DA MING INTERNATIONAL HOLDINGS LIMITED

大明國際控股有限公司

(incorporated in the Cayman Islands with limited liability)

(Stock code: 1090)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2013

FINANCIAL HIGHLIGHTS

	Year ended 31 December		
	2013	2012	
	RMB'000	*RMB'000*	% change
Revenue	**15,121,182**	11,693,500	+29.3%
Gross profit	**441,366**	307,913	+43.3%
Total comprehensive income for the year	**97,982**	30,056	+226.0%

OPERATING HIGHLIGHTS

	Year ended 31 December		
	2013	2012	% change
Stainless steel			
Sales volume (tonnes)	**974,133**	702,890	+38.6%
Processing volume (tonnes)	**1,419,663**	975,784	+45.5%
Processing multiple *(note 1)*	**1.46**	1.39	+5.0%
Carbon steel			
Sales volume (tonnes)	**257,823**	–	–
Processing volume (tonnes)	**238,430**	–	–
Processing multiple *(note 1)*	**0.92**	–	–

Notes:

1. Processing multiple = Processing volume/Sales volume

2. Carbon steel processing services was launched in early 2013, no comparative figures for 2012 can be provided

FINAL RESULTS

The board of directors (the "Board") of Da Ming International Holdings Limited (the "Company") is pleased to announce the audited consolidated results of the Company and its subsidiaries (collectively, the "Group") for the year ended 31 December 2013 together with comparative figures for the year ended 31 December 2012, as follows:

CONSOLIDATED COMPREHENSIVE INCOME STATEMENT

For the year ended 31 December 2013

		Year ended 31 December	
		2013	2012
	Notes	***RMB'000***	*RMB'000*
Revenue	2	**15,121,182**	11,693,500
Cost of sales	3	**(14,679,816)**	(11,385,587)
Gross profit		**441,366**	307,913
Other income	4	**15,987**	13,706
Other expenses	3	**(1,421)**	(1,291)
Other losses, net	5	**(2,498)**	(4,912)
Distribution costs	3	**(105,681)**	(81,027)
Administrative expenses	3	**(115,576)**	(95,584)
Operating profit		**232,177**	138,805
Finance income	6	**10,801**	11,356
Finance costs	6	**(102,642)**	(106,279)
Finance costs, net	6	**(91,841)**	(94,923)
Profit before income tax		**140,336**	43,882
Income tax expense	7	**(42,354)**	(13,826)
Profit for the year		**97,982**	30,056
Total comprehensive income for the year		**97,982**	30,056
Attributable to:			
Equity holders of the Company		**97,834**	30,585
Non-controlling interests		**148**	(529)
		97,982	30,056
Earnings per share for profit attributable to equity holders of the Company during the year (expressed in RMB per share)			
– Basic earnings per share	8	**0.09**	0.03
– Diluted earnings per share	8	**0.09**	0.03
Dividends	9	**16,314**	8,413

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2013

		As at 31 December	
		2013	2012
	Note	***RMB'000***	*RMB'000*
ASSETS			
Non-current assets			
Land use rights		**205,773**	175,927
Property, plant and equipment		**1,815,399**	1,455,833
Investment properties		**7,758**	8,213
Intangible assets		**2,202**	2,560
Deferred income tax assets		**18,739**	12,748
Other non-current assets		**75,149**	64,355
		2,125,020	1,719,636
Current assets			
Inventories		**1,525,969**	1,707,925
Trade receivables	10	**463,550**	158,547
Prepayments, deposits and other receivables		**581,425**	224,652
Restricted bank deposits		**458,992**	197,737
Cash and cash equivalents		**74,528**	182,565
		3,104,464	2,471,426
Total assets		**5,229,484**	4,191,062
EQUITY AND LIABILITIES			
Equity attributable to equity holders of the Company			
Share capital		**89,215**	89,215
Reserves		**1,519,675**	1,428,836
		1,608,890	1,518,051
Non-controlling interests		**144,068**	143,920
Total equity		**1,752,958**	1,661,971

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (Continued)
As at 31 December 2013

		As at 31 December	
		2013	2012
	Note	***RMB'000***	*RMB'000*
LIABILITIES			
Non-current liabilities			
Borrowings		**346,150**	140,000
Deferred government grants		**25,140**	16,732
Deferred income tax liabilities		**2,606**	2,811
		373,896	159,543
Current liabilities			
Trade payables	11	**1,565,398**	701,705
Accruals, advances from customers and other current liabilities		**395,630**	274,921
Current income tax liabilities		**32,071**	7,261
Borrowings		**1,108,321**	1,384,514
Current portion of deferred government grants		**1,210**	1,147
		3,102,630	2,369,548
Total liabilities		**3,476,526**	2,529,091
Total equity and liabilities		**5,229,484**	4,191,062
Net current assets		**1,834**	101,878
Total assets less current liabilities		**2,126,854**	1,821,514

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the year ended 31 December 2013

	Attributable to equity holders of the Company		Non-controlling interests	Total equity
	Share Capital	Reserves		
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Balance at 1 January 2012	89,215	1,426,210	64,449	1,579,874
Comprehensive income				
Profit/(Loss) for the year	–	30,585	(529)	30,056
Total comprehensive income for the year ended 31 December 2012	–	30,585	(529)	30,056
Transactions with owners				
Capital injection by a non-controlling shareholder	–	–	80,000	80,000
Employee share option scheme – value of employee services	–	1,480	–	1,480
Dividends	–	(29,439)	–	(29,439)
Total transactions with owners	–	(27,959)	80,000	52,041
Balance at 31 December 2012	89,215	1,428,836	143,920	1,661,971
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 option scheme – value of employee services	–	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

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2013

	2013	2012
	RMB'000	*RMB'000*
Cash flows from operating activities	**158,324**	424,951
Cash flows from investing activities	**(470,394)**	(458,192)
Cash flows from financing activities	**204,985**	(67,043)
Net decrease in cash and cash equivalents	**(107,085)**	(100,284)
Cash and cash equivalents at beginning of year	**182,565**	282,854
Exchange losses on cash and cash equivalents	**(952)**	(5)
Cash and cash equivalents at end of year	**74,528**	182,565

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2013

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 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.

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 2013:

Amendment to HKAS 1 'Financial statement presentation' is effective for annual periods beginning on or after 1 July 2012. The main change resulting from these amendments is a requirement for entities to group items presented in 'other comprehensive income' (OCI) on the basis of whether they are potentially reclassifiable to profit or loss subsequently (reclassification adjustments).

Amendment to HKFRSs 10, 11 and 12 on transition guidance are effective for annual periods beginning on or after 1 January 2013. These amendments provide additional transition relief to HKFRSs 10, 11 and 12, limiting the requirement to provide adjusted comparative information to only the preceding comparative period. For disclosures related to unconsolidated structured entities, the amendments will remove the requirement to present comparative information for periods before HKFRS 12 is first applied.

HKFRS 10 'Consolidated financial statements' is effective for annual periods beginning on or after 1 January 2013. The objective of HKFRS 10 is to establish principles for the presentation and preparation of consolidated financial statements when an entity controls one or more other entities to present consolidated financial statements. It defines the principle of control, and establishes controls as the basis for consolidation. It sets out how to apply the principle of control to identify whether an investor controls an investee and therefore must consolidate the investee. It also sets out the accounting requirements for the preparation of consolidated financial statements. The Group assessed that adoption of HKFRS 10 did not result in any change in the consolidation status of its subsidiaries.

HKAS 27 (revised 2011) 'Separate financial statements' is effective for annual periods beginning on or after 1 January 2013. It includes the provisions on separate financial statements that are left after the control provisions of HKAS 27 have been included in the new HKFRS 10.

HKAS 28 (revised 2011) 'Associates and joint ventures' is effective for annual periods beginning on or after 1 January 2013. It includes the requirements for joint ventures, as well as associates, to be equity accounted following the issue of HKFRS 11.

HKFRS 11 'Joint arrangements' is effective for annual periods beginning on or after 1 January 2013. It is a more realistic reflection of joint arrangements by focusing on the rights and obligations of the arrangement rather than its legal form. There are two types of joint arrangement: joint operations and joint ventures. Joint operations arise where a joint operator has rights to the assets and obligations relating to the arrangement and hence accounts for its interest in assets, liabilities, revenue and expenses. Joint ventures arise where the joint operator has rights to the net assets of the arrangement and hence equity accounts for its interest. Proportional consolidation of joint ventures is no longer allowed.

HKFRS 12 'Disclosure of interests in other entities' is effective for annual periods beginning on or after 1 January 2013. It includes the disclosure requirements for all forms of interests in other entities, including joint arrangements, associates, special purpose vehicles and other off balance sheet vehicles.

HKFRS 13 'Fair value measurements' is effective for annual periods beginning on or after 1 January 2013. It aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across HKFRSs. The requirements, which are largely aligned between HKFRSs and US GAAP, do not extend the use of fair value accounting but provide guidance on how it should be applied where its use is already required or permitted by other standards within HKFRSs or US GAAP.

Amendment to HKAS 19 'Employee benefits' is effective for annual periods beginning on or after 1 January 2013. These amendments eliminate the corridor approach and calculate finance costs on a net funding basis.

Amendment to HKFRS 7 'Financial instruments: Disclosures - Offsetting financial assets and financial liabilities' is effective for annual periods beginning on or after 1 January 2013. The amendments also require new disclosure requirements which focus on quantitative information about recognised financial instruments that are offset in balance sheet, as well as those recognised financial instruments that are subject to master netting or similar arrangements irrespective of whether they are offset. The adoption of the above standards have no significant impact on the Group's financial statements.

(b) New and amended standards have been issued but are not effective for the financial year beginning 1 January 2013 and have not been early adopted

The Group's assessment of the impact of these new and amended standards is set out below.

- Amendments to HKAS 32 'Financial instruments: Presentation' on asset and liability offsetting 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. The Group is yet to assess full impact of the amendments and intends to adopt the amendments no later than the accounting period beginning on or after 1 January 2014.

- Amendments to HKFRS 10, 12 and HKAS 27 'Consolidation for investment entities' 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. The Group is yet to assess full impact of the amendments and intends to adopt the amendments no later than the accounting period beginning on or after 1 January 2014.

- Amendment to HKAS 36, 'Impairment of assets' on recoverable amount disclosures' addresses the disclosure of information about the recoverable amount of impaired assets if that amount is based on fair value less costs of disposal. The Group is yet to assess full impact of the amendment and intends to adopt the amendment no later than the accounting period beginning on or after 1 January 2014.

- Amendment to HKAS 39 'Financial Instruments: Recognition and Measurement' - 'Novation of derivatives provides' relief from discontinuing hedge accounting when novation of a hedging instrument to a central counterparty meets specified criteria. The Group is yet to assess full impact of the amendments and intends to adopt the amendment no later than the accounting period beginning on or after 1 January 2014.

- HK(IFRIC) 21 'Levies' 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. The Group is yet to assess IFRIC 21's full impact of the amendments and intends to adopt the IFRIC 21 no later than the accounting period beginning on or after 1 January 2014.

- Amendment to HKAS 19 regarding defined benefit plans applies to contributions from employees or third parties to defined benefit plans. The amendment distinguishes between contributions that are linked to service only in the period in which they arise and those linked to service in more than one period. The amendment allows contributions that are linked to service, and do not vary with the length of employee service, to be deducted from the cost of benefits earned in the period that the service is provided. Contributions that are linked to service, and vary according to the length of employee service, must be spread over the service period using the same attribution method that is applied to the benefits. The Group is yet to assess the amendment full impact of the amendment and intends to adopt the amendment no later than the accounting period beginning on or after 1 July 2014.

- HKFRS 9 'Financial Instruments' is the first standard issued as part of a wider project to replace HKAS 39. HKFRS 9 retains but simplifies the mixed measurement model and establishes two primary measurement categories for financial assets: amortised cost and fair value. The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset. The guidance in HKAS 39 on impairment of financial assets and hedge accounting continues to apply. The Group is yet to assess the HKFRS 9's full impact of the amendments and intends to adopt the HKFRS 9 no later than the accounting period beginning on or after 1 January 2015.

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.

2. REVENUE

	Year ended 31 December	
	2013	2012
	RMB'000	*RMB'000*
Sales of goods	**15,121,182**	11,693,500

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 2013, none of the customers of the Group from whom the revenue amounted to 10% or more of the Group's revenue (2012: None).

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

	Year ended 31 December	
	2013	2012
	RMB'000	*RMB'000*
– Mainland China	**14,690,717**	11,391,522
– Hong Kong and other overseas countries and regions*	**430,465**	301,978
Total sales	**15,121,182**	11,693,500

* Other overseas countries and regions mainly represented Australia, USA, South Korea, Europe and Southeast Asia.

3. EXPENSES BY NATURE

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

	Year ended 31 December	
	2013	2012
	RMB'000	*RMB'000*
Changes in inventories of finished goods	**57,225**	36,914
Raw materials consumed	**14,392,487**	11,211,923
Stamp duty, property tax and other surcharges	**10,277**	9,081
Transportation costs	**71,297**	56,085
Employee benefit expenses, including directors' emoluments	**182,309**	126,536
Depreciation and amortisation	**83,301**	89,894
Operating lease rental for buildings	**1,937**	2,060
Utilities charges	**16,263**	10,284
Provision for/(Reversal of) write-down of inventories	**21,977**	(32,822)
Auditors' remuneration	**2,800**	3,400
Provision for impairment of trade receivables	**982**	86
Entertainment and travelling expenses	**27,203**	21,161
Professional service expenses	**858**	1,262
Bank charges	**7,235**	7,836
Others	**26,343**	19,789
	14,902,494	11,563,489

4. OTHER INCOME

	Year ended 31 December	
	2013	2012
	RMB'000	*RMB'000*
Sales of scraps and packaging materials	**9,414**	7,927
Subsidy income	**3,247**	4,138
Compensation funds from government for relocation	**1,673**	–
Amortisation of deferred government grants	**1,153**	1,141
Rental income	**500**	500
	15,987	13,706

5. OTHER LOSSES, NET

	Year ended 31 December	
	2013	2012
	RMB'000	*RMB'000*
Gains on disposal of property, plant and equipment, net	**13**	2
Foreign exchange losses, net	**(4,066)**	(5,841)
Others	**1,555**	927
	(2,498)	(4,912)

6. FINANCE COSTS, NET

	Year ended 31 December	
	2013	2012
	RMB'000	*RMB'000*
Finance costs:		
Interest expenses on bank borrowings	**84,677**	80,028
Interest expenses on bank acceptance notes	**28,999**	25,734
Exchange (gain)/loss, net	**(7,642)**	1,661
	106,034	107,423
Less: amounts capitalised on qualifying assets	**(3,392)**	(1,144)
Total finance costs	**102,642**	106,279
Finance income:		
Interest income	**(10,801)**	(11,356)
Finance costs, net	**91,841**	94,923

7. INCOME TAX EXPENSE

	Year ended 31 December	
	2013	2012
	RMB'000	*RMB'000*
Current income tax		
– Mainland China corporate income tax	**48,550**	11,731
Deferred income tax	**(6,196)**	2,095
	42,354	13,826

The Company was incorporated in 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, Jingjiang Daming Heavy Industry, Qianzhou Daming, Hubei Daming, Taiyuan Taigang Daming, Hangzhou Wanzhou, Wuhan Fortune, Tianjin Taigang Daming and Shenyang Daming are subject to corporate income tax rate of 25% for the year 2013.

8. 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.

	2013	2012
	RMB'000	*RMB'000*
Profit attributable to equity holders of the Company	**97,834**	30,585
Weighted average number of ordinary shares in issue (thousands)	**1,037,500**	1,037,500

(b) Diluted

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

	2013	2012
	RMB'000	*RMB'000*
Earnings		
Profit used to determine diluted earnings per share	**97,834**	30,585
Weighted average number of ordinary shares in issue (thousands)	**1,037,500**	1,037,500
Adjustments for:		
– Share options (thousands)	**–**	–
Weighted average number of ordinary shares for diluted earnings per share (thousands)	**1,037,500**	1,037,500

9. DIVIDENDS

	2013	2012
	RMB'000	*RMB'000*
Proposed final dividend of HKD0.02 (2012: HKD0.01) per ordinary share	**16,314**	8,413

On 20 March 2014, 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 2014.

10. TRADE RECEIVABLES

	At at 31 December	
	2013	2012
	RMB'000	*RMB'000*
Accounts receivable	**135,993**	115,871
Notes receivable		
– bank acceptance notes	**321,541**	38,972
– commercial acceptance notes	**7,797**	4,635
	465,331	159,478
Less: provision for impairment	**(1,781)**	(931)
Trade receivables, net	**463,550**	158,547

The fair values of trade receivables approximate their carrying amounts.

As at 31 December 2013, bank acceptance notes of RMB2,850,000 (2012: nil) were pledged to issue letter of credit of EUR280,000 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 2013 and 2012, the aging analysis of trade receivables was as follows:

	At at 31 December	
	2013	2012
	RMB'000	*RMB'000*
Accounts receivable		
– Within 30 days	**128,119**	92,853
– 30 days to 3 months	**4,707**	21,112
– 3 months to 6 months	**637**	230
– 6 months to 1 year	**431**	21
– 1 year to 2 years	**444**	1,139
– 2 years to 3 years	**1,139**	–
– over 3 years	**516**	516
	135,993	115,871
Notes receivable		
– Within 6 months	**329,338**	43,607
	465,331	159,478

11. TRADE PAYABLES

	At at 31 December	
	2013	2012
	RMB'000	*RMB'000*
Accounts payable	**175,228**	12,351
Notes payable	**1,390,170**	689,354
	1,565,398	701,705

Notes payable of RMB1,190,170,000 (2012: RMB612,554,000) was secured by restricted bank deposits of approximately RMB407,424,000 (2012: RMB181,674,000).

The aging analysis of the trade payables was as follows:

	At at 31 December	
	2013	2012
	RMB'000	*RMB'000*
Within 6 months	**1,565,386**	701,698
6 months to 1 year	**6**	7
1 year to 2 years	**6**	–
	1,565,398	701,705

Trade payables are denominated in the following currencies:

	At at 31 December	
	2013	2012
	RMB'000	R*MB'000*
RMB	**1,558,754**	692,167
USD	**6,644**	9,528
EUR	**–**	10
	1,565,398	701,705

The fair values of trade payables approximate their carrying amounts.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

Despite the continual decline in the market price of the stainless steel raw materials during the year, the Group achieved a net profit of approximately RMB98.0 million for the year ended 31 December 2013 representing a significant increase of approximately 226.0% as compared with that for the year ended 31 December 2012.

The annual sales volume of our stainless steel processing business increased from approximately 703,000 tonnes in 2012 to approximately 974,000 tonnes in 2013 representing an increase of approximately 39% while the annual processing volume increased from approximately 976,000 tonnes in 2012 to approximately 1,420,000 tonnes in 2013 representing an increase of approximately 45%. The increase in processing volume in 2013 was mainly attributable to the increase in coil cutting and surface polishing services. We also recorded an increase of over 120% in processing fees income from our machining services in 2013.

In order to widen our business scope, the Group commenced its carbon steel processing business in March 2013. The annual sales volume of our carbon steel processing business was approximately 258,000 tonnes and the processing volume was approximately 238,000 tonnes in 2013.

In August 2013, we started the construction of the sixth phase of our Wuxi processing centre which will be utilized as our precision sheet metal processing centre. The precision sheet metal processing platform will serve customers mainly in the motor vehicles, health, environmental protection, weaving and electrical industries. The second phase of our Hangzhou processing centre commenced its operations on 17 May 2013 and is now capable to provide processing services to both our stainless steel and carbon steel customers. In view of the strong demand in the Wuhan area in the past years and with an aim to consolidate the businesses of Hunan and Hubei provinces, a new processing centre was built in Wuhan instead of in Changsha as initially planned. The building infrastructure of this new Wuhan processing centre was substantially completed and the machineries in the original processing centre as well as new machineries enhancing its capabilities will be installed this year.

OUTLOOK

The establishment of our Taiyuan processing centre is expected to be completed in the second half year of 2014 which will provide processing services to both our stainless steel and carbon steel customers.

We will also start the construction of the Jingjiang processing centre in Jingjiang, Jiangsu province in 2014. The Jingjiang processing centre will provide services to customers mainly involved in heavy industries such as pressurized container manufacturers and infrastructural parts manufacturers.

With the completion and enhancement of the processing centres of our Group in 2014, we anticipate a rapid growth both in our sales volume and deep processing services in the coming years. We shall also devote more resources in our carbon steel processing business in order to provide a more comprehensive service to our customers.

FINANCIAL REVIEW AND ANALYSIS

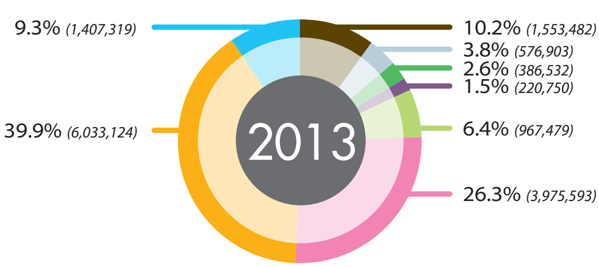
During the year under review, we recorded a revenue of approximately RMB15,121 million, gross profit of approximately RMB441 million and the profit attributable to equity holders of the Company of approximately RMB98 million. Total assets of the Group as at 31 December 2013 amounted to approximately RMB5,229 million while equity attributable to equity holders of the Company amounted to approximately RMB1,609 million.

Analysis of revenue by key industry segments

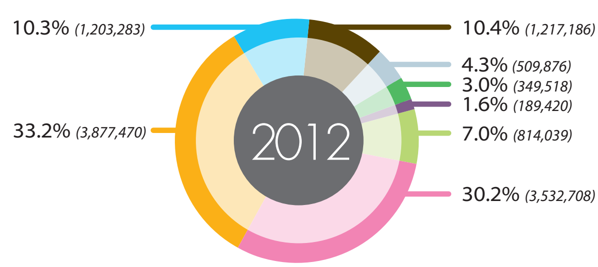
During the years ended 31 December 2013 and 2012, our revenue by key industry segments are shown below:

	Revenue For the year ended 31 December			
	2013		2012	
Industry	***RMB'000***	***%***	*RMB'000*	*%*
Machineries	**3,975,593**	**26.3**	3,532,708	30.2
Distributors	**6,033,124**	**39.9**	3,877,470	33.2
Petrochemical	**1,407,319**	**9.3**	1,203,283	10.3
Home Hardware and Appliances	**1,553,482**	**10.2**	1,217,186	10.4
Automobile and Transport	**576,903**	**3.8**	509,876	4.3
Construction	**386,532**	**2.6**	349,518	3.0
Renewable Energy	**220,750**	**1.5**	189,420	1.6
Others	**967,479**	**6.4**	814,039	7.0
Total	**15,121,182**	**100.0**	11,693,500	100.0

RMB'000



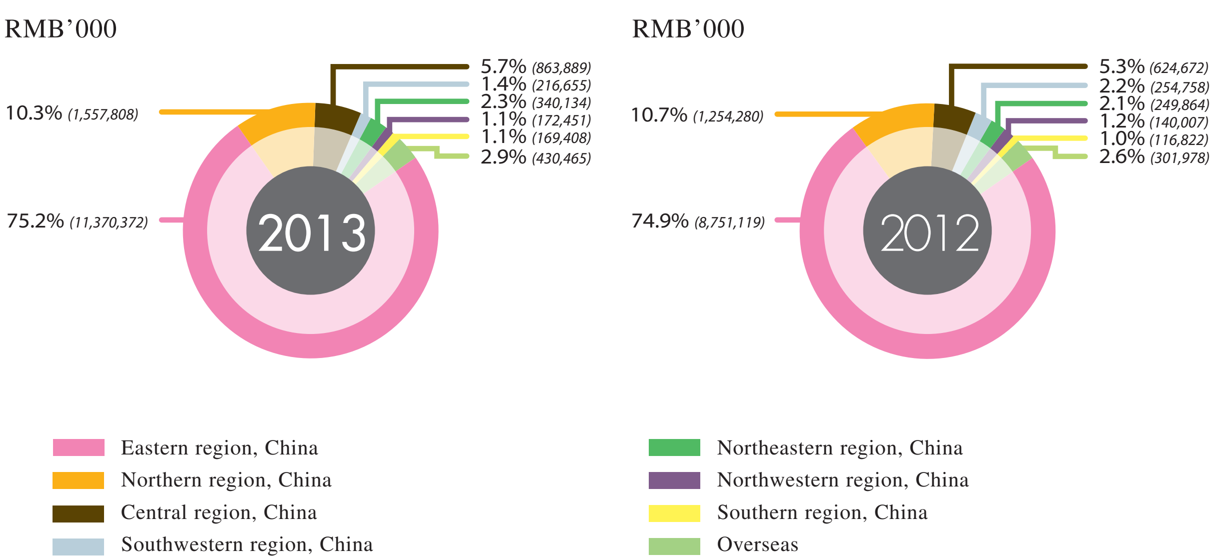
RMB'000



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 2013 *RMB'000*	%	2012 *RMB'000*	%
Eastern region, China	**11,370,372**	**75.2**	8,751,119	74.9
Northern region, China	**1,557,808**	**10.3**	1,254,280	10.7
Central region, China	**863,889**	**5.7**	624,672	5.3
Southwestern region, China	**216,655**	**1.4**	254,758	2.2
Northeastern region, China	**340,134**	**2.3**	249,864	2.1
Northwestern region, China	**172,451**	**1.1**	140,007	1.2
Southern region, China	**169,408**	**1.1**	116,822	1.0
Overseas	**430,465**	**2.9**	301,978	2.6
	15,121,182	**100.0**	11,693,500	100.0



Revenue

Our revenue for the year ended 31 December 2013 amounted to approximately RMB15,121 million comprising approximately RMB14,310 million from our stainless steel processing business and approximately RMB811 million from our carbon steel processing business. As compared with the revenue for the year ended 31 December 2012 of approximately RMB11,694 million, it represented an increase of approximately 29.3%. Such increase was mainly due to (i) the newly launched carbon steel processing business; (ii) the increase in the sales volume of our stainless steel processing business from 702,890 tonnes for the year ended 31 December 2012 to 974,133 tonnes for the year ended 31 December 2013 representing an increase of approximately 38.6% and (iii) the increase in processing fee income as evidenced by the increase in the processing volume of our stainless steel processing business from 975,784 tonnes for the year ended 31 December 2012 to 1,419,663 tonnes for the year ended 31 December 2013 representing an increase of approximately 45.5%.

Gross profit

Gross profit increased from approximately RMB307.9 million in 2012 to approximately RMB441.4 million in 2013 mainly due to the increase in sales volume, the increased demands in our deep processing services and the decrease in depreciation charges.

With reference to the actual utilization and maintenance status of the Group's processing equipment, the Group had carried out a review on the estimated useful life of such equipment. The Board is of the view that, in order to present a fairer and more appropriate view of the financial position and operating results of the Group, it is appropriate to revise the estimated useful life of the Group's processing equipment so that the depreciation period of the relevant assets is aligned closer to its actual useful life. As a result of this change, which took effect from 1 July 2013, the depreciation of the relevant assets of the Group for the year ended 31 December 2013 decreased by approximately RMB20.4 million.

Other income

Other income increased from approximately RMB13.7 million in 2012 to approximately RMB16.0 million in 2013. The increase in other income was mainly due to the increase in sales of scraps and packaging materials of approximately RMB1.5 million and the receipt of compensation funds from government for relocation of approximately RMB1.7 million.

Other losses, net

Other losses decreased from approximately RMB4.9 million in 2012 to approximately RMB2.5 million in 2013. The decrease in other losses was mainly due to the decrease in exchange losses incurred.

Distribution costs

Distribution costs increased from approximately RMB81.0 million in 2012 to approximately RMB105.7 million in 2013. The increase was mainly attributable to the increase in staff salaries and employee benefit expenses due to an increase in sales staff. Additional sales staff were recruited and trained in the headquarter for assignment to new processing centres in future.

Administrative expenses

Administrative expenses increased from approximately RMB95.6 million in 2012 to approximately RMB115.6 million in 2013 mainly attributable to the increases in staff salaries and employee benefit expenses due to the employment of additional senior management staff. Additional senior management staff were employed to monitor and manage new processing centres as well as new businesses.

Finance costs, net

Finance costs decreased from approximately RMB94.9 million in 2012 to approximately RMB91.8 million in 2013 mainly due to the increase in exchange gain recognised in 2013.

Income tax expense

Income tax expense increased from approximately RMB13.8 million in 2012 to approximately RMB42.4 million in 2013 mainly attributable to the increase in operating profit in 2013.

Profit for the year

Profit for the year increased from approximately RMB30.0 million in 2012 to approximately RMB98.0 million in 2013 representing an increase of approximately 226.0%. The increase in profit was mainly attributable to the growth in both sales volume and processing volume of our stainless steel processing business.

Capital Expenditure

In 2013, our capital expenditure consisted of additions of property, plant and equipment which amounted to approximately RMB437.8 million (2012: RMB353.1 million) and the additions of land use rights of approximately RMB34.9 million (2012: RMB70.9 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 and Hong Kong Dollar, which are exposed to foreign currency translation risk.

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

LIQUIDITY AND FINANCIAL RESOURCES

As at 31 December 2013, the bank loans of the Group amounted to approximately RMB1,454.5 million. Notes payable amounted to approximately RMB1,390.2 million as at 31 December 2013 while the bank balances were approximately RMB533.5 million of which approximately RMB459.0 million were pledged mainly for the issuance of notes payable and letter of credit.

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 2013 and 2012 calculated on this basis was 44.05% and 44.67% respectively.

USE OF PROCEEDS FROM GLOBAL OFFERING

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

As at 31 December 2013, approximately RMB164.8 million had been applied towards the purchase of processing equipment and the construction of the fifth phase in our Wuxi processing centre and approximately RMB40.0 million had been used for the development of the second phase in our Hangzhou processing centre. Approximately RMB213.9 million had been used for the construction and development of a processing centre in Jingjiang. To consolidate the demand in the Wuhan and Changsha area, approximately RMB65.0 million had been used for the construction of a new processing centre in Wuhan. All of the proceeds from the Global Offering had been applied in accordance with its proposed use as stated in the Company's prospectus dated 17 November 2010.

HUMAN RESOURCES

The Group employed a total of 1,879 staffs as at 31 December 2013 (2012: 1,510). There was a 24.4% growth in our workforce in 2013 as compared with 2012. The increase in headcounts was due to the business expansion of our Group. The remuneration of employees was based on their performance, skills, knowledge, experiences and market trend. The Group reviews the remuneration policies and packages on a regular basis. In addition to basic salaries, employees may be offered with discretionary bonus on individual performance. The Group has also adopted a share option scheme for its employees, providing incentives and rewards to eligible participants with reference to their contribution.

FINAL DIVIDEND

The Board has recommended the payment of a final dividend of HKD0.02 (2012: HKD0.01) per share for the year ended 31 December 2013 which will be payable on Friday, 13 June 2014 to the shareholders whose names appear on the register of members of the Company on Wednesday, 4 June 2014 subject to the shareholders' approval in the annual general meeting of the Company to be held on Friday, 23 May 2014 (the "AGM").

CORPORATE GOVERNANCE

The Company is committed to ensuring high standards of corporate governance in enhancing shareholders' value and safeguarding interests of shareholders and other stakeholders.

The Company has complied 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 2013 except for the deviation from code provision A.2.1 which stipulates that the roles of chairman and chief executive should be separated and should not be performed by the same individual. During the reporting period, the positions of the chairman and the chief executive officer were held by Mr. Zhou Keming. The Company adopted the CG Code as its own code of corporate governance.

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 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.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

During the year ended 31 December 2013, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities.

ANNUAL GENERAL MEETING

The AGM of the Company will be held on Friday, 23 May 2014. A notice convening the AGM will be published and dispatched to the shareholders of the Company (the "Shareholders") in the manner as required by the Listing Rules in due course.

CLOSURE OF REGISTER OF MEMBERS

For the purpose of determining Shareholders who are entitled to attend and vote at the forthcoming AGM, the register of members of the Company will be closed from Tuesday, 20 May 2014 to Friday, 23 May 2014, both days inclusive. During the aforementioned periods, no request for the transfer of shares will be accepted. All transfers of shares accompanied by the relevant share certificates and transfer forms must be lodged with the Company's Share Registrar in Hong Kong, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong not later than 4:30 p.m. on Monday, 19 May 2014 in order to qualify for attending the above AGM.

For the purpose of ascertaining Shareholders' entitlement to the proposed final dividend, the register of members of the Company will be closed from Friday, 30 May 2014 to Wednesday, 4 June 2014, both days inclusive. During the aforementioned periods, no request for the transfer of shares will be accepted. All transfers of shares accompanied by the relevant share certificates and transfer forms must be lodged with the Company's Share Registrar in Hong Kong, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong not later than 4:30 p.m. on Thursday, 29 May 2014.

AUDIT COMMITTEE

The audit committee of the Company has discussed with the management and reviewed the audited consolidated annual results of the Company for the year ended 31 December 2013 and considered that the Company has complied with all applicable accounting standards and requirements.

PUBLICATION OF INFORMATION ON THE STOCK EXCHANGE WEBSITE

This announcement is published on the websites of the Company (www.dmssc.net) and The Stock Exchange of Hong Kong Limited (www.hkexnews.hk). The annual report of the Company for the year ended 31 December 2013 will be dispatched to the Shareholders and available on the above websites in due course.

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

Hong Kong, 20 March 2014

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