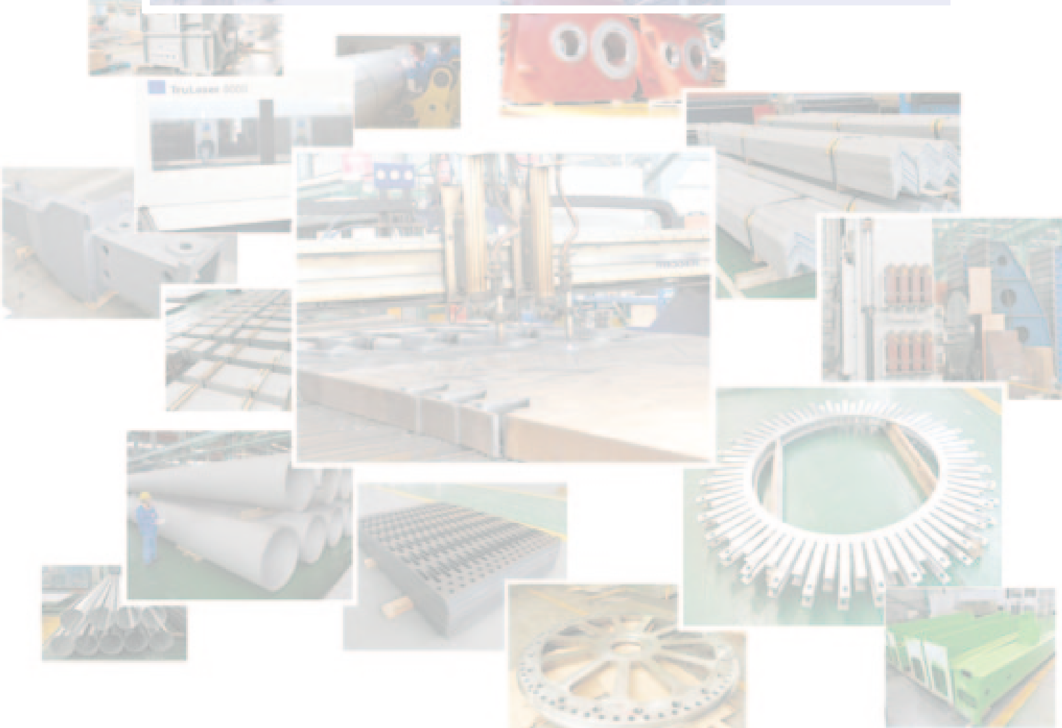
DA MING INTERNATIONAL HOLDINGS LIMITED

(Incorporated in the Cayman Islands with limited liability)

Stock code :1090

2013 Annual Report

Contents



Corporate Information

BOARD OF DIRECTORS

Executive Directors

Mr. Zhou Keming *(Chairman)*
Ms. Xu Xia
Mr. Zou Xiaoping
Mr. Tang Zhonghai
Mr. Kang In Soo

Non-executive Director

Mr. Jiang Changhong

Independent Non-executive Directors

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

COMPANY SECRETARY

Mr. Leung Man Fai

AUTHORISED REPRESENTATIVES

Mr. Zou Xiaoping
Mr. Leung Man Fai

AUDIT COMMITTEE

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

REMUNERATION COMMITTEE

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

NOMINATION COMMITTEE

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

REGISTERED OFFICE IN THE CAYMAN ISLANDS

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

HEADQUARTERS AND PRINCIPAL PLACE OF BUSINESS IN CHINA

No. 1518, Tong Jiang Road
Wuxi, Jiangsu
People's Republic of China

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Suite 1007, Central Plaza
18 Harbour Road, Wanchai
Hong Kong

LEGAL ADVISERS TO THE COMPANY

As to Hong Kong Law

Deacons
5/F, Alexandra House
18 Chater Road
Central
Hong Kong

As to Cayman Islands Law

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

HONG KONG SHARE REGISTRAR

Computershare Hong Kong Investor Services Limited
Shops 1712-1716
17th Floor, Hopewell Centre
183 Queen's Road East
Wanchai
Hong Kong

AUDITOR

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

PRINCIPAL BANKERS

In Hong Kong

China CITIC Bank International Limited
China Construction Bank Hong Kong Branch

In China

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

STOCK CODE

SEHK: 1090

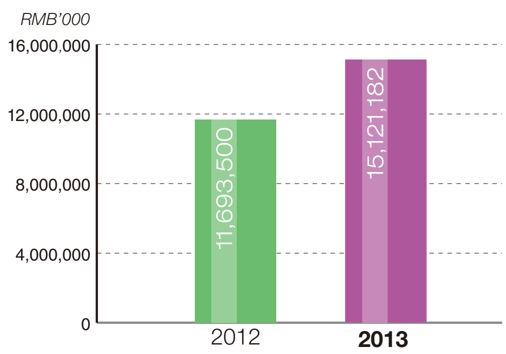
WEBSITE

http://www.dmssc.net

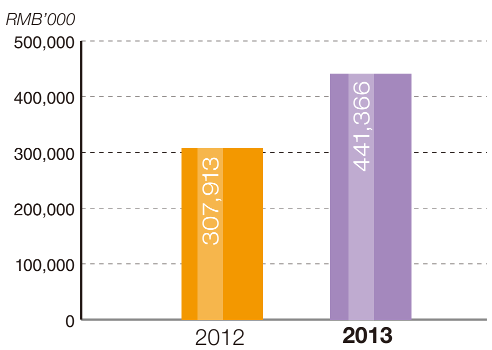
Financial and Operating Highlights

	Year ended 31 December 2013 RMB'000	2012 RMB'000	% change
FINANCIAL HIGHLIGHTS			
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%

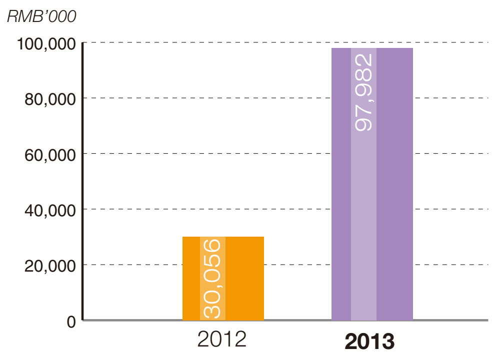
Revenue



Gross profit



Total comprehensive income for the year



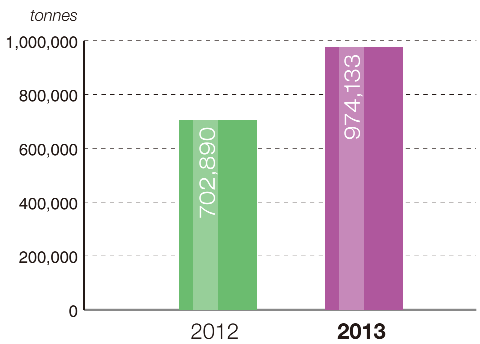
Financial and Operating Highlights

	Year ended 31 December		
	2013	2012	% change
OPERATING HIGHLIGHTS			
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

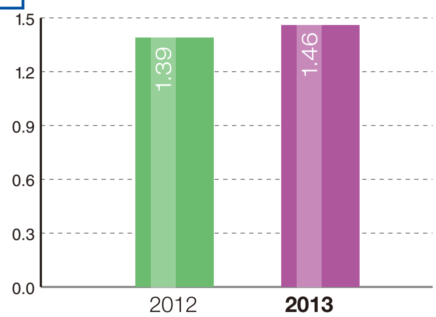
2. Carbon steel processing services was launched in early 2013, no comparative figures for 2012 can be provided

Sales volume



Processing volume

Processing multiple



Financial and Operating Highlights

The sales volume and processing volume of our processing centres for the year ended 31 December 2013 and the corresponding period in 2012 are as follows:

	Year ended 31 December		
	2013	2012	
Stainless steel	***tonnes***	*tonnes*	*% change*
Sales volume			
Wuxi	**610,647**	457,496	33.5%
Wuhan	**45,935**	31,605	45.3%
Hangzhou	**153,695**	112,587	36.5%
Tianjin	**146,713**	101,202	45.0%
Taiyuan (in trial run)	**10,397**	–	n/a
Others	**6,746**	–	n/a
Total	**974,133**	702,890	38.6%
Processing volume			
Wuxi	**1,054,382**	764,499	37.9%
Wuhan	**17,789**	13,442	32.3%
Hangzhou	**177,053**	115,144	53.8%
Tianjin	**137,699**	82,699	66.5%
Taiyuan (in trial run)	**32,740**	–	n/a
Total	**1,419,663**	975,784	45.5%

	Year ended 31 December		
	2013	2012	
Carbon steel	***tonnes***	*tonnes*	*% change*
Sales volume			
Wuxi	**98,420**	–	n/a
Hangzhou	**136,016**	–	n/a
Taiyuan (in trial run)	**2,003**	–	n/a
Others	**21,384**	–	n/a
	257,823	–	n/a
Processing volume			
Wuxi	**102,589**	–	n/a
Hangzhou	**135,841**	–	n/a
	238,430	–	n/a

Chairman's Statement

Dear Shareholders:

On behalf of the board of directors of Da Ming International Holdings Limited (the "Company", together with its subsidiaries as the "Group"), I hereby present to the shareholders the annual report of the Group for the year ended 31 December 2013.

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.

Chairman's Statement

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.

Chairman's Statement

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 in 2014.

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.

Chairman's Statement

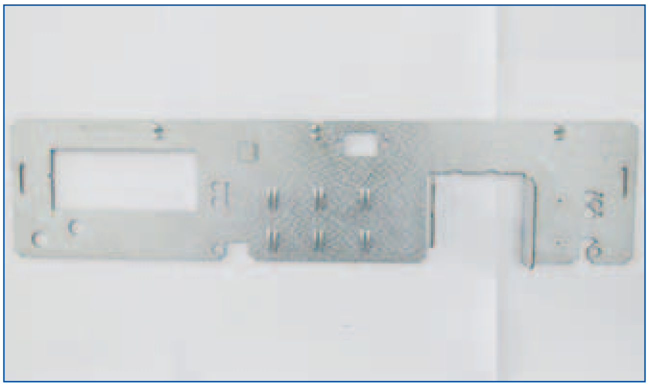
We will also start the construction of the Jingjiang processing centre in Jingjiang, Jiangsu province in 2014. The Jingjiang processing centre will provide services to customers mainly involved in heavy industries such as pressurized container manufacturers and infrastructural parts manufacturers.

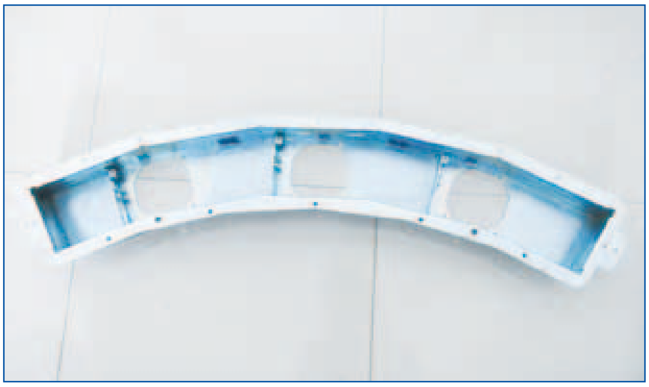
With the completion and enhancement of the processing centres of the Group in 2014, we anticipate a rapid growth both in our sales volume and deep processing services in the coming years. We shall also devote more resources to our carbon steel processing business in order to provide a more comprehensive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

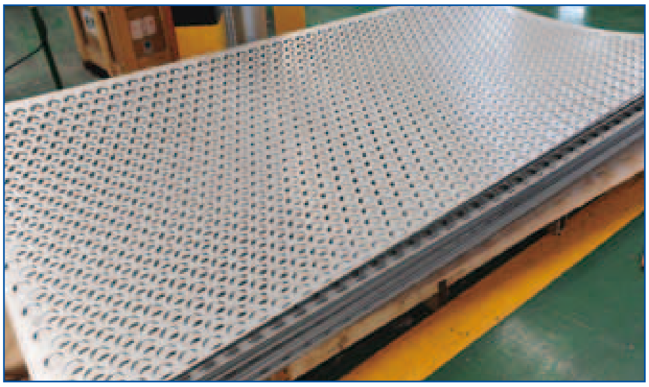
APPRECIATION

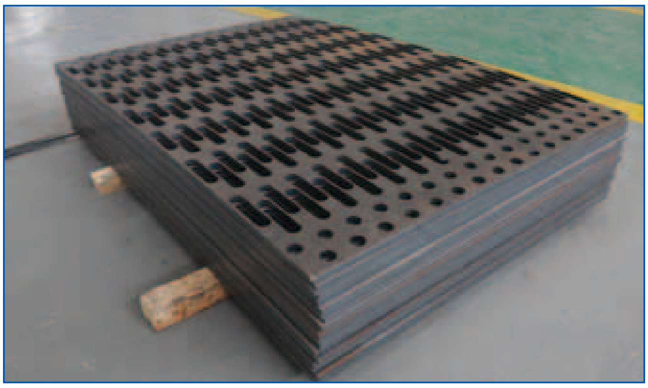
On behalf of the Board, I would like to thank the management and staff for their dedication, effort and contribution towards the Company. I would also like to thank the shareholders for their support to the Company.

Chairman's Statement









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.

Revenue

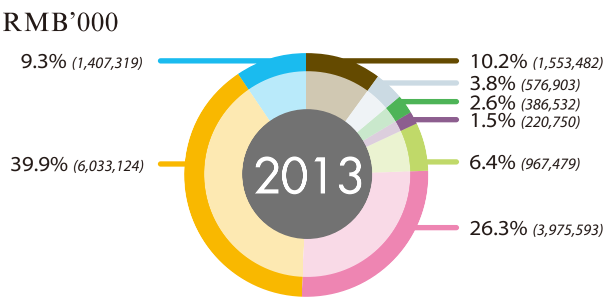
Our revenue for the year ended 31 December 2013 amounted to approximately RMB15,121 million comprising approximately RMB14,310 million from our stainless steel processing business and approximately RMB811 million from our carbon steel processing business. As compared with the revenue for the year ended 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%.

Management Discussion and Analysis

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

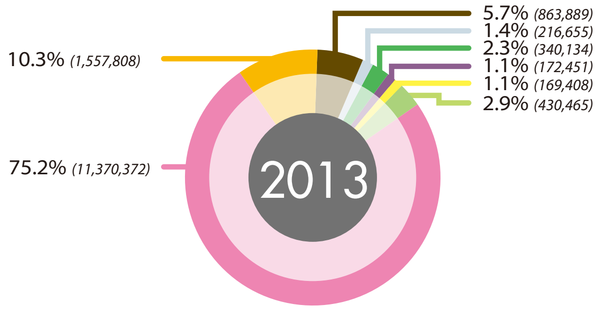


Machineries
Distributors
Petrochemical
Home Hardware and Appliances
Automobile and Transport
Construction
Renewable Energy
Others

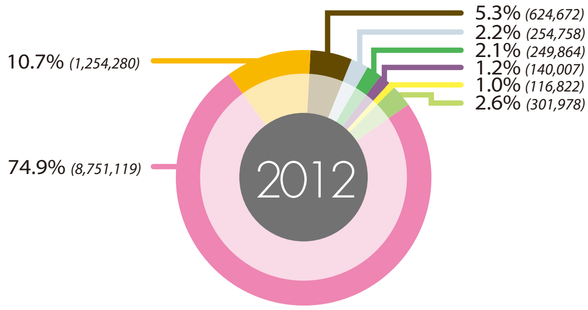
Analysis of revenue by geographic regions

	Revenue For the year ended 31 December			
	2013		2012	
Region	***RMB'000***	*%*	*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

RMB'000



RMB'000



Eastern region, China
Northern region, China
Central region, China
Southwestern region, China
Northeastern region, China
Northwestern region, China
Southern region, China
Overseas

Management Discussion and Analysis

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 of directors 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 fully applied in accordance with its proposed use as stated in the Company's prospectus dated 17 November 2010.

CORPORATE GOVERNANCE PRACTICES

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

The Company has complied with the Corporate Governance Code (the "CG Code") set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") throughout the year ended 31 December 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. Section headed "Chairman and Chief Executive Officer" explains the deviation. The Company adopted the CG Code as its own code of corporate governance.

MODEL CODE

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 of the Listing Rules (the "Model Code") as its code of conduct regarding securities transactions by the directors. Having made specific enquiry with all directors of the Company (the "Directors"), all Directors confirmed that they have complied with the required standard set out in the Model Code during the year ended 31 December 2013.

BOARD OF DIRECTORS

Composition

The Board of Directors (the "Board") comprises 5 executive directors, 1 non-executive director and 3 independent non-executive directors. As of 31 December 2013, the Directors are as follows:

Executive directors:	*Non-executive director:*	*Independent non-executive directors*
Mr. Zhou Keming *(Chairman)*	Mr. Jiang Changhong	Prof. Hua Min
Ms. Xu Xia		Mr. Chen Xuedong
Mr. Zou Xiaoping		Mr. Cheuk Wa Pang
Mr. Tang Zhonghai		
Mr. Kang In Soo		

The biographical details of the Directors are set out on pages 28 to 30 of this Annual Report. Save as Mr. Zhou Keming is the spouse of Ms. Xu Xia, none of the members of the Board is related to one another.

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

BOARD MEETING

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

Six board meetings were held in the financial year ended 31 December 2013. The individual attendance record of each director at the meetings of the Board is set out below:

	No. of meeting attended/ No. of meeting held	**Attendance rate**
Executive Directors		
Mr. Zhou Keming *(Chairman)*	6/6	100%
Ms. Xu Xia	5/6	83.33%
Mr. Zou Xiaoping	6/6	100%
Mr. Tang Zhonghai	6/6	100%
Mr. Kang In Soo	6/6	100%
Non-executive Director		
Mr. Jiang Changhong	6/6	100%
Independent non-executive Directors		
Prof. Hua Min	4/6	66.67%
Mr. Chen Xuedong	5/6	83.33%
Mr. Cheuk Wa Pang	6/6	100%

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

DIRECTORS' CONTINUING PROFESSIONAL DEVELOPMENT

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

During the year, the Company had organised a training seminar relating to new rules on disclosure of inside information for the Directors. Seven out of nine directors, namely Mr. Zhou Keming, Mr. Zou Xiaoping, Mr. Tang Zhonghai, Mr. Kang In Soo, Mr. Jiang Changhong, Prof. Hua Min and Mr. Cheuk Wa Pang attended the training seminar. The two remaining directors, namely Ms. Xu Xia and Mr. Chen Xuedong participated in other courses to update their knowledge in their focused professional area.

All Directors had provided their training records for the year 2013 to the Company.

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

MONTHLY MANAGEMENT REPORTS

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

DIRECTORS AND OFFICERS LIABILITY INSURANCE

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

BOARD OPERATIONS

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

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

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

CORPORATE GOVERNANCE FUNCTIONS

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

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

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

Under CG Code provision A.2.1, the roles of chairman and chief executive should be separated and should not be performed by the same individual. During the reporting period, the positions of the Chairman and the chief executive officer were held by Mr. Zhou Keming.

Mr. Zhou is the founder of the Group and has extensive knowledge in the stainless steel industry. Having considered the current development of the Group and be responsive to the fast and myriad changes in the business environment, the Board believes that vesting the dual roles in the same person provides the Company with strong and consistent leadership in the development and execution of long term business strategies.

In addition, there is a general manager in each of our 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 officer of the Company. The Board would nevertheless review this arrangement from time to time in light of prevailing circumstances.

NON-EXECUTIVE DIRECTOR

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

INDEPENDENT NON-EXECUTIVE DIRECTORS

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

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

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

BOARD COMMITTEES

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

REMUNERATION COMMITTEE

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

Corporate Governance Report

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

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

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

3. Remuneration should reflect performance, complexity and responsibility.

The Remuneration Committee held one meeting during the financial year ended 31 December 2013.

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

Name of Remuneration Committee Members	No. of meeting attended/ No. of meeting held	Attendance rate
Mr. Cheuk Wa Pang *(Chairman)*	1/1	100%
Prof. Hua Min	1/1	100%
Mr. Chen Xuedong	1/1	100%
Mr. Zou Xiaoping	1/1	100%

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

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

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

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

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

The 2013 annual salary review had been noted and reviewed by the members of the Remuneration Committee.

NOMINATION COMMITTEE

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

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

The Nomination Committee held one meeting during the financial year ended 31 December 2013. The following is an attendance record of the meeting held by the Nomination Committee for the financial year:

Name of Nomination Committee Members	No. of meeting attended/ No. of meeting held	Attendance rate
Mr. Cheuk Wa Pang *(Chairman)*	1/1	100%
Prof. Hua Min	0/1	0%
Mr. Chen Xuedong	1/1	100%
Mr. Zou Xiaoping	1/1	100%

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

(1) Reviewed the independence of all INEDs;

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

(3) Recommended to the Board for endorsement on the re-election of the retiring Directors; and

(4) Recommended to the Board for approval of the Board Diversity Policy.

AUDIT COMMITTEE

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

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

The Audit Committee held three meetings during the financial year ended 31 December 2013. The following is an attendance record of the meeting held by the Audit Committee for the financial year:

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

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

(1) Reviewed the Group's 2013 interim financial results;

(2) Reviewed the Group's 2013 final results and recommended to the Board the re-appointment of PricewaterhouseCoopers as the Company's auditor (the "Auditor") for the financial year ending 31 December 2014 at the forthcoming AGM of the Company;

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

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

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

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

AUDITOR'S REMUNERATION

During the year ended 31 December 2013, the remuneration paid or payable by the Company and its subsidiaries to the Auditor, PricewaterhouseCoopers in respect of their audit and non-audit services were as follows:

Type of services	Fees paid/payable
Audit services	RMB2,800,000
Non-audit services	HK$20,600

The amount for 2013 non-audit services comprised tax-related services fee for the Company and its subsidiaries operating in Hong Kong. The Audit Committee considered that the non-audit services in 2013 did not impair the independence of the Auditor.

COMPANY SECRETARY

Mr. Leung Man Fai has been appointed as company secretary of the Company since 2007. He has complied with Rule 3.29 of the Listing Rules in relation to professional training for the year ended 31 December 2013.

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The Directors acknowledge their responsibilities for the preparation of the consolidated financial statements that give a true and fair view of the Group for the year ended 31 December 2013.

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

SHAREHOLDER RIGHTS

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

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

The Company Secretary
Da Ming International Holdings Limited

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

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

INVESTOR RELATIONS

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

The 2013 AGM was held on 30 May 2013 at Regal Hongkong Hotel. The related notice and circular have been sent to shareholders in accordance with the applicable rules and regulations. Chairman of the Board and the chairman of the Audit, Remuneration and Nomination Committees attended the 2013 AGM. In order to ensure shareholders are familiar with the detailed procedures for conducting a poll, an explanation has been given by the Chairman at the commencement of the meeting. The results of the poll have been published on the websites of the Company and Hong Kong Exchanges and Clearing Limited. In respect of each substantially separate issue at a general meeting, a separate resolution will be proposed by the Chairman of that meeting.

There is no change in the Company's constitutional documents during the year ended 31 December 2013. A consolidation version of the Company's Memorandum and Articles of Association, Shareholder Communication Policy and Procedures for Shareholders' to Propose a Person for Election as a Director are available on the Company's website.

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

INTERNAL CONTROL

To safeguard the shareholders' investment and the Company's assets, the Board is aware of the importance of maintaining sound and effective internal controls systems. The management conducted review on financial, operation, and compliance controls as well as risk management from time to time and report to the Audit Committee. Audit Committee also oversaw the Group's financial reporting system, internal control procedures and risk management function during the year 2013 and reported to the Board. The Board considered the procedures of internal controls and the risk management systems have been implemented effectively.

Profile of Directors and Senior Management

EXECUTIVE DIRECTORS

Mr. Zhou Keming, aged 44, was appointed as an executive director on 14 February 2007. He is also the chairman of the Board of the Company and the chief executive officer of the Group. Mr. Zhou is one of the founders of the Group and is responsible for our Group's overall business strategy. He has over 25 years of experience in the steel industry. Mr. Zhou was qualified as a senior economist in 2007 by the Appraisal Committee for Senior Economic Technical Qualification of Jiangsu. He is the husband of Ms. Xu Xia, executive director of the Company.

Ms. Xu Xia, aged 39, was appointed as an executive director on 14 February 2007. She is one of the founders and assist and advise on business operation and administration of the Group. Ms. Xu has extensive sales and business development experience in the steel industry. She graduated from China Textile University (currently known as Donghua University) in 1995 with a diploma in Trading Operation. She is the wife of Mr. Zhou Keming, executive director, Chairman and chief executive officer of the Company.

Mr. Zou Xiaoping, aged 49, was appointed as an executive director on 9 March 2007. Mr. Zou joined the Group in 2002 and is responsible for the Group's overall management, administration and operation. Prior to joining the Group, Mr. Zou worked at Local Tax Bureau, Qianzhou Town, Xishan District from 1986 to 2002 on taxation matters and was granted a certificate for having undergone the in-service taxation training offered to the civil servants in 2000, when serving as the assistant to the head of the Bureau. Mr. Zou has over 16 and 11 years of experience in taxation and corporate management respectively. He graduated from Correspondence Institute of the Party School of the Central Committee of the Chinese Communist Party with a Bachelor of Laws degree in 2004 and obtained a Master of Business Administration degree from Asia International Open University (Macau) (currently known as City University of Macau) in 2005.

Mr. Tang Zhonghai, aged 55, was appointed as an executive director on 3 July 2010. Mr. Tang joined the Group in 2003 and is responsible for the management of stainless steel processing and manufacturing technology as well as the operation of the Group. Prior to joining the Group, Mr. Tang was the deputy factory director of Jiangmen City Rixin Stainless Steel Material Factory Co., Ltd. from 1993 to 2001. He has over 20 years of experience in the steel industry. Mr. Tang graduated from Rocket and Missile Discipline of Eastern China Engineering Institute (currently known as Nanjing University of Science and Technology) in 1982. He was qualified as a mechanical engineer in 1988 by National Machinery Industry Committee and a senior economist in 2007 by the Appraisal Committee for Senior Economic Technical Qualification of Jiangsu.

Mr. Kang In Soo, aged 55, was appointed as an executive director on 22 March 2012. Mr. Kang is currently the general manager of Tianjin Taigang Daming Metal Product Co., Ltd. ("Tianjin Taigang Daming"), which is held as to 91% by the Group. He was the vice president of the sales department of Zhangjiagang Pohang Stainless Steel Co., Ltd., one of the Group's key suppliers and an independent third party, from April 2008 to August 2010 and the manager of its sales department from April 2002 to March 2008. Mr. Kang worked in various departments of POSCO from January 1984 to March 2002. Mr. Kang has extensive experience in the stainless steel industry. He graduated from Han Yang University of Korea majoring in Science of Public Administration in February 1981.

NON-EXECUTIVE DIRECTOR

Mr. Jiang Changhong, aged 50, was appointed as a non-executive director on 26 July 2010. He was the manager of the sales department of Shanxi Taigang Stainless Steel Co., Ltd. ("STSS"), one of the Group's key suppliers. He is currently the minister of planning and development department and the minister of new materials business management department of Taiyuan Iron & Steel (Group) Co., Ltd. (a holding company of STSS). He has over 24 years of experience in the steel industry. Mr. Jiang graduated from Beijing Steel and Iron Institute (currently known as University of Science and Technology Beijing) with a Bachelor of Engineering degree in Computer Science in 1986. He further obtained a Master of Engineering degree in Computer Application in 1992. Mr. Jiang was accredited by department of Human Resources, Shanxi Province in 1997 as a senior engineer.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Professor Hua Min, aged 63, was appointed as an independent non-executive director on 20 March 2007. He is a professor and doctoral candidates adviser and has taught and conducted research in world economics, China economics and finance at Fudan University since 1990. Currently he is the chairman of the Institute of World Economy of Fudan University and chief of the Academic Committee of School of Economics of Fudan University. He has over 23 years of experience in economics. Professor Hua graduated from Fudan University with a Bachelor degree in Political Economics in 1982 and obtained a Doctoral degree in Economics from Fudan University in 1993. Since 2004, Professor Hua has also been an independent non-executive director and a member of the audit committee of Shanghai International Shanghai Growth Investment Limited (stock code: 770), the shares of which are listed on the Main Board of The Stock Exchange of Hong Kong Limited.

Profile of Directors and Senior Management

Mr. Chen Xuedong, aged 49, was appointed as an independent non-executive director on 3 July 2010. He is currently the head of research department and the head of research institute of Hefei General Machinery Research Institute and has been serving as the party secretary of the same institute since 2009. Mr. Chen has attained the qualification of professor level senior engineer in 1999 and was qualified as a researcher in 2002. Since 2003, Mr. Chen has served as head of National Safety Engineering Technology Research Centre for Pressure Vessels and Pipelines. Mr. Chen graduated from Zhejiang University with a Bachelor degree in Chemical Engineering in 1986. He then obtained a Master degree and Doctoral degree in Chemical Engineering at Zhejiang University in 1995 and 2004, respectively. Mr. Chen has over 27 years of experience in engineering.

Mr. Cheuk Wa Pang, aged 49, was appointed as an independent non-executive director on 20 March 2007. Mr. Cheuk has been the chief financial officer, the qualified accountants and the company secretary of Lee Kee Holdings Limited (stock code: 637), the shares of which are listed on the main board of The Stock Exchange of Hong Kong Limited. Mr. Cheuk has extensive experience in accounting and auditing. Mr. Cheuk holds a Bachelor of Science degree in Engineering from the University of Hong Kong, a Master degree in Applied Finance and a Master degree in Business Administration from Macquarie University in Australia. Mr. Cheuk is a fellow member of the Association of Chartered Certified Accountants and a certified public accountant of the Hong Kong Institute of Certified Public Accountants. He is also a member of the Institute of Chartered Accountants of England and Wales.

SENIOR MANAGEMENT

Mr. Leung Man Fai, aged 49, joined the Group in 2007 as the chief financial officer and company secretary of the Group. Mr. Leung has extensive experience in accounting and finance. Before joining the Group, Mr. Leung served as a financial controller and company secretary of a private company during 2003 to 2006. From 1996 to 2003, he served various roles including financial controller, company secretary and finance manager in several listed companies within the ITC Corporation (stock code: 372), the shares of which are listed on main board of The Stock Exchange of Hong Kong Limited. He also worked as a senior accountant during 1992 to 1996 in Hopewell Holdings Limited (stock code: 54), the shares of which are listed on main board of The Stock Exchange of Hong Kong Limited. Mr. Leung received a Bachelor of Arts degree in Accountancy from the City University of Hong Kong. He is a fellow member of the Hong Kong Institute of Certified Public Accountants and a fellow member of the Association of Chartered Certified Accountants.

Profile of Directors and Senior Management

Mr. Fukui Tautomu, aged 53, is the deputy general manager of Jiangsu Daming Metal Products Co., Ltd. and is responsible for its overall management and operation. Mr. Fukui joined the Group in 2013. Prior to joining the Group, Mr. Fukui was the managing director of Nippon Yakin Shanghai Co., Ltd. He has extensive experience in the steel industry. Mr. Fukui graduated from Nanjing University with a bachelor degree in Catalytic Chemistry in 1982 and obtained a Doctoral degree in Materials Science and Engineering from Tokyo Institute of Technology in 1991.

Mr. Situ Shunxin, aged 47, is the general manager of Taiyuan Taigang Daming Metal Products Company Limited, which is owned as to 60% by the Group, and is responsible for its management and operation. Mr. Situ joined our Group in 2007. He had been the deputy leader of the organising committee of the project management office of Tianjin Taigang Daming since 2007 and the deputy general manger and general manager of Tianjin Taigang Daming since 2009 and 2010 respectively. Mr. Situ has extensive experience in the steel industry. Mr. Situ graduated from Wuhan Steel College in 1989 with a Bachelor degree in Metal Pressure and Processing.

Mr. Zhou Xiaodong, aged 38, is the deputy general manager of Daming Metal Products Wuxi Co., Ltd. and is responsible for its management and operation. Mr. Zhou joined the Group in 1995. He had served as the project manager and deputy general manager in 2006 and 2007 respectively. In 2007 he was also appointed as the general manager of Jiangsu Daming Wuhan Branch and has been responsible for its overall management and operation. Mr. Zhou has extensive experience in the steel industry.

Ms. Zhang Lihong, aged 33, is the general manager of Wuhan Fortune Express Metal Products Co., Ltd. and is responsible for its management and operation. Ms. Zhang joined the Group in 2003 and worked in various departments. She was promoted to her current position in September 2011. Ms. Zhang graduated from Nantong Institute of Technology with profession in information management and network technology.

Directors' Report

The Directors are pleased to present to the shareholders their report together with the audited consolidated financial statements of the Group for the year ended 31 December 2013.

PRINCIPAL ACTIVITIES AND ANALYSIS OF OPERATIONS

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

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

RESULTS

The results of the Group for the year ended 31 December 2013 are set out in the consolidated comprehensive income statement on page 48.

DIVIDENDS

The Board has resolved to recommend the payment of a final dividend of HK$0.02 per share, totalling HK$20,750,000 to shareholders whose names appear on the register of members of the Company on 4 June 2014. The proposed dividend will be paid on 13 June 2014 subject to the approval of the shareholders at the forthcoming AGM of the Company.

RESERVES

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

DISTRIBUTABLE RESERVES

As of 31 December 2013, our reserves available for distribution, calculated in accordance with the Companies Law (2013 Revision) of the Cayman Islands amounted to RMB1,273.4 million.

PROPERTY, PLANT AND EQUIPMENT

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

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

There was no purchase, sale or redemption of the Company's listed shares by the Company or any of its subsidiaries during the year ended 31 December 2013.

PRINCIPAL PROPERTIES

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

SHARE CAPITAL

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

MAJOR CUSTOMERS AND SUPPLIERS

During the year, the Group sold less than 30% of its goods and services to its five largest customers. The five largest suppliers accounted for approximately 88.2% of the Group's total purchases for the year and the largest supplier accounted for approximately 28.9% of the Group's total purchases.

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

BORROWINGS

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

FIVE-YEAR SUMMARY

A summary of the Group's results, assets, liabilities for the last five years is set out in the section headed "Financial summary" on page 130.

PRE-EMPTIVE RIGHTS

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

SHARE OPTIONS SCHEME

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

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

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

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

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

The share options scheme will remain valid and effective for a period of 10 years from 9 November 2010 and the share options granted have a 10-year exercise period.

As at 31 December 2013, there were a total of 5,500,000 outstanding share options granted to a director and certain employees of the Group. These options are conditional on the director or employees completing three to five years service. Commencing from the third, fourth and fifth anniversary dates of the date of grant, the relevant grantees may exercise up to 30%, 60% and 100%, respectively, of the shares comprised in his or her option. Details of which are as follows:

			Number of share options					
Name or category of participant	Date of grant	Exercise price *(HK$)*	As at 1 January 2013	Granted during the year	Exercised during the year	Cancelled /lapsed during the year	As at 31 December 2013	Exercise period
Director								
Mr. Tang Zhonghai	21 December 2010	2.452	600,000	–	–	–	600,000	21 December 2013 to 20 December 2020
Other employees in aggregate	21 December 2010	2.452	4,900,000	–	–	–	4,900,000	21 December 2013 to 20 December 2020
Total			5,500,000	–	–	–	5,500,000	

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

SHARE AWARD SCHEME

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

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

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

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

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

As at 31 December 2013, the independent trustee holds 13,336,000 shares of the Company for the share award scheme. No shares have been granted to the Selected Employees of the Group under the share award scheme up to the date of this Report.

CONTINUING CONNECTED TRANSACTIONS

Pursuant to the framework agreement entered into between Jiangsu Daming Metal Products Company Limited ("Jiangsu Daming") and Shanxi Taigang Stainless Steel Co., Ltd. ("STSS") and its subsidiaries on 16 November 2011, Jiangsu Daming agrees to purchase, and STSS agrees to supply stainless steel to the Group. For the year ended 31 December 2013, RMB5,057.77 million was paid by the Group to STSS for the supply of 401,390.35 tonnes of stainless steel, not exceeding the proposed cap of RMB17,600 million. Details of the above transactions were disclosed in the announcement of the Company dated 16 November 2011.

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

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

(2) on normal commercial terms; and

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

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

The Auditor has issued an unqualified letter containing the findings and conclusions in respect of the above continuing connected transactions in accordance with Rule 14A.38 of the Listing Rules.

DIRECTORS

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

Executive Directors

Zhou Keming *(Chairman)*
Xu Xia
Zou Xiaoping
Tang Zhonghai
Kang In Soo

Non-Executive Director

Jiang Changhong

Independent Non-Executive Directors

Cheuk Wa Pang
Hua Min
Chen Xuedong

In accordance with Article 84 of the Articles of Association of the Company, Mr. Zhou Keming, Mr. Zou Xiaoping and Mr. Cheuk Wa Pang will retire from office by rotation at the AGM. All the retiring directors, being eligible, offer themselves for re-election.

The biographical details of Directors are set out on pages 28 to 30 of this Annual Report.

DIRECTORS' SERVICE CONTRACTS

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

DIRECTORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

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

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

As at 31 December 2013, the interests and short positions of each director and chief executive in the shares, underlying shares and debentures of the Company and its associated corporation (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")), as recorded in the register required to be kept by the Company under section 352 of Part XV of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code, were as follows:

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

Name of Director	Nature of interests	Number of shares/underlying shares held	% of issued share capital
Mr. Zhou Keming (also Chief Executive Officer)	Corporate [(1)]	736,463,000	70.98%
Ms. Xu Xia	Corporate [(1)]	736,463,000	70.98%
Mr. Zou Xiaoping	Family [(2)]	5,000,000	0.48%
Mr. Tang Zhonghai	Personal [(3)]	600,000	0.06%

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

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

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

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

Name of Director	Name of associated corporation [(4)]	Nature of interests	Number of shares held	% of issued share capital of associated corporation
Mr. Zhou Keming	Ally Good Group Limited	Personal [(5)]	1,000	100%
Ms. Xu Xia	Ally Good Group Limited	Personal [(5)]	1,000	100%

(4) As at 31 December 2013, Ally Good Group Limited is the holder of 70.98% of the issued share capital of the Company and is an associated corporation under SFO.

(5) 772 shares are held by Mr. Zhou Keming and 228 shares are held by Ms. Xu Xia. Ms. Xu Xia is the spouse of Mr. Zhou Keming.

Save as disclosed above, as at 31 December 2013, none of the directors or chief executive and their associates, had interests or short positions in any shares, underlying shares or debentures of the Company and its associated corporations which were recorded in the register required to be kept under section 352 of the SFO or notified to the Company and the Stock Exchange pursuant to the Model Code.

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

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

As at 31 December 2013, the interests or short positions of every person, other than a director or chief executive of the Company, in the shares and underlying shares of the Company as recorded in the register required to be kept under section 336 of the SFO, are set out below:

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

Name of Shareholder	Number of ordinary shares held	Approximate percentage of the Company's issued share capital
Long position		
Ally Good Group Limited	736,463,000 [6]	70.98%

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

Save as disclosed above, no other parties were recorded in the register of the Company required to be kept under section 336 of the SFO as having interests or short positions in the shares or underlying shares of the Company as at 31 December 2013.

EMOLUMENT POLICY

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

The Group employed a total of 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 the Group.

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

MANAGEMENT CONTRACTS

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

SUFFICIENCY OF PUBLIC FLOAT

Based on information that is publicly available to the Company and within the knowledge of the Directors, it is confirmed that there is sufficient public float of the Company's issued shares as at 20 March 2014.

CORPORATE GOVERNANCE

Details of the compliance by the Company with the Corporate Governance Code are set out on pages 17 to 27 of the Annual Report.

AUDIT COMMITTEE

The Audit Committee has discussed with the management and reviewed the audited consolidated financial statements of the Group for the year ended 31 December 2013 and considered that the Group has complied with all applicable accounting standards and requirements.

AUDITORS

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

EVENTS AFTER THE END OF THE REPORTING PERIOD

Ms. Xu Xia, an executive director of the Company, resigned as a sales director and was appointed as a vice chairman of Jiangsu Daming Metal Products Co., Ltd., a wholly-owned subsidiary of the Company, with effect from 11 January 2014.

By Order of the Board,

Zhou Keming
Chairman
Hong Kong, 20 March 2014

pwc

羅兵咸永道

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

We have audited the consolidated financial statements of Da Ming International Holdings Limited (the "Company") and its subsidiaries (together, the "Group") set out on pages 45 to 129, which comprise the consolidated and company statements of financial position as at 31 December 2013, and the consolidated comprehensive income statement, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

AUDITOR'S RESPONSIBILITY

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

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

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Independent Auditor's Report

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

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

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2013, and of the Group's profit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 20 March 2014

Consolidated Statement of Financial Position

As at 31 December 2013

	Note	As at 31 December 2013 RMB'000	2012 RMB'000
ASSETS			
Non-current assets			
Land use rights	5	**205,773**	175,927
Property, plant and equipment	6	**1,815,399**	1,455,833
Investment properties	7	**7,758**	8,213
Intangible assets	8	**2,202**	2,560
Deferred income tax assets	10	**18,739**	12,748
Other non-current assets	11	**75,149**	64,355
		2,125,020	1,719,636
Current assets			
Inventories	12	**1,525,969**	1,707,925
Trade receivables	13	**463,550**	158,547
Prepayments, deposits and other receivables	14	**581,425**	224,652
Restricted bank deposits	15	**458,992**	197,737
Cash and cash equivalents	16	**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	17	**89,215**	89,215
Reserves	18	**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

As at 31 December 2013

	Note	As at 31 December 2013 RMB'000	2012 RMB'000
LIABILITIES			
Non-current liabilities			
Borrowings	*22*	**346,150**	140,000
Deferred government grants	*23*	**25,140**	16,732
Deferred income tax liabilities	*10*	**2,606**	2,811
		373,896	159,543
Current liabilities			
Trade payables	*20*	**1,565,398**	701,705
Accruals, advances from customers and other current liabilities	*21*	**395,630**	274,921
Current income tax liabilities		**32,071**	7,261
Borrowings	*22*	**1,108,321**	1,384,514
Current portion of deferred government grants	*23*	**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

The notes on page 51 to 129 are an integral part of these consolidated financial statements.

The financial statements were approved by the Board of Directors on 20 March 2014 and were signed on its behalf.

Zhou Keming
Director

Zou Xiaoping
Director

Company Statement of Financial Position

As at 31 December 2013

	Note	As at 31 December 2013 RMB'000	2012 RMB'000
ASSETS			
Non-current assets			
Investments in subsidiaries	*9(a)*	**925,703**	924,285
Due from subsidiaries	*9(b)*	**441,093**	417,772
		1,366,796	1,342,057
Current assets			
Prepayment, deposits and other receivables	*14*	**172**	–
Cash and cash equivalents	*16*	**411**	8,154
		583	8,154
Total assets		**1,367,379**	1,350,211
EQUITY AND LIABILITIES			
Equity attributable to equity holders of the Company			
Share capital	*17*	**89,215**	89,215
Reserves	*18*	**1,277,812**	1,260,928
Total equity		**1,367,027**	1,350,143
LIABILITIES			
Current liabilities			
Accruals and other payables	*21*	**352**	68
Total liabilities		**352**	68
Total equity and liabilities		**1,367,379**	1,350,211
Net current assets		**231**	8,086
Total assets less current liabilities		**1,367,027**	1,350,143

The notes on page 51 to 129 are an integral part of these financial statements.

The financial statements were approved by the Board of Directors on 20 March 2014 and were signed on its behalf.

Zhou Keming
Director

Zou Xiaoping
Director

Consolidated Comprehensive Income Statement

For the year ended 31 December 2013

	Note	Year ended 31 December 2013 RMB'000	2012 RMB'000
Revenue	24	**15,121,182**	11,693,500
Cost of sales	27	**(14,679,816)**	(11,385,587)
Gross profit		**441,366**	307,913
Other income	25	**15,987**	13,706
Other expenses	27	**(1,421)**	(1,291)
Other losses – net	26	**(2,498)**	(4,912)
Distribution costs	27	**(105,681)**	(81,027)
Administrative expenses	27	**(115,576)**	(95,584)
Operating profit		**232,177**	138,805
Finance income	30	**10,801**	11,356
Finance costs	30	**(102,642)**	(106,279)
Finance costs – net	30	**(91,841)**	(94,923)
Profit before income tax		**140,336**	43,882
Income tax expense	31	**(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	32	**0.09**	0.03
– Diluted earnings per share	32	**0.09**	0.03

The notes on page 51 to 129 are an integral part of these consolidated financial statements.

	Note	2013 RMB'000	2012 RMB'000
Dividends	33	**16,314**	8,413

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 *(Note 17)* *RMB'000*	**Reserves** *(Note 18)* *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 options scheme				
– value of employee services *(Note 19)*	–	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 options scheme				
– value of employee services *(Note 19)*	–	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

The notes on page 51 to 129 are an integral part of these consolidated financial statements.

Consolidated Statement of Cash Flows

For the year ended 31 December 2013

	Note	Year ended 31 December 2013 RMB'000	2012 RMB'000
Cash flows from operating activities			
Cash generated from operations	*34(a)*	**283,358**	540,177
Interest received		**10,282**	10,825
Interest paid		**(111,576)**	(115,957)
Income tax paid		**(23,740)**	(10,094)
Net cash generated from operating activities		**158,324**	424,951
Cash flows from investing activities			
Purchase of property, plant and equipment		**(434,390)**	(389,117)
Purchase of land use rights		**(45,728)**	(73,227)
Purchase of intangible assets		**(64)**	–
Cash received in relation to asset-related government grants	*23*	**9,624**	4,000
Proceeds from disposal of property, plant and equipment	*34(b)*	**103**	152
Proceeds from disposal of land use rights		**61**	–
Net cash used in investing activities		**(470,394)**	(458,192)
Cash flows from financing activities			
Proceeds from bank borrowings		**3,289,435**	3,360,165
Repayments of bank borrowings		**(3,351,837)**	(3,697,658)
Capital injection by a non-controlling shareholder		**–**	80,000
Decrease in restricted bank deposits as security for current bank borrowings		**–**	149,889
Dividends paid to the Company's shareholders		**(8,413)**	(29,439)
Proceeds from issuing bank acceptance notes		**1,122,000**	697,000
Payments relating to bank acceptance notes		**(846,200)**	(627,000)
Net cash from (used in) 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	*16*	**182,565**	282,854
Exchange losses on cash and cash equivalents		**(952)**	(5)
Cash and cash equivalents at end of year	*16*	**74,528**	182,565

The notes on page 51 to 129 are an integral part of these consolidated financial statements.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2013

1. GENERAL INFORMATION OF THE GROUP

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

The Company was incorporated in the Cayman Islands on 14 February 2007 as an exempted company with limited liability under the Companies Law, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands. The Company's registered office is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands.

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

These consolidated financial statements are presented in Renminbi ("RMB"), unless otherwise stated. These consolidated financial statements have been approved for issue by the board of directors on 20 March 2014.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

2.1 Basis of preparation

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.1 Basis of preparation (Continued)

2.1.1 Going concern

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

2.1.2 Changes in accounting policies and disclosures

(a) New and amended standards adopted by the Group

The following new standards and amendments to standards are mandatory for the first time for the financial year beginning 1 January 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.1 Basis of preparation (Continued)

2.1.2 Changes in accounting policies and disclosures (Continued)

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

- HKFRS 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.1 Basis of preparation (Continued)

2.1.2 Changes in accounting policies and disclosures (Continued)

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

- HKFRS 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 consolidated financial statements.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.1 Basis of preparation (Continued)

2.1.2 Changes in accounting policies and disclosures (Continued)

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.1 Basis of preparation (Continued)

2.1.2 Changes in accounting policies and disclosures (Continued)

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

- 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 HKAS19 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.1 Basis of preparation (Continued)

2.1.2 Changes in accounting policies and disclosures (Continued)

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

- 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.

2.2 Subsidiaries

2.2.1 Consolidation

Subsidiaries are all entities (including special purpose entities) over which the Group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

Inter-company transactions, balances, income and expenses on transactions between Group companies are eliminated. Profits and losses resulting from inter-company transactions that are recognised in assets are also eliminated. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Subsidiaries (Continued)

2.2.2 Separate financial statements

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

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

2.3 Segment reporting

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

2.4 Foreign currency translation

(a) Functional and presentation currency

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

(b) Transactions and balances

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.4 Foreign currency translation (Continued)

(b) Transactions and balances (Continued)

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

(c) Group companies

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

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

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

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

2.5 Land use rights

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.6 Property, plant and equipment

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

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

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

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

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

During the year, the management of the Group has reviewed and revised the useful lives of certain categories of property, plant and equipment. The revised useful lives are as follows:

Buildings and plant	20-30 years
Machinery	10-25 years
Vehicles	4 to 5 years
Office equipment and others	3 to 5 years
Leasehold improvements	5 years

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.6 Property, plant and equipment (Continued)

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

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

2.7 Investment properties

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

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

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

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

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

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2013

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.7 Investment properties (Continued)

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

2.8 Intangible assets

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

2.9 Impairment of non-financial assets

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

2.10 Financial assets – loans and receivables

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.10 Financial assets – loans and receivables (Continued)

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

Financial assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously.

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

2.11 Inventories

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

2.12 Trade and other receivables

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.12 Trade and other receivables (Continued)

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

2.13 Cash and cash equivalents

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

2.14 Share capital

Ordinary shares are classified as equity.

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.15 Trade and other payables

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

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

2.16 Borrowings

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

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.17 Borrowing costs

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

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

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

2.18 Current and deferred income tax

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

(a) Current income tax

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.18 Current and deferred income tax (Continued)

(b) Deferred income tax

Inside basis differences

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

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

Outside basis differences

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

(c) Offsetting

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

2.19 Pension obligations

The Group has arranged for its Hong Kong employees to join the Mandatory Provident Fund Scheme (the "MPF Scheme"). Under the MPF Scheme, the Group and its Hong Kong employees make monthly contributions to the scheme at 5% of the employees' earnings as defined under the Mandatory Provident Fund legislation, subject to a cap of Hong Kong Dollar (HKD) 1,000 per person per month before 1 June 2012 and HKD1,250 afterwards, and any excess contributions are voluntary.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.19 Pension obligations (Continued)

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

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

2.20 Share-based payments

(a) Equity-settled share-based payment transactions

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

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.20 Share-based payments (Continued)

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

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

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

(b) Share-based payment transactions among group entities

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

2.21 Provisions

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

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.22 Government grants

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

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

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

2.23 Revenue recognition

(a) Revenue

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

(i) Sales of goods

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

(ii) Interest income

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

(iii) Rental income

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.24 Operating leases

(a) As a lessee

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

(b) As a lessor

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

2.25 Dividend distribution

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

3. FINANCIAL RISK MANAGEMENT

3.1 Financial risk factors

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

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

3. FINANCIAL RISK MANAGEMENT (CONTINUED)

3.1 Financial risk factors (Continued)

(a) Market risk

(i) Foreign exchange risk

The Group mainly operates in the PRC with most of the transactions denominated and settled in RMB. However, the Group has certain trade receivables, restricted bank deposits, cash and cash equivalents, trade payables, other payables and borrowings denominated in foreign currencies, mainly United States Dollar (USD), EURO (EUR), and HKD, which are exposed to foreign currency translation risk. Details of the Group's trade receivables, restricted bank deposits, cash and cash equivalents, trade payables, other payables and borrowings are disclosed in Notes 13, 15, 16, 20, 21 and 22 respectively.

As at 31 December 2013, if RMB had strengthened/weakened by 5% against the USD with all other variables held constant, profit before income tax for the year would have been approximately RMB13,036,000 (2012:RMB10,175,000) higher/lower, mainly as a result of foreign exchange gains/losses on translation of USD-denominated trade receivables, cash and cash equivalents, trade payables, other payables and borrowings.

As at 31 December 2013, if RMB had strengthened/weakened by 5% against the EUR with all other variables held constant, profit before income tax for the year would have been approximately RMB4,291,000 (2012: RMB4,554,000) higher/lower, mainly as a result of foreign exchange gains/losses on translation of EURO-denominated restricted bank deposits, cash and cash equivalents, other payables and borrowings.

As at 31 December 2013, if RMB had strengthened/weakened by 5% against the HKD with all other variables held constant, profit before income tax for the year would have been approximately RMB447,000 (2012: RMB1,111,000) lower/higher, mainly as a result of foreign exchange losses/gains on translation of HKD-denominated restricted bank deposits, cash and cash equivalents.

3. FINANCIAL RISK MANAGEMENT (CONTINUED)

3.1 Financial risk factors (Continued)

(a) Market risk (Continued)

(ii) Cash flow and fair value interest rate risk

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

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

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

As at 31 December 2013, if the interest rates on bank borrowings had been 100 basis-points higher/lower with all other variables held constant, profit before income tax for the year would have been RMB5,796,000(2012: RMB3,053,000) lower/higher, mainly as a result of higher/lower interest expense on bank borrowings.

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

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

Steel raw material, including stainless steel and carbon steel, accounts for 98.4% of the Group's cost of sales (2012: 98.8%). The Group has followed a stainless steel raw material purchase price adjustment practice with the strategic suppliers Shanxi Taigang Stainless Steel Co., Ltd. and its subsidiaries ("STSS Group") and some other suppliers. Purchase transaction with STSS Group accounts for 34% of the Group's annual purchase (2012: 43%). Pursuant to such practice, STSS Group shall reimburse the Group if the purchase price of the stainless steel raw materials that the Group paid to STSS Group is higher than the benchmark selling prices decided by STSS Group based on actual selling prices achieved by STSS Group's key customers, including the Group (after adjusting for bulk purchase discounts and processing fee), subject to STSS Group's sole discretion in determining the actual purchase credit amount and the time in which such purchasing credit would be given to the Group.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2013

3. FINANCIAL RISK MANAGEMENT (CONTINUED)

3.1 Financial risk factors (Continued)

(a) Market risk (Continued)

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

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

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

(b) Credit risk

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

The Group has policies to place its cash and cash equivalents only with highly reputable financial institutions, and limit the amount of credit exposure to any financial institution. As at 31 December 2013, most of the restricted bank deposits and cash and cash equivalents are placed with highly reputable financial institutions in Mainland China and Hong Kong.

3. FINANCIAL RISK MANAGEMENT (CONTINUED)

3.1 Financial risk factors (Continued)

(b) Credit risk (Continued)

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

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

Group 2 – Other listed banks in the mainland PRC

Group 3 – Other banks in the PRC

	Group		Company	
	2013	2012	**2013**	2012
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Group 1	**126,030**	75,558	**274**	8,012
Group 2	**374,594**	301,186	**137**	142
Group 3	**32,714**	3,536	**–**	–
	533,338	380,280	**411**	8,154

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

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

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

3. FINANCIAL RISK MANAGEMENT (CONTINUED)

3.1 Financial risk factors (Continued)

(c) Liquidity risk

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

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

	Less than 1 year *RMB'000*	**Between 1 year and 2 years** *RMB'000*	**Between 2 years and 5 years** *RMB'000*
At 31 December 2013			
Borrowings	1,108,321	110,000	236,150
Interests payment on borrowings *(a)*	38,543	16,574	25,159
Trade and other payables *(b)*	1,733,559	–	–
	2,880,423	126,574	261,309
At 31 December 2012			
Borrowings	1,384,514	40,000	100,000
Interests payment on borrowings *(a)*	25,019	8,698	5,914
Trade and other payables *(b)*	844,936	–	–
	2,254,469	48,698	105,914

(a) The interests on borrowings are calculated based on borrowings held as at 31 December 2013 and 2012 respectively, without taking into account any subsequent changes in the amount of borrowings. Floating-rate interest is estimated using current interest rate as at 31 December 2013 and 2012 respectively.

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

3. FINANCIAL RISK MANAGEMENT (CONTINUED)

3.2 Fair value estimation

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

3.3 Capital management

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

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

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

3. FINANCIAL RISK MANAGEMENT (CONTINUED)

3.3 Capital management (Continued)

The gearing ratios at 31 December 2013 and 2012 were as follows:

	As at 31 December	
	2013	2012
	RMB'000	*RMB'000*
Total borrowings *(Note 22)*	**1,454,471**	1,524,514
Less: cash and cash equivalents *(Note 16)*	**(74,528)**	(182,565)
Net debt	**1,379,943**	1,341,949
Total equity	**1,752,958**	1,661,971
Total capital	**3,132,901**	3,003,920
Gearing ratio	**44.05%**	44.67%

The decrease in the gearing ratio during 2013 resulted primarily from decrease in bank borrowings for reduction of financing required for capital expenditures.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

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

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

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS (CONTINUED)

(a) Useful lives of property, plant and equipment

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

During the year, the management of the Group has reviewed and revised the estimated useful lives of certain categories of property, plant and equipment (Note 6) as following:

	Previous useful lives	**Revised useful lives**
Buildings and plant	10 to 20 years	20 to 30 years
Machinery	10 years	10 to 25 years

The change effected from 1 July 2013 in accounting estimates on the useful lives of certain categories of property, plant and equipment has decreased the depreciation charge by RMB20,398,000 for the year ended 31 December 2013 and is expected to decrease depreciation charge by approximately RMB40,821,000 for each subsequent financial year.

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

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

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS (CONTINUED)

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

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

(c) Net realisable value of inventories

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

(d) Income taxes and deferred income tax

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

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

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS (CONTINUED)

(e) Share-based payments

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

(f) Impairment of the Group's assets

The Group follows the guidance of HKAS 36 to determine whether the Group's assets are impaired. As at 31 December 2013, the Group's market capitalisation was lower than the carrying amount of the Group's net assets, which is an impairment indicator requiring an estimate of the recoverable amount to be performed. The assessment requires significant judgments and estimates. In making these judgments and estimates, the Group evaluates and considers factors that affect the value-in-use of assets such as the extent of difference between the net assets' carrying amount and market capitalisation, composition of the Group's assets and results.

It is concluded that no impairment has been identified on the basis that there is no material changes in existing political, legal, fiscal or economic conditions in the respective areas in which the Group operates.

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5. LAND USE RIGHTS – GROUP

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

	Year ended 31 December	
	2013	2012
	RMB'000	*RMB'000*
Opening	**175,927**	108,863
Additions	**34,935**	70,872
Disposals	**(791)**	–
Amortisation charge *(Note 34(a))*	**(4,298)**	(3,808)
	205,773	175,927

The Group's land use rights are located in Mainland China and the remaining lease periods were between 37 years to 50 years as at 31 December 2013.

As at 31 December 2013, none of land use rights is pledged for the Group's bank borrowings (2012: Nil).

For the year ended 31 December 2013, amortisation of the Group's land use rights amounted to RMB4,298,000 has been charged to administrative expenses in the consolidated comprehensive income statement (2012: RMB3,808,000).

6. PROPERTY, PLANT AND EQUIPMENT – GROUP

	Buildings and plant RMB'000	Machinery RMB'000	Vehicles RMB'000	Office equipment and others RMB'000	Leasehold improvements RMB'000	Construction–in-progress RMB'000	Total RMB'000
At 1 January 2012							
Cost	256,044	658,490	11,747	16,999	832	455,161	1,399,273
Accumulated depreciation	(27,797)	(167,004)	(5,413)	(10,587)	(339)	–	(211,140)
Net book amount	228,247	491,486	6,334	6,412	493	455,161	1,188,133
Year ended 31 December 2012							
Opening net book amount	228,247	491,486	6,334	6,412	493	455,161	1,188,133
Additions	699	3,086	2,589	2,931	–	343,754	353,059
Transfer	42,120	189,821	389	2,600	–	(234,930)	–
Disposals *(Note 34(b))*	–	(12)	(27)	(111)	–	–	(150)
Depreciation *(Note 34(a))*	(12,677)	(67,930)	(1,970)	(2,531)	(101)	–	(85,209)
Closing net book amount	258,389	616,451	7,315	9,301	392	563,985	1,455,833
At 31 December 2012							
Cost	298,863	851,316	14,452	22,171	832	563,985	1,751,619
Accumulated depreciation	(40,474)	(234,865)	(7,137)	(12,870)	(440)	–	(295,786)
Net book amount	258,389	616,451	7,315	9,301	392	563,985	1,455,833
Year ended 31 December 2013							
Opening net book amount	258,389	616,451	7,315	9,301	392	563,985	1,455,833
Additions	1,321	5,220	5,696	3,659	–	421,886	437,782
Transfer	44,776	279,347	–	338	–	(324,461)	–
Disposals *(Note 34(b))*	–	–	(56)	(34)	–	–	(90)
Depreciation *(Note 34(a))*	(11,575)	(61,141)	(2,706)	(2,594)	(110)	–	(78,126)
Closing net book amount	292,911	839,877	10,249	10,670	282	661,410	1,815,399
At 31 December 2013							
Cost	344,960	1,135,883	19,590	25,848	832	661,410	2,188,523
Accumulated depreciation	(52,049)	(296,006)	(9,341)	(15,178)	(550)	–	(373,124)
Net book amount	292,911	839,877	10,249	10,670	282	661,410	1,815,399

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For the year ended 31 December 2013

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

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

	Year ended 31 December	
	2013	2012
	RMB'000	*RMB'000*
Cost of sales	**67,030**	74,168
Distribution costs	**524**	460
Administrative expenses	**10,572**	10,581
	78,126	85,209

As at 31 December 2013, bank borrowings of EUR4,550,000 equivalent to approximately RMB38,306,000 were pledged by machinery with the carrying amount of approximately RMB122,327,000 (2012: Nil) (Note 22).

For the year ended 31 December 2013, borrowing costs amounted to approximately RMB3,392,000 (2012: RMB1,144,000) were capitalised into the cost of property, plant and equipment at an average borrowing rate of 6.03% (2012: 5.96%).

7. INVESTMENT PROPERTIES – GROUP

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

	Year ended 31 December	
	2013	2012
	RMB'000	*RMB'000*
Opening net book amount	**8,213**	8,668
Depreciation *(Note 34(a))*	**(455)**	(455)
Closing net book amount	**7,758**	8,213
Cost	**10,109**	10,109
Accumulated depreciation	**(2,351)**	(1,896)
Net book amount	**7,758**	8,213

For the year ended 31 December 2013, the rental income arising from investment properties amounted to approximately RMB500,000 (2012: RMB500,000) (Note 25).

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

	Year ended 31 December	
	2013	2012
	RMB'000	*RMB'000*
Not later than 1 year	**500**	500

As at 31 December 2013, the management assessed the fair value of the investment properties to be approximately RMB19,358,000 (2012: RMB17,663,000). Valuations were performed using either income capitalisation approach based on existing and current market rents for similar properties, using capitalisation rates that reflect current market assessments of the uncertainty in the market.

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8. INTANGIBLE ASSETS – GROUP

Intangible assets mainly consist of computer software purchased:

	Year ended 31 December	
	2013	2012
	RMB'000	*RMB'000*
At beginning of year		
Cost	**4,141**	4,141
Accumulated amortisation	**(1,581)**	(1,159)
Net book amount	**2,560**	2,982
Opening net book amount	**2,560**	2,982
Additions	**64**	–
Amortisation *(Note 34(a))*	**(422)**	(422)
Closing net book amount	**2,202**	2,560
At end of year		
Cost	**4,204**	4,141
Accumulated amortisation	**(2,002)**	(1,581)
Net book amount	**2,202**	2,560

For the year ended 31 December 2013, amortisation of the Group's intangible assets amounted to RMB422,000 has been charged to administrative expenses in the consolidated comprehensive income statement (2012: RMB422,000).

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

(a) Investments in subsidiaries

	Year ended 31 December	
	2013	2012
	RMB'000	*RMB'000*
Unlisted investments – at cost	**921,273**	921,273
Capital contribution relating to share-based payments	**4,430**	3,012
	925,703	924,285

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

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

As at 31 December 2013, the Company has direct or indirect interests in following subsidiaries.

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For the year ended 31 December 2013

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

(a) Investments in subsidiaries (Continued)

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

Company name	Country/ Place and date of incorporation	Type of legal entity	Paid-up capital	Attributable equity interest to the Company Direct	Attributable equity interest to the Company Indirect	Principal activities and place of operation
Allybest Investments Limited ("Allybest")	British Virgin Islands 10 July 2006	Limited liability company	USD 20,000	100%	–	Investment holding, in BVI
Fortune Express Industrial Limited ("Fortune Express")	Hong Kong 14 July 2003	Limited liability company	HKD 10,000	–	100%	Investment holding, in Hong Kong
Jiangsu Daming Metal Products Co., Ltd. ("Jiangsu Daming")	Mainland China 21 June 2002	Limited liability company	USD 68,500,000	–	100%	Processing, distribution and sales of stainless steel products, in the PRC
Hangzhou Wanzhou Metal Products Co., Ltd. ("Hangzhou Wanzhou")	Mainland China 8 December 2005	Limited liability company	USD 26,000,000	–	100%	Processing, distribution and sales of stainless steel products, in the PRC
Wuhan Fortune Express Metal Products Co., Ltd. ("Wuhan Fortune")	Mainland China 28 September 2005	Limited liability company	USD 3,000,000	–	100%	Processing, distribution and sales of stainless steel products, in the PRC
Tianjin Taigang Daming Metal Products Co., Ltd. ("Tianjin Taigang Daming")	Mainland China 15 February 2007	Limited liability company	USD 36,500,000	–	91%	Processing, distribution and sales of stainless steel products, in the PRC
Daming Metals (Hong Kong) Company Limited ("Hong Kong Daming")	Hong Kong 30 November 2009	Limited liability company	USD 2,000,000	–	100%	Purchase and sales of metal materials, in Hong Kong

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

(a) Investments in subsidiaries (Continued)

Company name	Country/ Place and date of incorporation	Type of legal entity	Paid-up capital	Attributable equity interest to the Company Direct	Attributable equity interest to the Company Indirect	Principal activities and place of operation
Jiangsu Daming Precision Sheet Metal Co., Ltd. ("Daming Precision Sheet")	Mainland China 22 November 2010	Limited liability company	RMB 100,000,000	–	100%	Processing, distribution and sales of stainless steel products, in the PRC
Taiyuan Taigang Daming Metal Products Co., Ltd. ("Taiyuan Taigang Daming")	Mainland China 26 July 2011	Limited liability company	RMB 300,000,000	–	60%	Processing, distribution and sales of stainless steel products, in the PRC
Daming Heavy Industry Co., Ltd. ("Jingjiang Daming Heavy Industry")	Mainland China 14 March 2012	Limited liability company	USD 58,609,820	–	100%	Processing, distribution and sales of stainless steel products, in the PRC
Daming Metal Products Wuxi Co., Ltd. ("Qianzhou Daming")	Mainland China 11 April 2012	Limited liability company	RMB 30,000,000	–	100%	Processing, distribution and sales of stainless steel products, in the PRC
Hubei Daming Metal Technology Co., Ltd. ("Hubei Daming")	Mainland China 22 October 2012	Limited liability company	RMB 37,500,000	–	100%	Processing, distribution and sales of stainless steel products, in the PRC
Shenyang Daming Fortune Metals Products Co., Ltd. ("Shenyang Daming")	Mainland China 15 March 2013	Limited liability company	RMB 3,000,000	–	100%	Distribution and sales of stainless steel products, in the PRC
Jiangsu Daming Allybest Trading Co., Ltd. ("Allybest Trading")	Mainland China 23 December 2013	Limited liability company	RMB 10,000,000	–	100%	Sales of stainless steel products, in the PRC

(b) Due from/to subsidiaries

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

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10. DEFERRED INCOME TAX – GROUP

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

	As at 31 December	
	2013	2012
	RMB'000	*RMB'000*
Deferred income tax assets:		
– Deferred tax assets to be recovered after more than 12 months	**16,571**	4,452
– Deferred tax assets to be recovered within 12 months	**2,168**	8,296
	18,739	12,748
Deferred income tax liabilities:		
– Deferred tax liabilities to be settled after more than 12 months	**2,606**	1,743
– Deferred tax liabilities to be settled within 12 months	**–**	1,068
	2,606	2,811

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

	Provision for write-down of inventories	Deferred income	Accrued expenses	Provision for impairment of receivables	Pre-operating expenses	Tax losses	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January 2012	11,371	780	994	233	559	–	13,937
Recognised in the consolidated comprehensive income statement	(6,783)	(92)	860	10	(208)	5,024	(1,189)
At 31 December 2012	4,588	688	1,854	243	351	5,024	12,748
Recognised in the consolidated comprehensive income statement	5,743	2,076	(759)	218	(301)	(986)	5,991
At 31 December 2013	10,331	2,764	1,095	461	50	4,038	18,739

10. DEFERRED INCOME TAX – GROUP (CONTINUED)

Deferred income tax assets are recognised for tax loss carry-forwards to the extent that the realisation of the related tax benefit through future taxable profits is probable. The Group did not recognise deferred income tax assets of RMB2,475,000 (2012: RMB1,964,000) in respect of accumulated losses amounting to RMB15,003,000 (2012: RMB11,901,000) that can be carried forward against future taxable income. These accumulated losses can be carried forward indefinitely.

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

	Interest expenses on notes payable *RMB'000*	Interest expenses on capitalised property, plant and equipment *RMB'000*	Withholding tax *RMB'000*	Total *RMB'000*
At 1 January 2012	172	1,733	–	1,905
Recognised in the consolidated comprehensive income statements	814	92	–	906
At 31 December 2012	986	1,825	–	2,811
Recognised in the consolidated comprehensive income statements	(986)	(1,069)	1,850	(205)
At 31 December 2013	–	756	1,850	2,606

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

Deferred income tax liabilities of RMB1,850,000 (2012: Nil) have been recognised for the withholding tax that would be payable on the estimate of earnings of certain subsidiary incorporated in Mainland China for 2013 that are expected to be distributed in the foreseeable future. Unremitted earnings that deferred income tax liabilities have not been recognised totaled RMB586,071,000 as at 31 December 2013 (2012: RMB515,836,000).

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11. OTHER NON-CURRENT ASSETS – GROUP

Other non-current assets represent prepayment for purchase of land use rights. As at 31 December 2013, the certificates of land use rights have not been issued.

12. INVENTORIES – GROUP

	As at 31 December	
	2013	2012
	RMB'000	*RMB'000*
Raw materials	**885,681**	996,109
Finished goods	**640,288**	711,816
	1,525,969	1,707,925

The cost of materials recognised as cost of sales amounted to approximately RMB14,449,712,000 (2012: RMB11,248,837,000).

The Group has provided approximately RMB21,977,000 for the previous write-down of inventories to their net realisable value (2012: recognised a gain of RMB32,822,000) (Note 27). These amounts have been included in the cost of sales in the consolidated comprehensive income statement.

As at 31 December 2013, bank borrowings of approximately RMB103,773,000 were pledged by raw materials with the carrying amount of approximately RMB103,773,000 (2012: Nil) (Note 22).

13. TRADE RECEIVABLES – GROUP

	As 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

13. TRADE RECEIVABLES – GROUP (CONTINUED)

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:

	As 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

13. TRADE RECEIVABLES – GROUP (CONTINUED)

As at 31 December 2013, trade receivables of approximately RMB63,829,000 (2012: RMB68,966,000) were past due but not impaired. These relate to a number of independent customers for whom there is no recent history of default. The aging analysis of these trade receivables was as follows:

	As at 31 December	
	2013	2012
	RMB'000	*RMB'000*
Accounts receivable		
– Within 30 days	**58,054**	57,313
– 30 days to 3 months	**4,707**	11,402
– 3 months to 6 months	**637**	230
– 6 months to 1 year	**431**	21
	63,829	68,966

As at 31 December 2013, trade receivables of approximately RMB2,099,000 (2012: RMB1,655,000) were impaired and the amount of the provision for impairment was approximately RMB1,781,000 (2012: RMB931,000). The impairment was assessed individually for individual significant or long aging balances. The aging of these receivables was as follows:

	As at 31 December	
	2013	2012
	RMB'000	*RMB'000*
Accounts receivable		
– 1 year to 2 years	**444**	1,139
– 2 years to 3 years	**1,139**	–
– Over 3 years	**516**	516
	2,099	1,655

13. TRADE RECEIVABLES – GROUP (CONTINUED)

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

	As at 31 December	
	2013	2012
	RMB'000	*RMB'000*
RMB	**430,467**	137,719
USD	**34,864**	21,759
	465,331	159,478

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

Group 1 – Bank acceptance notes

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

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

	As at 31 December	
	2013	2012
	RMB'000	*RMB'000*
Group 1	**321,541**	38,972
Group 2	**141,691**	118,851
Group 3	**2,099**	1,655
	465,331	159,478

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

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13. TRADE RECEIVABLES – GROUP (CONTINUED)

Movements of the provision for impairment of trade receivables were:

	As at 31 December	
	2013	2012
	RMB'000	*RMB'000*
At 1 January	**931**	1,042
Provision for trade receivables *(Note 27)*	**982**	86
Written off as uncollectible	**(132)**	(197)
At 31 December	**1,781**	931

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

The maximum exposure to the credit risk as at the balance sheet date is the carrying value of the trade receivables. The Group does not hold any collateral as security.

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

	Group		Company	
	2013	2012	**2013**	2012
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Prepayment for purchase of raw materials	**421,265**	128,489	**–**	–
Value – added tax recoverable	**125,984**	89,262	**–**	–
Export tax refund	**1,970**	1,336	**–**	–
Deposits and other receivables	**32,206**	5,565	**172**	–
	581,425	224,652	**172**	–

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

15. RESTRICTED BANK DEPOSITS – GROUP

	As at 31 December	
	2013	2012
	RMB'000	*RMB'000*
Restricted bank deposits denominated in:		
– RMB	**458,165**	187,949
– EUR	**827**	3,357
– HKD	**–**	6,431
	458,992	197,737

The nature of restricted bank deposits was as follows:

	As at 31 December	
	2013	2012
	RMB'000	*RMB'000*
Deposits for issuing letter of credit	**51,230**	9,632
Deposits for issuing notes payable *(Note 20)*	**407,424**	181,674
Deposits for letter of credit facility	**338**	6,431
	458,992	197,737

As at 31 December 2013, the weighted average interest rate on restricted bank deposits was 3.14% (2012: 3.05%) per annum, and these deposits have an approximate average maturity 78 days (2012: 68 days).

The maximum exposure to credit risk at the reporting date approximates the carrying value of the restricted bank deposits.

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

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16. CASH AND CASH EQUIVALENTS – GROUP AND COMPANY

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

Cash and cash equivalents were denominated in the following currencies:

	Group As at 31 December		Company As at 31 December	
	2013 ***RMB'000***	2012 *RMB'000*	**2013** ***RMB'000***	2012 *RMB'000*
RMB	**50,014**	142,799	**–**	–
USD	**12,842**	22,698	**–**	–
HKD	**11,623**	17,062	**411**	8,154
EUR	**49**	6	**–**	–
	74,528	182,565	**411**	8,154

As at 31 December 2013, cash at bank were demand deposits and the weighted average interest rates was 0.26% per annum (2012: 0.28%).

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

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

17. SHARE CAPITAL – GROUP AND COMPANY

	Authorised share capital		
	Number of shares *'000*	*HKD'000*	*RMB'000*
As at 31 December 2012 and 2013 (ordinary shares of HKD0.10 each)	1,500,000	150,000	128,886

	Issued and fully paid up		
	Number of shares *'000*	*HKD'000*	*RMB'000*
As at 31 December 2012 and 2013 (ordinary shares of HKD0.10 each)	1,037,500	103,750	89,215

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18. RESERVES

– GROUP

	Share premium *RMB'000*	Merger reserves (a) *RMB'000*	Statutory reserves (b) *RMB'000*	Other reserves (c) *RMB'000*	Retained earnings (d) *RMB'000*	Total *RMB'000*
Balance at 1 January 2012	386,661	48,611	82,531	14,869	893,538	1,426,210
Comprehensive income						
Profit for the year	–	–	–	–	30,585	30,585
Total comprehensive Income for the year ended 31 December 2012	–	–	–	–	30,585	30,585
Transaction with owners						
Appropriation to statutory reserves	–	–	4,447	–	(4,447)	–
Employee share options scheme- value of employee services *(Note 19)*	–	–	–	1,480	–	1,480
Dividends	–	–	–	–	(29,439)	(29,439)
Total transaction with owners for the year ended 31 December 2012	–	–	4,447	1,480	(33,886)	(27,959)
Balance at 31 December 2012	386,661	48,611	86,978	16,349	890,237	1,428,836

18. RESERVES (CONTINUED)

– GROUP (Continued)

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

18. RESERVES (CONTINUED)

– GROUP (Continued)

(a) Merger reserves

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

(b) Statutory reserves

Subsidiaries of the Company incorporated in Mainland China are required to make appropriations to certain statutory reserves namely, statutory reserve fund, enterprise expansion fund and discretionary reserve fund from their statutory profit for the year after offsetting accumulated losses as determined under the PRC accounting regulations from prior years and before profit distribution to equity holders. The percentages to be appropriated to such statutory reserve funds are determined according to the relevant regulations in Mainland China at rates of not less than 10%, or at the discretion of the board of directors of the respective companies.

(c) Other reserves

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

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

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

No shares have been granted to any employees for the year ended 31 December 2013.

(d) Retained earnings

Retained earnings as at 31 December 2013 include proposed final dividend of RMB16,314,000 (2012: RMB8,413,000) (Note 33).

18. RESERVES (CONTINUED)

– COMPANY

	Share premium *RMB'000*	Contributed surplus (a) *RMB'000*	Other reserves *RMB'000*	Accumulated losses *RMB'000*	Total *RMB'000*
Balance at 1 January 2012	386,661	921,264	(14,756)	(41,747)	1,251,422
Comprehensive income					
Profit for the year	–	–	–	37,465	37,465
Total comprehensive Income for the year ended 31 December 2012	–	–	–	37,465	37,465
Transaction with owners					
Employee share option Scheme – value of employee services	–	–	1,480	–	1,480
Dividends	–	–	–	(29,439)	(29,439)
Total transaction with owners for the year ended 31 December 2012	–	–	1,480	(29,439)	(27,959)
Balance at 31 December 2012	386,661	921,264	(13,276)	(33,721)	1,260,928

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18. RESERVES (CONTINUED)

– COMPANY (Continued)

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

18. RESERVES (CONTINUED)

– COMPANY (Continued)

(a) Contributed surplus

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

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

19. SHARE-BASED PAYMENTS – GROUP AND COMPANY

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

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

	2013		2012	
	Average exercise price in HKD per share	**Number of options (*'000*)**	Average exercise price in HKD per share	Number of options (*'000*)
At 1 January	**2.452**	**5,500**	2.452	5,500
Forfeited	**–**	**–**	–	–
At 31 December	**2.452**	**5,500**	2.452	5,500

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

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

Exercisable from	Expiry date	Exercise price in HKD per share	Number of options ('000) 2013	2012
21 December 2013	20 December 2020	2.452	**1,650**	1,650
21 December 2014	20 December 2020	2.452	**1,650**	1,650
21 December 2015	20 December 2020	2.452	**2,200**	2,200
			5,500	5,500

The weighted average fair value of options granted in 2010 determined by using the Binomial Model was HKD1.31 per option. The significant inputs into the model were share price at the grant date, the exercise price shown above, expected volatility of 57.7%, expected dividend yield of 1.83% and risk-free interest rate of 2.89%. The share price at the grant date is the closing price of the Company's listed shares as of the grant date. The expected volatility measured at the standard deviation of expected share price returns is based on statistical analysis of historical share prices of the listed companies with similar business to the Group. The expected dividend yield is measured based on the dividend yield per companies with similar business as projected by Bloomberg, which agrees to the Directors' best estimation based on the expected future performance and dividend policy of the Group.

For the year ended 31 December 2013, the attributable amount charged to the consolidated comprehensive income statement was approximately RMB1,418,000 (2012: RMB1,480,000).

20 TRADE PAYABLES – GROUP

	As 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 approximately RMB407,424,000 (2012: RMB181,674,000) (Note 15).

The aging analysis of the trade payables was as follows:

	As 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

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20 TRADE PAYABLES – GROUP (CONTINUED)

Trade payables are denominated in the following currencies:

	As at 31 December	
	2013	2012
	RMB'000	*RMB'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.

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

	Group		Company	
	As at 31 December		As at 31 December	
	2013	2012	**2013**	2012
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Accruals	**7,789**	5,986	**352**	–
Advances from customers	**192,725**	129,823	**–**	–
Value-added tax payable	**29,256**	168	**–**	–
Other taxes payables	**5,488**	1,699	**–**	–
Other payables (a)	**160,372**	137,245	**–**	68
	395,630	274,921	**352**	68

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

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

	Group As at 31 December		Company As at 31 December	
	2013	2012	**2013**	2012
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Pension and other social welfare payables	**13,432**	6,489	**–**	–
Payables for purchase of property, plant and equipment and land use rights	**104,775**	103,499	**–**	–
Salary payables	**31,362**	18,139	**–**	–
Others	**10,803**	9,118	**–**	68
	160,372	137,245	**–**	68

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

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

	Group As at 31 December		Company As at 31 December	
	2013	2012	**2013**	2012
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
RMB	**339,363**	246,196	**–**	–
EUR	**44,103**	27,514	**–**	–
USD	**9,490**	978	**–**	–
HKD	**2,674**	233	**352**	68
	395,630	274,921	**352**	68

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22. BORROWINGS – GROUP

	As at 31 December	
	2013	2012
	RMB'000	*RMB'000*
Non – current		
Bank borrowings	**346,150**	140,000
Current		
Bank borrowings	**1,108,321**	1,384,514
Representing:		
Unsecured	**1,206,242**	1,524,514
Secured – Pledged (a)	**142,079**	–
Secured – Guaranteed (b)	**106,150**	–
	1,454,471	1,524,514

(a) As at 31 December 2013, bank borrowings of EUR4,550,000 equivalent to approximately RMB38,306,000 (2012: Nil) were pledged by machinery with the carrying amount of approximately RMB122,327,000 (Note 6) and;

As at 31 December 2013, bank borrowings of approximately RMB103,773,000 (2012: Nil) were pledged by raw materials with the carrying amount of approximately RMB103,773,000 (Note 12).

(b) As at 31 December 2013, bank borrowings of RMB106,150,000 (2012: Nil) were guaranteed by Jiangsu Daming and Taiyuan Iron & Steel (Group) Co., Ltd. together.

22. BORROWINGS – GROUP (CONTINUED)

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

	As at 31 December	
	2013	2012
	RMB'000	*RMB'000*
At fixed rates in RMB	**889,459**	1,016,000
At fixed rates in USD	**23,762**	194,891
At fixed rates in EUR	**40,453**	21,378
	953,674	1,232,269
At floating rates in RMB	**223,950**	250,000
At floating rates in USD	**274,717**	42,245
At floating rates in EUR	**2,130**	–
	500,797	292,245
	1,454,471	1,524,514

The weighted average effective interest rates per annum at 31 December 2013 and 2012 were as follows:

	Year ended 31 December	
	2013	2012
RMB	**5.73%**	6.19%
USD	**2.17%**	3.31%
EUR	**2.12%**	4.88%
HKD	**–**	1.70%
Japanese Yen	**–**	5.69%

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

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22. BORROWINGS – GROUP (CONTINUED)

	Year ended 31 December 2013 RMB'000	2012 RMB'000
Within 6 months	**1,031,383**	1,227,376
6 months to 1 year	**76,938**	157,138
1 year to 5 years	**346,150**	140,000
	1,454,471	1,524,514

The fair values of borrowings approximate their carrying amounts.

23. DEFERRED GOVERNMENT GRANTS – GROUP

	Year ended 31 December 2013 RMB'000	2012 RMB'000
Deferred government grants	**26,350**	17,879
Less: Current portion included in current liabilities	**(1,210)**	(1,147)
	25,140	16,732

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

	Year ended 31 December 2013 RMB'000	2012 RMB'000
Beginning balance of the year	**17,879**	15,020
Granted during the year	**9,624**	4,000
Amortised as income *(Note 25)*	**(1,153)**	(1,141)
Ending balance of the year	**26,350**	17,879

23. DEFERRED GOVERNMENT GRANTS – GROUP (CONTINUED)

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

24. REVENUE AND SEGMENT INFORMATION

	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).

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24. REVENUE AND SEGMENT INFORMATION (CONTINUED)

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 (i)	**430,465**	301,978
Total sales	**15,121,182**	11,693,500

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

25. 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 *(Note 23)*	**1,153**	1,141
Rental income *(Note 36(b))*	**500**	500
	15,987	13,706

26. OTHER LOSSES – NET

	Year ended 31 December	
	2013	2012
	RMB'000	*RMB'000*
Gains on disposal of property, plant and equipment – net *(Note 34(a))*	**13**	2
Foreign exchange losses – net	**(4,066)**	(5,841)
Others	**1,555**	927
	(2,498)	(4,912)

27. EXPENSES BY NATURE

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

	Year ended 31 December	
	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 *(Note 28)*	**182,309**	126,536
Depreciation and amortisation *(Note 5, 6, 7, 8)*	**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 *(Note 12, 34(a))*	**21,977**	(32,822)
Auditors' remuneration	**2,800**	3,400
Provision for impairment of trade receivables *(Note 13, 34(a))*	**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

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28. EMPLOYEE BENEFIT EXPENSES

	Year ended 31 December	
	2013	2012
	RMB'000	*RMB'000*
Salaries, bonus and other welfares	**168,262**	117,504
Share options granted to directors and employees	**1,418**	1,480
Pension – defined contribution plans (a)	**12,629**	7,552
	182,309	126,536

(a) Pensions – defined contribution plans

The full time employees of the Mainland China subsidiaries of the Group participate in defined contribution retirement benefit plans organised by the relevant provincial government. For the years ended 31 December 2012 and 2013, the Group is required to make monthly defined contributions to these plans at rates from 12% to 22%, with the base of their total salary subject to a certain ceiling.

The Group has arranged for its Hong Kong employees to join the MPF Scheme, a defined contribution scheme managed by an independent trustee. Under the MPF Scheme, each of the Group (the employer) and its employees make monthly contributions to the scheme at 5% of the employees' earnings as defined under the Mandatory Provident Fund legislation. The monthly contributions of each of the employer and the employee are subject to a cap of HKD1,250 during the year ended 31 December 2013, and thereafter contributions are voluntary.

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

29. DIRECTORS AND SENIOR MANAGEMENT'S EMOLUMENTS

(a) Directors' emoluments

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

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

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

(a) Directors' emoluments (continued)

Name of director	Fees	Salaries	Discretionary bonus	Pension-defined contribution plans	Other benefits (i)	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
2012						
Executive directors						
– Mr. Zhou Keming	195	660	150	30	30	1,065
– Ms. Xu Xia	195	499	70	30	30	824
– Mr. Zou Xiaoping	195	624	150	–	–	969
– Mr. Tang Zhonghai	195	960	150	30	30	1,365
– Mr. Kang In Soo	146	839	130	–	–	1,115
– Mr. Qian Li	49	120	28	7	7	211
	975	3,702	678	97	97	5,549
Non-executive director						
– Mr. Jiang Changhong	195	–	–	–	–	195
Independent non-executive directors						
– Mr. Cheuk Wa Pang	195	–	–	–	–	195
– Mr. Hua Min	195	–	–	–	–	195
– Mr. Chen Xuedong	195	–	–	–	–	195
	585	–	–	–	–	585
	1,755	3,702	678	97	97	6,329

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

No director of the Company waived any emolument for the year ended 31 December 2013 (2012: Nil).

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

(b) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group include 4 (2012: 4) directors, whose emoluments are reflected in the analysis presented above. The emoluments paid to the remaining 1 (2012: 1) individual were as follows:

	Year ended 31 December	
	2013	2012
	RMB'000	*RMB'000*
Salaries	**862**	780
Bonus	**163**	180
Pension costs	**12**	27
	1,037	987

The emoluments fell within the following bands:

	Number of individuals	
	2013	2012
Emolument bands		
HKD1,000,001 to HKD1,500,000	**1**	1

For the years ended 31 December 2013 and 2012, no emoluments were paid by the Group to any of the directors or the five highest paid individuals as inducement to join or upon joining the Group or as compensation for loss of office.

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30. 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 *(Note 6)*	**(3,392)**	(1,144)
Total finance costs	**102,642**	106,279
Finance income:		
Interest income *(Note 34(a))*	**(10,801)**	(11,356)
Finance costs – net	**91,841**	94,923

31. INCOME TAX EXPENSE

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

	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 *(Note 10)*	**(6,196)**	2,095
	42,354	13,826

31. INCOME TAX EXPENSE

The Company was incorporated in the Cayman Islands as an exempted company with limited liability under the Companies Law, Cap. 22 (Law 3 of 1961, as consolidated and revised) of Cayman Islands and, accordingly, is exempted from payment of Cayman Islands income tax.

The subsidiary incorporated in British Virgin Islands under the International Business Companies Acts of the British Virgin Islands is exempted from payment of British Virgin Islands income tax.

Subsidiaries incorporated in Hong Kong are subject to income tax at the prevailing rates of 16.5%. Hong Kong profits tax has not been provided as there is no estimated assessable profit arising in or derived from Hong Kong during the financial periods.

The PRC Corporate Income Tax ("CIT") is calculated based on the statutory profit of subsidiaries incorporated in the PRC in accordance with the PRC tax laws and regulations, after adjustments on certain income and expense items, which are not assessable or deductible for income tax purposes.

Jiangsu Daming, Daming Heavy Industry, Jinjiang Daming Heavy Industry, Qianzhou Daming, Hubei Daming, Taiyuan Taigang Daming, Hangzhou Wanzhou, Wuhan Fortune, Tianjin Taigang and Shenyang Daming are subject to corporate income tax rate of 25% for the year 2013.

31. INCOME TAX EXPENSE (CONTINUED)

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

	Year ended 31 December	
	2013	2012
	RMB'000	*RMB'000*
Profit before income tax	**140,336**	43,882
Tax calculated at tax rates applicable to profits of the respective subsidiaries	**36,179**	12,221
Expenses not deductible for tax purpose	**2,368**	784
Effect of withholding tax on certain unremitted profits of subsidiary in Mainland China	**1,850**	–
Difference of prior year tax filing	**1,445**	3,193
Tax losses for which no deferred income tax asset was recognized	**512**	473
Effect of tax concession	**–**	(1,196)
Effect of change of tax rate upon assessing deferred tax Assets	**–**	(1,649)
Income tax expense	**42,354**	13,826
The weighted average applicable tax rates	**25.78%**	27.85%

32. EARNINGS PER SHARE

(a) Basic

Basic earnings per share is calculated by dividing the profit attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the year.

	As at 31 December	
	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.

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32. EARNINGS PER SHARE (CONTINUED)

	As at 31 December	
	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

33. DIVIDENDS

	As at 31 December	
	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.

The dividends actually paid in 2013 and 2012 were RMB8,413,000 and RMB29,439,000 respectively based on the number of issued shares outstanding at relevant time.

34. NOTES TO CONSOLIDATED STATEMENT OF CASH FLOWS

(a) Cash generated from operations

	Year ended 31 December	
	2013	2012
	RMB'000	*RMB'000*
Profit after income tax	**97,982**	30,056
Adjustments for:		
– income tax expenses	**42,354**	13,826
– amortisation of land use rights *(Note 5)*	**4,298**	3,808
– depreciation of property, plant and equipment *(Note 6)*	**78,126**	85,209
– amortisation of intangible assets *(Note 8)*	**422**	422
– depreciation of investment properties *(Note 7)*	**455**	455
– amortisation of deferred income *(Note 23)*	**(1,153)**	(1,141)
– gains on disposal of property, plant and equipment *(Note 26)*	**(13)**	(2)
– provision for impairment of trade receivables *(Note 27)*	**982**	86
– provision for/(reversal of) write down of inventories *(Note 27)*	**21,977**	(32,822)
– interest income *(Note 30)*	**(10,801)**	(11,356)
– finance costs *(Note 30)*	**102,642**	106,279
– Employee share options scheme- value of employee services *(Note 19)*	**1,418**	1,480
	338,689	196,300
Changes in working capital:		
– increase in restricted bank deposits	**(261,254)**	(12,776)
– (increase)/decrease in trade receivables, prepayments, deposits and other receivables	**(660,560)**	629,053
– decrease/(increase) in inventories	**159,978**	(170,122)
– increase/(decrease) in trade payables, current income tax liabilities, accruals and other payables	**706,505**	(102,278)
Cash generated from operations	**283,358**	540,177

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

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

	Year ended 31 December	
	2013	2012
	RMB'000	*RMB'000*
Net book amount *(Note 6)*	**90**	150
Gains on disposal of property, plant and equipment *(Note 26)*	**13**	2
Proceeds from disposal of property, plant and equipment	**103**	152

35. COMMITMENTS

(a) Capital commitments

	As at 31 December	
	2013	2012
	RMB'000	*RMB'000*
Contracted but not provided for:		
Acquisition of property, plant and equipment	**251,299**	305,271

35. COMMITMENTS (CONTINUED)

(b) Operating lease commitments

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

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

	As at 31 December	
	2013	2012
	RMB'000	*RMB'000*
Not later than 1 year	**2,159**	1,624
Later than 1 year and not later than 5 years	**1,078**	2,881
	3,237	4,505

36. RELATED PARTY TRANSACTIONS

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

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

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36. RELATED PARTY TRANSACTIONS (CONTINUED)

(b) Transactions with related parties:

The following material transactions were carried out with related parties:

		Year ended 31 December	
		2013	2012
		RMB'000	*RMB'000*
(i)	Lease of property to Daming Logistics		
	Rental charged to	**500**	500

		2013	2012
		RMB'000	*RMB'000*
(ii)	Loans received from Daming Logistics		
	Loans received	**1,015,590**	395,270

For the year ended 31 December 2013, loans received from Daming Logistics are unsecured, interest-free, and have no fixed repayment term.

		Year ended 31 December	
		2013	2012
		RMB'000	*RMB'000*
(iii)	Loans repaid to Daming Logistics		
	Loans repaid	**1,015,590**	395,270

36. RELATED PARTY TRANSACTIONS (CONTINUED)

(b) Transactions with related parties (continued):

(iv) Key management compensation

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

	Year ended 31 December	
	2013	2012
	RMB'000	*RMB'000*
Salaries, bonus and other welfares	**10,010**	9,725
Pension – defined contribution plans	**258**	431
	10,268	10,156

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

The Group had no significant balances with its related parties.

37. EVENTS AFTER THE BALANCE SHEET DATE

There have been no events subsequent to the year end of 31 December 2013 which require adjustment or disclosure in the financial statements.

Financial Summary

	For the year ended 31 December				
	2013	2012	2011	2010	2009
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
RESULTS					
Revenue	**15,121,182**	11,693,500	11,940,647	8,972,581	6,447,357
Gross profit	**441,366**	307,913	351,091	461,465	379,527
Operating profit	**232,177**	138,805	205,712	355,734	283,613
Profit for the year	**97,982**	30,056	103,229	237,606	203,377
Attributable to:					
Equity holders of the Company	**97,834**	30,585	103,641	235,507	203,498
Non-controlling interests	**148**	(529)	(412)	2,099	(121)
	97,982	30,056	103,229	237,606	203,377
ASSETS, LIABILITIES AND EQUITY					
Total assets	**5,229,484**	4,191,062	4,443,978	3,703,720	2,198,657
Total liabilities	**(3,476,526)**	(2,529,091)	(2,864,104)	(2,252,267)	(1,510,339)
	1,752,958	1,661,971	1,579,874	1,451,453	688,318
Equity attributable to equity holders of the Company	**1,608,890**	1,518,051	1,515,425	1,426,592	681,142
Non-controlling interests	**144,068**	143,920	64,449	24,861	7,176
Total equity	**1,752,958**	1,661,971	1,579,874	1,451,453	688,318