomu and Mr. Zhang Feng attended directors' induction course relating to continuing responsibilities of a company listed on the main board of the Stock Exchange of Hong Kong Limited.

All Directors had provided their training records for the year 2014 to the Company.

Furthermore, each newly appointed director is provided with necessary induction and information to ensure that he/she has a proper understanding of his/her responsibilities under the relevant laws, rules, codes and regulations.

* Mr. Lu Daming, Dr. Fukui Tsutomu and Mr. Zhang Feng were appointed as directors after the training seminar held on 23 May 2014.

MONTHLY MANAGEMENT REPORTS

Management provided all members of the Board with monthly management reports including monthly financial and operating updates, proposed projects and latest development of the Group. Directors are able to review and assess the performance of the Group and be informed of the Group's latest development through the monthly management reports.

DIRECTORS AND OFFICERS LIABILITY INSURANCE

The Company has arranged appropriate directors and officers liability insurance in respect of legal action against the Directors.

BOARD OPERATIONS

The Board is accountable to the shareholders and has responsibility for strategic leadership, directing and overseeing all major matters of the Group. Day-to-day management, administration and operation of the Group are delegated to senior management or the officer in charge of each division and they are required to report to the Board. Some key decisions, however, were taken by the Board, including but not limited to:

- The Group's strategy and management
- Corporate structure and capital
- Financial reporting and controls
- Internal controls
- Agreements/business transactions/financial commitment
- Shareholders communication
- Board membership and senior management appointments
- Remuneration
- Corporate governance matters
- Board policies

Directors and senior management hold regular meetings to ensure the strategies and policies set out by the Directors are implemented effectively. The Board has also delegated some of its functions to the board committees, details of which are set out in sub-sections headed "Remuneration Committee", "Nomination Committee" and "Audit Committee".

CORPORATE GOVERNANCE FUNCTIONS

The Board is responsible for performing the corporate governance functions of the Company. A summary of the work performed by the Board relating to corporate governance functions is listed below:

- reviewed the Company's corporate governance policy and practices on corporate governance;
- reviewed, monitored and arranged training and continuous professional development of Directors and senior management;
- reviewed and monitored the Company's policies and practices on compliance with legal and regulatory requirements;
- reviewed the code of conduct applicable to the Directors; and
- reviewed the Company's compliance with the CG Code and disclosure in the Corporate Governance Report.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

Under CG Code provision A.2.1, 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.

Mr. Zhou is the founder of the Group and has extensive knowledge in the stainless steel industry. Having considered the current development of the Group and be responsive to the fast and myriad changes in the business environment, the Board believes that vesting the dual roles in the same person provides the Company with strong and consistent leadership in the development and execution of long term business strategies. In addition, there is a general manager in each of our Wuxi, Wuhan, Hangzhou, Tianjin and Taiyuan offices to assist the chief executive officer to manage the daily operations of the respective processing centres.

Furthermore, each business operating unit has one or more executive directors or senior officers responsible for implementing the policies and strategies set out by the Board in order to ensure the smooth day-to-day management of the Group.

With the above reasons, 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 chief executive of the Company. The Board would nevertheless review this arrangement from time to time in light of prevailing circumstances.

NON-EXECUTIVE DIRECTOR

The terms of office of the non-executive director and independent non-executive directors have been fixed for a specific term for three years. They are subject to retirement by rotation and re-election at the Company's Annual General Meeting ("AGM") in accordance with the Articles of Association of the Company.

INDEPENDENT NON-EXECUTIVE DIRECTORS

The independent non-executive directors ("INEDs") bring independent views on the Group's business strategy, results and management so that interests of shareholders, employees and stakeholders can be taken into account, and the interests of the Company and its shareholders can be protected.

The Board met the requirements of the Listing Rules in relation to the appointment of at least three INEDs with at least one independent non-executive director ("INED") possessing appropriate professional accounting qualifications, or accounting, or related financial management expertise. Also, the Board comprises four INEDs representing one-third of the Board.

The Company has received, from each of the INEDs, an annual confirmation of his independence pursuant to Rule 3.13 of the Listing Rules. The Company considers that all of the INEDs are independent in accordance with the guidelines set out in the Listing Rules.

BOARD COMMITTEES

The Board has set up three Board Committees, namely, the Remuneration Committee, the Nomination Committee and the Audit Committee, for overseeing particular aspects of the Company's affairs.

REMUNERATION COMMITTEE

The Remuneration Committee was established on 9 November 2010 with written terms of reference in compliance with the CG Code. The terms of reference of the Remuneration Committee are available on the Company's website. The primary duties of the Remuneration Committee are to make recommendations to the Board on the remuneration policies and structure of the remuneration for the Directors and senior management and to set up formal and transparent procedures for determination of such remuneration policies. The Remuneration Committee comprises the four INEDs, namely, Mr. Cheuk Wa Pang, Prof. Hua Min, Mr. Chen Xuedong and Mr. Lu Daming and an executive Director, Mr. Zou Xiaoping. Mr. Cheuk Wa Pang is the chairman of the Remuneration Committee.

The Remuneration Committee refers to the below policies when determining the remuneration of Directors:

1. No director or any of his/her associates is involved in deciding his/her own remuneration;

2. Remuneration levels should be sufficient to attract and retain directors to run the Company successfully but without paying more than necessary; and

3. Remuneration should reflect performance, complexity and responsibility.

The Remuneration Committee held two meetings during the financial year ended 31 December 2014.

The following is an attendance record of the meetings held by the Remuneration Committee for the financial year:

Name of Remuneration Committee Members	No. of meeting attended/ No. of meeting held	Attendance rate
Mr. Cheuk Wa Pang *(Chairman)*	2/2	100%
Prof. Hua Min	2/2	100%
Mr. Chen Xuedong	2/2	100%
Mr. Zou Xiaoping	2/2	100%
Mr. Lu Daming	2/2	100%

A summary of the work performed by the Remuneration Committee during the financial year is listed below:

(1) Reviewed the remuneration policy of the Company and determined the remuneration packages for the Board and senior management;

(2) Reviewed the Company's share option scheme and share award scheme;

(3) Reviewed the level of remuneration for non-executive director and INEDs. Ensured the remunerations are linked to their level of responsibilities, undertaken and contribution in terms of time commitment to the effective functioning of the Board; and

(4) Reviewed the performance of the executive directors, chief executive officer and key senior management officers and recommended to the Board specific adjustments in remuneration.

The 2014 annual salary review had been noted and reviewed by the members of the Remuneration Committee.

NOMINATION COMMITTEE

The Nomination Committee was established on 9 November 2010 with written terms of reference in compliance with the CG Code. The terms of reference of the Nomination Committee are available on the Company's website. The primary duty of the Nomination Committee is to make recommendations to the Board on the appointment of directors and senior management. The Nomination Committee comprises the four INEDs, namely, Mr. Cheuk Wa Pang, Prof. Hua Min, Mr. Chen Xuedong and Mr. Lu Daming and an executive Director, Mr. Zou Xiaoping. Mr. Cheuk Wa Pang is the chairman of the Nomination Committee.

Appointments of directors are considered by the Nomination Committee initially before putting the recommendations to the full Board for decision. All Directors are subject to election by shareholders at the AGM in their first year of appointment.

The Nomination Committee held three meetings during the financial year ended 31 December 2014. The following is an attendance record of the meetings held by the Nomination Committee for the financial year:

Name of Nomination Committee Members	No. of meeting attended/ No. of meeting held	Attendance rate
Mr. Cheuk Wa Pang *(Chairman)*	3/3	100%
Prof. Hua Min	2/3	66.67%
Mr. Chen Xuedong	3/3	100%
Mr. Zou Xiaoping	3/3	100%
Mr. Lu Daming	1/1[d]	100%

[d] Mr. Lu Daming was appointed as a member of the Nomination Committee with effect from 21 August 2014.

A summary of the work performed by the Nomination Committee during the financial year is listed below:

(1) Nomination of Mr. Lu Daming as an INED with effect from 21 August 2014;

(2) Nominations of Dr. Fukui Tsutomu and Mr. Zhang Feng as executive directors with effect from 15 October 2014;

(3) Reviewed the independence of all INEDs;

(4) Reviewed the structure, size and composition of the Board, as well as the skills, knowledge and qualifications of the Directors; and

(5) Recommended to the Board for endorsement on the re-election of the retiring Directors.

AUDIT COMMITTEE

The Audit Committee was established by the Board on 9 November 2010 with written terms of reference in compliance with the CG Code. The terms of reference of the Audit Committee are available on the Company's website. The Audit Committee comprises the four INEDs, namely Mr. Cheuk Wa Pang, Prof. Hua Min, Mr. Chen Xuedong and Mr. Lu Daming. Mr. Cheuk Wa Pang is the chairman of the Audit Committee.

The Audit Committee is responsible for reviewing and supervising the financial reporting process, the system of internal controls and risk management. It is also responsible for reviewing the terms of engagement of the Company's auditor as well as their independence.

The Audit Committee held three meetings during the financial year ended 31 December 2014. The following is an attendance record of the meetings held by the Audit Committee for the financial year:

Name of Audit Committee Members	No. of meeting attended/ No. of meeting held	Attendance rate
Mr. Cheuk Wa Pang *(Chairman)*	3/3	100%
Prof. Hua Min	2/3	66.67%
Mr. Chen Xuedong	3/3	100%
Mr. Lu Daming	1/1[e]	100%

[e] Mr. Lu Daming was appointed as a member of the Audit Committee with effect from 21 August 2014.

A summary of the work performed by the Audit Committee during the financial year is listed below:

(1) Reviewed the Group's 2014 interim financial results;

(2) Reviewed the Group's 2014 final results and recommended to the Board the re-appointment of PricewaterhouseCoopers as the Company's auditor (the "Auditor") for the financial year ending 31 December 2015 at the forthcoming AGM of the Company;

(3) Reviewed the results of the audit on the continuing connected transactions;

(4) Granted authorisation of non-audit services for which the Auditor provided;

(5) Reviewed the Group's internal control and risk management functions; and

(6) Reviewed the Group's financial and accounting policies and practices with the Auditor.

AUDITOR'S REMUNERATION

During the year ended 31 December 2014, the remuneration paid or payable by the Company and its subsidiaries to the Auditor, PricewaterhouseCoopers in respect of their audit and non-audit services were as follows:

Type of services	Fees paid/payable
Audit services	RMB2,800,000
Non-audit services	HK$24,800

The amount for 2014 non-audit services comprised tax-related services fee for the Company and its subsidiaries operating in Hong Kong. The Audit Committee considered that the non-audit services in 2014 did not impair the independence of the Auditor.

COMPANY SECRETARY

Mr. Leung Man Fai has been appointed as company secretary of the Company since 2007. He has complied with Rule 3.29 of the Listing Rules in relation to professional training for the year ended 31 December 2014.

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The Directors acknowledge their responsibilities for the preparation of the consolidated financial statements that give a true and fair view of the Group for the year ended 31 December 2014.

The reporting responsibilities of the Auditor on the consolidated financial statements of the Group are set out in the "Independent Auditor's Report" in this annual report.

SHAREHOLDER RIGHTS

There are no provisions allowing shareholders to propose new resolutions at the general meetings under the Cayman Islands Companies Law (2013 Revision). However, pursuant to the Company's Articles of Association, an Extraordinary General Meeting (the "EGM") can be convened by any one or more shareholders holding at the date of deposit of the requisition not less than one-tenth of the paid up capital of the Company carrying the right of voting at general meetings of the Company shall at all times have the right, by written requisition to the Board or the secretary of the Company at our principal place of business in Hong Kong at Unit 1007, Central Plaza, 18 Harbour Road, Wanchai, Hong Kong, to require an EGM to be called by the Board for the transaction of any business specified in such requisition.

Shareholders who wish to put forward proposals at shareholders' meetings may follow the procedures set out in the preceding paragraph. Shareholders may put their enquiries to the Board by contacting the Company Secretary by the following method:

The Company Secretary
Da Ming International Holdings Limited

Address	:	Unit 1007, Central Plaza 18 Harbour Road Wanchai, Hong Kong
Telephone	:	(852) 2511 0744
Facsimile	:	(852) 2511 4700
Email	:	info@jsdmss.com

Shareholders may also direct their enquiries at the general meeting of the Company. Detailed procedures for shareholders to propose a person for election as a director are available on the Company's website www.dmssc.net or on request to the Company Secretary.

INVESTOR RELATIONS

The Board understands the importance of maintaining an on-going dialogue with shareholders and in particular, uses AGM or other general meetings to communicate with shareholders and encourage their participation. Notice of AGM will be sent to shareholders at least 20 clear business days before the meeting and for other general meetings, notice of the meeting will be sent at least 10 clear business days before the meeting.

The 2014 AGM was held on 23 May 2014 at Regal Hongkong Hotel. The related notice and circular have been sent to shareholders in accordance with the applicable rules and regulations. Chairman of the Board and the chairman of the Audit, Remuneration and Nomination Committees attended the 2014 AGM. In order to ensure shareholders are familiar with the detailed procedures for conducting a poll, an explanation has been given by the Chairman at the commencement of the meeting. The results of the poll have been published on the websites of the Company and Hong Kong Exchanges and Clearing Limited. In respect of each substantially separate issue at a general meeting, a separate resolution will be proposed by the Chairman of that meeting.

There is no change in the Company's constitutional documents during the year ended 31 December 2014. A consolidation version of the Company's Memorandum and Articles of Association, Shareholder Communication Policy and Procedures for Shareholders' to Propose a Person for Election as a Director are available on the Company's website.

The Company's announcements, circulars and other information are also available on the Company's website www.dmssc.net.

INTERNAL CONTROL

To safeguard the shareholders' investment and the Company's assets, the Board is aware of the importance of maintaining sound and effective internal controls systems. The management conducted review on financial, operation, and compliance controls as well as risk management from time to time and report to the Audit Committee. Audit Committee also oversaw the Group's financial reporting system, internal control procedures and risk management function during the year 2014 and reported to the Board. The Board considered the procedures of internal controls and the risk management systems have been implemented effectively.

EXECUTIVE DIRECTORS

Mr. Zhou Keming, aged 45, was appointed as an executive director on 14 February 2007. He is also the chairman of the Board of the Company and the chief executive officer of the Group. Mr. Zhou is one of the founders of the Group and is responsible for the Group's overall business strategy. He has extensive experience in the steel industry. Mr. Zhou was qualified as a senior economist in 2007 by the Appraisal Committee for Senior Economic Technical Qualification of Jiangsu. He is the husband of Ms. Xu Xia and a cousin of Mr. Zhang Feng, both are executive directors of the Company.

Ms. Xu Xia, aged 40, was appointed as an executive director on 14 February 2007. She is one of the founders and assist and advise on business operation and administration of the Group. Ms. Xu has extensive sales and business development experience in the steel industry. She graduated from China Textile University (currently known as Donghua University) in 1995 with a diploma in Trading Operation. She is the wife of Mr. Zhou Keming, the chairman and a director and a substantial shareholder of the Company.

Mr. Zou Xiaoping, aged 50, was appointed as an executive director on 9 March 2007. Mr. Zou joined the Group in 2002 and is responsible for the Group's overall management, administration and operation. Prior to joining the Group, Mr. Zou worked at Local Tax Bureau, Qianzhou Town, Xishan District from 1986 to 2002 on taxation matters and was granted a certificate for having undergone the in-service taxation training offered to the civil servants in 2000, when serving as the assistant to the head of the Bureau. Mr. Zou has extensive experience in taxation and corporate management. He graduated from Correspondence Institute of the Party School of the Central Committee of the Chinese Communist Party with a Bachelor of Laws degree in 2004 and obtained a Master of Business Administration degree from Asia International Open University (Macau) (currently known as City University of Macau) in 2005.

Mr. Tang Zhonghai, aged 56, was appointed as an executive director on 3 July 2010. Mr. Tang joined the Group in 2003 and is responsible for the management of stainless steel processing and manufacturing technology as well as the operation of the Group. Prior to joining the Group, Mr. Tang was the deputy factory director of Jiangmen City Rixin Stainless Steel Material Factory Co., Ltd. from 1993 to 2001. He has extensive experience in the steel industry. Mr. Tang graduated from Rocket and Missile Discipline of Eastern China Engineering Institute (currently known as Nanjing University of Science and Technology) in 1982. He was qualified as a mechanical engineer in 1988 by National Machinery Industry Committee and a senior economist in 2007 by the Appraisal Committee for Senior Economic Technical Qualification of Jiangsu.

Mr. Kang In Soo, aged 56, was appointed as an executive director on 22 March 2012. Mr. Kang is currently the general manager of Tianjin Taigang Daming Metal Product Co., Ltd. ("Tianjin Taigang Daming"), which is held as to 91% by the Group. He was the vice president of the sales department of Zhangjiagang Pohang Stainless Steel Co., Ltd., one of the Group's key suppliers and an independent third party, from April 2008 to August 2010 and the manager of its sales department from April 2002 to March 2008. Mr. Kang worked in various departments of POSCO from January 1984 to March 2002. Mr. Kang has extensive experience in the stainless steel industry. He graduated from Han Yang University of Korea majoring in Science of Public Administration in February 1981.

Profile of Directors and Senior Management

Dr. Fukui Tsutomu, aged 54, was appointed as an executive director on 15 October 2014. Dr. Fukui is currently a director and the general manager of Jiangsu Daming Metal Products Co., Ltd., a wholly-owned subsidiary of the Company. Prior to joining the Group, Dr. Fukui was the managing director of Nippon Yakin Shanghai Co., Ltd. He has extensive experience in the steel industry. Dr. Fukui graduated from Nanjing University with a bachelor degree in Catalytic Chemistry in 1982 and obtained a Doctoral degree in Engineering from Tokyo Institute of Technology in 1991, majoring in Materials Science and Engineering.

Mr. Zhang Feng, aged 38, was appointed as an executive director on 15 October 2014. Mr. Zhang is currently the marketing director of the Group, the president of Hangzhou Wanzhou Metal Products Co., Ltd., a company owned as to 95% by the Compnay and the general manager of Jiangsu Daming Allybest Trading Co., Ltd., a wholly-owned subsidiary of the Company. Mr. Zhang is a cousin of Mr. Zhou Keming, the chairman and a director and a substantial shareholder of the Company.

NON-EXECUTIVE DIRECTOR

Mr. Jiang Changhong, aged 51, was appointed as a non-executive director on 26 July 2010. He was the manager of the sales department of Shanxi Taigang Stainless Steel Co., Ltd. ("STSS"), one of the Group's key suppliers. He is currently the minister of planning and development department and the minister of new materials business management department of Taiyuan Iron & Steel (Group) Co., Ltd. (a holding company of STSS). He has extensive experience in the steel industry. Mr. Jiang graduated from Beijing Steel and Iron Institute (currently known as University of Science and Technology Beijing) with a Bachelor of Engineering degree in Computer Science in 1986. He further obtained a Master of Engineering degree in Computer Application in 1992. Mr. Jiang was accredited by department of Human Resources, Shanxi Province in 1997 as a senior engineer.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Professor Hua Min, aged 64, was appointed as an independent non-executive director on 20 March 2007. He is a professor and doctoral candidates adviser and has taught and conducted research in world economics, China economics and finance at Fudan University since 1990. Currently he is the chairman of the Institute of World Economy of Fudan University and chief of the Academic Committee of School of Economics of Fudan University. He has extensive experience in economics. Professor Hua graduated from Fudan University with a Bachelor degree in Political Economics in 1982 and obtained a Doctoral degree in Economics from Fudan University in 1993. Since 2004, Professor Hua has also been an independent non-executive director and a member of the audit committee of Shanghai International Shanghai Growth Investment Limited (stock code: 770), the shares of which are listed on the Main Board of The Stock Exchange of Hong Kong Limited.

Mr. Chen Xuedong, aged 50, was appointed as an independent non-executive director on 3 July 2010. He is currently the head of research department and the head of research institute of Hefei General Machinery Research Institute and has been serving as the party secretary of the same institute since 2009. Mr. Chen has attained the qualification of professor level senior engineer in 1999 and was qualified as a researcher in 2002. Since 2003, Mr. Chen has served as head of National Safety Engineering Technology Research Centre for Pressure Vessels and Pipelines. Mr. Chen graduated from Zhejiang University with a Bachelor degree in Chemical Engineering in 1986. He then obtained a Master degree and Doctoral degree in Chemical Engineering at Zhejiang University in 1995 and 2004, respectively. Mr. Chen has extensive experience in engineering.

Mr. Cheuk Wa Pang, aged 50, was appointed as an independent non-executive director on 20 March 2007. Mr. Cheuk has been the chief financial officer, the qualified accountants and the company secretary of Lee Kee Holdings Limited (stock code: 637), the shares of which are listed on the main board of The Stock Exchange of Hong Kong Limited. Mr. Cheuk has extensive experience in accounting and auditing. Mr. Cheuk holds a Bachelor of Science degree in Engineering from the University of Hong Kong, a Master degree in Applied Finance and a Master degree in Business Administration from Macquarie University in Australia. Mr. Cheuk is a fellow member of the Association of Chartered Certified Accountants and a certified public accountant of the Hong Kong Institute of Certified Public Accountants. He is also a member of the Institute of Chartered Accountants of England and Wales.

Mr. Lu Daming, aged 61, was the dean of Hoisting and Conveying Machinery Design Institute Beijing. He obtained his qualification as a research level senior engineer from the People's Republic of China Machinery Industry Department in 1996. He is also a state registered facility supervising engineer and a state registered consulting engineer (investment) of the People's Republic of China.

SENIOR MANAGEMENT

Mr. Leung Man Fai, aged 50, joined the Group in 2007 as the chief financial officer and company secretary of the Group. Mr. Leung has extensive experience in accounting and finance. Before joining the Group, Mr. Leung served as a financial controller and company secretary of a private company during 2003 to 2006. From 1996 to 2003, he served various roles including financial controller, company secretary and finance manager in several listed companies within the ITC Corporation (stock code: 372), the shares of which are listed on main board of The Stock Exchange of Hong Kong Limited. He also worked as a senior accountant during 1992 to 1996 in Hopewell Holdings Limited (stock code: 54), the shares of which are listed on main board of The Stock Exchange of Hong Kong Limited. Mr. Leung received a Bachelor of Arts degree in Accountancy from the City University of Hong Kong. He is a fellow member of the Hong Kong Institute of Certified Public Accountants and a fellow member of the Association of Chartered Certified Accountants.

The Directors are pleased to present to the shareholders their report together with the audited consolidated financial statements of the Group for the year ended 31 December 2014.

PRINCIPAL ACTIVITIES AND ANALYSIS OF OPERATIONS

The principal activity of the Group is engaged in processing, distribution and sale of stainless steel and carbon steel products.

An analysis of the Group's performance for the year by operating segment is set out in Note 24 to the consolidated financial statements.

RESULTS

The results of the Group for the year ended 31 December 2014 are set out in the consolidated comprehensive income statement on page 49.

DIVIDENDS

The Board has resolved to recommend the payment of a final dividend of HK$0.02 per share, totalling HK$20,750,000 to shareholders whose names appear on the register of members of the Company on 10 June 2015. The proposed dividend will be paid on 19 June 2015 subject to the approval of the shareholders at the forthcoming AGM of the Company.

RESERVES

Movements in the reserves of the Group and of the Company during the year are set out in Note 18 to the consolidated financial statements.

DISTRIBUTABLE RESERVES

As of 31 December 2014, our reserves available for distribution, calculated in accordance with the Companies Law (2013 Revision) of the Cayman Islands amounted to RMB1,277.5 million.

PROPERTY, PLANT AND EQUIPMENT

Details of the movements in property, plant and equipment of the Group are set out in Note 6 to the consolidated financial statements.

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 year ended 31 December 2014.

PRINCIPAL PROPERTIES

Details of the principal properties held for investment purposes are set out in Note 7 to the consolidated financial statements.

SHARE CAPITAL

Details of the movements in share capital of the Group and the Company are set out in Note 17 to the consolidated financial statements.

MAJOR CUSTOMERS AND SUPPLIERS

During the year, the Group sold less than 30% of its goods and services to its five largest customers. The five largest suppliers accounted for approximately 80.6% of the Group's total purchases for the year and the largest supplier accounted for approximately 33.2% of the Group's total purchases.

None of the Directors, their associates or any shareholder (which to the knowledge of the Directors owns more than 5% of the Company's share capital) had an interest in these major customers or suppliers.

BORROWINGS

Particulars of borrowings of the Group are set out in Note 22 to the consolidated financial statements.

FIVE-YEAR SUMMARY

A summary of the Group's results, assets, liabilities for the last five years is set out in the section headed "Financial summary" on page 134.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's Articles of Association (the "Article") or the laws of the Cayman Islands, being the jurisdiction in which the Company was incorporated, which would oblige the Company to offer new shares on a pro rata basis to existing shareholders of the Company.

SHARE OPTION SCHEME

The Company adopted a share option scheme on 9 November 2010. The major terms of the share option scheme are as follows:

The purpose of the share option scheme is to attract, retain and motivate talented Participants (as defined below) and to strive for future developments and expansion of our Group. The share option scheme shall be an incentive to encourage the Participants to perform their best in achieving the goals of our Group and allow the Participants to enjoy the results of our Company attained through their efforts and contributions.

Eligible Participants of the share option scheme include: (i) any executive or non-executive director including any independent non-executive director or any employee (whether full-time or part-time) of any member of our Group; (ii) any trustee of a trust (whether family, discretionary or otherwise) whose beneficiaries or objects include any employee or business associate of our Group; (iii) any consultant (in the area of legal, technical, financial or corporate management) and other adviser to any member of our Group; (iv) any provider of goods and/or services to our Group; and (v) any other person who the Board considers, in its sole discretion, have contributed to our Group.

The total number of shares which may be issued upon exercise of all options to be granted under the share option scheme shall not in aggregate exceed 100,000,000 shares of the Company, being 10% of the shares in issue as at the date of listing of the shares, unless shareholders' approval has been obtained, and which must not in aggregate exceed 30% of the shares of the Company in issue from time to time. The total number of shares issued and to be issued upon the exercise of the options granted to or to be granted to each Participant under the share option scheme in any 12-month period shall not exceed 1% of the shares of the Company in issue.

The exercise price for the shares under the share option scheme shall be such price as the Board may in its absolute discretion determine at the time of grant of the option but the subscription price shall not be less than the highest of (i) the closing price of the Company's shares as stated in the daily quotation sheets of the Stock Exchange of Hong Kong Limited (the "Stock Exchange") on the date of the Board approving the grant of an option, which must be a business day ("Offer Date"); (ii) the average closing price of the Company's shares as stated in the daily quotation sheets of the Stock Exchange for the five business days immediately preceding the Offer Date; and (iii) the nominal value of the Company's shares. The share option scheme will remain valid and effective for a period of 10 years from 9 November 2010 and the share options granted have a 10-year exercise period.

As at 31 December 2014, there were a total of 22,250,000 outstanding share options granted to directors and certain employees of the Group. These options are conditional on the director or employees completing three to five years' service. Details of which are as follows:

Name or category of participant	Date of grant	Exercise price (HK$)	Number of share options: As at 1 January 2014	Granted during the year	Exercised during the year	Cancelled/ lapsed during the year	As at 31 December 2014	Exercise period
Director								
Mr. Tang Zhonghai	21 December 2010	2.452	600,000	–	–	–	600,000	21 December 2013 to 20 December 2020
Mr. Kang In Soo	23 December 2014	2.364	–	400,000	–	–	400,000	23 December 2017 to 22 December 2024
Dr. Fukui Tsutomu	23 December 2014	2.364	–	500,000	–	–	500,000	23 December 2017 to 22 December 2024
Mr. Zhang Feng	23 December 2014	2.364	–	100,000	–	–	100,000	23 December 2017 to 22 December 2024
Other employees in aggregate	21 December 2010	2.452	4,900,000	–	–	–	4,900,000	21 December 2013 to 20 December 2020
	23 December 2014	2.364	–	15,750,000	–	–	15,750,000	23 December 2017 to 22 December 2024
Total			5,500,000	16,750,000	–	–	22,250,000	

Details of the valuation of share options during the year are set out in Note 19 to the consolidated financial statements.

SHARE AWARD SCHEME

The Company adopted a share award scheme on 25 August 2011. The major terms of the share award scheme are as follows:

The purpose of the share award scheme is to encourage and retain Selected Employees (including any directors, as defined below) to work with our Group and to provide incentive for them to achieve performance goals with a view to achieving the objectives of increasing the value of our Group and aligning the interests of the Selected Employees directly to the shareholders of the Company through ownership of shares.

Selected Employees include employees selected by the Remuneration Committee (after taking into consideration recommendations and suggestions made by the Chairman) and approved by the Board pursuant to the share award scheme rules and employees selected by the trustee after having taken into consideration recommendations made by the Chairman, considered and consented to by the Remuneration Committee and approved by the Board pursuant to the share award scheme rules for participation in the share award scheme.

Subject to any early termination in accordance with the share award scheme rules, the share award scheme shall be valid and effective for a period commencing on 25 August 2011 and ending on a date to be determined by the Board (both dates inclusive), after which no further award will be made but the provisions of the share award scheme shall remain in full force and effect to the extent necessary to give effect to any awards granted prior thereto.

Shares will be acquired by an independent trustee at the cost of the Company and be held in trust for the awarded persons until the end of each vesting period. Where any award is proposed to be made to any Selected Employee who is a director, supervisor or senior management of any member of the Group, or where the Board proposes to waive any conditions imposed on any award made to such Selected Employee, such award or waiver (as the case may be) must first be considered and approved by the Remuneration Committee and by the Board. Where a Selected Employee or his associate (within the meaning of the Listing Rule) is a director, such person shall abstain from voting on any approval by the Remuneration Committee and the Board of an award to such Selected Employee.

During the year, a total of 11,740,000 Awarded Shares were granted to directors and selected employees of the Group. Details of the movements in the Share Award Schemes during the year are set out in Note 19 to the consolidated financial statements. As at 31 December 2014, the independent trustee holds 8,640,000 shares of the Company for the share award scheme.

As at 31 December 2014, there were a total of 2,100,000 and 9,640,000 outstanding Awarded Shares granted to the directors and employees of the Company respectively, details of which are as follows:

		Number of Awarded Shares				
Name of directors	Date of grant	As at 1 January 2014	Granted during the year	Vested during the year	As at 31 December 2014	Vesting period
Mr. Tang Zhonghai	15 October 2014	–	1,500,000	600,000	900,000	31 October 2014 to 31 October 2016
Mr. Zhang Feng	15 October 2014	–	600,000	240,000	360,000	31 October 2014 to 31 October 2016
Other employees in aggregate	15 October 2014	–	9,640,000	3,856,000	5,784,000	31 October 2014 to 31 October 2016

CONTINUING CONNECTED TRANSACTIONS

Pursuant to the framework agreement entered into between Jiangsu Daming Metal Products Company Limited ("Jiangsu Daming") and Shanxi Taigang Stainless Steel Co., Ltd. ("STSS") and its subsidiaries on 16 November 2011, Jiangsu Daming agrees to purchase, and STSS agrees to supply stainless steel to the Group. For the year ended 31 December 2014, RMB6,277.47 million was paid by the Group to STSS for the supply of 592,273 tonnes of stainless steel, not exceeding the proposed cap of RMB21,600 million. Details of the above transactions were disclosed in the announcement of the Company dated 16 November 2011.

The above continuing connected transactions have been reviewed by the INEDs of the Company who have confirmed that the transactions have been entered into:

(1) in the ordinary and usual course of business of the Group;

(2) on normal commercial terms; and

(3) in accordance with the relevant agreements governing them on terms that are fair and reasonable and in the interest of the shareholders of the Company as a whole.

The Auditor was engaged to report on the Group's continuing connected transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants.

The Auditor has issued an unqualified letter containing the findings and conclusions in respect of the above continuing connected transactions in accordance with Rule 14A.56 of the Listing Rules.

As the aforesaid framework agreement expired on 31 December 2014. On 29 December 2014, Jiangsu Daming and STSS entered into the New Framework Agreement in relation to the ongoing supply of stainless steel and carbon steel by STSS to the Group during the period from 1 January 2015 to 31 December 2017 ("New Framework Agreement"). Details of the New Framework Agreement were disclosed in the announcement of the Company dated 29 December 2014.

DIRECTORS

The Directors during the year and up to the date of this report were:

Executive Directors

Zhou Keming *(Chairman)*
Xu Xia
Zou Xiaoping
Tang Zhonghai
Kang In Soo
Fukui Tsutomu (appointed on 15 October 2014)
Zhang Feng (appointed on 15 October 2014)

Non-Executive Director

Jiang Changhong

Independent Non-Executive Directors

Cheuk Wa Pang
Hua Min
Chen Xuedong
Lu Daming (appointed on 21 August 2014)

In accordance with Article 84 of the Articles of Association of the Company, Ms. Xu Xia, Mr. Kang In Soo, Prof. Hua Min and Mr. Chen Xuedong will retire from office by rotation at the AGM. All the retiring directors, being eligible, offer themselves for re-election.

In accordance with Article 83.(3) of the Company's Articles of Association, Mr. Lu Daming, Dr. Fukui Tsutomu and Mr. Zhang Feng, were appointed as additional directors of the Company by the Board on 21 August 2014, 15 October 2014 and 15 October 2014 respectively, shall hold office until the date of the next following annual general meeting of the Company and shall then be eligible for re-election.

The biographical details of Directors are set out on pages 29 to 31 of this Annual Report.

DIRECTORS' SERVICE CONTRACTS

None of the directors who are proposed for re-election at the forthcoming AGM has a service contract with the Company which is not determinable within one year without payment of compensation, other than statutory compensation.

DIRECTORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

No contracts of significance in relation to the Group's business to which the Company or any of its subsidiaries was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at any time during the year.

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND/OR SHORT POSITIONS IN THE SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY OR ANY ASSOCIATED CORPORATION

As at 31 December 2014, the interests and short positions of each director and chief executive in the shares, underlying shares and debentures of the Company and its associated corporation (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")), as recorded in the register required to be kept by the Company under section 352 of Part XV of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code, were as follows:

(a) Long and short position in the shares and underlying shares of the Company

Name of Director	Nature of interests	Number of shares/ underlying shares held	% of issued share capital
Mr. Zhou Keming *(also Chief Executive Officer)*	Corporate (1)	737,209,000	71.06%
Ms. Xu Xia	Corporate (1)	737,209,000	71.06%
Mr. Zou Xiaoping	Family (2)	5,000,000	0.48%
Mr. Tang Zhonghai	Personal	2,100,000(3)	0.20%
Mr. Kang In Soo	Personal	400,000(4)	0.04%
Dr. Fukui Tsutomu	Personal and Family	1,366,000(5)	0.13%
Mr. Zhang Feng	Personal	2,000,000(6)	0.19%

(1) The shares are held by Ally Good Group Limited, which is owned as to 77.2% by Mr. Zhou Keming and 22.8% by Ms. Xu Xia.

(2) The shares are held by Mr. Zou Xiaoping's spouse, Ms. Li Jun.

(3) The interest comprises 600,000 shares, 600,000 underlying shares in respect of the share options granted pursuant to the share option scheme and 900,000 underlying shares in respect of the awarded shares granted pursuant to the share award scheme as disclosed under sections headed share option scheme and share award scheme.

(4) The interest represents the underlying shares in respect of the share options granted pursuant to the share option scheme as disclosed under section headed share option scheme.

(5) The interest comprises 866,000 shares held by Dr. Fukui Tsutomu's spouse, Ms. Mizuho Fukui and 500,000 underlying shares in respect of the share options granted to Dr. Fukui pursuant to the share option scheme as disclosed under section headed share option scheme.

(6) The interest comprises 1,240,000 shares, 400,000 underlying shares in respect of the share options granted pursuant to the share option scheme and 360,000 underlying shares in respect of the awarded shares granted pursuant to the share award scheme as disclosed under sections headed share option scheme and share award scheme.

(b) Long position in the shares in associated corporation(s)

Name of Director	Name of associated corporation (7)	Nature of interests	Number of shares held	% of issued share capital of associated corporation
Mr. Zhou Keming	Ally Good Group Limited	Personal (8)	1,000	100%
Ms. Xu Xia	Ally Good Group Limited	Personal (8)	1,000	100%

(7) As at 31 December 2014, Ally Good Group Limited is the holder of 71.06% of the issued share capital of the Company and is an associated corporation under SFO.

(8) 772 shares are held by Mr. Zhou Keming and 228 shares are held by Ms. Xu Xia. Ms. Xu Xia is the spouse of Mr. Zhou Keming.

Save as disclosed above, as at 31 December 2014, none of the directors or chief executive and their associates, had interests or short positions in any shares, underlying shares or debentures of the Company and its associated corporations which were recorded in the register required to be kept under section 352 of the SFO or notified to the Company and the Stock Exchange pursuant to the Model Code.

At no time during the year was the Company, its subsidiaries, its associated companies, its fellow subsidiaries or its parent company a party to any arrangement to enable the directors and chief executive of the Company (including their spouse and children under 18 years of age) to hold any interest or short positions in the shares or underlying shares in, or debenture of the Company or its associated corporation.

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND/OR SHORT POSITIONS IN THE SHARES AND UNDERLYING SHARES OF THE COMPANY

As at 31 December 2014, the interests or short positions of every person, other than a director or chief executive of the Company, in the shares and underlying shares of the Company as recorded in the register required to be kept under section 336 of the SFO, are set out below:

Aggregate long position in the shares and underlying shares of the Company

Name of Shareholder	Number of ordinary shares held	Approximate percentage of the Company's issued share capital
Long position		
Ally Good Group Limited	737,209,000[9]	71.06%

[9] As Ally Good Group Limited is owned as to 77.2% by Mr. Zhou Keming and 22.8% by Ms. Xu Xia, they have interest in these shares as disclosed under the previous section.

Save as disclosed above, no other parties were recorded in the register of the Company required to be kept under section 336 of the SFO as having interests or short positions in the shares or underlying shares of the Company as at 31 December 2014.

EMOLUMENT POLICY

Details of the Directors' emoluments and emoluments of the five highest paid individuals in the Group are set out in Note 29 to the consolidated financial statements.

The Group employed a total of 2,670 staffs as at 31 December 2014 (2013: 1,879). There was a 42.1% growth in our workforce in 2014 as compared with 2013. The increase in headcounts was due to the business expansion of the Group.

The remuneration of the Directors and employees was based on their performance, skills, knowledge, experiences and market trend. The remuneration committee reviews the remuneration policies and packages of the Group on a regular basis. In addition to basic salaries, employees may be offered with discretionary bonus on individual performance. The Group has also adopted share option scheme and share award scheme for its employees, providing incentives and rewards to eligible participants with reference to their contribution.

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or in existence during the year.

SUFFICIENCY OF PUBLIC FLOAT

Based on information that is publicly available to the Company and within the knowledge of the Directors, it is confirmed that there is sufficient public float of the Company's issued shares as at 25 March 2015.

CORPORATE GOVERNANCE

Details of the compliance by the Company with the Corporate Governance Code are set out on pages 17 to 28 of the Annual Report.

AUDIT COMMITTEE

The Audit Committee has discussed with the management and reviewed the audited consolidated financial statements of the Group for the year ended 31 December 2014 and considered that the Group has complied with all applicable accounting standards and requirements.

AUDITORS

The consolidated financial statements have been audited by PricewaterhouseCoopers who retire and, being eligible, offer themselves for re-appointment at the forthcoming AGM.

EVENTS AFTER THE END OF THE REPORTING PERIOD

During 7 January 2015 to 22 January 2015, Ally Good Group Limited, a substantial shareholder of the Company and a company owned as to 77.2% by Mr. Zhou Keming and 22.8% by Ms. Xu Xia, acquired 350,000 ordinary shares of the Company on Exchange. Therefore, the deemed interests of Mr. Zhou Keming and Ms. Xu Xia in the Company increased to approximately 71.09% as at 25 March 2015.

On 14 January 2015, Mr. Tang Zhonghai transferred 600,000 ordinary shares of the Company off Exchange. Therefore, the interest of Mr. Tang decreased to approximately 0.14% as at 25 March 2015.

Dr. Fukui Tsutomu was appointed as a director of Jiangsu Daming, a wholly-owned subsidiary of the Company with effect from 10 March 2015.

By Order of the Board,

Zhou Keming
Chairman
Hong Kong, 25 March 2015

Independent Auditor's Report

pwc 羅兵咸永道

To the shareholders of
Da Ming International Holdings Limited
(incorporated in the Cayman Islands with limited liability)

We have audited the consolidated financial statements of Da Ming International Holdings Limited (the "Company") and its subsidiaries (together, the "Group") set out on pages 46 to 133, which comprise the consolidated and company statements of financial position as at 31 December 2014, and the consolidated comprehensive income statement, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

PricewaterhouseCoopers, 22/F Prince's Building, Central, Hong Kong
T: +852 2289 8888, F: +852 2810 9888, www.pwchk.com

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2014, and of the Group's profit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 25 March 2015

Consolidated Statement of Financial Position

As at 31 December 2014

	Note	As at 31 December 2014 RMB'000	2013 RMB'000
ASSETS			
Non-current assets			
Land use rights	*5*	**253,203**	205,773
Property, plant and equipment	*6*	**2,267,301**	1,815,399
Investment properties	*7*	**8,221**	7,758
Intangible assets	*8*	**2,461**	2,202
Deferred income tax assets	*10*	**24,096**	18,739
Other non-current assets	*11*	**22,231**	75,149
		2,577,513	2,125,020
Current assets			
Inventories	*12*	**1,508,457**	1,525,969
Trade receivables	*13*	**248,328**	463,550
Prepayments, deposits and other receivables	*14*	**695,070**	581,425
Restricted bank deposits	*15*	**636,158**	458,992
Cash and cash equivalents	*16*	**292,054**	74,528
		3,380,067	3,104,464
Total assets		**5,957,580**	5,229,484
EQUITY AND LIABILITIES			
Equity attributable to equity holders of the Company			
Share capital	*17*	**89,215**	89,215
Reserves	*18*	**1,681,085**	1,519,675
		1,770,300	1,608,890
Non-controlling interests		**235,954**	144,068
Total equity		**2,006,254**	1,752,958

Consolidated Statement of Financial Position

As at 31 December 2014

	Note	As at 31 December 2014 RMB'000	2013 RMB'000
LIABILITIES			
Non-current liabilities			
Borrowings	*22*	**487,534**	346,150
Deferred government grants	*23*	**43,452**	25,140
Deferred income tax liabilities	*10*	**4,329**	2,606
		535,315	373,896
Current liabilities			
Trade payables	*20*	**1,543,748**	1,565,398
Accruals, advances from customers and other current liabilities	*21*	**381,237**	395,630
Current income tax liabilities		**33,505**	32,071
Borrowings	*22*	**1,454,796**	1,108,321
Current portion of deferred government grants	*23*	**2,725**	1,210
		3,416,011	3,102,630
Total liabilities		**3,951,326**	3,476,526
Total equity and liabilities		**5,957,580**	5,229,484
Net current (liabilities)/assets		**(35,944)**	1,834
Total assets less current liabilities		**2,541,569**	2,126,854

The notes on pages 52 to 133 are an integral part of these consolidated financial statements.

The financial statements were approved by the Board of Directors on 25 March 2015 and were signed on its behalf.

Zhou Keming	**Zou Xiaoping**
Director	*Director*

Company Statement of Financial Position

As at 31 December 2014

	Note	As at 31 December 2014 RMB'000	2013 RMB'000
ASSETS			
Non-current assets			
Investments in subsidiaries	*9(a)*	**926,678**	925,703
Due from subsidiaries	*9(b)*	**451,308**	441,093
		1,377,986	1,366,796
Current assets			
Prepayment, deposits and other receivables	*14*	**136**	172
Cash and cash equivalents	*16*	**238**	411
		374	583
Total assets		**1,378,360**	1,367,379
EQUITY AND LIABILITIES			
Equity attributable to equity holders of the Company			
Share capital	*17*	**89,215**	89,215
Reserves	*18*	**1,288,502**	1,277,812
Total equity		**1,377,717**	1,367,027
LIABILITIES			
Current liabilities			
Accruals and other payables	*21*	**643**	352
Total liabilities		**643**	352
Total equity and liabilities		**1,378,360**	1,367,379
Net current (liabilities)/assets		**(269)**	231
Total assets less current liabilities		**1,377,717**	1,367,027

The notes on pages 52 to 133 are an integral part of these financial statements.

The financial statements were approved by the Board of Directors on 25 March 2015 and were signed on its behalf.

Zhou Keming
Director

Zou Xiaoping
Director

Consolidated Comprehensive Income Statement

For the year ended 31 December 2014

	Note	Year ended 31 December 2014 RMB'000	2013 RMB'000
Revenue	24	**19,633,818**	15,121,182
Cost of sales	27	**(19,001,776)**	(14,679,816)
Gross profit		**632,042**	441,366
Other income	25	**22,814**	15,987
Other expenses	27	**(2,243)**	(1,421)
Other gain/(losses) – net	26	**2,279**	(2,498)
Distribution costs	27	**(139,111)**	(105,681)
Administrative expenses	27	**(180,004)**	(115,576)
Operating profit		**335,777**	232,177
Finance income	30	**17,461**	10,801
Finance costs	30	**(119,798)**	(102,642)
Finance costs – net	30	**(102,337)**	(91,841)
Profit before income tax		**233,440**	140,336
Income tax expense	31	**(67,552)**	(42,354)
Profit for the year		**165,888**	97,982
Total comprehensive income for the year		**165,888**	97,982
Attributable to:			
Equity holders of the Company		**165,807**	97,834
Non-controlling interests		**81**	148
		165,888	97,982
Earnings per share for profit attributable to equity holders of the Company during the year (expressed in RMB per share)			
– Basic earnings per share	32	**0.16**	0.09
– Diluted earnings per share	32	**0.16**	0.09

The notes on pages 52 to 133 are an integral part of these consolidated financial statements.

Dividends	33	**16,370**	16,314

Consolidated Statement of Changes in Equity

For the year ended 31 December 2014

	Attributable to equity holders of the Company		Non-controlling interests	Total equity
	Share Capital *(Note 17)* *RMB'000*	**Reserves** *(Note 18)* *RMB'000*	*RMB'000*	*RMB'000*
Balance at 1 January 2013	89,215	1,428,836	143,920	1,661,971
Comprehensive income				
Profit for the year	–	97,834	148	97,982
Total comprehensive income for the year ended 31 December 2013	–	97,834	148	97,982
Transactions with owners				
Employee share options scheme				
– value of employee services *(Note 19(a))*	–	1,418	–	1,418
Dividends	–	(8,413)	–	(8,413)
Total transactions with owners	–	(6,995)	–	(6,995)
Balance at 31 December 2013	89,215	1,519,675	144,068	1,752,958
Balance at 1 January 2014	89,215	1,519,675	144,068	1,752,958
Comprehensive income				
Profit for the year	–	165,807	81	165,888
Total comprehensive income for the year ended 31 December 2014	–	165,807	81	165,888
Transactions with owners				
Employee share options scheme				
– value of employee services *(Note 19(a))*	–	975	–	975
Employee share award scheme				
– value of employee services *(Note 19(b))*	–	11,577	–	11,577
Capital injection by a non-controlling interest	–	–	80,000	80,000
Partial disposal of a subsidiary	–	(635)	11,805	11,170
Dividends	–	(16,314)	–	(16,314)
Total transactions with owners	–	(4,397)	91,805	87,408
Balance at 31 December 2014	89,215	1,681,085	235,954	2,006,254

The notes on pages 52 to 133 are an integral part of these consolidated financial statements.

Consolidated Statement of Cash Flows

For the year ended 31 December 2014

	Note	Year ended 31 December 2014 RMB'000	2013 RMB'000
Cash flows from operating activities			
Cash generated from operations	34(a)	**807,907**	283,358
Interest received		**15,248**	10,282
Interest paid		**(136,168)**	(111,576)
Income tax paid		**(68,840)**	(23,740)
Net cash generated from operating activities		**618,147**	158,324
Cash flows from investing activities			
Purchase of property, plant and equipment		**(512,816)**	(434,390)
Purchase of land use rights		**–**	(45,728)
Purchase of intangible assets		**(706)**	(64)
Purchase of investment properties		**(927)**	–
Cash received in relation to asset-related government grants	23	**3,530**	9,624
Proceeds from sale of property, plant and equipment	34(b)	**100**	103
Proceeds from disposal of subsidiaries		**11,805**	–
Proceeds from disposal of land use rights		**–**	61
Net cash used in investing activities		**(499,014)**	(470,394)
Cash flows from financing activities			
Proceeds from bank borrowings		**2,423,081**	3,289,435
Repayments of bank borrowings		**(1,934,663)**	(3,351,837)
Capital injection by a non-controlling shareholder		**80,000**	–
Dividends paid to the Company's shareholders		**(16,314)**	(8,413)
Proceeds from issuing bank acceptance notes		**580,950**	1,122,000
Payments relating to bank acceptance notes		**(1,034,750)**	(846,200)
Net cash from financing activities		**98,304**	204,985
Net increase/(decrease) in cash and cash equivalents		**217,437**	(107,085)
Cash and cash equivalents at beginning of year	16	**74,528**	182,565
Exchange gain/(losses) on cash and cash equivalents		**89**	(952)
Cash and cash equivalents at end of year	16	**292,054**	74,528

The notes on pages 52 to 133 are an integral part of these consolidated financial statements.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

1. GENERAL INFORMATION OF THE GROUP

Da Ming International Holdings Limited (the "Company") and its subsidiaries (together, the "Group") is principally engaged in the processing, distribution and sale of stainless steel products and carbon steel products.

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 Company's shares have been listed on the Stock Exchange of Hong Kong Limited since 1 December 2010.

These consolidated financial statements are presented in Renminbi ("RMB"), unless otherwise stated. These consolidated financial statements have been approved for issue by the board of directors on 25 March 2015.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

2.1 Basis of preparation

The consolidated financial statements of the Group have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS"). The consolidated financial statements have been prepared under the historical cost convention.

The consolidated financial statements are prepared in accordance with the applicable requirements of the predecessor Companies Ordinance (Cap. 32) for this financial year and the comparative period.

The preparation of financial statements in conformity with HKFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 4.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.1 Basis of preparation (Continued)

2.1.1 Going concern

The Group meets its day-to-day working capital requirements through its bank facilities. The current economic conditions continue to create uncertainty particularly over (a) the level of demand for the Group's products; and (b) the availability of bank finance for the foreseeable future. The Group's forecasts and projections, taking account of reasonably possible changes in trading performance, show that the Group should be able to operate within the level of its current facilities. After making enquiries, the directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. The Group therefore continues to adopt the going concern basis in preparing its consolidated financial statements. Further information on the group's borrowings is given in Note 22.

2.1.2 Changes in accounting policies and disclosures

(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:

- Amendments to HKFRS 10, 12 and HKAS 27 'Consolidation for investment entities' is effective for annual periods beginning on or after 1 January 2014. These amendments mean that many funds and similar entities will be exempt from consolidating most of their subsidiaries. Instead, they will measure them at fair value through profit or loss. The amendments give an exception to entities that meet an 'investment entity' definition and which display particular characteristics. Changes have also been made HKFRS 12 to introduce disclosures that an investment entity needs to make.

- HK(IFRIC) 21 'Levies' is effective for annual periods beginning on or after 1 January 2014. This is an interpretation of HKAS 37, 'Provisions, contingent liabilities and contingent assets'. HKAS 37 sets out criteria for the recognition of a liability, one of which is the requirement for the entity to have a present obligation as a result of a past event (known as an obligating event). The interpretation clarifies that the obligating event that gives rise to a liability to pay a levy is the activity described in the relevant legislation that triggers the payment of the levy.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.1 Basis of preparation (Continued)

2.1.2 Changes in accounting policies and disclosures (Continued)

(a) New and amended standards adopted by the Group (Continued)

- Amendment to HKAS 32 'Financial instruments: Presentation' on asset and liability offsetting is effective for annual periods beginning on or after 1 January 2014. These amendments are to the application guidance in HKAS 32, 'Financial instruments: Presentation', and clarify some of the requirements for offsetting financial assets and financial liabilities on the balance sheet.

- Amendment to HKAS 36, 'Impairment of assets' on recoverable amount disclosures is effective for annual periods beginning on or after 1 January 2014. This amendment addresses the disclosure of information about the recoverable amount of impaired assets if that amount is based on fair value less costs of disposal.

- Amendment to HKAS 39 'Financial Instruments: Recognition and Measurement' on Novation of derivatives is effective for annual periods beginning on or after 1 January 2014. This amendment provides relief from discontinuing hedge accounting when novation of a hedging instrument to a central counterparty meets specified criteria.

- Annual improvements 2012 include changes from the 2010-2012 cycle of the annual improvements project, that affect 7 standards, only the below are effective for relevant transactions on or after 1 July2014:

  HKFRS 2 'Share-based payment', amendment to HKFRS 2 clarifies the definition of a 'vesting condition' and separately defines 'performance condition' and 'service condition'. It is not expected to have any significant impact on the Group's financial statements.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.1 Basis of preparation (Continued)

2.1.2 Changes in accounting policies and disclosures (Continued)

(a) New and amended standards adopted by the Group (Continued)

HKFRS 3 'Business combinations', HKFRS 9 'Financial instruments', HKAS 37 'Provisions, contingent liabilities and contingent assets', and HKAS 39 'Financial instruments – Recognition and measurement', amendments to HKFRS 3, HKFRS 9, HKAS 37 and HKAS 39 clarify that an obligation to pay contingent consideration which meets the definition of a financial instrument is classified as a financial liability or as equity, on the basis of the definitions in HKAS 32 'Financial instruments: Presentation'. All non-equity contingent consideration, both financial and non-financial, is measured at fair value at each reporting date, with changes in fair value recognised in profit and loss. It is not expected to have any significant impact on the Group's financial statements.

In addition, the requirements of Part 9 "Accounts and Audit" of the new Hong Kong Companies Ordinance (Cap. 622) come into operation as from the Company's first financial year commencing on or after 3 March 2014 in accordance with section 358 of that Ordinance. The Group is in the process of making an assessment of expected impact of the changes in the Companies Ordinance on the consolidated financial statements in the period of initial application of Part 9 of the new Hong Kong Companies Ordinance (Cap. 622). So far it has concluded that the impact is unlikely to be significant and only the presentation and the disclosure of information in the consolidated financial statements will be affected.

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.1 Basis of preparation (Continued)

2.1.2 Changes in accounting policies and disclosures (Continued)

(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

A number of new standards and amendments to standards and interpretations are not effective for annual periods beginning after 1 January 2014, and have not been early adopted in preparing these consolidated financial statements. The Group is yet to assess the full compact of the amendments and standards and intents to adopt the amendments no later than the respective effective dates of the amendments. The new standards and amendments to standards and interpretations are set out below:

- Amendment to HKAS 19 regarding defined benefit plans, effective for annual periods beginning on or after 1 July 2014.
- Annual improvements 2012 that affect following standards: HKFRS 8 'Operating segments', HKAS 16 'Property, plant and equipment', HKAS 38 'Intangible assets' and HKAS 24 'Related Party Disclosures', effective for annual periods beginning on or after 1 July 2014.
- Annual improvements 2013 that affect following standards: HKFRS 3 'Business combinations', HKFRS 13 'Fair value measurement' and HKAS 40 'Investment property', effective for annual periods beginning on or after 1 July 2014.
- HKFRS 14 'Regulatory Deferral Accounts', effective for annual periods beginning on or after 1 January 2016.
- Amendments to HKFRS 11 on accounting for acquisitions of interests in joint operations, effective for annual periods beginning on or after 1 January 2016.
- Amendments to HKAS 16 and HKAS 38 on clarification of acceptable methods of depreciation and amortisation, effective for annual periods beginning on or after 1 January 2016.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.1 Basis of preparation (Continued)

2.1.2 Changes in accounting policies and disclosures (Continued)

(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 (Continued)

- Amendments to HKAS 16 and HKAS 41 on Agriculture: bearer plants, effective for annual periods beginning on or after 1 January 2016.
- Amendments to HKFRS 10 and HKAS 28 on sale or contribution of assets between an investor and its associate or joint venture, effective for annual periods beginning on or after 1 January 2016.
- Amendment to HKAS 27 on separate financial statements regarding equity method, effective for annual periods beginning on or after 1 January 2016.
- Annual improvements 2014 that affect following standards: HKFRS 5 'Non-current assets held for sale and discontinued operations', HKFRS 7 'Financial instruments: Disclosures', HKAS 19 'Employee benefits' and HKAS 34 'Interim financial reporting', effective for annual periods beginning on or after 1 January 2016.
- Amendments to HKAS 1 on presentation of financial statements, effective for annual periods beginning on or after 1 January 2016.
- Amendments to HKFRS 10, HKFRS 12 and HKAS 28 on investment entities, effective annual periods beginning on or after 1 January 2016.
- HKFRS 15 'Revenue from Contracts with Customers', effective for annual periods beginning on or after 1 January 2017.
- HKFRS 9 'Financial Instruments', effective for annual periods beginning on or after 1 January 2018.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.1 Basis of preparation (Continued)

2.1.2 Changes in accounting policies and disclosures (Continued)

(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 (Continued)

There are no other HKFRSs or HK(IFRIC) interpretations that are not yet effective that would be expected to have a material impact on the Group.

The Group is assessing the full impact of the amendments and standards, and according to the preliminary assessment, there is no significant impact on the consolidated financial statements. The Group intends to adopt the amendments no later than the respective effective dates of the amendments.

2.2 Subsidiaries

2.2.1 Consolidation

A subsidiary is an entity (including a structured entity) over which the group has control. The group controls an entity when the group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are consolidated from the date on which control is transferred to the group. They are deconsolidated from the date that control ceases.

(a) Business combinations

The group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date.

Intra-group transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated. When necessary, amounts reported by subsidiaries have been adjusted to conform with the group's accounting policies.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Subsidiaries (Continued)

2.2.1 Consolidation (Continued)

(a) Business combinations (Continued)

Transactions with non-controlling interests that do not result in a loss of control are accounted for as equity transactions – that is, as transactions with the owners of the subsidiary in their capacity as owners. The difference between fair value of any consideration paid and the relevant share acquired of the carrying amount of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

2.2.2 Separate financial statements

Investments in subsidiaries are accounted for at cost less impairment. Cost also includes direct attributable costs of investment. The results of subsidiaries are accounted for by the Company on the basis of dividend and receivable.

Impairment testing of the investments in subsidiaries is required upon receiving dividends from these investments if the dividend exceeds the total comprehensive income of the subsidiary in the period the dividend is declared or if the carrying amount of the investment in the separate financial statements exceeds the carrying amount in the consolidated financial statements of the investee's net assets including goodwill.

2.3 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the executive directors that makes strategic decisions.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.4 Foreign currency translation

(a) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated financial statements are presented in RMB, which is the Company's functional and the Group's presentation currency.

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the consolidated comprehensive income statement.

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the consolidated comprehensive income statement within 'finance income or costs'. All other foreign exchange gains and losses are presented in the consolidated comprehensive income statement within 'other gains/(losses) – net'.

(c) Group companies

The results and financial position of all the group entities (none of which has the currency of a hyper-inflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each statement of financial position presented are translated at the closing rate at the balance sheet date;

- income and expenses for each income statement are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions); and

- all resulting exchange differences are recognised in other comprehensive income.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.5 Land use rights

All land in Mainland China is state-owned or collectively-owned and no individual land ownership right exists. The Group acquired the rights to use certain land. The costs for such right are treated as prepayment for operating lease and recorded as land use rights, which are amortised over the lease periods using the straight-line method.

The costs of land use rights from capital contribution are measured at fair value.

2.6 Property, plant and equipment

Construction-in-progress (the "CIP") represents buildings, plant and machinery under construction or pending installation and is stated at cost less accumulated impairment losses, if any. Cost includes the costs of construction and acquisition. No provision for depreciation is made on CIP until such time as the relevant assets are completed and ready for intended use. When the assets concerned are available for use, the costs are transferred to property, plant and equipment and depreciated in accordance with the policy as stated below.

Property, plant and equipment from capital contribution are recognised initially at fair value, and are subsequently carried at depreciated cost less accumulated impairment losses, if any.

Other property, plant and equipment are stated at historical cost less accumulated depreciation and accumulated impairment losses, if any. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the consolidated comprehensive income statement during the financial periods in which they are incurred.

Notes to the Consolidated Financial Statements
For the year ended 31 December 2014

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.6 Property, plant and equipment (Continued)

Depreciation is calculated using the straight-line method to allocate the cost less impairment loss as of each asset to its residual value over its estimated useful life, as follows:

Buildings and plant	20-40 years
Machinery	10-25 years
Vehicles	4 to 5 years
Office equipment and others	3 to 5 years
Leasehold improvements	5 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (Note 2.9).

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within 'other gains/(losses) – net' in the consolidated comprehensive income statement.

2.7 Investment properties

The investment property, comprising leasehold land and buildings, is held for long-term rental yields or for capital appreciation or both, and that is not occupied by the Group. Investment properties are initially recognized at cost and subsequently carried at cost less accumulated depreciation and accumulated impairment losses.

The cost of investment property from capital contribution is measured at fair value.

Fair value is determined and disclosed based on active market prices, adjusted, if necessary, for any difference in the nature, location or condition of the specific asset. If this information is not available, the Group uses alternative valuation methods such as recent prices on less active markets or discounted cash flow projections. These valuations are reviewed annually by the directors. Changes in fair values are not recognised in the consolidated comprehensive income statement.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.7 Investment properties (Continued)

Depreciation of investment property is calculated using the straight-line method to allocate cost to its residual value over its estimated useful lives of 20 years.

Subsequent expenditure is charged to the asset's carrying amount only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance costs are expensed in the consolidated comprehensive income statement during the financial periods in which they are incurred.

If an investment property becomes owner-occupied, it is reclassified as property, plant and equipment, and its carrying amount at the date of reclassification becomes its cost for accounting purposes.

If an item of property, plant and equipment becomes an investment property because its use has changed, the transfer does not change the carrying amount of the property transferred, nor does it change the cost of that property for measurement or disclosure purposes.

2.8 Intangible assets

Intangible assets mainly comprised computer software purchased, which are carried at cost less accumulated amortisation and accumulated impairment losses, if any. Acquired computer software licenses are capitalised on the basis of the costs incurred to acquire and bring to use the software. These costs are amortised using straight line method over their estimated useful lives of 10 years.

2.9 Impairment of non-financial assets

Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.10 Financial assets – loans and receivables

The Group's financial assets are loans and receivables. Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except those with maturities greater than 12 months after the balance sheet date. These are classified as non-current assets. The Group's loans and receivables comprise 'trade receivables', 'prepayments, deposits and other receivables', 'restricted bank deposits' and 'cash and cash equivalents' in the consolidated statement of financial position.

Regular way purchases and sales of financial assets are recognised on trade-date – the date on which the Group commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss.

Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. Loans and receivables are subsequently carried at amortised cost using the effective interest method.

Financial assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the company or the counterparty.

The Group assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a "loss event") and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.11 Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the weighted average method, except for inventory in-transit which is determined using the specific identification method. The cost of finished goods comprises raw materials, labour, other direct costs and related production overheads (based on normal operating capacity). It excludes borrowing costs. Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and selling expenses.

2.12 Trade and other receivables

Trade receivables are amounts due from customers for merchandise sold or services performed in the ordinary course of business. If collection of trade and other receivables is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for impairment of trade and other receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments are considered indicators that the trade or other receivable is impaired. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. The carrying amount of the assets is reduced through the use of an allowance account, and the amount of the loss is recognised in the consolidated comprehensive income statement within administrative expenses. When a trade or other receivable is uncollectible, it is written off against the allowance account for trade or other receivables. Subsequent recoveries of amounts previously written off are credited against administrative expenses in the consolidated comprehensive income statement.

2.13 Cash and cash equivalents

In the consolidated statement of cash flows, cash and cash equivalents includes cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts. In the consolidated and entity balance sheet, bank overdrafts are shown within borrowings in current liabilities.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.14 Share capital

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds.

Where any group company purchases the Company's equity share capital (treasury shares), the consideration paid, including any directly attributable incremental costs (net of income taxes) is deducted from equity attributable to equity holders of the Company until the shares are cancelled or reissued. Where such ordinary shares are subsequently reissued, any consideration received, net of any directly attributable incremental transaction costs and the related income tax effects, is included in equity attributable to equity holders of the Company.

2.15 Trade and other payables

Trade and other payables are obligations to pay for goods, services and long-term assets that have been acquired in the ordinary course of business from suppliers, or to pay for accrued salary, pension and other social welfare. Trade and other payables are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Trade and other payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

2.16 Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the consolidated comprehensive income statement over the period of the borrowings using the effective interest method.

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a prepayment for liquidity services and amortised over the period of the facility to which it relates.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.16 Borrowings (Continued)

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period.

2.17 Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of any qualifying asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of that asset, until such time as the asset is substantially ready for its intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are charged to the consolidated comprehensive income statement in the period in which they are incurred.

2.18 Current and deferred income tax

The tax expense for the period comprises current and deferred tax. Tax is recognised in the comprehensive income statement, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case the tax is also recognised in other comprehensive income or directly in equity, respectively.

(a) Current income tax

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Company and its subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation and establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.18 Current and deferred income tax (Continued)

(b) Deferred income tax

Inside basis differences

Deferred income tax is recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Outside basis differences

Deferred income tax is provided on temporary differences arising on investments in subsidiaries, except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

(c) Offsetting

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.19 Pension obligations

The Group has arranged for its Hong Kong employees to join the Mandatory Provident Fund Scheme (the "MPF Scheme"). Under the MPF Scheme, the Group and its Hong Kong employees make monthly contributions to the scheme at 5% of the employees' earnings as defined under the Mandatory Provident Fund legislation, subject to a cap of HKD1,250 per person per month before 1 June 2014 and HKD1,500 afterwards, and any excess contributions are voluntary.

In accordance with the rules and regulations in the Mainland China, the Group has arranged for its employees from Mainland China to join a defined contribution retirement benefit plan organised by the People's Republic of China ("PRC") government. The PRC government undertakes to assume the retirement benefit obligations of all existing and future retired employees payable under the plan as set out in Note 28(a) of this section. The assets of this plan are held separately from those of the Group in an independent fund managed by the PRC government.

The Group's contributions to the defined contribution retirement benefit plans are expensed in the consolidated comprehensive income statement as incurred. The Group has no further payment obligations once the contributions have been paid.

2.20 Share-based payments

(a) Equity-settled share-based payment transactions

The Group operates a number of equity-settled, share-based compensation plans, under which the entity receives services from employees as consideration for equity instruments (share options) of the Group. The fair value of the employee services received in exchange for the grant of the options is recognised as an expense. The total amount to be expensed is determined by reference to the fair value of the options granted:

- including any market performance conditions;
- excluding the impact of any service and non-market performance conditions; and
- including the impact of any non-vesting conditions.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.20 Share-based payments (Continued)

(a) Equity-settled share-based payment transactions (Continued)

Non-market performance and service conditions are included in assumptions about the number of options that are expected to vest. The total expense is recognised over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied. At the end of each reporting period, the Group revises its estimates of the number of options that are expected to vest based on the non-marketing performance and service conditions. It recognises the impact of the revision to original estimates, if any, in the consolidated comprehensive income statement, with a corresponding adjustment to equity.

When the options are exercised, the Company issues new shares. The proceeds received net of any directly attributable transaction costs are credited to share capital (nominal value) and share premium.

The Group also has a Share Award Scheme where from time to time, the independent trustee may purchase shares from the market and award shares to grantee. When the independent trustee purchases shares of the Company on the market under the scheme, the consideration paid including any directly attributable incremental costs is presented as shares held for Share Award Scheme in the consolidated statement of changes in equity and deducted from total equity. When the independent trustee transfers the Company's shares to the grantees upon vesting, the related costs of the awarded shares vested are credited to shares held for Share Award Scheme, with a corresponding adjustment to share premium.

(b) Share-based payment transactions among group entities

The grant by the Company of options over its equity instruments to the employees of subsidiary undertakings in the Group is treated as a capital contribution. The fair value of employee services received, measured by reference to the grant date fair value, is recognised over the vesting period as an increase to investment in subsidiary undertakings, with a corresponding credit to equity in the parent entity accounts.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.21 Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation, and the amount has been reliably estimated.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

2.22 Government grants

Grants from the government are recognised at their fair value where there is a reasonable assurance that the grant will be received and the Group will comply with all attached conditions.

Government grants relating to costs are deferred and recognised in the consolidated comprehensive income statement over the period necessary to match them with the costs that they are intended to compensate.

Government grants relating to property, plant and equipment are included in liabilities as deferred government grants and are credited to the consolidated comprehensive income statement on a straight-line basis over the expected lives of the related assets.

2.23 Revenue recognition

(a) Revenue

Revenue is measured at the fair value of the consideration received or receivable, and represents amounts receivable for goods supplied, stated net of discounts returns and value added taxes. The Group recognises revenue when the amount of revenue can be reliably measured; when it is probable that future economic benefits will flow to the entity; and when specific criteria have been met for each of the Group's activities, as described below. The Group bases its estimates of return on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.23 Revenue recognition (Continued)

(a) Revenue (Continued)

(i) Sales of goods

Sales of goods are recognised on the transfer of the significant risks and rewards of ownership, which generally coincides with the time when the Group has delivered goods to the customers and collectability of the related receivables is reasonably assured.

(ii) Interest income

Interest income is recognised on a time-proportion basis using the effective interest method.

(iii) Rental income

Rental income from operating leases is recognised on a straight-line basis over the period of the lease.

2.24 Operating leases

(a) As a lessee

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the consolidated comprehensive income statement on a straight-line basis over the period of the lease.

(b) As a lessor

Certain leasehold land and buildings is held for long-term operating rental yields, and is not occupied by the Group. Rental income from such investment property is recognised in the consolidated comprehensive income statement on a straight-line basis over the term of the lease.

2.25 Dividend distribution

Dividend distribution to equity holders of the Company is recognised as a liability in the Group's and the Company's financial statements in the period in which the dividends are approved by equity holders of the Company.

3. FINANCIAL RISK MANAGEMENT

3.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: market risks (including foreign exchange risk, cash flow and fair value interest rate risk and price risk), credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

Risk management is carried out by various departments within the Group like treasury and sales department, under policies approved by the board of directors. Periodic management information is summarized and reported to the directors of the Group who will review the information and take action accordingly. The Group has not used derivative financial instruments to hedge its risk exposures on changes in foreign currency exchange rates and interest rates.

(a) Market risk

(i) Foreign exchange risk

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 deposits, cash and cash equivalents, trade payables, other payables and borrowings denominated in foreign currencies, mainly United States Dollar (USD), EURO (EUR), and Hong Kong Dollar (HKD), Japanese Yen (JPY), which are exposed to foreign currency translation risk. Details of the Group's trade receivables, restricted bank deposits, cash and cash equivalents, trade payables, other payables and borrowings are disclosed in Notes 13, 15, 16, 20, 21 and 22 respectively.

As at 31 December 2014, if RMB had strengthened/weakened by 5% against the USD with all other variables held constant, profit before income tax for the year would have been approximately RMB9,082,000 (2013: RMB13,036,000) higher/lower, mainly as a result of foreign exchange gains/losses on translation of USD-denominated trade receivables, cash and cash equivalents, restricted bank deposit, trade payables, other payables and borrowings.

As at 31 December 2014, if RMB had strengthened/weakened by 5% against the EUR with all other variables held constant, profit before income tax for the year would have been approximately RMB3,186,000 (2013: RMB4,291,000) higher/lower, mainly as a result of foreign exchange gains/losses on translation of EURO-denominated restricted bank deposits, cash and cash equivalents and other payables.

3. FINANCIAL RISK MANAGEMENT (CONTINUED)

3.1 Financial risk factors (Continued)

(a) Market risk (Continued)

(i) Foreign exchange risk (Continued)

As at 31 December 2014, if RMB had strengthened/weakened by 5% against the HKD with all other variables held constant, profit before income tax for the year would have been approximately RMB300,000 (2013: RMB447,000) lower/higher, mainly as a result of foreign exchange losses/gains on translation of HKD-denominated cash and cash equivalents and other payables.

As at 31 December 2014, if RMB had strengthened/weakened by 5% against the JPY with all other variables held constant, profit before income tax for the year would have been approximately RMB18,000 (2013: 0) higher/lower, mainly as a result of foreign exchange losses/gains on translation of JPY-denominated other payables.

(ii) Cash flow and fair value interest rate risk

Except for restricted bank deposits and cash and cash equivalents, the Group has no interest-bearing assets.

The Group's interest-rate risk arises from borrowings. Borrowings obtained at variable rates expose the Group to cash flow interest rate risk. Borrowings obtained at fixed rates expose the Group to fair value interest-rate risk. The Group has not used any financial instrument to hedge its exposure to interest rate risk.

Details of the Group's restricted bank deposits, cash and cash equivalents and borrowings have been disclosed in Notes 15, 16 and 22, respectively.

As at 31 December 2014, if the interest rates on bank borrowings had been 100 basis-points higher/lower with all other variables held constant, profit before income tax for the year would have been RMB8,634,000 (2013: RMB5,796,000) lower/higher, mainly as a result of higher/lower interest expense on bank borrowings.

3. FINANCIAL RISK MANAGEMENT (CONTINUED)

3.1 Financial risk factors (Continued)

(a) Market risk (Continued)

(iii) Stainless steel and carbon steel raw material price risk

The Group's results of operations may be significantly affected by fluctuation in prices of steel which is a significant cost component of the Group.

Steel raw material, including stainless steel and carbon steel, accounts for 98.72% of the Group's cost of sales (2013: 98.4%). The Group has followed a stainless steel raw material purchase price adjustment practice with the strategic suppliers Shanxi Taigang Stainless Steel Co., Ltd. and its subsidiaries ("STSS Group") and some other suppliers. Purchase transaction with STSS Group accounts for 33% of the Group's annual purchase (2013: 34%). Pursuant to such practice, STSS Group shall reimburse the Group if the purchase price of the stainless steel raw materials that the Group paid to STSS Group is higher than the benchmark selling prices decided by STSS Group based on actual selling prices achieved by STSS Group's key customers, including the Group (after adjusting for bulk purchase discounts and processing fee), subject to STSS Group's sole discretion in determining the actual purchase credit amount and the time in which such purchasing credit would be given to the Group.

The Group mainly purchases stainless and carbon steel from other suppliers and also follows such price adjustment practice as mentioned above.

Currently, this price adjustment practice with STSS Group and other raw material vendors are the Group's main method used to mitigate the risks associated with the fluctuation of stainless and carbon steel prices.

(b) Credit risk

The Group has no significant concentrations of credit risk. The carrying amounts of restricted bank deposits, cash and cash equivalents, trade receivables and other receivables, represent the Group's maximum exposure to credit risk in relation to financial assets.

The Group has policies to place its cash and cash equivalents only with highly reputable financial institutions, and limit the amount of credit exposure to any financial institution. As at 31 December 2014, most of the restricted bank deposits and cash and cash equivalents are placed with highly reputable financial institutions in Mainland China and Hong Kong.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

3. FINANCIAL RISK MANAGEMENT (CONTINUED)

3.1 Financial risk factors (Continued)

(b) Credit risk (Continued)

The Group categorised the restricted bank deposits and cash and cash equivalent as follows:

Group 1 – Top 4 banks in the mainland PRC (China Construction Bank, Bank of China, Agricultural Bank of China and Industrial and Commercial Bank of China)

Group 2 – Other listed banks in the mainland PRC

Group 3 – Other banks in the PRC

	Group		Company	
	2014	2013	**2014**	2013
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Group 1	**294,450**	126,030	**238**	274
Group 2	**546,441**	374,594	**–**	137
Group 3	**87,269**	32,714	**–**	–
	928,160	533,338	**238**	411

Management does not expect any losses from non-performance by these counterparties.

The Group generally requires customers to pay a certain amount of deposit when orders are made and settle full purchase price before delivery of goods. Majority of the sales transactions are settled by telegraphic transfer and bank acceptance notes. Bank acceptance notes are with maturity within 6 months, and are accepted and settled by bank.

For those key customers with long-term relationship, on some occasions the Group offers credit terms up to 90 days. The granting or extension of any credit period must be appropriately approved. There is no recent history of default in relation to those customers.

3. FINANCIAL RISK MANAGEMENT (CONTINUED)

3.1 Financial risk factors (Continued)

(c) Liquidity risk

The liquidity risk of the Group is controlled by maintaining sufficient cash and cash equivalents, which is generated from the operating cash flow and adequate banking facilities.

The table below analyses the Group's financial liabilities that will be settled into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal to their carrying balances, as the impact of discounting is not significant.

	Less than 1 year *RMB'000*	**Between 1 year and 2 years** *RMB'000*	**Between 2 years and 5 years** *RMB'000*
At 31 December 2014			
Borrowings	1,454,796	215,000	272,534
Interests payment on borrowings *(a)*	54,278	26,521	17,085
Trade and other payables *(b)*	1,735,430	–	–
	3,244,504	241,521	289,619
At 31 December 2013			
Borrowings	1,108,321	110,000	236,150
Interests payment on borrowings *(a)*	38,543	16,574	25,159
Trade and other payables *(b)*	1,733,559	–	–
	2,880,423	126,574	261,309

(a) The interests on borrowings are calculated based on borrowings held as at 31 December 2014 and 2013 respectively, without taking into account any subsequent changes in the amount of borrowings. Floating-rate interest is estimated using current interest rate as at 31 December 2014 and 2013 respectively.

(b) Other payables include accruals and other payables as stated in Note 21.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

3. FINANCIAL RISK MANAGEMENT (CONTINUED)

3.2 Fair value estimation

The carrying amounts of the Group's financial assets including cash and cash equivalents, restricted bank deposits, trade and other receivables; and financial liabilities including trade and other payables, and borrowings, approximate their fair values. The carrying values less any estimated credit adjustments for financial assets are a reasonable approximation of their fair values.

3.3 Capital management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, or sell assets to reduce debt.

Consistent with others in the industry, the Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings (including 'current and non-current borrowings' as shown in the consolidated statement of financial position) less cash and cash equivalents. Total capital is calculated as 'total equity' as shown in the consolidated statement of financial position plus net debt.

3. FINANCIAL RISK MANAGEMENT (CONTINUED)

3.3 Capital management (Continued)

The gearing ratios at 31 December 2014 and 2013 were as follows:

	As at 31 December	
	2014	2013
	RMB'000	*RMB'000*
Total borrowings *(Note 22)*	**1,942,330**	1,454,471
Less: cash and cash equivalents *(Note 16)*	**(292,054)**	(74,528)
Net debt	**1,650,276**	1,379,943
Total equity	**2,006,254**	1,752,958
Total capital	**3,656,530**	3,132,901
Gearing ratio	**45.13%**	44.05%

The increase in the gearing ratio during 2014 resulted primarily from increase in bank borrowings for additional financing required for capital expenditures.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

Estimates and judgments are continually evaluated and are based on historical experiences and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom be equal to the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS (CONTINUED)

(a) Useful lives of property, plant and equipment

The Group determines the estimated useful lives and related depreciation charges for its property, plant and equipment. This estimate is based on the historical experience of the actual useful lives of property, plant and equipment of similar nature and functions and the practice in similar industry. Management will increase or decrease the depreciation charge where updated estimated useful lives of the property, plant and equipment are less or more than previously estimated useful lives. Actual economic lives may differ from estimated useful lives. Periodic review could result in a change in depreciable lives and therefore depreciation expenses in the future periods.

(b) Impairment of property, plant and equipment and land use rights

Property, plant and equipment and land use rights are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. The recoverable amounts have been determined based on value-in-use calculations or market valuations. These calculations require the use of judgments and estimates.

Management judgment is required in the area of asset impairment particularly in assessing: (i) whether an event has occurred that may indicated that the related asset value may not be recoverable; (ii) whether the carrying value of an asset can be supported by the recoverable amount, being the higher of fair value less costs to sell or net present value of future cash flows which are estimated based upon the continued use of the asset in the business; and (iii) the appropriate key assumptions to be applied in preparing cash flow projections including whether these cash flow projections are discounted using an appropriate rate. Changing the assumptions selected by management in assessing impairment, including the discount rates or the growth rate assumptions in the cash flow projections, could materially affect the net present value in the impairment test and as a result affect the Group's financial condition and results of operations. If there is a significant adverse change in the projected performance and resulting future cash flow projections, it may be necessary to take an impairment charge to the consolidated comprehensive income statement.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS (CONTINUED)

(c) Net realisable value of inventories

Net realisable value of inventories is the estimated selling price in the ordinary course of business, less estimated costs of completion and selling expense. These estimates are based on the current market condition and the historical experience of manufacturing and selling products of similar nature. It could change significantly as a result of changes of stainless steel raw material market price, technical innovations and competitor actions in response to severe industry cycle. Management reassesses these estimates at each balance sheet date.

(d) Income taxes and deferred income tax

The Group is subject to income taxes in several jurisdictions. There are certain transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current and deferred income tax assets and liabilities in the period in which such determination is made.

Deferred income tax assets relating to certain temporary differences and tax losses are recognised when management considers it is likely that future taxable profits will be available against which the temporary differences or tax losses can be utilised. When the expectations are different from the original estimates, such differences will impact the recognition of deferred tax assets and income tax charges in the period in which such estimates are changed.

(e) Share-based payments

The Group measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. Estimating fair value requires determining the most appropriate valuation model for a grant of equity instruments, which is dependent on the terms and conditions of the grant. This also requires determining the most appropriate inputs to the valuation model including the expected life of the option, volatility and dividend yield and making assumptions about them. The assumptions and models used are disclosed in Note 19 to the financial statements.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

5. LAND USE RIGHTS – GROUP

The Group's interests in land use rights represent prepaid operating lease payment for land and its net book value is analysed as follows:

	Year ended 31 December	
	2014	2013
	RMB'000	*RMB'000*
Opening	**205,773**	175,927
Additions	**53,773**	34,935
Disposals	**–**	(791)
Amortisation charge *(Note 34(a))*	**(6,343)**	(4,298)
	253,203	205,773

The Group's land use rights are located in Mainland China and the remaining lease periods were between 36 years to 50 years as at 31 December 2014.

As at 31 December 2014, none of land use rights is pledged as security for the Group's bank borrowings (2013: Nil).

For the year ended 31 December 2014, amortisation of the Group's land use rights amounted to RMB6,343,000 has been charged to administrative expenses in the consolidated comprehensive income statement (2013: RMB4,298,000).

6. PROPERTY, PLANT AND EQUIPMENT – GROUP

	Buildings and plant RMB'000	Machinery RMB'000	Vehicles RMB'000	Office equipment and others RMB'000	Leasehold improvements RMB'000	Construction-in-progress RMB'000	Total RMB'000
At 1 January 2013							
Cost	298,863	851,316	14,452	22,171	832	563,985	1,751,619
Accumulated depreciation	(40,474)	(234,865)	(7,137)	(12,870)	(440)	–	(295,786)
Net book amount	258,389	616,451	7,315	9,301	392	563,985	1,455,833
Year ended 31 December 2013							
Opening net book amount	258,389	616,451	7,315	9,301	392	563,985	1,455,833
Additions	1,321	5,220	5,696	3,659	–	421,886	437,782
Transfer	44,776	279,347	–	338	–	(324,461)	–
Disposals *(Note 34(b))*	–	–	(56)	(34)	–	–	(90)
Depreciation *(Note 34(a))*	(11,575)	(61,141)	(2,706)	(2,594)	(110)	–	(78,126)
Closing net book amount	292,911	839,877	10,249	10,670	282	661,410	1,815,399
At 31 December 2013							
Cost	344,960	1,135,883	19,590	25,848	832	661,410	2,188,523
Accumulated depreciation	(52,049)	(296,006)	(9,341)	(15,178)	(550)	–	(373,124)
Net book amount	292,911	839,877	10,249	10,670	282	661,410	1,815,399
Year ended 31 December 2014							
Opening net book amount	292,911	839,877	10,249	10,670	282	661,410	1,815,399
Additions	1,694	7,767	3,460	4,502	–	508,414	525,837
Transfer	81,223	146,396	–	8,620	–	(236,239)	–
Disposals *(Note 34(b))*	–	(109)	(49)	(64)	–	–	(222)
Depreciation *(Note 34(a))*	(11,152)	(55,583)	(3,346)	(3,350)	(282)	–	(73,713)
Closing net book amount	364,676	938,348	10,314	20,378	–	933,585	2,267,301
At 31 December 2014							
Cost	427,877	1,289,931	22,560	38,554	832	933,585	2,713,339
Accumulated depreciation	(63,201)	(351,583)	(12,246)	(18,176)	(832)	–	(446,038)
Net book amount	364,676	938,348	10,314	20,378	–	933,585	2,267,301

Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

6. PROPERTY, PLANT AND EQUIPMENT – GROUP (CONTINUED)

On 9 December 2014, Jiangsu Daming, a subsidiary of the Company, entered into sales and lease back agreements with an independent third party (the "Agreements"), whereby machineries carried at RMB320,000,000 were sold at RMB200,000,000 and leased back over a three-year lease term for a total lease payment of RMB216,870,000. Jiangsu Daming has a repurchase option at RMB10,000 to reacquire the title of the machineries upon the completion of the lease term. During such lease term and before the exercise of the completion repurchase option, such machineries are restricted under the Agreements where leaser's consent must be obtained for the pledge and/or disposal of these assets.

As at 31 December 2014, assets under such restriction amounted to RMB320,000,000.

Depreciation expenses have been charged to the consolidated comprehensive income statement as follows:

	Year ended 31 December	
	2014	2013
	RMB'000	*RMB'000*
Cost of sales	**60,585**	67,030
Distribution costs	**632**	524
Administrative expenses	**12,496**	10,572
	73,713	78,126

As at 31 December 2014, no machinery were pledged as security for bank borrowings. As at 31 December 2013, bank borrowing of EUR4,550,000 (equivalent to approximately RMB38,306,000) were secured by pledge of machinery with the carrying amount of approximately RMB122,327,000.

For the year ended 31 December 2014, borrowing costs amounted to approximately RMB13,307,000 (2013: RMB3,392,000) were capitalised into the cost of property, plant and equipment at an average borrowing rate of 6.07% (2013: 6.03%).

7. INVESTMENT PROPERTIES – GROUP

The investment properties are located in Mainland China and the net book value is analysed as follows:

	Year ended 31 December	
	2014	2013
	RMB'000	*RMB'000*
Opening net book amount	**7,758**	8,213
Additions	**928**	–
Depreciation *(Note 34(a))*	**(465)**	(455)
Closing net book amount	**8,221**	7,758
Cost	**11,037**	10,109
Accumulated depreciation	**(2,816)**	(2,351)
Net book amount	**8,221**	7,758

For the year ended 31 December 2014, the rental income arising from investment properties amounted to approximately RMB500,000 (2013: RMB500,000) (Note 25).

The future aggregate minimum lease receivable under non-cancellable operating leases were as follows:

	Year ended 31 December	
	2014	2013
	RMB'000	*RMB'000*
Not later than 1 year	**500**	500

As at 31 December 2014, the management assessed the fair value of the investment properties to be approximately RMB16,009,000 (2013: RMB19,358,000) based on a valuation by an independent valuer.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

8. INTANGIBLE ASSETS – GROUP

Intangible assets mainly consist of computer software purchased:

	Year ended 31 December	
	2014	2013
	RMB'000	*RMB'000*
At beginning of year		
Cost	**4,204**	4,141
Accumulated amortisation	**(2,002)**	(1,581)
Net book amount	**2,202**	2,560
Opening net book amount	**2,202**	2,560
Additions	**705**	64
Amortisation *(Note 34(a))*	**(446)**	(422)
Closing net book amount	**2,461**	2,202
At end of year		
Cost	**4,909**	4,204
Accumulated amortisation	**(2,448)**	(2,002)
Net book amount	**2,461**	2,202

For the year ended 31 December 2014, amortisation of the Group's intangible assets amounted to RMB446,000 has been charged to administrative expenses in the consolidated comprehensive income statement (2013: RMB422,000).

9. INVESTMENTS IN AND DUE FROM/TO SUBSIDIARIES – COMPANY

(a) Investments in subsidiaries

	Year ended 31 December	
	2014	2013
	RMB'000	*RMB'000*
Unlisted investments – at cost	**921,273**	921,273
Capital contribution relating to share-based payments	**5,405**	4,430
	926,678	925,703

Investments in group undertakings are recorded at cost, which is the fair value of the consideration paid.

The capital contribution relating to share based payments relates to share options granted by the Company to employees of subsidiaries undertakings in the Group. Refer to Note 19 for further details on the Group's share options scheme.

As at 31 December 2014, the Company has direct or indirect interests in following subsidiaries.

Notes to the Consolidated Financial Statements
For the year ended 31 December 2014

9. INVESTMENTS IN AND DUE FROM/TO SUBSIDIARIES – COMPANY (CONTINUED)

(a) Investments in subsidiaries (Continued)

The English names of certain subsidiaries represent the best effort by the Group's management to translate their Chinese names as they do not have official English names.

Company name	Country/ Place and date of incorporation	Type of legal entity	Paid-up capital	Attributable equity interest to the Company		Principal activities and place of operation
				Direct	Indirect	
Allybest Investments Limited ("Allybest")	British Virgin Islands 10 July 2006	Limited liability company	USD20,000	100%	–	Investment holding, in BVI
Fortune Express Industrial Limited ("Fortune Express")	Hong Kong 14 July 2003	Limited liability company	HKD10,000	–	100%	Investment holding, in Hong Kong
Jiangsu Daming Metal Products Co., Ltd. ("Jiangsu Daming")	Mainland China 21 June 2002	Limited liability company	USD68,500,000	–	100%	Processing, distribution and sales of stainless steel products, in the PRC
Hangzhou Wanzhou Metal Products Co., Ltd. ("Hangzhou Wanzhou")	Mainland China 8 December 2005	Limited liability company	USD26,000,000	–	95%	Processing, distribution and sales of stainless steel products, in the PRC
Wuhan Fortune Express Metal Products Co., Ltd. ("Wuhan Fortune")	Mainland China 28 September 2005	Limited liability company	USD3,000,000	–	100%	Processing, distribution and sales of stainless steel products, in the PRC
Tianjin Taigang Daming Metal Products Co., Ltd. ("Tianjin Taigang Daming")	Mainland China 15 February 2007	Limited liability company	USD36,500,000	–	91%	Processing, distribution and sales of stainless steel products, in the PRC
Daming Metals (Hong Kong) Company Limited ("Hong Kong Daming")	Hong Kong 30 November 2009	Limited liability company	USD2,000,000	–	100%	Purchase and sales of metal materials, in Hong Kong

9. INVESTMENTS IN AND DUE FROM/TO SUBSIDIARIES – COMPANY (CONTINUED)

(a) Investments in subsidiaries (Continued)

Company name	Country/ Place and date of incorporation	Type of legal entity	Paid-up capital	Attributable equity interest to the Company		Principal activities and place of operation
				Direct	Indirect	
Jiangsu Daming Precision Sheet Metal Co., Ltd. ("Daming Precision Sheet")	Mainland China 22 November 2010	Limited liability company	RMB100,000,000	–	100%	Processing, distribution and sales of stainless steel products, in the PRC
Taiyuan Taigang Daming Metal Products Co., Ltd. ("Taiyuan Taigang Daming")	Mainland China 26 July 2011	Limited liability company	RMB500,000,000	–	60%	Processing, distribution and sales of stainless steel products, in the PRC
Daming Heavy Industry Co., Ltd. ("Jingjiang Daming Heavy Industry")	Mainland China 14 March 2012	Limited liability company	USD70,000,000	–	100%	Processing, distribution and sales of stainless steel products, in the PRC
Daming Metal Products Wuxi Co., Ltd. ("Qianzhou Daming")	Mainland China 11 April 2012	Limited liability company	RMB30,000,000	–	100%	Processing, distribution and sales of stainless steel products, in the PRC
Hubei Daming Metal Technology Co., Ltd. ("Hubei Daming")	Mainland China 22 October 2012	Limited liability company	RMB150,000,000	–	100%	Processing, distribution and sales of stainless steel products, in the PRC
Shenyang Daming Fortune Metals Products Co., Ltd. ("Shenyang Daming")	Mainland China 15 March 2013	Limited liability company	RMB3,000,000	–	100%	Distribution and sales of stainless steel products, in the PRC
Jiangsu Daming Allybest Trading Co., Ltd. ("Allybest Trading")	Mainland China 23 December 2013	Limited liability company	RMB10,000,000	–	100%	Sales of stainless steel products, in the PRC

Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

9. INVESTMENTS IN AND DUE FROM/TO SUBSIDIARIES – COMPANY (CONTINUED)

(a) Investments in subsidiaries (Continued)

Company name	Country/ Place and date of incorporation	Type of legal entity	Paid-up capital	Attributable equity interest to the Company		Principal activities and place of operation
				Direct	Indirect	
Zibo Daming Fortune Metals Products Co., Ltd. ("Zibo Daming")	Mainland China 13 January 2014	Limited liability company	RMB3,000,000	–	100%	Distribution and sales of stainless steel products, in the PRC
Daming Metal Technology Co., Ltd. ("Daming Metal Technology")	Mainland China 09 June 2014	Limited liability company	–	–	100%	Processing, distribution and sales of steel products, in the PRC
Daming International Import & Export Co., Ltd. ("Daming Import & Export")	Mainland China 17 June 2014	Limited liability company	RMB58,000,000	–	100%	Distribution and sales of stainless steel products and fixed assets, in the PRC

(b) Due from/to subsidiaries

These balance are unsecured, non-interest bearing without fixed repayment terms. Due from/to subsidiaries are denominated in HKD and CNY.

10. DEFERRED INCOME TAX – GROUP

The analysis of deferred income tax assets and deferred income tax liabilities were as follows:

	As at 31 December	
	2014	2013
	RMB'000	*RMB'000*
Deferred income tax assets:		
– Deferred tax assets to be recovered after more than 12 months	**8,588**	16,571
– Deferred tax assets to be recovered within 12 months	**15,508**	2,168
	24,096	18,739
Deferred income tax liabilities:		
– Deferred tax liabilities to be settled after more than 12 months	**4,329**	2,606
– Deferred tax liabilities to be settled within 12 months	**–**	–
	4,329	2,606

The movement in deferred income tax assets during the year was as follows:

	Provision for write-down of inventories	Deferred income	Accrued expenses	Provision for impairment of receivables	Pre-operating expenses	Tax losses	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January 2013	4,588	688	1,854	243	351	5,024	12,748
Recognised in the consolidated comprehensive income statement	5,743	2,076	(759)	218	(301)	(986)	5,991
At 31 December 2013	10,331	2,764	1,095	461	50	4,038	18,739
Recognised in the consolidated comprehensive income statement	(655)	6,330	712	(200)	(50)	(780)	5,357
At 31 December 2014	9,676	9,094	1,807	261	–	3,258	24,096

10. DEFERRED INCOME TAX – GROUP (CONTINUED)

Deferred income tax assets are recognised for tax loss carry-forwards to the extent that the realisation of the related tax benefit through future taxable profits is probable. The Group did not recognise deferred income tax assets of RMB3,019,000 (2013: RMB2,475,000) in respect of accumulated losses amounting to RMB18,302,000 (2013: RMB15,003,000) that can be carried forward against future taxable income. These accumulated losses can be carried forward indefinitely.

The movement in deferred income tax liabilities during the year was as follows:

	Interest expenses on notes payable *RMB'000*	Interest expenses on capitalised property, plant and equipment *RMB'000*	Withholding tax *RMB'000*	Accelerated tax depreciation *RMB'000*	Total *RMB'000*
At 1 January 2013	986	1,825	–	–	2,811
Recognised in the consolidated comprehensive income statements	(986)	(1,069)	1,850	–	(205)
At 31 December 2013	–	756	1,850	–	2,606
Recognised in the consolidated comprehensive income statements	–	1,462	(100)	361	1,723
At 31 December 2014	–	2,218	1,750	361	4,329

Withholding tax is levied on dividends declared to foreign investors from the foreign investment enterprises established in Mainland China, in respect of earnings generated after 31 December 2007. The Group's subsidiaries in Mainland China are held by Fortune Express, a company incorporated in Hong Kong and the beneficial owner of these subsidiaries.

Deferred income tax liabilities of RMB1,750,000 (2013: RMB1,850,000) has been recognised for the withholding tax that would be payable on the estimate of earnings of certain subsidiary incorporated in Mainland China for 2014 that are expected to be distributed in the foreseeable future. Unremitted earnings that deferred income tax liabilities have not been recognised totaled RMB649,105,000 as at 31 December 2014 (2013: RMB586,071,000).

11. OTHER NON-CURRENT ASSETS – GROUP

Other non-current assets represent prepayment for purchase of land use rights. As at 31 December 2014, the certificates of land use rights have not been issued.

12. INVENTORIES – GROUP

	As at 31 December	
	2014	2013
	RMB'000	*RMB'000*
Raw materials	**949,327**	885,681
Finished goods	**559,130**	640,288
	1,508,457	1,525,969

The cost of materials recognised as cost of sales amounted to approximately RMB18,762,336,000 (2013: RMB14,449,712,000).

The Group has reversed approximately RMB2,798,000 for the previous write-down of inventories to their net realisable value (2013: recognised a loss of RMB21,977,000) (Note 27). These amounts have been included in the cost of sales in the consolidated comprehensive income statement.

As at 31 December 2014, bank borrowings of approximately RMB51,291,000 were pledged by raw materials with the carrying amount of approximately RMB51,291,000 (2013: RMB103,773,000) (Note 22).

13. TRADE RECEIVABLES – GROUP

	As at 31 December	
	2014	2013
	RMB'000	*RMB'000*
Accounts receivable	**132,819**	135,993
Notes receivable		
– bank acceptance notes	**107,178**	321,541
– commercial acceptance notes	**9,203**	7,797
	249,200	465,331
Less: provision for impairment	**(872)**	(1,781)
Trade receivables – net	**248,328**	463,550

Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

13. TRADE RECEIVABLES – GROUP (CONTINUED)

The fair values of trade receivables approximate their carrying amounts.

As at 31 December 2014, bank acceptance notes of RMB38,083,000 (2013: RMB2,850,000) were pledged as security for letter of credit for the Group.

The majority of the Group's sales are made on (i) cash on delivery; (ii) bank acceptance notes with maturity within 6 months; and (iii) credit terms of 1-90 days. At 31 December 2014 and 2013, the aging analysis of trade receivables was as follows:

	As at 31 December	
	2014	2013
	RMB'000	*RMB'000*
Accounts receivable		
– Within 30 days	**118,660**	128,119
– 30 days to 3 months	**13,562**	4,707
– 3 months to 6 months	**58**	637
– 6 months to 1 year	**100**	431
– 1 year to 2 years	**21**	444
– 2 years to 3 years	**418**	1,139
– Over 3 years	**–**	516
	132,819	135,993
Notes receivable		
– Within 6 months	**116,381**	329,338
	249,200	465,331

13. TRADE RECEIVABLES – GROUP (CONTINUED)

As at 31 December 2014, trade receivables of approximately RMB27,713,000 (2013: RMB63,829,000) were past due but not impaired. These relate to a number of independent customers for whom there is no recent history of default. The aging analysis of these trade receivables was as follows:

	As at 31 December	
	2014	2013
	RMB'000	*RMB'000*
Accounts receivable		
– Within 30 days	**22,979**	58,054
– 30 days to 3 months	**4,576**	4,707
– 3 months to 6 months	**58**	637
– 6 months to 1 year	**100**	431
	27,713	63,829

As at 31 December 2014, trade receivables of approximately RMB872,000 (2013: RMB2,099,000) were impaired and the amount of the provision for impairment was approximately RMB872,000 (2013: RMB1,781,000). The impairment was assessed individually for individual significant or long aging balances. The aging of these receivables was as follows:

	As at 31 December	
	2014	2013
	RMB'000	*RMB'000*
Accounts receivable		
– Within 1 year	**433**	–
– 1 year to 2 years	**21**	444
– 2 years to 3 years	**418**	1,139
– Over 3 years	**–**	516
	872	2,099

13. TRADE RECEIVABLES – GROUP (CONTINUED)

The carrying amounts of the Group's trade receivables were denominated in the following currencies:

	As at 31 December	
	2014	2013
	RMB'000	*RMB'000*
RMB	**217,826**	430,467
USD	**31,374**	34,864
	249,200	465,331

The credit quality of trade receivables can be assessed by types of trade receivables and by reference to historical information about counterparty default rates. The Group categorised the trade receivables as follows:

Group 1 – Bank acceptance notes

Group 2 – Trade receivables and commercial acceptance notes due from customers with no defaults in the past

Group 3 – Trade receivables due from customers with some defaults in the past

	As at 31 December	
	2014	2013
	RMB'000	*RMB'000*
Group 1	**107,178**	321,541
Group 2	**141,583**	141,691
Group 3	**439**	2,099
	249,200	465,331

None of the trade receivables that were fully performing have been renegotiated in the last financial year.

13. TRADE RECEIVABLES – GROUP (CONTINUED)

Movements of the provision for impairment of trade receivables were:

	As at 31 December	
	2014	2013
	RMB'000	*RMB'000*
At 1 January	**1,781**	931
(Reversal)/Provision for trade receivables *(Note 27)*	**(267)**	982
Written off as uncollectible	**(642)**	(132)
At 31 December	**872**	1,781

The creation and reversal of provision for impaired receivables have been included in the administrative expenses. Amounts charged to allowance account are written off when there is no expectation of receiving the receivables.

The maximum exposure to the credit risk as at the balance sheet date is the carrying value of the trade receivables.

14. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES – GROUP AND COMPANY

	Group		Company	
	2014	2013	**2014**	2013
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Prepayment for purchase of raw materials	**534,146**	421,265	**–**	–
Value – added tax recoverable	**144,768**	125,984	**–**	–
Export tax refund	**4,303**	1,970	**–**	–
Deposits and other receivables	**11,853**	32,206	**136**	172
	695,070	581,425	**136**	172

The fair values of prepayments, deposits and other receivables approximate their carrying amounts.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

15. RESTRICTED BANK DEPOSITS – GROUP

	As at 31 December	
	2014	2013
	RMB'000	*RMB'000*
Restricted bank deposits denominated in:		
– RMB	**631,143**	458,165
– USD	**4,546**	–
– EUR	**469**	827
	636,158	458,992

The nature of restricted bank deposits was as follows:

	As at 31 December	
	2014	2013
	RMB'000	*RMB'000*
Deposits for issuing letter of credit	**132,230**	51,230
Deposits for issuing notes payable *(Note 20)*	**502,927**	407,424
Deposits for letter of credit facility	**1,001**	338
	636,158	458,992

As at 31 December 2014, the weighted average interest rate on restricted bank deposits was 2.94% (2013: 3.14%) per annum, and these deposits have an approximate average maturity 93 days (2013: 78 days).

The restricted bank deposits are deposited with banks in Mainland China. The conversion of the RMB denominated balances in Mainland China into other currencies and the remittance of funds out of Mainland China are subject to the rules and regulations relating to foreign exchange control promulgated by the Mainland China Government.

16. CASH AND CASH EQUIVALENTS – GROUP AND COMPANY

Cash and cash equivalents represent cash at bank and in hand.

Cash and cash equivalents were denominated in the following currencies:

	Group		Company	
	As at 31 December		As at 31 December	
	2014	2013	**2014**	2013
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
RMB	**263,949**	50,014	**–**	–
USD	**19,416**	12,842	**–**	–
HKD	**8,682**	11,623	**238**	411
EUR	**7**	49	**–**	–
	292,054	74,528	**238**	411

As at 31 December 2014, cash at bank were demand deposits and the weighted average interest rates was 0.32% per annum (2013: 0.26%).

The maximum exposure to credit risk at the reporting date approximates the carrying value of the cash and cash equivalents.

The conversion of the RMB denominated balances in Mainland China into other currencies and the remittance of funds out of Mainland China are subject to the rules and regulations relating to foreign exchange control promulgated by the Mainland China Government.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

17. SHARE CAPITAL – GROUP AND COMPANY

	Authorised share capital		
	Number of shares		
	'000	*HKD'000*	*RMB'000*
As at 31 December 2013 and 2014 (ordinary shares of HKD0.10 each)	1,500,000	150,000	128,886

	Issued and fully paid up		
	Number of shares		
	'000	*HKD'000*	*RMB'000*
As at 31 December 2013 and 2014 (ordinary shares of HKD0.10 each)	1,037,500	103,750	89,215

18. RESERVES

– GROUP

	Share premium *RMB'000*	Merger reserves (a) *RMB'000*	Statutory reserves (b) *RMB'000*	Other reserves (c) *RMB'000*	Retained earnings (d) *RMB'000*	Total *RMB'000*
Balance at 1 January 2013	386,661	48,611	86,978	16,349	890,237	1,428,836
Comprehensive income						
Profit for the year	–	–	–	–	97,834	97,834
Total comprehensive Income for the year ended 31 December 2013	–	–	–	–	97,834	97,834
Transaction with owners						
Appropriation to statutory reserves	–	–	10,120	–	(10,120)	–
Employee share options scheme- value of employee services *(Note 19)*	–	–	–	1,418	–	1,418
Dividends	–	–	–	–	(8,413)	(8,413)
Total transaction with owners for the year ended 31 December 2013	–	–	10,120	1,418	(18,533)	(6,995)
Balance at 31 December 2013	386,661	48,611	97,098	17,767	969,538	1,519,675

Notes to the Consolidated Financial Statements
For the year ended 31 December 2014

18. RESERVES (CONTINUED)

– GROUP (Continued)

	Share premium RMB'000	Merger reserves (a) RMB'000	Statutory reserves (b) RMB'000	Other reserves (c) RMB'000	Retained earnings (d) RMB'000	Total RMB'000
Balance at 1 January 2014	386,661	48,611	97,098	17,767	969,538	1,519,675
Comprehensive income						
Profit for the year	–	–	–	–	165,807	165,807
Total comprehensive Income for the year ended 31 December 2014	–	–	–	–	165,807	165,807
Transaction with owners						
Appropriation to statutory reserves	–	–	15,216	–	(15,216)	–
Employee share options scheme- value of employee services *(Note 19(a))*	–	–	–	975	–	975
Partial disposal of a subsidiary	–	–	–	(635)	–	(635)
Share award scheme *(Note 19(b))*	11,577	–	–	–	–	11,577
Vesting of award shares *(Note 19(b))*	(5,581)	–	–	5,581	–	–
Dividends	–	–	–	–	(16,314)	(16,314)
Total transaction with owners for the year ended 31 December 2014	5,996	–	15,216	5,921	(31,530)	(4,397)
Balance at 31 December 2014	392,657	48,611	112,314	23,688	1,103,815	1,681,085

18. RESERVES (CONTINUED)

– GROUP (Continued)

(a) Merger reserves

Merger reserves of the Group represent the nominal value of the paid-up shares capital of the companies now comprising the Group, after eliminating intra-group investments.

(b) Statutory reserves

Subsidiaries of the Company incorporated in Mainland China are required to make appropriations to certain statutory reserves namely, statutory reserve fund, enterprise expansion fund and discretionary reserve fund from their statutory profit for the year after offsetting accumulated losses as determined under the PRC accounting regulations from prior years and before profit distribution to equity holders. The percentages to be appropriated to such statutory reserve funds are determined according to the relevant regulations in Mainland China at rates of not less than 5%, or at the discretion of the board of directors of the respective companies.

(c) Other reserves

Other reserves consist of shareholders' loans waived, employee share options scheme (Note 19(a)), shares held for Share Award Scheme (Note 19(b)) and partial disposal of a subsidiary.

Pursuant to a Board of Directors' resolution dated 28 April 2014, the Board approved the transfer of 5% of the equity interest in Hangzhou Wanzhou to Baosteel Stainless Steel. The total consideration for the 5% of the equity interest in Hangzhou Wanzhou was amounted to RMB11,170,000. The amount of transfer loss charged to the consolidated financial statement was approximately RMB635,000.

(d) Retained earnings

Retained earnings as at 31 December 2014 include proposed final dividend of RMB16,370,000 (2013: RMB16,314,000) (Note 33).

Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

18. RESERVES (CONTINUED)

– COMPANY

	Share premium *RMB'000*	Contributed surplus (a) *RMB'000*	Other reserves *RMB'000*	Accumulated losses *RMB'000*	Total *RMB'000*
Balance at 1 January 2013	386,661	921,264	(13,276)	(33,721)	1,260,928
Comprehensive income					
Profit for the year	–	–	–	23,879	23,879
Total comprehensive Income for the year ended 31 December 2013	–	–	–	23,879	23,879
Transaction with owners					
Employee share option Scheme – value of employee services	–	–	1,418	–	1,418
Dividends	–	–	–	(8,413)	(8,413)
Total transaction with owners for the year ended 31 December 2013	–	–	1,418	(8,413)	(6,995)
Balance at 31 December 2013	386,661	921,264	(11,858)	(18,255)	1,277,812

Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

18. RESERVES (CONTINUED)

– COMPANY (Continued)

	Share premium *RMB'000*	Contributed surplus (a) *RMB'000*	Other reserves *RMB'000*	Accumulated losses *RMB'000*	Total *RMB'000*
Balance at 1 January 2014	386,661	921,264	(11,858)	(18,255)	1,277,812
Comprehensive income					
Profit for the year	–	–	–	14,452	14,452
Total comprehensive Income for the year ended 31 December 2014	–	–	–	14,452	14,452
Transaction with owners					
Employee share option Scheme – value of employee services *(Note 19)*	–	–	975	–	975
Employee share award Scheme – value of employee services *(Note 19)*	11,577	–	–	–	11,577
Vesting of award shares	(5,581)	–	5,581	–	–
Dividends	–	–	–	(16,314)	(16,314)
Total transaction with owners for the year ended 31 December 2014	5,996	–	6,556	(16,314)	(3,762)
Balance at 31 December 2014	392,657	921,264	(5,302)	(20,117)	1,288,502

18. RESERVES (CONTINUED)

– COMPANY (Continued)

(a) Contributed surplus

Contributed surplus arose when the Company issued shares in exchange for the shares of subsidiaries being acquired in connection with a reorganisation of the Group prior to the listing of the Company on the Main Board of the Stock Exchange of Hong Kong Limited, and represents the difference between the nominal value of the Company's shares issued and the value of net assets of the subsidiaries acquired.

Contributed surplus is distributable to equity holders of the Company according to Companies Law of the Cayman Islands subject to solvency test.

19. SHARE-BASED PAYMENTS – GROUP AND COMPANY

(a) Share option schemes

As approved by the board of directors' meeting on 21 December 2010, 6,150,000 share options were granted to a director and certain employees at an exercise price of HKD2.452 per share, which represents the higher of (i) the closing price of the share on the date of grant; and (ii) the average closing price of the share for 5 trading days immediately preceding the date of grant. The Group has no legal or constructive obligation to repurchase or settle the options in cash.

As approved by the board of directors' meeting on 23 December 2014, 16,750,000 share options were granted to a director and certain employees at an exercise price of HKD2.364 per share, which represents the higher of (i) the closing price of the share on the date of grant; and (ii) the average closing price of the share for 5 trading days immediately preceding the date of grant. The Group has no legal or constructive obligation to repurchase or settle the options in cash.

19. SHARE-BASED PAYMENTS – GROUP AND COMPANY (CONTINUED)

(a) Share option schemes (Continued)

Movements in the number of share options outstanding and their related weighted average exercise prices were as follows:

	2014		2013	
	Average exercise price in HKD per share	**Number of options *('000)***	Average exercise price in HKD per share	Number of options *('000)*
At 1 January	**2.452**	**5,500**	2.452	5,500
Forfeited	**–**	**–**	–	–
Granted	**2.364**	**16,750**	–	–
At 31 December	**2.386**	**22,250**	2.452	5,500

Details of share options outstanding at the end of year were as follows:

Exercisable from	Expiry date	Exercise price in HKD per share	Number of options *('000)* 2014	2013
21 December 2013	20 December 2020	2.452	**1,650**	1,650
21 December 2014	20 December 2020	2.452	**1,650**	1,650
21 December 2015	20 December 2020	2.452	**2,200**	2,200
23 December 2017	22 December 2024	2.364	**6,700**	–
23 December 2017	22 December 2024	2.364	**5,025**	–
23 December 2017	22 December 2024	2.364	**5,025**	–
			22,250	5,500

The weighted average fair value of options granted in 2010 determined by using the Binomial Model was HKD1.31 per option. The significant inputs into the model were share price at the grant date, the exercise price shown above, expected volatility of 57.7%, expected dividend yield of 1.83% and risk-free interest rate of 2.89%. The share price at the grant date is the closing price of the Company's listed shares as of the grant date.

19. SHARE-BASED PAYMENTS – GROUP AND COMPANY (CONTINUED)

(a) Share option schemes (Continued)

The weighted average fair value of options granted in 2014 determined by using the Binomial Model was HKD1.09 per option. The significant inputs into the model were share price at the grant date, the exercise price shown above, expected volatility of 48%, expected dividend yield of 0.8% and risk-free interest rate of 1.82%. The share price at the grant date is the closing price of the Company's listed shares as of the grant date.

The expected volatility measured at the standard deviation of expected share price returns is based on statistical analysis of historical share prices of the listed companies with similar business to the Group. The expected dividend yield is measured based on the dividend yield per companies with similar business as projected by Bloomberg, which agrees to the Directors' best estimation based on the expected future performance and dividend policy of the Group.

For the year ended 31 December 2014, the attributable amount charged to the consolidated comprehensive income statement was approximately RMB975,000 (2013: RMB1,418,000).

(b) Share award schemes

Pursuant to a Board of Directors' resolution dated 25 August 2011, the Board approved the adoption of a Share Award Scheme (the "Scheme") under which shares of the Company may be awarded to selected employees in accordance with its provisions.

An aggregate of 13,336,000 shares of the Company's existing ordinary shares have been purchased by an independent trustee in the market out of cash HKD20,000,000 (equivalent to RMB16,288,000) contributed by the Company and held in trust for employees until such shares are vested in the relevant selected employees in accordance with the provisions of the Scheme.

Pursuant to a Board of Directors' resolution dated 15 October 2014, 11,740,000 shares were awarded to employees, such shares are vested over a period of three years.

19. SHARE-BASED PAYMENTS – GROUP AND COMPANY (CONTINUED)

(b) Share award schemes (Continued)

Movements in the number of shares held for the Share Award Schemes and awarded shares for the years ended 31 December 2014 is as follows:

	Number of shares held for the Share Award Schemes	Number of awarded shares	Total
At 1 January 2014	13,336,000	–	13,336,000
Granted *(Note 18)*	(11,740,000)	11,740,000	–
Vested and trasnsferred	–	(4,696,000)	(4,696,000)
At 31 December 2014	1,596,000	7,044,000	8,640,000
Vested but not transferred as at 31 December 2014			–

The fair value of the awarded shares was calculated based on the market price of the Company's shares at the respective grant date. The expected dividends during the vesting period have been taken into account when assessing the fair value of these awarded shares.

The weighted average fair value of awarded shares granted during the year ended 31 December 2014 was HKD2.62 per share (equivalent to approximately RMB2.08 per share).

The outstanding awarded shares as of 31 December 2014 were divided into two tranches on an equal basis as at their grant date. The first and second tranche will be vested on 31 October 2015 and 31 October 2016, respectively.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

20 TRADE PAYABLES – GROUP

	As at 31 December	
	2014	2013
	RMB'000	*RMB'000*
Accounts payable	**226,328**	175,228
Notes payable *(i)*	**1,317,420**	1,390,170
	1,543,748	1,565,398

(i) Notes payable of RMB938,920,000 (2013: RMB1,190,170,000) was secured by restricted bank deposits of approximately RMB502,927,000 (2013: RMB407,424,000) (Note 15).

The aging analysis of the trade payables was as follows:

	As at 31 December	
	2014	2013
	RMB'000	*RMB'000*
Within 6 months	**1,543,740**	1,565,386
6 months to 1 year	**8**	6
1 year to 2 years	**–**	6
	1,543,748	1,565,398

20 TRADE PAYABLES – GROUP (CONTINUED)

Trade payables are denominated in the following currencies:

	As at 31 December	
	2014	2013
	RMB'000	*RMB'000*
RMB	**1,525,421**	1,558,754
USD	**18,327**	6,644
	1,543,748	1,565,398

The fair values of trade payables approximate their carrying amounts.

21. ACCRUALS, ADVANCES FROM CUSTOMERS AND OTHER CURRENT LIABILITIES – GROUP AND COMPANY

	Group		Company	
	As at 31 December		As at 31 December	
	2014	2013	**2014**	2013
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Accruals	**5,610**	7,789	**643**	352
Advances from customers	**184,469**	192,725	**–**	–
Value-added tax payable	**391**	29,256	**–**	–
Other taxes payables	**7,091**	5,488	**–**	–
Other payables *(a)*	**183,676**	160,372	**–**	–
	381,237	395,630	**643**	352

21. ACCRUALS, ADVANCES FROM CUSTOMERS AND OTHER CURRENT LIABILITIES – GROUP AND COMPANY (CONTINUED)

(a) The breakdown of other payables was as follows:

	Group As at 31 December		Company As at 31 December	
	2014	2013	**2014**	2013
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Pension and other social welfare payables	**13,139**	13,432	**–**	–
Payables for purchase of property, plant and equipment and land use rights	**117,458**	104,775	**–**	–
Salary payables	**37,695**	31,362	**–**	–
Others	**15,384**	10,803	**–**	–
	183,676	160,372	**–**	–

The fair values of accruals and other current liabilities approximate their carrying amounts.

Accruals, advances from customers and other current liabilities were denominated in the following currencies:

	Group As at 31 December		Company As at 31 December	
	2014	2013	**2014**	2013
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
RMB	**311,319**	339,363	**290**	352
EUR	**64,199**	44,103	**–**	–
USD	**2,687**	9,490	**–**	–
HKD	**2,678**	2,674	**353**	–
JPY	**354**	–	**–**	–
	381,237	395,630	**643**	352

22. BORROWINGS – GROUP

	As at 31 December	
	2014	2013
	RMB'000	*RMB'000*
Non – current		
Bank borrowings	**366,332**	346,150
Borrowing and finance lease arrangement	**121,202**	–
	487,534	346,150
Current		
Bank borrowings	**1,391,998**	1,108,321
Borrowing and finance lease arrangement	**62,798**	–
	1,454,796	1,108,321
Representing:		
Bank borrowings		
– Unsecured	**1,534,089**	1,206,242
– Secured *(a)*	**51,291**	142,079
– Guaranteed *(b)*	**172,950**	106,150
Finance lease arrangement *(c)*	**184,000**	–
	1,942,330	1,454,471

Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

22. BORROWINGS – GROUP (CONTINUED)

(a) As at 31 December 2014, bank borrowings of approximately RMB51,291,000 (2013: RMB103,773,000) were secured by pledge of raw materials with the carrying amount of approximately RMB51,291,000 (Note 12), and;

As at 31 December 2013, bank borrowings of RMB38,306,000 were secured by pledge of machinery (Note 6).

(b) As at 31 December 2014, bank borrowings of RMB172,950,000 (2013: RMB106,150,000) were guaranteed by Jiangsu Daming and Taiyuan Iron & Steel (Group) Co., Ltd. together, and;

(c) Finance lease arrangement for machineries repayment by instalment over three years carry an effective interest rate of 6.04% and has restriction on the Group's machinery (Note 6).

Analysis of the carrying amounts of the Group's borrowings by type and currency was as follows:

	As at 31 December	
	2014	2013
	RMB'000	*RMB'000*
At fixed rates in RMB	**1,094,773**	889,459
At fixed rates in USD	**81,156**	23,762
At fixed rates in EUR	**–**	40,453
	1,175,929	953,674
At floating rates in RMB	**629,644**	223,950
At floating rates in USD	**136,757**	274,717
At floating rates in EUR	**–**	2,130
	766,401	500,797
	1,942,330	1,454,471

22. BORROWINGS – GROUP (CONTINUED)

The weighted average effective interest rates per annum at 31 December 2014 and 2013 were as follows:

	Year ended 31 December	
	2014	2013
RMB	**6.07%**	5.73%
USD	**2.97%**	2.17%
EUR	**3.48%**	2.12%

The exposure of the Group's borrowings to interest rate changes and the contractual repricing dates at the balance sheet dates were as follows:

	Year ended 31 December	
	2014	2013
	RMB'000	*RMB'000*
Within 6 months	**1,635,830**	1,031,383
6 months to 1 year	**170,298**	76,938
1 year to 5 years	**136,202**	346,150
	1,942,330	1,454,471

The fair values of borrowings approximate their carrying amounts.

Notes to the Consolidated Financial Statements
For the year ended 31 December 2014

23. DEFERRED GOVERNMENT GRANTS – GROUP

	Year ended 31 December	
	2014	2013
	RMB'000	*RMB'000*
Deferred government grants	**46,177**	26,350
Less: Current portion included in current liabilities	**(2,725)**	(1,210)
	43,452	25,140

The gross movement on the deferred government grants was as follows:

	Year ended 31 December	
	2014	2013
	RMB'000	*RMB'000*
Beginning balance of the year	**26,350**	17,879
Granted during the year	**22,530**	9,624
Amortised as income *(Note 25)*	**(2,703)**	(1,153)
Ending balance of the year	**46,177**	26,350

Government grants were granted to support the Group's construction of factory buildings in Tianjin and Wuhan, land use rights in Taiyuan and Wuhan, purchase of machineries in Wuxi and Taiyuan. These amounts have been deferred to match with depreciation of related assets and amortised over the relevant factory buildings', land use rights' and machineries' expected useful life of 10 to 50 years.

24. REVENUE AND SEGMENT INFORMATION

	Year ended 31 December	
	2014	2013
	RMB'000	*RMB'000*
Sales of goods	**19,633,818**	15,121,182

The chief operating decision-maker has been identified as the executive directors. 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 revenue from external customers in the PRC accounted for more than 90% of the Group's total revenue.

During the year ended 31 December 2014, none of the customers of the Group from whom the revenue amounted to 10% or more of the Group's revenue (2013: None).

The result of its sales from external customers in different countries and regions was as follows:

	Year ended 31 December	
	2014	2013
	RMB'000	*RMB'000*
– Mainland China	**19,065,548**	14,690,717
– Hong Kong and other overseas countries and regions *(i)*	**568,270**	430,465
Total sales	**19,633,818**	15,121,182

(i) Other overseas countries and regions mainly represented Australia, United States of America, South Korea, Europe and Southeast Asia.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

25. OTHER INCOME

	Year ended 31 December	
	2014	2013
	RMB'000	*RMB'000*
Sales of scraps and packaging materials	**12,973**	9,414
Subsidy income	**2,815**	3,247
Amortisation of deferred government grants *(Note 23)*	**2,703**	1,153
Rental income *(Note 36(b))*	**500**	500
Compensation funds from government for relocation	**–**	1,673
Others	**3,823**	–
	22,814	15,987

26. OTHER GAIN/(LOSSES) – NET

	Year ended 31 December	
	2014	2013
	RMB'000	*RMB'000*
(Losses)/Gains on disposal of property, plant and equipment – net *(Note 34(a))*	**(122)**	13
Foreign exchange gain/(losses) – net	**4,146**	(4,066)
Others	**(1,745)**	1,555
	2,279	(2,498)

27. EXPENSES BY NATURE

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

	Year ended 31 December	
	2014	2013
	RMB'000	*RMB'000*
Changes in inventories of finished goods	**80,804**	57,225
Raw materials consumed	**18,681,532**	14,392,487
Stamp duty, property tax and other surcharges	**18,994**	10,277
Transportation costs	**82,261**	71,297
Employee benefit expenses, including directors' emoluments *(Note 28)*	**273,071**	182,309
Depreciation and amortisation *(Note 5, 6, 7, 8)*	**80,967**	83,301
Operating lease rental for buildings	**2,029**	1,937
Utilities charges	**21,278**	16,263
(Reversal of)/Provision for write-down of inventories *(Note 12, 34 (a))*	**(2,798)**	21,977
Auditors' remuneration	**2,800**	2,800
(Reversal of)/Provision for impairment of trade receivables *(Note 13, 34 (a))*	**(267)**	982
Entertainment and travelling expenses	**32,433**	27,203
Professional service expenses	**1,204**	858
Bank charges	**9,214**	7,235
Others	**39,612**	26,343
	19,323,134	14,902,494

Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

28. EMPLOYEE BENEFIT EXPENSES

	Year ended 31 December	
	2014	2013
	RMB'000	*RMB'000*
Salaries, bonus and other welfares	**244,657**	168,262
Pension – defined contribution plans *(a)*	**15,862**	12,629
Share award granted to directors and employees	**11,577**	–
Share options granted to directors and employees	**975**	1,418
	273,071	182,309

(a) Pensions – defined contribution plans

The full time employees of the Mainland China subsidiaries of the Group participate in defined contribution retirement benefit plans organised by the relevant provincial government. For the years ended 31 December 2013 and 2014, the Group is required to make monthly defined contributions to these plans at rates from 12% to 22%, with the base of their total salary subject to a certain ceiling.

The Group has arranged for its Hong Kong employees to join the MPF Scheme, a defined contribution scheme managed by an independent trustee. Under the MPF Scheme, each of the Group (the employer) and its employees make monthly contributions to the scheme at 5% of the employees' earnings as defined under the Mandatory Provident Fund legislation. The monthly contributions of each of the employer and the employee are subject to a cap of HKD1,500 during the year ended 31 December 2014, and thereafter contributions are voluntary.

The Group has no other obligations for the payment of retirement and other post-retirement benefits of employees or retirees other than the defined contribution payments as disclosed above.

29. DIRECTORS AND SENIOR MANAGEMENT'S EMOLUMENTS

(a) Directors' emoluments

The emoluments of individual director of the Company were set out below:

Name of director	Fees	Salaries	Discretionary bonus	Shares	Pension-defined contribution plans	Other benefits (i)	Total
	RMB'000	*RMB'000*	*RMB'000*		*RMB'000*	*RMB'000*	*RMB'000*
2014							
Executive directors							
– Mr. Zhou Keming	236	744	120	–	20	7	1,127
– Ms. Xu Xia	236	600	100	–	20	7	963
– Mr. Zou Xiaoping	236	720	120	–	2	1	1,079
– Mr. Tang Zhonghai	236	960	120	1,238	20	7	2,581
– Mr. Kang In Soo	236	840	120	–	–	–	1,196
– Mr. Fukui Tsutomu	39	840	120	–	–	–	999
– Mr. Zhang Feng	39	600	100	495	20	7	1,261
	1,258	5,304	800	1,733	82	29	9,206
Non-executive director							
– Mr. Jiang Changhong	236	–	–	–	–	–	236
Independent non-executive directors							
– Mr. Cheuk Wa Pang	236	–	–	–	–	–	236
– Mr. Hua Min	236	–	–	–	–	–	236
– Mr. Chen Xuedong	236	–	–	–	–	–	236
– Mr. Lu Daming	79	–	–	–	–	–	79
	787	–	–	–	–	–	787
	2,281	5,304	800	1,733	82	29	10,229

Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

29. DIRECTORS AND SENIOR MANAGEMENT'S EMOLUMENTS (CONTINUED)

(a) Directors' emoluments (Continued)

Name of director	Fees	Salaries	Discretionary bonus	Pension-defined contribution plans	Other benefits (i)	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
2013						
Executive directors						
– Mr. Zhou Keming	240	744	180	31	30	1,225
– Ms. Xu Xia	240	580	120	31	30	1,001
– Mr. Zou Xiaoping	240	720	180	–	–	1,140
– Mr. Tang Zhonghai	240	960	180	31	30	1,441
– Mr. Kang In Soo	240	840	160	–	–	1,240
	1,200	3,844	820	93	90	6,047
Non-executive director						
– Mr. Jiang Changhong	240	–	–	–	–	240
Independent non-executive directors						
– Mr. Cheuk Wa Pang	240	–	–	–	–	240
– Mr. Hua Min	240	–	–	–	–	240
– Mr. Chen Xuedong	240	–	–	–	–	240
	720	–	–	–	–	720
	2,160	3,844	820	93	90	7,007

(i) Other benefits include social welfare benefits other than pension disclosed above.

No director of the Company waived any emolument for the year ended 31 December 2014 (2013: Nil).

29. DIRECTORS AND SENIOR MANAGEMENT'S EMOLUMENTS (CONTINUED)

(b) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group include 4 (2013: 4) directors, whose emoluments are reflected in the analysis presented above. The emoluments paid to the remaining 1 (2013: 1) individual were as follows:

	Year ended 31 December	
	2014	2013
	RMB'000	*RMB'000*
Salaries	**628**	862
Bonus	**100**	163
Share award	**413**	–
Other benefits	**2**	–
Pension costs	**–**	12
	1,143	1,037

The emoluments fell within the following bands:

	Number of individuals	
	2014	2013
Emolument bands		
HKD1,000,001 to HKD1,500,000	**1**	1

For the years ended 31 December 2014 and 2013, no emoluments were paid by the Group to any of the directors or the five highest paid individuals as inducement to join or upon joining the Group or as compensation for loss of office.

Notes to the Consolidated Financial Statements
For the year ended 31 December 2014

30. FINANCE COSTS – NET

	Year ended 31 December	
	2014	2013
	RMB'000	*RMB'000*
Finance costs:		
Interest expenses on borrowings	**85,344**	84,677
Interest expenses on bank acceptance notes	**48,321**	28,999
Exchange gain – net	**(560)**	(7,642)
	133,105	106,034
Less: amounts capitalised on qualifying assets *(Note 6)*	**(13,307)**	(3,392)
Total finance costs	**119,798**	102,642
Finance income:		
Interest income *(Note 34(a))*	**(17,461)**	(10,801)
Finance costs – net	**102,337**	91,841

31. INCOME TAX EXPENSE

The amount of income tax charged to the consolidated comprehensive income statement represents:

	Year ended 31 December	
	2014	2013
	RMB'000	*RMB'000*
Current income tax		
– Mainland China corporate income tax	**70,275**	48,550
Deferred income tax *(Note 10)*	**(2,723)**	(6,196)
	67,552	42,354

31. INCOME TAX EXPENSE (CONTINUED)

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.

Subsidiaries incorporated in Hong Kong are subject to income tax at the prevailing rates of 16.5%. 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 ("CIT") 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.

Jiangsu Daming, Daming Precision Sheet, Jinjiang Daming Heavy Industry, Qianzhou Daming, Hubei Daming, Taiyuan Taigang Daming, Hangzhou Wanzhou, Wuhan Fortune, Tianjin Taigang, Shenyang Daming, Allybest Trading, Zibo Daming, Daming Metal Technology and Daming Import & Export are subject to corporate income tax rate of 25% for the year 2014.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

31. INCOME TAX EXPENSE (CONTINUED)

The tax on the Group's profit before tax differs from the theoretical amount that would arise using the weighted average tax rates applicable to profits of the consolidated entities as follows:

	Year ended 31 December	
	2014	2013
	RMB'000	*RMB'000*
Profit before income tax	**233,440**	140,336
Tax calculated at tax rates applicable to profits of the respective subsidiaries	**60,030**	36,179
Expenses not deductible for tax purpose	**5,769**	2,368
Effect of withholding tax on certain unremitted profits of a subsidiary in Mainland China	**1,750**	1,850
Difference of prior year tax filing	**384**	1,445
Tax losses for which no deferred income tax asset was recognized	**544**	512
Tax exemption of withholding tax on prior year's certain unremitted profits of subsidiary in Mainland China	**(925)**	–
Income tax expense	**67,552**	42,354
The weighted average applicable tax rates	**25.72%**	25.78%

32. 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 year.

	As at 31 December	
	2014	2013
	RMB'000	*RMB'000*
Profit attributable to equity holders of the Company	**165,807**	97,834
Weighted average number of ordinary shares in issue (thousands)	**1,037,500**	1,037,500
Basic earnings per share	**0.16**	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.

Notes to the Consolidated Financial Statements
For the year ended 31 December 2014

32. EARNINGS PER SHARE (CONTINUED)

	As at 31 December	
	2014	2013
	RMB'000	*RMB'000*
Earnings		
Profit used to determine diluted earnings per share	**165,807**	97,834
Weighted average number of ordinary shares in issue (thousands)	**1,037,500**	1,037,500
Adjustments for:		
– Share options (thousands)	**80**	–
Weighted average number of ordinary shares for diluted earnings per share (thousands)	**1,037,580**	1,037,500
Diluted earnings per share	**0.16**	0.09

33. DIVIDENDS

	As at 31 December	
	2014	2013
	RMB'000	*RMB'000*
Proposed final dividend of HKD0.02 (2013: HKD0.02) per ordinary share	**16,370**	16,314

On 25 March 2015, the Company's Board of Directors has recommended payment of a final dividend of HKD0.02 per share, which is subject to the approval by the Company's shareholders at the upcoming Annual General Meeting. The proposed dividend has not been reflected as a dividend payable in these financial statements, but will be reflected as an appropriation of retained earnings during the year ending 31 December 2015.

The dividends actually paid in 2014 and 2013 were RMB16,314,000 and RMB8,413,000 respectively based on the number of issued shares outstanding at relevant time.

34. NOTES TO CONSOLIDATED STATEMENT OF CASH FLOWS

(a) Cash generated from operations

	Year ended 31 December	
	2014	2013
	RMB'000	*RMB'000*
Profit after income tax	**165,888**	97,982
Adjustments for:		
– income tax expenses	**67,552**	42,354
– amortisation of land use rights *(Note 5)*	**6,343**	4,298
– depreciation of property, plant and equipment *(Note 6)*	**73,713**	78,126
– amortisation of intangible assets *(Note 8)*	**446**	422
– depreciation of investment properties *(Note 7)*	**465**	455
– amortisation of deferred income *(Note 23)*	**(2,703)**	(1,153)
– gains/(losses) on disposal of property, plant and equipment *(Note 26)*	**122**	(13)
– (reversal of)/provision for impairment of trade receivables *(Note 27)*	**(267)**	982
– (reversal of)/provision for write down of inventories *(Note 27)*	**(2,798)**	21,977
– interest income *(Note 30)*	**(17,461)**	(10,801)
– finance costs *(Note 30)*	**119,798**	102,642
– employee share options scheme- value of employee services *(Note 19(a))*	**975**	1,418
– employee share award scheme-value of employee services *(Note 19(b))*	**11,577**	–
– reversal of deferred income liability	**(925)**	
– partial disposal of a subsidiary	**(635)**	–
	422,090	338,689
Changes in working capital:		
– increase in restricted bank deposits	**(177,166)**	(261,254)
– decrease/(increase) in trade receivables, prepayments, deposits and other receivables	**103,112**	(660,560)
– decrease in inventories	**20,311**	159,978
– increase in trade payables, current income tax liabilities, accruals and other payables	**439,560**	706,505
Cash generated from operations	**807,907**	283,358

Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

34. NOTES TO CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)

(b) In the consolidated cash flow statements, proceeds from disposal of property, plant and equipment comprise:

	Year ended 31 December	
	2014	2013
	RMB'000	*RMB'000*
Net book amount *(Note 6)*	**222**	90
(Losses)/Gains on disposal of property, plant and equipment *(Note 26)*	**(122)**	13
Proceeds from disposal of property, plant and equipment	**100**	103

35. COMMITMENTS

(a) Capital commitments

	As at 31 December	
	2014	2013
	RMB'000	*RMB'000*
Contracted but not provided for:		
Acquisition of property, plant and equipment	**411,873**	251,299

35. COMMITMENTS (CONTINUED)

(b) Operating lease commitments

The Group leases certain office premises, plant and equipment under non-cancellable operating lease agreements.

The future aggregate minimum lease payments under non-cancellable operating leases were as follows:

	As at 31 December	
	2014	2013
	RMB'000	*RMB'000*
Not later than 1 year	**1,071**	2,159
Later than 1 year and not later than 5 years	**809**	1,078
	1,880	3,237

36. RELATED PARTY TRANSACTIONS

(a) The directors are of the view that the following companies and persons are related parties of the Group:

Name	**Relationship with the Group**
Ally Good	Controlling shareholder
Wuxi Daming Logistics Co., Ltd. ("Daming Logistics")	The controlling shareholders are Mr. Zhou Keming and Ms. Xu Xia
Mr. Zhou Keming	Chairman and chief executive officer of the Company and the Group
Ms. Xu Xia	The wife of Mr. Zhou Keming and a director of the Company

Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

36. RELATED PARTY TRANSACTIONS (CONTINUED)

(b) Transactions with related parties:

The following material transactions were carried out with related parties:

		Year ended 31 December	
		2014	2013
		RMB'000	*RMB'000*
(i)	Lease of property to Daming Logistics		
	Rental charged to	**500**	500

		2014	2013
		RMB'000	*RMB'000*
(ii)	Loans received from Daming Logistics		
	Loans received	**258,300**	1,015,590

For the year ended 31 December 2014, loans received from Daming Logistics are unsecured, interest-free, and have no fixed repayment term.

		Year ended 31 December	
		2014	2013
		RMB'000	*RMB'000*
(iii)	Loans repaid to Daming Logistics		
	Loans repaid	**258,300**	1,015,590

36. RELATED PARTY TRANSACTIONS (CONTINUED)

(b) Transactions with related parties (Continued):

(iv) Key management compensation

Key management includes directors and top managements. The compensation paid or payable to key management for employee services was shown below:

	Year ended 31 December	
	2014	2013
	RMB'000	*RMB'000*
Salaries, bonus and other welfares	**14,182**	10,010
Pension – defined contribution plans	**98**	258
	14,280	10,268

(c) Year-end balances arising from related party transactions:

Other receivables

	Year ended 31 December	
	2014	2013
	RMB'000	*RMB'000*
Daming Logistics	**500**	–

37. EVENTS AFTER THE BALANCE SHEET DATE

There have been no events subsequent to the year end of 31 December 2014 which require adjustment or disclosure in the financial statements.

Financial Summary

	For the year ended 31 December				
	2014	2013	2012	2011	2010
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
RESULTS					
Revenue	**19,633,818**	15,121,182	11,693,500	11,940,647	8,972,581
Gross profit	**632,046**	441,366	307,913	351,091	461,465
Operating profit	**335,777**	232,177	138,805	205,712	355,734
Profit for the year	**165,888**	97,982	30,056	103,229	237,606
Attributable to:					
Equity holders of the Company	**165,807**	97,834	30,585	103,641	235,507
Non-controlling interests	**81**	148	(529)	(412)	2,099
	165,888	97,982	30,056	103,229	237,606
ASSETS, LIABILITIES AND EQUITY					
Total assets	**5,957,580**	5,229,484	4,191,062	4,443,978	3,703,720
Total liabilities	**(3,951,326)**	(3,476,526)	(2,529,091)	(2,864,104)	(2,252,267)
	2,006,254	1,752,958	1,661,971	1,579,874	1,451,453
Equity attributable to equity holders of the Company	**1,770,300**	1,608,890	1,518,051	1,515,425	1,426,592
Non-controlling interests	**235,954**	144,068	143,920	64,449	24,861
Total equity	**2,006,254**	1,752,958	1,661,971	1,579,874	1,451,453