DA MING INTERNATIONAL HOLDINGS LIMITED

(Incorporated in the Cayman Islands with limited liability)

2022

Annual Report

Stock code： 1090

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CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Mr. Zhou Keming *(Chairman)*
Ms. Xu Xia
Mr. Zou Xiaoping
Mr. Zhang Feng
Mr. Qian Li
Mr. Ni Chen

Non-executive Directors

Mr. Lu Jian
Mr. Zhu Baomin

Independent Non-executive Directors

Prof. Hua Min
Mr. Cheuk Wa Pang
Mr. Hu Xuefa
Prof. Chen Xin

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. Hu Xuefa
Prof. Chen Xin

REMUNERATION COMMITTEE

Prof. Hua Min
Mr. Cheuk Wa Pang
Mr. Hu Xuefa
Prof. Chen Xin
Mr. Zou Xiaoping

NOMINATION COMMITTEE

Prof. Hua Min
Mr. Cheuk Wa Pang
Mr. Hu Xuefa
Prof. Chen Xin
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, Wuxi Xishan Sub-branch
China CITIC Bank, Wuxi Sub-branch
Bank of China, Wuxi Xishan Sub-branch
China Everbright Bank, Wuxi New District Sub-branch

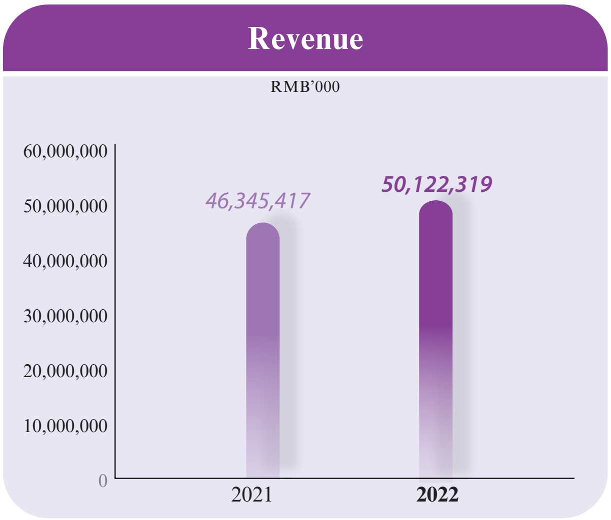
STOCK CODE

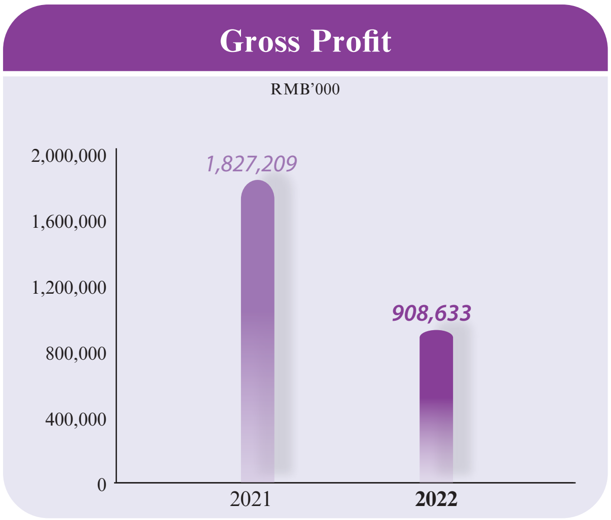
SEHK: 1090

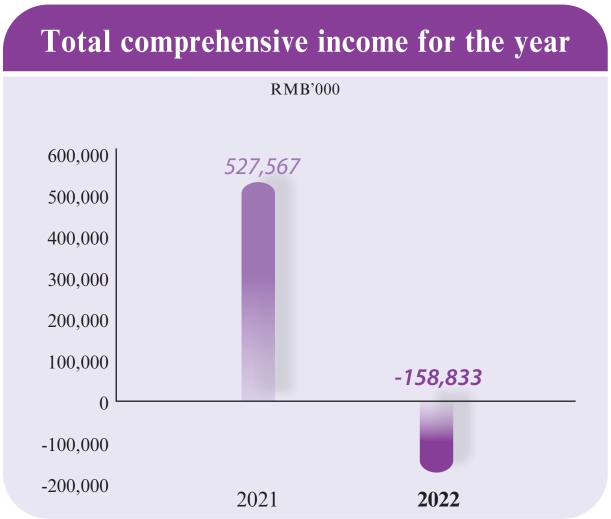
WEBSITE

http://www.dmssc.net

	Year ended 31 December		
	2022	2021	
	RMB'000	*RMB'000*	% change
FINANCIAL HIGHLIGHTS			
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%



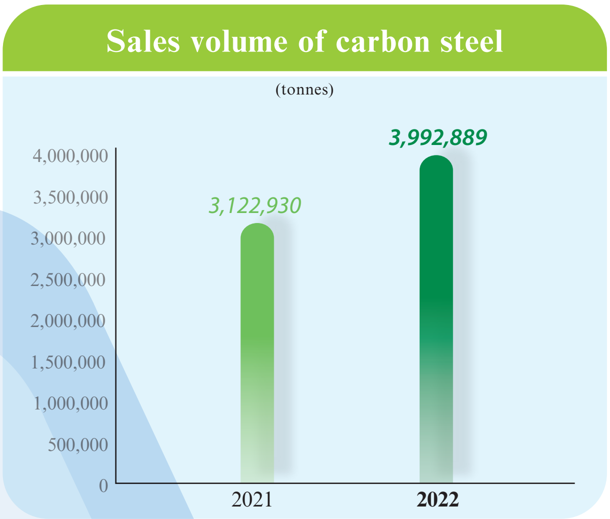


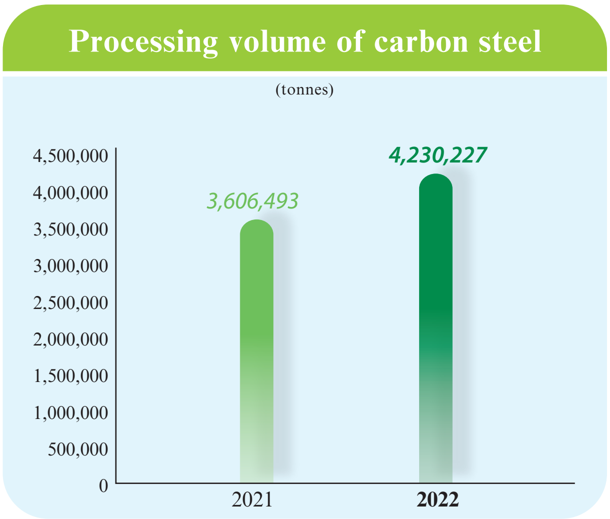


FINANCIAL AND OPERATING HIGHLIGHTS

	Year ended 31 December		
	2022	2021	% change
OPERATING HIGHLIGHTS			
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 *(note)*	**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 *(note)*	**1.06**	1.15	

Note: Processing multiple = Processing volume/Sales volume





The sales volume and processing volume of our processing centres for the year ended 31 December 2022 and the corresponding period in 2021 are as follows:

Stainless steel	Year ended 31 December 2022 *tonnes*	2021 *tonnes*	*% change*
Sales volume			
Wuxi	**711,785**	713,887	-0.3%
Wuhan	**94,614**	80,337	+17.8%
Hangzhou	**237,158**	249,265	-4.9%
Tianjin	**205,799**	237,109	-13.2%
Taiyuan	**186,549**	148,733	+25.4%
Jingjiang	**150,211**	153,914	-2.4%
Shandong	**149,220**	137,322	+8.7%
Qianzhou	**45,914**	47,197	-2.7%
Jiaxing	**77,530**	62,857	+23.3%
Total	**1,858,780**	1,830,621	+1.5%
Processing volume			
Wuxi	**1,289,334**	1,296,496	-0.6%
Wuhan	**125,610**	95,484	+31.6%
Hangzhou	**313,862**	344,388	-8.9%
Tianjin	**253,752**	299,206	-15.2%
Taiyuan	**350,865**	347,464	+1.0%
Jingjiang	**296,810**	270,336	+9.8%
Shandong	**143,820**	147,455	-2.5%
Jiaxing	**75,838**	55,790	+35.9%
Total	**2,849,891**	2,856,619	-0.2%

Carbon steel	Year ended 31 December 2022 *tonnes*	2021 *tonnes*	*% change*
Sales volume			
Wuxi	**9,685**	14,115	-31.4%
Wuhan	**564,811**	439,594	+28.5%
Hangzhou	**232,078**	207,739	+11.7%
Tianjin	**488,053**	375,421	+30.0%
Taiyuan	**290,745**	239,319	+21.5%
Jingjiang	**724,415**	598,039	+21.1%
Qianzhou	**727,013**	602,267	+20.7%
Shandong	**467,168**	342,614	+36.4%
Jiaxing	**488,921**	303,822	+60.9%
	3,992,889	3,122,930	+27.9%
Processing volume			
Wuxi	**8,211**	9,042	-9.2%
Wuhan	**654,891**	542,558	+20.7%
Hangzhou	**222,556**	226,170	-1.6%
Tianjin	**525,389**	483,400	+8.7%
Taiyuan	**307,400**	327,152	-6.0%
Jingjiang	**925,958**	811,328	+14.1%
Qianzhou	**598,973**	506,960	+18.1%
Shandong	**502,154**	392,577	+27.9%
Jiaxing	**484,695**	307,306	+57.7%
	4,230,227	3,606,493	+17.3%

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 2022.

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 cyclicality 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.

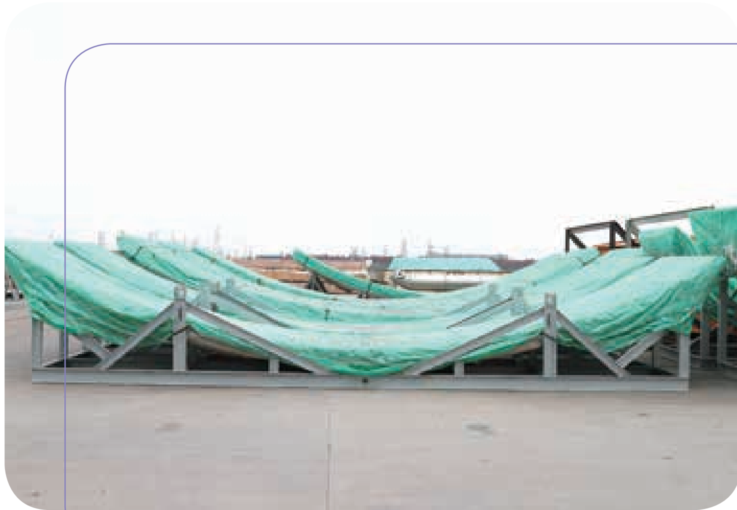
The shipment included the boom beam for the pipeline and the bottom outlet radial gate, weighing approximately 1,000 tonnes. During production, the project team of Daming Heavy Industry worked closely and efficiently, utilising our advanced processing equipment and leveraging the advantages of intra-group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

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

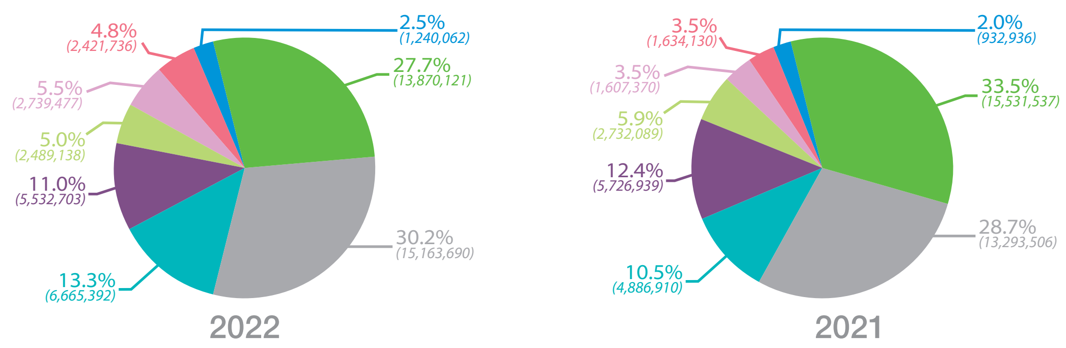
During the year under review, we recorded a revenue of approximately RMB50,122 million, gross profit of approximately RMB909 million and the loss attributable to shareholders of the Company of approximately RMB178 million. Total assets of the Group as at 31 December 2022 amounted to approximately RMB12,778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

	Revenue For the year ended 31 December			
	2022		2021	
Industry	***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	**50,122,319**	**100.0**	46,345,417	100.0

RMB'000

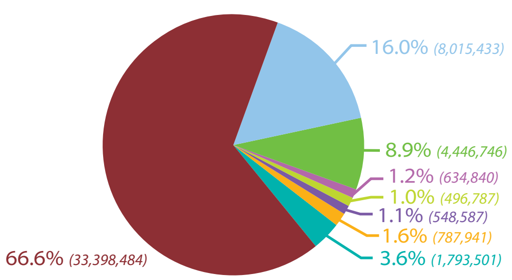


Machineries
Distributors
Petrochemical
Home Hardware and Appliances
Automobile and Transport
Construction
Renewable Energy
Others

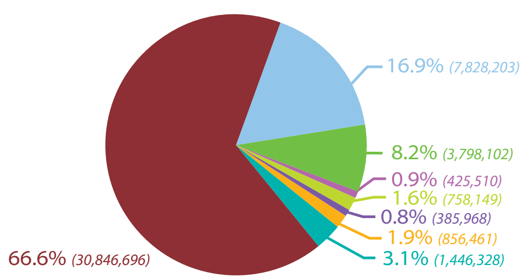
Analysis of revenue by geographic regions

	Revenue For the year ended 31 December			
	2022		2021	
Region	***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



2022



2021

- Eastern region, China
- Northern region, China
- Central region, China
- Southwestern region, China
- Northeastern region, China
- Northwestern region, China
- Southern region, China
- Overseas

Revenue

Our revenue for the year ended 31 December 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.

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 (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.

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 2022.

CORPORATE CULTURE

As a leading metal material processing service enterprise in China, the Group is committed to building a corporate culture that upholds inclusiveness, collaboration, efficiency, and commitment. Inclusiveness means being "employee-centric", respecting and caring for them, and achieving co-construction, co-progress, and sharing between the corporate and employees. We encourage innovation and focus on the growth of our employees; build a safe and healthy working environment, insist on safety first, and promote happy work and healthy life. Collaboration means leveraging the advantages of our ten processing service centres, one manufacturing base, and various functional platforms in terms of equipment capacity, technology, procurement and supply, human resources, and customer resources to achieve internal resource sharing, complementary advantages, and coordinated cooperation, enhancing the customer service experience. Efficiency means dedicating ourselves to improving per capita output and value contribution, increasing inventory turnover and asset utilization rate; achieving 24/7 service, shortening order delivery time, and serving customers to the last mile. Commitment means encouraging employees to take responsibility, facing problems and difficulties without evasion, complying with laws and contractual regulations, guarding moral standards, and ensuring fairness and integrity. The Board sets the tone and shapes the corporate culture of the Company, which is based on the values of acting legally, ethically and responsibly at all levels of the Group. The Board plays a leading role in determining the Group's purpose, values, and strategic policies, as well as cultivating a forward-looking, change-embracing, and competitiveness-focused culture. The culture that the Group expects is developed and reflected consistently in its business operations, workplace policies and practices, and relationships with our stakeholders. The Board's oversight of corporate culture covers a range of long-term measures and methods, including employee participation, retention and training, rigorous financial reporting, effective and accessible reporting frameworks, legal and regulatory compliance, and employee safety, well-being, and support. Taking into account the corporate culture in all contexts, the Board considers it to be consistent with the Group's purpose, values and strategies.

CORPORATE STRATEGY

The Company is committed to becoming a global leading metal material processing service enterprise, with the goal of enhancing the long-term total return for all stakeholders. To achieve this goal, the Group focuses on achieving recurring and sustainable profitability, cash flow, and dividend growth without compromising the Group's financial strength and stability. The Group focuses on disciplined management of revenue growth, profits and costs, capital and investment return ratio targets, and internal growth in industries or regions where the Group has management experience and resources. Technological and digital transformation is a key initiative for the Group to obtain new cost and revenue opportunities in all businesses. At the same time, the Group is committed to maintaining strong liquidity and flexibility, maintaining a long-term and balanced debt service profile, and actively managing cash flow and operating funds. The Group explores business opportunities globally to enhance shareholder returns, and the Chairman's Statement and Business Review in this annual report include discussions and analysis of the Group's performance. The Group is increasingly focusing on sustainable development, including adopting a circular economy and sustainable procurement, promoting good health and well-being, and promoting inclusivity and diversity. Further information on the Group's sustainable development measures and its major relationships with stakeholders is also set out in the Group's independent environmental, social, and governance report.

BOARD OF DIRECTORS

Composition

The Board of Directors (the "Board") comprises 6 executive directors, 2 non-executive directors and 4 independent non-executive directors. As of 31 December 2022, the Directors are as follows [(Note)]:

Executive directors:
Mr. Zhou Keming *(Chairman)*
Ms. Xu Xia
Mr. Zou Xiaoping
Mr. Zhang Feng
Mr. Qian Li *(appointed on 30 June 2022)*
Mr. Ni Chen *(appointed on 30 June 2022)*

Non-executive directors:
Mr. Lu Jian
Mr. Zhu Baomin

Independent non-executive directors:
Mr. Cheuk Wa Pang
Prof. Hua Min
Mr. Lu Daming *(resigned on 29 March 2023)*
Mr. Hu Xuefa
Prof. Chen Xin

Note: Each of Dr. Fukui Tsutomu and Mr. Wang Jian resigned as an executive director of the Company on 30 June 2022. Mr. Liu Fuxing resigned as an independent non-executive director of the Company on 30 June 2022. Mr. Jiang Changhong resigned as an executive director of the Company on 31 December 2022.

The biographical details of the Directors are set out on pages 39 to 44 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 2022. The individual attendance record of each director at the meetings of the Board is set out below:

	No. of meeting(s) attended/ No. of meetings held
Executive Directors	
Mr. Zhou Keming *(Chairman)*	5/6
Mr. Jiang Changhong[(a)]	6/6
Ms. Xu Xia	5/6
Mr. Zou Xiaoping	6/6
Dr. Fukui Tsutomu[(b)]	3/3
Mr. Zhang Feng	6/6
Mr. Wang Jian[(b)]	3/3
Mr. Qian Li[(c)]	3/3
Mr. Ni Chen[(c)]	3/3
Non-executive Directors	
Mr. Lu Jian	6/6
Mr. Zhu Baomin	3/6
Independent non-executive Directors	
Mr. Cheuk Wa Pang	6/6
Prof. Hua Min	6/6
Mr. Lu Daming[(d)]	6/6
Mr. Liu Fuxing[(b)]	1/3
Mr. Hu Xuefa	6/6
Prof. Chen Xin	5/6

(a) Mr. Jiang Changhong resigned as a director of the Company with effect from 31 December 2022. Six board meetings were held before his resignation.

(b) Each of Dr. Fukui Tsutomu, Mr. Wang Jian and Mr. Liu Fuxing resigned as a director of the Company with effect from 30 June 2022. Three board meetings were held before their resignation.

(c) Each of Mr. Qian Li and Mr. Ni Chen was appointed as a director of the Company with effect from 30 June 2022. Three board meetings were held after their appointment.

(d) Mr. Lu Daming resigned as a director of the Company with effect from 29 March 2023, subsequent to the financial year ended 31 December 2022.

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 14 November 2022. Attendance records of the directors are set out below:

Name of Directors	**Attended the training seminar held on 14 November 2022**
Executive directors	
Mr. Zhou Keming	✓
Mr. Jiang Changhong[(a)]	✓
Ms. Xu Xia	✓
Mr. Zou Xiaoping	✓
Dr. Fukui Tsutomu[(b)]	N/A
Mr. Zhang Feng	✓
Mr. Wang Jian[(b)]	N/A
Mr. Qian Li	✓
Mr. Ni Chen	✓
Non-executive directors	
Mr. Lu Jian	✓
Mr. Zhu Baomin	✓
Independent non-executive directors	
Mr. Cheuk Wa Pang	✓
Prof. Hua Min	✓
Mr. Lu Daming[(c)]	✓
Mr. Liu Fuxing[(b)]	N/A
Mr. Hu Xuefa	✓
Prof. Chen Xin	✓

(a) Mr. Jiang Changhong resigned as a director of the Company with effect from 31 December 2022.

(b) Each of Dr. Fukui Tsutomu, Mr. Wang Jian and Mr. Liu Fuxing resigned as a director of the Company with effect from 30 June 2022.

(c) Mr. Lu Daming resigned as a director of the Company with effect from 29 March 2023, subsequent to the financial year ended 31 December 2022.

All Directors had provided their training records for the year 2022 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.

BOARD INDEPENDENCE

The Company has put in place effective mechanisms to ensure that independent views and opinions are available to the Board.

At least one-third of the Board of the Company shall consist of independent non-executive directors, and the Audit Committee shall be composed entirely of independent non-executive directors. The Audit Committee, the Nomination Committee and the Remuneration Committee shall be chaired by independent non-executive directors.

The fee of independent non-executive directors is paid in cash. None of the independent non-executive directors is provided with equity-based remuneration with performance-related elements (such as share options or gifts of shares) to maintain their independence. The remuneration of independent non-executive directors is subject to regular review to maintain market competitiveness. The independent non-executive directors shall provide annually a written statement confirming their independence to the Company. In addition, all independent non-executive directors are allowed to participate in Board meetings and may provide input to the agenda of the meetings. The independent non-executive directors also meet annually with the chairman of the Board to express their views to the chairman.

During the year, the Board reviewed the above mechanisms and is satisfied with their implementation and effectiveness.

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, as of 31 December 2022, 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 four INEDs, namely, Mr. Cheuk Wa Pang, Prof. Hua Min, Mr. Hu Xuefa and Prof. Chen Xin, 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 three meetings during the financial year ended 31 December 2022.

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(s) attended/ No. of meetings held
Mr. Cheuk Wa Pang *(Chairman)*	3/3
Prof. Hua Min	3/3
Mr. Lu Daming[(a)]	3/3
Mr. Liu Fuxing[(b)]	0/1
Mr. Hu Xuefa	3/3
Prof. Chen Xin	2/3
Mr. Zou Xiaoping	3/3

(a) Mr. Lu Daming resigned as a director of the Company with effect from 29 March 2023, subsequent to the financial year ended 31 December 2022.

(b) Mr. Liu Fuxing resigned as a director of the Company and a member of the Remuneration Committee with effect from 30 June 2022. One meeting of the Remuneration Committee was held before his resignation.

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 award scheme;

(3) 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;

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

(5) Considered the remuneration of the proposed new directors.

The 2022 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 four INEDs, namely, Mr. Cheuk Wa Pang, Prof. Hua Min, Mr. Hu Xuefa and Prof. Chen Xin, 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 general meeting or 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 two meetings during the financial year ended 31 December 2022. 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(s) attended/ No. of meetings held**
Mr. Cheuk Wa Pang *(Chairman)*	2/2
Prof. Hua Min	2/2
Mr. Lu Daming[(a)]	2/2
Mr. Liu Fuxing[(b)]	1/2
Mr. Hu Xuefa	2/2
Prof. Chen Xin	1/2
Mr. Zou Xiaoping	2/2

(a) Mr. Lu Daming resigned as a director of the Company with effect from 29 March 2023, subsequent to the financial year ended 31 December 2022.

(b) Mr. Liu Fuxing resigned as a director of the Company and a member of the Nomination Committee with effect from 30 June 2022. Two meetings of the Nomination Committee were held before his resignation.

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 each of Mr. Qian Li and Mr. Ni Chen 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 four INEDs, namely Mr. Cheuk Wa Pang, Prof. Hua Min, Mr. Hu Xuefa and Prof. Chen Xin. 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 three meetings during the financial year ended 31 December 2022 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 meeting(s) attended/ No. of meetings held
Mr. Cheuk Wa Pang *(Chairman)*	3/3
Prof. Hua Min	3/3
Mr. Lu Daming[(a)]	3/3
Mr. Liu Fuxing[(b)]	1/2
Mr. Hu Xuefa	3/3
Prof. Chen Xin	3/3

(a) Mr. Lu Daming resigned as a director of the Company with effect from 29 March 2023, subsequent to the financial year ended 31 December 2022.

(b) Mr. Liu Fuxing resigned as a director of the Company and a member of the Audit Committee with effect from 30 June 2022. Two meetings of the Audit Committee were held before his resignation.

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;

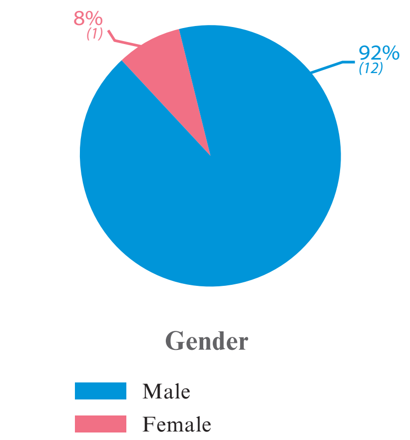
(7) Reviewed the Group's financial and accounting policies and practices with the Auditor; and

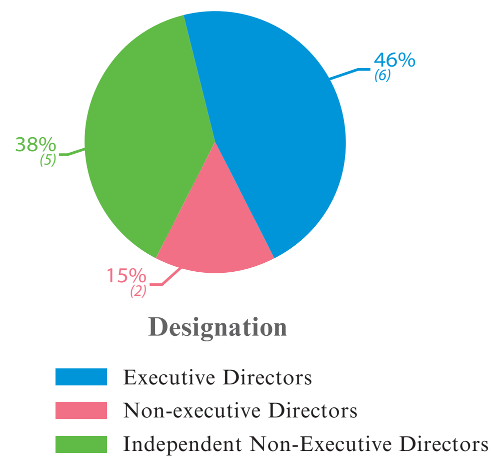
(8) Reviewed the Group's whistleblowing policy.

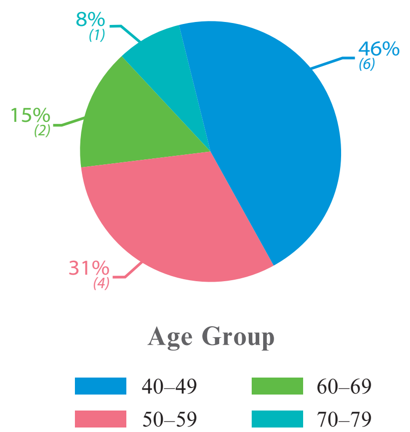
BOARD DIVERSITY POLICY

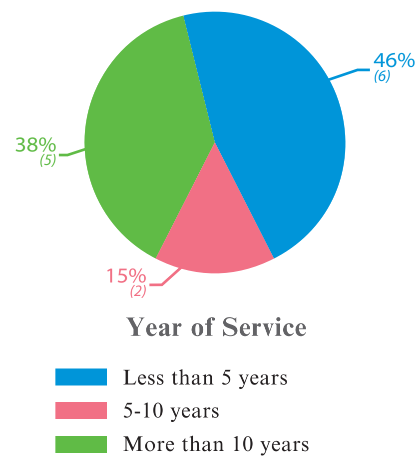
The Company recognises and embraces the benefits of having a diverse Board to enhance the quality of its performance. The Board adopted a Board Diversity Policy (the "Policy") in 2013. Board diversity has been considered from a number of aspects, including but not limited to gender, age, cultural and 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.

The Company strives to ensure that the Board has a good balance of skills, experience and diversity of perspectives appropriate to the requirements of the Company's business. The Directors have balanced knowledge, skills and experience in engineering, business management, economics, financial reporting, taxation, sales and marketing. The following chart shows the diversity profile of the Board as at 31 December 2022:









The Board of the Company comprises both male and female directors, with one female director representing 8% of the Board members. The Company targets to maintain at least the current level of gender diversity of the Board. The Group is committed to building a gender-diverse and inclusive work environment, where all employees are treated with respect and equality, and where their employment, remuneration and promotion opportunities are not affected by factors such as nationality, race, age, gender, religion or marital status. The Group supports gender diversity and inclusion through fair employment practices, staff activities, benefits and training for all employees. For the year ended 2022, our employees comprise 81% of male and 19% of female. Further details of gender diversity among all employees of the Group, together with related information, are set out in the Group's independent environmental, social and governance report.

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 2022, 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	RMB3,320,000
Tax-related services	HK$200,000

The Audit Committee considered that the non-audit services in 2022 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 2022.

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 2022.

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 Company is committed to regular communication with our shareholders and investors to ensure that they have all available information to assess the Company's strategic, operational and financial performance. 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. In addition to the above, the Company communicates information to our shareholders and investors through channels such as financial reports, announcements and the Company's website. The Board has reviewed the Company's shareholder communication policy and is of the opinion that its implementation is effective.

During the year, 2022 AGM was held on 10 June 2022 and an Extraordinary General Meeting ("EGM") was held on 8 March 2022 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. 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.

The individual attendance record of each directors at these meetings is set out below:

	AGM No. of meeting attended/No. of meeting held	EGM No. of meeting attended/No. of meeting held
Executive Directors		
Mr. Zhou Keming *(Chairman)*	1/1	0/1
Mr. Jiang Changhong[(a)]	1/1	1/1
Ms. Xu Xia	1/1	1/1
Mr. Zou Xiaoping	1/1	1/1
Dr. Fukui Tsutomu[(b)]	1/1	1/1
Mr. Zhang Feng	1/1	1/1
Mr. Wang Jian[(b)]	1/1	1/1
Mr. Qian Li[(c)]	N/A	N/A
Mr. Ni Chen[(c)]	N/A	N/A
Non-executive Directors		
Mr. Lu Jian	1/1	1/1
Mr. Zhu Baomin	1/1	1/1
Independent non-executive Directors		
Mr. Cheuk Wa Pang	1/1	1/1
Prof. Hua Min	1/1	1/1
Mr. Lu Daming[(d)]	1/1	1/1
Mr. Liu Fuxing[(b)]	0/1	0/1
Mr. Hu Xuefa	1/1	1/1
Prof. Chen Xin	1/1	1/1

(a) Mr. Jiang Changhong resigned as a director of the Company with effect from 31 December 2022. One AGM and one EGM were held before his resignation.

(b) Each of Dr. Fukui Tsutomu, Mr. Wang Jian and Mr. Liu Fuxing resigned as a director of the Company with effect from 30 June 2022. One AGM and one EGM were held before their resignation.

(c) Each of Mr. Qian Li and Mr. Ni Chen was appointed as a director of the Company with effect from 30 June 2022. Neither AGM nor EGM was held after their appointment.

(d) Mr. Lu Daming resigned as a director of the Company with effect from 29 March 2023, subsequent to the financial year ended 31 December 2022.

There is no change in the Company's constitutional documents during the year ended 31 December 2022. 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. The Board considers that the Group's risk management and internal control systems are adequate and effective.

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.

Policies for Whistleblowing and Anti-fraud

The Group is committed to upholding high standards of business ethics. The Group has adopted a whistleblowing policy and an anti-fraud policy to provide guidance to employees on how to identify and handle bribery and corruption. The Group's whistleblowing procedures include setting up a reporting box and hotline to encourage reporting of observed or suspected irregularities and suspicious behaviour. Where necessary, reported cases are escalated to the Audit Committee for dedicated handling.

EXECUTIVE DIRECTORS

Mr. Zhou Keming, aged 53, 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. Mr. Zhou currently serves as a director and 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.

Ms. Xu Xia, aged 48, 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 58, 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 Technology 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.

Mr. Zhang Feng, aged 46, was appointed as an executive director on 15 October 2014. Mr. Zhang is currently the general manager, supervisor, director and legal representative of certain subsidiaries of the Company.

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

Mr. Qian Li, aged 48, was appointed as an executive director on 30 June 2022. Mr. Qian is currently the vice president, the director of human resources and administration and the supervisor of Jiangsu Daming Industrial Technology Group Co., Ltd., which is a wholly-owned subsidiary of the Company. Mr. Qian currently serves as a director and the legal representative of Taiyuan Taigang Daming Metal Technology Co., Ltd. ("Taiyuan Taigang"), which is a non-wholly owned subsidiary of the Company.

Mr. Qian studied computer and applications and graduated from Nanjing Chemical Industrial School (now known as Nanjing Polytechnic Institute) in July 1994. From June 2004 to May 2005, he undertook the excellent manager advanced training programme organised by the School of Continuing Education of Fudan University. He is currently attending an advanced business administration training course organised by Shanghai Jiao Tong University.

Mr. Qian has extensive experience in sales and procurement of stainless steel. Mr. Qian joined the Group in 1998. He was an executive director of the Company from March 2007 to March 2012. From January 2007 to July 2009, he was the department head of the supply department of Jiangsu Daming Metal Products Co., Ltd. (now known as Jiangsu Daming Industrial Technology Group Co., Ltd.)("Jiangsu Daming"). From August 2009 to April 2013, Mr. Qian was the assistant to the general manager of Jiangsu Daming and the department head of the supply department of Jiangsu Daming. From May 2013 to July 2013, he was the assistant to the general manager of Jiangsu Daming. From August 2013 to December 2013, Mr. Qian was the assistant to the general manager of Jiangsu Daming, as well as the principal department head, and the department head of the management department, of the main sales department of Jiangsu Daming. From January 2014 to February 2015, he was the sales director of Jiangsu Daming. From March 2015 to December 2021, he was the general manager of Taiyuan Taigang.

Mr. Ni Chen, aged 42, was appointed as an executive director on 30 June 2022. Mr. Ni is currently the general manager, director and legal representative of Taiyuan Taigang Daming Metal Technology Co., Ltd., a non-wholly owned subsidiary of the Company.

Mr. Ni studied computer applications and maintenance and graduated from Huaihai Institute of Technology (now known as Jiangsu Ocean University) in July 2003.

Mr. Ni has extensive experience in sales and procurement of stainless steel. Mr. Ni joined the Group in 2005. From July 2005 to June 2009, Mr. Ni was the team leader of the sales department of Jiangsu Daming. From July 2009 to October 2010, Mr. Ni was the department head of the sales department of Hangzhou Wanzhou Metal Products Co., Ltd. ("Hangzhou Wanzhou"). From October 2010 to November 2011, he was the assistant to the department head of the main sales department of Jiangsu Daming and the department head of the sales department of Hangzhou Wanzhou. From December 2011 to April 2013, Mr. Ni was the deputy department head of the supply department of Jiangsu Daming. From May 2013 to January 2015, he was the department head of the supply department of Jiangsu Daming Allybest Trading Co., Ltd. From February 2015 to April 2018, Mr. Ni was the assistant to the marketing director of Jiangsu Daming. From May 2018 to December 2018, he was the procurement director of Jiangsu Daming. From January 2019 to December 2021, Mr. Ni was the general manager of the stainless steel business unit of Jiangsu Daming.

NON-EXECUTIVE DIRECTORS

Mr. Lu Jian, aged 48, 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 head of the systems innovation department of Taiyuan Iron & Steel (Group) Co., Ltd. ("Taiyuan Steel"), a state-owned enterprise incorporated in the People's Republic of China.

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 Steel. 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 Stainless Steel Co., Ltd. ("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 and the deputy general manager of the marketing centre of Shanxi Taigang from 2011 to 2022. In September 2022, he was appointed as the deputy head of the systems innovation department of Taiyuan Steel.

Mr. Zhu Baomin, aged 55, was appointed as a non-executive director on 11 June 2021. Mr. Zhu graduated from Beijing University of Technology in July 1989 with a bachelor of engineering degree in metal materials and heat treatment.

Mr. Zhu has extensive experience in relation to the business of stainless steel. He is currently the general manager of the stainless steel business unit of Ouyeel Co., Ltd., the chairman of the board of directors of Foshan Baosteel Stainless Steel Trading Co., Ltd., a director of Ningbo Baosteel Stainless Steel Processing Co., Ltd. and the chairman of Wuxi Bao-Mit Steel Process & Distribution Co., Ltd. These companies are subsidiaries of China Baowu Steel Group Corporation Limited, which is a substantial shareholder of the Company.

From July 1989 to October 1998, Mr. Zhu was responsible for quality control in the technical department of Shanghai Baoshan General Iron and Steel Works. From October 1998 to July 1999, he was responsible for project management in the technical centre of Shanghai Baosteel Group Company. From July 1999 to August 2002, Mr. Zhu was responsible for electrical steel sales in the sales department of Baoshan Iron & Steel Co., Ltd. From August 2002 to September 2003, he was the deputy director of the electrical steel product office of the sales department of Baoshan Iron & Steel Co., Ltd. From September 2003 to June 2006, Mr. Zhu was the director of the electrical steel product office of the sales centre of Baoshan Iron & Steel Co., Ltd. From June 2006 to November 2009, he was the deputy general manager of Tianjin Baosteel Northern Trading Co., Ltd. From November 2009 to May 2012, Mr. Zhu was the general manager of Changchun Baosteel Steel Trading Co., Ltd. From May 2012 to September 2013, he was the department head of the technical quality department of Shanghai Baosteel Stainless Steel Co., Ltd. From September 2013 to March 2014, Mr. Zhu was the deputy department head of the marketing department of Shanghai Baosteel Stainless Steel Co., Ltd. From March 2014 to March 2015, he was the deputy general manager of Shanghai Krupp Stainless Co., Ltd. From March 2015 to November 2019, Mr. Zhu was the general manager of Shanghai Baosteel Stainless Steel Trading Co., Ltd. From November 2019 to January 2020, he was the general manager of Shanghai Baosteel Stainless Steel Trading Co., Ltd. and the general manager of Foshan Baosteel Stainless Steel Trading Co., Ltd. (Shanghai Ouyeel Stainless Steel Branch). From January 2020 to February 2020, Mr. Zhu was the general manager of Foshan Baosteel Stainless Steel Trading Co., Ltd. (Shanghai Ouyeel Stainless Steel Branch). From February 2020 to April 2020, Mr. Zhu was the group leader of the stainless steel promotion group of Ouyeel Co., Ltd. and the general manager of Ningbo Baosteel Stainless Steel Processing Co., Ltd. From April 2020 to June 2020, he was the general manager of the stainless steel business unit of Ouyeel Co., Ltd. and the general manager of Ningbo Baosteel Stainless Steel Processing Co., Ltd.

China Baowu Steel Group Corporation Limited was formerly known as Shanghai Baoshan General Iron and Steel Works and Shanghai Baosteel Group Company.

Baoshan Iron & Steel Co., Ltd. is a company listed on the Shanghai Stock Exchange. Each of Baoshan Iron & Steel Co., Ltd., Tianjin Baosteel Northern Trading Co., Ltd., Changchun Baosteel Steel Trading Co., Ltd., Shanghai Baosteel Stainless Steel Co., Ltd., Shanghai Baosteel Stainless Steel Trading Co., Ltd., Foshan Baosteel Stainless Steel Trading Co., Ltd. (Shanghai Ouyeel Stainless Steel Branch), Ouyeel Co., Ltd. and Ningbo Baosteel Stainless Steel Processing Co., Ltd. is a subsidiary of China Baowu Steel Group Corporation Limited, which is a substantial shareholder of the Company.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Cheuk Wa Pang, aged 58, was appointed as an independent non-executive director since 20 March 2007. Mr. Cheuk is currently the chief financial officer and the qualified accountants 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.

Professor Hua Min, aged 72, 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. Hu Xuefa, aged 60, 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.

Prof. Chen Xin, aged 47, was appointed as an independent non-executive director since 16 December 2021. He graduated from 華中理工大學 (which is currently known as 華中科技大學 (Huazhong University of Science and Technology)), the People's Republic of China, in July 1996 with a bachelor's degree of economics specializing in international trade. He obtained the degree of doctor of philosophy at the University of Minnesota, the United States, in August 2005.

Prof. Chen has extensive teaching experience in relation to accounting. He worked as an associate professor in accounting at Antai College of Economics and Management of the Shanghai Jiao Tong University from January 2006 to December 2016. He has then been working as an associate professor, and now as a professor, at the Shanghai Advanced Institution of Finance of Shanghai Jiao Tong University since January 2017.

Prof. Chen is a member of The 15th Committee of Shanghai Xuhui District of the Chinese People's Political Consultative Conference. He is currently an external director of Yunnan Province Investment Holdings Group Limited (the "Yunnan Investment Group"). Yunnan Investment Group principally engages in management of capital for infrastructure construction at provincial level and is owned by the State-owned Assets Supervision Management Committee of Yunnan People's Government and the Department of Finance of Yunnan Province. He is also a director of JAKA Robotics Co., Ltd., Shanghai Shengsheng Pharmaceutical Cold Chain Technology Co., Ltd. and Jiangxi Financial Leasing Co., Ltd.

Prof. Chen is currently an independent director of Xiamen Bank Co., Ltd. (stock code: 601187.SH) since July 2021 and Zhejiang Supcon Technology Co., Ltd. (stock code: 688777.SH) since January 2021, the shares of both companies are listed on the Shanghai Stock Exchange; and an independent director of Guangdong Qunxing Toys Joint-Stock Co. Ltd. (stock code on Shenzhen Stock Exchange: 002575.SZ) since October 2022. He also acted as an independent director of Cubic Digital Technology Co., Ltd. (a company whose shares are listed on the Shenzhen Stock Exchange with stock code: 300344) from June 2020 to May 2021.

COMPANY SECRETARY

Mr. Leung Man Fai, aged 58, 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 hereby present to the shareholders their report together with the audited consolidated financial statements of the Group for the year ended 31 December 2022.

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 2022 are set out in the consolidated statement of comprehensive income on page 64.

DIVIDENDS

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.

RESERVES

Movements in the reserves of the Group and of the Company during the year are set out in Note 21 and Note 37 to the consolidated financial statements respectively.

As of 31 December 2022, our reserves available for distribution amounted to approximately RMB1,880.6 million (2021: RMB1,804.0 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 2022.

SHARE CAPITAL

Details of the movements in share capital of the Group and the Company are set out in Note 19 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 79% of the Group's total purchases for the year and the largest supplier accounted for approximately 37% of the Group's total purchases.

Except China Baowu Steel Group Corporation Limited, which owned approximately 16.28% of the issued share capital of the Company indirectly, is a supplier 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 24 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 154.

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 had remained 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 would 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 2022, there were a total of 12,800,000 outstanding share options granted to directors and certain employees of the Group. Details of which are as follows:

			Number of share options					
Name or category of participant	Date of grant	Exercise price (HK$)	As at 1 January 2022	Granted during the year	Exercised during the year	Cancelled/ lapsed during the year	As at 31 December 2022	Exercise period
Director								
Mr. Zhang Feng	23 December 2014	2.364	100,000[(1)]	–	–	–	100,000	23 December 2017 to 22 December 2024
Former Directors								
Dr. Fukui Tsutomu (resigned on 30 June 2022)	23 December 2014	2.364	500,000[(1)]	–	–	–	500,000	23 December 2017 to 22 December 2024
Mr. Wang Jian (resigned on 30 June 2022)	23 December 2014	2.364	400,000[(1)]	–	–	–	400,000	23 December 2017 to 22 December 2024
Other employees in aggregate	23 December 2014	2.364	12,300,000[(1)]	–	–	(500,000)	11,800,000	23 December 2017 to 22 December 2024
Total			13,300,000	–	–	–	12,800,000	

[(1)] 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, no shares of the Company's existing ordinary shares have been purchased for the share award scheme; and a total of 228,000 awarded shares were granted to a Selected Employee. A total of 228,000 awarded shares were vested to a Selected Employee on 5 January 2023. 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 2022, the independent trustee holds 17,842,000 shares of the Company for the share award scheme.

Details of the awarded shares movement for the year ended 31 December 2022 are as follows:

		Number of Awarded Shares					
Name of awardee	Date of grant	As at 1 January 2022	Granted during the year	Vested during the year	Lapsed during the year	As at 31 December 2022	Vesting date/period
Mr. Wan Jian[1]	29 December 2022	–	228,000	–	–	228,000	5 January 2023
Total		–	228,000	–	–	228,000	

(1) Mr. Wang Jian is a former executive director of the Company who resigned on 30 June 2022 and an employee of the Company. Thus, Mr. Wang is a connected person of the Company at the date of grant.

CONNECTED TRANSACTION

On 30 November 2021, Wuxi Daming Logistics Co., Ltd. ("Transferor"), Jiangsu Liangjiang Construction and Development Co., Ltd. ("Transferee A") and Daming Heavy Industry Co., Ltd. ("Transferee B"), an indirect wholly-owned subsidiary of the Company, entered into the Equity Transfer Agreement, pursuant to which (i) the Transferor has agreed to dispose of, and Transferee A has agreed to acquire, 20% of the equity interest in Daming Logistics Co., Limited ("Target Company"); and (ii) the Transferor has agreed to dispose of, and Transferee B has agreed to acquire, 80% of the equity interest in the Target Company. The consideration for the transfer of equity interest in the Target Company from the Transferor to each of Transferee A and Transferee B is RMB0. The registered capital of the Target Company is RMB350 million.

Mr. Zhou Keming is a Director and controlling shareholder of the Company, and the Transferor is owned as to 78% by Mr. Zhou Keming and 22% by Ms. Xu Xia, who is the wife of Mr. Zhou Keming and a Director of the Company. Accordingly, the Transferor is an associate of Mr. Zhou, and hence, a connected person of the Company. Thus, the Equity Transfer Agreement and the transactions contemplated thereunder constitute a connected transaction of the Company.

The above connected transaction was approved by the independent shareholders of the Company at the extraordinary general meeting of the Company held on 8 March 2022. Details of the above connected transaction were disclosed in the announcement of the Company dated 30 November 2021.

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 ("New 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.

Pursuant to the New Framework Agreement, the maximum aggregate amounts to be paid by the Group to the China Baowu Group for the purchase of steel 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; and 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 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 New Framework Agreement was approved by the independent shareholders of the Company ("Independent Shareholders") at an extraordinary general meeting ("EGM") held on 31 May 2021. Details of the New Framework Agreement and the connected relationship between the Company and China Baowu were disclosed in the announcement of the Company dated 27 January 2021.

On 20 October 2021, the Company and China Baowu entered into the supplemental agreement ("Supplemental Agreement") to revise the existing annual caps under the New Framework Agreement for the financial years ending 31 December 2021, 2022 and 2023. Pursuant to the Supplemental Agreement, the maximum aggregate amounts to be paid by the Group to the China Baowu Group for the purchase of steel are revised to RMB22.4 billion, RMB35.0 billion and RMB44.3 billion for each of the three years ending 31 December 2023, respectively; and 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 are revised to RMB0.39 billion, RMB0.60 billion and RMB0.88 billion for each of the three years ending 31 December 2023, respectively.

The Supplemental Agreement was approved by the Independent Shareholders at the EGM held on 15 December 2021. Details of the Supplemental Agreement and the connected relationship between the Company and China Baowu were disclosed in the announcement of the Company dated 20 October 2021.

For the year ended 31 December 2022, (i) supply of steel by the China Baowu Group to the Group amounted to approximately RMB15.9 billion, not exceeding the annual cap of RMB35.0 billion; and (ii) supply of processed metallic goods and processing service by the Group to China Baowu Group amounted to approximately RMB0.17 billion, not exceeding the annual cap of RMB0.60 billion.

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.

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)*(resigned on 31 December 2022)
Xu Xia *(Vice-chairman of the Board)*
Zou Xiaoping *(Vice-chairman of the Board)*
Fukui Tsutomu (formerly known as Zhang Qinzhong)(resigned on 30 June 2022)
Zhang Feng
Wang Jian (resigned on 30 June 2022)
Qian Li (appointed on 30 June 2022)
Ni Chen (appointed on 30 June 2022)

Non-executive Directors
Lu Jian
Zhu Baomin

Independent Non-Executive Directors
Cheuk Wa Pang
Hua Min
Lu Daming (resigned on 29 March 2023)
Liu Fuxing (resigned on 30 June 2022)
Hu Xuefa
Chen Xin

In accordance with Article 84 of the Articles of Association of the Company, Mr. Lu Jian, Mr. Zhu Baomin, Prof. Hua Min and Mr. Hu Xuefa retire from office by rotation at the Company's 2023 Annual General Meeting. All the retiring directors, being eligible, offer themselves for re-election.

In accordance with Article 83(3) of the Articles of Association of the Company, Mr. Qian Li and Mr. Ni Chen, who were appointed as additional directors of the Company by the Board on 30 June 2022, shall hold office until the date of the next following annual general meeting of the Company and shall then be eligible 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 39 to 44 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

Save as disclosed in the section of "Connected Transaction" of this report and Note 36 to the consolidated financial statements, 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 2022, 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]	62.26%
Ms. Xu Xia	Personal, family and corporate	793,551,000[1]	62.26%
Mr. Zou Xiaoping	Personal and family	5,060,000[2]	0.40%
Mr. Zhang Feng	Personal	2,244,000[3]	0.18%
Mr. Qian Li	Personal	1,880,000	0.15%
Mr. Ni Chen	Personal	458,000	0.04%

(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 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.

(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 2022, Ally Good Group Limited is the holder of 62.25% 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 2022, 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 2022, 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]	62.25%
China Baowu Steel Group Corporation Limited ("China Baowu")	207,500,000[2]	16.28%
Baosteel Stainless Steel (International) Limited ("Baosteel")	103,750,000	8.14%
Tisco Stainless Steel (H.K.) Limited ("Tisco")	103,750,000	8.14%

(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 indirectly through Baosteel 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., ("Shanxi Taigang"), and Shanxi Taigang is a subsidiary of Taiyuan Steel. Tisco is in turn 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 2022.

CONTROLLING SHAREHOLDER'S INTERESTS IN CONTRACTS OF SIGNIFICANCE

Details of the contract of significance between the Group and the controlling shareholder are set out in the section of "Connected Transaction" of this report.

EMOLUMENT POLICY

Details of the Directors' emoluments and emoluments of the five highest paid individuals in the Group are set out in Note 38 to the consolidated financial statements.

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 an approximately 2.2% growth 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.

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. To the knowledge of the Directors, as at the date of the Annual Report, the Company's public float was approximately 20.71%.

While the drop of the Company's public float was beyond the Company's control, the Company is considering 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 announcements of the Company since 22 February 2021.

CORPORATE GOVERNANCE

Details of the compliance by the Company with the Corporate Governance Code are set out on pages 20 to 38 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 2022 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, 29 March 2023

pwc

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"), which are set out on pages 62 to 153 and comprise:

- the consolidated statement of financial position as at 31 December 2022;
- 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 significant accounting policies and other explanatory information.

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 2022, 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 Notes 2.11, 4(a) and 13 to the consolidated financial statements.* As at 31 December 2022, inventories of the Group amounting to RMB3,518,438,000 were stated at the lower of cost and net realisable value. 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. 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 contracts have 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, and tested on a sample basis, 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 assessed and challenged management the 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, excessive, obsolete or damaged items being omitted from management's 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 all of the information included in Da Ming International Holdings Limited 2022 Annual Report (the "annual report") other than the consolidated financial statements and our auditor's report thereon. We have obtained some of the other information including Financial and Operating Highlights and Management Discussion and Analysis prior to the date of this auditor's report. The remaining other information, including the Chairman's Statement, Cooperate Governance Report, Directors' Report and the other sections to be included in the annual report, is 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 remaining other information to be included in the annual 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, 29 March 2023

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 31 December 2022

		As at 31 December	
		2022	2021
	Note	***RMB'000***	*RMB'000*
ASSETS			
Non-current assets			
Property, plant and equipment	*6*	**5,018,900**	4,805,389
Right-of-use assets	*7*	**532,750**	546,500
Investment properties	*8*	**1,130**	1,724
Intangible assets	*9*	**24,281**	21,031
Deferred income tax assets	*11*	**130,128**	37,190
Trade receivables and contract assets	*14*	**30,076**	41,677
Other non-current assets	*12*	**16,198**	36,475
		5,753,463	5,489,986
Current assets			
Inventories	*13*	**3,518,438**	3,724,944
Trade receivables and contract assets	*14*	**521,583**	532,650
Prepayments, deposits and other receivables	*15*	**1,119,325**	950,969
Financial assets at fair value through other comprehensive income	*16*	**55,571**	42,083
Restricted bank deposits	*17*	**1,402,791**	1,076,606
Cash and cash equivalents	*18*	**406,856**	141,196
		7,024,564	6,468,448
Total assets		**12,778,027**	11,958,434
EQUITY			
Equity attributable to shareholders of the Company			
Share capital	*19*	**109,041**	109,041
Reserves	*21*	**3,056,418**	3,300,070
		3,165,459	3,409,111
Non-controlling interests		**339,226**	340,282
Total equity		**3,504,685**	3,749,393

	Note	As at 31 December 2022 RMB'000	2021 RMB'000
LIABILITIES			
Non-current liabilities			
Borrowings	24	**1,947,453**	1,573,933
Deferred government grants	25	**130,398**	132,764
Deferred income tax liabilities	11	**15,975**	33,549
Lease liabilities	7	**8,936**	9,867
Long-term payables	23	**14,773**	17,747
		2,117,535	1,767,860
Current liabilities			
Trade payables	22	**469,690**	459,157
Accruals and other payables	23	**674,446**	602,853
Contract liabilities	5	**941,575**	930,149
Current income tax liabilities		**61,011**	125,824
Borrowings	24	**4,983,456**	4,289,443
Lease liabilities	7	**5,629**	5,755
Dividends payable		**20,000**	28,000
		7,155,807	6,441,181
Total liabilities		**9,273,342**	8,209,041
Total equity and liabilities		**12,778,027**	11,958,434

The notes on pages 67 to 153 are an integral part of these consolidated financial statements.

The financial statements were approved by the Board of Directors on 29 March 2023 and were signed on its behalf.

Zhou Keming	**Zou Xiaoping**
Director	*Director*

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2022

		Year ended 31 December	
		2022	2021
	Note	***RMB'000***	*RMB'000*
Revenue	*5*	**50,122,319**	46,345,417
Cost of sales	*28*	**(49,213,686)**	(44,518,208)
Gross profit		**908,633**	1,827,209
Other income	*26*	**47,790**	47,337
Other expenses	*28*	**–**	(990)
Other gain/(loss) - net	*27*	**10,511**	(10,552)
Distribution costs	*28*	**(484,850)**	(467,060)
Administrative expenses	*28*	**(443,151)**	(434,711)
Operating profit		**38,933**	961,233
Finance income	*30*	**44,519**	34,792
Finance costs	*30*	**(277,849)**	(266,886)
Finance costs - net	*30*	**(233,330)**	(232,094)
(Loss)/Profit before income tax		**(194,397)**	729,139
Income tax credit/(expense)	*31*	**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	*32*	**(0.14)**	0.40
– Diluted (loss)/earnings per share	*32*	**(0.14)**	0.40

The notes on pages 67 to 153 are an integral part of these consolidated financial statements.

	Attributable to shareholders of the Company			
	Share capital *(Note 19)* *RMB'000*	**Reserves** *(Note 21)* *RMB'000*	**Non-controlling interests** *RMB'000*	**Total equity** *RMB'000*
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 *(Note 19)*	759	22,998	(23,757)	–
Issue of shares *(Note 19)*	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

The notes on pages 67 to 153 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS

For the year ended 31 December 2022

	Note	Year ended 31 December 2022 RMB'000	2021 RMB'000
Cash flows from operating activities			
Cash generated from operations	*34(a)*	**643,609**	837,297
Interest received		**39,896**	32,915
Interest paid		**(275,569)**	(270,948)
Income tax paid		**(139,206)**	(164,488)
Income tax return		**3,546**	1,461
Net cash generated from operating activities		**272,276**	436,237
Cash flows from investing activities			
Purchase of property, plant and equipment		**(651,838)**	(617,243)
Purchase of land use rights		**–**	(66,839)
Purchase of intangible assets		**(6,993)**	(4,459)
Cash received in relation to asset-related government grants	*25*	**8,124**	8,267
Proceeds from sale of property, plant and equipment	*34(b)*	**1,540**	591
Proceeds from disposal of land use rights		**–**	34,870
Net cash used in investing activities		**(649,167)**	(644,813)
Cash flows from financing activities			
Proceeds from borrowings	*34(c)*	**10,183,681**	10,492,194
Repayments of borrowings	*34(c)*	**(6,629,369)**	(7,683,473)
Restricted bank deposits pledged for bank borrowings and used for repayment of borrowings	*34(c)*	**(2,878,488)**	(2,536,131)
Restricted bank deposits pledged for purchasing property, plant and equipment under project loan facility	*34(c)*	**(85,347)**	–
Principal element of lease payments	*34(c)*	**(6,084)**	(6,485)
Restricted bank deposits collected after repayment of bank borrowings	*34(c)*	**152,684**	32,252
Issue of shares	*19*	**–**	54,096
Dividends paid to the Company's shareholders	*33*	**(65,350)**	(124,408)
Dividends paid to non-controlling interests in subsidiaries		**(28,525)**	(8,250)
Payment of withholding tax		**(7,300)**	(7,000)
Capital injection from non-controlling shareholders		**–**	4,840
Contribution from partnership enterprises		**–**	30,870
Exercise of share options		**–**	386
Net cash generated 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	*18*	**141,196**	103,189
Exchange gain/(loss) on cash and cash equivalents		**6,649**	(2,308)
Cash and cash equivalents at end of year	*18*	**406,856**	141,196

The notes on pages 67 to 153 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 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 ultimate parent company of the Company is Ally Good Group Limited ("Ally Good"), which is incorporated in BVI and owned by Mr. Zhou Keming and his wife, Ms. Xu Xia.

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 29 March 2023.

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.1 Basis of preparation (continued)

2.1.1 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 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 24.

2.1.2 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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.1 Basis of preparation (continued)

2.1.2 Changes in accounting policies and disclosures (continued)

(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 periods 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. 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. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Subsidiaries (continued)

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.

2.3 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 gain/(loss) – net'.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.4 Foreign currency translation (Continued)

(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).

2.5 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.5 Property, plant and equipment (continued)

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	20-30 years
Machinery	10-20 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.

2.6 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.6 Investment properties (continued)

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. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.9 Financial assets – loans and receivables (continued)

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:

- 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. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.9 Financial assets – loans and receivables (continued)

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).

2.11 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. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 shareholders 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 shareholders of the Company.

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. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 income 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 provided in full, 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 and does not give rise to equal taxable and deductible temporary differences. 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 only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

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 and where the deferred tax balances and liabilities relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

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 29(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.

There were no forefeited contributions (by employers on behalf of employees who leave the scheme prior to vesting fully in such contributions) to offset existing contributions under the defined contribution schemes.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.20 Share-based payments (continued)

(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.

2.21 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. Provisions are not recognised for future operating losses.

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. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.23 Revenue recognition

(a) Sales of goods

The Group is engaged in the processing and 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.

2.24 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. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.25 Dividend distribution

Dividend distribution to shareholders 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 shareholders 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.

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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.26 Leases (continued)

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 26). 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, 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 (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, deposits and other receivables, restricted bank deposits, cash and cash equivalents, trade payables, other payables and borrowings are disclosed in Notes 14, 15, 17, 18, 22, 23 and 24 respectively.

As at 31 December 2022, if RMB had strengthened/weakened by 5% against the foreign currencies as listed below with all other variables held constant, the profit before income tax for the year would have been changed as listed below.

	Impact on profit before income tax	
	Year ended 31 December	
	2022	2021
	RMB'000	*RMB'000*
USD	**4,107 lower/higher**	5,001 lower/higher
EUR	**448 higher/lower**	2,079 higher/lower
HKD	**62 lower/higher**	228 lower/higher
JYP	**62 higher/lower**	140 higher/lower

The impact is mainly as a result of foreign exchange differences on translation of foreign currency denominated trade receivables and contract assets, deposits and other receivables, restricted bank deposits, cash and cash equivalents, trade payables, other payables and borrowings.

3. FINANCIAL RISK MANAGEMENT (CONTINUED)

3.1 Financial risk factors (continued)

(a) Market risk (continued)

(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 17, 18 and 24, respectively.

As at 31 December 2022, 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 RMB18,504,000 (2021: RMB17,823,000) lower/higher, mainly as a result of higher/lower interest expense on borrowings.

(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 materials, including stainless steel and carbon steel, account for 97.66% (2021: 96.83%) of the Group's cost of sales. The Group has maintained a purchase price adjustment practice with its major suppliers for stainless steel and carbon steel raw materials. Pursuant to such practice, the suppliers would reimburse the Group if the purchase price of the stainless steel and carbon steel raw materials that the Group has 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. The reimbursement is subject to the suppliers' sole discretion in determining the actual purchase credit amount and the time such purchase credit would be given to the Group.

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

3. FINANCIAL RISK MANAGEMENT (CONTINUED)

3.1 Financial risk factors (continued)

(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, financial assets at fair value through other comprehensive income and other receivables, represent the Group's maximum exposure to credit risk in relation to financial assets.

(i) Credit risk of cash at bank

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 2022, most of the restricted bank deposits and cash and cash equivalents are placed with highly reputable financial institutions in Mainland China and Hong Kong.

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

Group 1	–	Top 4 banks in Mainland China (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
Group 3	–	Other banks in the PRC

3. FINANCIAL RISK MANAGEMENT (CONTINUED)

3.1 Financial risk factors (continued)

(b) Credit risk (continued)

(i) Credit risk of cash at bank (continued)

	As at 31 December	
	2022	2021
	RMB'000	*RMB'000*
Group 1	**671,607**	466,040
Group 2	**1,000,436**	665,789
Group 3	**137,568**	110,903
	1,809,611	1,242,732

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

(ii) Credit risk of trade receivables and contract assets

The Group generally requires customers to pay certain amounts of deposits when orders are made, and settle full purchase price before delivery of goods to customers. 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 these customers.

3. FINANCIAL RISK MANAGEMENT (CONTINUED)

3.1 Financial risk factors (continued)

(b) Credit risk (continued)

(ii) Credit risk of trade receivables and contract assets (continued)

The assessment of expected credit loss of trade receivables of the Group is set out below:

	As at 31 December 2022			
	Less than 1 year	**Between 1 year and 2 years**	**Over 2 years**	**Total**
	RMB'000	***RMB'000***	***RMB'000***	***RMB'000***
Gross carrying amount	**468,499**	**33,522**	**2,431**	**504,452**
Expected loss rate	**1.59%**	**7.92%**	**90.87%**	
Loss allowance	**7,429**	**2,654**	**2,209**	**12,292**

	As at 31 December 2021			
	Less than 1 year	Between 1 year and 2 years	Over 2 years	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Gross carrying amount	506,484	10,973	660	518,117
Expected loss rate	2.09%	8.13%	85.61%	
Loss allowance	10,592	892	565	12,049

3. FINANCIAL RISK MANAGEMENT (CONTINUED)

3.1 Financial risk factors (continued)

(b) Credit risk (continued)

(iii) Credit risk of other receivables

Other receivables mainly comprise value-added tax recoverable. The Group assessed that the expected credit losses for other receivables are not material.

(iv) Credit risk of financial assets at fair value through other comprehensive income

All of the Group's financial assets at fair value through other comprehensive income are considered to have low credit risk because they have a low risk of default and the issuer has a strong capacity to meet its contractual cash flow obligations in the near term.

(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 approximate to their carrying balances, as the impact of discounting is not significant.

	Less than 1 year	Between 1 year and 2 years	Between 2 years and 5 years	Over 5 years	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 31 December 2022					
Borrowings	**4,983,456**	**652,620**	**1,063,323**	**247,500**	**6,946,899**
Interests payment on borrowings (i)	**152,559**	**80,716**	**91,577**	**6,041**	**330,893**
Lease liabilities	**6,143**	**6,028**	**3,302**	**–**	**15,473**
Trade payables	**469,690**	**–**	**–**	**–**	**469,690**
Other payables (ii)	**553,702**	**14,773**	**–**	**–**	**568,475**
	6,165,550	**754,137**	**1,158,202**	**253,541**	**8,331,430**
At 31 December 2021					
Borrowings	4,289,443	1,168,641	196,000	220,000	5,874,084
Interests payment on borrowings (i)	113,660	49,700	43,814	10,758	217,932
Lease liabilities	2,271	806	1,292	–	4,369
Trade payables	459,157	–	–	–	459,157
Other payables (ii)	520,325	17,747	–	–	538,072
	5,384,856	1,236,894	241,106	230,758	7,093,614

3. FINANCIAL RISK MANAGEMENT (CONTINUED)

3.1 Financial risk factors (continued)

(c) Liquidity risk (continued)

(i) The interests on borrowings are calculated based on borrowings held as at 31 December 2022 and 2021 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 2022 and 2021 respectively.

(ii) Other payables include other payables and accruals as stated in Note 23 excluding non-financial liabilities such as tax and employee related obligations.

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 as at the balance sheet date. The carrying values less any estimated credit adjustments for financial assets are a reasonable approximation of their fair values.

Financial instruments carried at fair value or where fair value was disclosed can be categorised by levels of the inputs to valuation techniques used to measure fair value. The inputs are categorised into three levels within a fair value hierarchy as follows:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2: Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices).

Level 3: Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs).

3. FINANCIAL RISK MANAGEMENT (CONTINUED)

3.2 Fair value estimation (Continued)

The following table presents the Group's assets and liabilities that are measured at fair value.

	Level 1 *RMB'000*	Level 2 *RMB'000*	Level 3 *RMB'000*	Total *RMB'000*
Assets				
FVOCI (Note 16)				
As at December 31, 2022	**–**	**–**	**55,571**	**55,571**
Assets				
FVOCI (Note 16)				
As at December 31, 2021	–	–	42,083	42,083

There were no transfers between Level 1, 2 and 3 during year.

Level 3 financial assets at FVOCI comprise bank and commercial acceptance notes that are held for collection of contractual cash flow and for selling the financial assets. The fair values are estimated by using a discounted cash flow approach with discount rates quoted in main state-owned banks. The higher the discount rates provided by main state-owned banks, the lower the fair value is.

The following table summarises the quantitative information about the significant unobservable inputs used in level 3 fair value measurements of financial assets at fair value through other comprehensive income:

	As at 31 December	
	2022 ***RMB'000***	2021 *RMB'000*
Fair value of financial assets at FVOCI	**55,571**	42,083
Inputs (probability-weighted average)	**2.33%**	2.94%

The unobservable input used was discount rates offered by main state-owned banks.

Increasing/decreasing the discount rates offered by main state-owned banks by 0.5% would decrease/increase the fair values of the Group's financial assets at FVOCI as at 31 December 2022 by approximately RMB120,000 (2021: RMB90,000).

3. FINANCIAL RISK MANAGEMENT (CONTINUED)

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 2022 and 2021 were as follows:

	As at 31 December	
	2022	2021
	RMB'000	*RMB'000*
Total borrowings *(Note 24)*	**6,930,909**	5,863,376
Less: cash and cash equivalents *(Note 18)*	**(406,856)**	(141,196)
Net debt	**6,524,053**	5,722,180
Total equity	**3,504,685**	3,749,393
Total capital	**10,028,738**	9,471,573
Gearing ratio	**65.05%**	60.41%

The increase in the gearing ratio during 2022 mainly because of the increase in borrowings while total equity decreased due to loss for the year.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements 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 and carbon steel raw materials' market prices, technical innovations and competitors' actions in response to severe industry cycles. 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 useful 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.

(d) Impairment of trade receivables and contract assets

The loss allowance for trade receivables and contract assets disclosed in Note 3.1 is based on assumptions about risk of default and expected credit loss rate. The Group uses judgement in making these assumptions and selecting inputs to the impairment calculation, based on the Group's past history, existing market conditions as well as forward looking estimates at the end of each reporting period.

The carrying amounts of the Group's trade receivables and contract assets are disclosed in Note 14.

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 2022, none of the customers of the Group from whom the revenue amounting to 10% or more of the Group's revenue (2021: none).

The decision-maker 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, 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 to external customers in different countries and regions was as follows:

	Year ended 31 December	
	2022	2021
	RMB'000	*RMB'000*
– 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
	RMB'000	*RMB'000*
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

5. SEGMENT INFORMATION (CONTINUED)

Revenue (continued)

The segment results for the year ended 31 December 2022:

	Processing *RMB'000*	Manufacturing *RMB'000*	Elimination *RMB'000*	Total *RMB'000*
Sales to external customers	**48,483,417**	**1,638,902**	**–**	**50,122,319**
Intra-group sales	**687,323**	**208,405**	**(895,728)**	**–**
Segment revenue	**49,170,740**	**1,847,307**	**(895,728)**	**50,122,319**
Segment results	**14,567**	**(36,518)**	**2,583**	**(19,368)**
Other income				**47,790**
Other gain - net				**10,511**
Finance costs - net				**(233,330)**
Loss before income tax				**(194,397)**
Income tax credit				**35,564**
Loss for the year				**(158,833)**
Items included in profit and loss:				
Depreciation and amortization *(Notes 6, 7, 8, 9)*	**318,320**	**103,256**	**–**	**421,576**

5. SEGMENT INFORMATION (CONTINUED)

Revenue (continued)

The segment results for the year ended 31 December 2021:

	Processing *RMB'000*	Manufacturing *RMB'000*	Elimination *RMB'000*	Total *RMB'000*
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	45,699,467	1,699,876	(1,053,926)	46,345,417
Segment results	858,636	60,877	5,925	925,438
Other income and expenses				46,347
Other loss - net				(10,552)
Finance costs - net				(232,094)
Profit before income tax				729,139
Income tax expense				(201,572)
Profit for the year				527,567
Items included in profit and loss:				
Depreciation and amortization *(Notes 6, 7, 8, 9)*	321,660	93,696	–	415,356

5. SEGMENT INFORMATION (CONTINUED)

Revenue (continued)

The segment assets and liabilities as at 31 December 2022 are as follows:

	Processing *RMB'000*	**Manufacturing** *RMB'000*	**Elimination** *RMB'000*	**Unallocated** *RMB'000*	**Total** *RMB'000*
Segment assets	**8,188,795**	**2,974,895**	**(425,670)**	**2,040,007**	**12,778,027**
Segment liabilities	**1,983,438**	**764,903**	**(421,883)**	**6,946,884**	**9,273,342**
Additions to non-current assets	**105,407**	**101,342**	**(8,579)**	**4,247**	**202,417**

The segment assets and liabilities as at 31 December 2021 are as follows:

	Processing *RMB'000*	Manufacturing *RMB'000*	Elimination *RMB'000*	Unallocated *RMB'000*	Total *RMB'000*
Segment assets	7,906,133	2,826,130	(124,986)	1,351,157	11,958,434
Segment liabilities	1,711,349	761,623	(121,027)	5,857,096	8,209,041
Additions to non-current assets	31,529	144,582	(30,095)	1,723	147,739

5. SEGMENT INFORMATION (CONTINUED)

Revenue (continued)

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

	As at 31 December	
	2022	2021
	RMB'000	*RMB'000*
Current contract assets	**29,660**	22,158
Non-current contract assets	**30,319**	42,013
Loss allowance	**(480)**	(513)
Total contract assets *(i)*	**59,499**	63,658
Contract liabilities – advances from customers *(ii)*	**941,575**	930,149

(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 2022.

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 2021						
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
Year ended 31 December 2021						
Opening net book amount	1,291,312	2,894,722	14,658	23,015	469,854	4,693,561
Additions	1,363	33,089	8,533	9,323	451,656	503,964
Transfer from construction-in-progress	91,012	220,156	118	1,416	(312,702)	–
Transfer from investment properties *(Note 8)*	1,868	–	–	–	–	1,868
Transfer to intangible assets *(Note 9)*	–	–	–	–	(156)	(156)
Disposals *(Note 34(b))*	–	(535)	(326)	(171)	–	(1,032)
Depreciation *(Note 28)*	(58,330)	(322,832)	(5,227)	(6,427)	–	(392,816)
Closing net book amount	1,327,225	2,824,600	17,756	27,156	608,652	4,805,389
At 31 December 2021						
Cost	1,624,745	4,302,904	52,307	84,955	608,652	6,673,563
Accumulated depreciation	(297,520)	(1,478,304)	(34,551)	(57,799)	–	(1,868,174)
Net book amount	1,327,225	2,824,600	17,756	27,156	608,652	4,805,389
Year ended 31 December 2022						
Opening net book amount	1,327,225	2,824,600	17,756	27,156	608,652	4,805,389
Additions	349	18,596	4,783	2,654	589,301	615,683
Transfer from construction-in-progress	103,655	348,143	673	434	(452,905)	–
Transfer from investment properties *(Note 8)*	503	–	–	–	–	503
Transfer to intangible assets *(Note 9)*	–	–	–	–	(2,029)	(2,029)
Disposals *(Note 34(b))*	(42)	(1,250)	(563)	(162)	–	(2,017)
Depreciation *(Note 28)*	(63,666)	(323,480)	(5,360)	(6,123)	–	(398,629)
Closing net book amount	1,368,024	2,866,609	17,289	23,959	743,019	5,018,900
At 31 December 2022						
Cost	1,729,807	4,667,181	53,228	87,253	743,019	7,280,488
Accumulated depreciation	(361,783)	(1,800,572)	(35,939)	(63,294)	–	(2,261,588)
Net book amount	1,368,024	2,866,609	17,289	23,959	743,019	5,018,900

6. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Certain subsidiaries of the Group entered into sale and lease back agreements with finance leasing companies (one of them is owned by a related party of the Company), whereby machineries were sold and leased back over one to three years lease term. The Group has the option to re-acquire 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 lessor's consent must be obtained for the pledge and/or disposal of these assets. As at 31 December 2022, assets under this restriction amounted to RMB257,099,000 (2021: RMB269,078,000).

Taiyuan Taigang Daming Metal Products Co., Ltd. ("Taiyuan Taigang Daming"), a subsidiary of the Group, pledged certain machineries to Taiyuan Iron & Steel (Group) Co., Ltd., a related party and the major supplier of steel raw materials, for steels placed in the Group's warehouse to be sold to the Group on consignment basis. As at 31 December 2022, the Group's machineries under this restriction amounted to RMB154,923,000 (2021: RMB150,877,000).

A subsidiary of the Group entered into an agreement for a project loan facility with a banking syndicate in February 2021, for the financing of the construction of production plants for the Group's manufacturing segment. As at 31 December 2022, building and plant with net book value of RMB156,606,000 (2021: RMB165,625,000) were pledged under this agreement. In addition, the related construction in progress shall be pledged within 90 days after the construction in progress meets the mortgage conditions.

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

	Year ended 31 December	
	2022	2021
	RMB'000	*RMB'000*
Cost of sales	**373,444**	371,563
Distribution costs	**1,513**	1,263
Administrative expenses	**23,672**	19,990
	398,629	392,816

For the year ended 31 December 2022, general borrowing interests amounting to approximately RMB11,117,000 (2021: RMB7,753,000) were capitalised into the cost of property, plant and equipment at an average borrowing rate of 3.69% (2021: 4.01%) per annum. In addition, borrowing interests of the project loan facility amounting to approximately RMB11,178,000 (2021: RMB4,502,000) were capitalised into the cost of property, plant and equipment at an average borrowing rate of 5.39% (2021: 5.39%) 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	
	2022	2021
	RMB'000	*RMB'000*
Right-of-use assets		
Land use rights	**516,542**	529,219
Properties	**16,208**	17,281
	532,750	546,500
Lease liabilities		
Current	**5,629**	5,755
Non-current	**8,936**	9,867
	14,565	15,622

A subsidiary of the Group entered into an agreement for a project loan facility with a banking syndicate in February 2021. As at 31 December 2022, land use rights with net book value of RMB106,237,000 (2021: RMB108,899,000) are pledged under this agreement.

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

	Properties	**Land use rights**	**Total**
	RMB'000	*RMB'000*	*RMB'000*
At 1 January 2021	6,777	502,454	509,231
Additions	17,721	75,339	93,060
Disposals	–	(36,816)	(36,816)
Depreciation charges *(Note 28)*	(7,217)	(11,758)	(18,975)
At 31 December 2021	17,281	529,219	546,500
At 1 January 2022	17,281	529,219	546,500
Additions	5,245	–	5,245
Disposals	(218)	–	(218)
Depreciation charges *(Note 28)*	(6,100)	(12,677)	(18,777)
At 31 December 2022	16,208	516,542	532,750

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:

	2022	2021
	RMB'000	*RMB'000*
Depreciation charge of right-of-use assets		
Land use rights	**(12,677)**	(11,758)
Properties	**(6,100)**	(7,217)
	(18,777)	(18,975)
Interest expense	**(627)**	(792)
Expense relating to short-term leases	**(2,412)**	(1,524)

The total cash outflow for leases in 2022 was RMB9,123,000 (2021: RMB75,640,000).

8. INVESTMENT PROPERTIES

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

	As at 31 December	
	2022	2021
	RMB'000	*RMB'000*
Opening net book amount	**1,724**	3,831
Transfer to property, plant and equipment *(Note 6)*	**(503)**	(1,868)
Depreciation *(Note 28)*	**(91)**	(239)
Closing net book amount	**1,130**	1,724
Cost	**3,131**	4,252
Accumulated depreciation	**(2,001)**	(2,528)
Net book amount	**1,130**	1,724

For the year ended 31 December 2022, the rental income arising from investment properties amounted to approximately RMB773,000 (2021: RMB357,000) (Note 26).

8. INVESTMENT PROPERTIES (CONTINUED)

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

	As at 31 December	
	2022	2021
	RMB'000	*RMB'000*
Not later than 1 year	**684**	357

As at 31 December 2022, the fair values of the investment properties were approximately RMB4,365,000 (2021: RMB5,828,000). 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	
	2022	2021
	RMB'000	*RMB'000*
At 1 January		
Cost	**35,768**	31,693
Accumulated amortisation	**(14,737)**	(11,411)
Net book amount	**21,031**	20,282
Opening net book amount	**21,031**	20,282
Additions	**5,300**	3,919
Transfer from construction in progress *(Note 6)*	**2,029**	156
Amortisation *(Note 28)*	**(4,079)**	(3,326)
Closing net book amount	**24,281**	21,031
At 31 December		
Cost	**43,097**	35,768
Accumulated amortisation	**(18,816)**	(14,737)
Net book amount	**24,281**	21,031

For the year ended 31 December 2022, amortisation of the Group's intangible assets amounting to RMB4,079,000 (2021: RMB3,326,000) has been charged to administrative expenses in the consolidated statement of comprehensive income.

10. SUBSIDIARIES

(a) The following is a list of the principal subsidiaries of the Group at 31 December 2022:

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 Industrial Technology Group Co., Ltd. ("Jiangsu Daming")	Mainland China, 21 June 2002	Limited liability company	USD 138,750,000	–	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	USD 26,000,000	–	95%	Processing, distribution and sales of steel products, in the PRC
Tianjin Taigang Daming Metal Technology Co., Ltd. ("Tianjin Taigang Daming")	Mainland China, 15 February 2007	Limited liability company	USD 36,500,000	–	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	USD 2,000,000	–	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	RMB 100,000,000	–	100%	Processing, manufacturing and sales of steel products, in the PRC
Taiyuan Taigang Daming Metal Technology Co., Ltd. ("Taiyuan Taigang Daming", formerly known as Taiyuan Taigang Daming Metal Products Co., Ltd.)	Mainland China, 26 July 2011	Limited liability company	RMB 500,000,000	–	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	USD 190,000,000	–	100%	Processing, manufacturing and sales of steel products, in the PRC
Wuxi Daming Metal Technology Co., Ltd. ("Qianzhou Daming", formerly known as Daming Metal Products Wuxi Co., Ltd.)	Mainland China, 11 April 2012	Limited liability company	RMB 30,000,000	–	100%	Processing, distribution and sales of steel products, in the PRC

10. SUBSIDIARIES (CONTINUED)

(a) The following is a list of the principal subsidiaries of the Group at 31 December 2022: (continued)

Company name	Country/Place and date of incorporation	Type of legal entity	Paid-up capital	Attributable equity interest to the Company		Principal activities and place of operation
				Direct	Indirect	
Hubei Daming Metal Technology Co., Ltd. ("Hubei Daming")	Mainland China, 22 October 2012	Limited liability company	RMB 180,000,000	–	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	RMB 10,000,000	–	100%	Sales of steel products, in the PRC
Zibo Daming Fortune Metals Technology Co., Ltd. ("Zibo Daming", formerly known as Zibo Daming Fortune Metals Products Co., Ltd.)	Mainland China, 13 January 2014	Limited liability company	RMB 30,000,000	–	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	USD 65,000,000	–	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	RMB 58,000,000	–	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	RMB 10,000,000	–	65%	Distribution service, in the PRC
Daming Logistics Co., Ltd. ("Daming Gangwu")	Mainland China, 5 November 2015	Limited liability company	RMB35,000,000	–	80%	Cargo handling and storage at public terminals, in the PRC
Shandong Daming Allybest Metal Technology Co., Ltd. ("Shandong Allybest")	Mainland China, 22 July 2016	Limited liability company	RMB 200,000,000	–	100%	Processing, distribution and sales of steel products, in the PRC
Zhejiang Daming Hanwa Metal Technology Co., Ltd. ("Zhejiang Daming") *(Note)*	Mainland China, 19 March 2018	Limited liability company	USD 74,992,822	–	90.1%	Processing, distribution and sales of steel products, in the PRC

10. SUBSIDIARIES (CONTINUED)

(a) The following is a list of the principal subsidiaries of the Group at 31 December 2022: (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
Jiangsu Daming Specialty Steel Co., Ltd. ("Specialty Steel")	Mainland China, 28 January 2019	Limited liability company	RMB 10,000,000	–	100%	Sales of steel products, in the PRC
Jiangsu Daming Light Industry Manufacturing Co., Ltd. ("Daming Light Industry")	Mainland China, 9 November 2021	Limited liability company	RMB 30,000,000	–	100%	Processing, manufacturing and sales of steel products, in the PRC
Jiangsu Daming Mechanical and Electrical Equipment Technology Co., Ltd. ("Daming Mechanical and Electrical Equipment")	Mainland China, 18 November 2021	Limited liability company	RMB 28,000,000	–	77%	Manufacturing and sales of special and general equipments, mechanical and electrical equipments, in the PRC
Tianjin Daming Import and Export Co., Ltd.("Tianjin Import & Export")	Mainland China, 18 May 2022	Limited liability company	RMB10,000,000	–	100%	Distribution and sales of steel products and fixed assets, in the PRC
Jiangsu Daming Heavy Equipment Manufacturing Co., Ltd. ("Heavy Equipment Manufacturing")	Mainland China, 22 August 2022	Limited liability company	–	–	100%	Machining of mechanical parts and components; Manufacturing of machine tool functional parts and accessories, in the PRC
Jiangsu Daming Intercity Steel Union Logistics Co., Ltd.("Intercity Logistics")	Mainland China, 15 November 2022	Limited liability company	–	–	100%	Distribution service, in the PRC
Daming Energy Equipment (Jiangsu) Co., Ltd. ("Energy Equipment")	Mainland China, 12 December 2022	Limited liability company	–	–	100%	Manufacturing and sales of special and general equipments, mechanical and electrical equipments, in the PRC

Note:

On 28 September 2021, Fortune Express completed the acquisition of 5.1% equity interests in Zhejiang Daming from a third party, Hanwa Co., Ltd. ("Hanwa"), at a consideration of USD3,825,000 (equivalent to approximately RMB24,541,000) which was satisfied by the allotment and issue of 9,138,000 shares, credited as fully paid, the Company. As a result, the Fortune Express's equity interests in Zhejiang Daming increases from 85.0% to 90.1%.

10. SUBSIDIARIES (CONTINUED)

(b) Material non-controlling interests:

The total comprehensive income attributable to non-controlling interests for the year ended 31 December 2022 was RMB19,469,000 (2021: RMB32,523,000), of which RMB26,114,000 (2021: RMB26,860,000) was related to the 40% non-controlling equity interest in Taiyuan Taigang Daming. The non-controlling interests in respect of other subsidiaries are not material.

Set out below is the summarised financial information of Taiyuan Taigang Daming that has non-controlling interest, which is material to the Group.

Summarised balance sheet

	As at 31 December	
	2022	2021
	RMB'000	*RMB'000*
Current assets	**981,276**	788,457
Current liabilities	**760,769**	584,870
Total current net assets	**220,507**	203,587
Non-current assets	**472,744**	485,175
Non-current liabilities	**84,324**	95,119
Total non-current net assets	**388,420**	390,056
Net assets	**608,927**	593,643

10. SUBSIDIARIES (CONTINUED)

(b) Material non-controlling interests: (continued)

Summarised statement of comprehensive income

	Year ended 31 December	
	2022	2021
	RMB'000	*RMB'000*
Revenue	**8,701,540**	5,309,702
Profit before income tax	**83,214**	89,115
Income tax expense	**(17,930)**	(21,965)
Profit after tax and total comprehensive income	**65,284**	67,150
Total comprehensive income allocated to non-controlling interests	**26,114**	26,860
Dividends paid to non-controlling interests	**20,000**	28,000

Summarised cash flows

	Year ended 31 December	
	2022	2021
	RMB'000	*RMB'000*
Cash flows from operating activities		
Cash generated from/(used in) operations	**161,156**	(50,721)
Interest received	**1,175**	842
Interest paid	**(18,944)**	(16,303)
Income tax paid	**(10,493)**	(24,591)
Income tax return	**–**	649
Net cash generated from/(used in) operating activities	**132,894**	(90,124)
Net cash used in investing activities	**(50,706)**	(15,088)
Net cash (used in)/generated from financing activities	**(64,451)**	105,642
Net increase in cash and cash equivalents	**17,737**	430
Cash and cash equivalents at beginning of year	**820**	390
Exchange gains on cash and cash equivalents	**–**	–
Cash and cash equivalents at end of year	**18,557**	820

11. DEFERRED INCOME TAX

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

	As at 31 December	
	2022	2021
	RMB'000	*RMB'000*
Deferred income tax assets:		
– deferred income tax assets to be recovered after more than 12 months	**97,001**	17,427
– deferred income tax assets to be recovered within 12 months	**131,685**	93,565
Total deferred income tax assets	**228,686**	110,992
Set-off of deferred income tax liabilities	**(98,558)**	(73,802)
Net deferred income tax assets	**130,128**	37,190
Deferred income tax liabilities:		
– deferred income tax liabilities to be settled after more than 12 months	**104,191**	91,417
– deferred income tax liabilities to be settled within 12 months	**10,342**	15,934
Total deferred income tax liabilities	**114,533**	107,351
Set-off of deferred income tax liabilities	**(98,558)**	(73,802)
Net deferred income tax liabilities	**15,975**	33,549

11. DEFERRED INCOME TAX (CONTINUED)

The movement in deferred income tax assets before setting off with deferred income tax liabilities during the year was as follows:

	Provision for write-down of inventories *RMB'000*	Deferred income *RMB'000*	Accrued expenses *RMB'000*	Provision for impairment of receivables *RMB'000*	Unrealised gains *RMB'000*	Tax losses [i] *RMB'000*	Leasing liabilities *RMB'000*	Total *RMB'000*
At 1 January 2021	9,670	16,797	9,274	2,412	6,121	9,355	–	53,629
Recognised in the consolidated statement of comprehensive income	39,183	(647)	12,860	(234)	(1,572)	3,586	4,187	57,363
At 31 December 2021	48,853	16,150	22,134	2,178	4,549	12,941	4,187	110,992
Recognised in the consolidated statement of comprehensive income	(37,071)	(379)	1,411	(22)	6,039	149,988	(2,272)	117,694
At 31 December 2022	11,782	15,771	23,545	2,156	10,588	162,929	1,915	228,686

The movement in deferred income tax liabilities before setting off with deferred income tax assets during the year was as follows:

	Interest expenses capitalised in property, plant and equipment *RMB'000*	Withholding income tax [ii] *RMB'000*	Accelerated tax depreciation[iii] *RMB'000*	Right-of-use assets *RMB'000*	Total *RMB'000*
At 1 January 2021	23,656	7,882	35,194	–	66,732
Payment of withholding tax	–	(7,000)	–	–	(7,000)
Recognised in the consolidated comprehensive income statements	385	15,000	27,840	4,394	47,619
At 31 December 2021	24,041	15,882	63,034	4,394	107,351
Payment of withholding tax	–	(7,300)	–	–	(7,300)
Recognised in the consolidated comprehensive income statements	1,016	–	15,847	(2,381)	14,482
At 31 December 2022	25,057	8,582	78,881	2,013	114,533

11. DEFERRED INCOME TAX (CONTINUED)

Notes:

(i) 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 RMB4,969,000 (2021: RMB2,972,000) in respect of accumulated losses amounting to RMB27,797,000 (2021: RMB18,010,000) that can be carried forward against future taxable income. As at 31 December 2022, accumulated losses amounting to RMB4,498,000 (2021: nil) can be carried forward in the next five years, and accumulated losses amounting to RMB23,299,000 (2021: RMB18,010,000) can be carried forward indefinitely.

(ii) According to the Corporate Income Tax Law of the People's Republic of China (the "CIT Law"), 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.

Deferred income tax liabilities are recognised for the withholding tax that would be payable on the estimate of retained earnings earned after 1 January 2018 of certain subsidiaries incorporated in Mainland China that are expected to be distributed in the foreseeable future, at the withholding income tax rate of 10% (2021: 10%). Unremitted earnings that deferred income tax liabilities have not been recognised totaled RMB863,004,000 (2021: RMB927,625,000) as at 31 December 2022 which, in the opinion of the directors, will be retained in Mainland China for development purpose and not to be distributed in the foreseeable future.

(iii) Pursuant to the 'Circular on Enterprise Income Tax Policy concerning Deductions for Equipment and Appliances' (Cai Shui [2018] 54) and the 'Announcement on Extending the Implementation Period of Certain Preferential Tax Policies' (Cai Shui [2021] No. 6) issued by the State Administration of Taxation, during the period from 1 January 2018 to 31 December 2023, 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.

12. OTHER NON-CURRENT ASSETS

As at 31 December 2022, other non-current assets mainly represent the long-term deposits for finance lease arrangement of RMB7,500,000 and deposits of RMB2,559,000 for purchase of land use rights.

As at 31 December 2021, other non-current assets mainly represent the long-term bank deposits for issuance of notes payable of RMB25,000,000 and deposits of RMB3,000,000 for purchase of land use rights.

13. INVENTORIES

	As at 31 December	
	2022	2021
	RMB'000	*RMB'000*
Raw materials	**2,380,025**	2,524,641
Finished goods and work-in-progress	**1,138,413**	1,200,303
	3,518,438	3,724,944

The cost of materials recognised as cost of sales amounting to approximately RMB48,063,930,000 (2021: RMB43,105,127,000).

The Group made reversal of provision for inventory write-down of approximately RMB144,521,000 during the year ended 31 December 2022 (2021: provision for inventory write-down of approximately RMB157,655,000). These amounts have been included in the cost of sales in the consolidated statement of comprehensive income (Note 28).

14. TRADE RECEIVABLES AND CONTRACT ASSETS

	As at 31 December 2022			As at 31 December 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
	534,112	**30,319**	**564,431**	544,876	42,013	586,889
Less: provision for impairment	**(12,529)**	**(243)**	**(12,772)**	(12,226)	(336)	(12,562)
	521,583	**30,076**	**551,659**	532,650	41,677	574,327

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).

14. TRADE RECEIVABLES AND CONTRACT ASSETS (CONTINUED)

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
	RMB'000	*RMB'000*
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

As at 31 December 2022, the aging of the provision for impairment of trade receivables and contract assets was as follows:

	As at 31 December	
	2022	2021
	RMB'000	*RMB'000*
Provision for impairment of trade receivables		
– within 1 year	**7,429**	10,592
– 1 year to 2 years	**2,654**	892
– over 2 years	**2,209**	565
	12,292	12,049
Provision for impairment of contract assets		
– within 1 year	**237**	177
– 1 year to 2 years	**243**	336
	480	513
	12,772	12,562

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	
	2022	2021
	RMB'000	*RMB'000*
At 1 January	**12,562**	13,947
Provision/(Reversal of provision) for trade receivables and contract assets *(Note 28)*	**922**	(667)
Written off as uncollectible	**(712)**	(718)
At 31 December	**12,772**	12,562

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	
	2022	2021
	RMB'000	*RMB'000*
RMB	**469,659**	513,549
USD	**89,048**	73,340
EUR	**4,986**	–
JPY	**738**	–
	564,431	586,889

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	
	2022	2021
	RMB'000	*RMB'000*
Group 1	**–**	2,361
Group 2	**564,431**	584,528
	564,431	586,889

The Group did not have trade receivables and contract assets dominated in Group 3 for the years ended 31 December 2022 and 2021. None of the trade receivables and contract assets that were fully performing have been re-negotiated 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	
	2022	2021
	RMB'000	*RMB'000*
Prepayment for purchase of raw materials	**937,227**	707,449
Discounted interest for notes receivable	**38,070**	36,065
Value-added tax recoverable	**97,218**	168,972
Export tax refundable	**5,994**	8,865
Deposits and other receivables	**40,816**	29,618
	1,119,325	950,969

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	
	2022	2021
	RMB'000	*RMB'000*
RMB	**35,171**	29,067
USD	**70**	551
	35,241	29,618

16. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

The financial assets at fair value through other comprehensive income comprise:

	As at 31 December	
	2022	2021
	RMB'000	*RMB'000*
Bank acceptance notes	**44,940**	34,753
Commercial acceptance notes	**10,631**	7,330
	55,571	42,083

17. RESTRICTED BANK DEPOSITS

	As at 31 December	
	2022	2021
	RMB'000	*RMB'000*
Restricted bank deposits denominated in:		
– RMB	**1,399,412**	1,074,197
– USD	**3,379**	2,409
	1,402,791	1,076,606

The nature of restricted bank deposits was as follows:

	As at 31 December	
	2022	2021
	RMB'000	*RMB'000*
Deposits for issuing notes payable	**981,564**	948,481
Deposits for issuing letters of credit	**276,793**	104,029
Deposits for purchasing property, plant and equipment under project loan facility	**85,347**	–
Deposits for issuing letters of guarantee	**50,448**	21,013
Deposits for forward foreign exchange	**8,639**	3,083
	1,402,791	1,076,606

As at 31 December 2022, the weighted average interest rate on restricted bank deposits was 1.61% (2021: 1.50%) per annum, and these deposits have an approximate average maturity of 125 days (2021: 162 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.

18. 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	
	2022	2021
	RMB'000	*RMB'000*
RMB	**303,021**	71,673
USD	**78,582**	61,151
EUR	**20,924**	3,674
JPY	**3,153**	137
HKD	**1,176**	4,561
	406,856	141,196

As at 31 December 2022, cash at bank included demand deposits and the weighted average interest rate was 0.20% (2021: 0.20%) per annum.

The maximum exposure to credit risk at the reporting date approximated 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.

19. SHARE CAPITAL

	Issued and fully paid up		
	Number of shares *'000*	*HKD'000*	*RMB'000*
Balance at 1 January 2021 (ordinary shares of HKD0.10 each)	1,245,190	124,519	106,607
– Issue of shares	29,138	2,914	2,418
– Exercise of share options	200	20	16
Balance at 31 December 2021 (ordinary shares of HKD0.10 each)	1,274,528	127,453	109,041
Balance at 1 January 2022 and 31 December 2022 (ordinary shares of HKD0.10 each)	1,274,528	127,453	109,041

	Authorised share capital		
	Number of shares *'000*	*HKD'000*	*RMB'000*
As at 31 December 2021 and 2022 (ordinary shares of HKD0.10 each)	1,500,000	150,000	128,886

As mentioned in Note 10 above, on 28 September 2021, Fortune Express completed the acquisition of Hanwa's 5.1% equity interest in Zhejiang Daming at a consideration of USD3,825,000 (equivalent to approximately RMB24,541,000), which was satisfied by the allotment and issue of 9,138,000 shares, credited as fully paid, by the Company.

In addition, on 29 September 2021, the Company completed a subscription arrangement with Hanwa, pursuant to which, an aggregate of 20,000,000 subscription shares were allotted and issued by the Company to Hanwa, with gross proceeds amounted to HKD65,200,000 (equivalent to approximately RMB54,096,000) received from Hanwa.

20. SHARE-BASED PAYMENTS

(a) Share option schemes

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:

	2022		2021	
	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	**2.364**	**13,300**	2.364	13,500
Forfeited	**2.364**	**(500)**	–	–
Exercised	**–**	**–**	2.364	(200)
At 31 December	**2.364**	**12,800**	2.364	13,300

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)**	
			2022	2021
23 December 2017	22 December 2024	2.364	**5,120**	5,320
23 December 2018	22 December 2024	2.364	**3,840**	3,990
23 December 2019	22 December 2024	2.364	**3,840**	3,990
			12,800	13,300

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.

20. SHARE-BASED PAYMENTS (CONTINUED)

(a) Share option schemes (continued)

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.

No share of the Company's existing ordinary shares have been purchased during the year ended 31 December 2022. As at 31 December 2022, the un-utilised cash balance is HKD3,284,000 (equivalent to RMB2,934,000) (2021: HKD2,359,000 (equivalent to RMB1,929,000)).

Pursuant to a Board of Directors' resolution dated 29 December 2022, 228,000 shares were awarded to an employee.

Movements in the number of shares held for the Share Award Schemes and awarded shares for the year ended 31 December 2022 is as follows:

	Number of shares held for the Share Award Schemes	**Number of awarded shares**	**Total**
At 1 January 2022	17,842,000	–	17,842,000
Granted	(228,000)	228,000	–
At 31 December 2022	17,614,000	228,000	17,842,000
Vested but not transferred as at 31 December 2022			–

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 2022 was HKD1.80 per share (equivalent to approximately RMB1.61 per share).

21. 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 2021	1,000,599	48,611	227,476	15,004	1,561,939	2,853,629
Comprehensive income						
Profit for the year	–	–	–	–	495,044	495,044
Total comprehensive income	–	–	–	–	495,044	495,044
Transaction with owners						
Appropriation to statutory reserves	–	–	56,479	–	(56,479)	–
Acquisition of non-controlling interest *(Note 19)*	23,782	–	–	(784)	–	22,998
Issue of shares *(Note 19)*	52,437	–	–	–	–	52,437
Exercise of share options	370	–	–	–	–	370
Dividends	–	–	–	–	(124,408)	(124,408)
Total transaction with owners	76,589	–	56,479	(784)	(180,887)	(48,603)
Balance at 31 December 2021	1,077,188	48,611	283,955	14,220	1,876,096	3,300,070

21. 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 2022	**1,077,188**	**48,611**	**283,955**	**14,220**	**1,876,096**	**3,300,070**
Comprehensive income						
Loss for the year	–	–	–	–	**(178,302)**	**(178,302)**
Total comprehensive Income	–	–	–	–	**(178,302)**	**(178,302)**
Transaction with owners						
Appropriation to statutory reserves	–	–	**23,539**	–	**(23,539)**	–
Dividends	–	–	–	–	**(65,350)**	**(65,350)**
Total transaction with owners	–	–	**23,539**	–	**(88,889)**	**(65,350)**
Balance at 31 December 2022	**1,077,188**	**48,611**	**307,494**	**14,220**	**1,608,905**	**3,056,418**

(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

For domestic enterprises: In accordance with the Company Law and the Company's Articles of Association, the Company should appropriate 10% of net profit for the year to the statutory surplus reserve, and the Company can cease appropriation when the statutory surplus reserve accumulated to more than 50% of the registered capital. The statutory surplus reserve can be used to make up for the loss or increase the paid-in capital after approval from the appropriate authorities. According to a resolution at the Board of Directors, the Company appropriated 10% of net profit for the years ended 31 December 2022 and 2021 to the statutory surplus reserve.

For foreign investment enterprises: In accordance with the Foreign Investment Law of the People's Republic of China, the Articles of Association of those subsidiaries of the Group and the resolution of the Board of Directors, for the sino-foreign joint venture subsidiaries in the PRC, the appropriation for the reserve fund is 5% of the statutory net profits of the year for the years ended 31 December 2022 and 2021. And for the exclusively foreign-owned subsidiary in the PRC, the appropriation for the reserve fund is 10% of the statutory net profits of the year for the years ended 31 December 2022 and 2021.

(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)).

22. TRADE PAYABLES

	As at 31 December	
	2022	2021
	RMB'000	*RMB'000*
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 (Note 17).

The notes payable as at 31 December 2021 of RMB78,000,000 was secured by restricted bank deposits of approximately RMB78,000,000 (Note 17).

The aging analysis of the trade payables was as follows:

	As at 31 December	
	2022	2021
	RMB'000	*RMB'000*
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
	469,690	459,157

22. TRADE PAYABLES (CONTINUED)

Trade payables were denominated in the following currencies:

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

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

23. ACCRUALS AND OTHER PAYABLES

	As at 31 December	
	2022	2021
	RMB'000	*RMB'000*
Payables for purchase of property, plant and equipment	**154,063**	125,707
Salaries payable	**154,506**	152,277
Pension and other social welfare payables	**116,218**	114,440
Value-added tax payable	**86,423**	55,525
Other taxes payable	**34,321**	27,003
Accruals and others	**143,688**	145,648
	689,219	620,600
Less: non-current portion of Payables for purchase of property, plant and equipment and land use rights	**(14,773)**	(17,747)
	674,446	602,853

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

23. ACCRUALS AND OTHER PAYABLES (CONTINUED)

Accruals and other payables were denominated in the following currencies:

	As at 31 December	
	2022	2021
	RMB'000	*RMB'000*
RMB	**677,117**	608,259
EUR	**12,071**	11,637
USD	**31**	704
	689,219	620,600

24. BORROWINGS

	As at 31 December	
	2022	2021
	RMB'000	*RMB'000*
Non – current		
Bank borrowings	**1,843,690**	1,514,482
Borrowing under finance lease arrangement	**103,763**	59,451
	1,947,453	1,573,933
Current		
Bank borrowings	**4,781,164**	4,138,618
Borrowing under finance lease arrangement	**82,292**	25,825
Other loans	**120,000**	125,000
	4,983,456	4,289,443
Total borrowings	**6,930,909**	5,863,376
Representing:		
Bank borrowings		
– secured *(a)*	**2,745,010**	2,082,491
– guaranteed *(b)*	**20,000**	30,000
– unsecured	**3,859,844**	3,540,609
Finance lease arrangement *(c)*	**186,055**	85,276
Other loans, unsecured *(d)*	**120,000**	125,000
	6,930,909	5,863,376

24. BORROWINGS (CONTINUED)

The Group's borrowings comprised:

(a) The secured bank borrowings arising from discounting of notes payable and letters of credit as at 31 December 2022 amounted to RMB2,011,000,000 (2021: RMB1,693,200,000) and were secured by the pledge of restricted bank deposits amounting to RMB1,254,204,000 (2021: RMB999,350,000) (Note 12, 17).

The secured bank borrowings also included a project loan facility with a banking syndicate obtained by a subsidiary of the Group in February 2021. As at 31 December 2022, the borrowings from the project loan facility amounted to RMB734,010,000 (2021: RMB389,291,000). The loan facility was to finance the construction of a production plant for the manufacturing segment, and was secured by the pledge of the Group's property, plant and equipment with net book value of RMB156,606,000 (2021: RMB165,625,000) (Note 6) and land use rights with net book value of RMB106,237,000 (2021: RMB108,899,000) (Note 7). The related construction in progress shall be pledged within 90 days after the construction in progress meets the mortgage conditions.

(b) As at 31 December 2022, bank borrowings of RMB20,000,000 was guaranteed by a finance leasing company. As at 31 December 2021, bank borrowings of RMB30,000,000 was guaranteed by a subsidiary of the Group and a related party of the Group. The borrowing was fully repaid in year 2022.

(c) Finance lease arrangements are repayable by instalment and carry interest at 5.28% (2021: 5.44% to 7.53%) per annum (Note 6, 12).

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

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

	As at 31 December	
	2022	2021
	RMB'000	*RMB'000*
At fixed rates in RMB	**5,544,430**	4,757,008
At fixed rates in USD	**47,454**	7,618
	5,591,884	4,764,626
At floating rates in RMB	**1,339,025**	1,098,750
	6,930,909	5,863,376

The weighted average effective interest rates per annum at 31 December 2022 was 3.35% (2021: 3.86%) per annum.

24. BORROWINGS (CONTINUED)

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

	Bank borrowings		Borrowings under finance lease arrangement		Other loan	
	2022	2021	**2022**	2021	**2022**	2021
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*	***RMB'000***	*RMB'000*
Within 1 year	**4,781,164**	4,138,618	**82,292**	25,825	**120,000**	125,000
Between 1 and 2 years	**566,444**	1,107,250	**82,940**	59,451	**–**	–
Between 2 and 5 years	**1,038,824**	190,889	**20,823**	–	**–**	–
Over 5 years	**238,422**	216,343	**–**	–	**–**	–
	6,624,854	5,653,100	**186,055**	85,276	**120,000**	125,000

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

25. DEFERRED GOVERNMENT GRANTS

	As at 31 December	
	2022	2021
	RMB'000	*RMB'000*
Deferred government grants	**130,398**	132,764

The movement of the deferred government grants was as follows:

	Year ended 31 December	
	2022	2021
	RMB'000	*RMB'000*
Balance at 1 January	**132,764**	134,160
Granted during the year	**8,124**	8,267
Recognised in the consolidated statement of comprehensive income *(Note 26)*	**(10,490)**	(9,663)
Balance at 31 December	**130,398**	132,764

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 30 years (2021: 10 to 30 years).

26. 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 *(Note 25)*	**10,490**	9,663
Rental income *(Note 8)*	**773**	357
Others	**6,536**	8,785
	47,790	47,337

27. OTHER GAIN/(LOSS) – NET

	Year ended 31 December	
	2022	2021
	RMB'000	*RMB'000*
Losses on disposal of property, plant and equipment - net *(Note 34(b))*	**(477)**	(441)
Foreign exchange gain/(loss) - net	**14,708**	(5,429)
Others	**(3,720)**	(4,682)
	10,511	(10,552)

28. 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 *(Note 29)*	**1,107,825**	1,071,038
Depreciation and amortisation		
– Depreciation of property, plant and equipment *(Note 6)*	**398,629**	392,816
– Depreciation of right-of-use assets *(Note 7)*	**18,777**	18,975
– Amortisation of intangible assets *(Note 9)*	**4,079**	3,326
– Depreciation of investment properties *(Note 8)*	**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 *(Note 13)*	**(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 *(Note 14)*	**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
	50,141,687	45,420,969

29. EMPLOYEE BENEFIT EXPENSES

	Year ended 31 December	
	2022	2021
	RMB'000	*RMB'000*
Salaries, bonus and other welfares	**1,054,407**	992,154
Pension - defined contribution plans *(a)*	**53,418**	78,884
	1,107,825	1,071,038

(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 2021 and 2022, the Group is required to make monthly defined contributions to these plans at rates from 14% to 16%, 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 in Hong Kong, 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 2022, 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 organised by the Company. The Group and its employees are required to make monthly contributions at certain percentages of the employees' earning depending on employees' ranking of position according to the profitability of the Group. 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.

During the year ended 31 December 2022, no forfeited contributions were utilised by the Group to reduce its contributions for the current year (2021: none), leaving none available amount at the year-end to reduce future contributions.

30. FINANCE COSTS – NET

	Year ended 31 December	
	2022	2021
	RMB'000	*RMB'000*
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 *(Note 6)*	**(22,295)**	(12,255)
Total finance costs	**277,849**	266,886
Finance income:		
Interest income *(Note 34(a))*	**(44,519)**	(34,792)
Finance costs - net	**233,330**	232,094

31. 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 *(Note 11)*	**(103,212)**	(9,744)
	(35,564)	201,572

31. INCOME TAX EXPENSE (CONTINUED)

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 Import & Export and Daming Heavy Industry, 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 Import & Export 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 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.

31. 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	
	2022	2021
	RMB'000	*RMB'000*
(Loss)/Profit before income tax	**(194,397)**	729,139
Income tax calculated at tax rates applicable to profits of the respective subsidiaries	**(36,784)**	180,369
Expenses not deductible for tax purpose	**3,592**	6,797
Effect of withholding tax on certain unremitted profits of subsidiaries in Mainland China	**–**	8,000
Withholding tax	**–**	7,000
Extra deductions from research and development expenditures	**(2,524)**	–
Utilisation of tax losses for which no deferred income tax asset was recognised previously	**(364)**	(570)
Tax losses for which no deferred income tax asset was recognized	**3,399**	–
Difference of prior year tax filing and others	**(2,883)**	(24)
Income tax (credit)/expense	**(35,564)**	201,572
The weighted average applicable tax rates	**18.92%**	24.74%

32. 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)*	**(178,302)**	495,044
Weighted average number of ordinary shares in issue *(thousands)*	**1,274,528**	1,235,072
Basic (loss)/earnings per share *(RMB per share)*	**(0.14)**	0.40

32. EARNINGS PER SHARE (CONTINUED)

(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)*	495,044
Weighted average number of ordinary shares in issue *(thousands)*	1,235,072
Adjustments for share option plan *(thousands)*	2,660
Weighted average number of ordinary shares for diluted earnings per share *(thousands)*	1,237,732
Diluted earnings per share *(RMB per share)*	0.40

33. DIVIDENDS

	Year ended 31 December	
	2022	2021
	RMB'000	*RMB'000*
Interim dividend	–	62,239
Proposed final dividend	–	62,523
	–	124,762

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).

34. NOTES TO CONSOLIDATED STATEMENT OF CASH FLOWS

(a) Cash generated from operations

	Year ended 31 December	
	2022	2021
	RMB'000	*RMB'000*
(Loss)/Profit before income tax	**(194,397)**	729,139
Adjustments for:		
– depreciation and amortisation *(Note 28)*	**421,576**	415,356
– amortisation of deferred income *(Note 25)*	**(10,490)**	(9,663)
– losses on disposal of property, plant and equipment *(Note 27)*	**477**	441
– provision for/(reversal of) impairment of trade receivables and contract assets *(Note 14)*	**922**	(667)
– (reversal of provision for)/provision for write-down of inventories *(Note 13)*	**(144,521)**	157,655
– interest income *(Note 30)*	**(44,519)**	(34,792)
– finance costs *(Note 30)*	**271,200**	269,194
– loss on disposal of land use rights	**–**	1,946
	300,248	1,528,609
Changes in working capital:		
– decrease in restricted bank deposits	**14,016**	16,155
– decrease in trade receivables and contract assets, prepayments, deposits and other receivables	**(218,876)**	(323,662)
– increase in contract liabilities	**11,426**	209,809
– decrease/(increase) in inventories	**351,027**	(645,334)
– increase in trade payables, accruals and payables	**185,768**	51,720
Cash generated from operations	**643,609**	837,297

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

(b) Proceeds from disposal of property, plant and equipment:

	Year ended 31 December 2022 RMB'000	2021 RMB'000
Net book amount *(Note 6)*	**2,017**	1,032
Losses on disposal of property, plant and equipment *(Note 27)*	**(477)**	(441)
Proceeds from disposal of property, plant and equipment	**1,540**	591

(c) Reconciliation of liabilities arising from financing activities:

	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 2022	5,863,376	(999,350)	(25,000)	15,622	4,854,648
Cash flows					
– proceeds from borrowings	10,183,681	–	–	–	10,183,681
– repayment of borrowings	(6,629,369)	–	–	–	(6,629,369)
– restricted bank deposits used for repayment of borrowings	(2,488,450)	2,488,450	–	–	–
– restricted bank deposits pledged for bank borrowings	–	(2,870,988)	(7,500)	–	(2,878,488)
– restricted bank deposits collected after repayment of bank borrowings	–	152,684	–	–	152,684
– restricted bank deposits pledged for purchasing property, plant and equipment under project loan facility	–	(85,347)	–	–	(85,347)
– acquisition of leases	–	–	–	5,027	5,027
– payment for leases	–	–	–	(6,084)	(6,084)
Non-cash changes					
– currency translations	1,671	–	–	–	1,671
– reclassification	–	(25,000)	25,000	–	–
As at 31 December 2022	6,930,909	(1,339,551)	(7,500)	14,565	5,598,423

35. COMMITMENTS

Capital commitments

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

	As at 31 December	
	2022	2021
	RMB'000	*RMB'000*
Contracted but not provided for:		
Acquisition of property, plant and equipment	**315,637**	394,610

36. RELATED PARTY TRANSACTIONS

(a) Related parties

The directors are of the view that the following companies and persons are related parties that have transactions or balances with the Group during the year ended 31 December 2022:

Name	**Relationship with the Group**
Ally Good	Ultimate parent company of the Group, beneficially owned by Mr. Zhou Keming and Ms. Xu Xia
Mr. Zhou Keming	Chairman of the Company and the Group
Ms. Xu Xia	Wife of Mr. Zhou Keming and a director of the Company
Wuxi Daming Logistics Co., Ltd. ("Daming Logistics")	The controlling shareholders are Mr. Zhou Keming and Ms. Xu Xia
China Baowu Steel Group Company Limited and its subsidiaries ("China Baowu Group")	A shareholder of the Company

36. RELATED PARTY TRANSACTIONS (CONTINUED)

(b) Transactions with related parties

In addition to the related party transactions disclosed elsewhere in these financial statements, the Group had the following material transactions with its related parties:

		Year ended 31 December	
		2022	2021
		RMB'000	*RMB'000*
(i)	Advances made to a related party		
	Daming Logistics:		
	– Advances to	**35,937**	54,854
	– Repayments from	**(35,937)**	(58,593)
(ii)	Loans from a related party		
	China Baowu Group:		
	– Loans from	**540,000**	605,000
	– Repayments to	**(545,000)**	(540,000)
(iii)	Purchase of steel from a related party		
	China Baowu Group	**15,948,657**	18,264,531
(iv)	Revenue from metal processing services to a related party		
	China Baowu Group	**173,719**	278,016

36. RELATED PARTY TRANSACTIONS (CONTINUED)

(c) Balances with a related party

In addition to the related party balances disclosed elsewhere in these financial statements, the Group had the following balances with its related parties:

	As at 31 December	
	2022	2021
	RMB'000	*RMB'000*
China Baowu Group		
(i) Trade receivables		
– Receivables for providing goods and services	**4,607**	15,107
(ii) Advance receipts from customers		
– Advance receipts from customers for sales of steel	**1,141**	1,866
(iii) Trade payables		
– Payables for purchase of steel	**–**	16,953
(iv) Prepayments		
– Prepayments for purchase of steel	**245,977**	334,441
(v) Borrowings – other loans		
– Loans borrowed from	**120,000**	125,000

The transactions with related parties were conducted based on terms mutually agreed with related parties.

The balances with related parties were unsecured, non-interest bearing and repayable on demand except for loans from a related party which bore interest at an average interest rate of approximately 4.33% (2021: 4.79%) per annum during the year ended 31 December 2022 and repayable according to terms of the loans.

36. RELATED PARTY TRANSACTIONS (CONTINUED)

(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	
	2022	2021
	RMB'000	*RMB'000*
Salaries, bonus and other welfares	**32,897**	14,507
Pension – defined contribution plans	**196**	146
	33,093	14,653

37. BALANCE SHEET AND RESERVE MOVEMENT OF THE COMPANY

Balance sheet of the Company

	As at 31 December	
	2022	2021
	RMB'000	*RMB'000*
ASSETS		
Non-current assets		
Investments in subsidiaries	**942,656**	942,656
Due from subsidiaries	**1,069,044**	993,468
	2,011,700	1,936,124
Current assets		
Prepayment, deposits and other receivables	**184**	–
Cash and cash equivalents	**877**	890
	1,061	890
Total assets	**2,012,761**	1,937,014
EQUITY AND LIABILITIES		
Equity attributable to shareholders of the Company		
Share capital	**109,041**	109,041
Reserves *(Note (a))*	**1,903,104**	1,825,503
Total equity	**2,012,145**	1,934,544
LIABILITIES		
Current liabilities		
Accruals and other payables	**616**	2,470
Total liabilities	**616**	2,470
Total equity and liabilities	**2,012,761**	1,937,014

The balance sheet of the Company was approved by the Board of Directors on 29 March 2023 and were signed on its behalf.

Zhou Keming	**Zou Xiaoping**
Director	*Director*

37. 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*	Accumulated losses *RMB'000*	Total *RMB'000*
Balance at 1 January 2021	1,000,599	921,264	(13,641)	(115,309)	1,792,913
Comprehensive income					
Profit for the year	–	–	–	80,409	80,409
Total comprehensive income	–	–	–	80,409	80,409
Transaction with owners					
Acquisition of non-controlling interest *(Note 21)*	23,782	–	–	–	23,782
Issue of shares *(Note 21)*	52,437	–	–	–	52,437
Exercise of share options *(Note 20(a))*	370	–	–	–	370
Dividends	–	–	–	(124,408)	(124,408)
Total transaction with owners	76,589	–	–	(124,408)	(47,819)
Balance at 31 December 2021	1,077,188	921,264	(13,641)	(159,308)	1,825,503

37. 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 2022	**1,077,188**	**921,264**	**(13,641)**	**(159,308)**	**1,825,503**
Comprehensive income					
Profit for the year	–	–	–	142,951	142,951
Total comprehensive income	–	–	–	142,951	142,951
Transaction with owners					
Dividends	–	–	–	(65,350)	(65,350)
Total transaction with owners	–	–	–	(65,350)	(65,350)
Balance at 31 December 2022	**1,077,188**	**921,264**	**(13,641)**	**(81,707)**	**1,903,104**

(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 shareholders of the Company according to Companies Law of the Cayman Islands subject to solvency test.

38. 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 2022:

Name of director	Fees *RMB'000*	Salaries *RMB'000*	Discretionary bonus *RMB'000*	Shares *RMB'000*	Pension-defined contribution plans *RMB'000*	Other benefits *RMB'000*	Total *RMB'000*
Executive directors							
– Mr. Zhou Keming	308	936	3,500	–	23	16	4,783
– Ms. Xu Xia	308	834	–	–	15	–	1,157
– Mr. Zou Xiaoping	308	882	1,500	–	23	16	2,729
– Mr. Jiang Changhong *(ii)*	308	957	3,000	–	23	13	4,301
– Mr. Fukui Tsutomu *(i)*	154	819	325	–	–	–	1,298
– Mr. Zhang Feng	308	904	3,759	–	26	17	5,014
– Mr. Wang Jian *(i)*	154	842	72	368	23	16	1,475
– Mr. Ni Chen *(i)*	154	842	6,000	–	23	16	7,035
– Mr. Qian Li *(i)*	154	876	1,320	–	23	16	2,389
	2,156	7,892	19,476	368	179	110	30,181
Non-executive directors							
– Mr. Zhu Baomin	–	–	–	–	–	–	–
– Mr. Lu Jian	–	–	–	–	–	–	–
	–	–	–	–	–	–	–
Independent non-executive directors							
– Mr. Cheuk Wa Pang	308	–	–	–	–	–	308
– Mr. Hua Min	308	–	–	–	–	–	308
– Mr. Lu Daming *(iii)*	308	–	–	–	–	–	308
– Mr. Liu Fuxing *(i)*	154	–	–	–	–	–	154
– Mr. Hu Xuefa	308	–	–	–	–	–	308
– Mr. Chen Xin	308	–	–	–	–	–	308
	1,694	–	–	–	–	–	1,694
	3,850	7,892	19,476	368	179	110	31,875

(i) Pursuant to a board resoluation dated 10 June 2022 and with effect from 30 June 2022, Mr. Fukui Tsutomu and Mr. Wang Jian resigned as executive directors of the Company, Mr. Liu Fuxing has been resigned as an independent non-executive director of the Company, Mr. Qian Li and Mr. Ni Chen were appointed as executive directors of the Company.

(ii) Pursuant to a board resoluation dated 23 December 2022 and with effect from 31 December 2022, Mr. Jiang Changhong resigned as an executive director and chief executive officer of the Company.

(iii) Pursuant to a board resoluation dated 29 March 2023 and with immediate effect, Mr. Lu Daming resigned as an independent non-executive director of the Company.

38. BENEFITS AND INTERESTS OF DIRECTORS (CONTINUED)

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

For the year ended 31 December 2021

Name of director	Fees *RMB'000*	Salaries *RMB'000*	Discretionary bonus *RMB'000*	Pension-defined contribution plans *RMB'000*	Other benefits *RMB'000*	Total *RMB'000*
Executive directors						
– Mr. Zhou Keming	299	920	120	23	16	1,378
– Ms. Xu Xia	299	809	200	15	–	1,323
– Mr. Zou Xiaoping	299	940	120	23	16	1,398
– Mr. Jiang Changhong	299	893	120	23	13	1,348
– Mr. Fukui Tsutomu	299	875	355	–	–	1,529
– Mr. Zhang Feng	299	848	2,240	23	16	3,426
– Mr. Wang Jian	299	899	286	23	16	1,523
	2,093	6,184	3,441	130	77	11,925
Non-executive directors						
– Mr. Lin Changchun *(i)*	–	–	–	–	–	–
– Mr. Zhu Baomin *(i)*	–	–	–	–	–	–
– Mr. Lu Jian	–	–	–	–	–	–
	–	–	–	–	–	–
Independent non-executive directors						
– Mr. Cheuk Wa Pang	299	–	–	–	–	299
– Mr. Hua Min	299	–	–	–	–	299
– Mr. Lu Daming	299	–	–	–	–	299
– Mr. Liu Fuxing	299	–	–	–	–	299
– Mr. Hu Xuefa	299	–	–	–	–	299
– Mr. Chen Xin *(ii)*	12	–	–	–	–	12
	1,507	–	–	–	–	1,507
	3,600	6,184	3,441	130	77	13,432

(i) Pursuant to a board resoluation dated 10 June 2021 and with immediate effect, Mr. Lin Changchun resigned as an non-executive director of the Company and Mr. Zhu Baomin was appointed as an non-executive director of the Company.

(ii) Pursuant to a board resoluation dated 15 December 2021 and with immediate effect, Mr. Chen Xin was appointed as an independent non-executive director of the Company.

Other benefits to the directors included social welfare benefits other than pension disclosed above.

No directors of the Company waived any emolument for the years ended 31 December 2022 and 2021.

38. BENEFITS AND INTERESTS OF DIRECTORS (CONTINUED)

(b) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group include 5 (2021: 5) directors, whose emoluments are reflected in the analysis presented above.

For the years ended 31 December 2022 and 2021, 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

Save as disclosed in Note 36, 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.

FINANCIAL SUMMARY

	For the year ended 31 December				
	2022	2021	2020	2019	2018
	RMB'000	*RMB'000*	RMB'000	*RMB'000*	*RMB'000*
RESULTS					
Revenue	**50,122,319**	46,345,417	35,133,102	35,508,734	32,135,276
Gross profit	**908,633**	1,827,209	1,433,802	1,091,947	866,808
Operating profit	**38,933**	961,233	709,787	487,302	404,038
(Loss)/Profit for the year	**(158,833)**	527,567	385,811	195,574	132,664
Attributable to:					
Shareholders of the Company	**(178,302)**	495,044	347,979	177,536	109,557
Non-controlling interests	**19,469**	32,523	37,832	18,038	23,107
	(158,833)	527,567	385,811	195,574	132,664
ASSETS, LIABILITIES AND EQUITY					
Total assets	**12,778,027**	11,958,434	10,769,366	10,270,397	10,161,911
Total liabilities	**(9,273,342)**	(8,209,041)	(7,453,405)	(7,336,237)	(7,309,309)
	3,504,685	3,749,393	3,315,961	2,934,160	2,852,602
Equity attributable to shareholders of the Company	**3,165,459**	3,409,111	2,960,236	2,607,317	2,493,627
Non-controlling interests	**339,226**	340,282	355,725	326,843	358,975
Total equity	**3,504,685**	3,749,393	3,315,961	2,934,160	2,852,602