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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 2020

FINANCIAL HIGHLIGHTS			
	Year ended 31 December		
	2020	2019	
	RMB'000	RMB'000	% change
Revenue	35,133,102	35,508,734	-1.1%
Gross profit	1,433,802	1,091,947	+31.3%
Profit and total comprehensive income for the year	385,811	195,574	+97.3%
OPERATING HIGHLIGHTS			
	Year ended 31 December		
	2020	2019	% change
Stainless steel			
Sales volume (tonnes)	1,921,269	1,832,124	+4.9%
Processing volume (tonnes)	2,794,340	2,653,489	+5.3%
Processing multiple (<i>note</i>)	1.45	1.45	
Carbon steel			
Sales volume (tonnes)	2,669,134	2,707,923	-1.4%
Processing volume (tonnes)	3,131,781	3,015,562	+3.9%
Processing multiple (<i>note</i>)	1.17	1.11	
<i>Note:</i>	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 2020 together with comparative figures for the year ended 31 December 2019, as follows:

CONSOLIDATED COMPREHENSIVE INCOME STATEMENT

For the year ended 31 December 2020

		Year ended 31 December	
		2020	2019
	Note	RMB'000	RMB'000
Revenue	2	35,133,102	35,508,734
Cost of sales	3	(33,699,300)	(34,416,787)
Gross profit		1,433,802	1,091,947
Other income	4	49,246	44,637
Other expenses	3	(303)	(463)
Other (loss)/gain – net	5	(15,475)	4,223
Distribution costs	3	(382,161)	(352,162)
Administrative expenses	3	(375,322)	(300,880)
Operating profit		709,787	487,302
Finance income	6	31,625	26,036
Finance costs	6	(215,434)	(228,565)
Finance costs – net	6	(183,809)	(202,529)
Profit before income tax		525,978	284,773
Income tax expense	7	(140,167)	(89,199)
Profit and total comprehensive income for the year		385,811	195,574
Attributable to:			
Equity holders of the Company		347,979	177,536
Non-controlling interests		37,832	18,038
		385,811	195,574
Earnings per share for profit attributable to equity holders of the Company during the year			
(expressed in RMB per share)			
– Basic earnings per share	8	0.28	0.14
– Diluted earnings per share	8	0.28	0.14

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2020

		As at 31 December	
		2020	2019
	Note	RMB'000	RMB'000
ASSETS			
Non-current assets			
Property, plant and equipment		4,693,561	4,432,495
Right-of-use assets		509,231	519,362
Investment properties		3,831	4,214
Intangible assets		20,282	19,065
Deferred income tax assets		14,497	77,861
Trade receivables and contract assets	10	25,354	28,523
Other non-current assets		37,612	4,116
		<u>5,304,368</u>	<u>5,085,636</u>
Current assets			
Inventories		3,237,265	2,784,448
Trade receivables and contract assets	10	451,661	384,010
Prepayments, deposits and other receivables		785,461	814,805
Restricted bank deposits		887,422	1,039,691
Cash and cash equivalents		103,189	161,807
		<u>5,464,998</u>	<u>5,184,761</u>
Total assets		<u>10,769,366</u>	<u>10,270,397</u>
EQUITY			
Equity attributable to equity holders of the Company			
Share capital		106,607	106,607
Reserves		2,853,629	2,500,710
		<u>2,960,236</u>	<u>2,607,317</u>
Non-controlling interests		<u>355,725</u>	<u>326,843</u>
Total equity		<u>3,315,961</u>	<u>2,934,160</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (Continued)

As at 31 December 2020

		As at 31 December	
		2020	2019
	Note	RMB'000	RMB'000
LIABILITIES			
Non-current liabilities			
Borrowings		964,188	248,410
Deferred government grants		134,160	133,130
Deferred income tax liabilities		27,600	40,569
Trade payables	11	–	9,074
Long-term payables		14,912	24,060
		<u>1,140,860</u>	<u>455,243</u>
Current liabilities			
Trade payables	11	568,081	966,980
Accruals and other current liabilities		544,799	383,534
Contract liabilities		720,340	607,539
Current income tax liabilities		73,352	49,261
Borrowings		4,394,387	4,829,012
Lease liabilities		4,386	3,618
Dividends payable		7,200	41,050
		<u>6,312,545</u>	<u>6,880,994</u>
Total liabilities		<u>7,453,405</u>	<u>7,336,237</u>
Total equity and liabilities		<u>10,769,366</u>	<u>10,270,397</u>

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2020

	Attributable to equity holders of the Company		Non- controlling interests	Total equity
	Share Capital <i>RMB'000</i>	Reserves <i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Balance at 1 January 2019	106,607	2,387,020	358,975	2,852,602
Comprehensive income				
Profit for the year	–	177,536	18,038	195,574
Total comprehensive income for the year ended 31 December 2019	–	177,536	18,038	195,574
Transactions with owners				
Employee share options scheme				
– value of employee services	–	952	30	982
Share award scheme				
– value of employee services	–	8,025	–	8,025
Shares held for share award scheme	–	(5,273)	–	(5,273)
Dividends	–	(67,550)	(50,200)	(117,750)
Total transactions with owners	–	(63,846)	(50,170)	(114,016)
Balance at 31 December 2019	<u>106,607</u>	<u>2,500,710</u>	<u>326,843</u>	<u>2,934,160</u>
Balance at 1 January 2020	106,607	2,500,710	326,843	2,934,160
Comprehensive income				
Profit for the year	–	347,979	37,832	385,811
Total comprehensive income for the year ended 31 December 2020	–	347,979	37,832	385,811
Transactions with owners				
Share award scheme				
– value of employee services	–	8,235	–	8,235
Shares held for share award scheme	–	(3,295)	–	(3,295)
Dividends	–	–	(8,950)	(8,950)
Total transactions with owners	–	4,940	(8,950)	(4,010)
Balance at 31 December 2020	<u>106,607</u>	<u>2,853,629</u>	<u>355,725</u>	<u>3,315,961</u>

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2020

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Cash flows from operating activities	340,971	117,949
Cash flows from investing activities	(567,266)	(557,389)
Cash flows from financing activities	171,692	460,217
Net (decrease)/increase in cash and cash equivalents	(54,603)	20,777
Cash and cash equivalents at beginning of year	161,807	140,004
Exchange (loss)/gain on cash and cash equivalents	(4,015)	1,026
Cash and cash equivalents at end of year	103,189	161,807

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

1. Basis of preparation

The consolidated financial statements of the Group have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRS”) and requirements of the Hong Kong Companies Ordinance Cap. 622. The consolidated financial statements have been prepared under the historical cost convention.

Going concern

As at 31 December 2020, the Group’s current liabilities exceeded its current assets by approximately RMB847,547,000. The Group meets its day-to-day working capital requirements mainly through its short-term borrowings from the banks in mainland China and Hong Kong that are refinanced and/or subjected to renewal 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 net cash inflows from operating activities;
- The available financing including PRC bank borrowings to be renewed during the next twelve months. The directors are confident that these bank financing can 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 when necessary.

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 twelve months from period end date of these financial statements. The directors, therefore, are of the opinion that it is appropriate to adopt the going concern basis in preparing its consolidated financial statements.

Changes in accounting policies and disclosures

(a) New and amended standards adopted by the Group

The Group has applied the following standards and amendments for the first time for their annual financial period commencing 1 January 2020:

		Effective for annual periods beginning on or after
HKAS 1 and HKAS 8 (Amendments)	Definition of Material	1 January 2020
HKFRS 3 (Amendments)	Definition of a Business	1 January 2020
Revised Conceptual Framework	Revised Conceptual Framework for Financial Reporting	1 January 2020
HKFRS 9, HKAS 39 and HKFRS 7 (Amendments)	Interest Rate Benchmark Reform	1 January 2020
HKFRS 16 (Amendments)	Covid-19-related Rent Concessions	1 June 2020

These newly adopted standards did not have material impact on the Group's accounting policies and did not require retrospective adjustments.

(b) Certain new accounting standards and interpretations have been published that are not mandatory for the year ended 31 December 2020 and have not been early adopted by the Group.

		Effective for annual periods beginning on or after
HKAS 1 (Amendments)	Classification of Liabilities as Current or Non-current	1 January 2022
HKAS 16 (Amendments)	Property, Plant and Equipment: Proceeds before intended use	1 January 2022
HKAS 37 (Amendments)	Onerous Contracts – Cost of Fulfilling a Contract	1 January 2022
HKFRS 3 (Amendments)	Reference to the Conceptual Framework	1 January 2022
HKFRS 17	Insurance contracts	1 January 2023
HKFRS 10 and HKAS 28 (Amendments)	Sale or contribution of assets between an investor and its associate or joint venture	To be determined
Annual Improvements to HKFRS Standards 2018–2020		1 January 2022

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.

2. Revenue

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

	Year ended 31 December	
	2020	2019
	<i>RMB'000</i>	<i>RMB'000</i>
– Mainland China	34,247,480	34,541,950
– Hong Kong and other overseas countries and regions ⁽ⁱ⁾	885,622	966,784
Total sales	<u>35,133,102</u>	<u>35,508,734</u>

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

Revenue of the Group consists of the following revenues for the years ended 31 December 2020 and 2019. All revenues are derived from external customers.

	Year ended 31 December	
	2020	2019
	<i>RMB'000</i>	<i>RMB'000</i>
Processing and sales of stainless steel and carbon steel products	33,773,380	34,451,133
Manufacturing of stainless steel and carbon steel products	1,359,722	1,057,601
	<u>35,133,102</u>	<u>35,508,734</u>

The segment results for the year ended 31 December 2020:

	Processing	Manufacturing	Elimination	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Segment revenue	<u>34,338,331</u>	<u>1,463,051</u>	<u>(668,280)</u>	<u>35,133,102</u>
Segment results	582,973	98,095	(4,749)	676,319
– including depreciation and amortisation	<u>197,340</u>	<u>73,768</u>	–	<u>271,108</u>
Other income and expenses				48,943
Other loss – net				(15,475)
Finance costs – net				<u>(183,809)</u>
Profit before income tax				525,978
Income tax expense				<u>(140,167)</u>
Profit for the year				<u>385,811</u>

The segment results for the year ended 31 December 2019:

	Processing <i>RMB'000</i>	Manufacturing <i>RMB'000</i>	Elimination <i>RMB'000</i>	Total <i>RMB'000</i>
Segment revenue	34,832,383	1,193,452	(517,101)	35,508,734
Segment results	408,863	35,039	(4,997)	438,905
– including depreciation and amortisation	173,146	68,969	–	242,115
Other income and expenses				44,174
Other gain – net				4,223
Finance costs – net				(202,529)
Profit before income tax				284,773
Income tax expense				(89,199)
Profit for the year				195,574

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	
	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Changes in inventories of finished goods	(208,603)	(265,809)
Raw materials consumed	33,056,851	33,882,579
Outsourced processing cost	97,985	67,360
Stamp duty, property tax and other surcharges	39,443	36,592
Transportation costs	201,413	186,310
Employee benefit expenses, including directors' emoluments	805,892	740,054
Depreciation and amortisation	271,108	242,115
Operating lease rental for buildings	1,400	4,514
Utilities charges	64,821	68,037
Reversal of provision for write-down of inventories	(11,476)	(28,860)
Auditors' remuneration-audit services	3,300	3,150
Provision for impairment of trade receivables and contract assets	5,856	7,476
Entertainment and travelling expenses	48,136	52,939
Professional service expenses	8,599	8,094
Bank charges	22,628	13,402
Others	49,733	52,339
	34,457,086	35,070,292

4. Other income

	Year ended 31 December	
	2020	2019
	<i>RMB'000</i>	RMB'000
Sales of scraps and packaging materials	13,192	19,324
Subsidy income	14,024	10,069
Amortisation of deferred government grants	8,990	6,941
Rental income	357	362
Others	12,683	7,941
	<u>49,246</u>	<u>44,637</u>

5. Other (loss)/gain – net

	Year ended 31 December	
	2020	2019
	<i>RMB'000</i>	<i>RMB'000</i>
Losses on disposal of property, plant and equipment – net	(246)	(401)
Foreign exchange (loss)/gain – net	(12,742)	7,656
Others	(2,487)	(3,032)
	<u>(15,475)</u>	<u>4,223</u>

6. Finance costs – net

	Year ended 31 December	
	2020	2019
	<i>RMB'000</i>	<i>RMB'000</i>
Finance costs:		
Interest expenses on borrowings	159,003	168,165
Interest expenses on bank/commercial acceptance notes and letters of credit	86,024	76,146
Exchange (gain)/loss – net	(12,790)	4,071
	<u>232,237</u>	<u>248,382</u>
Less: amounts capitalised on qualifying assets	(16,803)	(19,817)
Total finance costs	215,434	228,565
Finance income:		
Interest income	(31,625)	(26,036)
Finance costs – net	<u>183,809</u>	<u>202,529</u>

7. Income tax expense

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

	Year ended 31 December	
	2020	2019
	<i>RMB'000</i>	<i>RMB'000</i>
Current income tax		
– mainland China corporate income tax	89,772	66,627
Deferred income tax	50,395	22,572
	140,167	89,199

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 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.

All of the subsidiaries of the Group in mainland China, except for Steel Union Logistics and Daming Heavy Industry, are subjected to corporate income tax rate of 25% for the year 2020.

As a small low-profit enterprise, the portion of annual taxable income amount of Steel Union Logistics which does not exceed RMB1 million shall be computed at a reduced rate of 25%, and be subjected to corporate income tax rate of 20%, the portion of annual taxable income amount which exceeds RMB1 million but does not exceed RMB3 million shall be computed at a reduced rate of 50%, and be subjected to corporate income tax rate of 20%.

Daming Heavy Industry has been recognised as the High New Tech Enterprises in 2020. According to the tax incentives of the Corporate Income Tax Law of the People's Republic of China for High New Tech Enterprises, it is subject to a reduced corporate income tax rate of 15%.

8. Earnings per share

(a) Basic

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

	Year ended 31 December	
	2020	2019
Profit attributable to equity holders of the Company (RMB'000)	<u>347,979</u>	<u>177,536</u>
Weighted average number of ordinary shares in issue (thousands)	<u>1,225,360</u>	<u>1,224,614</u>
Basic earnings per share (RMB per share)	<u>0.28</u>	<u>0.14</u>

(b) Diluted

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. The dilutive potential ordinary shares of the Company are share options. For the share options, a calculation is done to determine the number of shares that could have been acquired at fair value (determined as the average annual market share price of the Company's shares) based on the monetary value of the subscription rights attached to outstanding share options. The number of shares calculated as above is compared with the number of shares that would have been issued assuming the exercise of the share options.

	Year ended 31 December	
	2020	2019
Earnings		
Profit attributable to equity holders of the Company (RMB'000)	<u>347,979</u>	<u>177,536</u>
Weighted average number of ordinary shares in issue (thousands)	<u>1,225,360</u>	<u>1,224,614</u>
Adjustments for share option plan (thousands)	<u>8</u>	<u>18</u>
Weighted average number of ordinary shares for diluted earnings per share (thousands)	<u>1,225,368</u>	<u>1,224,632</u>
Diluted earnings per share (RMB per share)	<u>0.28</u>	<u>0.14</u>

9. Dividends

	As at 31 December	
	2020	2019
	RMB'000	RMB'000
Interim dividend	–	67,550
Proposed final dividend	62,880	–
	62,880	67,550

On 23 August 2019, the Company's board of directors recommended payment of an interim dividend of HKD0.06 per share.

The directors recommend a final dividend in respect of the year ended 31 December 2020 of HKD0.06 per share (2019: Nil).

No dividends were actually paid in 2020 (2019: The dividends actually paid were HKD74,711,400 (equivalent to approximately RMB67,550,000) based on the number of issued shares outstanding at relevant time).

10. Trade receivables and contract assets

	As at 31 December					
	2020		Total	2019		Total
Current	Non-Current	Current		Non-Current	Current	
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Contract assets	40,770	25,482	66,252	67,145	28,666	95,811
Accounts receivable	400,263	–	400,263	294,897	–	294,897
Notes receivable						
– bank acceptance notes	16,152	–	16,152	27,255	–	27,255
– commercial acceptance notes	8,295	–	8,295	3,682	–	3,682
	465,480	25,482	490,962	392,979	28,666	421,645
Less: provision for impairment	(13,819)	(128)	(13,947)	(8,969)	(143)	(9,112)
	451,661	25,354	477,015	384,010	28,523	412,533

The carrying amounts of trade receivables and contract assets approximate their fair value as at the balance sheet date.

As at 31 December 2020, bank acceptance notes of RMB6,607,000 (2019: RMB10,545,000) were pledged as security for letters of guarantee.

As at 31 December 2020, no bank acceptance notes were pledged as security for notes payable for the Group (2019: bank acceptance notes of RMB5,366,000 were pledged as security for notes payable 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 1 year, and (iii) credit terms within 180 days. As at 31 December 2020 and 2019, the aging analysis of trade receivables was as follows:

	As at 31 December	
	2020	2019
	<i>RMB'000</i>	<i>RMB'000</i>
Accounts receivable		
– within 30 days	208,613	210,498
– 30 days to 3 months	92,786	37,450
– 3 months to 6 months	46,161	23,101
– 6 months to 1 year	39,547	21,323
– 1 year to 2 years	12,778	2,430
– over 2 years	378	95
	<hr/> 400,263	<hr/> 294,897
Notes receivable		
– within 1 year	24,447	30,937
	<hr/> 424,710	<hr/> 325,834
	<hr/> 424,710	<hr/> 325,834

11. Trade payables

	As at 31 December	
	2020	2019
	<i>RMB'000</i>	<i>RMB'000</i>
Accounts payable	480,581	597,214
Notes payable	87,500	378,840
	<hr/> 568,081	<hr/> 976,054
Less: non-current portion of accounts payable	<hr/> –	<hr/> (9,074)
	<hr/> 568,081	<hr/> 966,980
	<hr/> 568,081	<hr/> 966,980

The notes payable as at 31 December 2020 of RMB62,500,000 was secured by restricted bank deposits of approximately RMB62,500,000.

The notes payable as at 31 December 2019 of RMB344,610,000 was secured by restricted bank deposits of approximately RMB225,822,000 and bank acceptance notes of RMB5,366,000.

The aging analysis of the trade payables was as follows:

	As at 31 December	
	2020	2019
	<i>RMB'000</i>	<i>RMB'000</i>
Within 6 months	549,899	974,265
6 months to 1 year	17,675	1,377
1 year to 2 years	459	388
More than 2 years	48	24
	<u>568,081</u>	<u>976,054</u>

Trade payables are denominated in the following currencies:

	As at 31 December	
	2020	2019
	<i>RMB'000</i>	<i>RMB'000</i>
RMB	497,956	886,738
USD	22,566	51,134
EUR	43,445	38,182
JPY	4,114	—
	<u>568,081</u>	<u>976,054</u>

The carrying amounts of trade payables approximate their fair values as at the balance sheet date.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

In 2020, the Group's businesses were affected by the pandemic of COVID-19 especially in the first quarter of the year. The businesses of the Group recovered rapidly in the second quarter as our processing centres reopened for business and has achieved a satisfactory result for the year ended 31 December 2020.

Processing centres

We are a leading metals processing service provider providing comprehensive processing service to modern manufacturers in China with more than 20,000 active customers. Our processing services cover the whole manufacturing process including cutting, slitting, polishing, forming, welding, heat treating, machinery, painting and assembling. The Group has established ten processing centres strategically located in various regions in China, namely, Wuxi, Hangzhou, Tianjin, Wuhan, Taiyuan, Zibo, Jingjiang, Taian, Qianzhou and Jiaxing.

Business highlights

1. Da Ming contributed to “Made in Wuxi” by providing for Huoshenshan Hospital

In the evening of 31 January 2020, the whole of Huoshenshan Hospital, the first hospital in Wuhan, Hubei based on the Xiaotangshan model, was connected to power. Three days before that, four high-efficiency precipitators manufactured by Wuxi Hi-Tech Environmental Protection were loaded for delivery. Jiangsu Daming Metal Products Co., Ltd. and Daming Metal Products Wuxi Co., Ltd., both being subsidiaries of Da Ming International, joined hands with Wuxi Hi-Tech Environmental Protection in this project. Da Ming provided the raw materials of carbon steel (Q235B) and stainless steel (304, 316L) and ancillary services for parts processing such as cutting and bending, while Hi-Tech Environmental Protection was responsible for the construction of the precipitators. It took Da Ming only two days from taking the order to inspection and delivery.

During the pandemic, Da Ming made use of its strengths as a large corporation and produced items used in the medical equipment of Wuhan Leishenshan Hospital, Huoshenshan Hospital and Fangcang Hospital. Its subsidiaries also actively participated in the production of parts used in CT equipment, disinfection equipment, water treatment equipment, ultrasonic cleaners, hand-washing devices, important chemical equipment for medical supplies, etc.

2. *Valmet RAPP (EN standards) dual-phase steel pulping machines with parts from Daming Heavy Industry shipped overseas*

Daming Heavy Industry held the “Valmet RAPP Dual-Phase Steel Pulping Machine Shipment Ceremony” to announce the shipment of four large-scale dual-phase steel digesters overseas.

Valmet is a leading developer and supplier for the pulping, paper manufacturing and energy industries in the world and screens and reviews suppliers stringently. After a long period of observation and study, Daming Heavy Industry has successfully been nominated for the supply of parts on a number of projects for Valmet. The projects covered equipment such as heat exchangers, carbon steel tanks, stainless steel containers and dual-phase steel digesters, which won high acclaim from customers in countries such as Chile, Indonesia and Brazil.

3. *Daming Heavy Industry shipped for the Hangzhou Oxygen U12 Project*

Daming Heavy Industry held a shipment ceremony for a state key project – Hangzhou Oxygen U12 State Key Project. The successful shipment of the key components of four sets of supersized containers indicates that the manufacturing standard of Daming Heavy Industry has achieved a higher level.

4. *Daming Heavy Industry and Daming Precision joined hands to provide for the environment-friendly equipment RTO*

Two major manufacturing companies of the Da Ming International, Daming Heavy Industry and Daming Precision, jointly provided parts for the environment-friendly equipment RTO (Regenerative Thermal Oxidizer) of a renowned foreign enterprise using their respective strengths.

5. *Daming Heavy Industry contributes to the Australian mining industry – a large-scale ore scrubber has been successfully exported*

A large-scale ore scrubber manufactured and processed by Daming Heavy Industry was successfully exported to Mclanahan in Australia. The final owner is FMG, the third largest mining giant in Australia and the fourth largest in the world.

6. *The world’s largest welded tube sheet manufactured by Daming Heavy Industry has been successfully shipped*

A tube sheet with the longest diameter in the world at present that was manufactured and processed by the Machine Processing Division of Daming Heavy Industry for a paper project of Valmet has been successfully shipped to Brazil.

7. *Daming Heavy Industry serves CNOOC's fertilizer project – heaters successfully shipped*

Air heaters manufactured by Daming Heavy Industry for a fertilizer project of CNOOC in Hainan have been successfully shipped. This also marks the inclusion of Daming Heavy Industry on CNOOC's supplier list in a real sense for the first time.

8. *Daming Heavy Industry manufactured stacked heat exchangers to serve a 600,000-tonne ABS and AS project*

The manufacturing of parts by Daming Heavy for the first phase works of the Zhangzhou ABS and AS project, with an annual production capacity of 450,000 tonnes, entered the final stage. It was the first time that Daming Heavy Industry had joined hands with a large-scale Taiwan enterprise in the PRC and won a contract for nearly 50 heat exchangers, including 12 stacked heat exchangers, made of stainless steel.

9. *Head plates with ultra-large diameters were delivered by Daming Heavy Industry in batches*

Daming Heavy Industry completed the manufacturing of a large quantity of head plates with ultra-large diameters, the maximum of which reaching 6m and included 20 head plates of 6m in diameter and 2 head plates of 5m in diameter.

10. *Daming Precision accelerated processing progress to support metro in various regions*

A batch of ticket vending machines and ticket gates was assembled in the workshop of Daming Precision, this batch of products is comprised of 21 sets of ticket gate and 10 sets of ticket vending machine, and was processed for South Changjiang Road Station on Wuxi Metro Line 3. Da Ming has already served cities in mainland China such as Zhongshan, Qingdao, Dalian, Chengdu, Changsha and Wuxi, as well as Taiwan and overseas markets such as Israel, by manufacturing ticket vending machines, ticket gates and other products.

Operating results

The Group recorded a net profit of approximately RMB385.8 million for the year ended 31 December 2020 representing an increase of approximately 97.3% as compared with the net profit of approximately RMB195.6 million for the year ended 31 December 2019.

The annual sales volume of our stainless steel processing business increased from approximately 1,832,000 tonnes for the year ended 31 December 2019 to approximately 1,921,000 tonnes for the year ended 31 December 2020 representing an increase of approximately 4.9% while the processing volume increased from approximately 2,653,000 tonnes for the year ended 31 December 2019 to approximately 2,794,000 tonnes for the year ended 31 December 2020 representing an increase of approximately 5.3%.

The annual sales volume of our carbon steel processing business decreased from approximately 2,708,000 tonnes for the year ended 31 December 2019 to approximately 2,669,000 tonnes for the year ended 31 December 2020 representing a decrease of approximately 1.4% while the annual processing volume increased from approximately 3,016,000 tonnes for the year ended 31 December 2019 to approximately 3,132,000 tonnes for the year ended 31 December 2020 representing an increase of approximately 3.9%.

FUTURE DEVELOPMENT

Our stainless steel processing service business will continue to provide a stable source of income while there will also be great development potential for our carbon steel processing service business in the coming year. With the enhancement in service capacity, our manufacturing business will also expand its client base to large construction projects in 2021.

FINANCIAL REVIEW AND ANALYSIS

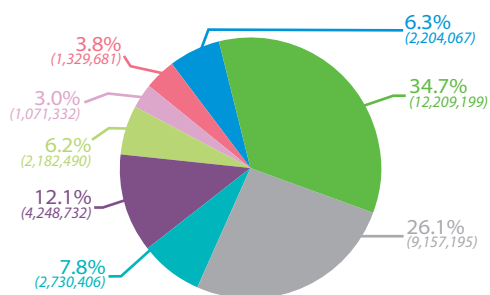
During the year under review, we recorded a revenue of approximately RMB35,133 million, gross profit of approximately RMB1,434 million and the profit attributable to equity holders of the Company of approximately RMB348 million. Total assets of the Group as at 31 December 2020 amounted to approximately RMB10,769 million while equity attributable to equity holders of the Company amounted to approximately RMB2,960 million.

Analysis of revenue by key industry segments

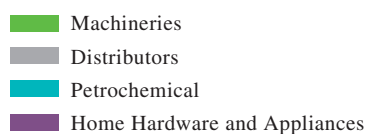
During the years ended 31 December 2020 and 2019, our revenue by key industry segments are shown below:

Industry	Revenue			
	For the year ended 31 December 2020		For the year ended 31 December 2019	
	RMB'000	%	RMB'000	%
Machineries	12,209,199	34.7	11,226,842	31.6
Distributors	9,157,195	26.1	11,301,347	31.9
Petrochemical	2,730,406	7.8	2,853,331	8.0
Home Hardware and Appliances	4,248,732	12.1	4,448,517	12.5
Automobile and Transport	2,182,490	6.2	1,892,831	5.3
Construction	1,071,332	3.0	1,071,147	3.0
Renewable Energy	1,329,681	3.8	1,228,383	3.5
Others	2,204,067	6.3	1,486,336	4.2
Total	35,133,102	100.0	35,508,734	100.0

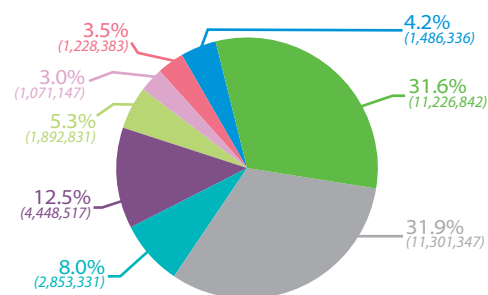
RMB'000



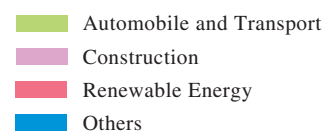
2020



RMB'000



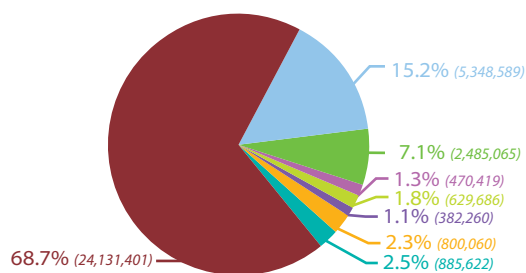
2019



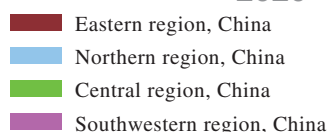
Analysis of revenue by geographic regions

Region	Revenue			
	2020		2019	
	RMB'000	%	RMB'000	%
Eastern region, China	24,131,401	68.7	24,098,067	67.9
Northern region, China	5,348,589	15.2	5,059,778	14.2
Central region, China	2,485,065	7.1	3,327,474	9.4
Southwestern region, China	470,419	1.3	459,864	1.3
Northeastern region, China	629,686	1.8	695,284	2.0
Northwestern region, China	382,260	1.1	296,342	0.8
Southern region, China	800,060	2.3	605,141	1.7
Overseas	885,622	2.5	966,784	2.7
	35,133,102	100.0	35,508,734	100.0

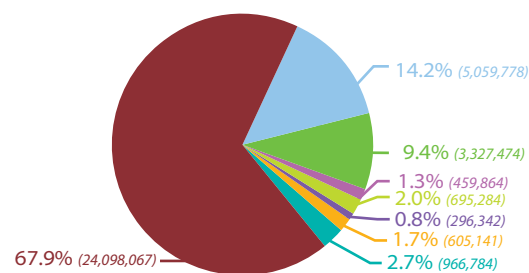
RMB'000



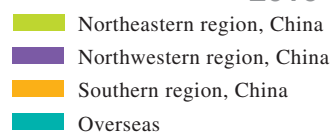
2020



RMB'000



2019



Revenue

Our revenue for the year ended 31 December 2020 amounted to approximately RMB35,133 million comprising approximately RMB33,773 million from our processing business and approximately RMB1,360 million from our manufacturing business. As compared with the revenue for the year ended 31 December 2019 of approximately RMB35,509 million, it represented a decrease of approximately 1.1%. Such decrease was mainly due to the temporary suspension of operation in the first quarter of 2020 as a result of the pandemic of COVID-19.

Gross profit

Gross profit increased from approximately RMB1,091.9 million in 2019 to approximately RMB1,433.8 million in 2020 mainly due to the improvement in profit margin.

Other income

Other income increased from approximately RMB44.6 million for the year ended 31 December 2019 to approximately RMB49.2 million for the year ended 31 December 2020. Such increase was mainly due to the increase in subsidy income.

Other (loss)/gain – net

The Group recorded a net other loss of approximately RMB15.5 million for the year ended 31 December 2020 as compared with a net other gain of approximately RMB4.2 million for the year ended 31 December 2019. The other loss incurred for the year ended 31 December 2020 was mainly due to exchange losses.

Distribution costs

Distribution costs increased from approximately RMB352.2 million for the year ended 31 December 2019 to approximately RMB382.2 million for the year ended 31 December 2020. Such increase was mainly due to the increase in staff salaries and transportation costs.

Administrative expenses

Administrative expenses increased from approximately RMB300.9 million for the year ended 31 December 2019 to approximately RMB375.3 million for the year ended 31 December 2020. Such increase was mainly due to the increase in staff costs, depreciation and amortisation of fixed assets.

Finance costs – net

Net finance costs decreased from approximately RMB202.5 million for the year ended 31 December 2019 to approximately RMB183.8 million for the year ended 31 December 2020. The decrease in net finance costs was mainly due to the increase in exchange gain and increase in interest income.

Income tax expense

Income tax expense increased from approximately RMB89.2 million for the year ended 31 December 2019 to approximately RMB140.2 million for the year ended 31 December 2020. Such increase was due to the increase in profit before tax for the year.

Profit for the year

The Group recorded a profit of approximately RMB385.8 million for the year ended 31 December 2020 as compared with a profit of approximately RMB195.6 million for the year ended 31 December 2019 representing an increase of approximately 97.3%.

Capital Expenditure

Capital expenditure consisted of additions of property, plant and equipment which amounted to approximately RMB514.5 million (2019: RMB457.9 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 and contract assets, deposits and other 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 2020, the borrowings of the Group amounted to approximately RMB5,358.6 million of which approximately RMB4,394.4 million were repayable within one year, notes payables amounted to approximately RMB87.5 million while the bank balances were approximately RMB990.6 million of which approximately RMB887.4 million were restricted mainly for the issuance of notes payable and letters of credit.

As at 31 December 2020, the Group recorded a net current liabilities of approximately RMB847.5 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 renew 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 2020 and 2019 calculated on this basis were 61.31% and 62.62% respectively.

HUMAN RESOURCES

The Group employed a total of 6,587 staffs as at 31 December 2020 (2019: 5,265). There was a growth of approximately 25% in our workforce in 2020 as compared with 2019. 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.

DIVIDEND

The Directors did not recommend the payment of an interim dividend (2019: HK\$0.06 per share) during the year.

The Board has recommended the payment of a final dividend of HK\$0.06 (2019: nil) per share for the year ended 31 December 2020 which will be payable on or about Wednesday, 30 June 2021 to the shareholders of the Company (the “Shareholders”) whose names appear on the register of members of the Company on Monday, 21 June 2021 subject to the Shareholders’ approval on the annual general meeting of the Company (the “AGM”) to be held on Thursday, 10 June 2021.

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 and Corporate Governance Report (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”) during the year ended 31 December 2020. The Company adopted the CG Code as its own code of corporate governance.

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

During the year ended 31 December 2020, 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, 10 June 2021. A notice convening the AGM will be published and dispatched to 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, 7 June 2021 to Thursday, 10 June 2021, both days inclusive. During the aforementioned period, 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, Wan Chai, Hong Kong not later than 4:30 p.m. on Friday, 4 June 2021 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, 17 June 2021 to Monday, 21 June 2021, both days inclusive. During the aforementioned period, 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, 16 June 2021.

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 2020 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 2020 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 2021

As at the date of this announcement, the executive Directors are Mr. Zhou Keming (Chairman), Mr. Jiang Changhong (Chief Executive Officer), Ms. Xu Xia, Mr. Zou Xiaoping, Dr. Fukui Tsutomu, Mr. Zhang Feng and Mr. Wang Jian; the non-executive Directors are Mr. Lin Changchun and Mr. Lu Jian; and the independent non-executive Directors are Mr. Cheuk Wa Pang, Prof. Hua Min, Mr. Lu Daming, Mr. Liu Fuxing and Mr. Hu Xuefa.