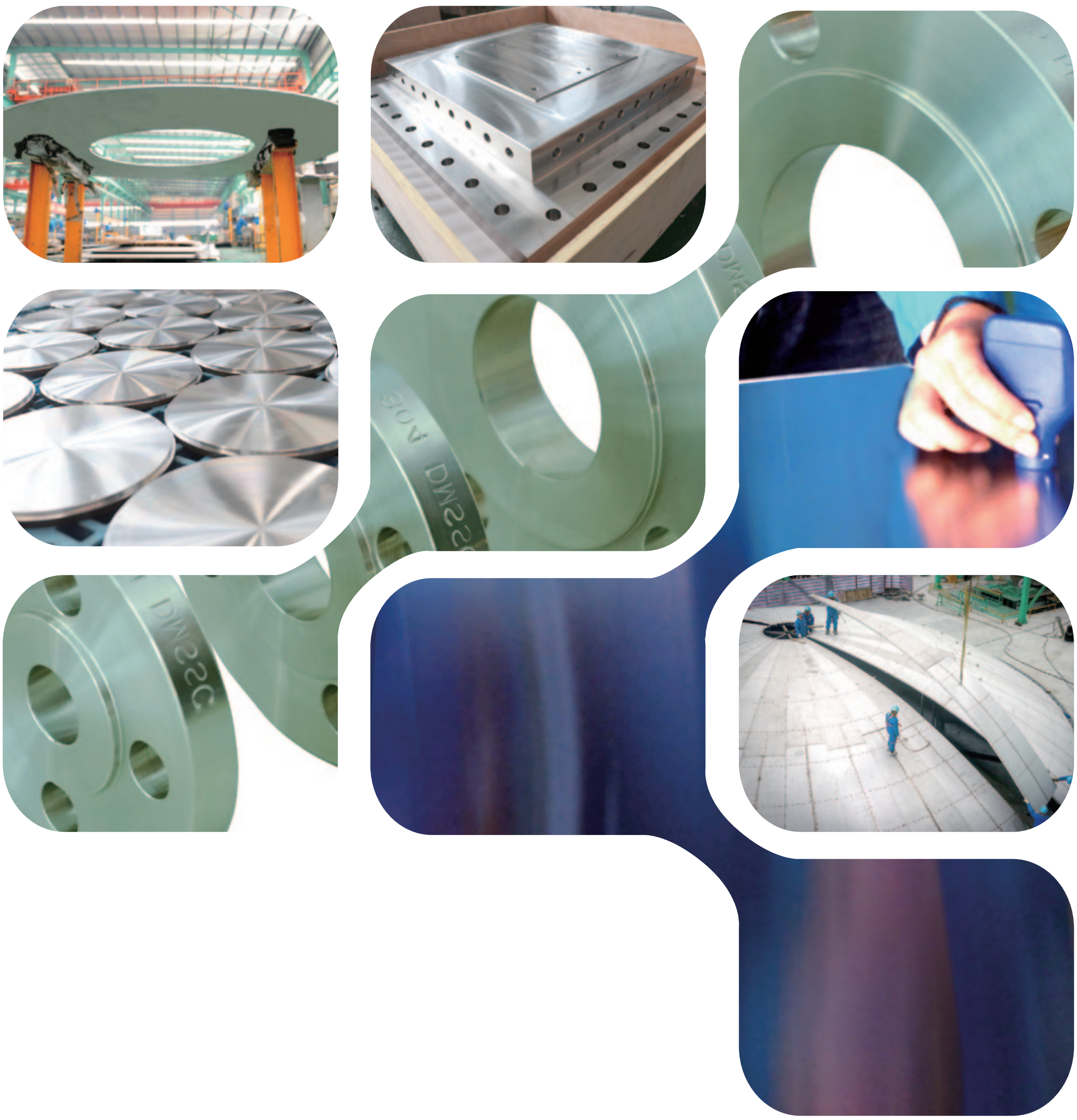
DA MING INTERNATIONAL HOLDINGS LIMITED

(Incorporated in the Cayman Islands with limited liability)

Stock code :1090

2015 Annual Report

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Corporate Information

BOARD OF DIRECTORS

Executive Directors

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

Non-executive Director

Mr. Jiang Changhong
Mr. Shen Dong

Independent Non-executive Directors

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

COMPANY SECRETARY

Mr. Leung Man Fai

AUTHORISED REPRESENTATIVES

Mr. Zou Xiaoping
Mr. Leung Man Fai

AUDIT COMMITTEE

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

REMUNERATION COMMITTEE

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

NOMINATION COMMITTEE

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

REGISTERED OFFICE IN THE CAYMAN ISLANDS

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

HEADQUARTERS AND PRINCIPAL PLACE OF BUSINESS IN CHINA

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
17/F, Hopewell Centre
183 Queen's Road East, Wanchai
Hong Kong

AUDITOR

PricewaterhouseCoopers
Certified Public Accountants
22/F, 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

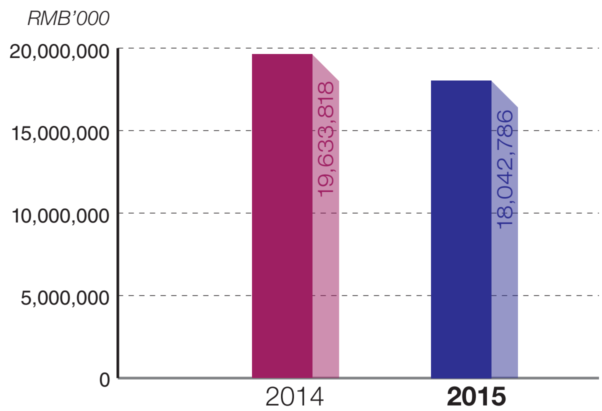
WEBSITE

http://www.dmssc.net

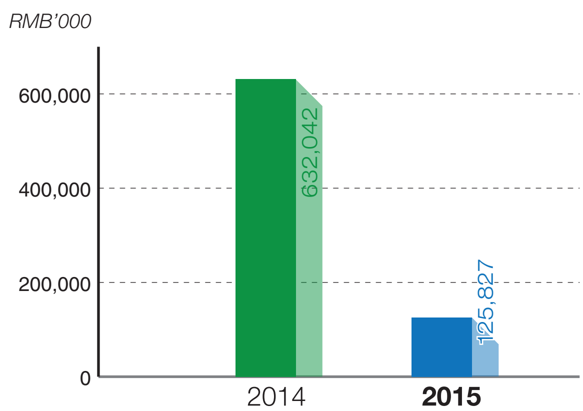
Financial and Operating Highlights

	Year ended 31 December 2015 RMB'000	2014 RMB'000	% change
FINANCIAL HIGHLIGHTS			
Revenue	**18,042,786**	19,633,818	-8.1%
Gross profit	**125,827**	632,042	-80.1%
Total comprehensive (loss)/income for the year	**(250,365)**	165,888	-250.9%

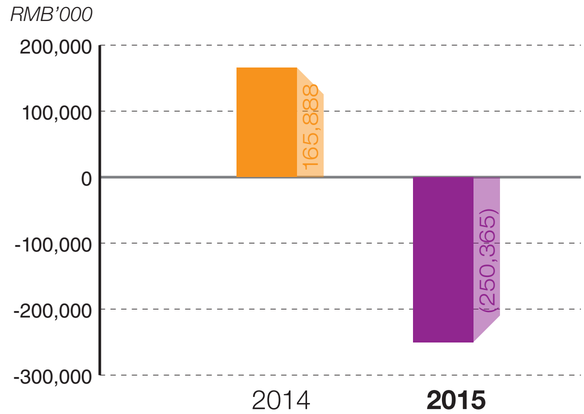
Revenue



Gross profit



Total comprehensive (loss)/income for the year

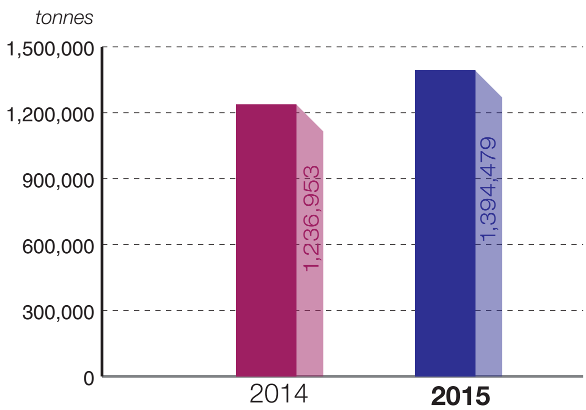


Financial and Operating Highlights

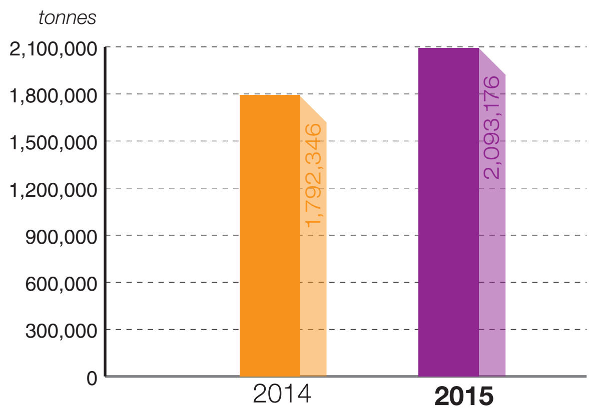
	Year ended 31 December		
	2015	2014	% change
OPERATING HIGHLIGHTS			
Stainless steel			
Sales volume (tonnes)	**1,394,479**	1,236,953	+12.7%
Processing volume (tonnes)	**2,093,176**	1,792,346	+16.8%
Processing multiple (note)	**1.50**	1.45	
Carbon steel			
Sales volume (tonnes)	**707,281**	572,008	+23.6%
Processing volume (tonnes)	**612,672**	522,743	+17.2%
Processing multiple (note)	**0.87**	0.91	

Note: Processing multiple = Processing volume/Sales volume

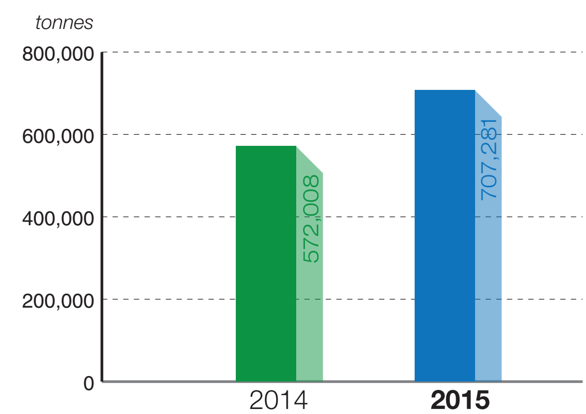
Sales volume of stainless steel



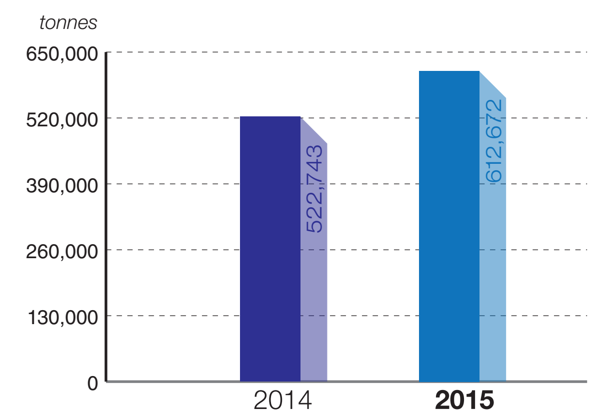
Processing volume of stainless steel



Sales volume of carbon steel



Processing volume of carbon steel



Financial and Operating Highlights

The sales volume and processing volume of our processing centres for the year ended 31 December 2015 and the corresponding period in 2014 are as follows:

	Year ended 31 December		
	2015	2014	
Stainless steel	***tonnes***	*tonnes*	*% change*
Sales volume			
Wuxi	**683,124**	663,128	+3.0%
Wuhan	**56,877**	48,799	+16.6%
Hangzhou	**244,507**	195,852	+24.8%
Tianjin	**174,276**	174,289	–
Taiyuan	**87,976**	60,196	+46.1%
Other sales offices	**147,719**	94,689	+56.0%
Total	**1,394,479**	1,236,953	+12.7%
Processing volume			
Wuxi	**1,328,776**	1,275,428	+4.2%
Wuhan	**48,239**	28,010	+72.2%
Hangzhou	**308,702**	230,933	+33.7%
Tianjin	**255,494**	201,213	+27.0%
Taiyuan	**138,859**	56,762	+144.6%
Others	**13,106**	–	n/a
Total	**2,093,176**	1,792,346	+16.8%

	Year ended 31 December		
	2015	2014	
Carbon steel	***tonnes***	*tonnes*	*% change*
Sales volume			
Wuxi	**70,146**	144,533	-51.5%
Hangzhou	**237,913**	229,374	+3.7%
Taiyuan	**169,044**	134,678	+25.5%
Daming Technology	**146,245**	–	n/a
Other sales offices	**83,933**	63,423	+32.3%
	707,281	572,008	+23.6%
Processing volume			
Wuxi	**77,824**	159,798	-51.3%
Hangzhou	**232,042**	226,145	+2.6%
Taiyuan	**171,430**	136,800	+25.3%
Daming Technology	**131,376**	–	n/a
	612,672	522,743	+17.2%

Note: Part of the business of Wuxi processing centre was transferred to Daming Technology during the year ended 31 December 2015

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 2015.

BUSINESS REVIEW

Business development

On 26 June 2015, the Group entered into the Strategic Cooperation Agreement with Baosteel Stainless Steel Co., Ltd. According to the Strategic Cooperation Agreement, the Group and Baosteel Stainless Steel will strengthen their business cooperation in their business development and the sales and distribution, value-added services and research and development in respect of their products. The Strategic Cooperation Agreement is for a term of 5 years from the date of the Strategic Cooperation Agreement and will serve as a framework for the long-term business development cooperation between the Group and Baosteel Stainless Steel. As part of the strategic business cooperation between the Group and Baosteel Stainless Steel, Baosteel Stainless Steel subscribed for 103,750,000 new shares at the total subscription price of approximately HK$382.8 million (being HK$3.69 for each new share). The subscription of new shares by Baosteel Stainless Steel was completed on 8 July 2015 and Baosteel Stainless Steel beneficially interested in approximately 9.09% of the Company's enlarged issued share capital upon completion.

Chairman's Statement

On 17 September 2015, the Group entered into a memorandum of cooperation ("Memorandum of Cooperation") with Mitsui & Co., Ltd. Pursuant to the Memorandum of Cooperation, the Company and Mitsui & Co., Ltd. shall cooperate in respect of business development, exchange of technical knowhow, project cooperation and exploration of joint venture feasibility, through collaborations with relevant manufacturers, business partners and customers. The term of the Memorandum of Cooperation is two years from 17 September 2015, subject to any extension as may be agreed by the Company and Mitsui & Co., Ltd. The Group expects that the entering into of the Memorandum of Cooperation will strengthen the Group's strategic alliance with Mitsui & Co., Ltd. and enhance the Group's business.

Chairman's Statement

Daming Heavy Industry and Daming Metal Technology commenced their businesses on 28 November 2015. Being the major components of the Jingjiang processing centre, Daming Metal Technology mainly provides the processing services of carbon steel products while Daming Heavy Industry engages in the manufacturing of parts for machinery equipment, large structural parts and pressurized containers. The Jingjiang processing centre is an important investment for the Group and is expected to bring large business opportunities to the Group in the coming years.

Chairman's Statement

Operating results

2015 was a difficult year for most enterprises engaged in the steel industry in China. The influence of the unfavourable macro-economic environment in the People's Republic of China and the continual decline in the market price of stainless steel and carbon steel raw materials throughout the year adversely affected the performance of the Group for the year ended 31 December 2015.

Despite the unfavourable economic environment, the Group maintained a growth in both the sales volume and processing volume in our stainless steel processing service and carbon steel processing service as well as the number of active customers in 2015.

The annual sales volume of our stainless steel processing business increased from approximately 1,237,000 tonnes for the year ended 31 December 2014 to approximately 1,394,000 tonnes for the year ended 31 December 2015 representing an increase of approximately 13% while the annual processing volume increased from approximately 1,792,000 tonnes for the year ended 31 December 2014 to approximately 2,093,000 tonnes for the year ended 31 December 2015 representing an increase of approximately 17%.

The annual sales volume of our carbon steel processing business increased from approximately 572,000 tonnes for the year ended 31 December 2014 to approximately 707,000 tonnes for the year ended 31 December 2015 representing an increase of approximately 24% while the annual processing volume increased from approximately 523,000 tonnes for the year ended 31 December 2014 to approximately 613,000 tonnes for the year ended 31 December 2015 representing an increase of approximately 17%.

FUTURE DEVELOPMENT

With the opening of the Jingjiang processing centre and the enhancement of the Taiyuan processing centre, we anticipate a rapid growth both in our sales volume and processing volume in the coming years. We shall also devote more resources in our deep processing services in order to provide a more comprehensive service to our customers.

APPRECIATION

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

FINANCIAL REVIEW AND ANALYSIS

During the year under review, we recorded a revenue of approximately RMB18,043 million, gross profit of approximately RMB126 million and the loss attributable to equity holders of the Company of approximately RMB247 million. Total assets of the Group as at 31 December 2015 amounted to approximately RMB5,753 million while equity attributable to equity holders of the Company amounted to approximately RMB1,802 million.

Revenue

Our revenue for the year ended 31 December 2015 amounted to approximately RMB18,043 million comprising approximately RMB16,624 million from our stainless steel processing business and approximately RMB1,419 million from our carbon steel processing business. As compared with the revenue for the year ended 31 December 2014 of approximately RMB19,634 million, it represented a decrease of approximately 8.1%. Such decrease was mainly due to the decrease in the average market price of stainless steel and carbon steel raw materials. The decrease was partially offset by the following factors:

i) The increase in the sales volume of our stainless steel processing business from 1,236,953 tonnes for the year ended 31 December 2014 to 1,394,479 tonnes for the year ended 31 December 2015 representing an increase of approximately 12.7%.

ii) The increase in the sales volume of our carbon steel processing business from 572,008 tonnes for the year ended 31 December 2014 to 707,281 tonnes for the year ended 31 December 2015 representing an increase of approximately 23.6%.

iii) The increase in processing fee income as reflected by the increase in the processing volume of our stainless steel processing business from 1,792,346 tonnes for the year ended 31 December 2014 to 2,093,176 tonnes for the year ended 31 December 2015 representing an increase of approximately 16.8%.

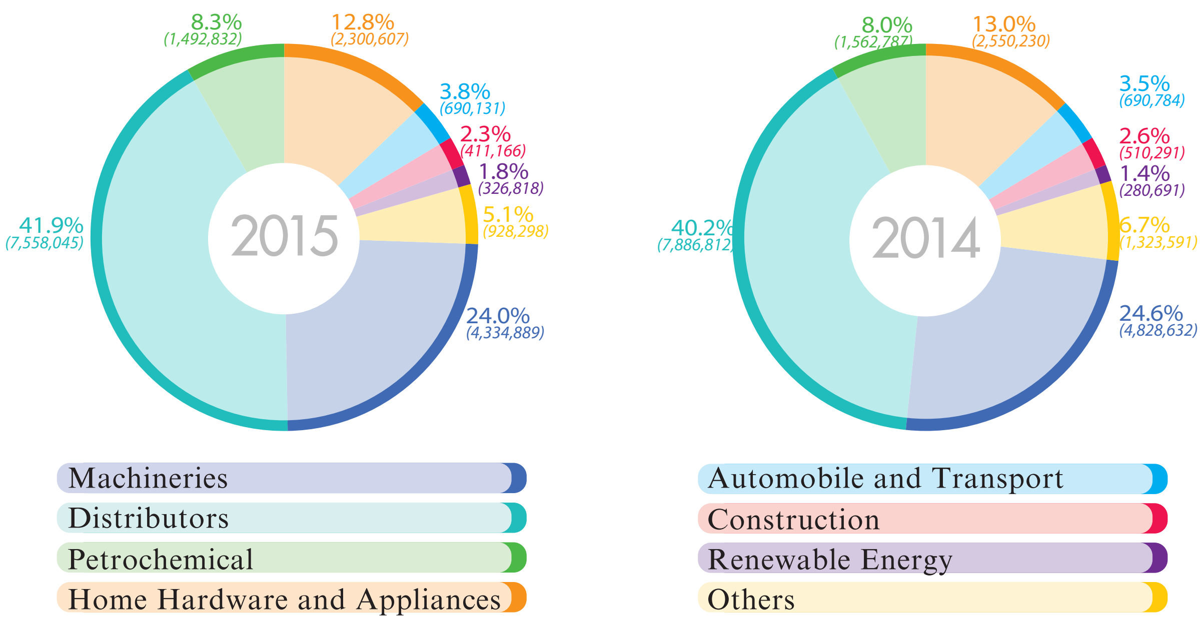
iv) The increase in processing fee income as reflected by the increase in the processing volume of our carbon steel processing business from 522,743 tonnes for the year ended 31 December 2014 to 612,672 tonnes for the year ended 31 December 2015 representing an increase of approximately 17.2%.

Analysis of revenue by key industry segments

During the years ended 31 December 2015 and 2014, our revenue by key industry segments are shown below:

	Revenue For the year ended 31 December			
	2015		2014	
Industry	***RMB'000***	*%*	*RMB'000*	*%*
Machineries	**4,334,889**	**24.0**	4,828,632	24.6
Distributors	**7,558,045**	**41.9**	7,886,812	40.2
Petrochemical	**1,492,832**	**8.3**	1,562,787	8.0
Home Hardware and Appliances	**2,300,607**	**12.8**	2,550,230	13.0
Automobile and Transport	**690,131**	**3.8**	690,784	3.5
Construction	**411,166**	**2.3**	510,291	2.6
Renewable Energy	**326,818**	**1.8**	280,691	1.4
Others	**928,298**	**5.1**	1,323,591	6.7
Total	**18,042,786**	**100.0**	19,633,818	100.0

RMB'000 RMB'000

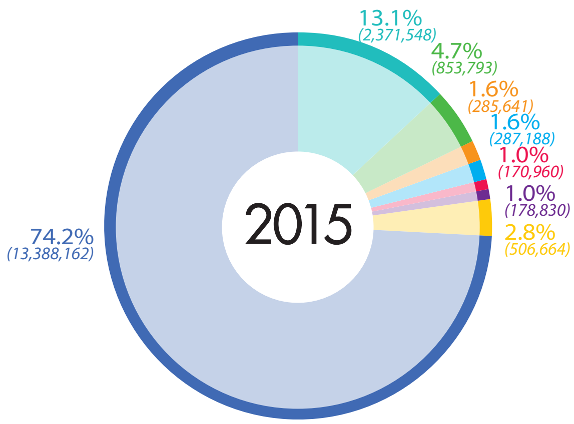


Management Discussion and Analysis

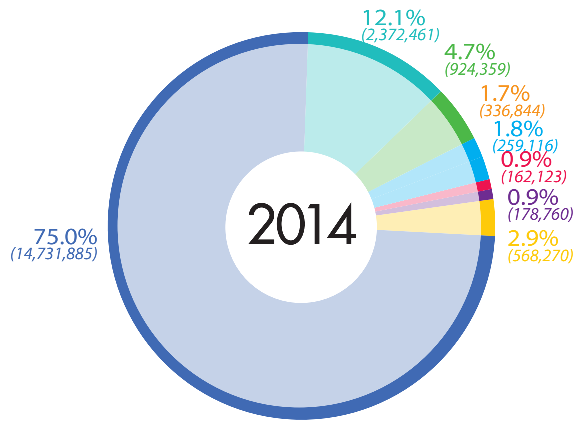
Analysis of revenue by geographic regions

	Revenue For the year ended 31 December			
	2015		2014	
Region	***RMB'000***	*%*	*RMB'000*	*%*
Eastern region, China	**13,388,162**	74.2	14,731,885	75.0
Northern region, China	**2,371,548**	13.1	2,372,461	12.1
Central region, China	**853,793**	4.7	924,359	4.7
Southwestern region, China	**285,641**	1.6	336,844	1.7
Northeastern region, China	**287,188**	1.6	359,116	1.8
Northwestern region, China	**170,960**	1.0	162,123	0.9
Southern region, China	**178,830**	1.0	178,760	0.9
Overseas	**506,664**	2.8	568,270	2.9
	18,042,786	100.0	19,633,818	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

Gross profit

Gross profit decreased from approximately RMB632.0 million in 2014 to approximately RMB125.8 million in 2015 mainly due to the decrease in the average market price of stainless steel and carbon steel raw materials.

Other income

Other income increased from approximately RMB22.8 million for the year ended 31 December 2014 to approximately RMB29.7 million for the year ended 31 December 2015 mainly due to the increase in sales of scraps and packaging materials as well as the increase in subsidy income.

Other gain – net

Other gain increased from approximately RMB2.3 million for the year ended 31 December 2014 to approximately RMB12.6 million for the year ended 31 December 2015. Such increase was mainly due to the increase in foreign exchange gain.

Distribution costs

Distribution costs increased from approximately RMB139.1 million for the year ended 31 December 2014 to approximately RMB156.6 million for the year ended 31 December 2015. Such increase was mainly due to the increase in transportation costs as a result of the increase in sales volume.

Administrative expenses

Administrative expenses increased from approximately RMB180.0 million for the year ended 31 December 2014 to approximately RMB206.1 million for the year ended 31 December 2015. Such increase was mainly due to the increase in staff costs and technical research expenses.

Finance costs – net

Finance costs increased from approximately RMB102.3 million for the year ended 31 December 2014 to approximately RMB125.5 million for the year ended 31 December 2015. The increase in finance costs was mainly due to the increase in interest expenses on borrowings.

Income tax credit/(expense)

The Group recorded an income tax credit of approximately RMB73.0 million for the year ended 31 December 2015 due to the loss incurred. Income tax expenses of approximately RMB67.6 million was recorded for the year ended 31 December 2014.

Management Discussion and Analysis

(Loss)/Profit for the year

The Group recorded a loss of approximately RMB250.4 million for the year ended 31 December 2015 as compared with a profit of approximately RMB165.9 million for the year ended 31 December 2014 representing a decrease of approximately 250.9%.

Capital Expenditure

In 2015, our capital expenditure consisted of additions of property, plant and equipment which amounted to approximately RMB593.9 million (2014: RMB525.8 million).

Foreign Exchange Risk Management

The Group mainly operates in the PRC with most of the transactions denominated and settled in RMB. However, the Group has certain trade receivables, restricted bank deposits, cash and cash equivalents, trade payables, other payables and borrowings denominated in foreign currencies, mainly United States Dollar, Euro, Hong Kong Dollar and Japanese Yen, which are exposed to foreign currency translation risk.

Our 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 2015, the borrowings of the Group amounted to approximately RMB1,765.1 million of which approximately RMB999.5 million were repayable within one year, notes payables amounted to approximately RMB1,013.5 million while the bank balances were approximately RMB552.1 million of which approximately RMB357.6 million were restricted mainly for the issuance of notes payable and letter of credit.

As at 31 December 2015, the Group recorded a net current liabilities of approximately RMB335.6 million mainly due to the use of short term borrowings to finance the Group's capital expenditure in the current year. According to our experience, the Group will be able to extend the short term borrowings when due and will not cause any going concern issue. The Group will also review and monitor its financing structure in the coming year.

The Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings less cash and cash equivalents. Total capital is calculated as total equity plus net debt. The gearing ratio as at 31 December 2015 and 2014 calculated on this basis were 43.57% and 45.13% respectively.

ENVIRONMENTAL PROTECTION POLICY

A working group within the quality assurance department is responsible for overseeing the environmental protection policy of the Group in order to ensure compliance with applicable environmental laws, regulations and standards. The Group has measures in place to prevent pollution and to maintain a satisfactory ecological environment.

According to the Environmental Protection Law of the PRC, where the construction of a project may cause any pollution to the environment, an environmental impact evaluation must be performed to determine the prevention and remedial measures to be adopted and the relevant environmental protection administration approval shall be obtained. In the production and operation process, the Group should also comply with the laws and regulations related to environmental protection such as the Law of the PRC on the Prevention and Control of Atmospheric Pollution and the Law of the PRC on the Prevention and Control of Water Pollution.

In accordance with the requirements of relevant laws and regulations on environmental protection, the Group has adopted techniques and equipment to prevent and reduce pollution. All of our construction and extension projects comply with the relevant environmental impact assessment procedures for construction projects and have undergone inspection and have been approved by the relevant environmental protection authorities, the discharge of each form of pollutant has complied with the relevant national standards.

COMPLIANCE WITH LAWS AND REGULATIONS

The Company is established in the Cayman Islands, most of the Group's operations are performed in China, while the Company is listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The operation of the Group have to comply with laws and regulations of China and Hong Kong. For the year ended 31 December 2015, the Group has been in compliance with all the laws and regulations in China and Hong Kong in all material respects.

RELATIONSHIPS WITH KEY STAKEHOLDERS

Staff

The Group has a set of human resources management policies and procedures in place with the aim to provide good and safe working environment to its staff. The staff handbook also sets out the Group's standards for staff recruitment, promotion guidelines, remuneration scale, holiday and statutory paid leaves and work hour. All employees of the Group are treated equally and their employment, remuneration and promotion opportunities will not be affected by their nationality, race, age, religion and marital status. The Group also provide its staff with various training programs such as orientation training and on-the-job training. The Group has been in compliance with The Labour Law and The Labour Contract Law of the PRC during the year ended 31 December 2015.

Suppliers

The Group has developed long-standing and good relationships with the Group's suppliers and taken effort to ensure that they agree with our commitment to product quality. The Group carefully select the suppliers and require them to satisfy certain assessment criteria including experience, financial strength, reputation, ability to produce high-quality products and quality control effectiveness.

Customers

The Group has over 10,000 active costumers which are being served by our sales and marketing team. Our sales and marketing team is divided by regions and industries. They visit customers regularly to understand their needs and feedback on our products and services.

Corporate Governance Report

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 2015 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 2015.

BOARD OF DIRECTORS

Composition

The Board of Directors (the "Board") comprises 6 executive directors, 2 non-executive directors and 4 independent non-executive directors. As of 31 December 2015, the Directors are as follows:

Executive directors:	*Non-executive directors:*	*Independent non-executive directors*
Mr. Zhou Keming *(Chairman)*	Mr. Jiang Changhong	Prof. Hua Min
Mr. Zou Xiaoping	Mr. Shen Dong	Mr. Chen Xuedong
Mr. Tang Zhonghai		Mr. Cheuk Wa Pang
Mr. Kang In Soo		Mr. Lu Daming
Dr. Fukui Tsutomu		
Mr. Zhang Feng		

Subsequent to the end of the reporting period, on 24 March 2016, Mr. Kang In Soo resigned as an executive director and Ms. Xu Xia was appointed as an executive director of the Company.

The biographical details of the Directors are set out on pages 29 to 32 of this Annual Report. Save as Mr. Zhou Keming is the spouse of Ms. Xu Xia and Mr. Zhang Feng is a cousin of Mr. Zhou Keming, none of the members of the Board is related to one another.

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

BOARD MEETING

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

Ten board meetings had been held in the financial year ended 31 December 2015. 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)*	10/10	100%
Ms. Xu Xia *(up to 17 December 2015)*	9/10	90%
Mr. Zou Xiaoping	10/10	100%
Mr. Tang Zhonghai	10/10	100%
Mr. Kang In Soo	8/10	80%
Dr. Fukui Tsutomu	10/10	100%
Mr. Zhang Feng	9/10	90%
Non-executive Director		
Mr. Jiang Changhong	10/10	100%
Mr. Shen Dong	N/A[a]	N/A
Independent non-executive Directors		
Mr. Cheuk Wa Pang	7/10	70%
Prof. Hua Min	7/10	70%
Mr. Chen Xuedong	8/10	80%
Mr. Lu Daming	9/10	90%

[a] Mr. Shen Dong was appointed as a non-executive director on 17 December 2015. There was no board meeting held in 2015 after Mr. Shen's appointment.

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 Environmental, Social and Governance Reporting on 3 June 2015. Attendance records of the directors are set out below:

Name of Directors	Attended the training seminar held on 3 June 2015
Executive directors	
Mr. Zhou Keming	✓
Ms. Xu Xia	✓
Mr. Zou Xiaoping	✓
Mr. Tang Zhonghai	✓
Mr. Kang In Soo	✓
Dr. Fukui Tsutomu	✓
Mr. Zhang Feng	✓
Non-executive directors	
Mr. Jiang Changhong[b]	
Mr. Shen Dong	N/A[c]
Independent non-executive directors	
Mr. Cheuk Wa Pang[b]	
Prof. Hua Min[b]	
Mr. Chen Xuedong[b]	
Mr. Lu Daming	✓

[b] Mr. Jiang Changhong, Mr. Cheuk Wa Pang, Prof. Hua Min and Mr. Chen Xuedong attended outside talks or seminars to update knowledge in regulatory updates or their focused professional area.

[c] Mr. Shen Dong was appointed as a director on 17 December 2015. He attended director's induction course relating to continuing responsibilities of a company listed on the main board of the Stock Exchange of Hong Kong Limited.

All Directors had provided their training records for the year 2015 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 and risk management
– Agreements/business transactions/financial commitment
– Shareholders communication
– Board membership and senior management appointments
– Remuneration
– Corporate governance matters
– Board policies

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

CORPORATE GOVERNANCE FUNCTIONS

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

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

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

Under CG Code provision A.2.1, the roles of chairman and chief executive should be separated and should not be performed by the same individual. During the reporting period, the positions of the Chairman and the chief executive officer were held by Mr. Zhou Keming. Mr. Zhou is the founder of the Group and has extensive knowledge in the stainless steel industry. Having considered the current development of the Group and be responsive to the fast and myriad changes in the business environment, the Board believes that vesting the dual roles in the same person provides the Company with strong and consistent leadership in the development and execution of long term business strategies. In addition, there is a general manager in each of our Wuxi, Wuhan, Hangzhou, Tianjin and Taiyuan offices to assist the chief executive officer to manage the daily operations of the respective processing centres.

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

With the above reasons, the Company is of the view that Mr. Zhou Keming, with his profound expertise in the stainless steel industry, shall continue his dual capacity as the chairman and chief executive of the Company. The Board would nevertheless review this arrangement from time to time in light of prevailing circumstances.

NON-EXECUTIVE DIRECTORS

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

INDEPENDENT NON-EXECUTIVE DIRECTORS

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

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

Also, the Board comprises four INEDs representing one-third of the Board.

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

BOARD COMMITTEES

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

REMUNERATION COMMITTEE

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

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

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

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

3. Remuneration should reflect performance, complexity and responsibility.

The Remuneration Committee held four meetings during the financial year ended 31 December 2015

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

Name of Remuneration Committee Members	No. of meeting attended/ No. of meeting held	Attendance rate
Mr. Cheuk Wa Pang *(Chairman)*	3/4	75%
Prof. Hua Min	4/4	100%
Mr. Chen Xuedong	4/4	100%
Mr. Lu Daming	4/4	100%
Mr. Zou Xiaoping	4/4	100%

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

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

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

(3) Reviewed the list of selected employees for granting award shares on 5 May 2015;

(4) Approved the acquisition of shares from market for the share award scheme as suggested by Mr. Zhou Keming, Chairman of the Board;

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

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

The 2015 annual salary review had been noted and reviewed by the members of the Remuneration Committee.

NOMINATION COMMITTEE

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

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

The Nomination Committee held two meetings during the financial year ended 31 December 2015. The following is an attendance record of the meetings held by the Nomination Committee for the financial year:

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

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

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

(2) Reviewed the independence of all INEDs;

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

(4) Nomination of Mr. Shen Dong as a non-executive director of the Company with effect from 17 December 2015.

AUDIT COMMITTEE

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

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

The Audit Committee held three meetings during the financial year ended 31 December 2015. The following is an attendance record of the meetings held by the Audit Committee for the financial year:

Name of Audit Committee Members	**No. of meeting attended/ No. of meeting held**	**Attendance rate**
Mr. Cheuk Wa Pang *(Chairman)*	3/3	100%
Prof. Hua Min	3/3	100%
Mr. Chen Xuedong	2/3	66.67%
Mr. Lu Daming	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 2015 interim financial results;

(2) Reviewed the Group's 2015 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 2016 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 2015, 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	RMB2,850,000
Tax-related services	HK$26,000
Internal control and ERP system consultation	RMB880,000

The Audit Committee considered that the non-audit services in 2015 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 2015.

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 2015.

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. 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 2015 AGM was held on 2 June 2015 at JW Marriott Hotel Hong Kong. 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 2015 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 2015. 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 2015 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 46, was appointed as an executive director on 14 February 2007. He is also the chairman of the Board of the Company and the chief executive officer of the Group. Mr. Zhou is one of the founders of the Group and is responsible for the Group's overall business strategy. He has extensive experience in the steel industry. Mr. Zhou was qualified as a senior economist in 2007 by the Appraisal Committee for Senior Economic Technical Qualification of Jiangsu. He is the husband of Ms. Xu Xia and a cousin of Mr. Zhang Feng, both are executive directors of the Company. Mr. Zhou currently serves as a director or the legal representative of certain subsidiaries of the Company.

Ms. Xu Xia, aged 41, was re-appointed as an executive director on 24 March 2016. Ms. Xu was an executive director of the Company from February 2007 to December 2015. She is one of the founders of the Group and is responsible for the Group's business operation and administration. Ms. Xu has extensive sales and business development experience in the steel industry. Ms. Xu graduated from China Textile University (currently known as Donghua University) in 1995 with a diploma in Trading Operation. She also completed Advanced Studies for Senior Executives at College of Continuing Education of Fudan University in 2005 on a part-time basis. Ms. Xu is the wife of Mr. Zhou Keming ("**Mr. Zhou**"), the chairman of the Board and chief executive officer of the Group, and a director and a substantial shareholder of the Company. Mr. Zhang Feng, a cousin of Mr. Zhou, is a director of the Company. Ms. Xu currently serves as a director of certain subsidiaries of the Company.

Mr. Zou Xiaoping, aged 51, was appointed as an executive director on 9 March 2007. Mr. Zou is a member of the Nomination Committee and Remuneration Committee of the Company. He joined the Group in 2002 and is responsible for the Group's overall management, administration and operation. Prior to joining the Group, Mr. Zou worked at Local Tax Bureau, Qianzhou Town, Xishan District from 1986 to 2002 on taxation matters and was granted a certificate for having undergone the in-service taxation training offered to the civil servants in 2000, when serving as the assistant to the head of the Bureau. Mr. Zou has extensive experience in taxation and corporate management. He graduated from Correspondence Institute of the Party School of the Central Committee of the Chinese Communist Party with a Bachelor of Laws degree in 2004 and obtained a Master of Business Administration degree from Asia International Open University (Macau) (currently known as City University of Macau) in 2005.

Mr. Tang Zhonghai, aged 57, was appointed as an executive director on 3 July 2010. Mr. Tang joined the Group in 2003 and is responsible for the management of stainless steel processing and manufacturing technology as well as the operation of the Group. Prior to joining the Group, Mr. Tang was the deputy factory director of Jiangmen City Rixin Stainless Steel Material Factory Co., Ltd. from 1993 to 2001. He has extensive experience in the steel industry. Mr. Tang graduated from Rocket and Missile Discipline of Eastern China Engineering Institute (currently known as Nanjing University of Science and Technology) in 1982. He was qualified as a mechanical engineer in 1988 by National Machinery Industry Committee and a senior economist in 2007 by the Appraisal Committee for Senior Economic Technical Qualification of Jiangsu.

Profile of Directors and Senior Management

Dr. Fukui Tsutomu, aged 55, was appointed as an executive director on 15 October 2014. Dr. Fukui is currently a director and the general manager of Jiangsu Daming Metal Products Co., Ltd., a wholly-owned subsidiary of the Company. Prior to joining the Group, Dr. Fukui was the managing director of Nippon Yakin Shanghai Co., Ltd. He has extensive experience in the steel industry. Dr. Fukui graduated from Nanjing University with a bachelor degree in Catalytic Chemistry in 1982 and obtained a Doctoral degree in Engineering from Tokyo Institute of Technology in 1991, majoring in Materials Science and Engineering.

Mr. Zhang Feng, aged 39, was appointed as an executive director on 15 October 2014. Mr. Zhang is currently the marketing director of the Group, the president of Hangzhou Wanzhou Metal Products Co., Ltd., a company owned as to 95% by the Compnay and the general manager of Jiangsu Daming Allybest Trading Co., Ltd., a wholly-owned subsidiary of the Company. Mr. Zhang is a cousin of Mr. Zhou, the chairman of the Board and chief executive officer of the Group, and a director and a substantial shareholder of the Company. Mr. Zhang is also related to Ms. Xu Xia, a director of the Company, as Ms. Xu Xia is the wife of Mr. Zhou.

NON-EXECUTIVE DIRECTORS

Mr. Jiang Changhong, aged 52, was appointed as a non-executive director on 26 July 2010. He was the manager of the sales department of Shanxi Taigang Stainless Steel Co., Ltd. ("**STSS**"), one of the Group's key suppliers. He is currently the minister of planning and development department and the minister of new materials business management department of Taiyuan Iron & Steel (Group) Co., Ltd. (a holding company of STSS). He has extensive experience in the steel industry. Mr. Jiang graduated from Beijing Steel and Iron Institute (currently known as University of Science and Technology Beijing) with a Bachelor of Engineering degree in Computer Science in 1986. He further obtained a Master of Engineering degree in Computer Application in 1992. Mr. Jiang was accredited by department of Human Resources, Shanxi Province in 1997 as a senior engineer.

Mr. Shen Dong, aged 47, was appointed as a non-executive director on 17 December 2015. Mr. Shen is currently the deputy general manager of Baosteel Stainless Steel Co., Ltd. ("**Baosteel**") and the general manager of Baosteel's sales department. Baosteel, one of the Group's suppliers, is a strategic business partner of the Company. Mr. Shen has extensive experience in the stainless steel industry. He graduated from Shanghai Open University (formerly known as Shanghai Television University), majoring in marketing, in March 2000.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Professor Hua Min, aged 65, 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 chief of the Academic Committee of School of Economics of Fudan University. He has extensive experience in economics. Professor Hua graduated from Fudan University with a Bachelor degree in Political Economics in 1982 and obtained a Doctoral degree in Economics from Fudan University in 1993. From March 2008 to February 2010, he was one of the Specially Appointed Policy-Making Advisory Experts of the People's Government of Shanghai City. Since 2004, Professor Hua has also been an independent non-executive director and a member of the audit committee of Shanghai International Shanghai Growth Investment Limited (stock code: 770), the shares of which are listed on the Main Board of The Stock Exchange of Hong Kong Limited.

Mr. Chen Xuedong, aged 51, 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 Equipment and Machinery in 1986. He then obtained a Master degree and Doctoral degree in Chemical Process Equipment at Zhejiang University in 1995 and 2004, respectively. Mr. Chen has extensive experience in engineering.

Mr. Cheuk Wa Pang, aged 51, was appointed as an independent non-executive director on 20 March 2007. He is the chairman of the Audit Committee, Nomination Committee and Remuneration Committee of the Company. Mr. Cheuk has been the chief financial officer, the qualified accountants and the company secretary of Lee Kee Holdings Limited (stock code: 637), the shares of which are listed on the main board of The Stock Exchange of Hong Kong Limited. Mr. Cheuk has extensive experience in accounting and auditing. Mr. Cheuk holds a Bachelor of Science degree in Engineering from the University of Hong Kong, a Master degree in Applied Finance and a Master degree in Business Administration from Macquarie University in Australia. Mr. Cheuk is a fellow member of the Association of Chartered Certified Accountants and a certified public accountant of the Hong Kong Institute of Certified Public Accountants. He is also a member of the Institute of Chartered Accountants of England and Wales.

Mr. Lu Daming, aged 62, was appointed as an independent non-executive director on 21 August 2014. Mr. Lu was the dean of Hoisting and Conveying Machinery Design Institute Beijing. He obtained his qualification as a research level senior engineer from the People's Republic of China Machinery Industry Department in 1996. He is also a state registered facility supervising engineer and a state registered consulting engineer (investment) of the People's Republic of China.

Profile of Directors and Senior Management

SENIOR MANAGEMENT

Mr. Leung Man Fai, aged 51, joined the Group in 2007 as the chief financial officer and company secretary of the Group. Mr. Leung has extensive experience in accounting and finance. Before joining the Group, Mr. Leung served as a financial controller and company secretary of a private company during 2003 to 2006. From 1996 to 2003, he served various roles including financial controller, company secretary and finance manager in several listed companies within the ITC Corporation (stock code: 372), the shares of which are listed on main board of The Stock Exchange of Hong Kong Limited. He also worked as a senior accountant during 1992 to 1996 in Hopewell Holdings Limited (stock code: 54), the shares of which are listed on main board of The Stock Exchange of Hong Kong Limited. Mr. Leung received a Bachelor of Arts degree in Accountancy from the City University of Hong Kong. He is a fellow member of the Hong Kong Institute of Certified Public Accountants and a fellow member of the Association of Chartered Certified Accountants.

The Directors are pleased to present to the shareholders their report together with the audited consolidated financial statements of the Group for the year ended 31 December 2015.

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 2015 are set out in the consolidated comprehensive income statement on page 49.

DIVIDENDS

The Board do not recommend the payment of a final dividend for the year ended 31 December 2015 (2014: HKD0.02).

RESERVES

Movements in the reserves of the Group and of the Company during the year are set out in Note 18 and Note 37 to the consolidated financial statements respectively.

As of 31 December 2015, our reserves available for distribution amounted to RMB1,604.2 million (2014: RMB1,277.5 million).

PROPERTY, PLANT AND EQUIPMENT

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

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

There was no purchase, sale or redemption of the Company's listed shares by the Company or any of its subsidiaries during the year ended 31 December 2015.

ISSUE OF NEW SHARES

On 26 June 2015, Baosteel Stainless Steel Co., Ltd. ("Baosteel") and the Company entered into a subscription agreement whereby Baosteel subscribed for 103,750,000 new shares of the Company at the total subscription price of approximately HK$382.8 million (being HK$3.69 for each subscription share). On 8 July 2015, 103,750,000 subscription shares, representing approximately 9.09% of the enlarged issued share capital of the Company, were allotted and issued by the Company to the subscriber as trustee on behalf of and for the benefit of Baosteel.

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.

PRINCIPAL PROPERTIES

Details of the principal properties held for investment purposes are set out in Note 7 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 82.9% of the Group's total purchases for the year and the largest supplier accounted for approximately 37.2% of the Group's total purchases.

Except Baosteel, being a supplier of the Group, owned 9.09% of the issued share capital of the Company, 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 136.

PRE-EMPTIVE RIGHTS

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

SHARE OPTION SCHEME

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

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

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

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

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

Directors' Report

As at 31 December 2015, there were a total of 22,250,000 outstanding share options granted to directors and certain employees of the Group. These options are conditional on the director or employees completing three to five years' service. Details of which are as follows:

Name or category of participant	Date of grant	Exercise price (HK$)	Number of share options: As at 1 January 2015	Granted during the year	Exercised during the year	Cancelled/ lapsed during the year	As at 31 December 2015	Exercise period
Director								
Mr. Tang Zhonghai	21 December 2010	2.452	600,000	–	–	–	600,000	21 December 2013 to 20 December 2020
Dr. Fukui Tsutomu	23 December 2014	2.364	500,000	–	–	–	500,000	23 December 2017 to 22 December 2024
Mr. Zhang Feng	21 December 2010	2.452	300,000	–	–	–	300,000	21 December 2013 to 20 December 2020
	23 December 2014	2.364	100,000	–	–	–	100,000	23 December 2017 to 22 December 2024
Mr. Kang In Soo (resigned on 24 March 2016)	23 December 2014	2.364	400,000	–	–	–	400,000	23 December 2017 to 22 December 2024
Other employees in aggregate	21 December 2010	2.452	4,600,000	–	–	–	4,600,000	21 December 2013 to 20 December 2020
	23 December 2014	2.364	15,750,000	–	–	–	15,750,000	23 December 2017 to 22 December 2024
Total			22,250,000	–	–	–	22,250,000	

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

SHARE AWARD SCHEME

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

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

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

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

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

During the year, an aggregate of 10,700,000 shares of the Company's existing ordinary shares have been purchased for the share award scheme, a total of 840,000 awarded shares were granted and a total of 4,320,000 shares were vested to directors and Selected Employees. Details of the movements in the Share Award Schemes during the year are set out in Note 19 to the consolidated financial statements. As at 31 December 2015, the independent trustee holds 15,020,000 shares of the Company for the share award scheme.

Directors' Report

As at 31 December 2015, there were a total of 630,000 and 2,934,000 outstanding awarded shares granted but not vested to the directors and Selected Employees of the Company respectively, details of which are as follows:

			Number of Awarded Shares			
Name of directors	**Date of grant**	**As at 1 January 2015**	**Granted during the year**	**Vested during the year**	**As at 31 December 2015**	**Vesting date/period**
Mr. Tang Zhonghai	15 October 2014	900,000	–	450,000	450,000	31 October 2014 to 31 October 2016
Mr. Zhang Feng	15 October 2014	360,000	–	180,000	180,000	31 October 2014 to 31 October 2016
Dr. Fukui Tsutomu	5 May 2015	–	50,000	50,000	–	20 May 2015
Mr. Kang In Soo (resigned on 24 March 2016)	5 May 2015	–	50,000	50,000	–	20 May 2015
Other employees in aggregate	15 October 2014	5,784,000		2,850,000	2,934,000	31 October 2014 to 31 October 2016
	5 May 2015	–	740,000	740,000	–	20 May 2015
Total		7,044,000	840,000	4,320,000	3,564,000	

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 29 December 2014, Jiangsu Daming agrees to purchase, and STSS agrees to supply stainless steel and carbon steel to the Group. For the year ended 31 December 2015, approximately RMB6,385.30 million was paid by the Group to STSS for the supply of 577,266 tonnes of stainless steel and 160,429 tonnes of carbon steels, not exceeding the proposed cap of RMB11,400 million. Details of the above transactions were disclosed in the announcement of the Company dated 29 December 2014.

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 or better; and

(3) in accordance with the relevant agreements governing them on terms that are fair and reasonable and in the interests 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 (Revised) "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants.

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

DIRECTORS

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

Executive Directors

Zhou Keming *(Chairman)*
Xu Xia (resigned on 17 December 2015 and re-appointed on 24 March 2016)
Zou Xiaoping
Tang Zhonghai
Fukui Tsutomu
Zhang Feng
Kang In Soo (resigned on 24 March 2016)

Non-Executive Directors

Jiang Changhong
Shen Dong (appointed on 17 December 2015)

Independent Non-Executive Directors

Cheuk Wa Pang
Hua Min
Chen Xuedong
Lu Daming

In accordance with Article 84 of the Articles of Association of the Company, Mr. Zhou Keming, Mr. Zou Xiaoping, Mr. Tang Zhonghai and Mr. Jiang Changhong will retire from office by rotation at the Company's 2016 Annual General Meeting ("AGM"). All the retiring directors, being eligible, offer themselves for re-election.

In accordance with Article 83.(3) of the Articles of Association of the Company, Mr. Shen Dong and Ms. Xu Xia, were appointed as additional directors of the Company by the Board on 17 December 2015 and 24 March 2016 respectively, shall hold office until the date of the next following AGM of the Company and shall then be eligible for re-election.

The biographical details of Directors are set out on pages 29 to 32 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 2015, 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)]	740,911,000	64.92%
Ms. Xu Xia	Corporate [(1)]	740,911,000	64.92%
Mr. Zou Xiaoping	Family [(2)]	5,000,000	0.48%
Mr. Tang Zhonghai	Personal	1,500,000[(3)]	0.13%
Dr. Fukui Tsutomu	Personal	1,416,000[(4)]	0.12%
Mr. Zhang Feng	Personal	2,000,000[(5)]	0.18%
Mr. Kang In Soo (resigned on 24 March 2016)	Personal	450,000[(6)]	0.04%

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

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

(3) The interest comprises 450,000 shares, 600,000 underlying shares in respect of the share options granted pursuant to the share option scheme and 450,000 underlying shares in respect of the awarded shares granted pursuant to the share award scheme as disclosed under sections headed share option scheme and share award scheme.

(4) The interest comprises 50,000 shares held by Dr. Fukui Tsutomu, 866,000 shares held by Dr. Fukui's spouse, Ms. Mizuho Fukui and 500,000 underlying shares in respect of the share options granted to Dr. Fukui pursuant to the share option scheme as disclosed under section headed share option scheme.

(5) The interest comprises 1,420,000 shares, 400,000 underlying shares in respect of the share options granted pursuant to the share option scheme and 180,000 underlying shares in respect of the awarded shares granted pursuant to the share award scheme as disclosed under sections headed share option scheme and share award scheme.

(6) The interest comprises 50,000 shares, 400,000 underlying shares in respect of the share options granted pursuant to the share option scheme as disclosed under section headed share option scheme.

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

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

(7) As at 31 December 2015, Ally Good Group Limited is the holder of 64.92% of the issued share capital of the Company and is an associated corporation under SFO.

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

Save as disclosed above, as at 31 December 2015, 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 2015, 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	740,911,000[9]	64.92%
Baosteel Group Corporation	103,750,000	9.09%

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

Save as disclosed above, no other parties were recorded in the register of the Company required to be kept under section 336 of the SFO as having interests or short positions in the shares or underlying shares of the Company as at 31 December 2015.

EMOLUMENT POLICY

Details of the Directors' and senior management emoluments and emoluments of the five highest paid individuals in the Group are set out in Note 38 to the consolidated financial statements.

The Group employed a total of 3,235 staffs as at 31 December 2015 (2014: 2,670). There was a 21.2% growth in our workforce in 2015 as compared with 2014. Details of the remuneration cost incurred by the Group are set out in Note 28 to the consolidated financial statements. The increase in headcounts was due to the business expansion of our Group. The remuneration of employees was based on their performance, skills, knowledge, experiences and market trend. The Group reviews the remuneration policies and packages on a regular basis. In addition to basic salaries, employees may be offered with discretionary bonus on individual performance. The Group has also adopted share option scheme and share award scheme for its employees, providing incentives and rewards to eligible participants with reference to their contribution.

MANAGEMENT CONTRACTS

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

SUFFICIENCY OF PUBLIC FLOAT

Based on information that is publicly available to the Company and within the knowledge of the Directors, it is confirmed that there is sufficient public float of the Company's issued shares as at 24 March 2016.

CORPORATE GOVERNANCE

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

AUDIT COMMITTEE

The Audit Committee has discussed with the management and reviewed the audited consolidated financial statements of the Group for the year ended 31 December 2015 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 resigned as an executive director of the Company with effect from 17 December 2015. On 24 March 2016, Ms. Xu was re-appointed as an executive director of the Company.

During 4 January 2016 to 20 January 2016, the independent trustee acquired 1,866,000 shares from the market for the share award scheme.

By Order of the Board,

Zhou Keming
Chairman
Hong Kong, 24 March 2016

Independent Auditor's Report

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 47 to 135, which comprise the consolidated and company statements of financial position as at 31 December 2015, 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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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 2015, 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, 24th March 2016

Consolidated Statement of Financial Position

For the year ended 31 December 2015

		As at 31 December	
		2015	2014
	Note	***RMB'000***	*RMB'000*
ASSETS			
Non-current assets			
Land use rights	*5*	**247,491**	253,203
Property, plant and equipment	*6*	**2,768,514**	2,267,301
Investment properties	*7*	**7,645**	8,221
Intangible assets	*8*	**2,272**	2,461
Deferred income tax assets	*10*	**104,987**	24,096
Other non-current assets	*11*	**53,814**	22,231
		3,184,723	2,577,513
Current assets			
Inventories	*12*	**1,257,126**	1,508,457
Trade receivables	*13*	**201,131**	248,328
Prepayments, deposits and other receivables	*14*	**558,333**	695,070
Restricted bank deposits	*15*	**357,611**	636,158
Cash and cash equivalents	*16*	**194,525**	292,054
		2,568,726	3,380,067
Total assets		**5,753,449**	5,957,580
EQUITY AND LIABILITIES			
Equity attributable to equity holders of the Company			
Share capital	*17*	**97,400**	89,215
Reserves	*18*	**1,704,146**	1,681,085
		1,801,546	1,770,300
Non-controlling interests		**232,324**	235,954
Total equity		**2,033,870**	2,006,254

Consolidated Statement of Financial Position

For the year ended 31 December 2015

	Note	As at 31 December 2015 RMB'000	2014 RMB'000
LIABILITIES			
Non-current liabilities			
Borrowings	22	**765,660**	487,534
Deferred government grants	23	**43,560**	43,452
Deferred income tax liabilities	10	**6,040**	4,329
		815,260	535,315
Current liabilities			
Trade payables	20	**1,391,792**	1,543,748
Accruals, advances from customers and other current liabilities	21	**507,022**	381,237
Current income tax liabilities		**3,308**	33,505
Borrowings	22	**999,472**	1,454,796
Current portion of deferred government grants	23	**2,725**	2,725
		2,904,319	3,416,011
Total liabilities		**3,719,579**	3,951,326
Total equity and liabilities		**5,753,449**	5,957,580

The notes on pages 52 to 135 are an integral part of these consolidated financial statements.

The financial statements were approved by the Board of Directors on 24 March 2016 and were signed on its behalf.

Zhou Keming
Director

Zou Xiaoping
Director

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2015

	Note	Year ended 31 December 2015 RMB'000	2014 RMB'000
Revenue	24	**18,042,786**	19,633,818
Cost of sales	27	**(17,916,959)**	(19,001,776)
Gross profit		**125,827**	632,042
Other income	25	**29,738**	22,814
Other expenses	27	**(3,394)**	(2,243)
Other gain – net	26	**12,615**	2,279
Distribution costs	27	**(156,574)**	(139,111)
Administrative expenses	27	**(206,132)**	(180,004)
Operating (loss)/profit		**(197,920)**	335,777
Finance income	29	**12,588**	17,461
Finance costs	29	**(138,043)**	(119,798)
Finance costs – net	29	**(125,455)**	(102,337)
(Loss)/Profit before income tax		**(323,375)**	233,440
Income tax credit/(expense)	30	**73,010**	(67,552)
(Loss)/Profit for the year		**(250,365)**	165,888
Total comprehensive (loss)/income for the year		**(250,365)**	165,888
Attributable to:			
Equity holders of the Company		**(246,735)**	165,807
Non-controlling interests		**(3,630)**	81
		(250,365)	165,888
(Loss)/Earnings per share for profit attributable to equity holders of the Company during the year (expressed in RMB per share)			
– Basic (loss)/earnings per share	31	**(0.23)**	0.16
– Diluted (loss)/earnings per share	31	**(0.23)**	0.16

The notes on pages 52 to 135 are an integral part of these consolidated financial statements.

Consolidated Statement of Changes in Equity

For the year ended 31 December 2015

	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 2014	89,215	1,519,675	144,068	1,752,958
Comprehensive income				
Profit for the year	–	165,807	81	165,888
Total comprehensive income for the year ended 31 December 2014	–	165,807	81	165,888
Transactions with owners				
Employee share options scheme				
– value of employee services *(Note 19(a))*	–	975	–	975
Employee share award scheme				
– value of employee services *(Note 19(b))*	–	11,577	–	11,577
Capital injection by a non-controlling interest	–	–	80,000	80,000
Partial disposal of a subsidiary	–	(635)	11,805	11,170
Dividends	–	(16,314)	–	(16,314)
Total transactions with owners	–	(4,397)	91,805	87,408
Balance at 31 December 2014	89,215	1,681,085	235,954	2,006,254
Balance at 1 January 2015	89,215	1,681,085	235,954	2,006,254
Comprehensive income				
Loss for the year	–	(246,735)	(3,630)	(250,365)
Total comprehensive income for the year ended 31 December 2015	–	(246,735)	(3,630)	(250,365)
Transactions with owners				
Employee share options scheme				
– value of employee services *(Note 19(a))*	–	4,525	–	4,525
Employee share award scheme				
– value of employee services *(Note 19(b))*	–	12,823	–	12,823
Issue of shares *(Note 17)*	8,185	293,207	–	301,392
Shares held for Share Award Scheme *(Note 19(b))*	–	(24,389)	–	(24,389)
Dividends	–	(16,370)	–	(16,370)
Total transactions with owners	8,185	269,796	–	277,981
Balance at 31 December 2015	97,400	1,704,146	232,324	2,033,870

The notes on pages 52 to 135 are an integral part of these consolidated financial statements.

Consolidated Statement of Cash Flows

For the year ended 31 December 2015

	Note	Year ended 31 December 2015 RMB'000	2014 RMB'000
Cash flows from operating activities			
Cash generated from operations	33(a)	**81,165**	807,907
Interest received		**16,586**	15,248
Interest paid		**(136,582)**	(136,168)
Income tax paid		**(38,117)**	(68,840)
Net cash generated from operating activities		**(76,948)**	618,147
Cash flows from investing activities			
Purchase of property, plant and equipment		**(593,891)**	(512,816)
Purchase of land use rights		**(30,638)**	–
Purchase of intangible assets		**(287)**	(706)
Purchase of investment properties		**–**	(927)
Cash received in relation to asset-related government grants	23	**2,833**	3,530
Proceeds from sale of property, plant and equipment	33(b)	**1,580**	100
Proceeds from disposal of a subsidiary		**–**	11,805
Net cash used in investing activities		**(620,403)**	(499,014)
Cash flows from financing activities			
Proceeds from borrowings		**3,561,619**	2,423,081
Repayments of borrowings		**(3,741,634)**	(1,934,663)
Capital injection by a non-controlling shareholder		**–**	80,000
Issue of shares		**301,392**	–
Dividends paid to the Company's shareholders		**(16,370)**	(16,314)
Proceeds from issuing bank and commercial acceptance notes		**3,146,628**	580,950
Payments relating to bank and commercial acceptance notes		**(2,630,588)**	(1,034,750)
Purchase of shares held for share award scheme		**(24,389)**	–
Net cash from financing activities		**596,658**	98,304
Net (decrease)/increase in cash and cash equivalents		**(100,693)**	217,437
Cash and cash equivalents at beginning of year	16	**292,054**	74,528
Exchange gain on cash and cash equivalents		**3,164**	89
Cash and cash equivalents at end of year	16	**194,525**	292,054

The notes on pages 52 to 135 are an integral part of these consolidated financial statements.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

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 24 March 2016.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

2.1 Basis of preparation

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

The 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

As at 31 December 2015, the Group's current liabilities exceeded its current assets by approximately RMB335,593,000 (31 December 2014: RMB35,944,000). Total equity of the Group amounted to RMB2,033,870,000 and total liability amounted to RMB3,719,579,000. The Group meets its day-to-day working capital requirements mainly through its bank borrowings and facilities with banks in PRC that are refinanced and/or renewed every twelve months in preparing this financial statements, the directors of the Company have considered the Group's available sources of funds as follows:

- The Group's expected a satisfactory growth in the business in 2016;

- The available financing including PRC bank borrowings renewed during the next 12 months, the directors are confident that these bank financing could be renewed and/or extended for at least another twelve months upon renewal based on the Group's past experience and good credit standing; and

- Other available sources of financing from banks and other financial institutions given the Group's credit history and that most of the Group's property, plant and equipment are free of pledge or restriction and would be available to secure further financing.

Having considered the above, the directors of the Company believe that the Group has adequate resources to continue operation for the foreseeable future of not less than 12 months from the approval date of these financial statements. The directors therefore are of the opinion that it is appropriate to adopt the going concern basis in preparing the consolidated financial statements. Further information on the Group's borrowings is given in Note 22.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.1 Basis of preparation (Continued)

2.1.2 Changes in accounting policies and disclosures

(a) New amendments of HKFRS adopted by the Group

The following new amendments of HKFRS are mandatory for the first time for the financial year beginning on or after 1 January 2015.

HKFRS 2 (Amendments)	Share-based Payment
HKFRS 3 (Amendments)	Business Combinations
HKFRS 8 (Amendments)	Operating Segments
HKFRS 9 (Amendments)	Financial Instruments
HKFRS 13 (Amendments)	Fair Value Measurement
HKAS 16 (Amendments)	Property, Plant and Equipment
HKAS 19 (Amendments)	Employee Benefits
HKAS 24 (Amendments)	Related Party Disclosures
HKAS 37 (Amendments)	Provisions, Contingent Liabilities and Contingent Assets
HKAS 38 (Amendments)	Intangible Assets
HKAS 39 (Amendments)	Financial Instruments: Recognition and Measurement, on novation of derivatives
HKAS 40 (Amendments)	Investment property

The adoption of the above new amendments of HKFRS starting from 1 January 2015 did not have any significant impact on the consolidated financial statements.

(b) New Hong Kong Companies Ordinance (Cap. 622)

- In addition, the requirements of Part 9 “Accounts and Audit” of the new Hong Kong Companies Ordinance (Cap. 622) come into operation during the financial year, as a result, there are changes to presentation and disclosures of certain information in the 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)

(c) New standards and interpretations not yet adopted

- Standards, amendments and interpretations to existing standards effective in 2015 but not relevant to the Group.

		Effective for annual periods beginning on or after
Amendment to HKAS 19	Defined benefits	1 July 2014
HKFRS 3	Business combinations	1 July 2014
HKAS 16	Property, plant and equipment	1 July 2014
HKAS 38	Intangible assets	1 July 2014
HKAS 40	Investment property	1 July 2014

(d) The following new standards, new interpretations and amendments to standards and interpretations have been issued but are not effective for the financial year beginning on 1 January 2015 and have not been early adopted:

		Effective for annual periods beginning on or after
Amendments to HKAS 1	Disclosure initiative	1 January 2016
Amendment to HKFRS 11	Joint arrangements	1 January 2016
Amendments to HKFRS 12	Disclosure of interests in other entities	1 January 2016
HKFRS 14	Regulatory deferral accounts	1 January 2016
Amendments to HKAS 16	Property, plant and equipment	1 January 2016
Amendment to HKAS 27	Consolidated and separate financial statements	1 January 2016
Amendments to HKAS 38	Intangible assets	1 January 2016
Amendments to HKAS 41	Agriculture	1 January 2016
HKFRS 9	Financial instruments	1 January 2018
HKFRS 15	Revenue from contracts with customers	1 January 2018
Amendments to HKFRS 10	Consolidated financial statements	1 January 2016
Amendments to HKAS 28	Investment in associates	1 January 2016

Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.1 Basis of preparation (Continued)

2.1.2 Changes in accounting policies and disclosures (Continued)

(d) (Continued)

Apart from the above, the Hong Kong Institute of Certified Public Accountants has issued the annual improvements project which addresses several issues in the 2012-2014 reporting cycle, and includes changes to the following standards. The Group has not applied the following revised HKFRSs published in the annual improvements project.

		Effective for annual periods beginning on or after
HKFRS 5	Non-current assets held for sale and discontinued operations	1 January 2016
HKFRS 7	Financial instruments: Disclosures	1 January 2016
HKAS 19	Employee benefits	1 January 2016
HKAS 34	Interim financial reporting	1 January 2016

The Group intends to adopt these amendments, standards or interpretations no later than the respective effective dates. The Group is assessing the full impact of the above new standards, new interpretations and amendments to standards and interpretations, and doesn't expect any significant impact on the candidate financial statements upon adoption.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Subsidiaries

2.2.1 Consolidation

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

(a) Business combinations

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

Intra-Group transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset. When necessary, amounts reported by subsidiaries have been adjusted to conform with the Group's accounting policies.

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

2. 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.4 Foreign currency translation (Continued)

(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 statement of comprehensive income.

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

(c) *Group companies*

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

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

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.5 Land use rights

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

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

2.6 Property, plant and equipment

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

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

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.6 Property, plant and equipment (Continued)

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

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

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

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

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

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.

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 statement of comprehensive income 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.

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', '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 legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the company or the counterparty.

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

2.11 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.

Notes to the Consolidated Financial Statements
For the year ended 31 December 2015

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.12 Trade and other receivables

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

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

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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.14 Share capital (Continued)

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

2.15 Trade and other payables

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

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

2.16 Borrowings

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

Borrowing costs include interest expense, finance charges in respect of finance lease and exchange differences arising from foreign currency borrowings to the extent that they are regarded as an adjustment to interest costs. The exchange gains and losses that are an adjustment to interest costs include the interest rate differential between borrowing costs that would be incurred if the entity had borrowed funds in its functional currency, and the borrowing costs actually incurred on foreign currency borrowings.

2.18 Current and deferred income tax

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

(a) Current income tax

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.18 Current and deferred income tax (Continued)

(b) Deferred income tax

Inside basis differences

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

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

Outside basis differences

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

(c) Offsetting

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.19 Pension obligations

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

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

The Group's contributions to the defined contribution retirement benefit plans are expensed in the consolidated statement of comprehensive income 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.20 Share-based payments (Continued)

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

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 income statement, with a corresponding adjustment to equity.

In addition, in some circumstances employees may provide services in advance of the grant date and therefore the grant date fair value is estimated for the purposes of recognising the expense during the period between service commencement period and grant date.

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

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

(b) Share-based payment transactions among Group entities

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.21 Provisions

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

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

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

2.22 Government grants

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

Government grants relating to costs are deferred and recognised in the consolidated statement of comprehensive income 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 statement of comprehensive income on a straight-line basis over the expected lives of the related assets.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.23 Revenue recognition

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.

(a) *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.

(b) *Rental income*

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

2.24 Interest income

Interest income is recognised using the effective interest method. When a loan and receivable is impaired, the group reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at the original effective interest rate of the instrument, and continues unwinding the discount as interest income. Interest income on impaired loans and receivables is recognised using the original effective interest rate.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.25 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 statement of comprehensive income 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 statement of comprehensive income on a straight-line basis over the term of the lease.

2.26 Dividend distribution

Dividend distribution to equity holders of the Company is recognised as a liability in the Group's consolidated 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 summarised 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), Hong Kong Dollar (HKD), and Japanese Yen (JPY), which are exposed to foreign currency translation risk. Details of the Group's trade receivables, restricted bank deposits, cash and cash equivalents, trade payables, other payables and borrowings are disclosed in Notes 13, 15, 16, 20, 21 and 22 respectively.

As at 31 December 2015, 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 RMB5,431,000 (2014: RMB9,082,000) lower/higher, mainly as a result of foreign exchange losses/gains on translation of USD-denominated trade receivables, cash and cash equivalents, restricted bank deposit, trade payables and other payables.

As at 31 December 2015, 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 RMB2,772,000 (2014: RMB3,186,000) 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 2015, 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 RMB654,000 (2014: RMB300,000) lower/higher, mainly as a result of foreign exchange losses/gains on translation of HKD-denominated cash and cash equivalents and other payables.

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3. FINANCIAL RISK MANAGEMENT (CONTINUED)

3.1 Financial risk factors (Continued)

(a) Market risk (Continued)

(i) Foreign exchange risk (Continued)

As at 31 December 2015, if RMB had strengthened/weakened by 5% against the JPY with all other variables held constant, profit before income tax for the year would have been approximately RMB32,000 (2014: RMB18,000) higher/lower, mainly as a result of foreign exchange losses/gains on translation of JPY-denominated other payables.

(ii) Cash flow and fair value interest rate risk

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

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

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

As at 31 December 2015, 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 RMB5,770,000 (2014: RMB8,634,000) lower/higher, mainly as a result of higher/lower interest expense on borrowings.

3. FINANCIAL RISK MANAGEMENT (CONTINUED)

3.1 Financial risk factors (Continued)

(a) Market risk (Continued)

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

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

Steel raw material, including stainless steel and carbon steel, accounts for 98.23% of the Group's cost of sales (2014: 98.72%). 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 37% of the Group's annual purchase (2014: 33%). Pursuant to such practice, STSS Group shall reimburse the Group if the purchase price of the stainless steel raw materials that the Group paid to STSS Group is higher than the benchmark selling prices decided by STSS Group based on actual selling prices achieved by STSS Group's key customers, including the Group (after adjusting for bulk purchase discounts and processing fee), subject to STSS Group's sole discretion in determining the actual purchase credit amount and the time in which such purchasing credit would be given to the Group.

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

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

Notes to the Consolidated Financial Statements
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3. FINANCIAL RISK MANAGEMENT (CONTINUED)

3.1 Financial risk factors (Continued)

(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 2015, most of the restricted bank deposits and cash and cash equivalents are placed with highly reputable financial institutions in Mainland China and Hong Kong.

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

	As at 31 December	
	2015	2014
	RMB'000	*RMB'000*
Group 1	**198,961**	294,450
Group 2	**241,797**	546,441
Group 3	**111,115**	87,269
	551,873	928,160

3. FINANCIAL RISK MANAGEMENT (CONTINUED)

3.1 Financial risk factors (Continued)

(b) Credit risk (Continued)

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.

(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.

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3. FINANCIAL RISK MANAGEMENT (CONTINUED)

3.1 Financial risk factors (Continued)

(c) Liquidity risk (Continued)

	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 2015			
Borrowings	999,472	714,672	50,988
Interests payment on borrowings *(a)*	61,195	22,852	1,083
Trade and other payables *(b)*	1,391,792	–	–
	2,452,459	737,524	52,071
At 31 December 2014			
Borrowings	1,454,796	215,000	272,534
Interests payment on borrowings *(a)*	54,278	26,521	17,085
Trade and other payables *(b)*	1,735,430	–	–
	3,244,504	241,521	289,619

(a) The interests on borrowings are calculated based on borrowings held as at 31 December 2015 and 2014 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 2015 and 2014 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.

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3. FINANCIAL RISK MANAGEMENT (CONTINUED)

3.3 Capital management (Continued)

The gearing ratios at 31 December 2015 and 2014 were as follows:

	As at 31 December	
	2015	2014
	RMB'000	*RMB'000*
Total borrowings *(Note 22)*	**1,765,132**	1,942,330
Less: cash and cash equivalents *(Note 16)*	**(194,525)**	(292,054)
Net debt	**1,570,607**	1,650,276
Total equity	**2,019,441**	2,006,254
Total capital	**3,590,048**	3,656,530
Gearing ratio	**43.75%**	45.13%

The decrease in the gearing ratio during 2015 resulted primarily from decrease in total borrowing balance.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

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

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

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS (CONTINUED)

(a) Useful lives of property, plant and equipment

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

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

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

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

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS (CONTINUED)

(c) Net realisable value of inventories

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

(d) Income taxes and deferred income tax

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

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

(e) Share-based payments

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

5. LAND USE RIGHTS

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	
	2015	2014
	RMB'000	*RMB'000*
Opening	**253,203**	205,773
Additions	**–**	53,773
Amortisation charge *(Note 33(a))*	**(5,712)**	(6,343)
	247,491	253,203

The Group's land use rights are located in Mainland China and the remaining lease periods were between 35 years to 49 years as at 31 December 2015.

As at 31 December 2015 and 2014, none of land use rights is pledged as security for the Group's bank borrowings.

For the year ended 31 December 2015, amortisation of the Group's land use rights amounted to RMB5,712,000 has been charged to administrative expenses in the consolidated statement of comprehensive income (2014: RMB6,343,000).

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6. PROPERTY, PLANT AND EQUIPMENT

	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 2014							
Cost	344,960	1,135,883	19,590	25,848	832	661,410	2,188,523
Accumulated depreciation	(52,049)	(296,006)	(9,341)	(15,178)	(550)	–	(373,124)
Net book amount	292,911	839,877	10,249	10,670	282	661,410	1,815,399
Year ended 31 December 2014							
Opening net book amount	292,911	839,877	10,249	10,670	282	661,410	1,815,399
Additions	1,694	7,767	3,460	4,502	–	508,414	525,837
Transfer	81,223	146,396	–	8,620	–	(236,239)	–
Disposals *(Note 33(b))*	–	(109)	(49)	(64)	–	–	(222)
Depreciation *(Note 33(a))*	(11,152)	(55,583)	(3,346)	(3,350)	(282)	–	(73,713)
Closing net book amount	364,676	938,348	10,314	20,378	–	933,585	2,267,301
At 31 December 2014							
Cost	427,877	1,289,931	22,560	38,554	832	933,585	2,713,339
Accumulated depreciation	(63,201)	(351,583)	(12,246)	(18,176)	(832)	–	(446,038)
Net book amount	364,676	938,348	10,314	20,378	–	933,585	2,267,301
Year ended 31 December 2015							
Opening net book amount	364,676	938,348	10,314	20,378	–	933,585	2,267,301
Additions	2,550	6,039	6,889	4,993	–	573,420	593,891
Transfer	315,489	565,241	–	3,849	–	(884,579)	–
Disposals *(Note 33(b))*	–	(68)	(1,248)	(254)	–	–	(1,570)
Depreciation *(Note 33(a))*	(14,018)	(66,778)	(3,955)	(6,357)	–	–	(91,108)
Closing net book amount	668,697	1,442,782	12,000	22,609	–	622,426	2,768,514
At 31 December 2015							
Cost	745,916	1,860,919	26,444	45,280	–	622,426	3,300,985
Accumulated depreciation	(77,219)	(418,137)	(14,444)	(22,671)	–	–	(532,471)
Net book amount	668,697	1,442,782	12,000	22,609	–	622,426	2,768,514

6. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

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

As at 31 December 2015, assets under such restriction amounted to RMB295,000,000 (2014: RMB320,000,000)

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

	Year ended 31 December	
	2015	2014
	RMB'000	*RMB'000*
Cost of sales	**76,731**	60,585
Distribution costs	**778**	632
Administrative expenses	**13,599**	12,496
	91,108	73,713

As at 31 December 2015, bank borrowings of EUR2,940,000 (equivalent to approximately RMB20,860,000) were secured by pledge of machinery with the carrying amount of EUR4,200,000 (equivalent approximately to RMB29,800,000) (Note 22).

As at 31 December 2014, no machinery were pledged as security for bank borrowings.

For the year ended 31 December 2015, borrowing costs amounted to approximately RMB21,823,000 (2014: RMB13,307,000) were capitalised into the cost of property, plant and equipment at an average borrowing rate of 5.66% (2014: 6.07%) per annum.

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7. INVESTMENT PROPERTIES

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

	Year ended 31 December	
	2015	2014
	RMB'000	*RMB'000*
Opening net book amount	**8,221**	7,758
Additions	**–**	928
Depreciation *(Note 33(a))*	**(576)**	(465)
Closing net book amount	**7,645**	8,221
Cost	**11,037**	11,037
Accumulated depreciation	**(3,392)**	(2,816)
Net book amount	**7,645**	8,221

For the year ended 31 December 2015, the rental income arising from investment properties amounted to approximately RMB500,000 (2014: RMB500,000) (Note 25).

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

	Year ended 31 December	
	2015	2014
	RMB'000	*RMB'000*
Not later than 1 year	**500**	500

As at 31 December 2015, the management assessed the fair value of the investment properties to be approximately RMB16,330,000 (2014: RMB16,009,000) based on a valuation by an independent valuer.

8. INTANGIBLE ASSETS

Intangible assets mainly consist of computer software purchased:

	Year ended 31 December	
	2015	2014
	RMB'000	*RMB'000*
At beginning of year		
Cost	**4,909**	4,204
Accumulated amortisation	**(2,448)**	(2,002)
Net book amount	**2,461**	2,202
Opening net book amount	**2,461**	2,202
Additions	**286**	705
Amortisation *(Note 33(a))*	**(475)**	(446)
Closing net book amount	**2,272**	2,461
At end of year		
Cost	**5,196**	4,909
Accumulated amortisation	**(2,924)**	(2,448)
Net book amount	**2,272**	2,461

For the year ended 31 December 2015, amortisation of the Group's intangible assets amounted to RMB475,000 has been charged to administrative expenses in the consolidated statement of comprehensive income (2014: RMB446,000).

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9. SUBSIDIARIES

The following is a list of the principal subsidiaries at 31 December 2015:

Company name	Country/ Place and date of incorporation	Type of legal entity	Paid-up capital	Attributable equity interest to the Company		Principal activities and place of operation
				Direct	Indirect	
Allybest Investments Limited ("Allybest")	British Virgin Islands 10 July 2006	Limited liability company	USD20,000	100%	–	Investment holding, in BVI
Fortune Express Industrial Limited ("Fortune Express")	Hong Kong 14 July 2003	Limited liability company	HKD10,000	–	100%	Investment holding, in Hong Kong
Jiangsu Daming Metal Products Co., Ltd. ("Jiangsu Daming")	Mainland China 21 June 2002	Limited liability company	USD88,500,000	–	100%	Processing, distribution and sales of stainless steel products, in the PRC
Hangzhou Wanzhou Metal Products Co., Ltd. ("Hangzhou Wanzhou")	Mainland China 8 December 2005	Limited liability company	USD26,000,000	–	95%	Processing, distribution and sales of stainless steel products, in the PRC
Wuhan Fortune Express Metal Products Co., Ltd. ("Wuhan Fortune")	Mainland China 28 September 2005	Limited liability company	USD3,000,000	–	100%	Processing, distribution and sales of stainless steel products, in the PRC
Tianjin Taigang Daming Metal Products Co., Ltd. ("Tianjin Taigang Daming")	Mainland China 15 February 2007	Limited liability company	USD36,500,000	–	91%	Processing, distribution and sales of stainless steel products, in the PRC
Daming Metals (Hong Kong) Company Limited ("Hong Kong Daming")	Hong Kong 30 November 2009	Limited liability company	USD2,000,000	–	100%	Purchase and sales of metal materials, in Hong Kong

9. 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	RMB100,000,000	–	100%	Processing, distribution and sales of stainless steel products, in the PRC
Taiyuan Taigang Daming Metal Products Co., Ltd. ("Taiyuan Taigang Daming")	Mainland China 26 July 2011	Limited liability company	RMB500,000,000	–	60%	Processing, distribution and sales of stainless steel products, in the PRC
Daming Heavy Industry Co., Ltd. ("Jingjiang Daming Heavy Industry")	Mainland China 14 March 2012	Limited liability company	USD70,000,000	–	100%	Processing, distribution and sales of stainless steel products, in the PRC
Daming Metal Products Wuxi Co., Ltd. ("Qianzhou Daming")	Mainland China 11 April 2012	Limited liability company	RMB30,000,000	–	100%	Processing, distribution and sales of stainless steel products, in the PRC
Hubei Daming Metal Technology Co., Ltd. ("Hubei Daming")	Mainland China 22 October 2012	Limited liability company	RMB150,000,000	–	100%	Processing, distribution and sales of stainless steel products, in the PRC
Shenyang Daming Fortune Metals Products Co., Ltd. ("Shenyang Daming")	Mainland China 15 March 2013	Limited liability company	RMB3,000,000	–	100%	Distribution and sales of stainless steel products, in the PRC
Jiangsu Daming Allybest Trading Co., Ltd. ("Allybest Trading")	Mainland China 23 December 2013	Limited liability company	RMB10,000,000	–	100%	Sales of stainless steel products, in the PRC
Zibo Daming Fortune Metals Products Co., Ltd. ("Zibo Daming")	Mainland China 13 January 2014	Limited liability company	RMB8,000,000	–	100%	Distribution and sales of stainless steel products, in the PRC

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9. 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
Daming Metal Technology Co., Ltd. ("Daming Metal Technology")	Mainland China 9 June 2014	Limited liability company	USD30,000,000	–	100%	Processing, distribution and sales of steel products, in the PRC
Daming International Import & Export Co., Ltd. ("Daming Import & Export")	Mainland China 17 June 2014	Limited liability company	RMB58,000,000	–	100%	Distribution and sales of stainless steel products and fixed assets, in the PRC

10. DEFERRED INCOME TAX

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

	As at 31 December 2015 RMB'000	2014 RMB'000
Deferred income tax assets:		
– Deferred tax assets to be recovered after more than 12 months	**64,555**	8,588
– Deferred tax assets to be recovered within 12 months	**40,432**	15,508
	104,987	24,096
Deferred income tax liabilities:		
– Deferred tax liabilities to be settled after more than 12 months	**5,629**	4,329
– Deferred tax liabilities to be settled within 12 months	**411**	–
	6,040	4,329

10. DEFERRED INCOME TAX (CONTINUED)

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

	Provision for write-down of inventories *RMB'000*	Deferred income *RMB'000*	Accrued expenses *RMB'000*	Provision for impairment of receivables *RMB'000*	Pre-operating expenses *RMB'000*	Tax losses *RMB'000*	Total *RMB'000*
At 1 January 2014	10,331	2,764	1,095	461	50	4,038	18,739
Recognised in the consolidated statement of comprehensive income	(655)	6,330	712	(200)	(50)	(780)	5,357
At 31 December 2014	9,676	9,094	1,807	261	–	3,258	24,096
Recognised in the consolidated statement of comprehensive income	645	202	(557)	(50)	–	80,651	80,891
At 31 December 2015	10,321	9,296	1,250	211	–	83,909	104,987

The Group's major subsidiaries in mainland such as Jiangsu Daming, Hangzhou Wanzhou, Tianjin Taigang Daming, Hubei Daming, Daming Metal Technology, Jingjiang Daming Heavy Industry, Allybest Trading and Zibo Daming, incurred business losses in Year 2015, mainly caused by the drop of steel prices and sluggish market environment. Considering the maturity of deep processing technology and processing capacity of these processing centres and increasing market demand, the management of the Group make the assessment of five-year profit forecast, and estimate the future taxable profit stream is optimistic and sufficient, and RMB83,909,000 temporary difference in respect of tax losses from these major processing centres will be fully recoverable in future.

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 RMB4,016,000 (2014: RMB3,019,000) in respect of accumulated losses amounting to RMB23,476,000 (2014: RMB18,302,000) that can be carried forward against future taxable income. Accumulated losses amounting to RMB1,692,000 can be carried forward in next five years, and accumulated losses amounting to RMB21,784,000 can be carried forward indefinitely.

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10. DEFERRED INCOME TAX (CONTINUED)

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

	Interest expenses on capitalised property, plant and equipment	Withholding tax	Accelerated tax depreciation	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January 2014	756	1,850	–	2,606
Recognised in the consolidated comprehensive income statements	1,462	(100)	361	1,723
At 31 December 2014	2,218	1,750	361	4,329
Recognised in the consolidated comprehensive income statements	3,598	(1,750)	(137)	1,711
At 31 December 2015	5,816	–	224	6,040

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.

None of deferred income tax liabilities (2014: RMB1,750,000) has been recognised for the withholding tax that would be payable on the estimate of earnings of certain subsidiary incorporated in Mainland China for 2015 that are expected to be distributed in the foreseeable future. Unremitted earnings that deferred income tax liabilities have not been recognised totaled RMB454,350,000 as at 31 December 2015 (2014: RMB649,105,000).

11. OTHER NON-CURRENT ASSETS

Other non-current assets mainly represent prepayment for purchase of land use rights or other long-term deposits. As at 31 December 2015, the certificates of land use rights have not been issued.

12. INVENTORIES

	As at 31 December	
	2015	2014
	RMB'000	*RMB'000*
Raw materials	**796,952**	949,327
Finished goods	**460,174**	559,130
	1,257,126	1,508,457

The cost of materials recognised as cost of sales amounted to approximately RMB17,603,744,000 (2014: RMB18,762,336,000).

A provision of RMB4,201,000 was provided as at 31 December 2015 and as at 31 December 2014, the Group had reversed approximately RMB2,798,000 for the previous write-down of inventories to their net realisable value (Note 27). These amounts have been included in the cost of sales in the consolidated statement of comprehensive income.

As at 31 December 2015, bank borrowings of approximately RMB55,715,000 were pledged by raw materials with the carrying amount of approximately RMB55,715,000 (2014: RMB51,291,000) (Note 22).

13. TRADE RECEIVABLES

	As at 31 December	
	2015	2014
	RMB'000	*RMB'000*
Accounts receivable	**135,191**	132,819
Notes receivable		
– bank acceptance notes	**60,168**	107,178
– commercial acceptance notes	**6,572**	9,203
	201,931	249,200
Less: provision for impairment	**(800)**	(872)
Trade receivables – net	**201,131**	248,328

13. TRADE RECEIVABLES (CONTINUED)

The fair values of trade receivables approximate their carrying amounts.

As at 31 December 2015, bank acceptance notes of RMB37,800,000 were pledged as security for notes payable for the Group (Note 20), and accounts receivable of RMB35,000,000 were pledged as security for bank borrowing for the Group (Note 22).

As at 31 December 2014, bank acceptance notes of RMB38,083,000 were pledged as security for letter of credit for the Group (Note 20).

The majority of the Group's sales are made on (i) cash on delivery; (ii) bank or commercial acceptance notes with maturity within 6 months; and (iii) credit terms of 1-90 days. At 31 December 2015 and 2014, the aging analysis of trade receivables was as follows:

	As at 31 December	
	2015	2014
	RMB'000	*RMB'000*
Accounts receivable		
– Within 30 days	**112,845**	118,660
– 30 days to 3 months	**5,025**	13,562
– 3 months to 6 months	**17,189**	58
– 6 months to 1 year	**46**	100
– 1 year to 2 years	**86**	21
– 2 years to 3 years	**–**	418
	135,191	132,819
Notes receivable		
– Within 6 months	**66,740**	116,381
	201,931	249,200

13. TRADE RECEIVABLES (CONTINUED)

As at 31 December 2015, trade receivables of approximately RMB72,242,000 (2014: RMB27,713,000) 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	
	2015	2014
	RMB'000	*RMB'000*
Accounts receivable		
– Within 30 days	**58,314**	22,979
– 30 days to 3 months	**4,926**	4,576
– 3 months to 6 months	**8,956**	58
– 6 months to 1 year	**46**	100
	72,242	27,713

As at 31 December 2015, trade receivables of approximately RMB800,000 (2014: RMB872,000) were impaired and the amount of the provision for impairment was approximately RMB800,000 (2014: RMB872,000). The impairment was assessed individually for individual significant or long aging balances. The aging of these receivables was as follows:

	As at 31 December	
	2015	2014
	RMB'000	*RMB'000*
Accounts receivable		
– Within 1 year	**714**	433
– 1 year to 2 years	**86**	21
– 2 years to 3 years	**–**	418
	800	872

13. TRADE RECEIVABLES (CONTINUED)

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

	As at 31 December	
	2015	2014
	RMB'000	*RMB'000*
RMB	**187,224**	217,826
USD	**14,707**	31,374
	201,931	249,200

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	
	2015	2014
	RMB'000	*RMB'000*
Group 1	**60,168**	107,178
Group 2	**141,763**	141,583
Group 3	**–**	439
	201,931	249,200

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

13. TRADE RECEIVABLES (CONTINUED)

Movements of the provision for impairment of trade receivables were:

	As at 31 December	
	2015	2014
	RMB'000	*RMB'000*
At 1 January	**872**	1,781
Provision/(Reversal) for trade receivables *(Note 27)*	**380**	(267)
Written off as uncollectible	**(452)**	(642)
At 31 December	**800**	872

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

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

14. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	As at 31 December	
	2015	2014
	RMB'000	*RMB'000*
Prepayment for purchase of raw materials	**362,418**	534,146
Value – added tax recoverable	**170,252**	144,768
Export tax refund	**11,675**	4,303
Deposits and other receivables	**13,988**	11,853
	558,333	695,070

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

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15. RESTRICTED BANK DEPOSITS

	As at 31 December	
	2015	2014
	RMB'000	*RMB'000*
Restricted bank deposits denominated in:		
– RMB	**357,611**	631,143
– USD	**–**	4,546
– EUR	**–**	469
	357,611	636,158

The nature of restricted bank deposits was as follows:

	As at 31 December	
	2015	2014
	RMB'000	*RMB'000*
Deposits for issuing letter of credit	**134,590**	132,230
Deposits for issuing notes payable *(Note 20)*	**222,646**	502,927
Deposits for letter of credit facility	**375**	1,001
	357,611	636,158

As at 31 December 2015, the weighted average interest rate on restricted bank deposits was 1.28% (2014: 2.94%) per annum, and these deposits have an approximate average maturity 121 days (2014: 93 days).

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

16. CASH AND CASH EQUIVALENTS

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

Cash and cash equivalents were denominated in the following currencies:

	As at 31 December	
	2015	2014
	RMB'000	*RMB'000*
RMB	**88,308**	263,949
USD	**83,138**	19,416
HKD	**8,447**	8,682
EUR	**14,632**	7
	194,525	292,054

As at 31 December 2015, cash at bank were demand deposits and the weighted average interest rates was 0.18% per annum (2014: 0.32%).

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.

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17. SHARE CAPITAL

	Authorised share capital		
	Number of shares *'000*	*HKD'000*	*RMB'000*
As at 31 December 2014 and 2015 (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 2014 (ordinary shares of HKD0.10 each)	1,037,500	103,750	89,215
– Proceeds from shares issued	103,750	10,375	8,185
As at 31 December 2015 (ordinary shares of HKD0.10 each)	1,141,250	114,125	97,400

On 26 June 2015, Baosteel Stainless Steel Co., Ltd. ("BSS") and the Company entered into the Subscription Agreement where BSS subscribed for 103,750,000 new shares of the Company at the total Subscription Price of HKD3.69 per share approximately HKD382.8 million (being approximately RMB301.4 million). The issued shares possess the same authority as the then existing shares.

18. RESERVES

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

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18. RESERVES (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 2015	392,657	48,611	112,314	23,688	1,103,815	1,681,085
Comprehensive income						
Loss for the year	–	–	–	–	(246,735)	(246,735)
Total comprehensive Income for the year ended 31 December 2015	–	–	–	–	(246,735)	(246,735)
Transaction with owners						
Issue of shares *(Note 17)*	293,207	–	–	–	–	293,207
Appropriation to statutory reserves	–	–	1,481	–	(1,481)	–
Employee share options scheme- value of employee services *(Note 19(a))*	–	–	–	4,525	–	4,525
Share award scheme *(Note 19(b))*	12,823	–	–	–	–	12,823
Vesting of award shares *(Note 19(b))*	(5,298)	–	–	5,298	–	–
Shares held for share award scheme	–	–	–	(24,389)	–	(24,389)
Dividends	–	–	–	–	(16,370)	(16,370)
Total transaction with owners for the year ended 31 December 2015	300,732	–	1,481	(14,566)	(17,851)	269,796
Balance at 31 December 2015	693,389	48,611	113,795	9,122	839,229	1,704,146

18. RESERVES (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 option schemes (Note 19(a)) and shares held for Share Award Schemes (Note 19(b)).

(d) Retained earnings

The directors do not recommend payment of a final dividend in respect of the year ended 31 December 2015.

The dividends actually paid in 2015 were RMB16,370,000 based on the number of issued shares outstanding at relevant time (Note 32).

19. SHARE-BASED PAYMENTS

(a) Share option schemes

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

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

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

	2015		2014	
	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	**2.386**	**22,250**	2.452	5,500
Forfeited	**2.452**	**(20)**	–	–
Granted	**–**	**–**	2.364	16,750
At 31 December	**2.386**	**22,230**	2.386	22,250

19. SHARE-BASED PAYMENTS (CONTINUED)

(a) Share option schemes (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)* 2015	2014
21 December 2013	20 December 2020	2.452	**1,644**	1,650
21 December 2014	20 December 2020	2.452	**1,644**	1,650
21 December 2015	20 December 2020	2.452	**2,192**	2,200
23 December 2017	22 December 2024	2.364	**6,700**	6,700
23 December 2017	22 December 2024	2.364	**5,025**	5,025
23 December 2017	22 December 2024	2.364	**5,025**	5,025
			22,230	22,250

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

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

19. SHARE-BASED PAYMENTS (CONTINUED)

(b) Share award schemes

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

An aggregate of 13,336,000 shares of the Company's existing ordinary shares have been purchased during year 2011 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.

An aggregate of 10,700,000 shares of the Company's existing ordinary shares have been purchased during year 2015 by an independent trustee in the market out of cash HKD30,000,000 (equivalent to RMB24,388,650) 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. As at 31 December 2015, the un-utilized cash balance is HKD4,258,000 (equivalent to RMB3,567,000).

Pursuant to a Board of Directors' resolution dated 5 May 2015, 840,000 shares were awarded to employees, such shares are vested over a period of three years.

19. SHARE-BASED PAYMENTS (CONTINUED)

(b) Share award schemes (Continued)

Movements in the number of shares held for the Share Award Schemes and awarded shares for the year ended 31 December 2015 is as follows:

	Number of shares held for the Share Award Schemes	Number of awarded shares	Total
At 1 January 2015	1,596,000	7,044,000	8,640,000
Purchased	10,700,000	–	10,700,000
Granted *(Note 18)*	(840,000)	840,000	–
Vested and trasnsferred	–	(4,320,000)	(4,320,000)
At 31 December 2015	11,456,000	3,564,000	15,020,000
Vested but not transferred as at 31 December 2015			–

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

The weighted average fair value of awarded shares granted during the year ended 31 December 2015 was HKD4.22 per share (equivalent to approximately RMB3.33 per share).

The outstanding awarded shares as of 31 December 2015 will be vested on 31 October 2016.

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20 TRADE PAYABLES

	As at 31 December	
	2015	2014
	RMB'000	*RMB'000*
Accounts payable	**378,312**	226,328
Notes payable *(i)*	**1,013,480**	1,317,420
	1,391,792	1,543,748

(i) Notes payable of RMB475,940,000 (2014: RMB938,920,000) was secured by restricted bank deposits of approximately RMB207,654,000 (2014: RMB502,927,000) (Note 15).

(ii) As at 31 December 2015, bank acceptance notes of RMB37,800,000 were pledged as security for notes payable for the Group (Note 13).

As at 31 December 2014, bank acceptance notesof RMB38,083,000 were pledged as security for letter of credit for the Group (Note 13).

(iii) The Group discounted certain of its notes payable and letter of credit arisen from intraGroup material transaction for the Group's financing needs.Such arrangement is for financing need of the Group. As a result, the associated cashflow is classified as financing cashflow.

The aging analysis of the trade payables was as follows:

	As at 31 December	
	2015	2014
	RMB'000	*RMB'000*
Within 6 months	**1,391,578**	1,543,740
6 months to 1 year	**206**	8
1 year to 2 years	**8**	–
	1,391,792	1,543,748

20 TRADE PAYABLES (CONTINUED)

Trade payables are denominated in the following currencies:

	As at 31 December	
	2015	2014
	RMB'000	*RMB'000*
RMB	**1,368,219**	1,525,421
USD	**23,565**	18,327
EUR	**8**	–
	1,391,792	1,543,748

The fair values of trade payables approximate their carrying amounts.

21. ACCRUALS, ADVANCES FROM CUSTOMERS AND OTHER CURRENT LIABILITIES

	As at 31 December	
	2015	2014
	RMB'000	*RMB'000*
Accruals	**4,059**	5,610
Advances from customers	**179,179**	184,469
Value-added tax payable	**30,859**	391
Other taxes payables	**15,129**	7,091
Other payables *(a)*	**277,796**	183,676
	507,022	381,237

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

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

	As at 31 December	
	2015	2014
	RMB'000	*RMB'000*
Pension and other social welfare payables	**12,643**	13,139
Payables for purchase of property, plant and equipment and land use rights	**200,952**	117,458
Salary payables	**45,238**	37,695
Others	**18,963**	15,384
	277,796	183,676

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

Accruals and other current liabilities were denominated in the following currencies:

	As at 31 December	
	2015	2014
	RMB'000	*RMB'000*
RMB	**445,182**	311,319
EUR	**52,653**	64,199
USD	**5,796**	2,687
HKD	**2,755**	2,678
JPY	**636**	354
	507,022	381,237

22. BORROWINGS

	As at 31 December	
	2015	2014
	RMB'000	*RMB'000*
Non-current		
Bank borrowings	**711,945**	366,332
Borrowing under finance lease arrangement	**53,715**	121,202
	765,660	487,534
Current		
Bank borrowings	**933,032**	1,391,998
Borrowing under finance lease arrangement	**66,440**	62,798
	999,472	1,454,796
Representing:		
Bank borrowings		
– Unsecured	**1,380,500**	1,534,089
– Secured *(a)*	**111,575**	51,291
– Guaranteed *(b)*	**152,902**	172,950
Finance lease arrangement *(c)*	**120,155**	184,000
	1,765,132	1,942,330

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22. BORROWINGS (CONTINUED)

(a) As at 31 December 2015, bank borrowings of approximately RMB55,715,000 (2014: RMB51,291,000) were secured by pledge of raw materials with the carrying amount of approximately RMB55,715,000 (2014: RMB51,291,000) (Note 12), and;

As at 31 December 2015, accounts receivable of RMB35,000,000 were pledged as security for bank borrowing for the Group (Note 13), and;

As at 31 December 2015, bank borrowings of EUR2,940,000 (equivalent to approximately RMB20,860,000) were secured by pledge of machinery with the carrying amount of EUR4,200,000 (equivalent to approximately RMB29,800,000) (Note 6).

(b) As at 31 December 2015, bank borrowings of RMB152,902,000 (2014: RMB172,950,000) were guaranteed by Jiangsu Daming and Taiyuan Iron & Steel (Group) Co., Ltd. together, and;

(c) Finance lease arrangement for machineries repayment by instalment over three years carry an effective interest rate of 4.93% (2014: 6.04%) per annum and has restriction on the Group's machinery (Note 6).

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

	As at 31 December	
	2015	2014
	RMB'000	*RMB'000*
At fixed rates in RMB	**899,369**	1,094,773
At fixed rates in USD	**–**	81,156
At fixed rates in EUR	**20,860**	–
	920,229	1,175,929
At floating rates in RMB	**844,903**	629,644
At floating rates in USD	**–**	136,757
	844,903	766,401
	1,765,132	1,942,330

22. BORROWINGS (CONTINUED)

The weighted average effective interest rates per annum at 31 December 2015 and 2014 were as follows:

	As at 31 December	
	2015	2014
	RMB'000	*RMB'000*
RMB	**5.21%**	6.07%
USD	**2.31%**	2.97%
EUR	**1.56%**	3.48%

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

	As at 31 December	
	2015	2014
	RMB'000	*RMB'000*
Within 6 months	**1,184,054**	1,635,830
6 months to 1 year	**165,418**	170,298
1 year to 5 years	**415,660**	136,202
	1,765,132	1,942,330

The fair values of borrowings approximate their carrying amounts.

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23. DEFERRED GOVERNMENT GRANTS

	As at 31 December	
	2015	2014
	RMB'000	*RMB'000*
Deferred government grants	**46,285**	46,177
Less: Current portion included in current liabilities	**(2,725)**	(2,725)
	43,560	43,452

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

	Year ended 31 December	
	2015	2014
	RMB'000	*RMB'000*
Beginning balance of the year	**46,177**	26,350
Granted during the year	**2,833**	22,530
Amortised as income *(Note 25)*	**(2,725)**	(2,703)
Ending balance of the year	**46,285**	46,177

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

24. REVENUE AND SEGMENT INFORMATION

	Year ended 31 December	
	2015	2014
	RMB'000	*RMB'000*
Sales of goods	**18,042,786**	19,633,818

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 2015, none of the customers of the Group from whom the revenue amounted to 10% or more of the Group's revenue (2014: None).

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

	Year ended 31 December	
	2015	2014
	RMB'000	*RMB'000*
– Mainland China	**17,536,122**	19,065,548
– Hong Kong and other overseas countries and regions *(i)*	**506,664**	568,270
Total sales	**18,042,786**	19,633,818

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

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25. OTHER INCOME

	Year ended 31 December	
	2015	2014
	RMB'000	*RMB'000*
Sales of scraps and packaging materials	**15,322**	12,973
Subsidy income	**7,394**	2,815
Amortisation of deferred government grants *(Note 23)*	**2,725**	2,703
Rental income *(Note 35(b))*	**500**	500
Others	**3,797**	3,823
	29,738	22,814

26. OTHER GAIN – NET

	Year ended 31 December	
	2015	2014
	RMB'000	*RMB'000*
Gains/(Losses) on disposal of property, plant and equipment – net *(Note 33(a))*	**10**	(122)
Foreign exchange gain – net	**13,127**	4,146
Others	**(522)**	(1,745)
	12,615	2,279

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	
	2015	2014
	RMB'000	*RMB'000*
Changes in inventories of finished goods	**98,445**	80,804
Raw materials consumed	**17,505,299**	18,681,532
Stamp duty, property tax and other surcharges	**19,590**	18,994
Transportation costs	**94,448**	82,261
Employee benefit expenses, including directors' emoluments *(Note 28)*	**352,155**	273,071
Depreciation and amortisation *(Notes 5, 6, 7, 8)*	**97,871**	80,967
Operating lease rental for buildings	**4,279**	2,029
Utilities charges	**23,550**	21,278
Provision/(Reversal of) for write-down of inventories *(Notes 12, 33 (a))*	**4,201**	(2,798)
Auditors' remuneration-audit services	**2,850**	2,800
Provision/(Reversal of) for impairment of trade receivables *(Notes 13, 33 (a))*	**380**	(267)
Entertainment and travelling expenses	**26,321**	32,433
Professional service expenses	**2,080**	1,204
Bank charges	**8,294**	9,214
Others	**43,296**	39,612
	18,283,059	19,323,134

28. EMPLOYEE BENEFIT EXPENSES

	Year ended 31 December	
	2015	2014
	RMB'000	*RMB'000*
Salaries, bonus and other welfares	**317,614**	244,657
Pension – defined contribution plans *(a)*	**17,193**	15,862
Share award granted to directors and employees	**12,823**	11,577
Share options granted to directors and employees	**4,525**	975
	352,155	273,071

(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 2014 and 2015, the Group is required to make monthly defined contributions to these plans at rates from 12% to 22%, with the base of their total salary subject to a certain ceiling.

The Group has arranged for its Hong Kong employees to join the MPF Scheme, a defined contribution scheme managed by an independent trustee. Under the MPF Scheme, each of the Group (the employer) and its employees make monthly contributions to the scheme at 5% of the employees' earnings as defined under the Mandatory Provident Fund legislation. The monthly contributions of each of the employer and the employee are subject to a cap of HKD1,500 during the year ended 31 December 2015, 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. FINANCE COSTS – NET

	Year ended 31 December	
	2015	2014
	RMB'000	*RMB'000*
Finance costs:		
Interest expenses on borrowings	**104,292**	85,344
Interest expenses on bank and commercial acceptance notes and letter of credit	**52,757**	48,321
Exchange loss/(gain) – net	**2,817**	(560)
	159,866	133,105
Less: amounts capitalised on qualifying assets *(Note 6)*	**(21,823)**	(13,307)
Total finance costs	**138,043**	119,798
Finance income:		
Interest income *(Note 33(a))*	**(12,588)**	(17,461)
Finance costs – net	**125,455**	102,337

30. INCOME (CREDIT)/TAX EXPENSE

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

	Year ended 31 December	
	2015	2014
	RMB'000	*RMB'000*
Current income tax		
– Mainland China corporate income tax	**6,171**	70,275
Deferred income tax credit *(Note 10)*	**(79,181)**	(2,723)
	(73,010)	67,552

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

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

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

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

Jiangsu Daming, Daming Precision Sheet, Jinjiang Daming Heavy Industry, Qianzhou Daming, Hubei Daming, Taiyuan Taigang Daming, Hangzhou Wanzhou, Wuhan Fortune, Tianjin Taigang, Shenyang Daming, Allybest Trading, Zibo Daming, Daming Metal Technology and Daming Import & Export are subject to corporate income tax rate of 25% for the year 2015.

30. INCOME (CREDIT)/TAX EXPENSE (CONTINUED)

The tax on the Group's (loss)/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	
	2015	2014
	RMB'000	*RMB'000*
(Loss)/Profit before income tax	**(323,375)**	233,440
Tax calculated at tax rates applicable to profits of the respective subsidiaries	**(78,836)**	60,030
Expenses not deductible for tax purpose	**6,119**	5,769
Effect of withholding tax on certain unremitted profits of a subsidiary in Mainland China	**–**	1,750
Difference of prior year tax filing arisen from additional deduction of R&D expenditures	**(1,494)**	–
Difference of prior year tax filing from others	**204**	384
Tax losses for which no deferred income tax asset was recognised	**997**	544
Tax exemption of withholding tax on prior year's certain unremitted profits of subsidiary in Mainland China	**–**	(925)
Income tax (credit)/expense	**(73,010)**	67,552
The weighted average applicable tax rates	**24.38%**	25.72%

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31. (LOSS)/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.

	Year ended 31 December	
	2015	2014
	RMB'000	*RMB'000*
(Loss)/Profit attributable to equity holders of the Company *(thousands)*	**(246,735)**	165,807
Weighted average number of ordinary shares in issue *(thousands)*	**1,087,527**	1,037,500
Basic (loss)/earnings per share *(RMB per share)*	**(0.23)**	0.16

(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.

31. (LOSS)/EARNINGS PER SHARE (CONTINUED)

(b) Diluted (Continued)

	Year ended 31 December	
	2015	2014
	RMB'000	*RMB'000*
Earnings		
(Loss)/Profit attributable to equity holders of the Company	**(246,735)**	165,807
Weighted average number of ordinary shares in issue *(thousands)*	**1,087,527**	1,037,500
Adjustments for Share option plan *(thousands)*	**232**	80
Weighted average number of ordinary shares for diluted earnings per share *(thousands)*	**1,087,759**	1,037,580
Diluted (loss)/earnings per share *(RMB per share)*	**(0.23)**	0.16

32. DIVIDENDS

	As at 31 December	
	2015	2014
	RMB'000	*RMB'000*
Proposed final dividend	**–**	16,370

The directors do not recommend payment of a final dividend in respect of the year ended 31 December 2015.

The dividends actually paid in 2015 and 2014 were RMB16,370,000 and RMB16,314,000 respectively based on the number of issued shares outstanding at relevant time.

Notes to the Consolidated Financial Statements
For the year ended 31 December 2015

33. NOTES TO CONSOLIDATED STATEMENT OF CASH FLOWS

(a) Cash generated from operations

	Year ended 31 December 2015 RMB'000	2014 RMB'000
(Loss)/Profit before income tax	**(323,375)**	233,440
Adjustments for:		
– amortisation of land use rights *(Note 5)*	**5,712**	6,343
– depreciation of property, plant and equipment *(Note 6)*	**91,108**	73,713
– amortisation of intangible assets *(Note 8)*	**475**	446
– depreciation of investment properties *(Note 7)*	**576**	465
– amortisation of deferred income *(Note 23)*	**(2,725)**	(2,703)
– (gains)/losses on disposal of property, plant and equipment *(Note 26)*	**(10)**	122
– provision for/(reversal of) impairment of trade receivables *(Note 27)*	**380**	(267)
– provision for/(reversal of) write down of inventories *(Note 27)*	**4,201**	(2,798)
– interest income *(Note 29)*	**(12,588)**	(17,461)
– finance costs *(Note 29)*	**138,043**	119,798
– employee share options scheme-value of employee services *(Note 19(a))*	**4,525**	975
– employee share award scheme-value of employee services *(Note 19(b))*	**12,823**	11,577
– reversal of deferred income liability	**–**	(925)
– partial disposal of a subsidiary	**–**	(635)
	(80,855)	422,090
Changes in working capital:		
– decrease/(increase) in restricted bank deposits	**278,547**	(177,166)
– decrease in trade receivables, prepayments, deposits and other receivables	**175,447**	103,112
– decrease in inventories	**247,130**	20,311
– (decrease)/increase in trade payables, current income tax liabilities, accruals and other payables	**(539,104)**	439,560
Cash generated from operations	**81,165**	807,907

33. 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	
	2015	2014
	RMB'000	*RMB'000*
Net book amount *(Note 6)*	**1,570**	222
Gains/(Losses) on disposal of property, plant and equipment *(Note 26)*	**10**	(122)
Proceeds from disposal of property, plant and equipment	**1,580**	100

34. COMMITMENTS

(a) Capital commitments

Capital expenditure contracted for at the end of the year but note yet incurred is as follows:

	As at 31 December	
	2015	2014
	RMB'000	*RMB'000*
Contracted but not provided for:		
Acquisition of property, plant and equipment	**275,812**	411,873

Notes to the Consolidated Financial Statements
For the year ended 31 December 2015

34. 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	
	2015	2014
	RMB'000	*RMB'000*
Not later than 1 year	**756**	1,071
Later than 1 year and not later than 5 years	**–**	809
	756	1,880

35. 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 Group Limited	Controlling shareholder
Wuxi Daming Logistics Co., Ltd. ("Daming Logistics")	The controlling shareholders are Mr. Zhou Keming and Ms. Xu Xia
Jiangsu Daming Steel Union logistics Co., Ltd. ("Steel Union Logistics")	The controlling shareholder is Wuxi Daming Logistics Co., Ltd.
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 (resigned on 17 December 2015)

35. RELATED PARTY TRANSACTIONS (CONTINUED)

(b) Transactions with related parties:

The following material transactions were carried out with related parties:

	Year ended 31 December	
	2015	2014
	RMB'000	*RMB'000*
(i) Lease of property to Daming Logistics		
Rental charged to	**500**	500

	2015	2014
	RMB'000	*RMB'000*
(ii) Transportation service provided by Steel Union Logistics		
Transport fee charge to	**15,900**	–

	2015	2014
	RMB'000	*RMB'000*
(iii) Loans received from related parties		
Loans received from Daming Logistics	**34,500**	258,300
Loans received from Steel Union Logistics	**9,000**	–
	43,500	258,300

For the year ended 31 December 2015, loans received from Daming Logistics and Steel Union Logistics are unsecured, interest-free, and have no fixed repayment term.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

35. RELATED PARTY TRANSACTIONS (CONTINUED)

(b) Transactions with related parties: (Continued)

	Year ended 31 December	
	2015	2014
	RMB'000	*RMB'000*
(iv) Sales of fixed assets to a related party		
Sales of fixed assets to Steel Union Logistics	**1,336**	–

(v) 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	
	2015	2014
	RMB'000	*RMB'000*
Salaries, bonus and other welfares	**11,836**	14,182
Pension – defined contribution plans	**128**	98
	11,964	14,280

35. RELATED PARTY TRANSACTIONS (CONTINUED)

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

(i) Other receivables

	Year ended 31 December	
	2015	2014
	RMB'000	*RMB'000*
Daming Logistics	**500**	500

(ii) Other payables

	2015	2014
	RMB'000	*RMB'000*
Steel Union Logistics	**5,232**	–

36. EVENTS AFTER THE BALANCE SHEET DATE

There have been no events subsequent to the year end of 31 December 2015 which require adjustment or disclosure in the financial statements.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

37. BALANCE SHEET AND RESERVE MOVEMENT OF THE COMPANY

Balance sheet of the Company

	As at 31 December	
	2015	2014
	RMB'000	*RMB'000*
ASSETS		
Non-current assets		
Investments in subsidiaries	**931,199**	926,678
Due from subsidiaries	**781,543**	451,308
	1,712,742	1,377,986
Current assets		
Prepayment, deposits and other receivables	**184**	136
Cash and cash equivalents	**553**	238
	737	374
Total assets	**1,713,479**	1,378,360
EQUITY AND LIABILITIES		
Equity attributable to equity holders of the Company		
Share capital	**97,400**	89,215
Reserves *(Note (a))*	**1,615,193**	1,288,502
Total equity	**1,712,593**	1,377,717
LIABILITIES		
Current liabilities		
Accruals and other payables	**886**	643
Total liabilities	**886**	643
Total equity and liabilities	**1,713,479**	1,378,360

The balance sheet of the company was approved by the Board of Directors on 24 March 2016 and were signed on its behalf.

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

37. BALANCE SHEET AND RESERVE MOVEMENT OF THE COMPANY (CONTINUED)

Note (a) Reserve movement of the Company

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

37. BALANCE SHEET AND RESERVE MOVEMENT OF THE COMPANY (CONTINUED)

Note (a) Reserve movement of the 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 2015	392,657	921,264	(5,302)	(20,117)	1,288,502
Comprehensive income					
Profit for the year	–	–	–	56,895	56,895
Total comprehensive Income for the year ended 31 December 2015	–	–	–	56,895	56,895
Transaction with owners					
Issue of shares *(Note 17)*	293,207	–	–	–	293,207
Employee share option Scheme – value of employee services	–	–	4,525	–	4,525
Employee share award Scheme – value of employee services	12,823	–	–	–	12,823
Vesting of award shares	(5,298)	–	5,298	–	–
Shares held for Share Award Scheme	–	–	(24,389)	–	(24,389)
Dividends	–	–	–	(16,370)	(16,370)
Total transaction with owners for the year ended 31 December 2015	300,732	–	(14,566)	(16,370)	269,796
Balance at 31 December 2015	693,389	921,264	(19,868)	20,408	1,615,193

38. BENEFITS AND INTERESTS OF DIRECTORS

(a) Directors' and chief executive's emoluments

The remuneration of every director and the chief executive is set out below:

For the year ended 31 December 2015:

Name of director	Fees	Salaries	Discretionary bonus	Shares	Pension-defined contribution plans	Other benefits (i)	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
2015							
Executive directors							
– Mr. Zhou Keming	251	840	–	–	22	5	1,118
– Ms. Xu Xia	251	720	–	–	22	5	998
– Mr. Zou Xiaoping	251	840	–	–	22	5	1,118
– Mr. Tang Zhonghai	251	960	–	988	22	5	2,226
– Mr. Kang In Soo	251	840	–	177	–	–	1,268
– Mr. Fukui Tsutomu	251	840	–	177	–	–	1,268
– Mr. Zhang Feng	251	720	–	395	22	5	1,393
	1,757	5,760	–	1,737	110	25	9,389
Non-executive director							
– Mr. Jiang Changhong	251	–	–	–	–	–	251
Independent non-executive directors							
– Mr. Cheuk Wa Pang	251	–	–	–	–	–	251
– Mr. Hua Min	251	–	–	–	–	–	251
– Mr. Chen Xuedong	251	–	–	–	–	–	251
– Mr. Lu Daming	251	–	–	–	–	–	251
	1,004	–	–	–	–	–	1,004
	3,012	5,760	–	1,737	110	25	10,644

Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

38. BENEFITS AND INTERESTS OF DIRECTORS (CONTINUED)

(a) Directors' and chief executive's emoluments (Continued)

For the year ended 31 December 2014 (Continued)

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

(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 2015 (2014: Nil).

38. BENEFITS AND INTERESTS OF DIRECTORS

(b) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group include 5 (2014: 4) directors, whose emoluments are reflected in the analysis presented above. The emoluments paid to the remaining 1 individual during year 2014 were as follows:

	Year ended 31 December	
	2015	2014
	RMB'000	*RMB'000*
Salaries	–	628
Bonus	–	100
Share award	–	413
Other benefits	–	2
Pension costs	–	–
	–	1,143

The emoluments fell within the following bands:

	Number of individuals	
	2015	2014
Emolument bands		
HKD1,000,001 to HKD1,500,000	–	1

For the years ended 31 December 2015 and 2014, 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.

(c) Directors' material interests in transactions, arrangements or contracts

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

Financial Summary

	For the year ended 31 December				
	2015	2014	2013	2012	2011
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
RESULTS					
Revenue	**18,042,786**	19,633,818	15,121,182	11,693,500	11,940,647
Gross profit	**125,827**	632,042	441,366	307,913	351,091
Operating (loss)/profit	**(197,920)**	335,777	232,177	138,805	205,712
(Loss)/profit for the year	**(250,365)**	165,888	97,982	30,056	103,229
Attributable to:					
Equity holders of the Company	**(246,735)**	165,807	97,834	30,585	103,641
Non-controlling interests	**(3,630)**	81	148	(529)	(412)
	(250,365)	165,888	97,982	30,056	103,229
ASSETS, LIABILITIES AND EQUITY					
Total assets	**5,753,449**	5,957,580	5,229,484	4,191,062	4,443,978
Total liabilities	**(3,719,579)**	(3,951,326)	(3,476,526)	(2,529,091)	(2,864,104)
	2,033,870	2,006,254	1,752,958	1,661,971	1,579,874
Equity attributable to equity holders of the Company	**1,801,546**	1,770,300	1,608,890	1,518,051	1,515,425
Non-controlling interests	**232,324**	235,954	144,068	143,920	64,449
Total equity	**2,033,870**	2,006,254	1,752,958	1,661,971	1,579,874