

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.



DA MING INTERNATIONAL HOLDINGS LIMITED

大明國際控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 1090)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2022

FINANCIAL HIGHLIGHTS			
	Year ended 31 December		
	2022	2021	
	RMB'000	RMB'000	% change
Revenue	50,122,319	46,345,417	+8.1%
Gross profit	908,633	1,827,209	-50.3%
(Loss)/profit and total comprehensive (loss)/ income for the year	(158,833)	527,567	-130.1%
OPERATING HIGHLIGHTS			
	Year ended 31 December		
	2022	2021	% change
Stainless steel			
Sales volume (tonnes)	1,858,780	1,830,621	+1.5%
Processing volume (tonnes)	2,849,891	2,856,619	-0.2%
Processing multiple (<i>note</i>)	1.53	1.56	
Carbon steel			
Sales volume (tonnes)	3,992,889	3,122,930	+27.9%
Processing volume (tonnes)	4,230,227	3,606,493	+17.3%
Processing multiple (<i>note</i>)	1.06	1.15	
<i>Note:</i>	Processing multiple = Processing volume/Sales volume		

FINAL RESULTS

The board of directors (the “Board”) of Da Ming International Holdings Limited (the “Company”) hereby announce the audited consolidated results of the Company and its subsidiaries (collectively, the “Group”) for the year ended 31 December 2022 together with comparative figures for the year ended 31 December 2021, as follows:

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2022

		Year ended 31 December	
		2022	2021
	Note	RMB'000	RMB'000
Revenue	2	50,122,319	46,345,417
Cost of sales	3	(49,213,686)	(44,518,208)
Gross profit		908,633	1,827,209
Other income	4	47,790	47,337
Other expenses	3	–	(990)
Other gain/(loss) – net	5	10,511	(10,552)
Distribution costs	3	(484,850)	(467,060)
Administrative expenses	3	(443,151)	(434,711)
Operating profit		38,933	961,233
Finance income	6	44,519	34,792
Finance costs	6	(277,849)	(266,886)
Finance costs – net	6	(233,330)	(232,094)
(Loss)/Profit before income tax		(194,397)	729,139
Income tax credit/(expense)	7	35,564	(201,572)
(Loss)/Profit and total comprehensive (loss)/ income for the year		(158,833)	527,567
Attributable to:			
Shareholders of the Company		(178,302)	495,044
Non-controlling interests		19,469	32,523
		158,833	527,567
Earnings per share for profit attributable to shareholders of the Company during the year (expressed in RMB per share)			
– Basic (loss)/earnings per share	8	(0.14)	0.40
– Diluted (loss)/earnings per share	8	(0.14)	0.40

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2022

		As at 31 December	
	<i>Note</i>	2022	2021
		RMB'000	RMB'000
ASSETS			
Non-current assets			
Property, plant and equipment		5,018,900	4,805,389
Right-of-use assets		532,750	546,500
Investment properties		1,130	1,724
Intangible assets		24,281	21,031
Deferred income tax assets		130,128	37,190
Trade receivables and contract assets	10	30,076	41,677
Other non-current assets		16,198	36,475
		<u>5,753,463</u>	<u>5,489,986</u>
Current assets			
Inventories		3,518,438	3,724,944
Trade receivables and contract assets	10	521,583	532,650
Prepayments, deposits and other receivables		1,119,325	950,969
Financial assets at fair value through other comprehensive income		55,571	42,083
Restricted bank deposits		1,402,791	1,076,606
Cash and cash equivalents		406,856	141,196
		<u>7,024,564</u>	<u>6,468,448</u>
Total assets		<u>12,778,027</u>	<u>11,958,434</u>
EQUITY			
Equity attributable to shareholders of the Company			
Share capital		109,041	109,041
Reserves		3,056,418	3,300,070
		<u>3,165,459</u>	<u>3,409,111</u>
Non-controlling interests		<u>339,226</u>	<u>340,282</u>
Total equity		<u>3,504,685</u>	<u>3,749,393</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (Continued)

As at 31 December 2022

		As at 31 December	
		2022	2021
	Note	RMB'000	RMB'000
LIABILITIES			
Non-current liabilities			
Borrowings		1,947,453	1,573,933
Deferred government grants		130,398	132,764
Deferred income tax liabilities		15,975	33,549
Lease liabilities		8,936	9,867
Long-term payables		14,773	17,747
		<u>2,117,535</u>	<u>1,767,860</u>
Current liabilities			
Trade payables	11	469,690	459,157
Accruals and other payables		674,446	602,853
Contract liabilities		941,575	930,149
Current income tax liabilities		61,011	125,824
Borrowings		4,983,456	4,289,443
Lease liabilities		5,629	5,755
Dividends payable		20,000	28,000
		<u>7,155,807</u>	<u>6,441,181</u>
Total liabilities		<u>9,273,342</u>	<u>8,209,041</u>
Total equity and liabilities		<u>12,778,027</u>	<u>11,958,434</u>

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2022

	Attributable to shareholders of the Company		Non- controlling interests	Total equity
	Share capital <i>RMB'000</i>	Reserves <i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Balance at 1 January 2021	106,607	2,853,629	355,725	3,315,961
Comprehensive income				
Profit for the year	–	495,044	32,523	527,567
Total comprehensive income for the year ended 31 December 2021	–	495,044	32,523	527,567
Transactions with owners				
Acquisition of non-controlling interest	759	22,998	(23,757)	–
Issue of shares	1,659	52,437	–	54,096
Exercise of share options	16	370	–	386
Capital injection from non-controlling shareholders	–	–	4,840	4,840
Dividends	–	(124,408)	(29,049)	(153,457)
Total transactions with owners	2,434	(48,603)	(47,966)	(94,135)
Balance at 31 December 2021	109,041	3,300,070	340,282	3,749,393
Balance at 1 January 2022	109,041	3,300,070	340,282	3,749,393
Comprehensive income				
Loss for the year	–	(178,302)	19,469	(158,833)
Total comprehensive income for the year ended 31 December 2022	–	(178,302)	19,469	(158,833)
Transactions with owners				
Dividends	–	(65,350)	(20,525)	(85,875)
Total transactions with owners	–	(65,350)	(20,525)	(85,875)
Balance at 31 December 2022	109,041	3,056,418	339,226	3,504,685

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2022

	2022	2021
	<i>RMB'000</i>	<i>RMB'000</i>
Cash flows from operating activities	272,276	436,237
Cash flows from investing activities	(649,167)	(644,813)
Cash flows from financing activities	635,902	248,891
Net increase in cash and cash equivalents	259,011	40,315
Cash and cash equivalents at beginning of year	141,196	103,189
Exchange gain/(loss) on cash and cash equivalents	6,649	(2,308)
Cash and cash equivalents at end of year	406,856	141,196

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

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, except for certain financial assets and liabilities which are measured at fair value.

Going concern

The Group recorded a loss of RMB158,833,000 for the year ended 31 December 2022 and the Group’s current liabilities exceeded its current assets by approximately RMB131,243,000 as at 31 December 2022. The Group meets its day-to-day working capital requirements mainly through its operating cash flows and bank borrowings. In preparing the financial statements, the directors of the Company have considered the Group’s net cash inflows from operating activities, the available financing from long-term bank borrowings with contracts signed and the short-term bank borrowings that can be refinanced and/or renewed upon maturity, as well as other available sources of financing from banks and other financial institutions given the Group has a good credit history and majority of the Group’s property, plant and equipment which are free of pledge or restriction and would be available to secure further financing when necessary.

Having considered the above, the directors of the Company believe that the Group has adequate resources to continue operation for the foreseeable future of not less than twelve months from period end date of these financial statements. The directors, therefore, are of the opinion that it is appropriate to adopt the going concern basis in preparing its consolidated financial statements.

Changes in accounting policies and disclosures

(a) Revised and amended standards adopted by the Group

A number of revised or amended standards became applicable for the current reporting period. The Group did not change its accounting policies or make retrospective adjustments as a result of adopting these standards.

		Effective for annual periods beginning on or after
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
AG 5 (Revised)	Merger Accounting for Common Control Combinations	1 January 2022
Annual Improvements to HKFRS Standards 2018–2020		1 January 2022

(b) *New and amended standards not yet effective*

Certain new accounting standards, amendments to accounting standards and interpretations have been published that are not mandatory for the year ended 31 December 2022 reporting period and have not been early adopted by the Group. These standards, amendments or interpretations are not expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions. These new standards and interpretations are:

		Effective for annual periods beginning on or after
HKAS 1 (Amendments)	Classification of Liabilities as Current or Non-current	1 January 2023
HKAS 12 (Amendments)	Deferred Tax related to Assets and Liabilities arising from a Single Transaction	1 January 2023
HKAS 8 (Amendments)	Definition of Accounting Estimates	1 January 2023
HKAS 1 and HKFRS Practice Statement 2 (Amendments)	Disclosure of Accounting Policies	1 January 2023
HKFRS 17	Insurance contracts	1 January 2023
HK Int 5 (2020)	Presentation of Financial Statements-Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause	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

Management is currently assessing the impact of applying these new standards and amendments on the Group's consolidated financial information. None of these is expected to have a significant effect on the consolidated financial information of the Group. The Group does not expect to adopt these new standards and amendments until their effective dates.

2. Revenue

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

	Year ended 31 December	
	2022	2021
	<i>RMB'000</i>	<i>RMB'000</i>
– Mainland China,	48,328,818	44,899,089
– Hong Kong and other overseas countries and regions ⁽ⁱ⁾	1,793,501	1,446,328
Total sales	50,122,319	46,345,417

- (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 2022 and 2021. All revenues are derived from external customers.

	Year ended 31 December	
	2022	2021
	<i>RMB'000</i>	<i>RMB'000</i>
Processing of metal materials	46,772,226	43,524,072
High-end equipment manufacturing	1,638,903	1,437,843
Components manufacturing	1,711,190	1,383,502
	50,122,319	46,345,417

The segment results for the year ended 31 December 2022:

	Processing <i>RMB'000</i>	Manufacturing <i>RMB'000</i>	Elimination <i>RMB'000</i>	Total <i>RMB'000</i>
Sales to external customers	48,483,417	1,638,902	–	50,122,319
Intra-group sales	687,323	208,405	(895,728)	–
Segment revenue	<u>49,170,740</u>	<u>1,847,307</u>	<u>(895,728)</u>	<u>50,122,319</u>
Segment results	<u>14,567</u>	<u>(36,518)</u>	<u>2,583</u>	<u>(19,368)</u>
Other income				47,790
Other gain – net				10,511
Finance costs – net				<u>(233,330)</u>
Loss before income tax				(194,397)
Income tax credit				<u>35,564</u>
Loss for the year				<u><u>(158,833)</u></u>
Items included in profit and loss:				
Depreciation and amortisation	<u>318,320</u>	<u>103,256</u>	<u>–</u>	<u>421,576</u>

The segment results for the year ended 31 December 2021:

	Processing <i>RMB'000</i>	Manufacturing <i>RMB'000</i>	Elimination <i>RMB'000</i>	Total <i>RMB'000</i>
Sales to external customers	44,907,574	1,437,843	–	46,345,417
Intra-group sales	791,893	262,033	(1,053,926)	–
Segment revenue	<u>45,699,467</u>	<u>1,699,876</u>	<u>(1,053,926)</u>	<u>46,345,417</u>
Segment results	<u>858,636</u>	<u>60,877</u>	<u>5,925</u>	<u>925,438</u>
Other income and expenses				46,347
Other loss – net				(10,552)
Finance costs – net				<u>(232,094)</u>
Profit before income tax				729,139
Income tax expense				<u>(201,572)</u>
Profit for the year				<u><u>527,567</u></u>
Items included in profit and loss:				
Depreciation and amortisation	<u>321,660</u>	<u>93,696</u>	<u>–</u>	<u>415,356</u>

3. Expenses by nature

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

	Year ended 31 December	
	2022	2021
	RMB'000	RMB'000
Changes in inventories of finished goods	86,716	(208,692)
Raw materials consumed	47,977,214	43,313,819
Outsourced processing cost	127,738	137,052
Stamp duty, property tax and other surcharges	67,792	46,090
Transportation costs	258,885	232,741
Employee benefit expenses, including directors' emoluments	1,107,825	1,071,038
Depreciation and amortisation		
– Depreciation of property, plant and equipment	398,629	392,816
– Depreciation of right-of-use assets	18,777	18,975
– Amortisation of intangible assets	4,079	3,326
– Depreciation of investment properties	91	239
Operating lease rental for buildings and equipments	2,412	1,524
Utilities charges	81,439	69,246
(Reversal of provision)/provision for write-down of inventories	(144,521)	157,655
Auditors' remuneration		
– Audit services	3,320	3,400
– Non-audit services	171	177
Provision for/(Reversal of) impairment of trade receivables and contract assets	922	(667)
Entertainment and travelling expenses	39,619	74,606
Other professional services	9,658	13,411
Bank charges	32,863	23,592
Others	68,058	70,621
	<u>50,141,687</u>	<u>45,420,969</u>

4. Other income

	Year ended 31 December	
	2022	2021
	RMB'000	RMB'000
Sales of scraps and packaging materials	14,943	13,112
Government subsidy income	15,048	15,420
Amortisation of deferred government grants	10,490	9,663
Rental income	773	357
Others	6,536	8,785
	<u>47,790</u>	<u>47,337</u>

5. Other gain/(loss) – net

	Year ended 31 December	
	2022	2021
	<i>RMB'000</i>	<i>RMB'000</i>
Losses on disposal of property, plant and equipment – net	(477)	(441)
Foreign exchange gain/(loss) – net	14,708	(5,429)
Others	(3,720)	(4,682)
	<u>10,511</u>	<u>(10,552)</u>

6. Finance costs – net

	Year ended 31 December	
	2022	2021
	<i>RMB'000</i>	<i>RMB'000</i>
Finance costs:		
Interest expenses on borrowings	195,220	185,400
Interest expenses on bank/commercial acceptance notes and letters of credit	103,253	99,121
Exchange loss/(gain) – net	1,671	(5,380)
	300,144	279,141
Less: amounts capitalised on qualifying assets	(22,295)	(12,255)
Total finance costs	277,849	266,886
Finance income:		
Interest income	(44,519)	(34,792)
Finance costs – net	<u>233,330</u>	<u>232,094</u>

7. Income tax expense

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

	Year ended 31 December	
	2022	2021
	RMB'000	RMB'000
Current income tax		
– mainland China corporate income tax	67,648	211,316
Deferred income tax	<u>(103,212)</u>	<u>(9,744)</u>
	<u>(35,564)</u>	<u>201,572</u>

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, and 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% (2021: 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 Tianjin Daming Import and Export Co., Ltd. and Daming Heavy Industry Co., Ltd., are subjected to corporate income tax rate of 25% (2021: 25%) for the year 2022.

As a small low-profit enterprise, the portion of annual taxable income amount of Tianjin Daming Import and Export Co., Ltd. which does not exceed RMB1 million shall be computed at a reduced rate of 12.5%, 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 25%, and be subjected to corporate income tax rate of 20%.

Daming Heavy Industry Co., Ltd. has been recognised as a High New Tech Enterprise since 2020. According to the CIT Law for High New Tech Enterprises, it is subject to a reduced corporate income tax rate of 15% (2021: 15%) for the year ended 31 December 2022.

8. Earnings per share

(a) Basic

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

	Year ended 31 December	
	2022	2021
(Loss)/Profit attributable to shareholders of the Company (RMB'000)	<u>(178,302)</u>	<u>495,044</u>
Weighted average number of ordinary shares in issue (thousands)	<u>1,274,528</u>	<u>1,235,072</u>
Basic (loss)/earnings per share (RMB per share)	<u>(0.14)</u>	<u>0.40</u>

(b) Diluted

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

As the Group incurred losses for the year ended 31 December 2022, the potential ordinary shares were not included in the calculation of diluted loss per share as their inclusion would be anti-dilutive. Accordingly, diluted loss per share for the year ended 31 December 2022 is the same as basic loss per share for the year.

For the year ended 31 December 2021, the diluted earnings per share is shown below:

	Year ended 31 December 2021
Profit attributable to shareholders of the Company (RMB'000)	<u>495,044</u>
Weighted average number of ordinary shares in issue (thousands)	1,235,072
Adjustments for share option plan (thousands)	<u>2,660</u>
Weighted average number of ordinary shares for diluted earnings per share (thousands)	<u>1,237,732</u>
Diluted earnings per share (RMB per share)	<u>0.40</u>

9. Dividends

	As at 31 December	
	2022	2021
	RMB'000	RMB'000
Interim dividend	–	62,239
Proposed final dividend	–	62,523
	<u>–</u>	<u>124,762</u>

The directors did not recommend payment of an interim dividend in respect of the year ended 31 December 2022 (2021: HKD0.06 per share).

The directors did not recommend payment of a final dividend in respect of the year ended 31 December 2022 (2021: HKD0.06 per share).

The dividends paid in 2022 amounted to HKD76,472,000 (equivalent to approximately RMB65,350,000)(2021: HKD149,422,800 (equivalent to approximately RMB124,408,000)), representing the final dividend for 2021 based on the number of issued shares outstanding at relevant time (2021: representing the final dividend for 2020 and the interim dividend in 2021 based on the number of issued shares outstanding at relevant time).

10. Trade receivables and contract assets

	As at 31 December					
	2022			2021		
	Current	Non-current	Total	Current	Non-current	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Contract assets	29,660	30,319	59,979	22,158	42,013	64,171
Accounts receivable	504,452	–	504,452	518,117	–	518,117
Notes receivable						
– bank acceptance notes	–	–	–	2,361	–	2,361
– commercial acceptance notes	–	–	–	2,240	–	2,240
	<u>534,112</u>	<u>30,319</u>	<u>564,431</u>	<u>544,876</u>	<u>42,013</u>	<u>586,889</u>
Less: provision for impairment	<u>(12,529)</u>	<u>(243)</u>	<u>(12,772)</u>	<u>(12,226)</u>	<u>(336)</u>	<u>(12,562)</u>
	<u>521,583</u>	<u>30,076</u>	<u>551,659</u>	<u>532,650</u>	<u>41,677</u>	<u>574,327</u>

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

As at 31 December 2022, none of notes receivable was pledged as security for letters of guarantee (2021: RMB4,601,000).

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 2022 and 2021, the aging analysis of trade receivables was as follows:

	As at 31 December	
	2022	2021
	<i>RMB'000</i>	<i>RMB'000</i>
Trade receivables		
– within 30 days	322,339	248,024
– 30 days to 3 months	57,684	104,573
– 3 months to 6 months	59,270	77,215
– 6 months to 1 year	29,206	76,672
– 1 year to 2 years	33,522	10,973
– over 2 years	2,431	660
	504,452	518,117
Notes receivable		
– within 1 year	–	4,601
	504,452	522,718

11. Trade payables

	As at 31 December	
	2022	2021
	<i>RMB'000</i>	<i>RMB'000</i>
Accounts payable	429,690	341,157
Notes payable	40,000	118,000
	469,690	459,157

None of the notes payable as at 31 December 2022 was secured by restricted bank deposits.

The notes payable as at 31 December 2021 of RMB78,000,000 was secured by restricted bank deposits of approximately RMB78,000,000.

The aging analysis of the trade payables was as follows:

	As at 31 December	
	2022	2021
	<i>RMB'000</i>	<i>RMB'000</i>
Within 6 months	451,200	449,249
6 months to 1 year	9,606	4,188
1 year to 2 years	8,379	5,605
More than 2 years	505	115
	<u>469,690</u>	<u>459,157</u>

Trade payables were denominated in the following currencies:

	As at 31 December	
	2022	2021
	<i>RMB'000</i>	<i>RMB'000</i>
RMB	402,831	393,478
USD	41,403	29,113
EUR	22,801	33,623
JPY	2,655	2,943
	<u>469,690</u>	<u>459,157</u>

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

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

We are a leading provider of metal materials and components processing and high-end equipment manufacturing services. Through our ten processing centres and two manufacturing plants in China, we provide professional and customised metal materials processing and components and equipment manufacturing services to over 70,000 customers across various industries. The products of our high-end equipment manufacturing segment mainly include large-scale structural parts and containers, as well as precision sheet metal parts.

As a professional metal solutions provider, the Company facilitates the connection between upstream metal manufacturers and downstream end-user enterprises. Metal materials with different specifications and models are provided by the upstream manufacturers, from which the Company purchases metal materials in bulk. The Company also carries out high-precision and customised material processing (in terms of size, shape, surface processing, etc.) and the manufacturing and sale of various components and high-end equipment in line with customers' needs. Upholding the "customer-centric" philosophy, the Company is committed to offering our downstream customers cost-effective and high-quality materials and manufacturing services together with fast delivery.

Thanks to our extensive experience in equipment and technology, the Company processes the capacity to provide a complete range of processing and manufacturing services for the manufacturing industry. Our services cover the entire manufacturing process, including trimming, polishing, cutting, forming, pre-grooving, welding, heat treating, machinery, painting and assembling. By leveraging a variety of automated processing equipment and one-stop professional processing and manufacturing services, the Company saves time, manpower, and costs for our downstream customers, and reduces their need for capital investment. This enables them to significantly reduce their investment in equipment that requires high utilisation rates to achieve cost-effectiveness, thus saving on overall manufacturing costs. This industry dynamic and business model have created a niche market for metal processing and manufacturing service providers.

The market for metal materials is tremendous. Take steel as an example, according to the statistics of the World Steel Association, the world's total apparent consumption of steel reached 1,834 million tonnes in 2021, of which China recorded an apparent consumption of approximately 952 million tonnes. The statistics backups the Company with a solid market base for its metal materials and components processing services and high-end equipment manufacturing business. In the meantime, the decentralised end-market demand has largely mitigated the impact of the cyclical nature of different end-markets on the Company's performance and hence contributed to the stable growth of the Company's results. Moreover, capitalising on our extensive customer base and increasing customer reliance, the Company has established long-term and secure relationships with our upstream suppliers. Together with its diversified metal processing and product manufacturing capabilities, flexible processing scheduling, solid inventory management, reliable and just-in-time delivery, adjustable requirements for minimum order scale and outperforming quality control, the Company has managed to maintain our results and performance as an industry leader.

The Company strives to improve our profitability through continuous improvements in customer service, operational efficiency, technological innovation, inventory management and the adoption of higher standards of processing and manufacturing services. In recent years, since our existing and potential customers demand higher standards of metal processing and manufacturing services, the Company has boosted its investment in advanced processing equipment and technology to further enhance its processing and manufacturing service capacity, which also helps to raise the price of its products. The Company has also improved its operational efficiency through measures such as the intelligent transformation of certain equipment and optimisation of logistics services. In addition, the Company has invested in key regions to expand its production capacity, further heightening its regional competitiveness and contributing to the implementation of its overall growth strategy.

Processing centres

1. The second phase of the high-end intelligent equipment workshop project at the Daming Hubei Processing Centre commenced on 27 April 2022 and the first beam of the project was successfully placed on 5 May 2022. The project includes the purchase of high-end intelligent finishing equipment and production lines, covering laser cutting, flat steel processing and medium-thick plate oil film, etc., to meet customers' personalised and precise requirements with higher quality and efficiency. Currently, certain sets of equipment in the workshop are in the orderly process of installation.
2. The ground-breaking ceremony for Da Ming International Large-sized Equipment Project, one of our major projects in Jiangsu Province, was held on the morning of 22 April 2022. The project will mainly focus on the production and manufacturing of large-sized and high-end equipment and components for large-scale engineering machinery, new energy, aerospace and petrochemical equipment, etc. At present, the main structures of Area 1 and Area 2 of the first-phase plant were completed and capped at the end of October this year, with the main plant completed at the end of 2022.

Business highlights

1. *Daming Heavy Industry ensured successful delivery of large-sized segment ball mills for FLSMIDTH, a world-renowned mining equipment supplier*

The equipment will be utilised for a copper mine project in Chile and hence contribute to the global electrolytic copper and fuel cell industries. After years, FLSMIDTH returned to engage a Chinese supplier to manufacture segment ball mills with an outer diameter of 8 meters, and also placed an order for mill feeding devices, which posed a significant challenge for riveting and machining.

2. *Da Ming fully secured the supply of 2,200-tonne vehicle crane booms for Zoomlion*

Daming Heavy Industry has been supplying the 2,200-tonne all-terrain vehicle crane boom components to Zoomlion in batches. Through close cooperation and precise efforts from various lines of business, production, planning and technology, Da Ming has efficiently controlled every link from material, processing and manufacturing to logistics and transportation, and has made its best efforts to ensure the components being delivered on time by two trucks every day.

3. *First monolithic manufacturing project in China! Da Ming exported large-scale Kerinci evaporators to Indonesia for Andritz*

The process equipment branch of Daming Heavy Industry, in collaboration with subsidiaries of Da Ming Group, completed for Andritz the first monolithic manufacturing project in China. In the first batch, 3 sets of Kerinci evaporators were successfully manufactured and delivered and will be exported to Kerinci, Indonesia. The evaporators, with a diameter up to 7.6 meters, a length up to approximately 16 meters and a weight over 230 tonnes, is the core equipment of a pulping and paper manufacturing equipment. It was the first time that Daming Heavy Industry undertook engagement for such type of equipment and completed the manufacturing and delivery of the entire product.

4. *Da Ming manufactured and delivered bell covers of large-scale reduction furnaces, the core polysilicon equipment of Inner Mongolia Dongli Photovoltaic*

Daming Heavy Industry successfully delivered the first batch of bell covers for Inner Mongolia Dongli Photovoltaic's large-scale reduction furnaces, marking the first time we manufactured core equipment for the polysilicon industry.

5. *Da Ming completed delivery of Voith's hydroelectric steel structure project to South America*

The steel structure of Voith's hydroelectric project in South America, manufactured by the process equipment branch of Daming Heavy Industry, was successfully shipped to the project site in Honduras.

The shipment included the boom beam for the pipeline and the bottom outlet radial gate, weighing approximately 1,000 tonnes. During production, the project team of Daming Heavy Industry worked closely and efficiently, utilising our advanced processing equipment and leveraging the advantages of intra-group collaboration and "one-stop" processing and manufacturing services to complete the project successfully.

6. *Da Ming successfully shipped core equipment of PDH & PP project for CTCI Beijing's Grand Pacific Chemical*

Despite the challenges posed by the pandemic, Daming Heavy Industry has continued to serve major clients such as Sedin Engineering and XCMG. We promoted production and successfully delivered the entire de-ethylene stripping tower, weighing over 1,000 tonnes, for transshipment to CTCI Beijing's Grand Pacific Chemical for their PDH & PP project. This project once again manifested Da Ming's "one-stop" service capability.

7. *Da Ming successfully delivered the precast items of Dexin Steel Indonesia's coking project for Sedin EPC*

Despite the ongoing pandemic and transportation restrictions, Daming Heavy Industry implemented comprehensive pandemic prevention measures and efficient intra-group collaboration to assist Sedin in completing the delivery of precast items for Dexin Steel Indonesia's coking project. By taking the factory as our home and implementing reasonable scheduling, we successfully loaded 87 racks with 1,580 tonnes of cargo by water and 31 racks with 420 tonnes of cargo by ground within 15 hours. We worked day and night, utilising both land and water transportation, to successfully deliver the precast items and support the completion of the project.

8. *Da Ming continued to gain its "one-stop" edge by improving lithium processing capability*

Daming Wuxi Processing Centre received another order for a batch of powder silo products from the production line of a lithium company, which is being processed in the workshop of Jiangsu Daming's manufacturing division 3.

Daming Wuxi Processing Centre supported a service provider of EPCC, the largest intelligent manufacturer of lithium material in China, by supplying 100 sets of silo products to its integrated lithium production line in Sunan. The products were all welded and shipped to the customer for installation.

Previously, Daming Light Industry, in collaboration with Jiangsu Daming, the heavy precision manufacturing branch of Daming Heavy Industry, and Daming Jingjiang Processing Centre, fully utilised the advantages of intra-group collaboration. Through our “one-stop” service of material selection, processing, delivery, and after-sales service, we provided samples to a leading lithium battery company within two months and ensured the delivery of an urgent order for over 100 sets of shells, which was well-received by the customer.

9. *Da Ming successfully shipped 6 sets of super-sized towers with double certification*

Recently, the process equipment branch of Daming Heavy Industry joined hands with a well-known international engineering company to manufacture 6 sets of super-sized tower equipment for a natural gas project in Uzbekistan, which was successfully delivered to Taicang Port.

Operating results

The Group recorded a net loss of approximately RMB158.8 million for the year ended 31 December 2022 representing a decrease of approximately 130.1% as compared with the net profit of approximately RMB527.6 million for the year ended 31 December 2021.

The annual sales volume of our stainless steel processing business increased from approximately 1,831,000 tonnes for the year ended 31 December 2021 to approximately 1,859,000 tonnes for the year ended 31 December 2022 representing an increase of approximately 1.5% while the processing volume decreased from approximately 2,857,000 tonnes for the year ended 31 December 2021 to approximately 2,850,000 tonnes for the year ended 31 December 2022 representing a decrease of approximately 0.2%.

The annual sales volume of our carbon steel processing business increased from approximately 3,123,000 tonnes for the year ended 31 December 2021 to approximately 3,993,000 tonnes for the year ended 31 December 2022 representing an increase of approximately 27.9% while the annual processing volume increased from approximately 3,606,000 tonnes for the year ended 31 December 2021 to approximately 4,230,000 tonnes for the year ended 31 December 2022 representing an increase of approximately 17.3%.

FUTURE DEVELOPMENT

In the coming year, we will continue to enrich and improve our service network, enhance our processing service capabilities through investment in advanced automation equipment, and further improve production efficiency through digitisation and intelligent transformation of existing production equipment. We will also continue to strengthen our strategic cooperation with upstream steel manufacturers and downstream industry-leading customers, and collaborate on resource supply, material application technology, key project development and services in related industries, information technology, and supply chain services to jointly explore markets and achieve mutual benefits. The Company will also initiate the deployment of its overseas service network to further support the expansion of our overseas business, which is expected to continue to grow in revenue. It is also expected that the Company's stainless steel processing services will continue to generate stable income, and our carbon steel processing business will also continue to demonstrate excellent development potential. With the expansion of our in-depth processing business for stainless steel and carbon steel and the diversification of major engineering projects, the Company's component and high-end manufacturing businesses will also continue to grow.

FINANCIAL REVIEW AND ANALYSIS

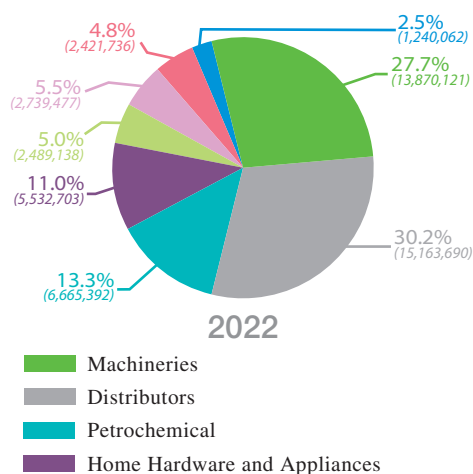
During the year under review, we recorded a revenue of approximately RMB50,122 million, gross profit of approximately RMB909 million and the loss attributable to shareholders of the Company of approximately RMB178 million. Total assets of the Group as at 31 December 2022 amounted to approximately RMB12,778 million while equity attributable to shareholders of the Company amounted to approximately RMB3,165 million.

Analysis of revenue by key industry segments

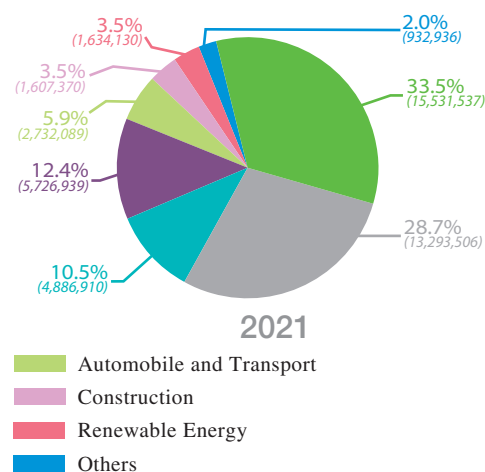
During the years ended 31 December 2022 and 2021, our revenue by key industry segments are shown below:

Industry	Revenue			
	For the year ended 31 December 2022		2021	
	RMB'000	%	RMB'000	%
Machineries	13,870,121	27.7	15,531,537	33.5
Distributors	15,163,690	30.2	13,293,506	28.7
Petrochemical	6,665,392	13.3	4,886,910	10.5
Home Hardware and Appliances	5,532,703	11.0	5,726,939	12.4
Automobile and Transport	2,489,138	5.0	2,732,089	5.9
Construction	2,739,477	5.5	1,607,370	3.5
Renewable Energy	2,421,736	4.8	1,634,130	3.5
Others	1,240,062	2.5	932,936	2.0
Total	<u>50,122,319</u>	<u>100.0</u>	<u>46,345,417</u>	<u>100.0</u>

RMB'000



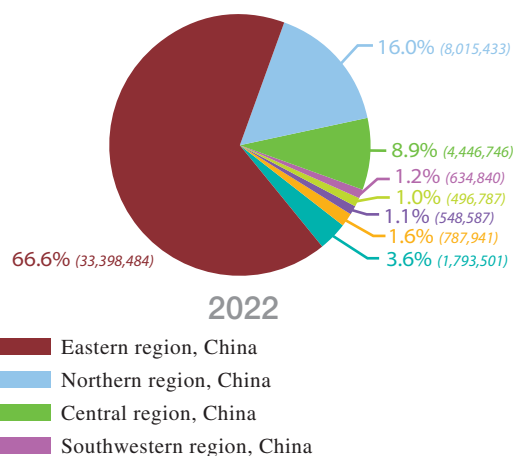
RMB'000



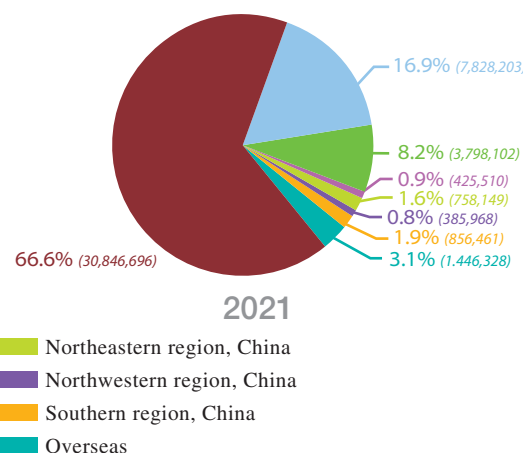
Analysis of revenue by geographic regions

Region	Revenue		Revenue	
	2022	2021	2022	2021
	RMB'000	%	RMB'000	%
Eastern region, China	33,398,484	66.6	30,846,696	66.6
Northern region, China	8,015,433	16.0	7,828,203	16.9
Central region, China	4,446,746	8.9	3,798,102	8.2
Southwestern region, China	634,840	1.2	425,510	0.9
Northeastern region, China	496,787	1.0	758,149	1.6
Northwestern region, China	548,587	1.1	385,968	0.8
Southern region, China	787,941	1.6	856,461	1.9
Overseas	1,793,501	3.6	1,446,328	3.1
	50,122,319	100.0	46,345,417	100.0

RMB'000



RMB'000



Revenue

Our revenue for the year ended 31 December 2022 amounted to approximately RMB50,122 million comprising approximately RMB46,772 million from processing of metal materials, approximately RMB1,639 million from high-end equipment manufacturing and approximately RMB1,711 million from components manufacturing. As compared with the revenue for the year ended 31 December 2021 of approximately RMB46,345 million, it represented an increase of approximately 8.1%. Such increase was mainly due to the increase in processing of metal materials in 2022.

Gross profit

Gross profit decreased from approximately RMB1,827.2 million in 2021 to approximately RMB908.6 million in 2022 mainly due to the decrease in the Group's production efficiency caused by the adverse impact of the COVID-19 pandemic and the decrease in the market price of steel materials during the year.

Other income

Other income increased slightly from approximately RMB47.3 million for the year ended 31 December 2021 to approximately RMB47.8 million for the year ended 31 December 2022.

Other gain/(loss) – net

The Group recorded a net other gain of approximately RMB10.5 million for the year ended 31 December 2022 as compared to a net other loss of approximately RMB10.6 million for the year ended 31 December 2021. The net other gain was mainly due to the increase in foreign exchange gain.

Distribution costs

Distribution costs increased from approximately RMB467.1 million for the year ended 31 December 2021 to approximately RMB484.9 million for the year ended 31 December 2022. Such increase was mainly due to the increase in staff salaries and transportation costs.

Administrative expenses

Administrative expenses increased from approximately RMB434.7 million for the year ended 31 December 2021 to approximately RMB443.2 million for the year ended 31 December 2022. Such increase was mainly due to the increase in staff costs.

Finance costs – net

Net finance costs increased slightly from approximately RMB232.1 million for the year ended 31 December 2021 to approximately RMB233.3 million for the year ended 31 December 2022.

Income tax expense

The Group recorded a tax credit of approximately RMB35.6 million for the year ended 31 December 2022 due to the net loss recorded for the year.

Income tax expense of approximately RMB201.6 million for the year ended 31 December 2021 was recorded due to the net profit recorded in 2021.

(Loss)/Profit for the year

The Group recorded a loss of approximately RMB158.8 million for the year ended 31 December 2022 as compared with a profit of approximately RMB527.6 million for the year ended 31 December 2021 representing a significant decrease of approximately 130.1%.

Capital Expenditure

Capital expenditure consisted of additions of property, plant and equipment which amounted to approximately RMB615.7 million (2021: RMB504.0 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 2022, the borrowings of the Group amounted to approximately RMB6,930.9 million of which approximately RMB4,983.5 million were repayable within one year, notes payables amounted to approximately RMB40.0 million while the bank balances were approximately RMB1,809.6 million of which approximately RMB1,402.8 million were restricted mainly for the issuance of notes payable and letters of credit.

As at 31 December 2022, the Group recorded a net current liabilities of approximately RMB131.2 million. 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 2022 and 2021 calculated on this basis were 65.05% and 60.41% respectively.

HUMAN RESOURCES

The Group employed a total of 7,060 staffs as at 31 December 2022 (2021: 6,907), of which 5,153 were production and technical personnel, representing 73.0%; 1,114 were sales personnel, representing 15.8%; and 793 were management and financial officer, representing 11.2%. There was a growth of approximately 2.2% in our workforce in 2022 as compared with 2021. The increase in headcounts was due to the business expansion of our Group. The remuneration of employees was based on their performance, skills, knowledge, experiences and market trend. The Group reviews the remuneration policies and packages on a regular basis. In addition to basic salaries, employees may be offered with discretionary bonus on individual performance. The Group has also adopted share option scheme and share award scheme for its employees, providing incentives and rewards to eligible participants with reference to their contribution.

DIVIDEND

The Directors did not declare any payment of an interim dividend (2021: HK\$0.06 per share) during the year.

The Board does not recommend the payment of a final dividend (2021: HK\$0.06 per share) for the year ended 31 December 2022.

CORPORATE GOVERNANCE

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

The Company has complied with the Corporate Governance Code (the "CG Code") 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 2022. The Company adopted the CG Code as its own code of corporate governance.

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

During the year ended 31 December 2022, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities.

ANNUAL GENERAL MEETING

The AGM of the Company will be held on Friday, 9 June 2023. A notice convening the AGM will be published and dispatched to the Shareholders in the manner as required by the Listing Rules in due course.

CLOSURE OF REGISTER OF MEMBERS

For the purpose of determining Shareholders who are entitled to attend and vote at the forthcoming AGM, the register of members of the Company will be closed from Tuesday, 6 June 2023 to Friday, 9 June 2023, both days inclusive. During the aforementioned period, no request for the transfer of shares will be accepted. All transfers of shares accompanied by the relevant share certificates and transfer forms must be lodged with the Company's Share Registrar in Hong Kong, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong not later than 4:30 p.m. on Monday, 5 June 2023 in order to qualify for attending the above AGM.

AUDIT COMMITTEE

The audit committee of the Company has discussed with the management and reviewed the audited consolidated annual results of the Company for the year ended 31 December 2022 and considered that the Company has complied with all applicable accounting standards and requirements.

PUBLICATION OF INFORMATION ON THE STOCK EXCHANGE WEBSITE

This announcement is published on the websites of the Company (www.dmssc.net) and The Stock Exchange of Hong Kong Limited (www.hkexnews.hk). The annual report of the Company for the year ended 31 December 2022 will be dispatched to the Shareholders and available on the above websites in due course.

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

Hong Kong, 29 March 2023

As at the date of this announcement, the executive Directors are Mr. Zhou Keming (Chairman), Ms. Xu Xia, Mr. Zou Xiaoping, Mr. Zhang Feng, Mr. Qian Li and Mr. Ni Chen; the non-executive Directors are Mr. Lu Jian and Mr. Zhu Baomin; and the independent non-executive Directors are Mr. Cheuk Wa Pang, Prof. Hua Min, Mr. Hu Xuefa and Prof. Chen Xin.