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 2011

FINANCIAL HIGHLIGHTS

	2011	2010	
	RMB'000	*RMB'000*	% change
Revenue	**11,940,647**	8,972,581	+33.1%
Gross profit	**351,091**	461,465	-23.9%
Profit attributable to equity holders of the Company	**103,641**	235,507	-56.0%
Gross profit per tonne	**RMB595**	RMB970	-38.7%

OPERATING HIGHLIGHTS

	2011	2010	% change
Sales volume	**590,174 tonnes**	475,797 tonnes	+24.0%
Processing volume	**784,413 tonnes**	539,321 tonnes	+45.4%
Processing multiple *(note)*	**1.33**	1.13	+17.7%

Note: Processing multiple = Processing volume/Sales volume

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 2011 together with comparative figures for the year ended 31 December 2010, as follows:

CONSOLIDATED COMPREHENSIVE INCOME STATEMENT

For the year ended 31 December 2011

		Year ended 31 December	
		2011	2010
	Note	***RMB'000***	*RMB'000*
Revenue	2	**11,940,647**	8,972,581
Cost of sales	3	**(11,589,556)**	(8,511,116)
Gross profit		**351,091**	461,465
Other income, net	4	**11,659**	25,880
Other losses, net	5	**(1,742)**	(6,291)
Distribution costs	3	**(74,947)**	(52,476)
Administrative expenses	3	**(80,349)**	(72,844)
Operating profit		**205,712**	355,734
Finance income	6	**12,706**	10,535
Finance costs	6	**(79,402)**	(51,580)
Finance costs, net	6	**(66,696)**	(41,045)
Profit before income tax		**139,016**	314,689
Income tax expense	7	**(35,787)**	(77,083)
Profit for the year		**103,229**	237,606
Other comprehensive income for the year		**–**	–
Total comprehensive income for the year		**103,229**	237,606
Attributable to:			
Equity holders of the Company		**103,641**	235,507
Non-controlling interests		**(412)**	2,099
		103,229	237,606
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	**0.10**	0.30
– Diluted earnings per share	8	**0.10**	0.30
Dividends	9	**29,439**	–

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2011

		As at 31 December	
		2011	2010
	Note	***RMB'000***	*RMB'000*
ASSETS			
Non-current assets			
Land use rights		**108,863**	111,396
Property, plant and equipment		**1,188,133**	873,709
Investment properties		**8,668**	9,123
Intangible assets		**2,982**	2,683
Deferred income tax assets		**13,937**	7,013
Other non-current assets		**27,500**	–
		1,350,083	1,003,924
Current assets			
Inventories		**1,504,981**	1,202,356
Trade receivables	10	**469,726**	188,703
Prepayments, deposits and other receivables		**501,483**	521,698
Restricted bank deposits		**334,851**	408,003
Cash and cash equivalents		**282,854**	379,036
		3,093,895	2,699,796
Total assets		**4,443,978**	3,703,720
EQUITY AND LIABILITIES			
Equity attributable to equity holders of the Company			
Share capital		**89,215**	89,215
Reserves		**1,426,210**	1,337,377
		1,515,425	1,426,592
Non-controlling interests		**64,449**	24,861
Total equity		**1,579,874**	1,451,453

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (Continued)
As at 31 December 2011

		As at 31 December	
		2011	2010
	Note	***RMB'000***	*RMB'000*
LIABILITIES			
Non-current liabilities			
Borrowings		**50,000**	–
Deferred government grants		**13,953**	15,020
Deferred income tax liabilities		**1,905**	3,340
		65,858	18,360
Current liabilities			
Trade payables	11	**740,995**	1,139,489
Accruals, advances from customers and other current liabilities		**240,214**	199,614
Current income tax liabilities		**5,624**	25,522
Borrowings		**1,810,346**	868,215
Current portion of deferred government grants		**1,067**	1,067
		2,798,246	2,233,907
Total liabilities		**2,864,104**	2,252,267
Total equity and liabilities		**4,443,978**	3,703,720
Net current assets		**295,649**	465,889
Total assets less current liabilities		**1,645,732**	1,469,813

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2011

	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 2010	1	681,141	7,176	688,318
Comprehensive income				
Profit for the year	–	235,507	2,099	237,606
Total comprehensive income for the year ended 31 December 2010	–	235,507	2,099	237,606
Transactions with owners				
Capital injection by non-controlling shareholders	–	–	15,586	15,586
Capital injection by equity holders of the Company	–	34,016	–	34,016
Issue of shares	89,214	386,661	–	475,875
Employee share option scheme	–	52	–	52
Total transactions with owners	89,214	420,729	15,586	525,529
Balance at 31 December 2010	89,215	1,337,377	24,861	1,451,453
Balance at 1 January 2011	89,215	1,337,377	24,861	1,451,453
Comprehensive income				
Profit for the year	–	103,641	(412)	103,229
Total comprehensive income for the year ended 31 December 2011	–	103,641	(412)	103,229
Transactions with owners				
Capital injection by non-controlling shareholders	–	–	40,000	40,000
Employee share option scheme	–	1,480	–	1,480
Share Award Scheme	–	(16,288)	–	(16,288)
Total transactions with owners	–	(14,808)	40,000	25,192
Balance at 31 December 2011	89,215	1,426,210	64,449	1,579,874

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOW
For the year ended 31 December 2011

	2011	2010
	RMB'000	*RMB'000*
Cash flows from operating activities	**(706,870)**	(185,091)
Cash flows from investing activities	**(406,091)**	(269,153)
Cash flows from financing activities	**1,018,470**	754,564
Net (decrease)/increase in cash and cash equivalents	**(94,491)**	300,320
Cash and cash equivalents at beginning of year	**379,036**	79,168
Exchange losses on cash and cash equivalents	**(1,691)**	(452)
Cash and cash equivalents at end of year	**282,854**	379,036

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2011

1. BASIS OF PREPARATION

The consolidated financial statements of the Company have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). 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 2011 that would be expected to have a material impact on the Group.

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

  - The name of the government and the nature of their relationship;

  - The nature and amount of any individually significant transactions; and

  - The extent of any collectively-significant transactions qualitatively or quantitatively.

  It also clarifies and simplifies the definition of a related party. Upon the adoption of HKAS 24 (Revised), sales of goods to associates of Ally Good, the controlling shareholder of the Group, are identified as related party transactions with the Group.

(b) New and amended standards have been issued but are not effective for the financial year beginning 1 January 2011 and have not been early adopted.

The Group has not applied the following new and revised HKFRSs that have been issued but are not yet effective:

		Effective for annual periods beginning on or after
HKFRS 10	Consolidated financial statements	1 January 2013
HKFRS 12	Disclosures of interests in other entities	1 January 2013
HKFRS 13	Fair value measurement	1 January 2013
HKAS 19 (Amendment)	Employee benefits	1 January 2013
HKFRS 9	Financial instruments	1 January 2015

2. REVENUE

	2011	2010
	RMB'000	*RMB'000*
Sales of goods	**11,940,647**	8,972,581

The chief operating decision-maker has been identified as the executive directors and all top management. The decision-maker reviews the Group's internal reporting in order to assess performance and allocate resources.

Based on these reports, the decision-maker has determined that single business segment information is presented as all of the Group's sales and operating profits are derived from the sales of stainless steel products, and all of the Group's productions and operating assets are located in Mainland China, which is considered as one segment with similar risks and returns.

The Group is domiciled in Mainland China. The result of its sales from external customers in different countries is as follows:

	2011	2010
	RMB'000	*RMB'000*
– Mainland China	**11,729,672**	8,879,001
– Hong Kong and other overseas countries and regions*	**210,975**	93,580
Total sales	**11,940,647**	8,972,581

* Other overseas countries and regions mainly represented Australia, USA, Dubai and South Korea.

3. EXPENSES BY NATURE

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

	2011	2010
	RMB'000	*RMB'000*
Changes in inventories of finished goods	**(234,847)**	(233,457)
Raw materials consumed	**11,644,123**	8,648,845
Stamp duty, property tax and other surcharges	**8,276**	6,421
Transportation costs	**58,681**	47,842
Employee benefit expenses, including directors' emoluments	**89,982**	59,641
Depreciation and amortisation	**70,248**	55,241
Operating lease rental for buildings	**1,859**	1,828
Utilities charges	**10,256**	7,139
Provision for write-down of inventories	**45,891**	3,889
Auditors' remuneration	**3,400**	1,980
Provision for impairment of trade receivables	**316**	177
Entertainment and travelling expenses	**19,705**	12,766
Professional service expenses	**1,519**	6,865
Bank charges	**7,890**	2,988
Others	**17,553**	14,271
Total cost of sales, distribution costs and administrative expenses	**11,744,852**	8,636,436

4. OTHER INCOME, NET

	2011	2010
	RMB'000	*RMB'000*
Subsidy income	**1,300**	17,623
Amortisation of deferred government grants	**1,067**	883
Sales of scraps and packaging materials	**9,961**	8,024
Rental income	**500**	500
Other income	**12,828**	27,030
Other expenses	**(1,169)**	(1,150)
	11,659	25,880

5. OTHER LOSSES, NET

	2011	2010
	RMB'000	*RMB'000*
Losses on disposal of property, plant and equipment, net	**(217)**	(959)
Foreign exchange losses, net	**(1,869)**	(5,887)
Others	**344**	555
	(1,742)	(6,291)

6. FINANCE COSTS, NET

	2011	2010
	RMB'000	*RMB'000*
Finance costs:		
Interest expenses on bank borrowings	**68,611**	25,335
Interest expenses on bank acceptance notes	**32,047**	31,836
Exchange gains, net	**(17,369)**	(5,033)
	83,289	52,138
Less: amounts capitalised on qualifying assets	**(3,887)**	(558)
Total finance costs	**79,402**	51,580
Finance income:		
Interest income	**(12,706)**	(10,535)
Finance costs, net	**66,696**	41,045

7. INCOME TAX EXPENSE

	2011	2010
	RMB'000	*RMB'000*
Current income tax		
– Mainland China corporate income tax	**44,146**	77,872
Deferred income tax	**(8,359)**	(789)
	35,787	77,083

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.

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 Heavy Industry and Taiyuan Taigang Daming are subject to corporate income tax rate of 25% for the year 2011. Hangzhou Wanzhou, Wuhan Fortune and Tianjin Taigang Daming have obtained approvals from the relevant tax authorities in Mainland China for their entitlement to exemption from CIT for the first two years and 50% reduction in CIT for the next three years, commencing from the first profitable year after offsetting all unexpired tax losses carried forward from the previous years in accordance with the relevant tax rules and regulations applicable to foreign investment enterprises in Mainland China. The tax holiday for Hangzhou Wanzhou, Wuhan Fortune and Tianjin Taigang Daming was commenced on 2008, and the applicable tax rate for 2011 was 12.5%, 12.5% and 12%, respectively.

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.

	2011	2010
	RMB'000	*RMB'000*
Profit attributable to equity holders of the company	**103,641**	235,507
Weighted average number of ordinary shares in issue (thousands)	**1,037,500**	773,596

(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.

	2011	2010
	RMB'000	*RMB'000*
Earnings		
Profit used to determine diluted earnings per share	**103,641**	235,507
Weighted average number of ordinary shares in issue (thousands)	**1,037,500**	773,596
Adjustments for:		
– Share options (thousands)	**–**	–
Weighted average number of ordinary shares for diluted earnings per share (thousands)	**1,037,500**	773,596

9. DIVIDENDS

	2011	2010
	RMB'000	*RMB'000*
Proposed final dividend of HKD0.035 (2010: Nil) per ordinary share	**29,439**	–

The Company's Board of Directors has recommended payment of a final dividend of HKD0.035 per share for the year ended 31 December 2011 (2010: Nil), 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 2012.

10. TRADE RECEIVABLES

	2011	2010
	RMB'000	*RMB'000*
Accounts receivable	**115,764**	102,938
Notes receivable		
– bank acceptance notes	**341,627**	82,531
– commercial acceptance notes	**13,377**	4,000
	470,768	189,469
Less: provision for impairment	**(1,042)**	(766)
Trade receivables, net	**469,726**	188,703

The fair values of trade receivables approximate their carrying amounts.

The Group's sales are mainly made on (i) cash on delivery; (ii) bank acceptance notes with maturity within 6 months; and (iii) credit terms of 1-90 days. Aging analysis of trade receivables is as follows:

	2011	2010
	RMB'000	*RMB'000*
Accounts receivable		
– Within 30 days	**92,613**	97,178
– 30 days to 3 months	**19,734**	3,970
– 3 months to 6 months	**2,691**	503
– 6 months to 1 year	**–**	19
– 1 year to 2 years	**–**	847
– 2 years to 3 years	**517**	421
– 3 years to 4 years	**209**	–
	115,764	102,938
Notes receivable		
– Within 6 months	**355,004**	86,531
	470,768	189,469

11. TRADE PAYABLES

	2011	2010
	RMB'000	*RMB'000*
Accounts payable	**35,195**	19,689
Notes payable	**705,800**	1,119,800
	740,995	1,139,489

Notes payable of RMB513,800,000 (2010: RMB899,800,000) was secured by pledged bank deposits of approximately RMB170,117,000 (2010: RMB252,420,000).

The aging analysis of the trade payables is as follows:

	2011	2010
	RMB'000	*RMB'000*
Within 6 months	**740,995**	1,137,969
6 months to 1 year	**–**	1,520
	740,995	1,139,489

Trade payables are denominated in the following currencies:

	2011	2010
	RMB'000	R*MB'000*
RMB	**715,354**	1,139,489
USD	**25,641**	–
	740,995	1,139,489

The fair values of trade payables approximate their carrying amounts.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

The year 2011 was a challenging year for the Company. The lingering sovereign debt crisis in the Eurozone has an adverse impact on the stainless steel industry as a whole. Our customers encountered certain difficulties in raising finance for their businesses. Due to the enhancement of the processing capabilities and the increased varieties of the processing services we provided to our customers, the impact of the Eurozone debt crisis on the Company was not significant.

While the demand for stainless steel is still growing, the average stainless steel price dropped more than 20% during the year. As a result, we had made a provision of approximately RMB45.9 million for the unrealized loss in inventory value. During the year, interest rates in the PRC raised substantially which in turn had a significant impact on our results. The net financial costs increased from approximately RMB41.0 million in 2010 to approximately RMB66.7 million in 2011.

In spite of these unfavorable factors, the sales volume and the processing volume of the Group in 2011 had reached a record high of 590,174 tonnes and 784,413 tonnes respectively.

The annual sales volume of the Group increased from 475,797 tonnes in 2010 to 590,174 tonnes in 2011 representing an increase of approximately 24.0%. The total processing volume of our four processing centres increased from 539,321 tonnes in 2010 to 784,413 tonnes in 2011 representing an increase of approximately 45.4%. Processing multiple increased from 1.13 in 2010 to 1.33 in 2011 which showed an increase in demand for our deep-processing services.

In 2011, we have developed two new aspects of processing services. The first one being our flat bar processing service which applies to mobile phone handsets. We have also installed several circular plates cutting machines, the output of which applies to products such as beer barrels and household utensils. Both processing services are expected to bring in higher processing service fees to the Group.

Regarding the processing services of non stainless steel metals, we saw a satisfactory growth in demands for processing of titanium, nickel-based alloy and carbon steel during the year. However, due to the overwhelming demands for our stainless steel processing services in Wuxi, we had adjusted our pace in developing our carbon steel processing services in 2011. The processing services for carbon steel will be provided by our Taiyuan and Jingjiang processing centres which are expected to be completed in 2013.

On 13 July 2011, we entered into a shareholders' agreement with 太原鋼鐵(集團)有限公司 (Taiyuan Iron & Steel (Group) Co., Ltd.), ("Taiyuan Steel Group") to establish a processing centre ("Taiyuan Processing Centre") for the processing of stainless steel and carbon steel in Taiyuan, Shanxi Province, the PRC. Shanxi Taigarg Stainless Steel Co., Ltd ("STSS"), a non wholly-owned subsidiary of Taiyuan Steel Group, is the largest stainless steel manufacturer in the PRC and they have a group of high-end customer base which were not easily accessible by our Group previously. The establishment of the Taiyuan Processing Centre provides our Group with a gateway to these high-end customers of the Taiyuan Steel Group.

OUTLOOK

Looking forward, we are committed to improving both our efficiency and quality of our processing services in 2012. We also anticipate a strong growth potential in certain industries like the provision of processing services to liquefied natural gas ("LNG") storage tanks manufacturers and chemical tankers manufacturers.

In 2012, we shall continue to build the Taiyuan Processing Centre to strengthen the strategic alliance with the Taiyuan Steel Group and STSS as well as increasing our market share and market penetration in mid-west region of the PRC for the processing of stainless steel and carbon steel. We also intend to start the Jingjiang project which includes a large scale logistics complex in Jingjiang, Jiangsu Province, capable of providing processing services for both stainless steel and non-stainless steel metals. In view of the strong demand in Wuhan area in the past years, we also intend to upgrade our Wuhan processing centre so that it can provide more comprehensive processing services to their customers in future. Developing the second phase of our Hangzhou processing centre as well as the sixth phase of our Wuxi headquarter will also enhance our processing capabilities and varieties in the coming years.

FINANCIAL REVIEW AND ANALYSIS

During the year under review, we recorded a revenue of approximately RMB11,940.6 million, gross profit of approximately RMB351.1 million and the profit attributable to equity holders of the Company of approximately RMB103.6 million. Total assets of the Group as at 31 December 2011 amounted to approximately RMB4,444.0 million while equity attributable to equity holders of the Company amounted to approximately RMB1,515.4 million.

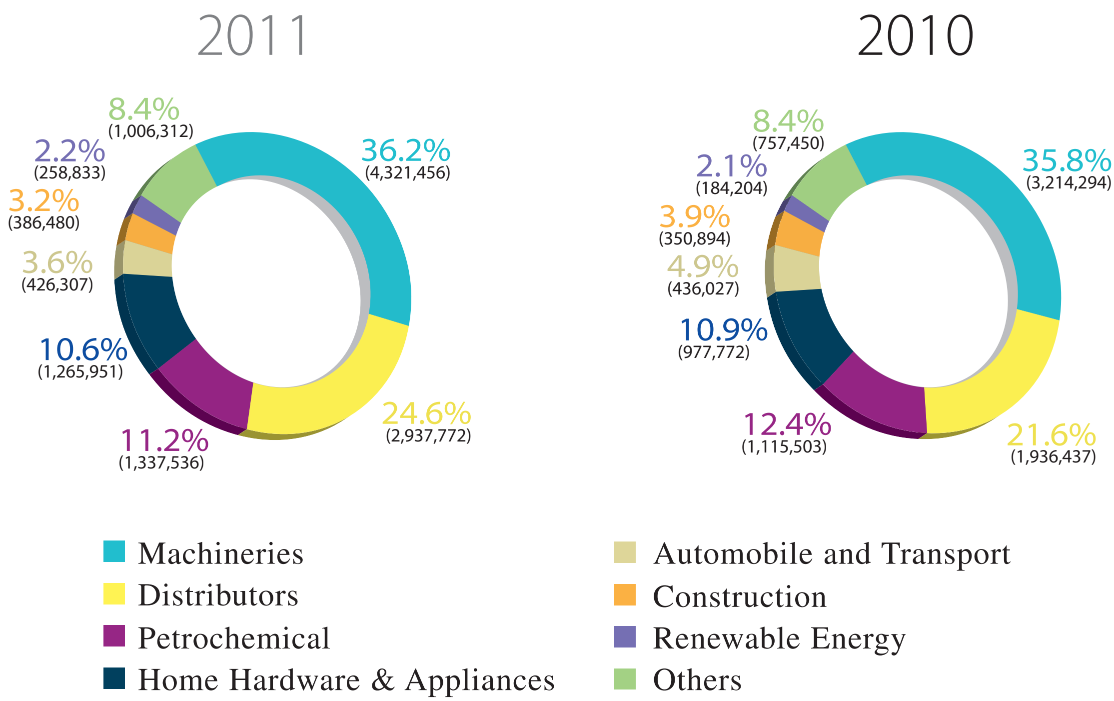
Revenue

Our revenue increased by approximately RMB2,968.0 million, or 33.1%, from approximately RMB8,972.6 million in 2010 to approximately RMB11,940.6 million in 2011. Such increase was due to an increase of sales volume from 475,797 tonnes in 2010 to 590,174 tonnes in 2011 as well as an increase in the average selling prices of our stainless steel products from RMB18,858 per tonne in 2010 to RMB20,232 per tonne in 2011.

Analysis of revenue by key industry segments

During the year under review and the year ended 31 December 2010, our revenue by key industry segments are shown below:

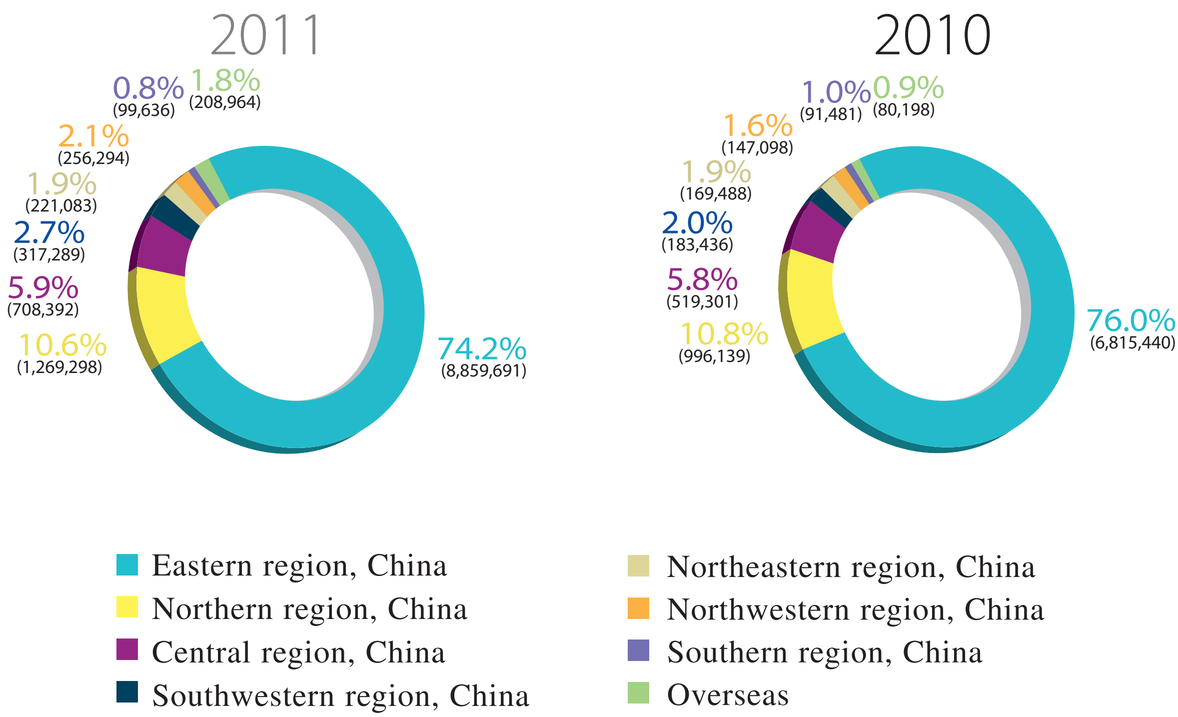
	Revenue For the year ended 31 December			
	2011		2010	
Industry	***RMB'000***	*%*	*RMB'000*	*%*
Machineries	**4,321,456**	**36.2**	3,214,294	35.8
Distributors	**2,937,772**	**24.6**	1,936,437	21.6
Petrochemical	**1,337,536**	**11.2**	1,115,503	12.4
Home Hardware and Appliances	**1,265,951**	**10.6**	977,772	10.9
Automobile and Transport	**426,307**	**3.6**	436,027	4.9
Construction	**386,480**	**3.2**	350,894	3.9
Renewable Energy	**258,833**	**2.2**	184,204	2.1
Others	**1,006,312**	**8.4**	757,450	8.4
Total	**11,940,647**	**100.0**	8,972,581	100.0



The four largest customer segments during the years ended 31 December 2011 and 2010 were machineries, distributors, petrochemical and home hardware & appliances which, in aggregate, accounted for over 80% of our total revenue.

Analysis of revenue by geographic regions

	Revenue For the year ended 31 December			
	2011		2010	
Region	***RMB'000***	***%***	*RMB'000*	*%*
Eastern region, China	**8,859,691**	**74.2**	6,815,440	76.0
Northern region, China	**1,269,298**	**10.6**	966,139	10.8
Central region, China	**708,392**	**5.9**	519,301	5.8
Southwestern region, China	**317,289**	**2.7**	183,436	2.0
Northeastern region, China	**221,083**	**1.9**	169,488	1.9
Northwestern region, China	**256,294**	**2.1**	147,098	1.6
Southern region, China	**99,636**	**0.8**	91,481	1.0
Overseas	**208,964**	**1.8**	80,198	0.9
	11,940,647	**100.0**	8,972,581	100.0



Our stainless steel products are sold mainly to domestic customers. As illustrated above, a majority of our sales during the years ended 31 December 2011 and 2010 was derived from the Eastern region of China, which was in line with where the majority of stainless steel was consumed in China.

Gross profit

Gross profit decreased from approximately RMB461.5 million in 2010 to approximately RMB351.1 million in 2011 due to the continual decline in market price of stainless steel. Gross profit per tonne decreased from RMB970 in 2010 to RMB595 in 2011 representing a decrease of approximately 38.7%.

Other income, net

Other income decreased from approximately RMB25.9 million in 2010 to approximately RMB11.7 million in 2011. The decrease in other income was mainly due to the decrease in subsidy income from local government.

Other losses, net

Other losses amounted to approximately RMB1.7 million in 2011 as compared with other losses of approximately RMB6.3 million in 2010. The decrease in other losses was mainly due to decrease in exchange losses incurred.

Distribution costs

Distribution costs increased from approximately RMB52.5 million in 2010 to approximately RMB74.9 million in 2011. The increase was mainly due to an increase in transportation expenses and entertainment expenses of approximately RMB11.8 million, resulting from higher level of sales in 2011. Staff salaries and employee benefit expenses also increased by approximately RMB8.0 million due to an increase in headcounts.

Administrative expenses

Administrative expenses increased from approximately RMB72.8 million in 2010 to approximately RMB80.3 million in 2011 mainly due to the increases in directors' emoluments, employee benefit expenses and bank charges.

Finance costs, net

Finance costs increased from approximately RMB41.0 million in 2010 to approximately RMB66.7 million in 2011 mainly due to the increase in interest expenses on bank borrowings. The increases in bank borrowings were attributable to the additional financing required for increased inventory level to cater for larger operation scale.

Income tax expense

Income tax expense decreased from approximately RMB77.1 million in 2010 to approximately RMB35.8 million in 2011 mainly attributable to the decrease in operating profit in 2011.

Profit for the year

Profit for the year decreased from approximately RMB237.6 million in 2010 to approximately RMB103.2 million in 2011 representing a decrease of approximately 56.6%. The decrease in profit was attributable to the continual decline in market price of stainless steel, higher staff salaries and employee benefit expenses, higher depreciation expenses and higher finance costs incurred to cater for larger operation scale.

Capital Expenditure

In 2011, our capital expenditure consisted of additions of property, plant and equipment which amounted to approximately RMB381.6 million (2010: RMB304.6 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 2011, the bank loans of the Group amounted to approximately RMB1,860.3 million. Notes payable amounted to approximately RMB705.8 million as at 31 December 2011 while the bank balances were approximately RMB617.7 million of which approximately RMB334.9 million were pledged mainly for bank borrowings and the issuance of notes payable.

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 2011 and 2010 calculated on this basis was 50.0% and 25.2% 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 2011, 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. The remaining balance of the proceeds from the Global Offering which were not immediately required for the above purposes were held in short-term deposits with licensed banks in Hong Kong and the PRC.

HUMAN RESOURCES

The Group employed a total of 1,209 staffs as at 31 December 2011 (2010: 945). There was a 27.9% growth in our workforce in 2011 as compared with 2010. 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 additional 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 HKD0.035 (2010: Nil) per share for the year ended 31 December 2011 which will be payable on or before Wednesday, 13 June 2012 to the shareholders whose names appear on the register of members of the Company on Tuesday, 29 May 2012 subject to the shareholders' approval in the annual general meeting of the Company to be held on Thursday, 17 May 2012 (the "AGM").

CORPORATE GOVERNANCE

The Company adopted the Code on Corporate Governance Practices (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") as its own code of corporate governance. The Company has complied with the CG Code throughout the year ended 31 December 2011 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 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 Wuhan, Hangzhou, Tianjin and Taiyuan offices to assist the chief executive 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 2011, 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 Thursday, 17 May 2012. 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 Monday, 14 May 2012 to Thursday, 17 May 2012, 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 Friday, 11 May 2012 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 Thursday, 24 May 2012 to Tuesday, 29 May 2012, 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 Wednesday, 23 May 2012.

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 2011 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 2011 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, 22 March 2012

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.