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DA MING INTERNATIONAL HOLDINGS LIMITED
大明國際控股有限公司

(Incorporated in the Cayman Islands with limited liability)
(Stock code: 1090)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2016

FINANCIAL HIGHLIGHTS

	Year ended 31 December		
	2016	2015 (Restated)	
	RMB'000	*RMB'000*	% change
Revenue	**20,518,140**	18,043,138	+13.7%
Gross profit	**1,071,531**	126,111	+749.7%
Total comprehensive income/(loss) for the year	**406,587**	(251,036)	+262.0%

OPERATING HIGHLIGHTS

	Year ended 31 December		
	2016	2015	% change
Stainless steel			
Sales volume (tonnes)	**1,607,754**	1,394,479	+15.3%
Processing volume (tonnes)	**2,322,746**	2,093,176	+11.0%
Processing multiple *(note)*	**1.44**	1.50	
Carbon steel			
Sales volume (tonnes)	**1,152,131**	707,281	+62.9%
Processing volume (tonnes)	**1,058,373**	612,672	+72.7%
Processing multiple *(note)*	**0.92**	0.87	

Note: Processing multiple = Processing volume/Sales volume

FINAL RESULTS

The board of directors (the "Board") of Da Ming International Holdings Limited (the "Company") is pleased to announce the audited consolidated results of the Company and its subsidiaries (collectively, the "Group") for the year ended 31 December 2016 together with comparative figures for the year ended 31 December 2015, as follows:

CONSOLIDATED COMPREHENSIVE INCOME STATEMENT

For the year ended 31 December 2016

		Year ended 31 December	
		2016	2015 (Restated)
	Note	***RMB'000***	*RMB'000*
Revenue	2	**20,518,140**	18,043,138
Cost of sales	3	**(19,446,609)**	(17,917,027)
Gross profit		**1,071,531**	126,111
Other income	4	**39,116**	29,769
Other expenses	3	**(1,697)**	(3,395)
Other (loss)/gain – net	5	**(184)**	12,481
Distribution costs	3	**(196,592)**	(156,574)
Administrative expenses	3	**(234,248)**	(206,998)
Operating profit/(loss)		**677,926**	(198,606)
Finance income	6	**10,827**	12,603
Finance costs	6	**(130,137)**	(138,043)
Finance costs – net	6	**(119,310)**	(125,440)
Profit/(Loss) before income tax		**558,616**	(324,046)
Income tax (expense)/credit	7	**(152,029)**	73,010
Profit/(Loss) for the year		**406,587**	(251,036)
Total comprehensive income/(loss) for the year		**406,587**	(251,036)
Attributable to:			
Equity holders of the Company		**388,215**	(247,210)
Non-controlling interests		**18,372**	(3,826)
		406,587	(251,036)
Earnings/(Loss) per share for profit attributable to equity holders of the Company during the year (expressed in RMB per share)			
– Basic earnings/(loss) per share	8	**0.35**	(0.23)
– Diluted earnings/(loss) per share	8	**0.35**	(0.23)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2016

		As at 31 December	
		2016	2015
			(Restated)
	Note	***RMB'000***	*RMB'000*
ASSETS			
Non-current assets			
Land use rights		**313,950**	247,491
Property, plant and equipment		**3,136,776**	2,769,459
Investment properties		**7,069**	7,645
Intangible assets		**1,669**	2,272
Deferred income tax assets		**38,808**	104,987
Other non-current assets		**33,606**	53,814
		3,531,878	3,185,668
Current assets			
Inventories		**2,471,950**	1,257,126
Trade receivables	10	**346,715**	201,163
Prepayments, deposits and other receivables		**669,576**	558,486
Restricted bank deposits		**687,770**	357,611
Cash and cash equivalents		**53,085**	207,007
		4,229,096	2,581,393
Total assets		**7,760,974**	5,767,061
EQUITY AND LIABILITIES			
Equity attributable to equity holders of the Company			
Share capital		**97,400**	97,400
Reserves		**2,062,317**	1,710,171
		2,159,717	1,807,571
Non-controlling interests		**254,130**	235,628
Total equity		**2,413,847**	2,043,199

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (Continued)
As at 31 December 2016

		As at 31 December	
		2016	2015
			(Restated)
	Note	***RMB'000***	*RMB'000*
LIABILITIES			
Non-current liabilities			
Borrowings		**867,977**	765,660
Deferred government grants		**43,538**	43,560
Deferred income tax liabilities		**14,331**	6,040
		925,846	815,260
Current liabilities			
Trade payables	11	**2,491,814**	1,391,792
Accruals, advances from customers and other current liabilities		**666,655**	511,305
Current income tax liabilities		**67,073**	3,308
Borrowings		**1,192,907**	999,472
Current portion of deferred government grants		**2,832**	2,725
		4,421,281	2,908,602
Total liabilities		**5,347,127**	3,723,862
Total equity and liabilities		**7,760,974**	5,767,061

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2016

	Attributable to equity holders of the Company		Non-controlling interests	Total equity
	Share Capital	**Reserves**		
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Balance at 1 January 2015	89,215	1,681,085	235,954	2,006,254
Comprehensive income				
Loss for the year	–	(247,210)	(3,826)	(251,036)
Total comprehensive income for the year ended 31 December 2015 (Restated)	–	(247,210)	(3,826)	(251,036)
Transactions with owners				
Employee share options scheme – value of employee services	–	4,525	–	4,525
Employee share award scheme – value of employee services	–	12,823	–	12,823
Issue of shares	8,185	293,207	–	301,392
Shares held for share award scheme	–	(24,389)	–	(24,389)
Effect of business combination under common control	–	6,500	3,500	10,000
Dividends	–	(16,370)	–	(16,370)
Total transactions with owners	8,185	276,296	3,500	287,981
Balance at 31 December 2015 (Restated)	97,400	1,710,171	235,628	2,043,199
Balance at 1 January 2016 (Restated)	97,400	1,710,171	235,628	2,043,199
Comprehensive income				
Profit for the year	–	388,215	18,372	406,587
Total comprehensive income for the year ended 31 December 2016	–	388,215	18,372	406,587
Transactions with owners				
Employee share options scheme – value of employee services	–	4,188	130	4,318
Employee share award scheme – value of employee services	–	9,850	–	9,850
Shares held for share award scheme	–	(43,970)	–	(43,970)
Effect of business combination under common control	–	(6,137)	–	(6,137)
Total transactions with owners	–	(36,069)	130	(35,939)
Balance at 31 December 2016	97,400	2,062,317	254,130	2,413,847

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2016

	2016	2015
		(Restated)
	RMB'000	*RMB'000*
Cash flows from operating activities	**(40,508)**	(73,251)
Cash flows from investing activities	**(700,535)**	(621,618)
Cash flows from financing activities	**582,415**	606,658
Net decrease in cash and cash equivalents	**(158,628)**	(88,211)
Cash and cash equivalents at beginning of year	**207,007**	292,054
Exchange gain on cash and cash equivalents	**4,706**	3,164
Cash and cash equivalents at end of year	**53,085**	207,007

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 31 December 2016

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.

Going concern

As at 31 December 2016, the Group's current liabilities exceeded its current assets by approximately RMB192,185,000 (31 December 2015: RMB327,209,000). Total equity of the Group amounted to RMB2,413,847,000 and total liability amounted to RMB5,347,127,000. 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 expects a satisfactory growth in the business in 2017;
- The available financing including PRC bank borrowings to be 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.

Business combination under common control

In March 2016, the Group acquired 65% equity interest in Jiangsu Daming Steel Union Logistics Company Limited ("Steel Union Logistics") which is under the control of Mr. Zhou Keming. The transaction has been accounted for using the principles of merger accounting as prescribed in Hong Kong Accounting Guideline 5, "Merger Accounting for Common Control Combinations" issued by HKICPA, as both the company and Steel Union Logistics are under the control of Mr. Zhou Keming.

The consolidated financial information for the comparative period have been restated to incorporate the financial statements of the entity and business in which the common control combination as if it had been combined from the date when they first came under control of Mr. Zhou Keming.

Changes in accounting policies and disclosures

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

The following amendments to standards have been adopted by the Group for the first time for the financial year beginning on or after 1 January 2016:

		Effective for annual periods beginning on or after
HKFRS 14	Regulatory deferral accounts	1 January 2016
Amendments to HKFRS 11	Accounting for acquisitions of interests in joint operations	1 January 2016
Amendments to HKAS 16 and HKAS 38	Clarification of acceptable methods of depreciation and amortisation	1 January 2016
Amendments to HKAS 16 and HKAS 41	Agriculture: bearer plants	1 January 2016
Amendments to HKFRS 10 and HKAS 28	Sale or contribution of assets between an investor and its associate or joint venture	1 January 2016
Amendment to HKAS 27	Equity method in separate financial statements	1 January 2016
Amendments from annual improvements, on HKFRS 5, HKFRS 7, HKAS 19 and HKAS 34	Non-current assets held for sale and discontinued operations Amendments to HKFRS 5, HKFRS 7, HKAS 19 and HKAS 34	1 January 2016
Amendments to HKFRS 10	Investment entities: applying the consolidation exception	1 January 2016
Amendments to HKAS 10, HKFRS 12 and HKAS 28	Investment entities: Applying the consolidated exception	1 January 2016
Amendments to HKAS 1	Disclosure initiative	1 January 2016

The adoption of the above new amendments starting from 1 January 2016 did not give rise to any significant impact on the Group's results of operations and financial position for the year ended 31 December 2016.

(b) A number of new standards and amendments to standards and interpretations are effective for annual periods beginning after 1 January 2016 and have not been applied in preparing these consolidated financial statements:

		Effective for annual periods beginning on or after
HKFRS 15	Revenue from contracts with customers	1 January 2018
HKFRS 9	Financial Instruments	1 January 2018
HKFRS16	Leases	1 January 2019
Amendments to HKFRS 2	Classification and measurement of share-based payment transactions[1]	1 January 2018
Amendments to HKAS 7	Disclosure initiative[4]	1 January 2017
Amendments to HKAS 12	Recognition of deferred tax assets for unrealised losses[4]	1 January 2017
Amendments to HKFRS 10 and HKAS 28	Sale or contribution of assets between an investor and its associate or joint venture[3]	a date to be determined

The Group is currently assessing the impact of applying these new standards and amendments. At this stage, the Group does not intend to early adopt any of these new standards or expect these new standards and amendments, to have significant impact on the consolidated financial statements, except HKFRS 15 and HKFRS 16. At this stage, the Group is not able to estimate the impact of HKFRS 15 and HKFRS 16 on the group's financial statements. The group will make more detailed assessments of the impact over the next twelve months.

2. REVENUE

	Year ended 31 December	
	2016	2015
		(Restated)
	RMB'000	*RMB'000*
Sales of goods	**20,518,140**	18,043,138

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 2016, none of the customers of the Group from whom the revenue amounted to 10% or more of the Group's revenue (2015: None).

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

	Year ended 31 December	
	2016	2015
		(Restated)
	RMB'000	*RMB'000*
– Mainland China	**20,017,489**	17,536,474
– Hong Kong and other overseas countries and regions*	**500,651**	506,664
Total sales	**20,518,140**	18,043,138

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

3. EXPENSES BY NATURE

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

	Year ended 31 December	
	2016	2015
		(Restated)
	RMB'000	*RMB'000*
Changes in inventories of finished goods	**(11,604)**	98,445
Raw materials consumed	**19,037,491**	17,505,392
Process cost for materials	**27,597**	15,382
Stamp duty, property tax and other surcharges	**24,137**	19,604
Transportation costs	**101,676**	93,921
Employee benefit expenses, including directors' emoluments	**466,285**	352,864
Depreciation and amortisation	**141,345**	98,030
Operating lease rental for buildings	**4,804**	4,279
Utilities charges	**31,274**	23,550
(Reversal of)/Provision for write-down of inventories	**(32,146)**	4,201
Auditors' remuneration – audit services	**2,890**	2,850
Provision for impairment of trade receivables	**293**	380
Entertainment and travelling expenses	**29,438**	26,331
Professional service expenses	**3,787**	2,419
Bank charges	**8,220**	8,296
Others	**43,659**	28,050
	19,879,146	18,283,994

4. OTHER INCOME

	Year ended 31 December	
	2016	2015
		(Restated)
	RMB'000	*RMB'000*
Sales of scraps and packaging materials	**21,600**	15,322
Subsidy income	**8,615**	7,394
Amortisation of deferred government grants	**3,045**	2,725
Rental income	**477**	500
Others	**5,379**	3,828
	39,116	29,769

5. OTHER (LOSS)/GAIN – NET

	Year ended 31 December	
	2016	2015
		(Restated)
	RMB'000	*RMB'000*
Losses on disposal of property, plant and equipment – net	**(266)**	(102)
Foreign exchange gain – net	**1,844**	13,127
Others	**(1,762)**	(544)
	(184)	12,481

6. FINANCE COSTS – NET

	Year ended 31 December	
	2016	2015
		(Restated)
	RMB'000	*RMB'000*
Finance costs:		
Interest expenses on borrowings	**83,018**	104,292
Interest expenses on bank/commercial acceptance notes and letter of credit	**57,247**	52,757
Exchange loss – net	**2,695**	2,817
	142,960	159,866
Less: amounts capitalised on qualifying assets	**(12,823)**	(21,823)
Total finance costs	**130,137**	138,043
Finance income:		
Interest income	**(10,827)**	(12,603)
Finance costs – net	**119,310**	125,440

7. INCOME TAX EXPENSE/(CREDIT)

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

	Year ended 31 December	
	2016	2015
	RMB'000	*RMB'000*
Current income tax		
– Mainland China corporate income tax	**77,559**	4,948
Deferred income tax expense/(credit)	**74,470**	(77,958)
	152,029	(73,010)

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, Jingjiang Daming Heavy Industry, Qianzhou Daming, Hubei Daming, Taiyuan Taigang Daming, Hangzhou Wanzhou, Wuhan Fortune, Tianjin Taigang Daming, Allybest Trading, Zibo Daming, Daming Metal Technology, Daming Import & Export, Steel Union Logistics and Shandong Allybest are subject to corporate income tax rate of 25% for the year 2016.

8. EARNINGS/(LOSS) 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	
	2016	2015
		(Restated)
	RMB'000	*RMB'000*
Profit/(Loss) attributable to equity holders of the Company (thousands)	**388,215**	(247,210)
Weighted average number of ordinary shares in issue (thousands)	**1,122,952**	1,087,527
Basic earnings/(loss) per share (RMB per share)	**0.35**	(0.23)

(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.

	Year ended 31 December	
	2016	2015
		(Restated)
	RMB'000	*RMB'000*
Earnings		
Profit/(Loss) attributable to equity holders of the Company	**388,215**	(247,210)
Weighted average number of ordinary shares in issue (thousands)	**1,122,952**	1,087,527
Adjustments for share option plan (thousands)	**2,132**	232
Weighted average number of ordinary shares for diluted earnings per share (thousands)	**1,125,084**	1,087,759
Diluted earnings/(loss) per share (RMB per share)	**0.35**	(0.23)

9. DIVIDENDS

	As at 31 December	
	2016	2015
	RMB'000	*RMB'000*
Proposed final dividend of HK$0.12 (2015: none) per ordinary share	**122,503**	–

On 22 March 2017, the Company's Board of Directors has recommended payment of a final dividend of HK$0.12 per share, which is subject to the approval by the Company's shareholders at the upcoming Annual General Meeting. The proposed dividend has not been reflected as a dividend payable in these financial statements but will be reflected as an appropriation of retained earnings during the year ending 31 December 2017.

10. TRADE RECEIVABLES

	As at 31 December	
	2016	2015
		(Restated)
	RMB'000	*RMB'000*
Accounts receivable	**114,150**	135,223
Notes receivable		
– bank acceptance notes	**230,594**	60,168
– commercial acceptance notes	**3,000**	6,572
	347,744	201,963
Less: provision for impairment	**(1,029)**	(800)
Trade receivables – net	**346,715**	201,163

The fair values of trade receivables approximate their carrying amounts.

As at 31 December 2016, bank acceptance notes of RMB195,616,000 were pledged as security for notes payable for the Group.

As at 31 December 2015, bank acceptance notes of RMB37,800,000 were pledged as security for notes payable for the Group and accounts receivables of RMB35,000,000 were pledged as security for bank borrowings for the Group.

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 2016 and 2015, the aging analysis of trade receivables was as follows:

	As at 31 December	
	2016	2015
		(Restated)
	RMB'000	*RMB'000*
Accounts receivable		
– Within 30 days	**107,157**	112,877
– 30 days to 3 months	**4,644**	5,025
– 3 months to 6 months	**1,601**	17,189
– 6 months to 1 year	**617**	–
– 1 year to 2 years	**89**	132
– 2 years to 3 years	**42**	–
	114,150	135,223
Notes receivable		
– Within 6 months	**223,594**	66,740
	347,744	201,963

11. TRADE PAYABLES

	As at 31 December	
	2016	2015
	RMB'000	*RMB'000*
Accounts payable	**1,181,098**	378,312
Notes payable	**1,310,716**	1,013,480
	2,491,814	1,391,792

i) Notes payable of RMB844,250,000 (2015: RMB475,940,000) was secured by restricted bank deposits of approximately RMB554,250,000 (2015: RMB207,654,000).

ii) As at 31 December 2016, bank acceptance notes of RMB195,616,000 (2015: RMB37,800,000) were pledged as security for notes payable for the Group.

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	
	2016	2015
	RMB'000	*RMB'000*
Within 6 months	**2,491,777**	1,391,578
6 months to 1 year	**–**	206
1 year to 2 years	**29**	8
2 years to 3 years	**8**	–
	2,491,814	1,391,792

Trade payables are denominated in the following currencies:

	As at 31 December	
	2016	2015
	RMB'000	*RMB'000*
RMB	**2,463,146**	1,368,219
USD	**13,027**	23,565
EUR	**15,641**	8
	2,491,814	1,391,792

The fair values of trade payables approximate their carrying amounts.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

Business development

We are a leading metals processing service provider providing comprehensive processing service to modern manufacturers in China with more than 20,000 active customers. The Group has established seven processing centres strategically located in various regions in China, namely, Wuxi, Hangzhou, Tianjin, Wuhan, Taiyuan, Zibo and Jingjiang. Currently, we have nine processing platforms including cutting, slitting, polishing, forming, welding, heat treating, machining, painting and assembling which provide full range processing services on stainless steel, carbon steel and other metallic materials to our customers.

With a view to provide a more comprehensive service to our customers, the Group expanded its scope of processing services into carbon steel processing in 2013. We are pleased to announce that both of the annual sales volume and annual processing volume of our carbon steel processing services exceeded one million tonnes in 2016 representing a compound annual growth rate of more than 60%. Regarding our stainless steel processing services, the compound annual growth rates from 2010 to 2016 for both of the annual sales volume and annual processing volume are more than 20%.

The Group started the construction work of the Taian processing centre on 28 October 2016. Being the eighth processing centre of our Group, it will provide high-strength carbon steel and stainless steel processing services to customers engaged in the industries of construction machineries, paper production equipment, pressurized containers and chemical equipment. The site area is approximately 100,000 square metres and the gross floor area will be approximately 7,460,000 square metres. The construction period of the Taian processing centre is expected to be approximately 10 months. Upon completion, the processing centre will be able to provide deep processing services for 600,000 tonnes of high-strength carbon steel and 200,000 tonnes of stainless steel.

On 20 March 2017, the Company and Tisco Stainless Steel (H.K.) Limited ("TISCO HK") entered into a conditional subscription agreement in relation to the conditional subscription of 103,750,000 new shares of the Company.

Pursuant to the conditional subscription agreement, TICSCO HK has conditionally agreed to subscribe for 103,750,000 new shares of the Company at HK$3.50 per share and the total subscription price will be approximately HK$363.1 million which is equivalent to approximately RMB322.8 million. The subscription shares represent approximately 9.09% of the issued share capital of the Company as at 20 March 2017. Upon completion of the conditional subscription, the shareholding of TISCO HK will be approximately 8.33% of the enlarged issued share capital of the Company. Completion of the conditional subscription agreement is conditional upon, among others, the Stock Exchange having granted approval for the listing of, and permission to deal in the subscription shares.

Operating results

The Group achieved a very brilliant results in 2016 with a revenue of more than RMB20,000 million and a net profit attributable to equity holders of the Company of more than RMB380 million. Both of which are recorded high since the listing of the Company in 2010. The good results were mainly due to the following reasons:

– there was an increase in the sales volume and processing volume of our stainless steel and carbon steel processing services;

– the market price of both stainless steel and carbon steel raw materials rose steadily during the year; and

– contribution from new equipment and newly opened processing centre.

The annual sales volume of our stainless steel processing business increased from approximately 1,394,000 tonnes for the year ended 31 December 2015 to approximately 1,608,000 tonnes for the year ended 31 December 2016 representing an increase of approximately 15.3% while the processing volume increased from approximately 2,093,000 tonnes for the year ended 31 December 2015 to approximately 2,323,000 tonnes for the year ended 31 December 2016 representing an increase of approximately 11.0%.

The annual sales volume of our carbon steel processing business increased from approximately 707,000 tonnes for the year ended 31 December 2015 to approximately 1,152,000 tonnes for the year ended 31 December 2016 representing an increase of approximately 62.9% while the annual processing volume increased from approximately 613,000 tonnes for the year ended 31 December 2015 to approximately 1,058,000 tonnes for the year ended 31 December 2016 representing an increase of approximately 72.7%.

FUTURE DEVELOPMENT

The Group will continue to develop the processing centre in Jingjiang with a view to enhance its deep processing services. On the other hand, the Taian processing centre is expected to be completed in 2017 to serve the customers in Shandong province.

FINANCIAL REVIEW AND ANALYSIS

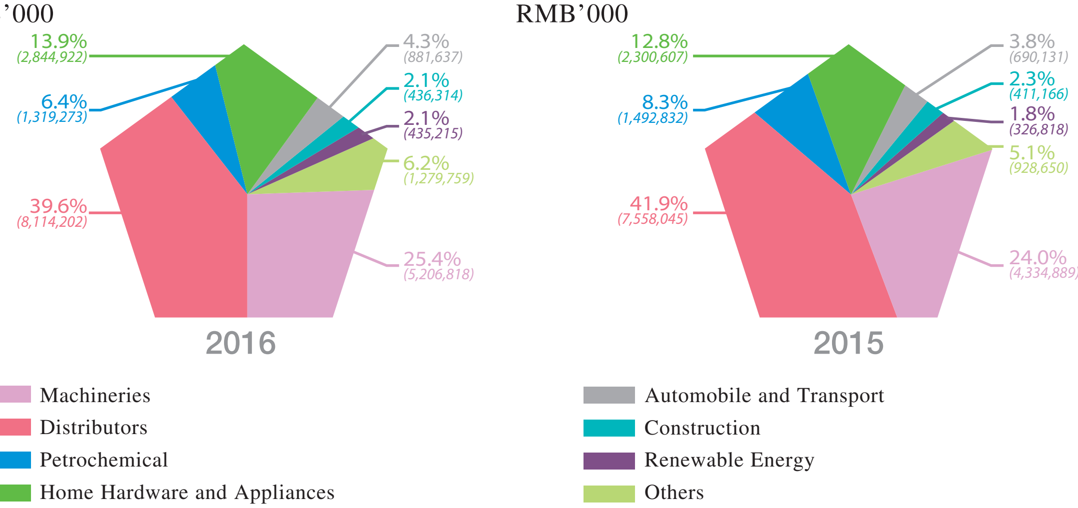
During the year under review, we recorded a revenue of approximately RMB20,518 million, gross profit of approximately RMB1,072 million and the profit attributable to equity holders of the Company of approximately RMB388 million. Total assets of the Group as at 31 December 2016 amounted to approximately RMB7,761 million while equity attributable to equity holders of the Company amounted to approximately RMB2,160 million.

Analysis of revenue by key industry segments

During the years ended 31 December 2016 and 2015, our revenue by key industry segments are shown below:

	Revenue			
	For the year ended 31 December			
	2016		2015	
Industry	***RMB'000***	*%*	*RMB'000*	*%*
			(Restated)	
Machineries	**5,206,818**	**25.4**	4,334,889	24.0
Distributors	**8,114,202**	**39.6**	7,558,045	41.9
Petrochemical	**1,319,273**	**6.4**	1,492,832	8.3
Home Hardware and Appliances	**2,844,922**	**13.9**	2,300,607	12.8
Automobile and Transport	**881,637**	**4.3**	690,131	3.8
Construction	**436,314**	**2.1**	411,166	2.3
Renewable Energy	**435,215**	**2.1**	326,818	1.8
Others	**1,279,759**	**6.2**	928,650	5.1
Total	**20,518,140**	**100.0**	18,043,138	100.0

RMB'000 RMB'000

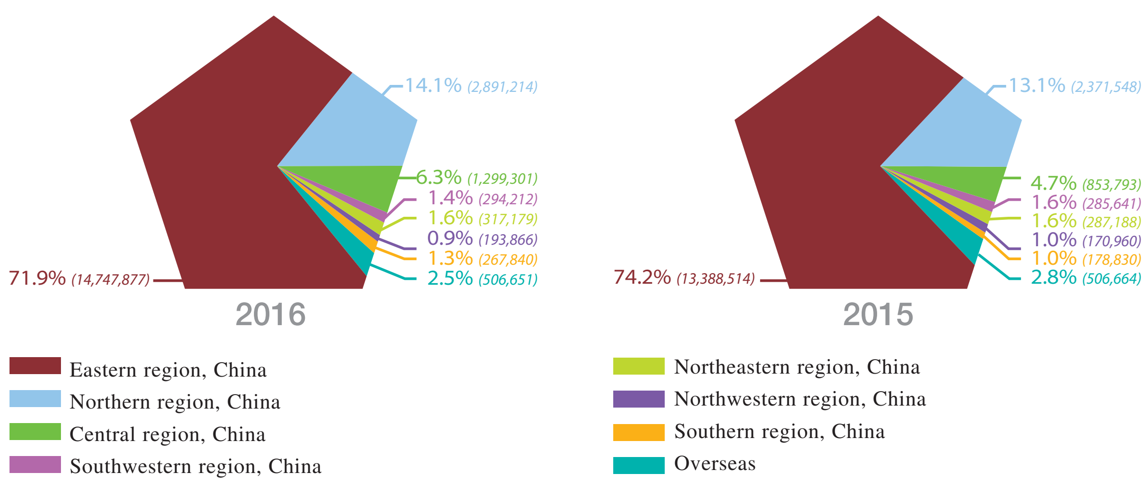


Analysis of revenue by geographic regions

Region	Revenue For the year ended 31 December 2016 *RMB'000*	%	2015 *RMB'000* (Restated)	%
Eastern region, China	**14,747,877**	**71.9**	13,388,514	74.2
Northern region, China	**2,891,214**	**14.1**	2,371,548	13.1
Central region, China	**1,299,301**	**6.3**	853,793	4.7
Southwestern region, China	**294,212**	**1.4**	285,641	1.6
Northeastern region, China	**317,179**	**1.6**	287,188	1.6
Northwestern region, China	**193,866**	**0.9**	170,960	1.0
Southern region, China	**267,840**	**1.3**	178,830	1.0
Overseas	**506,651**	**2.5**	506,664	2.8
	20,518,140	**100.0**	18,043,138	100.0

RMB'000

RMB'000



Revenue

Our revenue for the year ended 31 December 2016 amounted to approximately RMB20,518 million comprising approximately RMB17,626 million from our stainless steel processing business and approximately RMB2,892 million from our carbon steel processing business. As compared with the revenue for the year ended 31 December 2015 of approximately RMB18,043 million, it represented an increase of approximately 13.7%. Such increase was mainly due to the increase in the sales volume of stainless steel and carbon steel processing services.

Gross profit

Gross profit increased from approximately RMB126.1 million in 2015 to approximately RMB1,071.5 million in 2016 mainly due to the increase in the sales volume and processing volume of stainless steel and carbon steel processing services.

Other income

Other income increased from approximately RMB29.8 million for the year ended 31 December 2015 to approximately RMB39.1 million for the year ended 31 December 2016 mainly due to the increase in sales of scraps and packaging materials as well as the increase in subsidy income.

Other (loss)/gain – net

Other loss of approximately RMB0.2 million was recorded for the year ended 31 December 2016 as compared with other gain of approximately RMB12.5 million for the year ended 31 December 2015. Such decrease was mainly due to the significant decrease in foreign exchange gain.

Distribution costs

Distribution costs increased from approximately RMB156.6 million for the year ended 31 December 2015 to approximately RMB196.6 million for the year ended 31 December 2016. Such increase was mainly due to the increase in staff salaries and transportation costs, the increase in transposition costs was a result of the increase in sales volume.

Administrative expenses

Administrative expenses increased from approximately RMB207.0 million for the year ended 31 December 2015 to approximately RMB234.2 million for the year ended 31 December 2016. Such increase was mainly due to the increase in staff costs.

Finance costs – net

Finance costs decreased from approximately RMB125.4 million for the year ended 31 December 2015 to approximately RMB119.3 million for the year ended 31 December 2016. The decrease in finance costs was mainly due to the decrease in interest expenses on borrowings.

Income tax (expense)/credit

The Group recorded an income tax expenses of approximately RMB152.0 million for the year ended 31 December 2016 due to a net profit being recorded. Income tax credit of approximately RMB73.0 million was recorded for the year ended 31 December 2015 due to the loss incurred.

Profit/(Loss) for the year

The Group recorded a profit of approximately RMB406.6 million for the year ended 31 December 2016 as compared with a loss of approximately RMB251.0 million for the year ended 31 December 2015 representing an increase of approximately 262.0%.

Capital Expenditure

In 2016, our capital expenditure consisted of additions of property, plant and equipment which amounted to approximately RMB501.8 million (2015: RMB593.9 million).

Foreign Exchange Risk Management

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

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

LIQUIDITY AND FINANCIAL RESOURCES

As at 31 December 2016, the borrowings of the Group amounted to approximately RMB2,060.9 million of which approximately RMB1,192.9 million were repayable within one year, notes payables amounted to approximately RMB1,310.7 million while the bank balances were approximately RMB740.9 million of which approximately RMB687.8 million were restricted mainly for the issuance of notes payable and letter of credit.

As at 31 December 2016, the Group recorded a net current liabilities of approximately RMB192.2 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 2016 and 2015 calculated on this basis were 45.41% and 43.27% respectively.

HUMAN RESOURCES

The Group employed a total of 3,846 staffs as at 31 December 2016 (2015: 3,235). There was a 18.89% growth in our workforce in 2016 as compared with 2015. 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.

FINAL DIVIDEND

The Board has recommend the payment of a final dividend of HK$0.12 (2015: nil) per share for the year ended 31 December 2016 which will be payable on Wednesday, 14 June 2017 to the Shareholders whose names appear on the register of members of the Company on Monday, 5 June 2017 subject to the shareholders approval on the annual general meeting of the Company to be held on Thursday, 25 May 2017.

CORPORATE GOVERNANCE

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

The Company has complied with the Corporate Governance Code (the "CG Code"), including new code provisions, of the revised Corporate Governance Code and Corporate Governance Report as set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") during the year ended 31 December 2016 except for the deviation from code provisions A.2.1 and A.6.7. The Company adopted the CG Code as its own code of corporate governance.

Under code provision A.2.1 of the CG Code, the roles of chairman and chief executive should be separated and should not be performed by the same individual. During the reporting period, the positions of the chairman and the chief executive officer were held by Mr. Zhou Keming. The Company 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 the chief executive officer of the Company. The Board would nevertheless review this arrangement from time to time in light of prevailing circumstances.

Under code provision A.6.7 of the CG Code, independent non-executive directors and other non-executive directors, as equal board members, should give the board and any committees on which they serve the benefit of their skills, expertise and varied backgrounds and qualifications through regular attendance and active participation. They should also attend general meeting of the Company. Mr. Shen Dong, a non-executive director of the Company, was absent from all board meetings held by the Company during the year ended 31 December 2016 and the annual general meeting of the Company held on 3 June 2016 ("2016 AGM"). Mr. Chen Xuedong and Mr. Lu Daming, both are independent non-executive directors of the Company, were absent from the 2016 AGM due to their other business commitments.

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

During the year ended 31 December 2016, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities.

ANNUAL GENERAL MEETING

The AGM of the Company will be held on Thursday, 25 May 2017. A notice convening the AGM will be published and dispatched to the shareholders of the Company (the "Shareholders") in the manner as required by the Listing Rules in due course.

CLOSURE OF REGISTER OF MEMBERS

For the purpose of determining Shareholders who are entitled to attend and vote at the forthcoming AGM, the register of members of the Company will be closed from Monday, 22 May 2017 to Thursday, 25 May 2017, both days inclusive. During the aforementioned periods, no request for the transfer of shares will be accepted. All transfers of shares accompanied by the relevant share certificates and transfer forms must be lodged with the Company's Share Registrar in Hong Kong, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong not later than 4:30 p.m. on Friday, 19 May 2017 in order to qualify for attending the above AGM.

For the purpose of ascertaining Shareholders' entitlement to the proposed final dividend, the register of members of the Company will be closed from Thursday, 1 June 2017 to Monday, 5 June 2017, both days inclusive. During the aforementioned periods, no request for the transfer of shares will be accepted. All transfers of shares accompanied by the relevant share certificates and transfer forms must be lodged with the Company's Share Registrar in Hong Kong, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong not later than 4:30 p.m. on Wednesday, 31 May 2017.

AUDIT COMMITTEE

The audit committee of the Company has discussed with the management and reviewed the audited consolidated annual results of the Company for the year ended 31 December 2016 and considered that the Company has complied with all applicable accounting standards and requirements.

PUBLICATION OF INFORMATION ON THE STOCK EXCHANGE WEBSITE

This announcement is published on the websites of the Company (www.dmssc.net) and The Stock Exchange of Hong Kong Limited (www.hkexnews.hk). The annual report of the Company for the year ended 31 December 2016 will be dispatched to the Shareholders and available on the above websites in due course.

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

Hong Kong, 22 March 2017

As at the date of this announcement, the executive Directors are Mr. Zhou Keming (Chairman and Chief Executive Officer), Ms. Xu Xia, Mr. Zou Xiaoping, Mr. Jiang Changhong, Mr. Tang Zhonghai, Dr. Fukui Tsutomu and Mr. Zhang Feng; the non-executive Director is Mr. Shen Dong; and the independent non-executive Directors are Mr. Chen Xuedong, Mr. Cheuk Wa Pang, Prof. Hua Min and Mr. Lu Daming.