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 2019

FINANCIAL HIGHLIGHTS

	Year ended 31 December		
	2019	2018	
	RMB'000	*RMB'000*	% change
Revenue	**35,508,734**	32,135,276	+10.5%
Gross profit	**1,091,947**	866,808	+26.0%
Profit and total comprehensive income for the year	**195,574**	132,664	+47.4%

OPERATING HIGHLIGHTS

	Year ended 31 December		
	2019	2018	% change
Stainless steel			
Sales volume (tonnes)	**1,832,124**	1,781,017	+2.9%
Processing volume (tonnes)	**2,653,489**	2,651,280	+0.1%
Processing multiple *(note)*	**1.45**	1.49	
Carbon steel			
Sales volume (tonnes)	**2,707,923**	2,040,593	+32.7%
Processing volume (tonnes)	**3,015,562**	2,098,505	+43.7%
Processing multiple *(note)*	**1.11**	1.03	

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 2019 together with comparative figures for the year ended 31 December 2018, as follows:

CONSOLIDATED COMPREHENSIVE INCOME STATEMENT

For the year ended 31 December 2019

		Year ended 31 December	
		2019	2018
	Note	***RMB'000***	*RMB'000*
Revenue	2	**35,508,734**	32,135,276
Cost of sales	3	**(34,416,787)**	(31,268,468)
Gross profit		**1,091,947**	866,808
Other income	4	**44,637**	82,670
Other expenses	3	**(463)**	(889)
Other gain – net	5	**4,223**	6,454
Distribution costs	3	**(352,162)**	(277,681)
Administrative expenses	3	**(300,880)**	(273,324)
Operating profit		**487,302**	404,038
Finance income	6	**26,036**	26,915
Finance costs	6	**(228,565)**	(211,489)
Finance costs – net	6	**(202,529)**	(184,574)
Profit before income tax		**284,773**	219,464
Income tax expense	7	**(89,199)**	(86,800)
Profit and total comprehensive income for the year		**195,574**	132,664
Attributable to:			
Equity holders of the Company		**177,536**	109,557
Non-controlling interests		**18,038**	23,107
		195,574	132,664
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	**0.14**	0.09
– Diluted earnings per share	8	**0.14**	0.09

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2019

		As at 31 December	
		2019	2018
	Note	***RMB'000***	*RMB'000*
ASSETS			
Non-current assets			
Land use rights		**–**	487,286
Property, plant and equipment		**4,432,495**	4,204,500
Right-of-use assets		**519,362**	–
Investment properties		**4,214**	4,597
Intangible assets		**19,065**	16,453
Deferred income tax assets		**77,861**	75,500
Trade receivables and contract assets	10	**28,523**	27,674
Other non-current assets		**4,116**	5,881
		5,085,636	4,821,891
Current assets			
Inventories		**2,784,448**	2,689,628
Trade receivables and contract assets	10	**384,010**	506,697
Prepayments, deposits and other receivables		**814,805**	927,627
Restricted bank deposits		**1,039,691**	1,076,064
Cash and cash equivalents		**161,807**	140,004
		5,184,761	5,340,020
Total assets		**10,270,397**	10,161,911
EQUITY			
Equity attributable to equity holders of the Company			
Share capital		**106,607**	106,607
Reserves		**2,500,710**	2,387,020
		2,607,317	2,493,627
Non-controlling interests		**326,843**	358,975
Total equity		**2,934,160**	2,852,602

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (Continued)

As at 31 December 2019

		As at 31 December	
		2019	2018
	Note	***RMB'000***	*RMB'000*
LIABILITIES			
Non-current liabilities			
Borrowings		**248,410**	850,183
Deferred government grants		**133,130**	87,909
Deferred income tax liabilities		**40,569**	15,636
Trade payables	11	**9,074**	8,959
Long-term payables		**24,060**	38,750
		455,243	1,001,437
Current liabilities			
Trade payables	11	**966,980**	2,153,632
Accruals and other current liabilities		**383,534**	389,720
Contract liabilities		**607,539**	439,470
Current income tax liabilities		**49,261**	75,032
Borrowings		**4,829,012**	3,243,536
Current portion of deferred government grants		**–**	4,482
Lease liabilities		**3,618**	–
Dividends payable		**41,050**	2,000
		6,880,994	6,307,872
Total liabilities		**7,336,237**	7,309,309
Total equity and liabilities		**10,270,397**	10,161,911

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2019

	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 2018	106,607	2,322,971	267,626	2,697,204
Comprehensive income				
Profit for the year	–	109,557	23,107	132,664
Total comprehensive income for the year ended 31 December 2018	–	109,557	23,107	132,664
Transactions with owners				
Employee share options scheme				
– value of employee services	–	2,100	65	2,165
Share award scheme				
– value of employee services	–	7,317	–	7,317
Capital injection by a non-controlling shareholder	–	–	72,177	72,177
Dividends	–	(54,925)	(4,000)	(58,925)
Total transactions with owners	–	(45,508)	68,242	22,734
Balance at 31 December 2018	106,607	2,387,020	358,975	2,852,602
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	106,607	2,500,710	326,843	2,934,160

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2019

	2019	2018
	RMB'000	*RMB'000*
Cash flows from operating activities	**117,949**	400,953
Cash flows from investing activities	**(557,389)**	(794,113)
Cash flows from financing activities	**460,217**	364,516
Net increase/(decrease) in cash and cash equivalents	**20,777**	(28,644)
Cash and cash equivalents at beginning of year	**140,004**	166,151
Exchange gain on cash and cash equivalents	**1,026**	2,497
Cash and cash equivalents at end of year	**161,807**	140,004

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

1. Basis of preparation

The consolidated financial statements of the Group have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS") and disclosure 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 2019, the Group's current liabilities exceeded its current assets by approximately RMB1,696,233,000. 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 bank borrowings in mainland China and Hong Kong to be renewed during the next twelve 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 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 the 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 2019:

		Effective for annual periods beginning on or after
HKFRS 16	Leases (i)	1 January 2019
HK (IFRIC) 23	Uncertainty over income tax treatments	1 January 2019
HKFRS 9 (Amendments)	Prepayment Features with Negative Compensation	1 January 2019
HKAS 28 (Amendments)	Long-term Interests in Associates and Joint Ventures	1 January 2019
HKAS 19 (Amendments)	Plan Amendment, Curtailment or Settlement	1 January 2019
Annual Improvements 2015-2017 Cycle		1 January 2019

The Group changed its accounting policies as a result of adopting HKFRS 16 and the related impact is disclosed below.

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

(i) HKFRS 16 Leases

The Group has adopted HKFRS 16 from 1 January 2019, but has not restated comparatives for the 2018 reporting period, as permitted under the specific transitional provisions in the standard. The reclassifications and the adjustments arising from the new leasing rules are therefore recognised in the opening balance sheet on 1 January 2019.

On adoption of HKFRS 16, the Group recognised lease liabilities in relation to leases which had previously been classified as 'operating leases' under the principles of HKAS 17 Leases. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as of 1 January 2019. The weighted average lessee's incremental borrowing rate applied to the lease liabilities on 1 January 2019 was 4.9% per annum.

(1) Measurement of lease liabilities and right-of-use assets

	1 January 2019 *RMB'000*
Operating lease commitments disclosed as at 31 December 2018	**114**
Lease liabilities recognised on extension option estimation	**1,959**
(Less): short-term leases recognised on a straight-line basis as expense	**(114)**
	1,959
Discounted using the lessee's incremental borrowing rate of at the date of initial application	**1,806**
Add: rental prepayments recognised as at 31 December 2018	**479**
	2,285
Add: reclassification of leasehold land and land use rights	**487,286**
Right-of-use assets recognised as at 1 January 2019	**489,571**

The associated right-of-use assets for property leases were measured at the amount equal to the lease liabilities, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the balance sheet as at 31 December 2018. There were no onerous lease contracts that would have required an adjustment to the right-of-use assets at the date of initial application.

(2) Adjustments recognised in the balance sheet on 1 January 2019

The change in accounting policy affected the following items in the balance sheet on 1 January 2019:

- Prepayments, deposits and other receivables – decrease by RMB479,000
- Right-of-use assets – increase by RMB489,571,000
- Land use rights – decrease by RMB487,286,000
- Lease liabilities – increase by RMB1,806,000

There was no impact on retained earnings on 1 January 2019.

(3) *Practical expedients applied*

In applying HKFRS 16 for the first time, the Group has used the following practical expedients permitted by the standard:

- applying a single discount rate to a portfolio of leases with reasonably similar characteristics
- relying on previous assessments on whether leases are onerous as an alternative to performing an impairment review – there were no onerous contracts as at 1 January 2019
- accounting for operating leases with a remaining lease term of less than 12 months as at 1 January 2019 as short-term leases
- excluding initial direct costs for the measurement of the right-of-use asset at the date of initial application, and
- using hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

The Group has also elected not to reassess whether a contract is, or contains a lease at the date of initial application. Instead, for contracts entered into before the transition date the Group relied on its assessment made applying HKAS 17 and Interpretation 4 Determining whether an Arrangement contains a Lease.

(4) *Leasor accounting*

The Group did not need to make any adjustments to the accounting for assets held as lessor under operating leases as a result of the adoption of HKFRS 16.

(b) Certain new accounting standards and interpretations have been published that are not mandatory for 31 December 2019 reporting periods and have not been early adopted by the Group.

		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 17	Insuranse contracts	1 January 2021

2. Revenue

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

	Year ended 31 December	
	2019	2018
	RMB'000	*RMB'000*
– Mainland China	**34,541,950**	31,370,542
– Hong Kong and other overseas countries and regions (i)	**966,784**	764,734
Total sales	**35,508,734**	32,135,276

(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 2019 and 2018. All revenues are derived from external customers.

	Year ended 31 December	
	2019	2018
	RMB'000	*RMB'000*
Processing and sales of stainless steel and carbon steel products	**34,451,133**	31,579,927
Manufacturing of stainless steel and carbon steel products	**1,057,601**	555,349
	35,508,734	32,135,276

The segment results for the year ended 31 December 2019:

	Processing	**Manufacturing**	**Elimination**	**Total**
	RMB'000	***RMB'000***	***RMB'000***	***RMB'000***
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**

The segment results for the year ended 31 December 2018:

	Processing *RMB'000*	Manufacturing *RMB'000*	Elimination *RMB'000*	Total *RMB'000*
Segment revenue	31,866,580	707,083	(438,387)	32,135,276
Segment results	362,703	(49,816)	2,916	315,803
– including depreciation and amortisation	144,559	58,165	–	202,724
Other income and expenses				81,781
Other gain – net				6,454
Finance costs – net				(184,574)
Profit before income tax				219,464
Income tax expense				(86,800)
Profit for the year				132,664

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	
	2019 *RMB'000*	2018 *RMB'000*
Changes in inventories of finished goods	**(265,809)**	(156,778)
Raw materials consumed	**33,882,579**	30,757,247
Outsourced processing cost	**67,360**	52,516
Stamp duty, property tax and other surcharges	**36,592**	35,073
Transportation costs	**186,310**	149,864
Employee benefit expenses, including directors' emoluments	**740,054**	584,853
Depreciation and amortisation	**242,115**	202,724
Operating lease rental for buildings	**4,514**	4,342
Utilities charges	**68,037**	60,628
(Reversal of provision)/Provision for write-down of inventories	**(28,860)**	34,328
Auditors' remuneration-audit services	**3,150**	3,050
Provision for impairment of trade receivables and contract assets	**7,476**	931
Entertainment and travelling expenses	**52,939**	37,876
Professional service expenses	**8,094**	6,713
Bank charges	**13,402**	9,848
Others	**52,339**	37,147
	35,070,292	31,820,362

4. Other income

	Year ended 31 December	
	2019	2018
	RMB'000	RMB'000
Sales of scraps and packaging materials	**19,324**	41,201
Subsidy income	**10,069**	29,373
Amortisation of deferred government grants	**6,941**	4,720
Rental income	**362**	367
Others	**7,941**	7,009
	44,637	82,670

5. Other gain – net

	Year ended 31 December	
	2019	2018
	RMB'000	*RMB'000*
Losses on disposal of property, plant and equipment – net	**(401)**	(552)
Foreign exchange gain – net	**7,656**	7,953
Others	**(3,032)**	(947)
	4,223	6,454

6. Finance costs – net

	Year ended 31 December	
	2019	2018
	RMB'000	*RMB'000*
Finance costs:		
Interest expenses on borrowings	**168,165**	152,168
Interest expenses on bank/commercial acceptance notes and letters of credit	**76,146**	49,691
Exchange loss – net	**4,071**	24,419
	248,382	226,278
Less: amounts capitalised on qualifying assets	**(19,817)**	(14,789)
Total finance costs	**228,565**	211,489
Finance income:		
Interest income	**(26,036)**	(26,915)
Finance costs – net	**202,529**	184,574

7. Income tax expense

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

	Year ended 31 December	
	2019	2018
	RMB'000	*RMB'000*
Current income tax		
– mainland China corporate income tax	**66,627**	96,951
Deferred income tax	**22,572**	(10,151)
	89,199	86,800

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.

All of the subsidiaries of the Group in mainland China, except for Steel Union Logistics, are subjected to corporate income tax rate of 25% for the year 2019.

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%.

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	
	2019	2018
Profit attributable to equity holders of the Company (RMB'000)	**177,536**	109,557
Weighted average number of ordinary shares in issue (thousands)	**1,224,614**	1,221,915
Basic earnings per share (RMB per share)	**0.14**	0.09

(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	
	2019	2018
Earnings		
Profit attributable to equity holders of the Company (RMB'000)	**177,536**	109,557
Weighted average number of ordinary shares in issue (thousands)	**1,224,614**	1,221,915
Adjustments for share option plan (thousands)	**18**	2,046
Weighted average number of ordinary shares for diluted earnings per share (thousands)	**1,224,632**	1,223,961
Diluted earnings per share (RMB per share)	**0.14**	0.09

9. Dividends

	As at 31 December	
	2019	2018
	RMB'000	*RMB'000*
Interim dividend	**67,550**	54,925
Proposed final dividend	**–**	–
	67,550	54,925

On 24 August 2018, the Company's board of directors recommended payment of an interim dividend of HKD0.05 per share.

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

The directors do not recommend payment of a final dividend in respect of the year ended 31 December 2019 (2018: Nil).

The dividends actually paid in 2019 were HKD74,711,400 (equivalent to approximately RMB67,550,000) (2018: HKD62,259,500, equivalent to approximately RMB54,925,000) based on the number of issued shares outstanding at relevant time.

10. Trade receivables and contract assets

	As at 31 December					
	2019			2018		
	Current	**Non-Current**	**Total**	Current	Non-Current	Total
	RMB'000	***RMB'000***	***RMB'000***	*RMB'000*	*RMB'000*	*RMB'000*
Contract assets	**67,145**	**28,666**	**95,811**	–	27,674	27,674
Accounts receivable	**294,897**	**–**	**294,897**	301,403	–	301,403
Notes receivable						
– bank acceptance notes	**27,255**	**–**	**27,255**	196,277	–	196,277
– commercial acceptance notes	**3,682**	**–**	**3,682**	11,126	–	11,126
	392,979	**28,666**	**421,645**	508,806	27,674	536,480
Less: provision for impairment	**(8,969)**	**(143)**	**(9,112)**	(2,109)	–	(2,109)
	384,010	**28,523**	**412,533**	506,697	27,674	534,371

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

As at 31 December 2019, bank acceptance notes of RMB5,366,000 (2018: RMB188,770,000) were pledged as security for notes payable for the Group.

As at 31 December 2019, bank acceptance notes of RMB10,545,000 (2018: RMB3,333,000) were pledged as security for letters of guarantee.

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 2019 and 2018, the aging analysis of trade receivables was as follows:

	As at 31 December	
	2019	2018
	RMB'000	*RMB'000*
Accounts receivable		
– within 30 days	**210,498**	308,514
– 30 days to 3 months	**37,450**	14,294
– 3 months to 6 months	**23,101**	3,214
– 6 months to 1 year	**21,323**	2,599
– 1 year to 2 years	**2,430**	278
– over 2 years	**95**	178
	294,897	329,077
Notes receivable		
– within 1 year	**30,937**	207,403
	325,834	536,480

11. Trade payables

	As at 31 December	
	2019	2018
	RMB'000	*RMB'000*
Accounts payable	**597,214**	773,775
Notes payable	**378,840**	1,388,816
	976,054	2,162,591
Less: non-current portion of accounts payable	**(9,074)**	(8,959)
	966,980	2,153,632

The notes payable as at 31 December 2019 of RMB344,610,000 (2018: RMB942,390,000) was secured by restricted bank deposits of approximately RMB225,822,000 (2018: RMB713,055,000) and bank acceptance notes of RMB5,366,000 (2018: RMB188,770,000)

The aging analysis of the trade payables was as follows:

	As at 31 December	
	2019	2018
	RMB'000	*RMB'000*
Within 6 months	**974,265**	2,162,516
6 months to 1 year	**1,377**	50
1 year to 2 years	**388**	12
More than 2 years	**24**	13
	976,054	2,162,591

Trade payables are denominated in the following currencies:

	As at 31 December	
	2019	2018
	RMB'000	*RMB'000*
RMB	**886,738**	2,133,373
USD	**51,134**	29,218
EUR	**38,182**	–
	976,054	2,162,591

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

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

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.

The Group's tenth processing centre in Jiaxing, Zhejiang province commenced operation on 8 November 2019.

Business highlights

1. ***First vessel-used scrubbing column project supported by Jingjiang Daming Heavy Industry delivered***

   The first offshore vessel-used scrubbing column supported by Jingjiang Daming Heavy Industry for Yara Marine Technologies ("YMT") has been successfully delivered. This project represents a significant milestone for Jingjiang Daming Heavy Industry in vessel-used scrubbing column processing services.

   YMT is a global company engaged in providing integrated desulfurisation and denitrification services. It provides in aggregate over one million hours of reliable operation time for desulfurisation and denitrification equipment of more than 100 shipowners around the world. In the area of vessel-used desulfurisation scrubbing column, YMT has always been the market leader with technology advantages. As the main environmental protection equipment of marine navigation, vessel-used desulfurisation scrubbing columns are made of nickel-based high-end alloy material, which associated with a higher level of difficulties and risks in terms of manufacturing. Jingjiang Daming Heavy Industry has overcome many technical problems in the production process, such as welding deformation and thin-walled tube joint deformation. With the efforts and hardworking of all of our project members, the first set of scrubbing column was delivered one month ahead of schedule.

2. ***Large-scale mining trucks supported by Jingjiang Daming Heavy Industry for Xuzhou Construction Machinery Group ("XCMG") exported in bulk to Australia***

   A large number of cargo compartments of XCMG's DE120 large-scale mining trucks supported by Jingjiang Daming Heavy Industry have been successfully shipped to Australia. This was another large-scale project completed after the previous export of 64 110-ton cargo compartments to the Middle East. It also laid a solid foundation for the forthcoming production project of 300-ton mining cargo compartments.

The 12 completed large-scale mining truck cargo compartments, each has a load-bearing capacity of over 150 tons, were designed by XCMG and produced and processed by Daming Heavy Industry. From steel plate customisation, cutting, assembling, welding, machinery processing turning and milling, spraying to packaging, all processes were strictly controlled in accordance with ISO and AWC standards. Daming Heavy Industry project team strictly followed the project plan and, working closely with all departments, we gave full play to the advantages of welding, machinery processing and spraying, and pursued excellence while ensuring meeting the delivery date, which was highly praised by the customer.

3. ***Jingjiang Daming Heavy Industry supported pumped-storage power station with magnetic yoke steel processing***

   Jingjiang Daming Heavy Industry has completed processing of magnetic yoke steel for a pumped-storage power station project. The processing project has overcome a series of technical difficulties and ensured the quality of products.

   As magnetic yoke steels are valuable, the product quality requirements are correspondingly higher. Staff from sales department of Jingjiang Daming Heavy Industry, together with the project managers of technology and production departments, negotiated with customers and finally determined the technical requirements and technics for processing. Every step of the processing process has been tested and reviewed thoroughly, and risks identified that may resulted in product defects were basically avoided. Jingjiang Daming Heavy Industry's technology department has discussed numerous times in the process of determining technics. Through reasonable adjustment of the process, uncontrollable deformation were controlled before the rough milling process. Jingjiang Daming Heavy Industry managed the key factors affecting the product quality from five aspects of "personnel, machine, material, method and condition" and made specific improvements so as to avoid the problems regarding product quality to the greatest extent.

4. ***First air separation project supported by Jingjiang Daming Heavy Industry for Air Liquide exported to the United States of America***

   The air purifier equipment supported by Jingjiang Daming Heavy Industry for Air Liquide's air separation project has been successfully delivered. This was the first project exported to the United States of America between the two parties following the first shipping of the Baosteel Gases/Weihua project.

   The project was designed by Air Liquide, while Jingjiang Daming Heavy Industry has provided the "one-stop" processing services of high standard cutting, grooving, rolling, welding and seamless inspection. All processes were finished strictly in accordance with customer standards and were finally examined and accepted.

5. ***Pressure vessel products manufactured by Jingjiang Daming Heavy Industry for Wanhua Chemical successfully delivered***

   All pressure vessel products manufactured by Jingjiang Daming Heavy Industry for Wanhua Chemical have been successfully delivered. Wanhua Chemistry and Jingjiang Daming Heavy Industry have previously entered into five contracts, all regarding large pressure vessel products. Manufacturing of such products involved long period and high difficulties, especially for three reactors and two pyrolysis gas gas phase dryers, which associated with a high degree of difficulties.

   The three reactors were stirred tank reactors of 110 tons each. The pyrolysis gas gas phase dryers weighed 250 tons each, with special structures which required exceptional technics.

6. ***Hubei Daming processing centre undertook construction of several arenas in the Military World Games***

   Hubei Daming processing centre has previously cooperated with renowned steel mould enterprises to provide steel truss and outfitting supporting services for the badminton stadium of the Military World Games located in Wuhan University, and to provide roof ventilation pipes and drainage system supporting services for the main badminton stadium of the Military World Games located in Jiangxia Dahuashan Outdoor Sports Centre. Hubei processing centre received another project of supporting the Military World Games, supporting the stadium located in the Sports College.

   In order to meet the delivery date, all departments of Hubei processing centre fully cooperated while the units of slicing, leveling and bending joined forces seamlessly and completed the delivery before the deadline required by customers. The strong processing ability and high quality service of Hubei processing centre truly impressed the customers. This cooperation has strengthened the confidence of the customers and they have already expressed their willingness of further cooperation in the future.

7. ***Daming Precision Sheet successfully completed the delivery of its first whole set metro ticket vending and checking machine***

   Daming Precision Sheet successfully completed its first processing service for whole set stainless steel ticket vending and checking machine prototype, which was highly praised by the customer. This marks that Daming Precision Sheet formally entered the field of metro station system equipment manufacturing.

The customer was the renowned AFC (metro ticket vending and checking system) equipment manufacturer in China. It won the bid for AGM (metro ticket checking machine) and TVM (metro ticket vending machine) projects of Foshan Metro Line 2 in Guangdong Province. Daming Precision Sheet was commissioned to process four ticket checking machines and one ticket vending machine prototype. There were more than 2,000 parts and components in the five prototype machines, and the delivery deadline was extremely tight, which was a huge challenge for the processing service ability of Daming Precision Sheet. With the help of the Group's materials and technology, Daming Precision Sheet production and technology departments worked days and nights, and finally the processing was completed on time with good quality, which fully demonstrated Daming's ability and strength of processing supporting services.

Rail transit industry is Daming's key service sector. Over the years, Daming has provided processing and supporting services for door panels and interior accessories to famous enterprises such as CRRC. This successful supporting for ticket vending and checking equipment has laid a solid foundation for entering related markets such as urban rail transit and airport stations.

8. ***Gradual completion of record-setting large-scale vacuum equipment by Jingjiang Daming Heavy Industry Completed for Hangyang***

   Jingjiang Daming Heavy Industry has completed the two specifications of vacuum load chamber gate and the first tube section of the gate, both are currently the largest in dimensions in the PRC, for Hangyang, of which the 8-meter vacuum chamber gate has been completed while the 14-meter overall assembly and welding is near completion.

   The product of this project has a large overall length and width (the maximum specification is nearly 15.5 meters in length, almost 14 meters in width and 2.68 meters in height), which is currently the largest vacuum chamber project undertaken by Jingjiang Daming Heavy Industry. Due to the considerations of overall rigidity and strength in the manufacturing process, a large number of riveting and soldering, machining and tooling, tooling solutions about lifting and turning, and a series of tooling solutions such as subsequent delivery and transportation tools are required and achieved by the collaboration of various departments of Jingjiang Daming Heavy Industry covering production, technology, safety and environment and equipment manufacturing.

Operating results

The Group recorded a net profit of approximately RMB195.6 million for the year ended 31 December 2019 representing an increase of approximately 47.4% as compared with the net profit of approximately RMB132.7 million for the year ended 31 December 2018.

The annual sales volume of our stainless steel processing business increased from approximately 1,781,000 tonnes for the year ended 31 December 2018 to approximately 1,832,000 tonnes for the year ended 31 December 2019 representing an increase of 2.9% while the processing volume increased from approximately 2,651,000 tonnes for the year ended 31 December 2018 to approximately 2,653,000 tonnes for the year ended 31 December 2019 representing an increase of approximately 0.1%.

The annual sales volume of our carbon steel processing business increased from approximately 2,041,000 tonnes for the year ended 31 December 2018 to approximately 2,708,000 tonnes for the year ended 31 December 2019 representing an increase of approximately 32.7% while the annual processing volume increased from approximately 2,099,000 tonnes for the year ended 31 December 2018 to approximately 3,016,000 tonnes for the year ended 31 December 2019 representing an increase of approximately 43.7%.

FUTURE DEVELOPMENT

The Group will use its best endeavour to resume the operation of its processing centre in Wuhan which had suspended its operation since the outbreak of the Coronavirus disease in January 2020. On the other hand, the Group will launch sales campaigns to improve its processing services to serve our customers better in 2020.

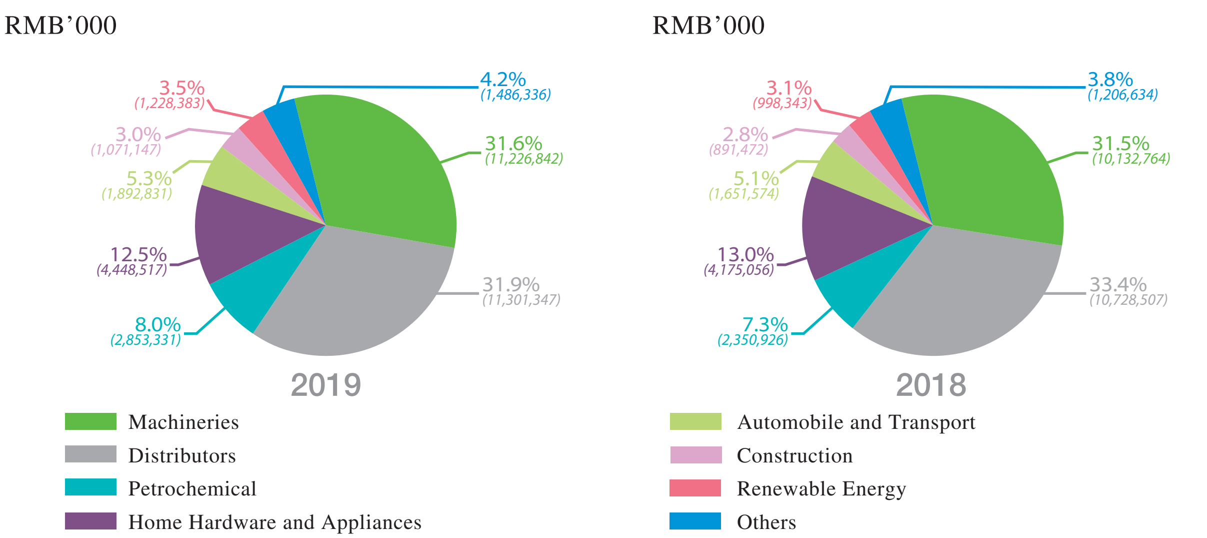
FINANCIAL REVIEW AND ANALYSIS

During the year under review, we recorded a revenue of approximately RMB35,509 million, gross profit of approximately RMB1,092 million and the profit attributable to equity holders of the Company of approximately RMB178 million. Total assets of the Group as at 31 December 2019 amounted to approximately RMB10,270 million while equity attributable to equity holders of the Company amounted to approximately RMB2,607 million.

Analysis of revenue by key industry segments

During the years ended 31 December 2019 and 2018, our revenue by key industry segments are shown below:

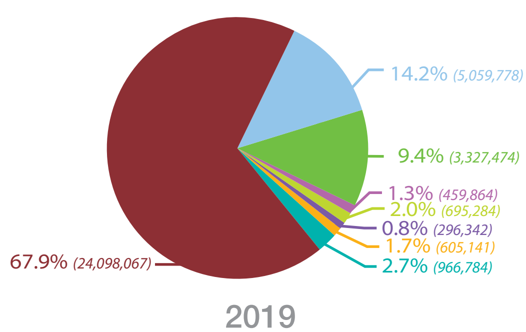
	Revenue			
	For the year ended 31 December			
	2019		2018	
Industry	***RMB'000***	*%*	*RMB'000*	*%*
Machineries	**11,226,842**	**31.6**	10,132,764	31.5
Distributors	**11,301,347**	**31.9**	10,728,507	33.4
Petrochemical	**2,853,331**	**8.0**	2,350,926	7.3
Home Hardware and Appliances	**4,448,517**	**12.5**	4,175,056	13.0
Automobile and Transport	**1,892,831**	**5.3**	1,651,574	5.1
Construction	**1,071,147**	**3.0**	891,472	2.8
Renewable Energy	**1,228,383**	**3.5**	998,343	3.1
Others	**1,486,336**	**4.2**	1,206,634	3.8
Total	**35,508,734**	**100.0**	32,135,276	100.0



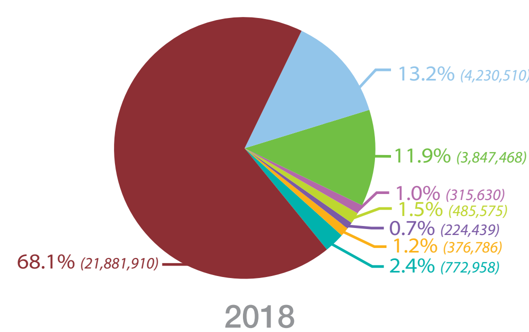
Analysis of revenue by geographic regions

	Revenue For the year ended 31 December			
	2019		2018	
Region	***RMB'000***	*%*	*RMB'000*	*%*
Eastern region, China	**24,098,067**	**67.9**	21,881,910	68.1
Northern region, China	**5,059,778**	**14.2**	4,230,510	13.2
Central region, China	**3,327,474**	**9.4**	3,847,468	11.9
Southwestern region, China	**459,864**	**1.3**	315,630	1.0
Northeastern region, China	**695,284**	**2.0**	485,575	1.5
Northwestern region, China	**296,342**	**0.8**	224,439	0.7
Southern region, China	**605,141**	**1.7**	376,786	1.2
Overseas	**966,784**	**2.7**	772,958	2.4
	35,508,734	**100.0**	32,135,276	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

Revenue

Our revenue for the year ended 31 December 2019 amounted to approximately RMB35,509 million comprising approximately RMB25,745 million from our stainless steel processing business and approximately RMB9,764 million from our carbon steel processing business. As compared with the revenue for the year ended 31 December 2018 of approximately RMB32,135 million, it represented an increase of approximately 10.5%. Such increase was mainly due to the increase in the sales volume of carbon steel processing services.

Gross profit

Gross profit increased from approximately RMB866.8 million in 2018 to approximately RMB1,091.9 million in 2019 mainly due to the increase in revenue and the increase in profit margin.

Other income

Other income decreased from approximately RMB82.7 million for the year ended 31 December 2018 to approximately RMB44.6 million for the year ended 31 December 2019 mainly due to the decrease in sales of scraps and packaging materials and the decrease in subsidy income.

Other gain – net

The Group recorded a net other gain of approximately RMB4.2 million for the year ended 31 December 2019 as compared with a net other gain of approximately RMB6.5 million for the year ended 31 December 2018.

Distribution costs

Distribution costs increased from approximately RMB277.7 million for the year ended 31 December 2018 to approximately RMB352.2 million for the year ended 31 December 2019. Such increase was mainly due to the increase in staff salaries and transportation costs as a result of the increase in sales volume.

Administrative expenses

Administrative expenses increased from approximately RMB273.3 million for the year ended 31 December 2018 to approximately RMB300.9 million for the year ended 31 December 2019. Such increase was mainly due to the increase in staff costs and entertainment expenses.

Finance costs – net

Net finance costs increased from approximately RMB184.6 million for the year ended 31 December 2018 to approximately RMB202.5 million for the year ended 31 December 2019. The increase in finance costs was mainly due to the increase in interest expenses on borrowings and bank/commercial acceptance notes and letters of credit.

Income tax expense

Income tax expense increased from approximately RMB86.8 million for the year ended 31 December 2018 to approximately RMB89.2 million for the year ended 31 December 2019. Such increase was due to the increase in profit before tax in 2019.

Profit for the year

The Group recorded a profit of approximately RMB195.6 million for the year ended 31 December 2019 as compared with a profit of approximately RMB132.7 million for the year ended 31 December 2018 representing an increase of approximately 47.4%.

Capital Expenditure

In 2019, our capital expenditure consisted of additions of property, plant and equipment which amounted to approximately RMB459.1 million (2018: RMB737.7 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 2019, the borrowings of the Group amounted to approximately RMB5,077.4 million of which approximately RMB4,829.0 million were repayable within one year, notes payables amounted to approximately RMB378.8 million while the bank balances were approximately RMB1,201.4 million of which approximately RMB1,039.7 million were restricted mainly for the issuance of notes payable and letters of credit.

As at 31 December 2019, the Group recorded a net current liabilities of approximately RMB1,696.2 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 2019 and 2018 calculated on this basis were 62.62% and 58.09% respectively.

HUMAN RESOURCES

The Group employed a total of 5,265 staffs as at 31 December 2019 (2018: 4,652). There was a 13.18% growth in our workforce in 2019 as compared with 2018. 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 have declared and paid an interim dividend of HK$0.06 (2018: HK$0.05) per share totaling HK$74,711,400 (2018: HK$62,259,500) during the year.

The Board do not recommend the payment of a final dividend for the year ended 31 December 2019 (2018: nil).

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 2019. 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 2019, 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 Wednesday, 17 June 2020. 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 Friday, 12 June 2020 to Wednesday, 17 June 2020, 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, Wan Chai, Hong Kong not later than 4:30 p.m. on Thursday, 11 June 2020 in order to qualify for attending the above AGM.

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 2019 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 2019 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, 27 March 2020

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.