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DA MING INTERNATIONAL HOLDINGS LIMITED

大明國際控股有限公司

(incorporated in the Cayman Islands with limited liability)

(Stock code: 1090)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2012

FINANCIAL HIGHLIGHTS

	2012	2011	
	RMB'000	RMB'000	% change
Revenue	11,693,500	11,940,647	-2.1%
Gross profit	307,913	351,091	-12.3%
Profit attributable to equity holders of the Company	30,585	103,641	-70.5%
Gross profit per tonne	RMB438	RMB595	-26.4%

OPERATING HIGHLIGHTS

	2012	2011	% change
Sales volume	702,890 tonnes	590,174 tonnes	+19.1%
Processing volume	975,784 tonnes	784,413 tonnes	+24.4%
Processing multiple (<i>note</i>)	1.39	1.33	+4.5%

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 2012 together with comparative figures for the year ended 31 December 2011, as follows:

CONSOLIDATED COMPREHENSIVE INCOME STATEMENT

For the year ended 31 December 2012

		Year ended 31 December	
		2012	2011
	<i>Notes</i>	<i>RMB'000</i>	<i>RMB'000</i>
Revenue	2	11,693,500	11,940,647
Cost of sales	3	(11,385,587)	(11,589,556)
Gross profit		307,913	351,091
Other income	4	13,706	12,828
Other expenses	3	(1,291)	(1,169)
Other losses, net	5	(4,912)	(1,742)
Distribution costs	3	(81,027)	(74,947)
Administrative expenses	3	(95,584)	(80,349)
Operating profit		138,805	205,712
Finance income	6	11,356	12,706
Finance costs	6	(106,279)	(79,402)
Finance costs, net	6	(94,923)	(66,696)
Profit before income tax		43,882	139,016
Income tax expense	7	(13,826)	(35,787)
Profit for the year		30,056	103,229
Other comprehensive income for the year		–	–
Total comprehensive income for the year		30,056	103,229
Attributable to:			
Equity holders of the Company		30,585	103,641
Non-controlling interests		(529)	(412)
		30,056	103,229
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	0.03	0.10
– Diluted earnings per share	8	0.03	0.10
Dividends	9	8,413	29,439

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2012

		As at 31 December	
		2012	2011
	<i>Note</i>	RMB'000	RMB'000
ASSETS			
Non-current assets			
Land use rights		175,927	108,863
Property, plant and equipment		1,455,833	1,188,133
Investment properties		8,213	8,668
Intangible assets		2,560	2,982
Deferred income tax assets		12,748	13,937
Other non-current assets		64,355	27,500
		1,719,636	1,350,083
Current assets			
Inventories		1,707,925	1,504,981
Trade receivables	10	158,547	469,726
Prepayments, deposits and other receivables		224,652	501,483
Restricted bank deposits		197,737	334,851
Cash and cash equivalents		182,565	282,854
		2,471,426	3,093,895
Total assets		4,191,062	4,443,978
EQUITY AND LIABILITIES			
Equity attributable to equity holders of the Company			
Share capital		89,215	89,215
Reserves		1,428,836	1,426,210
		1,518,051	1,515,425
Non-controlling interests		143,920	64,449
Total equity		1,661,971	1,579,874

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (Continued)

As at 31 December 2012

		As at 31 December	
		2012	2011
	<i>Note</i>	RMB'000	RMB'000
LIABILITIES			
Non-current liabilities			
Borrowings		140,000	50,000
Deferred government grants		16,732	13,953
Deferred income tax liabilities		2,811	1,905
		159,543	65,858
Current liabilities			
Trade payables	11	701,705	740,995
Accruals, advances from customers and other current liabilities		274,921	240,214
Current income tax liabilities		7,261	5,624
Borrowings		1,384,514	1,810,346
Current portion of deferred government grants		1,147	1,067
		2,369,548	2,798,246
Total liabilities		2,529,091	2,864,104
Total equity and liabilities		4,191,062	4,443,978
Net current assets		101,878	295,649
Total assets less current liabilities		1,821,514	1,645,732

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2012

	Attributable to equity holders of the Company		Non-controlling interests	Total equity
	Share Capital	Reserves		
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Balance at 1 January 2011	89,215	1,337,377	24,861	1,451,453
Comprehensive income				
Profit/(Loss) 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 a non-controlling shareholder	–	–	40,000	40,000
Employee share option scheme				
– value of employee services	–	1,480	–	1,480
Shares held for Share Award Scheme	–	(16,288)	–	(16,288)
Total transactions with owners	–	(14,808)	40,000	25,192
Balance at 31 December 2011	<u>89,215</u>	<u>1,426,210</u>	<u>64,449</u>	<u>1,579,874</u>
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	<u>89,215</u>	<u>1,428,836</u>	<u>143,920</u>	<u>1,661,971</u>

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2012

	2012 <i>RMB'000</i>	2011 <i>RMB'000</i>
Cash flows from operating activities	424,951	(706,870)
Cash flows from investing activities	(458,192)	(406,091)
Cash flows from financing activities	(67,043)	1,018,470
Net decrease in cash and cash equivalents	(100,284)	(94,491)
Cash and cash equivalents at beginning of year	282,854	379,036
Exchange losses on cash and cash equivalents	(5)	(1,691)
Cash and cash equivalents at end of year	182,565	282,854

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2012

1. BASIS OF PREPARATION

The consolidated financial statements of the Group 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 HKICPA has amended HKAS 12, “Income taxes”, to introduce an exception to the principle for the measurement of deferred income tax assets or liabilities arising on an investment property measured at fair value. HKAS 12 requires an entity to measure the deferred income tax relating to an asset depending on whether the entity expects to recover the carrying amount of the asset through use or sale. The amendment introduces a rebuttable presumption that an investment property measured at fair value is recovered entirely by sale. The amendment is applicable retrospectively to annual periods beginning on or after 1 January 2012.

The Group has adopted this amendment for the financial year ended 31 December 2012, however, this amendment did not have material impact on the Group’s consolidated financial statements.

(b) New standards and interpretations not yet adopted

A number of new standards and amendments to standards and interpretations are effective for annual periods beginning after 1 January 2012, and have not been applied in preparing these consolidated financial statements. None of these is expected to have a significant effect on the consolidated financial statements of the Group, except the following set out below:

		Effective for annual periods beginning on or after
HKAS 1 (Amendment)	Presentation of financial statements	1 July 2012
HKFRS 1 (Amendment)	'First time adoption', on government loans	1 January 2013
HKFRSs 10, 11 and 12 (Amendment)	Transition guidance	1 January 2013
HKAS 27 (Revised 2011)	Separate financial statements	1 January 2013
HKFRS 11	Joint arrangements	1 January 2013
HKAS 28 (Revised 2011)	Associates and joint ventures	1 January 2013
HKFRS 12	Disclosure of interests in other entities	1 January 2013
HKFRS 10*	Consolidated financial statements	1 January 2013
HKFRS 13	Fair value measurements	1 January 2013
HKAS 19 (Amendment)	Employee benefits	1 January 2013
HKFRS 7 (Amendment)	Financial instruments: Disclosures – Offsetting financial assets and financial liabilities	1 January 2013
HKFRIC 20	Stripping costs in the production phase of a surface mine	1 January 2013
HKAS 32 (Amendment)	Financial instruments: Presentation –Offsetting financial assets and financial liabilities	1 January 2014
HKFRS 9	Financial Instruments: Classification of financial assets and financial liabilities	1 January 2015
HKFRS 7 and HKFRS 9 (Amendments)	Mandatory effective date and transition disclosures	1 January 2015

* HKFRS 10, 'Consolidated financial statements', builds on existing principles by identifying the concept of control as the determining factor in whether an entity should be included within the consolidated financial statements of the parent company. The standard provides additional guidance to assist in the determination of controls where this is difficult to assess. The Group has assessed HKFRS 10's full impact and concluded there is no significant impact on the consolidated financial statements. The Group intends to adopt HKFRS 10 no later than the accounting period beginning on or after 1 January 2013.

2. REVENUE

	2012 <i>RMB'000</i>	2011 <i>RMB'000</i>
Sales of goods	<u>11,693,500</u>	<u>11,940,647</u>

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 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 2012, none of the customers of the Group from whom the revenue amounted to 10% or more of the Group's revenue (2011: None).

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

	2012 <i>RMB'000</i>	2011 <i>RMB'000</i>
– Mainland China	11,391,522	11,729,672
– Hong Kong and other overseas countries and regions*	<u>301,978</u>	<u>210,975</u>
Total sales	<u>11,693,500</u>	<u>11,940,647</u>

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

3. EXPENSES BY NATURE

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

	2012 <i>RMB'000</i>	2011 <i>RMB'000</i>
Changes in inventories of finished goods	36,914	(234,847)
Raw materials consumed	11,211,923	11,644,123
Stamp duty, property tax and other surcharges	9,081	8,276
Transportation costs	56,085	58,681
Employee benefit expenses, including directors' emoluments	126,536	89,982
Depreciation and amortisation	89,894	70,248
Operating lease rental for buildings	2,060	1,859
Utilities charges	10,284	10,256
(Reversal of)/Provision for write-down of inventories	(32,822)	45,891
Auditors' remuneration	3,400	3,400
Provision for impairment of trade receivables	86	316
Entertainment and travelling expenses	21,161	19,705
Professional service expenses	1,262	1,519
Bank charges	7,836	7,890
Others	<u>19,789</u>	<u>18,722</u>
	<u>11,563,489</u>	<u>11,746,021</u>

4. OTHER INCOME

	2012 <i>RMB'000</i>	2011 <i>RMB'000</i>
Subsidy income	4,138	1,300
Amortisation of deferred government grants	1,141	1,067
Sales of scraps and packaging materials	7,927	9,961
Rental income	500	500
	<u>13,706</u>	<u>12,828</u>

5. OTHER LOSSES, NET

	2012 <i>RMB'000</i>	2011 <i>RMB'000</i>
Gains/(Losses) on disposal of property, plant and equipment, net	2	(217)
Foreign exchange losses, net	(5,841)	(1,869)
Others	927	344
	<u>(4,912)</u>	<u>(1,742)</u>

6. FINANCE COSTS, NET

	2012 <i>RMB'000</i>	2011 <i>RMB'000</i>
Finance costs:		
Interest expenses on bank borrowings	80,028	68,611
Interest expenses on bank acceptance notes	25,734	32,047
Exchange loss/(gain), net	1,661	(17,369)
	<u>107,423</u>	<u>83,289</u>
Less: amounts capitalised on qualifying assets	<u>(1,144)</u>	<u>(3,887)</u>
Total finance costs	106,279	79,402
Finance income:		
Interest income	(11,356)	(12,706)
Finance costs, net	<u>94,923</u>	<u>66,696</u>

7. INCOME TAX EXPENSE

	2012 <i>RMB'000</i>	2011 <i>RMB'000</i>
Current income tax		
– Mainland China corporate income tax	11,731	44,146
Deferred income tax	2,095	(8,359)
	<u>13,826</u>	<u>35,787</u>

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 Heavy Industry, Jingjiang Daming Heavy Industry, Qianzhou Daming, Hubei Daming and Taiyuan Taigang Daming are subject to corporate income tax rate of 25% for the year 2012. 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 2012 was 12.5%, 12.5% and 12.5%, 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.

	2012 <i>RMB'000</i>	2011 <i>RMB'000</i>
Profit attributable to equity holders of the Company	<u>30,585</u>	<u>103,641</u>
Weighted average number of ordinary shares in issue (thousands)	<u>1,037,500</u>	<u>1,037,500</u>

(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.

	2012 <i>RMB'000</i>	2011 <i>RMB'000</i>
Earnings		
Profit used to determine diluted earnings per share	<u>30,585</u>	<u>103,641</u>
Weighted average number of ordinary shares in issue (thousands)	<u>1,037,500</u>	<u>1,037,500</u>
Adjustments for:		
– Share options (thousands)	<u>–</u>	<u>–</u>
Weighted average number of ordinary shares for diluted earnings per share (thousands)	<u>1,037,500</u>	<u>1,037,500</u>

9. DIVIDENDS

	2012 <i>RMB'000</i>	2011 <i>RMB'000</i>
Proposed final dividend of HKD0.01 (2011: HKD0.035) per ordinary share	<u>8,413</u>	<u>29,439</u>

On 20 March 2013, the Company's Board of Directors has recommended payment of a final dividend of HKD0.01 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 2013.

10. TRADE RECEIVABLES

	2012 <i>RMB'000</i>	2011 <i>RMB'000</i>
Accounts receivable	115,871	115,764
Notes receivable		
– bank acceptance notes	38,972	341,627
– commercial acceptance notes	4,635	13,377
	159,478	470,768
Less: provision for impairment	(931)	(1,042)
Trade receivables, net	158,547	469,726

The fair values of trade receivables approximate their carrying amounts.

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 2012 and 2011, the aging analysis of trade receivables is as follows:

	2012 <i>RMB'000</i>	2011 <i>RMB'000</i>
Accounts receivable		
– Within 30 days	92,853	92,613
– 30 days to 3 months	21,112	19,734
– 3 months to 6 months	230	2,691
– 6 months to 1 year	21	–
– 1 year to 2 years	1,139	–
– 2 years to 3 years	–	517
– 3 years to 4 years	516	209
	115,871	115,764
Notes receivable		
– Within 6 months	43,607	355,004
	159,478	470,768

11. TRADE PAYABLES

	2012 <i>RMB'000</i>	2011 <i>RMB'000</i>
Accounts payable	12,351	35,195
Notes payable	689,354	705,800
	<u>701,705</u>	<u>740,995</u>
	<u>701,705</u>	<u>740,995</u>

Notes payable of RMB612,554,000 (2011: RMB513,800,000) was secured by bank deposits of approximately RMB181,674,000 (2011: RMB170,117,000).

The aging analysis of the trade payables is as follows:

	2012 <i>RMB'000</i>	2011 <i>RMB'000</i>
Within 6 months	701,698	740,995
6 months to 1 year	7	–
	<u>701,705</u>	<u>740,995</u>
	<u>701,705</u>	<u>740,995</u>

Trade payables are denominated in the following currencies:

	2012 <i>RMB'000</i>	2011 <i>RMB'000</i>
RMB	692,167	715,354
USD	9,528	25,641
EUR	10	–
	<u>701,705</u>	<u>740,995</u>
	<u>701,705</u>	<u>740,995</u>

The fair values of trade payables approximate their carrying amounts.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

2012 was another challenging year for the Group. The continual decline in the market price of the stainless steel materials adversely affected the results of the Group during the first half of 2012 and we reported a net loss of approximately RMB53 million in our interim report. In view of the unfavourable market condition, we have collaborated with major stainless steel manufacturers more closely to increase both our sales volume and processing volume in the second half of the year. With the stabilization of the market price of stainless steel materials in the third quarter of 2012, our results turned around and we were able to achieve a net profit for both the second half of 2012 as well as for the full year.

In spite of these unfavourable factors, the sales volume and the processing volume of the Group in 2012 had reached a record high of 702,890 tonnes and 975,784 tonnes respectively.

The annual sales volume of the Group increased from 590,174 tonnes in 2011 to 702,890 tonnes in 2012 representing an increase of approximately 19.1%. The total processing volume of our four processing centres increased from 784,413 tonnes to 975,784 tonnes in 2012 representing an increase of approximately 24.4%. Processing multiple increased from 1.33 in 2011 to 1.39 in 2012 which reflected an increase in demand for our advance processing services.

The Group has launched its welding processing service in its Wuxi processing centre during 2012. The welding processing service strengthens the Group's abilities in serving customers in the construction machineries, petrochemical and ship building industries. Together with the other processing services we provided, our Wuxi processing centre will be able to develop into a spare parts supplier for our manufacturing customers. The second phase of our Hangzhou processing centre was also completed in 2012 and more advance processing equipments will be installed in order to expand the overall processing capacities and capabilities. We saw a satisfactory growth in the processing volume in our Tianjin processing centre in 2012. In view of its special geographical location, the Group will expand the export business in our Tianjin processing centre. There had been strong demands of our stainless steel processing services in the Wuhan area in the past years. With an aim to consolidate the businesses of Hunan and Hubei provinces, a new processing centre will be built in Wuhan instead of in Changsha as initially planned. This new processing centre equipped with enhanced processing facilities will take over the businesses of our existing processing centre in Wuhan. The building infrastructure of our Taiyuan processing centre has been substantially completed and machineries installation has been started in the last quarter of 2012.

In November 2012, the Group has signed a strategic cooperation framework agreement with Baosteel Group, the largest steel corporation in the PRC, whereas Baosteel Group and our Group will join our efforts to explore new markets especially for the high-end users. We will provide advance processing services on stainless steel materials produced by Baosteel Group. Through this strategic cooperation, the Group is able to broaden its supply chain of stainless steel materials.

OUTLOOK

The anticipated growth in demand for stainless steel materials in 2013 will not be as rapid as previous years. However, the Group will benefit from the development of high end manufacturing industries in the PRC since we are able to provide advance stainless steel processing services to these high-end manufacturing customers as a consequence of our continual investment in modern processing equipments and improvement in processing techniques in recent years.

In addition to the stainless steel processing services, we shall extend our processing services to other metals especially carbon steel in 2013. We will also 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.

FINANCIAL REVIEW AND ANALYSIS

During the year under review, we recorded a revenue of approximately RMB11,694 million, gross profit of approximately RMB308 million and the profit attributable to equity holders of the Company of approximately RMB31 million. Total assets of the Group as at 31 December 2012 amounted to approximately RMB4,191 million while equity attributable to equity holders of the Company amounted to approximately RMB1,518 million.

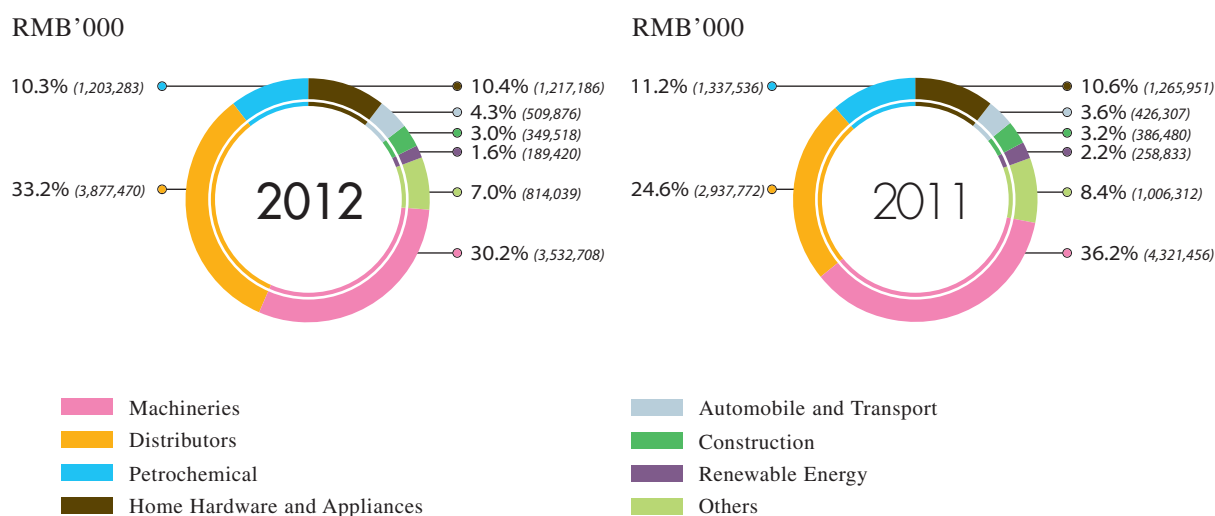
Revenue

Our revenue decreased by approximately RMB247 million, or 2.1%, from approximately RMB11,941 million in 2011 to approximately RMB11,694 million in 2012. Such decrease was due to a decrease in the average selling prices of our stainless steel products from RMB20,232 per tonne in 2011 to RMB16,636 per tonne in 2012. The effect of decrease in average selling prices was almost fully offset by an increase in sales volume from 590,174 tonnes in 2011 to 702,890 tonnes in 2012.

Analysis of revenue by key industry segments

During the years ended 31 December 2012 and 2011, our revenue by key industry segments are shown below:

Industry	Revenue For the year ended 31 December			
	2012		2011	
	<i>RMB'000</i>	<i>%</i>	<i>RMB'000</i>	<i>%</i>
Machineries	3,532,708	30.2	4,321,456	36.2
Distributors	3,877,470	33.2	2,937,772	24.6
Petrochemical	1,203,283	10.3	1,337,536	11.2
Home Hardware and Appliances	1,217,186	10.4	1,265,951	10.6
Automobile and Transport	509,876	4.3	426,307	3.6
Construction	349,518	3.0	386,480	3.2
Renewable Energy	189,420	1.6	258,833	2.2
Others	814,039	7.0	1,006,312	8.4
Total	11,693,500	100.0	11,940,647	100.0

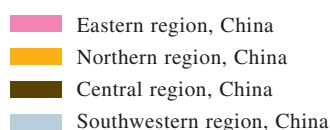
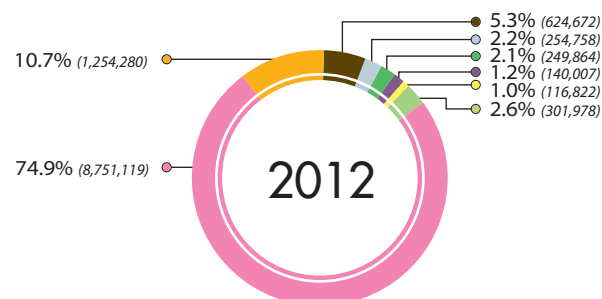


The four largest customer segments during the years ended 31 December 2012 and 2011 were machineries, distributors, petrochemical and home hardware and appliances which, in aggregate, accounted for over 80% of our total revenue.

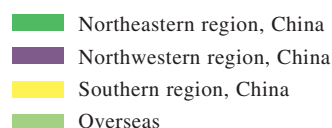
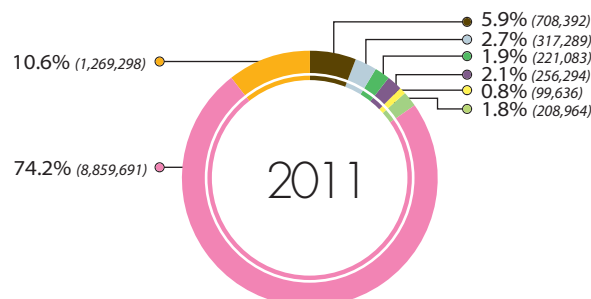
Analysis of revenue by geographic regions

Region	Revenue			
	For the year ended 31 December			
	2012		2011	
	RMB'000	%	RMB'000	%
Eastern region, China	8,751,119	74.9	8,859,691	74.2
Northern region, China	1,254,280	10.7	1,269,298	10.6
Central region, China	624,672	5.3	708,392	5.9
Southwestern region, China	254,758	2.2	317,289	2.7
Northeastern region, China	249,864	2.1	221,083	1.9
Northwestern region, China	140,007	1.2	256,294	2.1
Southern region, China	116,822	1.0	99,636	0.8
Overseas	301,978	2.6	208,964	1.8
	11,693,500	100.0	11,940,647	100.0

RMB'000



RMB'000



Our stainless steel products are sold mainly to domestic customers. As illustrated above, a majority of our sales during the years ended 31 December 2012 and 2011 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 RMB351.1 million in 2011 to approximately RMB307.9 million in 2012 due to the continual decline in market price of stainless steel. Gross profit per tonne decreased from RMB595 in 2011 to RMB438 in 2012 representing a decrease of approximately 26.4%.

Other income

Other income increased from approximately RMB12.8 million in 2011 to approximately RMB13.7 million in 2012. The increase in other income was mainly due to the increase in subsidy income from local government of approximately RMB2.8 million which was partially offset by a decrease in sales of scraps and packaging materials of approximately RMB2.0 million.

Other losses, net

Other losses increased from approximately RMB1.7 million in 2011 to approximately RMB4.9 million in 2012. The increase in other losses was mainly due to an increase in exchange losses incurred.

Distribution costs

Distribution costs increased from approximately RMB74.9 million in 2011 to approximately RMB81.0 million in 2012. The increase was mainly attributable to an 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 RMB80.3 million in 2011 to approximately RMB95.6 million in 2012 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 increased from approximately RMB66.7 million in 2011 to approximately RMB94.9 million in 2012 mainly due to the increase in interest expenses on bank borrowings as a result of the increase in interest rate.

Income tax expense

Income tax expense decreased from approximately RMB35.8 million in 2011 to approximately RMB13.8 million in 2012 mainly attributable to the decrease in operating profit in 2012.

Profit for the year

Profit for the year decreased from approximately RMB103.2 million in 2011 to approximately RMB30.1 million in 2012 representing a decrease of approximately 70.8%. 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 2012, our capital expenditure consisted of additions of property, plant and equipment which amounted to approximately RMB353.1 million (2011: RMB381.6 million) and the additions of land use rights of approximately RMB70.9 million (2011: nil).

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 2012, the bank loans of the Group amounted to approximately RMB1,524.5 million. Notes payable amounted to approximately RMB689.4 million as at 31 December 2012 while the bank balances were approximately RMB380.3 million of which approximately RMB197.7 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 2012 and 2011 calculated on this basis was 44.7% and 50.0% 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 2012, 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 RMB139.1 million had been invested in the Jingjiang processing and logistics complex. To consolidate the demand in the Wuhan and Changsha area, approximately RMB65.0 million had been allocated for the development of a new processing centre in Wuhan. 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 1,510 staffs as at 31 December 2012 (2011: 1,209). There was a 24.9% growth in our workforce in 2012 as compared with 2011. 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 HKD0.01 (2011: HKD0.035) per share for the year ended 31 December 2012 which will be payable on Wednesday, 19 June 2013 to the shareholders whose names appear on the register of members of the Company on Friday, 7 June 2013 subject to the shareholders' approval in the annual general meeting of the Company to be held on Thursday, 30 May 2013 (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 former Code on Corporate Governance Practices (effective until 31 March 2012) and the new Corporate Governance Code (the "CG Code") (effective from 1 April 2012) 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 2012 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 2012, 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, 30 May 2013. 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, 27 May 2013 to Thursday, 30 May 2013, 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, 24 May 2013 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 Wednesday, 5 June 2013 to Friday, 7 June 2013, 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 Tuesday, 4 June 2013.

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 2012 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 2012 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 2013

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.