DA MING INTERNATIONAL HOLDINGS LIMITED

(Incorporated in the Cayman Islands with limited liability)

2020

Annual Report

Stock code：1090

Contents

CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Mr. Zhou Keming *(Chairman)*
Mr. Jiang Changhong *(Chief Executive Officer)*
Ms. Xu Xia
Mr. Zou Xiaoping
Dr. Fukui Tsutomu *(formerly known as Zhang Qinzhong)*
Mr. Zhang Feng
Mr. Wang Jian

Non-executive Directors

Mr. Lin Changchun
Mr. Lu Jian

Independent Non-executive Directors

Prof. Hua Min
Mr. Cheuk Wa Pang
Mr. Lu Daming
Mr. Liu Fuxing
Mr. Hu Xuefa

COMPANY SECRETARY

Mr. Leung Man Fai

AUTHORISED REPRESENTATIVES

Mr. Zou Xiaoping
Mr. Leung Man Fai

AUDIT COMMITTEE

Prof. Hua Min
Mr. Cheuk Wa Pang
Mr. Lu Daming
Mr. Liu Fuxing
Mr. Hu Xuefa

REMUNERATION COMMITTEE

Prof. Hua Min
Mr. Cheuk Wa Pang
Mr. Lu Daming
Mr. Liu Fuxing
Mr. Hu Xuefa
Mr. Zou Xiaoping

NOMINATION COMMITTEE

Prof. Hua Min
Mr. Cheuk Wa Pang
Mr. Lu Daming
Mr. Liu Fuxing
Mr. Hu Xuefa
Mr. Zou Xiaoping

REGISTERED OFFICE IN THE CAYMAN ISLANDS

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

HEADQUARTERS AND PRINCIPAL PLACE OF BUSINESS IN CHINA

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

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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

LEGAL ADVISERS TO THE COMPANY

As to Hong Kong Law

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

As to Cayman Islands Law

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

HONG KONG SHARE REGISTRAR

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

AUDITOR

PricewaterhouseCoopers
Certified Public Accountants
22/F, Prince's Building, Central
Hong Kong

PRINCIPAL BANKERS

In Hong Kong

Bank of China (Hong Kong) Limited

In China

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

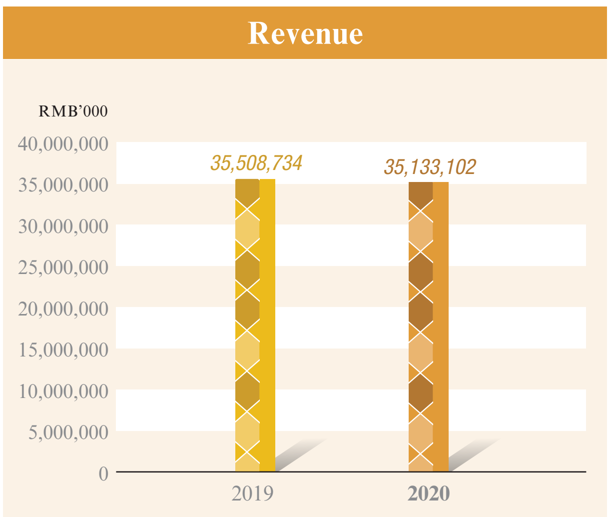
STOCK CODE

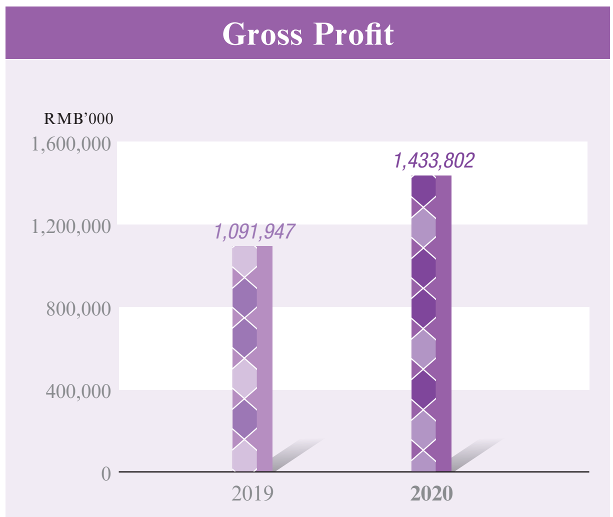
SEHK: 1090

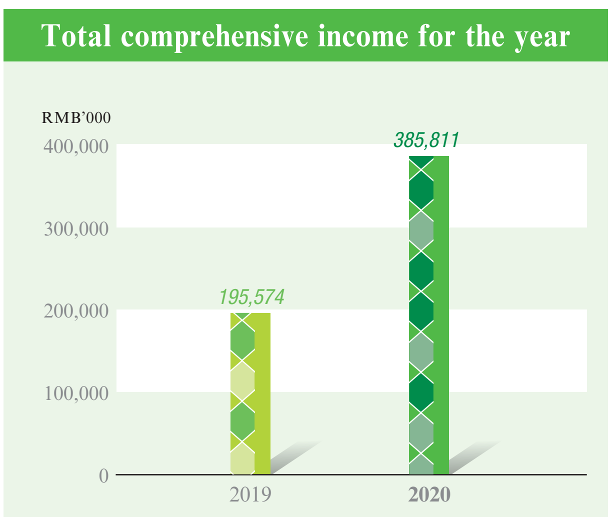
WEBSITE

http://www.dmssc.net

	Year ended 31 December		
	2020	2019	
	RMB'000	*RMB'000*	% change
FINANCIAL HIGHLIGHTS			
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%





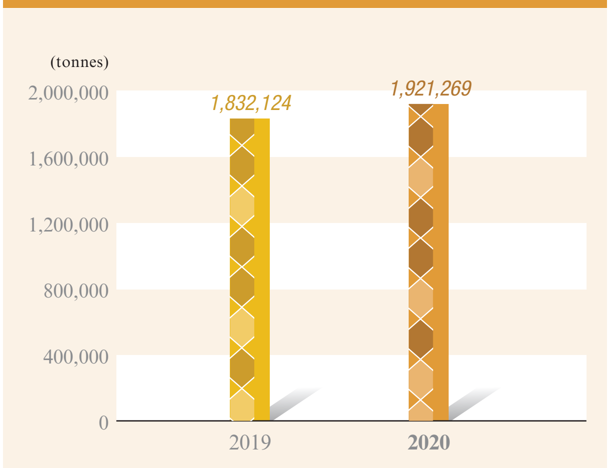


FINANCIAL AND OPERATING HIGHLIGHTS

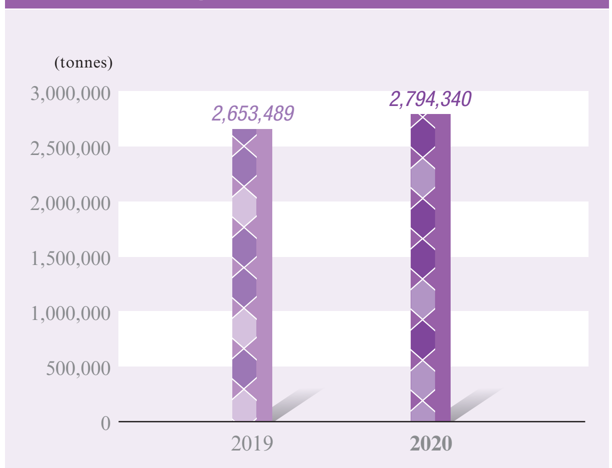
	Year ended 31 December **2020**	2019	% change
OPERATING HIGHLIGHTS			
Stainless steel			
Sales volume (tonnes)	**1,921,269**	1,832,124	+4.9%
Processing volume (tonnes)	**2,794,340**	2,653,489	+5.3%
Processing multiple *(note)*	**1.45**	1.45	
Carbon steel			
Sales volume (tonnes)	**2,669,134**	2,707,923	-1.4%
Processing volume (tonnes)	**3,131,781**	3,015,562	+3.9%
Processing multiple *(note)*	**1.17**	1.11	

Note: Processing multiple = Processing volume/Sales volume

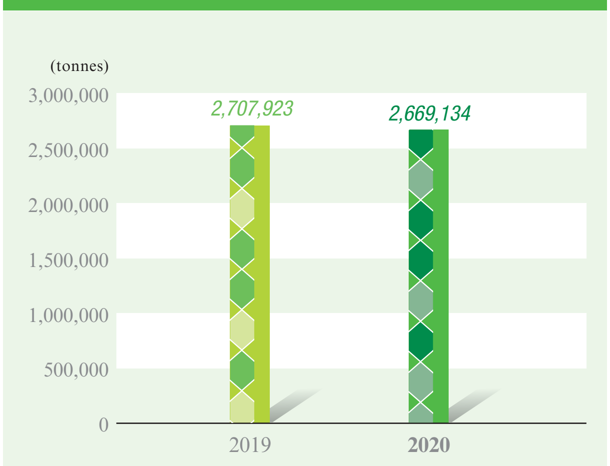
Sales volume of stainless steel



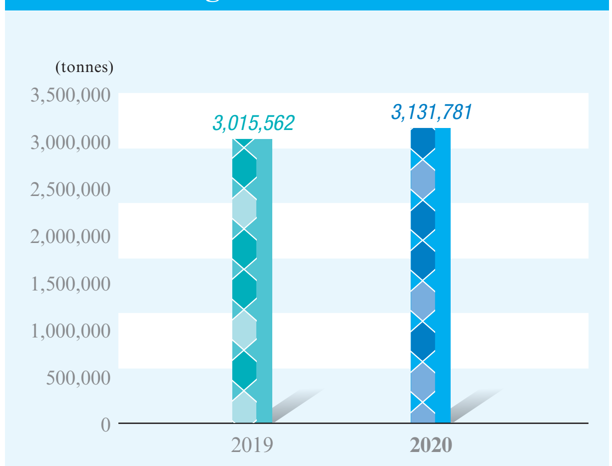
Processing volume of stainless steel



Sales volume of carbon steel



Processing volume of carbon steel



The sales volume and processing volume of our processing centres for the year ended 31 December 2020 and the corresponding period in 2019 are as follows:

Stainless steel	Year ended 31 December 2020 *tonnes*	2019 *tonnes*	*% change*
Sales volume			
Wuxi	**711,153**	619,172	+14.9%
Wuhan	**86,860**	96,978	-10.4%
Hangzhou	**285,442**	289,633	-1.4%
Tianjin	**247,980**	246,094	+0.8%
Taiyuan	**169,502**	144,357	+17.4%
Jingjiang	**175,818**	266,027	-33.9%
Shandong	**167,891**	125,750	+33.5%
Qianzhou	**44,191**	44,113	+0.2%
Jiaxing	**32,432**	–	n/a
Total	**1,921,269**	1,832,124	+4.9%
Processing volume			
Wuxi	**1,247,418**	1,159,318	+7.6%
Wuhan	**107,138**	122,764	-12.7%
Hangzhou	**351,512**	372,049	-5.5%
Tianjin	**273,741**	269,620	+1.5%
Taiyuan	**402,200**	330,646	+21.6%
Jingjiang	**233,926**	282,510	-17.2%
Shandong	**154,026**	116,582	+32.1%
Jiaxing	**24,379**	–	n/a
Total	**2,794,340**	2,653,489	+5.3%

Carbon steel	Year ended 31 December 2020 *tonnes*	2019 *tonnes*	*% change*
Sales volume			
Wuxi	**9,227**	34,789	-73.5%
Wuhan	**277,270**	498,377	-44.4%
Hangzhou	**200,138**	184,316	+8.6%
Tianjin	**307,302**	277,476	+10.7%
Taiyuan	**240,268**	229,548	+4.7%
Jingjiang	**603,942**	593,829	+1.7%
Qianzhou	**503,795**	533,004	-5.5%
Shandong	**334,374**	277,954	+20.3%
Jiaxing	**192,818**	78,630	+145.2%
	2,669,134	2,707,923	-1.4%
Processing volume			
Wuxi	**11,812**	8,264	+42.9%
Wuhan	**376,323**	569,468	-33.9%
Hangzhou	**220,385**	202,880	+8.6%
Tianjin	**448,390**	412,467	+8.7%
Taiyuan	**356,699**	322,340	+10.7%
Jingjiang	**725,845**	729,893	-0.6%
Qianzhou	**431,877**	400,723	+7.8%
Shandong	**380,091**	292,307	+30.0%
Jiaxing	**180,359**	77,220	+133.6%
	3,131,781	3,015,562	+3.9%

DEAR SHAREHOLDERS:

On behalf of the board of directors of Da Ming International Holdings Limited (the "Company", together with its subsidiaries as the "Group"), I hereby present to the shareholders the annual report of the Group for the year ended 31 December 2020.

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 results 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.

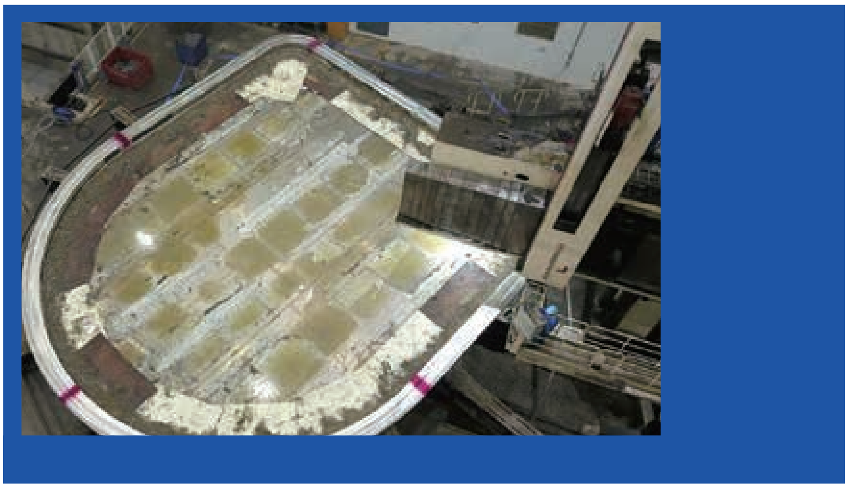
2. *Valmet RAPP (EN standards) dual-phase steel pulping machines with parts from Daming Heavy Industry shipped overseas*

   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.

APPRECIATION

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

FINANCIAL REVIEW AND ANALYSIS

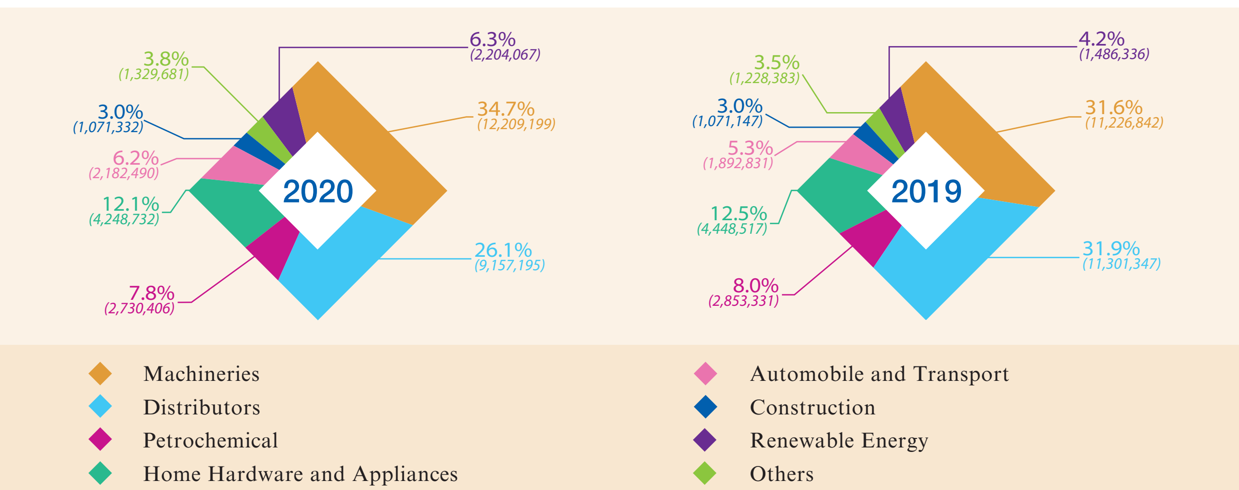
During the year under review, we recorded a revenue of approximately RMB35,133 million, gross profit of approximately RMB1,434 million and the profit attributable to equity holders of the Company of approximately RMB348 million. Total assets of the Group as at 31 December 2020 amounted to approximately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

	Revenue For the year ended 31 December			
	2020		2019	
Industry	***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

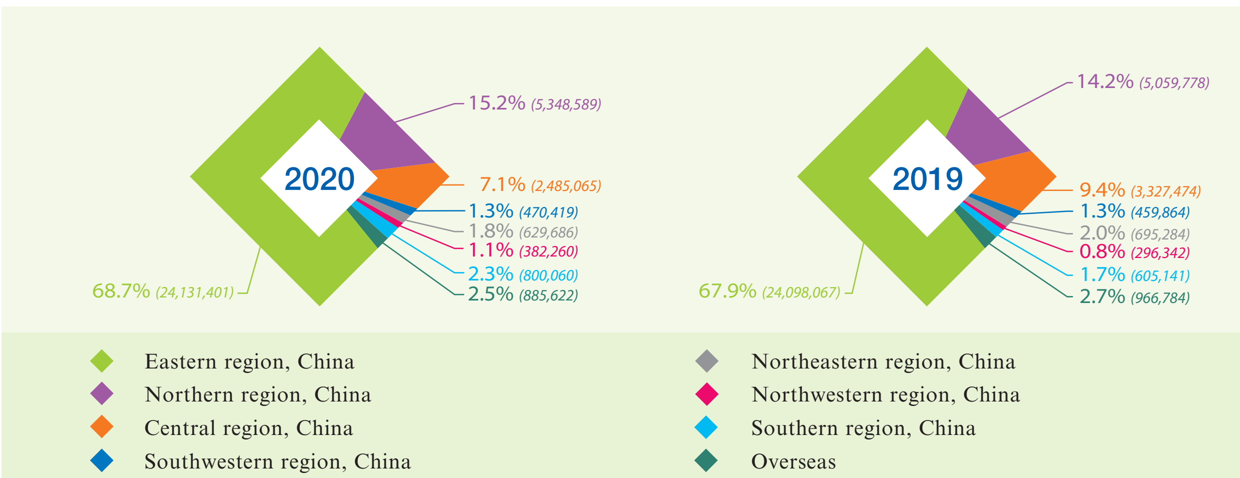
RMB'000 *RMB'000*



Analysis of revenue by geographic regions

Region	Revenue For the year ended 31 December 2020 *RMB'000*	2020 *%*	2019 *RMB'000*	2019 *%*
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 *RMB'000*



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.

CORPORATE GOVERNANCE PRACTICES

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

The Company has complied with the Corporate Governance Code 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.

MODEL CODE

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 of the Listing Rules (the "Model Code") as its code of conduct regarding securities transactions by the directors. Having made specific enquiry with all directors of the Company (the "Directors"), all Directors confirmed that they have complied with the required standard set out in the Model Code during the year ended 31 December 2020.

BOARD OF DIRECTORS

Composition

The Board of Directors (the "Board") comprises 7 executive directors, 2 non-executive directors and 5 independent non-executive directors. As of 31 December 2020, the Directors are as follows [Note]:

Executive directors:
Mr. Zhou Keming *(Chairman)*
Mr. Jiang Changhong *(Chief Executive Officer)*
Ms. Xu Xia
Mr. Zou Xiaoping
Dr. Fukui Tsutomu
(formerly known as Zhang Qinzhong)
Mr. Zhang Feng
Mr. Wang Jian

Non-executive director:
Mr. Lin Changchun
Mr. Lu Jian *(appointed on 27 March 2020)*

Independent non-executive directors:
Mr. Cheuk Wa Pang
Prof. Hua Min
Mr. Lu Daming
Mr. Liu Fuxing
Mr. Hu Xuefa

Note: Mr. Lu Ping resigned as an executive director of the Company on 27 March 2020.

The biographical details of the Directors are set out on pages 34 to 38 of this Annual Report. Save as Mr. Zhou Keming is the spouse of Ms. Xu Xia, Mr. Zhang Feng is a cousin of Mr. Zhou Keming and the relative of Ms. Xu Xia, none of the members of the Board is related to one another.

BOARD MEETING

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

Six board meetings had been held in the financial year ended 31 December 2020. The individual attendance record of each director at the meetings of the Board is set out below:

	No. of meetings attended/ No. of meetings held	**Attendance rate**
Executive Directors		
Mr. Zhou Keming *(Chairman)*	6/6	100%
Mr. Jiang Changhong	6/6	100%
Ms. Xu Xia	5/6	83%
Mr. Zou Xiaoping	6/6	100%
Mr. Lu Ping[a]	1/1	100%
Dr. Fukui Tsutomu	6/6	100%
Mr. Zhang Feng	6/6	100%
Mr. Wang Jian	6/6	100%
Non-executive Director		
Mr. Lin Changchun	2/6	33%
Mr. Lu Jian[b]	3/5	60%
Independent non-executive Directors		
Mr. Cheuk Wa Pang	6/6	100%
Prof. Hua Min	3/6	50%
Mr. Lu Daming	6/6	100%
Mr. Liu Fuxing	3/6	50%
Mr. Hu Xuefa	5/6	83%

(a) Mr. Lu Ping resigned as a director of the Company with effect from 27 March 2020. One board meeting was held before his resignation.

(b) Mr. Lu Jian was appointed as a director of the Company with effect from 27 March 2020. Five board meetings were held after his appointment.

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

DIRECTORS' CONTINUING PROFESSIONAL DEVELOPMENT

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

During the year, the Company had organised a training seminar relating to the latest information on compliance matters for listed companies on 27 October 2020. Attendance records of the directors are set out below:

Name of Directors	Attended the training seminar held on 27 October 2020
Executive directors	
Mr. Zhou Keming	✓
Mr. Jiang Changhong	✓
Ms. Xu Xia	✓
Mr. Zou Xiaoping	✓
Dr. Fukui Tsutomu	✓
Mr. Zhang Feng	✓
Mr. Wang Jian	✓
Non-executive director	
Mr. Lin Changchun	✓
Mr. Lu Jian	✓
Independent non-executive directors	
Mr. Cheuk Wa Pang	✓
Prof. Hua Min[a]	
Mr. Lu Daming	✓
Mr. Liu Fuxing	✓
Mr. Hu Xuefa	✓

(a) Prof. Hua Min attended outside talks or seminars to update knowledge in regulatory updates or their focused professional area.

All Directors had provided their training records for the year 2020 to the Company. Furthermore, each newly appointed director is provided with necessary induction and information to ensure that he has a proper understanding of his responsibilities under the relevant laws, rules, codes and regulations.

MONTHLY MANAGEMENT REPORTS

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

DIRECTORS AND OFFICERS LIABILITY INSURANCE

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

BOARD OPERATIONS

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

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

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

CORPORATE GOVERNANCE FUNCTIONS

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

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

INDEPENDENT NON-EXECUTIVE DIRECTORS

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

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

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

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

BOARD COMMITTEES

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

REMUNERATION COMMITTEE

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

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

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

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

3. Remuneration should reflect performance, complexity and responsibility.

The Remuneration Committee held one meeting during the financial year ended 31 December 2020.

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

Name of Remuneration Committee Members	No. of meeting attended/ No. of meeting held	Attendance rate
Mr. Cheuk Wa Pang *(Chairman)*	1/1	100%
Prof. Hua Min	1/1	100%
Mr. Lu Daming	1/1	100%
Mr. Liu Fuxing	1/1	100%
Mr. Hu Xuefa	1/1	100%
Mr. Zou Xiaoping	1/1	100%

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

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

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

(3) Reviewed the lists of selected employees for granting award shares on 15 December 2020;

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

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

The 2020 annual salary review had been noted and reviewed by the members of the Remuneration Committee.

NOMINATION COMMITTEE

The Nomination Committee was established on 9 November 2010 with written terms of reference in compliance with the CG Code. The terms of reference of the Nomination Committee are available on the websites of the Company (www.dmssc.net) and The Stock Exchange of Hong Kong Limited (www.hkexnews.hk). The primary duty of the Nomination Committee is to make recommendations to the Board on the appointment of directors and senior management. The Nomination Committee comprises the five INEDs, namely, Mr. Cheuk Wa Pang, Prof. Hua Min, Mr. Lu Daming, Mr. Liu Fuxing and Mr. Hu Xuefa and an executive Director, Mr. Zou Xiaoping. Mr. Cheuk Wa Pang is the chairman of the Nomination Committee.

The Company adopts a formal procedure in the selection of new Directors and nomination of retiring Directors for re-election by the Shareholders at general meetings. The prospective director will first be assessed by the Nomination Committee, taking into account the balance of skills, knowledge, experience and diversity on the Board. Upon receiving the recommendation from the Nomination Committee, the proposed appointment will be considered and approved by the Board after due deliberation. All new Directors are subject to re-election by the Shareholders at the Company's next Annual General Meeting ("AGM"). All Directors are subject to retirement by rotation at the AGM at least once every three years in accordance with the Articles of Association. The retiring Directors shall be eligible for re-election.

The Nomination Committee held one meeting during the financial year ended 31 December 2020. The following is an attendance record of the meetings held by the Nomination Committee for the financial year:

Name of Nomination Committee Members	No. of meeting attended/ No. of meeting held	Attendance rate
Mr. Cheuk Wa Pang *(Chairman)*	1/1	100%
Prof. Hua Min	1/1	100%
Mr. Lu Daming	1/1	100%
Mr. Liu Fuxing	1/1	100%
Mr. Hu Xuefa	1/1	100%
Mr. Zou Xiaoping	1/1	100%

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

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

(2) Considered the appointment of Mr. Lu Jian as a non-executive director and the resignation of Mr. Lu Ping as an executive director of the Company;

(3) Reviewed the independence of all INEDs;

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

(5) Discussed succession planning for directors.

AUDIT COMMITTEE

The Audit Committee was established by the Board on 9 November 2010 with written terms of reference in compliance with the CG Code. The terms of reference of the Audit Committee are available on the websites of the Company (www.dmssc.net) and The Stock Exchange of Hong Kong Limited (www.hkexnews.hk). The Audit Committee comprises the five INEDs, namely Mr. Cheuk Wa Pang, Prof. Hua Min, Mr. Lu Daming, Mr. Liu Fuxing and Mr. Hu Xuefa. Mr. Cheuk Wa Pang is the chairman of the Audit Committee.

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

The Audit Committee held four meetings during the financial year ended 31 December 2020. The following is an attendance record of the meetings held by the Audit Committee for the financial year:

Name of Audit Committee Members	No. of meetings attended/ No. of meetings held	Attendance rate
Mr. Cheuk Wa Pang *(Chairman)*	4/4	100%
Prof. Hua Min	4/4	100%
Mr. Lu Daming	3/4	75%
Mr. Liu Fuxing	2/4	50%
Mr. Hu Xuefa	3/4	75%

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

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

(2) Reviewed the Group's final results and recommended to the Board the re-appointment of PricewaterhouseCoopers as the Company's auditor (the "Auditor") at the AGM of the Company;

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

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

(5) Reviewed the Terms of Reference of the Audit Committee;

(6) Reviewed the Group's internal controls and risk management functions; and

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

BOARD DIVERSITY POLICY

The Company recognises and embraces the benefits of having a diverse Board to enhance the quality of its performance. The Board adopted a Board Diversity Policy (the "Policy") in 2013. Board diversity has been considered from a number of aspects, including but not limited to gender, age, cultural and educational background, or professional experience. All Board appointments are made on merit, in the content of the talents, skills and experience the Board as a whole requires to be effective. Selection of candidates will be based on a range of diversity perspectives, but the ultimate decision will be based on merit and contribution that the selected candidates will bring to the Board. The Nomination Committee is responsible for monitoring the achievement of the measurable objectives and effectiveness of the Policy. Full contents of the Policy is available on the Company's website.

DIVIDEND POLICY

The board shall consider the following factors when determining whether to recommend and declare any dividend.

- the Group's actual and expected financial results;
- the general economic conditions and other internal or external factors that may have an impact on the business or financial performance and financial position of the Company;
- the Company's business strategy, including expected working capital requirements, capital expenditure requirements and future expansion plans;
- the Company's liquidity position;
- retained earnings and distributable reserves of the Company;
- the contractual restrictions on the payment of dividends imposed by the Company's lenders and other institutions; and
- any other factors that the Board considers to be applicable from time to time.

The Company does not have any pre-determined dividend distribution proportion or distribution ratio. The declaration, payment and amount of dividends will be subject to the Board's discretion. The Board will review the Dividend Policy on a regular basis.

AUDITOR'S REMUNERATION

During the year ended 31 December 2020, the remuneration paid or payable by the Company and its subsidiaries to the Auditor, PricewaterhouseCoopers in respect of their audit and non-audit services were as follows:

Type of services	Fees paid/payable
Audit services	RMB3,300,000
Tax-related services	HK$210,000

The Audit Committee considered that the non-audit services in 2020 did not impair the independence of the Auditor.

COMPANY SECRETARY

Mr. Leung Man Fai has been appointed as company secretary of the Company since 2007. He has complied with Rule 3.29 of the Listing Rules in relation to professional training for the year ended 31 December 2020.

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The Directors acknowledge their responsibilities for the preparation of the consolidated financial statements that give a true and fair view of the Group for the year ended 31 December 2020.

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

SHAREHOLDERS RIGHTS

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

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

The Company Secretary
Da Ming International Holdings Limited

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

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

INVESTORS RELATIONS

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

The 2020 AGM was held on 17 June 2020 at the Company's headquarters in Wuxi, the People's Republic of China. The related notice and circular have been sent to shareholders in accordance with the applicable rules and regulations. Chairman of the Board, Chairman of the Audit, Remuneration and Nomination Committees and Directors (except Mr. Lin Changchun, Mr. Lu Daming, Mr. Liu Fuxing and Mr. Hu Xuefa) attended the 2020 AGM. In order to ensure shareholders are familiar with the detailed procedures for conducting a poll, an explanation has been given by the Chairman at the commencement of the meeting. The results of the poll have been published on the websites of the Company and The Stock Exchange of Hong Kong Limited. In respect of each substantially separate issue at a general meeting, a separate resolution will be proposed by the Chairman of that meeting.

There is no change in the Company's constitutional documents during the year ended 31 December 2020. A consolidation version of the Company's Memorandum and Articles of Association, Shareholder Communication Policy and Procedures for Shareholders to Propose a Person for Election as a Director are available on the Company's website.

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

RISK MANAGEMENT AND INTERNAL CONTROL

The Board acknowledges that it is responsible for the risk management and internal control systems and reviewing their effectiveness. Such risk management and internal control systems are designed for managing risks rather than eliminating the risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss.

MAIN FEATURES OF THE RISK MANAGEMENT AND INTERNAL CONTROL SYSTEMS

The Group's risk governance structure and the main responsibilities of each level of the structure are summarized below:

Board

- Determines the business strategies and objectives of the Group, and evaluates and determines the nature and extent of risks it is willing to take in achieving the Group's strategic objectives;
- Ensures that the Group establishes and maintains appropriate and effective risk management and internal control systems; and
- Oversees management in the design, implementation and monitoring of the risk management and internal control systems.

Audit Committee

- Oversees the Group's risk management and internal control systems on an ongoing basis;
- Reviews the effectiveness of the Group's risk management and internal control systems at least annually and such reviews cover all material controls including financial, operational and compliance controls;
- Considers major findings on risk management and internal control matters and then reports and makes recommendations to the Board.

Management

- Designs, implements and maintains appropriate and effective risk management and internal control systems;
- Identifies, evaluates and manages the risks that may potentially impact the major processes of the operations;
- Monitors risks and takes measures to mitigate risks in day-to-day operations;
- Ensures the adequacy of resources, staff qualifications and experience, training programmes and budget of the Group's accounting, internal audit and financial reporting functions;
- Gives prompt responses to, and follow up the findings on risk management and internal control matters raised by the internal audit department; and
- Provides confirmation to the Board and Audit Committee on the effectiveness of the risk management and internal control systems.

Internal Audit Department

- Reviews the adequacy and effectiveness of the Group's risk management and internal control systems; and

- Reports to the Audit Committee the findings of the review and makes recommendations to the Board and management to improve the material systems deficiencies or control weakness identified.

The process used to identify, evaluate and manage significant risks are summarized as follows:

- Identify risks in the Group's operations through continuing collections and analysis of operational data

- Evaluate the risks identified and access their impacts on the Group's business

- Categorize the risks by comparing the results of the risk evaluation

- Develop necessary measures to manage those risks identified

- Performs ongoing and periodic monitoring of the risk and review the effectiveness of the risk management strategies and internal control procedures

Internal Audit Function

The Group's internal audit function is performed by an internal audit department which carries out the analysis and independent appraisal of the adequacy and effectiveness of the Group's risk management and internal control systems. The internal audit department performs regular and specific internal audit projects and reports to the Audit Committee regularly.

Handling and dissemination of inside information

The Group has taken various procedures and measures including arousing the awareness to preserve confidentiality of inside information within the Group, disseminating information to designated persons on strictly confidential basis, sending out securities dealing restrictions notifications to directors and senior management.

EXECUTIVE DIRECTORS

Mr. Zhou Keming, aged 51, was appointed as an executive director on 14 February 2007. He is also the chairman of the Board of the Company. Mr. Zhou is one of the founders of the Group and is responsible for the Group's overall business strategy. He has extensive experience in the steel industry. Mr. Zhou was qualified as a senior economist in 2007 by the Appraisal Committee for Senior Economic Technical Qualification of Jiangsu. He currently serves as a director or legal representative of certain subsidiaries of the Company.

Mr. Zhou is the husband of Ms. Xu Xia and a cousin of Mr. Zhang Feng, both are executive directors of the Company.

Mr. Jiang Changhong, aged 57, was appointed as a non-executive director of the Company on 26 July 2010, and re-designated as an executive director of the Company and appointed as the vice president of the Company on 26 September 2016. He was then appointed as the Chief Executive Officer of the Company on 18 April 2018. Mr. Jiang has extensive experience in the steel industry. From October 2011 to July 2016, he was the minister of planning and development department and the minister of new materials business management department of Taiyuan Iron & Steel (Group) Co., Ltd. He has also served as the manager of the sales department of Shanxi Taigang Stainless Steel Co., Ltd., one of the Group's key suppliers from February 2009 to October 2011.

Mr. Jiang graduated from Beijing Steel and Iron Institute (currently known as University of Science and Technology Beijing) with a Bachelor of Science degree in Computer Science in 1986. He further obtained a Master of Science degree in Computer Application in 1992. Mr. Jiang was accredited by the department of Human Resources, Shanxi Province as a senior engineer and a professor level senior engineer in 1997 and 2013 respectively.

Ms. Xu Xia, aged 46, was re-appointed as an executive director on 24 March 2016 and was appointed as a vice-chairman of the Board of the Company on 18 April 2018. Ms. Xu currently serves as a director of certain subsidiaries of the Company. Ms. Xu was an executive director of the Company from February 2007 to December 2015. She is one of the founders of the Group and is responsible for the Group's business operation and administration. Ms. Xu has extensive sales and business development experience in the steel industry. Ms. Xu graduated from China Textile University (currently known as Donghua University) in 1995 with a diploma in Trading Operation. She also completed Advanced Studies for Senior Executives at College of Continuing Education of Fudan University in 2005 on a part-time basis.

Ms. Xu is the wife of Mr. Zhou Keming, the chairman of the Board, a director and a substantial shareholder of the Company. Ms. Xu is also the relative of Mr. Zhang Feng, an executive director of the Company.

Mr. Zou Xiaoping, aged 56, was appointed as an executive director on 9 March 2007 and appointed as a vice-chairman of the Board of the Company on 18 April 2018. Mr. Zou is a member of the Nomination Committee and the Remuneration Committee of the Company and the supervisor of Taiyuan Taigang Daming Metal Products Co., Ltd., being a non-wholly owned subsidiary of the Company. He joined the Group in 2002 and is responsible for the Group's overall management, administration and operation. Prior to joining the Group, Mr. Zou worked at Local Tax Bureau, Qianzhou Town, Xishan District from 1986 to 2002 on taxation matters and was granted a certificate for having undergone the in-service taxation training offered to the civil servants in 2000, when serving as the assistant to the head of the Bureau. Mr. Zou has extensive experience in taxation and corporate management. He graduated from Correspondence Institute of the Party School of the Central Committee of the Chinese Communist Party with a Bachelor of Laws degree in 2004 and obtained a Master of Business Administration degree from Asia International Open University (Macau) (currently known as City University of Macau) in 2005.

Dr. Fukui Tsutomu (formerly known as Zhang Qinzhong), aged 60, was appointed as an executive director on 15 October 2014. Dr. Fukui currently serves as a director of certain subsidiaries of the Company. Prior to joining the Group, Dr. Fukui was the managing director of Nippon Yakin Shanghai Co., Ltd. He has extensive experience in the steel industry. Dr. Fukui graduated from Nanjing University with a bachelor degree in Catalytic Chemistry in 1982 and obtained a Doctoral degree in Engineering from Tokyo Institute of Technology in 1991, majoring in Materials Science and Engineering.

Mr. Zhang Feng, aged 44, was appointed as an executive director on 15 October 2014. Mr. Zhang is currently the general manager of Jiangsu Daming Metal Products Company Limited, a wholly-owned subsidiaries of the Company. He also serves as a director and legal representative of certain subsidiaries of the Company.

Mr. Zhang is a cousin of Mr. Zhou Keming, the chairman of the Board, a director and a substantial shareholder of the Company. Mr. Zhang is also related to Ms. Xu Xia, a director of the Company, as Ms. Xu Xia is the wife of Mr. Zhou Keming.

Mr. Wang Jian, aged 57, was appointed as an executive director on 25 May 2017. He is currently the general manager of Daming Heavy Industry Co., Ltd., a wholly-owned subsidiary of the Company. Mr. Wang graduated from Tianjin University in 1985 with a bachelor's degree in Welding in the School of Mechanical Engineering. Mr. Wang has extensive experience in the steel industry. He was certified as a senior engineer by Jiangsu Wuxi Mechanical Engineering Senior Professional and Technical Qualification Evaluation Committee in 2004.

NON-EXECUTIVE DIRECTORS

Mr. Lin Changchun, aged 44, was appointed as a non-executive director on 14 June 2019. Mr. Lin has been a certified public accountant of the People's Republic of China since December 2003. He graduated from Wuhan University in June 1998 with a bachelor degree of economics in finance.

Mr. Lin has extensive experience in financial management and trading. He is currently the senior vice president of Baowu Group Echeng Iron & Steel Co., Ltd. and he has been working for that company since November 2020.

From July 1998 to December 2018, Mr. Lin worked at Baowu Carbon Material Technology Co., Ltd. (formerly known as Shanghai Baosteel Chemical Co., Ltd.), where his last position was general manager assistant and the secretary of the board of that company. From May 2017 to December 2018, he was the general manager of Ouyeel Chemical Operation Centre and an executive director of Baosteel Chemical (Free Trade Zone) International Trade Co., Ltd. From March 2018 to December 2018, he was the chairman of Shanghai Ouyeel Chemical E-commerce Co., Ltd. From December 2018 to September 2019, he was the deputy general manager of Shanghai Baosteel Stainless Steel Co., Ltd. and the financial controller of Shanghai Baodi Shangshi City Development Co., Ltd. From June 2019 to September 2019, he was also the deputy general manager of Baosteel Special Steel Co., Ltd. From September 2019 to November 2020, he was the deputy general manager of Baowu Logistics Property Co., Ltd. (寶武物流資產有限公司).

Mr. Lu Jian, aged 46, was appointed as a non-executive director on 27 March 2020. Mr. Lu graduated from Beijing University of Technology in July 1996 with a bachelor's degree of metal press forming.

Mr. Lu has extensive experience in sales and marketing of stainless steel. He is currently the deputy director of the marketing centre and head of the marketing and management department at Shanxi Taigang Stainless Steel Co., Ltd. ("Shanxi Taigang"), a stainless steel producer and a company the shares of which are listed on The Shenzhen Stock Exchange (with stock code 000825).

From July 1996 to April 2002, Mr. Lu was the operations officer at the medium-sized rolled plate section of the sales office of Taiyuan Iron & Steel (Group) Co., Ltd. ("Taiyuan Steel"), a state-owned enterprise incorporated in the People's Republic of China. From April 2002 to January 2005, he was deputy manager of Taiyuan Spot Sales Company. Mr. Lu was the head of the medium-sized rolled plate section of the sales office of Taiyuan Steel and the head of the medium-sized rolled plate section at the operations and sales department of Shanxi Taigang from January 2005 to April 2007. From April 2007 to July 2009, Mr. Lu was the head of the medium-sized rolled plate section of the sales and marketing department of Shanxi Taigang. From July 2009 to January 2010, Mr. Lu was the director of the operations planning office of the sales and marketing department of Shanxi Taigang. From January 2010 to May 2011, he was the assistant to the head of sales and marketing department of Shanxi Taigang and the director of the operations planning office of the sales and marketing department of Shanxi Taigang. Mr. Lu was the deputy head of the sales and marketing department of Shanxi Taigang from May 2011 to September 2017.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Professor Hua Min, aged 70, was appointed as an independent non-executive director since 20 March 2007. He is a professor and doctoral candidates adviser and has taught and conducted research in world economics, China economics and international economics at Fudan University and the chief of the Academic Committee of School of Economics of Fudan University since 1990. He has extensive experience in economics. Professor Hua graduated from Fudan University with a Bachelor degree in Political Economics in 1982 and obtained a Doctoral degree in Economics from Fudan University in 1993. From March 2008 to February 2010, he was the Specially Appointed Policy-Making Advisory Expert of the People's Government of Shanghai City. Since 2004, Professor Hua has also been an independent non-executive director and a member of the audit committee of Shanghai International Shanghai Growth Investment Limited (stock code: 770), the shares of which are listed on the Main Board of The Stock Exchange of Hong Kong Limited.

Mr. Cheuk Wa Pang, aged 56, was appointed as an independent non-executive director since 20 March 2007. Mr. Cheuk is currently the chief financial officer, the qualified accountants and the company secretary of Lee Kee Holdings Limited (stock code: 637), the shares of which are listed on the main board of The Stock Exchange of Hong Kong Limited. Mr. Cheuk has extensive experience in accounting and auditing. Mr. Cheuk holds a Bachelor of Science degree in Engineering from the University of Hong Kong, a Master degree in Applied Finance and a Master degree in Business Administration from Macquarie University in Australia. Mr. Cheuk is a fellow member of the Association of Chartered Certified Accountants and a member of the Hong Kong Institute of Certified Public Accountants. He is also a member of the Institute of Chartered Accountants of England and Wales.

Mr. Lu Daming, aged 67, was appointed as an independent non-executive director on 21 August 2014. He was the dean of Hoisting and Conveying Machinery Design Institute Beijing. Mr. Lu obtained his qualification as a research level senior engineer from the People's Republic of China Machinery Industry Department in 1996. He is also a state registered facility supervising engineer and a state registered consulting engineer (investment) of the People's Republic of China. Mr. Lu has also been an independent director of Zhuzhou Tianqiao Crane Co., Ltd. (stock code: 002523, the shares of which are listed on The Shenzhen Stock Exchange), Huadian Heavy Industries Co., Ltd. (stock code: 601226, the shares of which are listed on The Shanghai Stock Exchange), and Noblelift Intelligent Equipment Co., Ltd. (stock code: 603611, the shares of which are listed on The Shanghai Stock Exchange). He has also been an independent director of Changshu Tongrun Auto Accessory Co., Ltd. since October 2020.

Mr. Liu Fuxing, aged 64, was appointed as an independent non-executive director on 25 May 2017. He has been the vice president of Stainless Steel Council of the China Special Steel Enterprises Association since 2015. Mr. Liu obtained a master's degree in applied mathematics from Xi'an Jiaotong University in 2003 and received a senior professional manager qualification certificate from China Association of Construction Enterprise Management in 2005. Mr. Liu has extensive experience in the steel industry. From December 1995 to February 2002, he was the deputy general manager of Taiyuan Iron & Steel (Group) Co., Ltd. and from March 2002 to February 2015, he was a director of Taigang (Group) Limited. During May 2008 to April 2013, Mr. Liu was also the general manager of Shanxi Taigang Stainless Steel Co., Ltd., a company whose shares are listed on The Shenzhen Stock Exchange.

Mr. Hu Xuefa, aged 58, was appointed as an independent non-executive director since 30 May 2018. He has been a qualified senior engineer (professor level) in Shanghai, the People's Republic of China ("PRC") since February 2013. He obtained a master's degree in Executive Master of Business Administration from China Europe International Business School in 2011. In 2008 and 2003, Mr. Hu obtained a doctorate degree in Engineering and a master's degree in Mechanical Engineering, respectively, from Northeastern University, the PRC.

Mr. Hu has extensive experience in the steel industry. From April to November 2017, he was the general manager of Rizhao Steel Holdings Group Company Ltd. From April 2014 to March 2017, he was an executive director and the general manager of Baosteel Stainless Steel Co., Ltd. From March 2011 to April 2014, Mr. Hu was the assistant general manager and general manager of Planning and Development Department of Baosteel Group Limited. Mr. Hu worked as an assistant general manager of Baosteel Company Limited between April 2010 and March 2011 and the general manager of Baosteel Plate Company between April 2008 and April 2010. From August 1999 to April 2008, Mr. Hu was the deputy general manager of Baosteel Group Pu Steel Company.

SENIOR MANAGEMENT

Mr. Leung Man Fai, aged 56, joined the Group in 2007 as the chief financial officer and company secretary of the Group. Mr. Leung has extensive experience in accounting and finance. Before joining the Group, Mr. Leung served as a financial controller and company secretary of a private company during 2003 to 2006. From 1996 to 2003, he served various roles including financial controller, company secretary and finance manager in several listed companies within the ITC Corporation (currently known as PT International Development Corporation Limited, stock code: 372), the shares of which are listed on main board of The Stock Exchange of Hong Kong Limited. He also worked as a senior accountant during 1992 to 1996 in Hopewell Holdings Limited, which was delisted from the main board of The Stock Exchange of Hong Kong Limited on 3 May 2019. Mr. Leung received a Bachelor of Arts degree in Accountancy from the City University of Hong Kong. He is a fellow member of the Hong Kong Institute of Certified Public Accountants and a fellow member of the Association of Chartered Certified Accountants.

The Directors are pleased to present to the shareholders their report together with the audited consolidated financial statements of the Group for the year ended 31 December 2020.

PRINCIPAL ACTIVITIES AND ANALYSIS OF OPERATIONS

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

An analysis of the Group's performance for the year by operating segment is set out in Note 5 to the consolidated financial statements.

RESULTS

The results of the Group for the year ended 31 December 2020 are set out in the consolidated comprehensive income statement on page 60.

DIVIDENDS

The Directors had not declared and paid any 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 30 June 2021 to the shareholders of the Company ("Shareholders") whose names appear on the register of members of the Company on 21 June 2021 subject to the shareholders' approval on the forthcoming annual general meeting of the Company.

RESERVES

Movements in the reserves of the Group and of the Company during the year are set out in Note 19 and Note 36 to the consolidated financial statements respectively.

As of 31 December 2020, our reserves available for distribution amounted to RMB1,771.5 million (2019: RMB1,851.6 million).

PROPERTY, PLANT AND EQUIPMENT

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

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

There was no purchase, sale or redemption of the Company's listed shares by the Company or any of its subsidiaries during the year ended 31 December 2020.

SHARE CAPITAL

Details of the movements in share capital of the Group and the Company are set out in Note 18 to the consolidated financial statements.

PRINCIPAL PROPERTIES

Details of the principal properties held for investment purposes are set out in Note 8 to the consolidated financial statements.

MAJOR CUSTOMERS AND SUPPLIERS

During the year, the Group sold less than 30% of its goods and services to its five largest customers. The five largest suppliers accounted for approximately 89% of the Group's total purchases for the year and the largest supplier accounted for approximately 28% of the Group's total purchases.

Except China Baowu Steel Group Corporation Limited, which owned approximately 8.33% of the issued share capital of the Company directly, and Shanxi Taigang Stainless Steel Co., Ltd., which owned approximately 8.33% of the issued share capital of the Company indirectly, both are suppliers of the Group, none of the Directors, their associates or any shareholder (which to the knowledge of the Directors owns more than 5% of the Company's share capital) had an interest in these major customers or suppliers.

BORROWINGS

Particulars of borrowings of the Group are set out in Note 23 to the consolidated financial statements.

FIVE-YEAR SUMMARY

A summary of the Group's results, assets, liabilities for the last five years is set out in the section headed "Financial summary" on page 142.

PRE-EMPTIVE RIGHTS

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

SHARE OPTION SCHEME

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

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

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

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

The exercise price for the shares under the share option scheme shall be such price as the Board may in its absolute discretion determine at the time of grant of the option but the subscription price shall not be less than the highest of (i) the closing price of the Company's shares as stated in the daily quotation sheets of the Stock Exchange of Hong Kong Limited (the "Stock Exchange") on the date of the Board approving the grant of an option, which must be a business day ("Offer Date"); (ii) the average closing price of the Company's shares as stated in the daily quotation sheets of the Stock Exchange for the five business days immediately preceding the Offer Date; and (iii) the nominal value of the Company's shares. The share option scheme will remain valid and effective for a period of 10 years from 9 November 2010 to 8 November 2020 ("Effective Period") and the share options granted have a 10-year exercise period. No more share options will be granted under the share option scheme after the Effective Period, but the share options granted during the Effective Period will continue to be valid in accordance with the provisions of the share option scheme.

As at 31 December 2020, there were a total of 13,500,000 outstanding share options granted to directors and certain employees of the Group. Details of which are as follows:

Name or category of participant	Date of grant	Exercise price (HK$)	As at 1 January 2020	Granted during the year	Exercised during the year	Cancelled/ lapsed during the year	As at 31 December 2020	Exercise period
			Number of share options					
Director								
Dr. Fukui Tsutomu	23 December 2014	2.364	500,000[2]	–	–	–	500,000	23 December 2017 to 22 December 2024
Mr. Zhang Feng	21 December 2010	2.452	300,000[1]	–	–	(300,000)	–	21 December 2013 to 20 December 2020
	23 December 2014	2.364	100,000[2]	–	–	–	100,000	23 December 2017 to 22 December 2024
Mr. Wang Jian	23 December 2014	2.364	400,000[2]	–	–	–	400,000	23 December 2017 to 22 December 2024
Other employees in aggregate	21 December 2010	2.452	4,420,000[1]	–	–	(4,420,000)	–	21 December 2013 to 20 December 2020
	23 December 2014	2.364	13,500,000[2]	–	–	(1,000,000)	12,500,000	23 December 2017 to 22 December 2024
Total			19,220,000	–	–	(5,720,000)	13,500,000	

(1) 30% of share options are exercisable from the third anniversary date of the date of grant; 60% of share options are exercisable from the fourth anniversary date of the date of grant; and all share options are exercisable from the fifth anniversary date of the date of grant.

(2) 40% of share options are exercisable from the third anniversary date of the date of grant; 70% of share options are exercisable from the fourth anniversary date of the date of grant; and all share options are exercisable from the fifth anniversary date of the date of grant.

Details of the valuation of share options during the year are set out in Note 20 to the consolidated financial statements.

SHARE AWARD SCHEME

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

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

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

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

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

During the year, an aggregate of 2,860,000 shares of the Company's existing ordinary shares have been purchased for the share award scheme, a total of 5,436,000 awarded shares were granted and 5,208,000 awarded shares were vested to directors and Selected Employees. Details of the movements in the Share Award Schemes during the year are set out in Note 20 to the consolidated financial statements. As at 31 December 2020, the independent trustee holds 17,540,000 shares of the Company for the share award scheme.

Details of the awarded shares movement for the year ended 31 December 2020 are as follows:

		Number of Awarded Shares					
Name of awardees	Date of grant	As at 1 January 2020	Granted during the year	Vested during the year	Lapsed during the year	As at 31 December 2020	Vesting date/period
Mr. Zhang Feng	15 December 2020	–	458,000	(458,000)	–	–	22 December 2020
Mr. Wang Jian	15 December 2020	–	52,000	(52,000)	–	–	22 December 2020
Other employees in aggregate	15 December 2020	–	4,926,000	(4,698,000)	(228,000)	–	22 December 2020
Total		–	5,436,000	(5,208,000)	(228,000)	–	

CONTINUING CONNECTED TRANSACTIONS

Jiangsu Daming Metal Products Company Limited ("Jiangsu Daming") and its subsidiaries ("Jiangsu Daming Group") as purchaser, and Shanxi Taigang Stainless Steel Co., Ltd. ("STSS") and Taiyuan Iron & Steel (Group) Co., Ltd. ("Taiyuan Steel") as supplier

Pursuant to the framework agreement entered into between Jiangsu Daming and STSS on 22 December 2017, Jiangsu Daming Group agrees to purchase, and STSS and Taiyuan Steel agrees to supply stainless steel and carbon steel to Jiangsu Daming Group ("2017 Framework Agreement").

For the year ended 31 December 2020, approximately RMB9,282.23 million of stainless steal and carbon steel were purchased by the Jiangsu Daming Group from STSS and Taiyuan Steel, not exceeding the proposed cap of RMB28,800 million. Details of the above transactions and the connected relationship between Jiangsu Daming and STSS were disclosed in the announcement of the Company dated 22 December 2017. The 2017 Framework Agreement expired on 31 December 2020.

Jiangsu Daming Group as supplier, and STSS and its subsidiaries ("STSS Group") as purchaser

Pursuant to the framework agreement entered into between Jiangsu Daming and STSS on 30 September 2018, (i) STSS Group agrees to purchase, and Jiangsu Daming Group agrees to supply stainless and carbon steel (including processed finished goods or processed semi-finished goods) to STSS Group; and (ii) STSS Group agrees to purchase, and Jiangsu Daming Group agrees to provide stainless steel and carbon steel processing service to STSS Group ("2018 Framework Agreement").

For the year ended 31 December 2020, (i) supply of stainless steel and carbon steel (including processed finished goods or processed semi-finished goods); and (ii) provision of processing service from the Jiangsu Daming Group to STSS Group amounting to approximately RMB118.54 million, not exceeding the proposed cap of RMB465.8 million. Details of the above transactions and the connected relationship between Jiangsu Daming and STSS were disclosed in the announcement of the Company dated 3 October 2018. The 2018 Framework Agreement expired on 31 December 2020.

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

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

(2) on normal commercial terms or better; and

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

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

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

Continuing Connected Transactions after the Reporting Period

Subsequent to the year ended 31 December 2020, the Company had the following continuing connected transactions:

Pursuant to the framework agreement entered into between the Company and China Baowu Steel Group Company Limited ("China Baowu") on 27 January 2021 ("2021 Framework Agreement"), (i) the Group agrees to purchase and China Baowu and its subsidiaries ("China Baowu Group") agree to supply steel to the Group; and (ii) the China Baowu Group agrees to purchase and the Group agrees to supply processed metallic goods and processing services to the China Baowu Group for a term of 3 years from 1 January 2021 and 31 December 2023.

The maximum aggregate amounts to be paid by the Group to the China Baowu Group for the purchase of steel pursuant to the 2021 Framework Agreement are expected not to exceed approximately RMB22.4 billion, RMB28.0 billion and RMB35.4 billion for each of the three years ending 31 December 2023, respectively. The maximum aggregate amounts to be paid by the China Baowu Group to the Group for the provision of processed metallic goods and processing service pursuant to the 2021 Framework Agreement are expected not to exceed approximately RMB0.25 billion, RMB0.30 billion and RMB0.35 billion for each of the three years ending 31 December 2023, respectively.

The 2021 Framework Agreement is subject to the approval of the independent shareholders of the Company at an extraordinary general meeting. Details of the above transactions and the connected relationship between the Company and China Baowu were disclosed in the announcement of the Company dated 27 January 2021.

DIRECTORS

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

Executive Directors
Zhou Keming *(Chairman)*
Jiang Changhong *(Chief Executive Officer)*
Xu Xia *(Vice-chairman of the Board)*
Zou Xiaoping *(Vice-chairman of the Board)*
Fukui Tsutomu (formerly known as Zhang Qinzhong)
Zhang Feng
Wang Jian
Lu Ping (resigned on 27 March 2020)

Non-executive Directors
Lin Changchun
Lu Jian (appointed on 27 March 2020)

Independent Non-Executive Directors
Cheuk Wa Pang
Hua Min
Lu Daming
Liu Fuxing
Hu Xuefa

In accordance with Article 84 of the Articles of Association of the Company, Mr. Wang Jian, Mr. Cheuk Wa Pang, Prof. Hua Min, Mr. Liu Fuxing and Mr. Hu Xuefa retire from office by rotation at the Company's 2021 Annual General Meeting. All the retiring directors, being eligible, offer themselves for re-election.

The Company has received from each independent non-executive director an annual confirmation of his independence pursuant to Rule 3.13 of the Listing Rules and the Board considers them independent.

The biographical details of Directors are set out on pages 34 to 38 of this Annual Report.

DIRECTORS' SERVICE CONTRACTS

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

DIRECTORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

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

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

As at 31 December 2020, the interests and short positions of each director and chief executive in the shares, underlying shares and debentures of the Company and its associated corporation (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")), as recorded in the register required to be kept by the Company under section 352 of Part XV of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code, were as follows:

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

Name of Director	Nature of interests	Number of shares/underlying shares held	% of issued share capital
Mr. Zhou Keming	Personal, family and corporate	793,551,000[(1)]	63.73%
Mr. Jiang Changhong *(also Chief Executive Officer)*	Personal	384,000	0.03%
Ms. Xu Xia	Personal, family and corporate	793,551,000[(1)]	63.73%
Mr. Zou Xiaoping	Personal and family	5,060,000[(2)]	0.41%
Dr. Fukui Tsutomu	Personal and family	1,864,000[(3)]	0.15%
Mr. Zhang Feng	Personal	2,244,000[(4)]	0.18%
Mr. Wang Jian	Personal and family	1,696,000[(5)]	0.14%

(1) 793,435,000 shares are held by Ally Good Group Limited, which is owned as to 77.2% by Mr. Zhou Keming, and 22.8% by Ms. Xu Xia. 60,000 shares are held by Mr. Zhou Keming and 56,000 shares are held by Ms. Xu Xia personally.

(2) 60,000 shares are held by Mr. Zou Xiaoping and 5,000,000 shares are held by Mr. Zou Xiaoping's spouse, Ms. Li Jun.

(3) The interest comprises 498,000 shares held by Dr. Fukui Tsutomu, 866,000 shares held by Dr. Fukui's spouse, Ms. Mizuho Fukui and 500,000 underlying shares in respect of the share options granted to Dr. Fukui pursuant to the share option scheme as disclosed under section headed share option scheme.

(4) The interest comprises 2,144,000 shares, 100,000 underlying shares in respect of the share options granted pursuant to the share option scheme as disclosed under section headed share option scheme.

(5) The interest comprises 448,000 shares held by Mr. Wang Jian, 848,000 shares held by Mr. Wang's spouse, Ms. Zhang Minxian and 400,000 underlying shares in respect of the share options granted to Mr. Wang pursuant to the share option scheme as disclosed under section headed share option scheme.

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

Name of Director	Name of associated corporation	Nature of interests	Number of shares held	% of issued share capital of associated corporation
Mr. Zhou Keming	Ally Good Group Limited[1]	Personal and family	1,000[2]	100%
Ms. Xu Xia	Ally Good Group Limited[1]	Personal and family	1,000[2]	100%

(1) As at 31 December 2020, Ally Good Group Limited is the holder of 63.72% of the issued share capital of the Company and is an associated corporation under SFO.

(2) 772 shares are held by Mr. Zhou Keming and 228 shares are held by Ms. Xu Xia. Ms. Xu Xia is the spouse of Mr. Zhou Keming.

Save as disclosed above, as at 31 December 2020, none of the directors or chief executive and their associates, had interests or short positions in any shares, underlying shares or debentures of the Company and its associated corporations which were recorded in the register required to be kept under section 352 of the SFO or notified to the Company and the Stock Exchange pursuant to the Model Code.

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

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

As at 31 December 2020, the interests or short positions of every person, other than a director or chief executive of the Company, in the shares and underlying shares of the Company as recorded in the register required to be kept under section 336 of the SFO, are set out below:

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

Name of Shareholder	Number of ordinary shares held	Approximate percentage of the Company's issued share capital
Long position		
Ally Good Group Limited	793,435,000[1]	63.72%
China Baowu Steel Group Corporation Limited ("China Baowu")	207,500,000[2]	16.66%
Tisco Stainless Steel (H.K.) Limited ("Tisco")	103,750,000	8.33%

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

(2) These Shares comprise 103,750,000 shares held by China Baowu directly and 103,750,000 shares held by China Baowu indirectly through Tisco. China Baowu owned 51% equity interests in Taiyuan Iron & Steel (Group) Co., Ltd. ("Taiyuan Steel"). Tisco is a wholly-owned subsidiary of Shanxi Taigang Stainless Steel Co., Ltd., which was in turn a subsidiary of Taiyuan Steel and then a subsidiary of China Baowu. As such, China Baowu was deemed to be interested in the same 103,750,000 shares in which Tisco held.

Save as disclosed above, no other parties were recorded in the register of the Company required to be kept under section 336 of the SFO as having interests or short positions in the shares or underlying shares of the Company as at 31 December 2020.

EMOLUMENT POLICY

Details of the Directors' emoluments and emoluments of the five highest paid individuals in the Group are set out in Note 37 to the consolidated financial statements.

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

MANAGEMENT CONTRACTS

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

SUFFICIENCY OF PUBLIC FLOAT

Based on information that is publicly available to the Company and within the knowledge of the Directors, from 23 December 2020 to the date of the Annual Report, the Company's public float was below 25%, the minimum prescribed percentage ("Minimum Prescribed Percentage") as required in Rule 8.08(1)(a) of the Hong Kong Listing Rules ("Listing Rules"). To the knowledge of the Directors, as at the date of the Annual Report, the Company's public float was approximately 18.78%.

Reference is made to the announcements of the Company dated 22 February 2021 in respect of the insufficiency of public float. The Company was informed that China Baowu Steel Group Company Limited ("China Baowu") has acquired 51% of the equity interests in Taiyuan Iron & Steel (Group) Co., Ltd. ("Taiyuan Steel") ("Acquisition") and the Acquisition was completed on 23 December 2020. Prior to the completion of the Acquisition, the Company was held as to approximately 8.33% by China Baowu and 8.33% by Tisco Stainless Steel (H.K.) Limited ("Tisco") (a wholly-owned subsidiary of Shanxi Taigang Stainless Steel Co., Ltd., which was in turn a subsidiary of Taiyuan Steel), respectively. Immediately after the completion of the Acquisition, Taiyuan Steel became a subsidiary of China Baowu, and China Baowu became a substantial shareholder of the Company, holding approximately 16.66% of the equity interest in the Company (comprising 8.33% directly held by China Baowu and 8.33% indirectly held by China Baowu through Tisco).

According to the disclosure of interest form filed by China Baowu on 28 December 2020, China Baowu was interested in 207,500,000 shares of the Company, representing approximately 16.66% of the entire issued capital of the Company as at the date of the announcement. As China Baowu was interested in approximately 16.66% of the entire issued share capital of the Company and became a substantial shareholder of the Company, under the Listing Rules, it became a core connected person of the Company. As at the date of the announcement, the aggregate interest of the Company held by (i) Ally Good Group Limited, the controlling shareholder of the Company; (ii) China Baowu, a core connected person of the Company; and (iii) other connected persons in the Company is approximately 81.22%, rendering the public float of the Company to drop to approximately 18.78%, which is below the Minimum Prescribed Percentage.

While the drop of the Company's public float was beyond the Company's control, it will take appropriate steps to ensure the restoration of the Minimum Prescribed Percentage to public hands as soon as possible.

For more details of the insufficiency of public float, please refer to the announcement of the Company dated 22 February 2021.

CORPORATE GOVERNANCE

Details of the compliance by the Company with the Corporate Governance Code are set out on pages 17 to 33 of the Annual Report.

AUDIT COMMITTEE

The Audit Committee has discussed with the management and reviewed the audited consolidated financial statements of the Group for the year ended 31 December 2020 and considered that the Group has complied with all applicable accounting standards and requirements.

AUDITORS

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

By Order of the Board

Zhou Keming
Chairman
Hong Kong, 22 March 2021

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羅兵咸永道

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

OPINION

What we have audited

The consolidated financial statements of Da Ming International Holdings Limited (the "Company") and its subsidiaries (the "Group") set out on pages 58 to 141, which comprise:

- the consolidated statement of financial position as at 31 December 2020;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, which include a summary of significant accounting policies.

Our opinion

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2020, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the HKICPA. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report.

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

Independence

We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants ("the Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter identified in our audit is related to net realisable value of inventory.

Key Audit Matter	How our audit addressed the Key Audit Matter
Net realisable value of inventories *Refer to Note 2.11, Note 4(a), and Note 13 to the consolidated financial statements.* Inventories are stated at the lower of cost and net realisable value. Net realisable value of inventories is the estimated selling price in the ordinary course of business, less estimated costs to completion and selling expense. These estimates are based on the current market condition and the historical experience of manufacturing and selling products of similar nature. As at 31 December 2020, inventories amounting to RMB3,237,265,000 were stated at the lower of cost and net realisable value. We focused on this area due to the high degree of uncertainties associated with the volatility in the market price of steel products for which the relevant sales contract not yet signed and the subjectivity of significant estimation and judgment required in the determination of selling price used in the net realisable value assessment.	We obtained an understanding of the management's internal controls and assessment process of net realisable value of inventories and assessed the inherent risk of material misstatement by considering the degree of estimation uncertainty and level of other inherent risk factors such as subjectivity, changes and susceptibility to management bias or fraud. We evaluated and validated the key controls over the review of net realisable value of inventories. We assessed and challenged management assumption and estimation by checking against market trend of steel production price, historical and subsequent selling prices, and post year end margin of the Group. We tested whether there were any slow-moving, excess, obsolete or damaged items being omitted from management estimation. We compared management's prior year and current year estimations to assess whether the method for making the accounting estimate had been applied consistently. We also evaluated the variance between subsequent selling price and management's assumption to assess the sensitivity of management assumption. Based on our work performed, we found management's judgement and estimation for the net realisable value of inventories were supported by available evidence.

OTHER INFORMATION

The directors of the Company are responsible for the other information. The other information comprises the information included in Financial and Operating Highlights and Management Discussion and Analysis thereon (but does not include the consolidated financial statements and our auditor's report thereon), which we obtained prior to the date of this auditor's report, and the Chairman's Statement, Cooperate Governance Report and Directors' Report, which are expected to be made available to us after that date.

Our opinion on the consolidated financial statements does not cover the other information and we do not and will not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

When we read the Chairman's Statement, Cooperate Governance Report and Directors' Report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to Audit Committee and take appropriate action considering our legal rights and obligations.

RESPONSIBILITIES OF DIRECTORS AND THE AUDIT COMMITTEE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

The Audit Committee is responsible for overseeing the Group's financial reporting process.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. We report our opinion solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable actions taken to eliminate threats or safeguards applied.

From the matters communicated with the Audit Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Dou Wang, Angel.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 22 March 2021

		As at 31 December	
		2020	2019
	Note	***RMB'000***	*RMB'000*
ASSETS			
Non-current assets			
Property, plant and equipment	*6*	**4,693,561**	4,432,495
Right-of-use assets	*7*	**509,231**	519,362
Investment properties	*8*	**3,831**	4,214
Intangible assets	*9*	**20,282**	19,065
Deferred income tax assets	*11*	**14,497**	77,861
Trade receivables and contract assets	*14*	**25,354**	28,523
Other non-current assets	*12*	**37,612**	4,116
		5,304,368	5,085,636
Current assets			
Inventories	*13*	**3,237,265**	2,784,448
Trade receivables and contract assets	*14*	**451,661**	384,010
Prepayments, deposits and other receivables	*15*	**785,461**	814,805
Restricted bank deposits	*16*	**887,422**	1,039,691
Cash and cash equivalents	*17*	**103,189**	161,807
		5,464,998	5,184,761
Total assets		**10,769,366**	10,270,397
EQUITY			
Equity attributable to equity holders of the Company			
Share capital	*18*	**106,607**	106,607
Reserves	*19*	**2,853,629**	2,500,710
		2,960,236	2,607,317
Non-controlling interests		**355,725**	326,843
Total equity		**3,315,961**	2,934,160

	Note	As at 31 December 2020 RMB'000	2019 RMB'000
LIABILITIES			
Non-current liabilities			
Borrowings	23	**964,188**	248,410
Deferred government grants	24	**134,160**	133,130
Deferred income tax liabilities	11	**27,600**	40,569
Trade payables	21	**–**	9,074
Long-term payables	22	**14,912**	24,060
		1,140,860	455,243
Current liabilities			
Trade payables	21	**568,081**	966,980
Accruals and other current liabilities	22	**544,799**	383,534
Contract liabilities	5	**720,340**	607,539
Current income tax liabilities		**73,352**	49,261
Borrowings	23	**4,394,387**	4,829,012
Lease liabilities	7	**4,386**	3,618
Dividends payable		**7,200**	41,050
		6,312,545	6,880,994
Total liabilities		**7,453,405**	7,336,237
Total equity and liabilities		**10,769,366**	10,270,397

The notes on page 63 to 141 are an integral part of these consolidated financial statements.

The financial statements were approved by the Board of Directors on 22 March 2021 and were signed on its behalf.

Zhou Keming
Director

Zou Xiaoping
Director

		Year ended 31 December	
		2020	2019
	Note	***RMB'000***	*RMB'000*
Revenue	*5*	**35,133,102**	35,508,734
Cost of sales	*27*	**(33,699,300)**	(34,416,787)
Gross profit		**1,433,802**	1,091,947
Other income	*25*	**49,246**	44,637
Other expenses	*27*	**(303)**	(463)
Other (loss)/gain – net	*26*	**(15,475)**	4,223
Distribution costs	*27*	**(382,161)**	(352,162)
Administrative expenses	*27*	**(375,322)**	(300,880)
Operating profit		**709,787**	487,302
Finance income	*29*	**31,625**	26,036
Finance costs	*29*	**(215,434)**	(228,565)
Finance costs – net	*29*	**(183,809)**	(202,529)
Profit before income tax		**525,978**	284,773
Income tax expense	*30*	**(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	*31*	**0.28**	0.14
– Diluted earnings per share	*31*	**0.28**	0.14

The notes on page 63 to 141 are an integral part of these consolidated financial statements.

	Attributable to equity holders of the Company			
	Share Capital *(Note 18)* *RMB'000*	**Reserves** *(Note 19)* *RMB'000*	**Non-controlling interests** *RMB'000*	**Total equity** *RMB'000*
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 *(Note 20(a))*	–	952	30	982
Share award scheme				
– value of employee services *(Note 20(b))*	–	8,025	–	8,025
Shares held for share award scheme *(Note 20(b))*	–	(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
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 *(Note 20(b))*	–	8,235	–	8,235
Shares held for share award scheme *(Note 20(b))*	–	(3,295)	–	(3,295)
Dividends	–	–	(8,950)	(8,950)
Total transactions with owners	–	4,940	(8,950)	(4,010)
Balance at 31 December 2020	106,607	2,853,629	355,725	3,315,961

The notes on page 63 to 141 are an integral part of these consolidated financial statements.

	Note	Year ended 31 December 2020 RMB'000	2019 RMB'000
Cash flows from operating activities			
Cash generated from operations	*33(a)*	**602,996**	382,808
Interest received		**29,497**	44,243
Interest paid		**(227,784)**	(224,069)
Income tax paid		**(65,681)**	(87,105)
Income tax return		**1,943**	2,072
Net cash generated from operating activities		**340,971**	117,949
Cash flows from investing activities			
Purchase of property, plant and equipment		**(565,336)**	(561,470)
Purchase of land use rights		**(8,500)**	(38,450)
Purchase of intangible assets		**(4,873)**	(5,713)
Cash received in relation to asset-related government grants	*24*	**10,020**	47,680
Proceeds from sale of property, plant and equipment	*33(b)*	**1,423**	564
Net cash used in investing activities		**(567,266)**	(557,389)
Cash flows from financing activities			
Proceeds from borrowings	*33(c)*	**10,331,822**	6,143,588
Repayments of borrowings	*33(c)*	**(7,922,933)**	(4,568,863)
Dividends paid to Company's shareholders	*32*	**–**	(67,550)
Dividends paid to non-controlling interests in subsidiaries		**(42,800)**	(11,150)
Restricted bank deposits pledged for bank borrowings and used for repayment of borrowings	*33(c)*	**(2,282,894)**	(1,227,735)
Principal elements of lease payments	*33(c)*	**(4,961)**	(1,674)
Purchase of shares held for share award scheme		**(3,295)**	(5,273)
Payment of withholding tax		**–**	(7,700)
Restricted bank deposits collected after repayment of bank borrowings	*33(c)*	**96,753**	206,574
Net cash generated 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	*17*	**161,807**	140,004
Exchange (loss)/gain on cash and cash equivalents		**(4,015)**	1,026
Cash and cash equivalents at end of year	*17*	**103,189**	161,807

The notes on page 63 to 141 are an integral part of these consolidated financial statements.

1. GENERAL INFORMATION OF THE GROUP

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

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

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

These consolidated financial statements are presented in Renminbi ("RMB"), unless otherwise stated. These consolidated financial statements have been approved for issue by the Board of Directors on 22 March 2021.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

2.1 Basis of preparation

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

2.1.1 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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.1 Basis of preparation (continued)

2.1.1 Going concern (continued)

- 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. Further information on the Group's borrowings is given in Note 23.

2.1.2 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.1 Basis of preparation (continued)

2.1.2 Changes in accounting policies and disclosures (continued)

(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. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Subsidiaries

2.2.1 Consolidation

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

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

(a) Business combinations

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

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

2.2.2 Separate financial statements

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.3 Segment reporting

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

2.4 Foreign currency translation

(a) Functional and presentation currency

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

(b) Transactions and balances

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

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

(c) Group companies

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

- assets and liabilities for each statement of financial position presented are translated at the closing rate at the balance sheet date;
- income and expenses for each statement of comprehensive income are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions); and
- all resulting exchange differences are recognised in other comprehensive income (OCI).

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.5 Property, plant and equipment

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

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

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

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

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

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

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

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (Note 2.8).

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.6 Investment properties

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

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

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

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

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

2.7 Intangible assets

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

2.8 Impairment of non-financial assets

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.9 Financial assets – loans and receivables

2.9.1 Classification

The Group classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through OCI or through profit or loss), and

- those to be measured at amortised cost.

The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses will either be recorded in profit or loss or OCI. For investments in equity instruments that are not held for trading, this will depend on whether the Group has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income (FVOCI).

The Group reclassifies debt investments when and only when its business model for managing those assets changes.

2.9.2 Recognition and derecognition

Regular way purchases and sales of financial assets are recognised on trade-date, the date on which the Group commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

2.9.3 Measurement

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss (FVPL), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVPL are expensed in profit or loss.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

Debt instruments

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the cash flow characteristics of the asset. There are two measurement categories into which the Group classifies its debt instruments:

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.9 Financial assets – loans and receivables (continued)

2.9.3 Measurement (continued)

- Amortised cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in profit or loss and presented in other gains/(losses) together with foreign exchange gains and losses. Impairment losses are presented as separate line item in the statement of profit or loss.

- FVOCI: Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI. Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest income and foreign exchange gains and losses which are recognised in profit or loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss and recognised in other gains/(losses). Interest income from these financial assets is included in finance income using the effective interest rate method. Foreign exchange gains and losses are presented in other gains/(losses) and impairment expenses are presented as separate line item in the statement of profit or loss.

2.9.4 Impairment

The Group assesses on a forward-looking basis the expected credit losses associated with its debt instruments carried at amortised cost and FVOCI. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

For trade receivables and contract assets, the Group applies the simplified approach permitted by HKFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables. See Note 14 for further details.

2.10 Derivatives

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured to their fair value at the end of each reporting period. The accounting for subsequent changes in fair value of any derivative instrument that does not qualify for hedge accounting are recognised immediately in profit or loss and are included in other gains/(losses).

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.11 Inventories

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

2.12 Trade and other receivables

Trade receivables and contract assets are amounts due from customers for merchandise sold or services performed in the ordinary course of business.

Trade and other receivables are recognised initially at the amount of consideration that is unconditional unless they contain significant financing components, when they are recognised at fair value. The Group holds the trade and other receivables with the objective of collecting the contractual cash flows and therefore measures them subsequently at amortised cost using the effective interest method. See Note 14 for further information about the Group's accounting for trade receivables and contract assets.

If collection of trade and other receivables is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

2.13 Cash and cash equivalents

In the consolidated statement of cash flows, cash and cash equivalents includes cash on hand, deposits held at call with banks, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, and bank overdrafts. In the consolidated and entity statement of financial position, bank overdrafts are shown within borrowings in current liabilities.

2.14 Share capital

Ordinary shares are classified as equity.

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.15 Trade and other payables

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

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

2.16 Borrowings

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

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

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

2.17 Borrowing costs

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

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

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.18 Current and deferred income tax

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

(a) *Current income tax*

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

(b) *Deferred income tax*

Inside basis differences

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

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

Outside basis differences

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

(c) *Offsetting*

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.19 Pension obligations

The Group has arranged for its Hong Kong employees to join the Mandatory Provident Fund Scheme (the "MPF Scheme"). Under the MPF Scheme, the Group and its Hong Kong employees make monthly contributions to the scheme at 5% of the employees' earnings as defined under the Mandatory Provident Fund legislation, subject to a cap of HKD1,500 per person per month, and any excess contributions are voluntary.

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

In addition, employees in Mainland China also participate in a defined contribution retirement benefit plan established by the Group and proved by relevant the PRC authorities (the "Annuity Plan"). The Group and its employees are required to make monthly contribution a certain percentage of the employee's earning depending on employee's rank of position. The contribution is charged to profit or loss when it is incurred.

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

2.20 Share-based payments

(a) Equity-settled share-based payment transactions

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.20 Share-based payments (continued)

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

At the end of each period, the Group revises its estimates of the number of options that are expected to vest based on the non-marketing vesting and service conditions. It recognises the impact of the revision to original estimates, if any, in the income statement, with a corresponding adjustment to equity.

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

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

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

(b) Share-based payment transactions among Group entities

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.21 Provisions

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

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

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

2.22 Government grants

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

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

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

2.23 Revenue recognition

(a) *Sales of goods*

The Group is engaged in the sales of stainless steel and carbon steel products. Sales are recognised when control of the products has transferred, which usually happens upon picking up of the products from factory or when the products are delivered and the customers have inspected and accepted the products. Acceptance occurs when the products have been picked up or shipped to the specified location. The risks of obsolescence and loss have been transferred to the customers when either the customer has accepted the products in accordance with the sales contract, or the Group has objective evidence that all criteria for acceptance have been satisfied.

Trade receivables are recognised when the Group has an unconditional right to payment. Contract assets are recognised when the Group's right to consideration is conditional on something other than the passage of time. The Group recognises the loss provision using the expected credit loss model for its trade receivables and contract assets.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.24 Other income

(a) Rental income

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

(b) Interest income

Interest income on financial assets at amortised cost and financial assets at FVOCI calculated using the effective interest method is recognised in profit or loss as part of other income. Interest income is presented as finance income where it is earned from financial assets that are held for cash management purposes.

Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset except for financial assets that subsequently become credit-impaired. For credit-impaired financial assets the effective interest rate is applied to the net carrying amount of the financial asset (after deduction of the loss allowance).

2.25 Dividend distribution

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

2.26 Leases

Leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group.

Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor. Leased assets may not be used as security for borrowing purposes.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable

Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases in the Group, the lessee's incremental borrowing rate is used, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.26 Leases (continued)

To determine the incremental borrowing rate, the Group:

- where possible, uses recent third-party financing received by the individual lessee as a starting point, adjusted to reflect changes in financing conditions since third party financing was received

- uses a build-up approach that starts with a risk-free interest rate adjusted for credit risk for leases held by the Group, which does not have recent third-party financing, and makes adjustments specific to the lease, e.g. term, country, currency and security.

If a readily observable amortising loan rate is available to the individual lessee (through recent financing or market data) which has a similar payment profile to the lease, then the group entities use that rate as a starting point to determine the incremental borrowing rate.

Lease payments are allocated between principal and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability, and

- any lease payments made at or before the commencement date less any lease incentives received

Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. If the Group is reasonably certain to exercise a purchase option, the right-of-use asset is depreciated over the underlying asset's useful life.

Payments associated with short-term leases of equipment and vehicles and all leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less without a purchase option.

Lease income from operating leases where the Group is a lessor is recognised in income on a straight-line basis over the lease term (Note 25). Initial direct costs incurred in obtaining an operating lease are added to the carrying amount of the underlying asset and recognised as expense over the lease term on the same basis as lease income. The respective leased assets are included in the balance sheet based on their nature. The Group did not need to make any adjustments to the accounting for assets held as lessor as a result of adopting the new leasing standard.

3. FINANCIAL RISK MANAGEMENT

3.1 Financial risk factors

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

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

(a) Market risk

(i) Foreign exchange risk

The Group mainly operates in the PRC with most of the transactions denominated and settled in RMB. However, the Group has certain trade receivables and contract assets, restricted bank deposits, cash and cash equivalents, trade payables, other payables and borrowings denominated in foreign currencies, mainly United States Dollar (USD), EURO (EUR), Hong Kong Dollar (HKD), and Japanese Yen (JPY), which are exposed to foreign currency translation risk. Details of the Group's trade receivables and contract assets, other receivables, restricted bank deposits, cash and cash equivalents, trade payables, other payables and borrowings are disclosed in Notes 14, 15, 16, 17, 21, 22 and 23 respectively.

As at 31 December 2020, if RMB had strengthened/weakened by 5% against the USD with all other variables held constant, profit before income tax for the year would have been approximately RMB7,345,000 (2019: RMB5,884,000) higher/lower, mainly as a result of foreign exchange gains/losses on translation of USD-denominated trade receivables and contract assets, deposits and other receivables, restricted bank deposit, cash and cash equivalents, borrowings, trade payables and other payables.

As at 31 December 2020, if RMB had strengthened/weakened by 5% against the EUR with all other variables held constant, profit before income tax for the year would have been approximately RMB2,538,000 (2019: RMB4,377,000) higher/lower, mainly as a result of foreign exchange gains on translation of EUR-denominated cash and cash equivalents, trade receivables and contract assets, borrowings, trade payables and other payables.

3. FINANCIAL RISK MANAGEMENT (CONTINUED)

3.1 Financial risk factors (continued)

(a) Market risk (continued)

(i) Foreign exchange risk (continued)

As at 31 December 2020, if RMB had strengthened/weakened by 5% against the HKD with all other variables held constant, profit before income tax for the year would have been approximately RMB178,000 (2019: RMB178,000) lower/higher, mainly as a result of foreign exchange losses/gains on translation of HKD-denominated cash and cash equivalents.

As at 31 December 2020, if RMB had strengthened/weakened by 5% against the JPY with all other variables held constant, profit before income tax for the year would have been approximately RMB108,000 (2019: RMB378,000) lower/higher, mainly as a result of foreign exchange losses/gains on translation of JPY-denominated trade receivables and contract assets, cash and cash equivalents, trade payables and other payables.

(ii) Cash flow and fair value interest rate risk

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

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

Details of the Group's restricted bank deposits, cash and cash equivalents and borrowings have been disclosed in Notes 16, 17 and 23, respectively.

As at 31 December 2020, if the interest rates on bank borrowings had been 100 basis-points higher/lower with all other variables held constant, profit before income tax for the year would have been RMB13,181,000 (2019: RMB14,034,000) lower/higher, mainly as a result of higher/lower interest expense on borrowings.

3. FINANCIAL RISK MANAGEMENT (CONTINUED)

3.1 Financial risk factors (continued)

(a) Market risk (continued)

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

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

Steel raw material, including stainless steel and carbon steel, accounts for 97.42% of the Group's cost of sales (2019: 97.86%). The Group has followed a stainless steel and carbon steel raw material purchase price adjustment practice with its major suppliers. Pursuant to such practice, those suppliers shall reimburse the Group if the purchase price of the stainless steel and carbon steel raw materials that the Group paid is higher than the benchmark selling prices decided by the suppliers based on actual selling prices achieved by the suppliers' key customers, including the Group (after adjusting for bulk purchase discounts and processing fee), subject to its suppliers' sole discretion in determining the actual purchase credit amount and the time in which such purchasing credit would be given to the Group.

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

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

(b) Credit risk

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

The Group has policies to place its cash and cash equivalents only with highly reputable financial institutions, and limit the amount of credit exposure to any financial institution. As at 31 December 2020, most of the restricted bank deposits and cash and cash equivalents are placed with highly reputable financial institutions in Mainland China and Hong Kong.

3. FINANCIAL RISK MANAGEMENT (CONTINUED)

3.1 Financial risk factors (continued)

(b) Credit risk (continued)

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

Group 1 – Top 4 banks in mainland China and Hong Kong (China Construction Bank, Bank of China, Agricultural Bank of China and Industrial and Commercial Bank of China)
Group 2 – Other listed banks in mainland China and Hong Kong
Group 3 – Other banks in the PRC

	As at 31 December	
	2020	2019
	RMB'000	*RMB'000*
Group 1	**272,222**	322,579
Group 2	**673,790**	815,593
Group 3	**69,506**	63,224
	1,015,518	1,201,396

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

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

For those key customers with long-term relationship, on some occasions the Group offers credit terms up to 180 days. The granting or extension of any credit period must be appropriately approved. There is no recent history of default in relation to those customers.

3. FINANCIAL RISK MANAGEMENT (CONTINUED)

3.1 Financial risk factors (continued)

(c) Liquidity risk

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

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

	Less than 1 year *RMB'000*	Between 1 year and 2 years *RMB'000*	Between 2 years and 5 years *RMB'000*
At 31 December 2020			
Borrowings	4,394,387	490,953	473,235
Interests payment on borrowings *(a)*	97,635	38,040	5,808
Trade and other payables *(b)*	1,035,801	14,912	–
	5,527,823	543,905	479,043
At 31 December 2019			
Borrowings	4,829,012	222,564	25,846
Interests payment on borrowings *(a)*	80,819	7,928	381
Trade and other payables *(b)*	1,333,457	33,134	–
	6,243,288	263,626	26,227

(a) The interests on borrowings are calculated based on borrowings held as at 31 December 2020 and 2019 respectively, without taking into account any subsequent changes in the amount of borrowings. Floating-rate interest is estimated using current interest rate as at 31 December 2020 and 2019 respectively.

(b) Other payables include accruals and other payables as stated in Note 22.

3. FINANCIAL RISK MANAGEMENT (CONTINUED)

3.2 Fair value estimation

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

3.3 Capital management

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

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

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

The gearing ratios at 31 December 2020 and 2019 were as follows:

	As at 31 December	
	2020	2019
	RMB'000	*RMB'000*
Total borrowings *(Note 23)*	**5,358,575**	5,077,422
Less: cash and cash equivalents *(Note 17)*	**(103,189)**	(161,807)
Net debt	**5,255,386**	4,915,615
Total equity	**3,315,961**	2,934,160
Total capital	**8,571,347**	7,849,775
Gearing ratio	**61.31%**	62.62%

The decrease in the gearing ratio during 2020 mainly because of the increase in total capital.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

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

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

(a) Net realisable value of inventories

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

(b) Useful lives of property, plant and equipment

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

(c) Income taxes and deferred income tax

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

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

5. SEGMENT INFORMATION

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. The decision-maker has determined the operating segments based on these reports.

The decision-maker considers the business from a product perspective. The decision-maker assesses the performance of the operating segments based on a measure of segment profit or loss.

The reportable operating segments derive their revenue primarily from the classification, processing and sales of stainless steel and carbon steel products and manufacturing of stainless steel and carbon steel products.

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. Meanwhile, all of the Group's productions and operating assets are located in Mainland China. As a result, no geographical segment information is presented since Mainland China is considered as one geographic location with similar risks and returns.

During the year ended 31 December 2020, none of the customers of the Group from whom the revenue amounting to 10% or more of the Group's revenue (2019: None).

The Board assesses the performance of the operating segments based on a measure of adjusted operating profit or loss which in certain respects, as explained in the table below, is measured differently from operating profit or loss in the consolidated financial statements. The other income and expenses, other (loss)/gain, finance costs – net are managed on a group basis and are not allocated to operating segments.

Segment assets comprise operating assets. They exclude restricted bank deposits, cash and cash equivalents and deferred income tax assets.

Segment liabilities comprise operating liabilities. They exclude borrowings and deferred income tax liabilities.

5. SEGMENT INFORMATION (CONTINUED)

Revenue

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

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

(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
	RMB'000	*RMB'000*
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
	35,133,102	35,508,734

5. SEGMENT INFORMATION (CONTINUED)

Revenue (continued)

The segment results for the year ended 31 December 2020:

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

The segment results for the year ended 31 December 2019:

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

5. SEGMENT INFORMATION (CONTINUED)

Revenue (continued)

The segment assets and liabilities as at 31 December 2020 are as follows:

	Processing *RMB'000*	**Manufacturing** *RMB'000*	**Elimination** *RMB'000*	**Unallocated** *RMB'000*	**Total** *RMB'000*
Segment assets	**7,548,966**	**2,470,138**	**(349,470)**	**1,099,732**	**10,769,366**
Segment liabilities	**1,579,299**	**835,033**	**(347,102)**	**5,386,175**	**7,453,405**
Additions to non-current assets	**122,253**	**133,184**	**(15,866)**	**12,198**	**251,769**

The segment assets and liabilities as at 31 December 2019 are as follows:

	Processing *RMB'000*	Manufacturing *RMB'000*	Elimination *RMB'000*	Unallocated *RMB'000*	Total *RMB'000*
Segment assets	7,311,763	2,193,191	(596,522)	1,361,965	10,270,397
Segment liabilities	1,918,394	896,152	(596,300)	5,117,991	7,336,237
Additions to non-current assets	197,203	52,710	(4,272)	16,659	262,300

5. SEGMENT INFORMATION (CONTINUED)

The Group has recognised following assets and liabilities related to contracts with customers:

	As at 31 December	
	2020	2019
	RMB'000	*RMB'000*
Current contract assets	**40,770**	67,145
Non-current contract assets	**25,482**	28,666
Loss allowance	**(331)**	(1,528)
Total contract assets (i)	**65,921**	94,283
Contract liabilities – advances from customers (ii)	**720,340**	607,539

(i) Contract assets relating to sale of goods and rendering of services are mainly related to the undue warranty receivables.

(ii) All the carried-forward contract liabilities satisfied in a prior year is recognised as revenue during the year ended 31 December 2020.

6. PROPERTY, PLANT AND EQUIPMENT

	Buildings and plant RMB'000	Machinery RMB'000	Vehicles RMB'000	Office equipment and others RMB'000	Construction-in-progress RMB'000	Total RMB'000
At 1 January 2019						
Cost	1,169,140	3,267,110	38,312	61,862	674,149	5,210,573
Accumulated depreciation	(158,651)	(782,869)	(25,260)	(39,293)	–	(1,006,073)
Net book amount	1,010,489	2,484,241	13,052	22,569	674,149	4,204,500
Year ended 31 December 2019						
Opening net book amount	1,010,489	2,484,241	13,052	22,569	674,149	4,204,500
Additions	1,413	11,791	5,319	5,936	433,451	457,910
Transfer	86,257	361,350	1,090	1,997	(450,694)	–
Transfer to intangible assets *(Note 9)*	–	–	–	–	(1,774)	(1,774)
Disposals *(Note 33(b))*	–	(97)	(473)	(395)	–	(965)
Depreciation *(Note 33(a))*	(36,000)	(178,277)	(4,452)	(8,447)	–	(227,176)
Closing net book amount	1,062,159	2,679,008	14,536	21,660	655,132	4,432,495
At 31 December 2019						
Cost	1,256,810	3,639,459	42,346	68,062	655,132	5,661,809
Accumulated depreciation	(194,651)	(960,451)	(27,810)	(46,402)	–	(1,229,314)
Net book amount	1,062,159	2,679,008	14,536	21,660	655,132	4,432,495
Year ended 31 December 2020						
Opening net book amount	1,062,159	2,679,008	14,536	21,660	655,132	4,432,495
Additions	729	30,533	4,683	7,414	471,174	514,533
Transfer from construction-in-progress to property, plant and equipment	270,846	390,990	534	1,199	(663,569)	–
Transfer from property, plant and equipment to construction-in-progress	–	(7,392)	–	–	7,392	–
Disposals *(Note 33(b))*	(27)	(787)	(315)	(265)	(275)	(1,669)
Depreciation *(Note 33(a))*	(42,395)	(197,630)	(4,780)	(6,993)	–	(251,798)
Closing net book amount	1,291,312	2,894,722	14,658	23,015	469,854	4,693,561
At 31 December 2020						
Cost	1,528,117	4,050,430	46,298	75,082	469,854	6,169,781
Accumulated depreciation	(236,805)	(1,155,708)	(31,640)	(52,067)	–	(1,476,220)
Net book amount	1,291,312	2,894,722	14,658	23,015	469,854	4,693,561

6. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Certain subsidiaries of the Group entered into sales and lease back agreements with a finance leasing company which is a subsidiary of China Baowu Group. whereby machineries were sold and leased back over one to three years lease term. The Group has the option to reacquire the machineries on completion of the lease at nominated value. During such lease term and before the exercise of the completion repurchase option, such machineries are restricted under the agreements where leaser's consent must be obtained for the pledge and/or disposal of these assets. As at 31 December 2020, assets under this restriction amounting to RMB296,371,000 (2019: RMB266,250,000).

Taiyuan Taigang Daming Metal Products Co., Ltd. ("Taiyuan Taigang Daming") pleged machineries to Taiyuan Iron & Steel (Group) Co., Ltd. for inventories on consignment. As at 31 December 2020, assets under this restriction amounting to RMB141,333,000 (2019: RMB140,734,000).

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

	Year ended 31 December	
	2020	2019
	RMB'000	*RMB'000*
Cost of sales	**219,810**	206,548
Distribution costs	**1,602**	1,733
Administrative expenses	**30,386**	18,895
	251,798	227,176

For the year ended 31 December 2020, borrowing costs amounting to approximately RMB16,803,000 (2019: RMB19,817,000) were capitalised into the cost of property, plant and equipment at an average borrowing rate of 4.62% (2019: 5.18%) per annum.

7. LEASES

(a) Amounts recognised in the consolidated statement of financial position

The consolidated statement of financial position shows the following amounts relating to leases:

	As at 31 December	
	2020	2019
	RMB'000	*RMB'000*
Right-of-use assets		
Land use rights	**502,454**	514,404
Properties	**6,777**	4,958
	509,231	519,362
Lease liabilities		
Current	**4,386**	3,618

Movements in right-of-use assets and land use rights are analysed as follows:

	Properties *RMB'000*	**Land-use rights** *RMB'000*	**Total** *RMB'000*
At 1 January 2019	2,285	487,286	489,571
Additions	3,486	38,450	41,936
Depreciation charges *(Note 33(a))*	(813)	(11,332)	(12,145)
At 31 December 2019	4,958	514,404	519,362
At 1 January 2020	4,958	514,404	519,362
Additions	5,729	–	5,729
Depreciation charges *(Note 33(a))*	(3,910)	(11,950)	(15,860)
At 31 December 2020	6,777	502,454	509,231

7. LEASES (CONTINUED)

(b) Amounts recognised in the consolidated statement of comprehensive income

The consolidated statement of comprehensive income shows the following amounts relating to leases:

	2020	2019
	RMB'000	*RMB'000*
Depreciation charge of right-of-use assets		
Land use rights	**(11,950)**	(11,332)
Properties	**(3,910)**	(813)
	(15,860)	(12,145)
Interest expense	**(253)**	(125)
Expense relating to short-term leases	**(1,400)**	(4,514)

The total cash outflow for leases in 2020 was RMB6,614,000 (2019: RMB40,124,000).

8. INVESTMENT PROPERTIES

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

	Year ended 31 December	
	2020	2019
	RMB'000	*RMB'000*
Opening net book amount	**4,214**	4,597
Depreciation *(Note 33(a))*	**(383)**	(383)
Closing net book amount	**3,831**	4,214
Cost	**8,505**	8,505
Accumulated depreciation	**(4,674)**	(4,291)
Net book amount	**3,831**	4,214

For the year ended 31 December 2020, the rental income arising from investment properties amounting to approximately RMB357,000 (2019: RMB362,000) (Note 25).

8. INVESTMENT PROPERTIES (CONTINUED)

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

	As at 31 December	
	2020	2019
	RMB'000	*RMB'000*
Not later than 1 year	**357**	362

As at 31 December 2020, the fair values of the investment properties were approximately RMB11,780,000 (2019: RMB11,890,000). These estimates are made by discounted cash flow projections based on reliable estimates of future rental income or market rents for similar properties in the same location and condition, where appropriate.

9. INTANGIBLE ASSETS

	Computer software	
	2020	2019
	RMB'000	*RMB'000*
At 1 January		
Cost	**27,409**	22,386
Accumulated amortisation	**(8,344)**	(5,933)
Net book amount	**19,065**	16,453
Opening net book amount	**19,065**	16,453
Additions	**4,284**	3,249
Transfer from construction-in-progress *(Note 6)*	**–**	1,774
Amortisation *(Note 33(a))*	**(3,067)**	(2,411)
Closing net book amount	**20,282**	19,065
At 31 December		
Cost	**31,693**	27,409
Accumulated amortisation	**(11,411)**	(8,344)
Net book amount	**20,282**	19,065

For the year ended 31 December 2020, amortisation of the Group's intangible assets amounting to RMB3,067,000 (2019: RMB2,411,000) has been charged to administrative expenses in the consolidated statement of comprehensive income.

10. SUBSIDIARIES

The following is a list of the principal subsidiaries at 31 December 2020:

Company name	Country/Place and date of incorporation	Type of legal entity	Paid-up capital	Attributable equity interest to the Company Direct	Attributable equity interest to the Company Indirect	Principal activities and place of operation
Allybest Investments Limited ("Allybest")	British Virgin Islands 10 July 2006	Limited liability company	USD20,000	100%	–	Investment holding, in BVI
Fortune Express Industrial Limited ("Fortune Express")	Hong Kong 14 July 2003	Limited liability company	HKD10,000	–	100%	Investment holding and trading of steel products, in Hong Kong
Jiangsu Daming Metal Products Co., Ltd. ("Jiangsu Daming")	Mainland China 21 June 2002	Limited liability company	USD133,250,000	–	100%	Processing, distribution and sales of steel products, in the PRC
Hangzhou Daming Wanzhou Metal Technology Co., Ltd. ("Hangzhou Wanzhou)	Mainland China 8 December 2005	Limited liability company	USD26,000,000	–	95%	Processing, distribution and sales of steel products, in the PRC
Tianjin Taigang Daming Metal Products Co., Ltd. ("Tianjin Taigang Daming")	Mainland China 15 February 2007	Limited liability company	USD36,500,000	–	91%	Processing, distribution and sales of steel products, in the PRC
Daming Metals (Hong Kong) Company Limited ("Hong Kong Daming")	Hong Kong 30 November 2009	Limited liability company	USD2,000,000	–	100%	Purchase and sales of metal materials, in Hong Kong
Jiangsu Daming Precision Manufacturing Co., Ltd. ("Daming Precision Sheet")	Mainland China 22 November 2010	Limited liability company	RMB100,000,000	–	100%	Processing, manufacturing and sales of steel products, in the PRC
Taiyuan Taigang Daming Metal Products Co., Ltd. ("Taiyuan Taigang Daming")	Mainland China 26 July 2011	Limited liability company	RMB500,000,000	–	60%	Processing, distribution and sales of steel products, in the PRC
Daming Heavy Industry Co., Ltd. ("Jingjiang Daming Heavy Industry")	Mainland China 14 March 2012	Limited liability company	USD190,000,000	–	100%	Processing, manufacturing and sales of steel products, in the PRC

10. SUBSIDIARIES (CONTINUED)

The following is a list of the principal subsidiaries at 31 December 2020: (continued)

Company name	Country/Place and date of incorporation	Type of legal entity	Paid-up capital	Attributable equity interest to the Company Direct	Attributable equity interest to the Company Indirect	Principal activities and place of operation
Daming Metal Products Wuxi Co., Ltd. ("Qianzhou Daming")	Mainland China 11 April 2012	Limited liability company	RMB30,000,000	–	100%	Processing, distribution and sales of steel products, in the PRC
Hubei Daming Metal Technology Co., Ltd. ("Hubei Daming")	Mainland China 22 October 2012	Limited liability company	RMB150,000,000	–	100%	Processing, distribution and sales of steel products, in the PRC
Jiangsu Daming Allybest Trading Co., Ltd. ("Allybest Trading")	Mainland China 23 December 2013	Limited liability company	RMB10,000,000	–	100%	Sales of steel products, in the PRC
Zibo Daming Fortune Metals Products Co., Ltd. ("Zibo Daming")	Mainland China 13 January 2014	Limited liability company	RMB30,000,000	–	100%	Distribution and sales of stainless steel products, in the PRC
Daming Metal Technology Co., Ltd. ("Daming Metal Technology")	Mainland China 09 June 2014	Limited liability company	USD65,000,000	–	100%	Processing, distribution and sales of steel products, in the PRC
Daming International Import & Export Co., Ltd. ("Daming Import & Export")	Mainland China 17 June 2014	Limited liability company	RMB58,000,000	–	100%	Distribution and sales of steel products and fixed assets, in the PRC
Jiangsu Daming Steel Union logistics Co., Ltd. ("Steel Union Logistics")	Mainland China 30 June 2015	Limited liability company	RMB10,000,000	–	65%	Distribution sevice, in the PRC
Shandong Daming Allybest Metal Technology Co., Ltd. ("Shandong Allybest")	Mainland China 22 July 2016	Limited liability company	RMB78,161,000	–	100%	Processing, distribution and sales of steel products, in the PRC
Zhejiang Daming Hanwa Metal Technology Co., Ltd. ("Zhejiang Daming")	Mainland China 19 March 2018	Limited liability company	USD57,065,533	–	85%	Processing, distribution and sales of steel products, in the PRC
Jiangsu Daming Specialty Steel Co., Ltd. ("Specialty Steel")	Mainland China 28 January 2019	Limited liability company	RMB10,000,000	–	100%	Sales of steel products, in the PRC

11. DEFERRED INCOME TAX

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

	As at 31 December	
	2020	2019
	RMB'000	*RMB'000*
Deferred income tax assets:		
– deferred tax assets to be recovered after more than 12 months	**19,024**	26,201
– deferred tax assets to be recovered within 12 months	**34,605**	54,872
Total deferred tax assets	**53,629**	81,073
Set-off of deferred tax liabilities	**(39,132)**	(3,212)
Net deferred tax assets	**14,497**	77,861
Deferred income tax liabilities:		
– deferred tax liabilities to be settled after more than 12 months	**54,271**	34,668
– deferred tax liabilities to be settled within 12 months	**12,461**	9,113
Total deferred tax liabilities	**66,732**	43,781
Set-off of deferred tax liabilities	**(39,132)**	(3,212)
Net deferred tax liabilities	**27,600**	40,569

11. DEFERRED INCOME TAX (CONTINUED)

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

	Provision for write-down of inventories	Deferred income	Accrued expenses	Provision for impairment of receivables	Unrealised gains on inventories	Tax losses	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January 2019	20,705	11,726	8,031	556	–	37,024	78,042
Recognised in the consolidated statement of comprehensive income	(7,215)	4,897	2,039	1,811	5,236	(3,737)	3,031
At 31 December 2019	13,490	16,623	10,070	2,367	5,236	33,287	81,073
Recognised in the consolidated statement of comprehensive income	(3,820)	174	(796)	45	885	(23,932)	(27,444)
At 31 December 2020	9,670	16,797	9,274	2,412	6,121	9,355	53,629

Deferred income tax assets are recognised for tax loss carry-forwards to the extent that the realisation of the related tax benefit through future taxable profits is probable. The Group did not recognise deferred income tax assets of RMB2,821,000 (2019: RMB2,389,000) in respect of accumulated losses amounting to RMB17,099,000 (2019: RMB14,482,000) that can be carried forward against future taxable income. As at 31 December 2020, accumulated losses that are not recognised as deferred tax assets amounting to RMB17,099,000 can be carried forward indefinitely (2019: RMB14,482,000).

11. DEFERRED INCOME TAX (CONTINUED)

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

	Interest expenses on capitalised property, plant and equipment *RMB'000*	Withholding tax (i) *RMB'000*	Accelerated tax depreciation (ii) *RMB'000*	Unrealised losses on inventories *RMB'000*	Total *RMB'000*
At 1 January 2019	16,532	–	32	1,614	18,178
Recognised in the consolidated comprehensive income statements	4,120	7,882	15,215	(1,614)	25,603
At 31 December 2019	20,652	7,882	15,247	–	43,781
Recognised in the consolidated comprehensive income statements	3,004	–	19,947	–	22,951
At 31 December 2020	23,656	7,882	35,194	–	66,732

(i) According to the Corporate Income Tax Law of the People's Republic of China (the "CIT Law"), starting from 1 January 2008, a 10% withholding tax will be levied on the immediate holding companies established outside mainland China when their subsidiaries in mainland China declare dividends out of their profits earned after 1 January 2008. A lower withholding tax rate of 5% may be applied if there is a tax treaty arrangement between the PRC and the jurisdiction of the foreign immediate holding companies, including those incorporated in Hong Kong.

(ii) Pursuant to the 'Circular on Enterprise Income Tax Policy concerning Deductions for Equipment and Appliances' (Cai Shui [2018] 54) issued by the State Administration of Taxation, during the period from 1 January 2018 to 31 December 2020, the cost of newly purchased equipment with the original cost less than RMB5 million can be fully deducted against taxable profit in the next month after the asset is put into use for tax filing, instead of being depreciated annually.

No deferred income tax liabilities has been recognised for the withholding tax that would be payable on the estimate of retained earnings of certain subsidiary incorporated in Mainland China as at 31 December 2020 that are expected to be distributed due to cancellation in the foreseeable future(2019: RMB7,882,000). Unremitted earnings that deferred income tax liabilities have not been recognised totaled RMB674,154,000 (2019: RMB626,864,000) as at 31 December 2020.

12. OTHER NON-CURRENT ASSETS

As at 31 December 2020, other non-current assets mainly represent the long-term bank deposits issuing notes payable of RMB25,000,000, prepayment for purchasing of land use right of RMB8,500,000 and deposits for land use rights of RMB3,000,000.

13. INVENTORIES

	As at 31 December	
	2020	2019
	RMB'000	*RMB'000*
Raw materials	**2,207,043**	1,971,978
Finished goods and work-in-progress	**1,030,222**	812,470
	3,237,265	2,784,448

The cost of materials recognised as cost of sales amounting to approximately RMB32,848,248,000 (2019: RMB33,616,770,000).

The Group had reversed approximately RMB11,476,000, for the previous write-down of inventories to their net realised value as at 31 December 2020 (2019: RMB28,860,000). These amounts have been included in the cost of sales in the consolidated statement of comprehensive income (Note 27).

14. TRADE RECEIVABLES AND CONTRACT ASSETS

	As at 31 December 2020			As at 31 December 2019		
	Current	**Non-Current**	**Total**	Current	Non-Current	Total
	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 (Note 21) (2019: bank acceptance notes of RMB5,366,000 were pledged as security for notes payable for the Group).

14. TRADE RECEIVABLES AND CONTRACT ASSETS (CONTINUED)

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
	RMB'000	*RMB'000*
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
	400,263	294,897
Notes receivable		
– within 1 year	**24,447**	30,937
	424,710	325,834

As at 31 December 2020, the balance of provision for impairment of trade receivables is approximately RMB13,616,000 (2019: RMB7,584,000). The aging of the provision was as follows:

	As at 31 December	
	2020	2019
	RMB'000	*RMB'000*
Accounts receivable		
– within 1 year	**7,821**	5,765
– 1 year to 2 years	**5,417**	1,724
– over 2 years	**378**	95
	13,616	7,584

14. TRADE RECEIVABLES AND CONTRACT ASSETS (CONTINUED)

The movement of the provision for impairment of trade receivables and contract assets was as follows:

	As at 31 December	
	2020	2019
	RMB'000	*RMB'000*
At 1 January	**9,112**	2,109
Provision for trade receivables and contract assets *(Note 27)*	**5,856**	7,476
Written off as uncollectible	**(1,021)**	(473)
At 31 December	**13,947**	9,112

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

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

	As at 31 December	
	2020	2019
	RMB'000	*RMB'000*
RMB	**436,069**	359,935
USD	**47,420**	61,710
EUR	**6,858**	–
JPY	**615**	–
	490,962	421,645

14. TRADE RECEIVABLES AND CONTRACT ASSETS (CONTINUED)

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

Group 1 – Bank acceptance notes

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

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

	As at 31 December	
	2020	2019
	RMB'000	*RMB'000*
Group 1	**16,152**	27,255
Group 2	**474,810**	394,390
Group 3	**–**	–
	490,962	421,645

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

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

15. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	As at 31 December	
	2020	2019
	RMB'000	*RMB'000*
Prepayment for purchase of raw materials	**533,864**	490,343
Discounted interest for notes receivable	**29,297**	35,361
Value-added tax recoverable	**182,913**	258,257
Export tax refundable	**11,365**	9,615
Deposits and other receivables	**23,813**	18,490
Loan to related parties *(Note 35(c))*	**4,209**	2,739
	785,461	814,805

The carrying amounts of deposits and other receivables approximate their fair values as at the balance sheet date.

Deposits and other receivables are denominated in the following currencies:

	As at 31 December	
	2020	2019
	RMB'000	*RMB'000*
RMB	**23,813**	18,446
USD	**–**	44
	23,813	18,490

16. RESTRICTED BANK DEPOSITS

	As at 31 December	
	2020	2019
	RMB'000	*RMB'000*
Restricted bank deposits denominated in:		
– RMB	**886,497**	962,591
– USD	**925**	77,100
	887,422	1,039,691

The nature of restricted bank deposits was as follows:

	As at 31 December	
	2020	2019
	RMB'000	*RMB'000*
Deposits for issuing notes payable	**707,635**	598,054
Deposits for issuing letters of credit	**126,260**	375,585
Deposits for issuing letters of guarantee	**52,235**	65,688
Deposits for forward foreign exchange	**1,292**	364
	887,422	1,039,691

As at 31 December 2020, the weighted average interest rate on restricted bank deposits was 1.44% (2019: 1.45%) per annum, and these deposits have an approximate average maturity of 184 days (2019: 104 days).

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

17. CASH AND CASH EQUIVALENTS

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

Cash and cash equivalents were denominated in the following currencies:

	As at 31 December	
	2020	2019
	RMB'000	*RMB'000*
RMB	**47,087**	48,427
USD	**37,184**	84,978
HKD	**3,567**	3,562
EUR	**9,700**	15,890
JPY	**5,651**	8,950
	103,189	161,807

As at 31 December 2020, cash at bank was demand deposits and the weighted average interest rate was 0.18% (2019: 0.13%) per annum.

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

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

18. SHARE CAPITAL

	Authorised share capital		
	Number of shares *'000*	*HKD'000*	*RMB'000*
As at 31 December 2019 and 2020 (ordinary shares of HKD0.10 each)	1,500,000	150,000	128,886

	Issued and fully paid up		
	Number of shares *'000*	*HKD'000*	*RMB'000*
As at 31 December 2019 and 2020 (ordinary shares of HKD0.10 each)	1,245,190	124,519	106,607

19. RESERVES

	Share premium *RMB'000*	Merger reserves *RMB'000*	Statutory reserves *RMB'000*	Other reserves *RMB'000*	Retained earnings *RMB'000*	Total *RMB'000*
Balance at 1 January 2019	1,005,347	48,611	168,345	1,612	1,163,105	2,387,020
Comprehensive income						
Profit for the year	–	–	–	–	177,536	177,536
Total comprehensive Income	–	–	–	–	177,536	177,536
Transaction with owners						
Appropriation to statutory reserves	–	–	26,687	–	(26,687)	–
Employee share options scheme – value of employee services *(Note 20(a))*	–	–	–	952	–	952
Share award scheme *(Note 20(b))*	8,025	–	–	–	–	8,025
Vesting of award shares *(Note 20(b))*	(10,277)	–	–	10,277	–	–
Shares held for share award scheme *(Note 20(b))*	–	–	–	(5,273)	–	(5,273)
Dividends	–	–	–	–	(67,550)	(67,550)
Total transaction with owners	(2,252)	–	26,687	5,956	(94,237)	(63,846)
Balance at 31 December 2019	1,003,095	48,611	195,032	7,568	1,246,404	2,500,710

19. RESERVES (CONTINUED)

	Share premium *RMB'000*	Merger reserves *RMB'000*	Statutory reserves *RMB'000*	Other reserves *RMB'000*	Retained earnings *RMB'000*	Total *RMB'000*
Balance at 1 January 2020	1,003,095	48,611	195,032	7,568	1,246,404	2,500,710
Comprehensive income						
Profit for the year	–	–	–	–	347,979	347,979
Total comprehensive Income	–	–	–	–	347,979	347,979
Transaction with owners						
Appropriation to statutory reserves	–	–	32,444	–	(32,444)	–
Share award scheme *(Note 20(b))*	8,235	–	–	–	–	8,235
Vesting of award shares *(Note 20(b))*	(10,731)	–	–	10,731	–	–
Shares held for share award scheme *(Note 20(b))*	–	–	–	(3,295)	–	(3,295)
Total transaction with owners	(2,496)	–	32,444	7,436	(32,444)	4,940
Balance at 31 December 2020	1,000,599	48,611	227,476	15,004	1,561,939	2,853,629

19. RESERVES (CONTINUED)

(a) Merger reserves

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

(b) Statutory reserves

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

(c) Other reserves

Other reserves consist of shareholders' loans waived, employee share option schemes (Note 20(a)) and shares held for Share Award Schemes (Note 20(b)).

(d) Retained earnings

Retained earnings as at 31 December 2020 include proposed final dividend of HKD0.06 per share.

20. SHARE-BASED PAYMENTS

(a) Share option schemes

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

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

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

	2020		2019	
	Average exercise price in HKD per share	**Number of options *('000)***	Average exercise price in HKD per share	Number of options *('000)*
At 1 January	**2.386**	**19,220**	2.386	20,370
Lapsed	**2.452**	**(4,720)**	–	–
Forfeited	**2.364**	**(1,000)**	2.387	(1,150)
At 31 December	**2.364**	**13,500**	2.386	19,220

20. SHARE-BASED PAYMENTS (CONTINUED)

(a) Share option schemes (continued)

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

Exercisable from	Expiry date	Exercise price in HKD per share	Number of options ('000) 2020	2019
21 December 2013	20 December 2020	2.452	–	1,416
21 December 2014	20 December 2020	2.452	–	1,416
21 December 2015	20 December 2020	2.452	–	1,888
23 December 2017	22 December 2024	2.364	**5,400**	5,800
23 December 2019	22 December 2024	2.364	**4,050**	4,350
23 December 2019	22 December 2024	2.364	**4,050**	4,350
			13,500	19,220

The weighted average fair value of options granted in 2010 determined by using the Binomial Model was HKD1.31 per option. The significant inputs into the model were share price at the grant date, the exercise price shown above, expected volatility of 57.7%, expected dividend yield of 1.83% and risk-free interest rate of 2.89%. The share price at the grant date is the closing price of the Company's listed shares as of the grant date.

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

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

(b) Share award schemes

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

20. SHARE-BASED PAYMENTS (CONTINUED)

(b) Share award schemes (continued)

An aggregate of 2,860,000 shares of the Company's existing ordinary shares have been purchased during year 2020 by an independent trustee in the market out of cash HKD4,805,669 (equivalent to RMB4,174,733) contributed by the Company and held in trust for employees until such shares are vested in the relevant selected employees in accordance with the provisions of the Scheme. As at 31 December 2020, the un-utilised cash balance is HKD1,346,000 (equivalent to RMB1,133,000) (2019: HKD2,498,000 (equivalent to RMB2,238,000)).

Pursuant to a Board of Directors' resolution dated 14 June 2019, 4,366,000 shares were awarded to employees.

Pursuant to a Board of Directors' resolution dated 12 July 2019, 238,000 shares were awarded to employees.

Pursuant to a Board of Directors' resolution dated 15 December 2020, 5,436,000 shares were awarded to employees.

Movements in the number of shares held for the Share Award Schemes and awarded shares for the year ended 31 December 2020 is as follows:

	Number of shares held for the Share Award Schemes	Number of awarded shares	Total
At 1 January 2020	19,888,000	–	19,888,000
Purchased	2,860,000		2,860,000
Granted	(5,436,000)	5,208,000	(228,000)
Lapsed	228,000	–	228,000
At 31 December 2020	17,540,000	5,208,000	22,748,000
Vested but not transferred as at 31 December 2020			5,208,000

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

The weighted average fair value of awarded shares granted during the year ended 31 December 2020 was HKD1.80 per share (equivalent to approximately RMB1.53 per share). The weighted average fair value of awarded shares granted during the year ended 31 December 2019 was HKD1.98 per share (equivalent to approximately RMB1.74 per share).

21. TRADE PAYABLES

	As at 31 December	
	2020	2019
	RMB'000	*RMB'000*
Accounts payable	**480,581**	597,214
Notes payable	**87,500**	378,840
	568,081	976,054
Less: non-current portion of accounts payable	**–**	(9,074)
	568,081	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 (Note 12,16).

The notes payable as at 31 December 2019 of RMB344,610,000 was secured by restricted bank deposits of approximately RMB225,822,000 (Note 16) and bank acceptance notes of RMB5,366,000 (Note 14).

The aging analysis of the trade payables was as follows:

	As at 31 December	
	2020	2019
	RMB'000	*RMB'000*
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
	568,081	976,054

21. TRADE PAYABLES (CONTINUED)

Trade payables are denominated in the following currencies:

	As at 31 December	
	2020	2019
	RMB'000	*RMB'000*
RMB	**497,956**	886,738
USD	**22,566**	51,134
EUR	**43,445**	38,182
JPY	**4,114**	–
	568,081	976,054

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

22. ACCRUALS AND OTHER CURRENT LIABILITIES

	As at 31 December	
	2020	2019
	RMB'000	*RMB'000*
Other payables	**463,098**	362,227
Value-added tax payable	**55,362**	4,711
Other taxes payable	**21,717**	12,346
Accruals	**4,622**	4,250
	544,799	383,534

22. ACCRUALS AND OTHER CURRENT LIABILITIES (CONTINUED)

The breakdown of other payables was as follows:

	As at 31 December	
	2020	2019
	RMB'000	*RMB'000*
Payables for purchase of property, plant and equipment	**171,953**	155,683
Salaries payable	**150,083**	100,193
Pension and other social welfare payables	**60,090**	57,173
Freight payable	**56,199**	37,898
Others	**39,685**	35,340
	478,010	386,287
Less: non-current portion of payables for purchase of property, plant and equipment and land use rights	**(14,912)**	(24,060)
	463,098	362,227

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

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

	As at 31 December	
	2020	2019
	RMB'000	*RMB'000*
RMB	**539,933**	343,095
EUR	**17,583**	57,777
USD	**2,195**	5,333
JPY	**–**	1,389
	559,711	407,594

23. BORROWINGS

	As at 31 December	
	2020	2019
	RMB'000	*RMB'000*
Non-current		
Bank borrowings	**879,150**	206,000
Borrowing under finance lease arrangement	**85,038**	42,410
	964,188	248,410
Current		
Bank borrowings	**4,317,966**	4,732,841
Borrowing under finance lease arrangement	**16,421**	66,171
Other loans	**60,000**	30,000
	4,394,387	4,829,012
Total borrowings	**5,358,575**	5,077,422
Representing:		
Bank borrowings		
– unsecured	**3,491,497**	3,366,931
– secured (a)	**1,585,619**	1,531,910
– guaranteed (b)	**120,000**	40,000
Finance lease arrangement (c)	**101,459**	108,581
Other loans (d)	**60,000**	30,000
	5,358,575	5,077,422

(a) The secured bank borrowings as at 31 December 2020 were secured by the pledge of restricted bank deposits amounting to RMB794,011,000 (2019: RMB747,816,000).

(b) As at 31 December 2020, bank borrowings of RMB120,000,000 (2019: RMB40,000,000) were guaranteed by a subsidiary of the Group and a related party of the Group.

(c) Finance lease arrangements are repayable by instalment and carry interest between 5.44% to 7.53% per annum (Note 6).

(d) Other loans are borrowed from a finance company owned by a related party of the Group.

23. BORROWINGS (CONTINUED)

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

	As at 31 December	
	2020	2019
	RMB'000	*RMB'000*
At fixed rates in RMB	**3,924,586**	3,444,790
At fixed rates in USD	**207,705**	285,045
At fixed rates in EUR	**6,284**	7,487
	4,138,575	3,737,322
At floating rates in RMB	**1,220,000**	1,340,100
	5,358,575	5,077,422

The weighted average effective interest rates per annum at 31 December 2020 was 3.96% (2019: 4.35%).

At 31 December, the Group's borrowings were repayable as follows:

	Bank borrowings		Borrowings under finance lease arrangement		Other loan	
	2020	2019	**2020**	2019	**2020**	2019
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*	***RMB'000***	*RMB'000*
Within 1 year	**4,317,966**	4,732,841	**16,421**	66,171	**60,000**	30,000
Between 1 and 2 years	**454,150**	206,000	**24,408**	16,564	**–**	–
Between 2 and 3 years	**425,000**	–	**60,630**	25,846	**–**	–
	5,197,116	4,938,841	**101,459**	108,581	**60,000**	30,000

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

24. DEFERRED GOVERNMENT GRANTS

	As at 31 December	
	2020	2019
	RMB'000	*RMB'000*
Deferred government grants	**134,160**	133,130

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

	Year ended 31 December	
	2020	2019
	RMB'000	*RMB'000*
Beginning balance of the year	**133,130**	92,391
Granted during the year	**10,020**	47,680
Recognised in the consolidated statement of comprehensive income *(Note 25)*	**(8,990)**	(6,941)
Ending balance of the year	**134,160**	133,130

Government grants were granted to support the Group's construction of factory buildings and purchase of machineries. These amounts have been deferred and amortised over the relevant assets' expected useful lives of 10 to 40 years.

25. OTHER INCOME

	Year ended 31 December	
	2020	2019
	RMB'000	*RMB'000*
Sales of scraps and packaging materials	**13,192**	19,324
Subsidy income	**14,024**	10,069
Amortisation of deferred government grants *(Note 24)*	**8,990**	6,941
Rental income	**357**	362
Others	**12,683**	7,941
	49,246	44,637

26. OTHER (LOSS)/GAIN – NET

	Year ended 31 December	
	2020	2019
	RMB'000	*RMB'000*
Losses on disposal of property, plant and equipment – net *(Note 33(a))*	**(246)**	(401)
Foreign exchange (loss)/gain – net	**(12,742)**	7,656
Others	**(2,487)**	(3,032)
	(15,475)	4,223

27. EXPENSES BY NATURE

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

	Year ended 31 December	
	2020	2019
	RMB'000	*RMB'000*
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 *(Note 28)*	**805,892**	740,054
Depreciation and amortisation *(Note 6, 7, 8, 9)*	**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 *(Note 13)*	**(11,476)**	(28,860)
Auditors' remuneration-audit services	**3,300**	3,150
Provision for impairment of trade receivables and contract assets *(Note 14)*	**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

28. EMPLOYEE BENEFIT EXPENSES

	Year ended 31 December	
	2020	2019
	RMB'000	*RMB'000*
Salaries, bonus and other welfares	**771,045**	690,435
Pension – defined contribution plans (a)	**34,847**	48,637
Share options granted to directors and employees	**–**	982
	805,892	740,054

(a) Pensions – defined contribution plans

The full time employees of the Mainland China subsidiaries of the Group participate in defined contribution retirement benefit plans organised by the relevant provincial government. For the years ended 31 December 2019 and 2020, the Group is required to make monthly defined contributions to these plans at rates from 0% to 19%, with the base of their total salary subject to a certain ceiling.

The Group has arranged for its Hong Kong employees to join the MPF Scheme, a defined contribution scheme managed by an independent trustee. Under the MPF Scheme, each of the relevant entities within the Group (the employer) and its employees make monthly contributions to the scheme at 5% of the employees' earnings as defined under the Mandatory Provident Fund legislation. The monthly contributions of each of the employer and the employee are subject to a cap of HKD1,500 during the year ended 31 December 2020, and thereafter contributions are voluntary.

The full time employees in Mainland China with length of service for no less than two years also participate in the Annuity Plan. The Group and its employees are required to make monthly contribution a certain percentage of the employee's earning depending on employee's rank of position according to the profitability. The monthly contribution is 9% from the Group and 3% from the employees, which are subject to adjustment in accordance with the terms of the Annuity Plan.

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

29. FINANCE COSTS – NET

	Year ended 31 December	
	2020	2019
	RMB'000	*RMB'000*
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
	232,237	248,382
Less: amounts capitalised on qualifying assets *(Note 6)*	**(16,803)**	(19,817)
Total finance costs	**215,434**	228,565
Finance income:		
Interest income *(Note 33(a))*	**(31,625)**	(26,036)
Finance costs – net	**183,809**	202,529

30. INCOME TAX EXPENSE

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

	Year ended 31 December	
	2020	2019
	RMB'000	*RMB'000*
Current income tax		
– mainland China corporate income tax	**89,772**	66,627
Deferred income tax *(Note 11)*	**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 ("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 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 CIT Law for High New Tech Enterprises, it is subject to a reduced corporate income tax rate of 15%.

30. INCOME TAX EXPENSE (CONTINUED)

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

	Year ended 31 December	
	2020	2019
	RMB'000	*RMB'000*
Profit before income tax	**525,978**	284,773
Tax calculated at tax rates applicable to profits of the respective subsidiaries	**127,097**	81,577
Expenses not deductible for tax purpose	**2,404**	3,976
Effect of withholding tax on certain unremitted profits of subsidiaries in Mainland China	**–**	7,882
Effect of withholding tax on dividends distributed by a subsidiary in Mainland China	**–**	7,700
Effect of change in the tax rates	**10,814**	–
Use of tax losses for which no deferred income tax asset was recognised previously	**(42)**	(12,027)
Difference of prior year tax filing and others	**(106)**	91
Income tax expense	**140,167**	89,199
The weighted average applicable tax rates	**24.16%**	28.65%

31. 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)*	**347,979**	177,536
Weighted average number of ordinary shares in issue *(thousands)*	**1,225,360**	1,224,614
Basic earnings per share *(RMB per share)*	**0.28**	0.14

(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)*	**347,979**	177,536
Weighted average number of ordinary shares in issue *(thousands)*	**1,225,360**	1,224,614
Adjustments for share option plan *(thousands)*	**8**	18
Weighted average number of ordinary shares for diluted earnings per share *(thousands)*	**1,225,368**	1,224,632
Diluted earnings per share *(RMB per share)*	**0.28**	0.14

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

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

33. NOTES TO CONSOLIDATED STATEMENT OF CASH FLOWS

(a) Cash generated from operations

	Year ended 31 December	
	2020	2019
	RMB'000	*RMB'000*
Profit before income tax	**525,978**	284,773
Adjustments for:		
– depreciation of right-of-use assets *(Note 7)*	**15,860**	12,145
– depreciation of property, plant and equipment *(Note 6)*	**251,798**	227,176
– amortisation of intangible assets *(Note 9)*	**3,067**	2,411
– depreciation of investment properties *(Note 8)*	**383**	383
– amortisation of deferred income *(Note 24)*	**(8,990)**	(6,941)
– losses on disposal of property, plant and equipment *(Note 26)*	**246**	401
– provision for impairment of trade receivables and contract assets *(Note 14)*	**5,856**	7,476
– reversal of provision of inventories *(Note 13)*	**(11,476)**	(28,860)
– interest income *(Note 29)*	**(31,625)**	(26,036)
– finance costs *(Note 29)*	**219,449**	227,539
– employee share options scheme-value of employee services *(Note 28)*	**–**	982
– share award scheme-value of employee services *(Note 19)*	**8,235**	8,025
	978,781	709,474
Changes in working capital:		
– decrease in restricted bank deposits	**198,464**	460,441
– (increase)/decrease in trade receivables and contract assets, prepayments, deposits and other receivables	**(114,207)**	161,035
– increase in contract liabilities	**112,801**	168,069
– increase in inventories	**(441,341)**	(65,960)
– decrease in trade payables, accruals and other liabilities	**(131,502)**	(1,050,251)
Cash generated from operations	**602,996**	382,808

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

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

	Year ended 31 December **2020** *RMB'000*	2019 *RMB'000*
Net book amount *(Note 6)*	**1,669**	965
Losses on disposal of property, plant and equipment *(Note 26)*	**(246)**	(401)
Proceeds from disposal of property, plant and equipment	**1,423**	564

(c) The reconciliation of liabilities arising from financing activities is as follows:

	Borrowings *RMB'000*	**Restricted bank deposits** *RMB'000*	**Other non-current assets** *RMB'000*	**Lease liabilities** *RMB'000*	**Total** *RMB'000*
As at 1 January 2020	5,077,422	(747,816)	–	3,618	4,333,224
Cash flows					
– proceeds from borrowings	10,331,822	–	–	–	10,331,822
– repayment of borrowings	(7,922,933)	–	–	–	(7,922,933)
– restricted bank deposits used for repayment of borrowings	(2,114,946)	2,114,946	–	–	–
– restricted bank deposits pledged for bank borrowings	–	(2,257,894)	(25,000)		(2,282,894)
– restricted bank deposits collected after repayment of bank borrowings	–	96,753	–	–	96,753
– acquisition of leases	–	–	–	5,729	5,729
– payment for leases	–	–	–	(4,961)	(4,961)
Non-cash changes					
– currency translations	(12,790)	–	–	–	(12,790)
As at 31 December 2020	5,358,575	(794,011)	(25,000)	4,386	4,543,950

34. COMMITMENTS

(a) Capital commitments

Capital expenditure contracted for at the end of the year but not yet incurred is as follows:

	As at 31 December	
	2020	2019
	RMB'000	*RMB'000*
Contracted but not provided for:		
Acquisition of property, plant and equipment	**276,900**	278,484

(b) Operating lease commitments

The Group leases certain office premises, plant and equipment under non-cancellable operating lease agreements. The future aggregate minimum lease payments under non-cancellable operating leases were as follows:

	As at 31 December	
	2020	2019
	RMB'000	*RMB'000*
Not later than 1 year	**195**	–

35. RELATED PARTY TRANSACTIONS

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

Name	Relationship with the Group
Ally Good Group Limited	Parent company of the Group
Mr. Zhou Keming	Chairman of the Company and Ally Good Group Limited
Ms. Xu Xia	The wife of Mr. Zhou Keming and a director of the Company (vice-chairman of the Board)
Wuxi Daming Logistics Co., Ltd. ("Daming Logistics")	The controlling shareholders are Mr. Zhou Keming and Ms. Xu Xia
Daming Logistics Co., Ltd. ("Daming Gangwu")	The controlling shareholders are Mr. Zhou Keming and Ms. Xu Xia
China Baowu Steel Group Company Limited ("China Baowu Group")(i)	Shareholder of the Company (become a related party of the Company starting from 23 December 2020)

(i) China Baowu Group had acquired 51% of the equity interests in Taiyuan Iron & Steel (Group) Co., Ltd. and the acquisition was completed on 23 December 2020. Upon the completion of acquisition, China Baowu Group collectively holds 16.66% of the equity interests in the Company and became a related party of the Group due to significant influence.

(b) In addition to the related party transactions disclosed in Note 6, 23, the Group's other material transactions with related party are listed below:

	Year ended 31 December **2020** *RMB'000*	2019 *RMB'000*
(i) Repayment of related party loan		
Daming Logistics	–	2,000
(ii) Loan to related party		
Daming Logistics	**1,000**	2,739
Daming Gangwu	**470**	–
	1,470	2,739

35. RELATED PARTY TRANSACTIONS (CONTINUED)

(b) In addition to the related party transactions disclosed in Note 6, 23, the Group's other material transactions with related party are listed below: (continued)

	From 23 December 2020 to 31 December 2020 *RMB'000*
(iii) Purchase of steel from related parties	
China Baowu Group and its subsidiaries	**389,207**
(iv) Provide processed metallic goods and processing services to related parties	
China Baowu Group and its subsidiaries	**4,804**

(c) Balances with related parties

In addition to the related party balances disclosed in Note 23, the Group has the following balances with its related parties as at 31 December 2020 and 2019:

	As at 31 December	
	2020 *RMB'000*	2019 *RMB'000*
(i) Other receivables		
Loans provided to		
– Daming Logistics	**3,739**	2,739
– Daming Gangwu	**470**	–
	4,209	2,739

35. RELATED PARTY TRANSACTIONS (CONTINUED)

(c) Balances with related parties (continued)

	As at 31 December 2020 *RMB'000*
(ii) Trade receivables	
China Baowu Group and its subsidiaries	
– Receivables for providing goods and services	**4,497**
(iii) Prepayments	
China Baowu Group and its subsidiaries	
– Prepayments for purchase of steel	**232,284**
(iv) Trade payables	
China Baowu Group and its subsidiaries	
– Payables for purchase of steel	**26,513**

(d) Key management compensation

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

	Year ended 31 December	
	2020 *RMB'000*	2019 *RMB'000*
Salaries, bonus and other welfares	**13,887**	13,085
Pension – defined contribution plans	**117**	176
	14,004	13,261

36. BALANCE SHEET AND RESERVE MOVEMENT OF THE COMPANY

Balance sheet of the Company

	As at 31 December	
	2020	2019
	RMB'000	*RMB'000*
ASSETS		
Non-current assets		
Investments in subsidiaries	**942,656**	942,656
Due from subsidiaries	**1,150,486**	1,312,802
	2,093,142	2,255,458
Current assets		
Cash and cash equivalents	**1,142**	957
	1,142	957
Total assets	**2,094,284**	2,256,415
EQUITY AND LIABILITIES		
Equity attributable to equity holders of the Company		
Share capital	**106,607**	106,607
Reserves *(Note (a))*	**1,792,913**	1,873,033
Total equity	**1,899,520**	1,979,640
LIABILITIES		
Current liabilities		
Borrowings	**194,279**	276,258
Accruals and other payables	**485**	517
Total liabilities	**194,764**	276,775
Total equity and liabilities	**2,094,284**	2,256,415

The balance sheet of the Company was approved by the Board of Directors on 22 March 2021 and were signed on its behalf.

Zhou Keming
Director

Zou Xiaoping
Director

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

Note (a) Reserve movement of the Company

	Share premium *RMB'000*	Contributed surplus [i] *RMB'000*	Other reserves *RMB'000*	Retained earnings/ (Accumulated losses) *RMB'000*	Total *RMB'000*
Balance at 1 January 2019	1,005,347	921,264	(27,063)	(17,794)	1,881,754
Comprehensive income					
Profit for the year	–	–	–	55,095	55,095
Total comprehensive Income	–	–	–	55,095	55,095
Transaction with owners					
Employee share option scheme – value of employee services *(Note 20(a))*	–	–	982	–	982
Employee share award scheme – value of employee services *(Note 20(b))*	8,025	–	–	–	8,025
Vesting of award shares *(Note 20(b))*	(10,277)	–	10,277	–	–
Shares held for share award scheme *(Note 20(b))*	–	–	(5,273)	–	(5,273)
Dividends	–	–	–	(67,550)	(67,550)
Total transaction with owners	(2,252)	–	5,986	(67,550)	(63,816)
Balance at 31 December 2019	1,003,095	921,264	(21,077)	(30,249)	1,873,033

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

Note (a) Reserve movement of the Company (continued)

	Share premium *RMB'000*	Contributed surplus [(i)] *RMB'000*	Other reserves *RMB'000*	Accumulated losses *RMB'000*	Total *RMB'000*
Balance at 1 January 2020	**1,003,095**	**921,264**	**(21,077)**	**(30,249)**	**1,873,033**
Comprehensive income					
Loss for the year	–	–	–	**(85,060)**	**(85,060)**
Total comprehensive Income	–	–	–	**(85,060)**	**(85,060)**
Transaction with owners					
Employee share award scheme – value of employee services *(Note 20(b))*	**8,235**	–	–	–	**8,235**
Vesting of award shares *(Note 20(b))*	**(10,731)**	–	**10,731**	–	–
Shares held for share award scheme *(Note 20(b))*	–	–	**(3,295)**	–	**(3,295)**
Total transaction with owners	**(2,496)**	–	**7,436**	–	**4,940**
Balance at 31 December 2020	**1,000,599**	**921,264**	**(13,641)**	**(115,309)**	**1,792,913**

(i) Contributed surplus

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

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

37. BENEFITS AND INTERESTS OF DIRECTORS

(a) Directors' and chief executive's emoluments

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

For the year ended 31 December 2020:

Name of director	Fees *RMB'000*	Salaries *RMB'000*	Discretionary bonus *RMB'000*	Shares *RMB'000*	Pension-defined contribution plans *RMB'000*	Other benefits [i] *RMB'000*	Total *RMB'000*
Executive directors							
– Mr. Zhou Keming	313	922	91	–	18	16	1,360
– Mr. Xu Xia	313	847	–	–	16	–	1,176
– Ms. Zou Xiaoping	313	862	91	–	18	16	1,300
– Mr. Jiang Changhong	313	868	91	–	8	13	1,293
– Mr. Fukui Tsutomu	313	842	191	–	–	–	1,346
– Mr. Zhang Feng	313	1,067	421	699	18	16	2,534
– Mr. Wang Jian	313	945	223	79	18	16	1,594
– Mr. Lu Ping*	78	430	91	–	4	5	608
	2,269	6,783	1,199	778	100	82	11,211
Non-executive directors							
– Mr. Lin Changchun	–	–	–	–	–	–	–
– Mr. Lu Jian**	–	–	–	–	–	–	–
	–	–	–	–	–	–	–
Independent non-executive directors							
– Mr. Cheuk Wa Pang	313	–	–	–	–	–	313
– Mr. Hua Min	313	–	–	–	–	–	313
– Mr. Lu Daming	313	–	–	–	–	–	313
– Mr. Liu Fuxing	313	–	–	–	–	–	313
– Mr. Hu Xuefa	313	–	–	–	–	–	313
	1,565	–	–	–	–	–	1,565
	3,834	6,783	1,199	778	100	82	12,776

* Persuant to a board resolution dated 27 March 2020 and with immediate effect, Mr. Lu Ping resigned as an executive director of the Company.

** Persuant to a board resolution dated 27 March 2020 and with immediate effect, Mr. Lu Jian was appointed as a non-executive director of the Company.

37. BENEFITS AND INTERESTS OF DIRECTORS (CONTINUED)

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

For the year ended 31 December 2019

Name of director	Fees	Salaries	Discretionary bonus	Shares	Pension-defined contribution plans	Other benefits (i)	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Executive directors							
– Mr. Zhou Keming	292	840	35	–	24	16	1,207
– Mr. Xu Xia	292	797	66	–	16	–	1,171
– Ms. Zou Xiaoping	292	780	35	–	24	16	1,147
– Mr. Jiang Changhong	292	722	35	–	23	13	1,085
– Mr. Fukui Tsutomu	292	846	35	153	–	–	1,326
– Mr. Zhang Feng	292	851	173	457	24	16	1,813
– Mr. Wang Jian	292	828	115	209	24	16	1,484
– Mr. Lu Ping	292	840	35	–	26	9	1,202
	2,336	6,504	529	819	161	86	10,435
Non-executive directors							
– Mr. Lin Changchun**	–	–	–	–	–	–	–
Independent non-executive directors							
– Mr. Chen Xuedong*	159	–	–	–	–	–	159
– Mr. Cheuk Wa Pang	292	–	–	–	–	–	292
– Mr. Hua Min	292	–	–	–	–	–	292
– Mr. Lu Daming	292	–	–	–	–	–	292
– Mr. Liu Fuxing	292	–	–	–	–	–	292
– Mr. Hu Xuefa	292	–	–	–	–	–	292
	1,619	–	–	–	–	–	1,619
	3,955	6,504	529	819	161	86	12,054

* Persuant to a board resolution dated 12 July 2019 and with immediate effect, Mr. Chen Xuedong resigned as an independent non-executive director of the Company and a member of each of the audit committee, nomination committee and remuneration committee of the Board.

** Persuant to a board resolution dated 14 June 2019 and with immediate effect, Mr. Lin Changchun was appointed as a non-executive director of the Company.

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

No directors of the Company waived any emolument for the year ended 31 December 2020 and 2019.

37. BENEFITS AND INTERESTS OF DIRECTORS (CONTINUED)

(b) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group include 5 (2019: 5) directors, whose emoluments are reflected in the analysis presented above.

For the years ended 31 December 2020 and 2019, no emoluments was paid by the Group to any of the directors as inducement to join or upon joining the Group or as compensation for loss of office.

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

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

	For the year ended 31 December				
	2020	2019	2018	2017	2016
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
RESULTS					
Revenue	**35,133,102**	35,508,734	32,135,276	27,724,286	20,518,140
Gross profit	**1,433,802**	1,091,947	866,808	675,358	1,071,531
Operating profit	**709,787**	487,302	404,038	239,494	677,926
Profit for the year	**385,811**	195,574	132,664	83,342	406,587
Attributable to:					
Equity holders of the Company	**347,979**	177,536	109,557	67,466	388,215
Non-controlling interests	**37,832**	18,038	23,107	15,876	18,372
	385,811	195,574	132,664	83,342	406,587
ASSETS, LIABILITIES AND EQUITY					
Total assets	**10,769,366**	10,270,397	10,161,911	9,155,376	7,760,974
Total liabilities	**(7,453,405)**	(7,336,237)	(7,309,309)	(6,458,172)	(5,347,127)
	3,315,961	2,934,160	2,852,602	2,697,204	2,413,847
Equity attributable to equity holders of the Company	**2,960,236**	2,607,317	2,493,627	2,429,578	2,159,717
Non-controlling interests	**355,725**	326,843	358,975	267,626	254,130
Total equity	**3,315,961**	2,934,160	2,852,602	2,697,204	2,413,847