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DA MING INTERNATIONAL HOLDINGS LIMITED

大明國際控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 1090)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2021

FINANCIAL HIGHLIGHTS			
	Year ended 31 December		
	2021	2020	
	RMB'000	RMB'000	% change
Revenue	46,345,417	35,133,102	+31.9%
Gross profit	1,827,209	1,433,802	+27.4%
Profit and total comprehensive income for the year	527,567	385,811	+36.7%
OPERATING HIGHLIGHTS			
	Year ended 31 December		
	2021	2020	% change
Stainless steel			
Sales volume (tonnes)	1,830,621	1,921,269	-4.7%
Processing volume (tonnes)	2,856,619	2,794,340	+2.2%
Processing multiple (note)	1.56	1.45	
Carbon steel			
Sales volume (tonnes)	3,122,930	2,669,134	+17.0%
Processing volume (tonnes)	3,606,493	3,131,781	+15.2%
Processing multiple (note)	1.15	1.17	
Note:	Processing multiple = Processing volume/Sales volume		

FINAL RESULTS

The board of directors (the “Board”) of Da Ming International Holdings Limited (the “Company”) is pleased to announce the audited consolidated results of the Company and its subsidiaries (collectively, the “Group”) for the year ended 31 December 2021 together with comparative figures for the year ended 31 December 2020, as follows:

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2021

		Year ended 31 December	
		2021	2020
	Note	RMB'000	RMB'000
Revenue	2	46,345,417	35,133,102
Cost of sales	3	(44,518,208)	(33,699,300)
Gross profit		1,827,209	1,433,802
Other income	4	47,337	49,246
Other expenses	3	(990)	(303)
Other loss – net	5	(10,552)	(15,475)
Distribution costs	3	(467,060)	(382,161)
Administrative expenses	3	(434,711)	(375,322)
Operating profit		961,233	709,787
Finance income	6	34,792	31,625
Finance costs	6	(266,886)	(215,434)
Finance costs – net	6	(232,094)	(183,809)
Profit before income tax		729,139	525,978
Income tax expense	7	(201,572)	(140,167)
Profit and total comprehensive income for the year		527,567	385,811
Attributable to:			
Equity holders of the Company		495,044	347,979
Non-controlling interests		32,523	37,832
		527,567	385,811
Earnings per share for profit attributable to equity holders of the Company during the year			
(expressed in RMB per share)			
– Basic earnings per share	8	0.40	0.28
– Diluted earnings per share	8	0.40	0.28

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2021

		As at 31 December	
		2021	2020
	<i>Note</i>	RMB'000	RMB'000
ASSETS			
Non-current assets			
Property, plant and equipment		4,805,389	4,693,561
Right-of-use assets		546,500	509,231
Investment properties		1,724	3,831
Intangible assets		21,031	20,282
Deferred income tax assets		37,190	14,497
Trade receivables and contract assets	10	41,677	25,354
Other non-current assets		36,475	37,612
		<u>5,489,986</u>	<u>5,304,368</u>
Current assets			
Inventories		3,724,944	3,237,265
Trade receivables and contract assets	10	532,650	451,661
Prepayments, deposits and other receivables		950,969	785,461
Financial assets at fair value through other comprehensive income		42,083	–
Restricted bank deposits		1,076,606	887,422
Cash and cash equivalents		141,196	103,189
		<u>6,468,448</u>	<u>5,464,998</u>
Total assets		<u>11,958,434</u>	<u>10,769,366</u>
EQUITY			
Equity attributable to equity holders of the Company			
Share capital		109,041	106,607
Reserves		3,300,070	2,853,629
		<u>3,409,111</u>	<u>2,960,236</u>
Non-controlling interests		<u>340,282</u>	<u>355,725</u>
Total equity		<u>3,749,393</u>	<u>3,315,961</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (Continued)

As at 31 December 2021

		As at 31 December	
	<i>Note</i>	2021	2020
		RMB'000	RMB'000
LIABILITIES			
Non-current liabilities			
Borrowings		1,573,933	964,188
Deferred government grants		132,764	134,160
Deferred income tax liabilities		33,549	27,600
Lease liabilities		9,867	–
Long-term payables		17,747	14,912
		<u>1,767,860</u>	<u>1,140,860</u>
Current liabilities			
Trade payables	11	459,157	568,081
Accruals and other current liabilities		602,853	544,799
Contract liabilities		930,149	720,340
Current income tax liabilities		125,824	73,352
Borrowings		4,289,443	4,394,387
Lease liabilities		5,755	4,386
Dividends payable		28,000	7,200
		<u>6,441,181</u>	<u>6,312,545</u>
Total liabilities		<u><u>8,209,041</u></u>	<u><u>7,453,405</u></u>
Total equity and liabilities		<u><u>11,958,434</u></u>	<u><u>10,769,366</u></u>

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2021

	Attributable to equity holders of the Company		Non-controlling interests	Total equity
	Share capital <i>RMB'000</i>	Reserves <i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Balance at 1 January 2020	106,607	2,500,710	326,843	2,934,160
Comprehensive income				
Profit for the year	–	347,979	37,832	385,811
Total comprehensive income for the year ended 31 December 2020	–	347,979	37,832	385,811
Transactions with owners				
Share award scheme				
– value of employee services	–	8,235	–	8,235
Shares held for share award scheme	–	(3,295)	–	(3,295)
Dividends	–	–	(8,950)	(8,950)
Total transactions with owners	–	4,940	(8,950)	(4,010)
Balance at 31 December 2020	106,607	2,853,629	355,725	3,315,961
Balance at 1 January 2021	106,607	2,853,629	355,725	3,315,961
Comprehensive income				
Profit for the year	–	495,044	32,523	527,567
Total comprehensive income for the year ended 31 December 2021	–	495,044	32,523	527,567
Transactions with owners				
Acquisition of non-controlling interest	759	22,998	(23,757)	–
Issue of shares	1,659	52,437	–	54,096
Exercise of share options	16	370	–	386
Capital injection by 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

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2021

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Cash flows from operating activities	436,237	340,971
Cash flows from investing activities	(644,813)	(567,266)
Cash flows from financing activities	248,891	171,692
Net increase/(decrease) in cash and cash equivalents	40,315	(54,603)
Cash and cash equivalents at beginning of year	103,189	161,807
Exchange loss on cash and cash equivalents	(2,308)	(4,015)
Cash and cash equivalents at end of year	141,196	103,189

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

1. Basis of preparation

The consolidated financial statements of the Group have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRS”) and requirements of the Hong Kong Companies Ordinance Cap. 622. The consolidated financial statements have been prepared under the historical cost convention, except for certain financial assets and liabilities which are measured at fair value.

Going concern

As at 31 December 2021, the Group had cash balance of RMB141,196,000, net working capital of RMB27,267,000 and current liabilities of RMB6,441,181,000. 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 borrowing with contract 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’s credit history and property, plant and equipment which are free of pledge or restriction and would be available to secure further financing when necessary.

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

Changes in accounting policies and disclosures

(a) New and amended standards adopted by the Group

A number of new or amended standards became applicable for the current reporting period commencing 1 January 2021. 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
HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16 (Amendments)	Interest Rate Benchmark Reform	1 January 2021

- (b) Certain new accounting standards, amendments to accounting standards and interpretations have been published that are not mandatory for 31 December 2021 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 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
Annual Improvements to HKFRS Standards 2018–2020		1 January 2022
HKAS 1 (Amendments)	Classification of Liabilities as Current or Non-current	1 January 2023
HKFRS 17	Insurance Contracts	1 January 2023
AG 5 (Revised)	Revised Accounting Guideline 5 Merger Accounting for Common Control Combinations	1 January 2022
HK Int 5 (2020)	Hong Kong Interpretation 5 (2020) Presentation of Financial Statements-Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause	1 January 2023
HKAS 1 and HKFRS Practice Statement 2 (Amendments)	Disclosure of Accounting Policies	1 January 2023
HKFRS 8 (Amendments)	Definition of Accounting Estimates	1 January 2023
HKAS 12 (Amendments)	Deferred Tax related to Assets and Liabilities arising from a Single Transaction	1 January 2023

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.

Changes in accounting estimates

During the year ended 31 December 2021, the management of the Group has reviewed and revised the useful lives of certain categories of property, plant and equipment because higher production volume contributed to higher utilisation which result in the reduction of the useful lives. The revised useful lives are as follows:

	Effective from 1 January 2021	Before 31 December 2020
Buildings and plant	20-30 years	20-40 years
Machinery	10-20 years	10-25 years

The change in accounting estimates on the useful lives of certain categories of property, plant and equipment effected from 1 January 2021, and is applied prospectively. Accordingly, the depreciation charge increased by approximately RMB98,555,000 for the year ended 31 December 2021 and is expected to increase by approximately RMB81,436,000 for the subsequent financial year.

2. Revenue

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

	Year ended 31 December	
	2021	2020
	RMB'000	RMB'000
– Mainland China,	44,899,089	34,247,480
– Hong Kong and other overseas countries and regions ⁽ⁱ⁾	1,446,328	885,622
Total sales	46,345,417	35,133,102

(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 2021 and 2020. All revenues are derived from external customers.

	Year ended 31 December	
	2021	2020
	RMB'000	RMB'000
Processing services of metal materials	43,524,072	32,873,554
High-end equipment manufacturing services	1,437,843	1,359,722
Components manufacturing services	1,383,502	899,826
	46,345,417	35,133,102

The segment results for the year ended 31 December 2021:

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

The segment results for the year ended 31 December 2020:

	Processing <i>RMB'000</i>	Manufacturing <i>RMB'000</i>	Elimination <i>RMB'000</i>	Total <i>RMB'000</i>
Segment revenue	34,338,331	1,463,051	(668,280)	35,133,102
– including external customers	33,773,380	1,359,722	–	35,133,102
internal customers	<u>564,951</u>	<u>103,329</u>	<u>(668,280)</u>	<u>–</u>
Segment results	582,973	98,095	(4,749)	676,319
– including depreciation and amortisation	<u>197,340</u>	<u>73,768</u>	<u>–</u>	<u>271,108</u>
Other income and expenses				48,943
Other loss – net				(15,475)
Finance costs – net				<u>(183,809)</u>
Profit before income tax				525,978
Income tax expense				<u>(140,167)</u>
Profit for the year				<u><u>385,811</u></u>

3. Expenses by nature

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

	Year ended 31 December	
	2021	2020
	RMB'000	RMB'000
Changes in inventories of finished goods	(208,692)	(208,603)
Raw materials consumed	43,313,819	32,992,193
Outsourced processing cost	137,052	97,985
Stamp duty, property tax and other surcharges	46,090	39,443
Transportation costs	232,741	201,413
Employee benefit expenses, including directors' emoluments	1,071,038	870,550
Depreciation and amortisation	415,356	271,108
Operating lease rental for buildings and equipments	1,524	1,400
Utilities charges	69,246	64,821
Provision for/(reversal of provision for) write-down of inventories	157,655	(11,476)
Auditors' remuneration		
– Audit services	3,400	3,300
– Non-audit services	177	182
(Reversal of)/provision for impairment of trade receivables and contract assets	(667)	5,856
Entertainment and travelling expenses	74,606	48,136
Other professional services	13,411	8,599
Bank charges	23,592	22,628
Others	70,621	49,551
	<u>45,420,969</u>	<u>34,457,086</u>

4. Other income

	Year ended 31 December	
	2021	2020
	RMB'000	RMB'000
Sales of scraps and packaging materials	13,112	13,192
Subsidy income	15,420	14,024
Amortisation of deferred government grants	9,663	8,990
Rental income	357	357
Others	8,785	12,683
	<u>47,337</u>	<u>49,246</u>

5. Other loss – net

	Year ended 31 December	
	2021	2020
	<i>RMB'000</i>	<i>RMB'000</i>
Losses on disposal of property, plant and equipment – net	(441)	(246)
Foreign exchange loss – net	(5,429)	(12,742)
Others	(4,682)	(2,487)
	<u>(10,552)</u>	<u>(15,475)</u>

6. Finance costs – net

	Year ended 31 December	
	2021	2020
	<i>RMB'000</i>	<i>RMB'000</i>
Finance costs:		
Interest expenses on borrowings	185,400	159,003
Interest expenses on bank/commercial acceptance notes and letters of credit	99,121	86,024
Exchange gain – net	(5,380)	(12,790)
	<u>279,141</u>	<u>232,237</u>
Less: amounts capitalised on qualifying assets	(12,255)	(16,803)
Total finance costs	266,886	215,434
Finance income:		
Interest income	(34,792)	(31,625)
Finance costs – net	<u>232,094</u>	<u>183,809</u>

7. Income tax expense

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

	Year ended 31 December	
	2021	2020
	<i>RMB'000</i>	<i>RMB'000</i>
Current income tax		
– mainland China corporate income tax	211,316	89,772
Deferred income tax	(9,744)	50,395
	<u>201,572</u>	<u>140,167</u>

The Company was incorporated in the Cayman Islands as an exempted company with limited liability under the Companies Law, Cap. 22 (Law 3 of 1961, as consolidated and revised) of Cayman Islands and, accordingly, 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% (2020: 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 Daming Heavy Industry, are subjected to corporate income tax rate of 25% (2020: 25%) for the year 2021.

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% (2020: 15%) for the year ended 31 December 2021.

8. Earnings per share

(a) Basic

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

	Year ended 31 December	
	2021	2020
Profit attributable to equity holders of the Company (RMB'000)	<u>495,044</u>	<u>347,979</u>
Weighted average number of ordinary shares in issue (thousands)	<u>1,235,072</u>	<u>1,225,360</u>
Basic earnings per share (RMB per share)	<u>0.40</u>	<u>0.28</u>

(b) Diluted

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

	Year ended 31 December	
	2021	2020
Earnings		
Profit attributable to equity holders of the Company (RMB'000)	<u>495,044</u>	<u>347,979</u>
Weighted average number of ordinary shares in issue (thousands)	<u>1,235,072</u>	<u>1,225,360</u>
Adjustments for share option plan (thousands)	<u>2,660</u>	<u>8</u>
Weighted average number of ordinary shares for diluted earnings per share (thousands)	<u>1,237,732</u>	<u>1,225,368</u>
Diluted earnings per share (RMB per share)	<u>0.40</u>	<u>0.28</u>

9. Dividends

	As at 31 December	
	2021	2020
	<i>RMB'000</i>	<i>RMB'000</i>
Interim dividend	62,239	–
Proposed final dividend	62,523	62,880
	<u>124,762</u>	<u>62,880</u>

On 18 August 2021, the Company's board of directors recommended payment of an interim dividend of HKD0.06 per share (2020: None).

On the board meeting of the Company held on 28 March 2022, the board of directors recommend a final dividend in respect of the year ended 31 December 2021 of HKD0.06 per share (2020: HKD0.06 per share). The dividend payable was not recognised on the Group's consolidated statement of financial position as at 31 December 2021 since the proposed final dividend will be subject to shareholders' approval at the upcoming annual general meeting of the Company.

The dividends paid in 2021 amounted to HKD149,422,800 (equivalent to approximately RMB124,408,000) (2020: none), representing the final dividend for 2020 and the interim dividend in 2021 based on the number of issued shares outstanding at relevant time.

10. Trade receivables and contract assets

	As at 31 December					
	2021			2020		
	Current	Non-current	Total	Current	Non-current	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Contract assets	22,158	42,013	64,171	40,770	25,482	66,252
Accounts receivable	518,117	–	518,117	400,263	–	400,263
Notes receivable						
– bank acceptance notes	2,361	–	2,361	16,152	–	16,152
– commercial acceptance notes	2,240	–	2,240	8,295	–	8,295
	<u>544,876</u>	<u>42,013</u>	<u>586,889</u>	<u>465,480</u>	<u>25,482</u>	<u>490,962</u>
Less: provision for impairment	<u>(12,226)</u>	<u>(336)</u>	<u>(12,562)</u>	<u>(13,819)</u>	<u>(128)</u>	<u>(13,947)</u>
	<u>532,650</u>	<u>41,677</u>	<u>574,327</u>	<u>451,661</u>	<u>25,354</u>	<u>477,015</u>

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

As at 31 December 2021, notes receivable of RMB4,601,000 (2020: RMB6,607,000) were pledged as security for letters of guarantee.

The majority of the Group's sales are made on (i) cash on delivery, (ii) bank or commercial acceptance notes with maturity within 1 year, and (iii) credit terms within 180 days. As at 31 December 2021 and 2020, the aging analysis of trade receivables was as follows:

	As at 31 December	
	2021	2020
	<i>RMB'000</i>	<i>RMB'000</i>
Accounts receivable		
– within 30 days	248,024	208,613
– 30 days to 3 months	104,573	92,786
– 3 months to 6 months	77,215	46,161
– 6 months to 1 year	76,672	39,547
– 1 year to 2 years	10,973	12,778
– over 2 years	660	378
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	518,117	400,263
Notes receivable		
– within 1 year	4,601	24,447
	<hr/>	<hr/>
	522,718	424,710
	<hr/> <hr/>	<hr/> <hr/>

11. Trade payables

	As at 31 December	
	2021	2020
	<i>RMB'000</i>	<i>RMB'000</i>
Accounts payable	341,157	480,581
Notes payable	118,000	87,500
	<hr/>	<hr/>
	459,157	568,081
	<hr/> <hr/>	<hr/> <hr/>

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

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

The aging analysis of the trade payables was as follows:

	As at 31 December	
	2021	2020
	<i>RMB'000</i>	<i>RMB'000</i>
Within 6 months	449,249	549,899
6 months to 1 year	4,188	17,675
1 year to 2 years	5,605	459
More than 2 years	115	48
	<u>459,157</u>	<u>568,081</u>

Trade payables are denominated in the following currencies:

	As at 31 December	
	2021	2020
	<i>RMB'000</i>	<i>RMB'000</i>
RMB	393,478	497,956
USD	29,113	22,566
EUR	33,623	43,445
JPY	2,943	4,114
	<u>459,157</u>	<u>568,081</u>

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

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

In 2021, Da Ming fostered collaboration with upstream and downstream partners by various means such as entering into strategic agreements and organising exchange meetings, these events consolidated cooperative relationships and strengthened linkages between the parties, and hence promoted our common progress.

1. Issuance of new shares to Hanwa Co., Ltd.

On 30 August 2021, the Group entered into the sale and purchase agreement with Hanwa Co., Ltd. (“Hanwa”), pursuant to which the Group has conditionally agreed to acquire, and Hanwa has conditionally agreed to sell, 5.1% equity interest in Zhejiang Daming Hanwa Metal Technology Company Limited at a consideration of US\$3,825,000, which shall be satisfied by the allotment and issue of 9,138,000 shares, credited as fully paid, by the Company.

On 30 August 2021, the Company entered into the subscription agreement with Hanwa, pursuant to which Hanwa conditionally agreed to subscribe for, and the Company conditionally agreed to allot and issue, 20,000,000 shares at the subscription price of HK\$3.26 per share for an aggregate amount of HK\$65,200,000. The subscription price payable by Hanwa shall be settled by cash.

The sale and purchase agreement was completed on 28 September 2021 and the subscription agreement was completed on 29 September 2021. An aggregate of 29,138,000 shares of the Company was issued to Hanwa representing approximately 2.29% of the issued share capital of the Company.

The net proceeds of the subscription was approximately HK\$64,600,000 which had been fully applied as general working capital of the Group.

Details of the sale and purchase agreement and the subscription agreement were disclosed in the announcements of the Company dated 30 August 2021 and 29 September 2021.

2. Strategic agreement with Sany Group

The Company signed a strategic agreement with Sany Group on 5 June 2021.

With the aim to achieve “long-term cooperation and mutual benefit”, the two companies will carry out multi-faceted and in-depth cooperation in various areas, such as steel material processing, parts provision and manufacturing support, product research and development, technology innovation, resource integration, capital cooperation, IT development and intelligent manufacturing. Working as strategic partners in the industry chain, the solid alliance between Sany Group, a Fortune Global 500 company, and Da Ming International, one of the “Top 500 Chinese Manufacturing Enterprises” (中國製造業500強), will establish, foster and share efficiency improvements and appreciation in the value of the steel supply chain, and join hands to promote the quality upgrade of the construction and machinery industry.

Processing centres

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

Business highlights

- 1. Zijin Mining Group's Tibet Julong Copper, the copper mining project with the largest scale in China, was put into production, for which Da Ming joined hands with Metso Outotec to provide service**

Zijin Mining Group's Tibet Julong Copper, the world-class copper mining project with the largest scale in China, was established and put into production. The opening ceremony was held at the concentrator plant of Tibet Julong.

Upon completion of the phase I project, the annual copper output of Julong Copper could reach approximately 160,000 tonnes. In this project, Metso Outotec provided key process equipment such as crushers, mills and flotation machines for Julong Copper's concentrator plant. As a strategic partner, Da Ming supported Metso Outotec for the provision of mills, under such alliance the ball mills, vertical mills and other products provided were well-received.

- 2. The OBI project for hydrometallurgical processing of Indonesian laterite-nickel ore has achieved an output of over 10,000 tonnes**

The project is invested by Ningbo Lygend Resources (a leading enterprise in China's nickel industry) for hydrometallurgical processing of Indonesian laterite-nickel ore ("OBI Project"), in which China Enfei provided technical services and core equipment while Da Ming provided processing service for the large-scaled tank materials. Since the commencement in 2018, the project has achieved an output of over 10,000 tonnes in less than three years, establishing an astonishing Chinese model that amazed the global nickel and cobalt industry.

- 3. Daming Heavy Industry ensured prompt delivery of GEM's mining tank for Indonesian laterite-nickel ore**

In mid-December, the products of GEM's Indonesian laterite-nickel ore hydrometallurgical tank prefabrication project jointly completed by the process equipment branch of Daming Heavy Industry Group and Daming Jingjiang Processing Centre were successfully shipped to Yantai Port. GEM is a world-renowned nickel and cobalt smelter and a model enterprise in the hydrometallurgy industry. In this project, the total weight of the products manufactured with Daming Heavy Industry amounted to approximately 3,500 tonnes, of which over 2,600 tonnes are made of S230403 stainless steel. Having undergone various processes, including raw material feeding, edge milling, rounding, pressing and pre-packing, the products had given full play to Daming Heavy Industry's edge with its material quality and world-class machining equipment.

4. Stabilising energy supply, Da Ming successfully assembled key components for Zhengzhou Coal Mining's coal mining equipment

For over 10 consecutive years, the major economic indicators of the ZMJ Group's coal mining machinery sector have ranked top within the trade, with domestic market share maintained at 30% and above. Following the key components such as excavator arms provided for ZMJ in previous periods, Daming Heavy Industry has also undertaken processing service for the traction motor parts of their coal mining machine. The axial flux motor, a power component of the coal mining machine in this project, is made of high-strength steel materials which require strict quality control in welding while precise pre-heating is indispensable in the processing of thick plates to avoid cracks. Apart from such specifications, the customer has very stringent requirements on machining accuracy.

5. Providing quality service, the super-sized concentrator equipment manufactured by Daming Heavy Industry for Metso Outotec has been shipped to FMG in Australia

The super-sized concentrator equipment manufactured by Daming Heavy Industry for Metso Outotec has been successfully shipped to the Australian developer FMG, one of the four largest mining companies in the world. The product will be applied to high-grade magnetite concentrate with an annual output of 22,000,000 tonnes. The equipment, designed by Metso Outotec, could reach a maximum diameter of 15 metres and a height of 18 metres. The optimised design with a fully bolted connection is valued for its lightness as the thinness of the plates and its tendency to deform inevitably presented challenges to our production process.

6. The sixth batch of units of Baihetan Hydropower Station has officially connected to the grid, with Da Ming providing processing service for yoke steel as a key component of the hydro generator set

Baihetan Hydropower Station, the world's second-largest hydropower station with a unit capacity of 1 GW, of which unit no. 4 was officially connected to the grid. Being the world's largest pumped-storage hydropower station under construction with the highest technical difficulty, it is also the only station with a unit capacity of 1 GW in the world and the second-largest station in terms of installed capacity. The rotor yoke part of the hydro generator set is the core component of Baihetan Hydropower Station, for which TISCO and Daming Taiyuan Processing Centre were responsible for providing materials and processing service of yoke steel, respectively.

7. The rotating device manufactured by Da Ming was successfully launched at the Suez Canal Bridge in Egypt with a load of 14,000 tonnes

The rotating device manufactured by Daming Heavy Industry for the world's largest bascule steel truss railway bridge was successfully launched at the Suez Canal Bridge in Egypt under load. Daming Heavy Industry was responsible for the rotating and locking device, which is a key component and a large structural element of the steel bascule railway bridge. The main components of this rotating device consist of upper, middle and lower bearings. The weight of each bearing reaches 300 tonnes and the diameter of the processed part reaches 18 metres, making it the heaviest and largest workpiece with the highest technical difficulty ever processed by Da Ming.

8. The PV power Unit 1 supported by Da Ming for the 950MW photo-thermal and photovoltaic power station project in Dubai has first connected to the grid

On 8 November, the PV power Unit 1 of the 700MW photo-thermal and 250MW photovoltaic power station project in Dubai was successfully connected to the grid for the first time. The grid-connected capacity of the project reached 70MW while each parameter was maintained at normal level and all receiving devices were in smooth operation. Shanghai Electric Power Generation Group, a global leader in the high-end photo-thermal sector of the new energy construction market, acted as the main contractor in the project. Da Ming and Baosteel also supported the development of the project and were responsible for providing materials and processing services. During the period, the two parties joined hands to achieve complementarity of edge and strict control of both quality and progress with rapid response and efficiency.

9. The wedge bracket project for the world's largest and China's first offshore wind turbine installation vessel N966 has been successfully delivered

The wedge bracket (gearbox) for the world's largest offshore wind turbine installation vessel has been successfully delivered by Da Ming for COSCO (Qidong) Offshore Co., Ltd, marking Da Ming's successful entry into the field of manufacturing large-scale mechanical components for offshore wind turbine installation vessels.

10. Daming Heavy Industry has successfully exported chlor-alkali equipment to Saudi Arabia

Daming Heavy Industry has successfully implemented Chengda Engineering's InoChem chlor-alkali project and commenced the first shipment. In the project, the manufacture of 60 units of equipment, with a diameter up to 6,000 mm and a length up to 22,200 mm, was undertaken by Daming Heavy Industry. Under the tight schedule of the entire project, Daming Heavy Industry collaborated closely with its fellow subsidiaries, in which the steel structure parts were processed by Daming Precision, and Daming Technology was responsible for various processes such as cutting and edge milling of the materials, planning and detailing of the drawings.

11. Daming Heavy Industry shipped the pulping machine with the largest diameter in the world as scheduled

Being the tenth cooperation project between Da Ming and Valmet, the Valmet Kemi project is a pulp and paper project with the largest investment scale in the world and consists of the pulping machine with the largest diameter in the world, the products of which have been shipped to Finland in Northern Europe as scheduled.

The dual-phase steel equipment is also by far the pulping equipment with the largest diameter in the world, of which the diameter is up to 13.8 meters, and 1,200 tonnes of European standard dual-phase steel material was applied. Being the tenth cooperation project with Valmet, this batch of equipment will be shipped to Finland in Northern Europe, which marks the export of equipment by Daming Heavy Industry to Europe in a real sense for the first time. The equipment strictly meets the PED standards of the European Union, and the design and manufacturing of which were completed by applying EN dual-phase steel materials and EN design standards. The PED standards regarding raw materials, design, process, manufacturing and other aspects were followed to meet the strict control requirements.

12. Daming Heavy Industry supported Toshiba's tube sheet processing project

Daming Heavy Industry provided services for Toshiba's tube sheet processing project. After nearly three years of effort, Daming Heavy Industry successfully developed Toshiba's tube sheet processing project with Hanwa Co., Ltd. in 2021, marking the first achievement of such alliance. For the first batch of the products, 6 pieces of tube plate were processed, involving processing procedures and sessions such as inspection, cutting and feeding of material, overlay welding of the tube plate surface, crack detection, heat treating, sandblasting, drilling, quality inspection as well as packaging and delivery. With specifications such as an aperture diameter of ± 0.05 mm, an overlay welding thickness of ± 0.2 mm and a processing thickness of 500 mm, the processing accuracy requirements of the products are much more stringent than those of similar products from China.

13. Daming Precision's battery tank products have been shipped in bulk for an overseas new energy project

More than 100 sets of battery tank processed by Daming Precision for an overseas new energy project were inspected and approved by the customer, and the first batch was shipped smoothly.

This time, Daming Precision contracted to process more than 500 sets of battery tank product applying 1.5 mm-thick carbon steel material, of which the processing sessions included digital-control punching, bending, pressure riveting, welding, spraying, screen printing, packaging, etc. In the early stage, Daming Precision also conducted sample testing to ensure strict inspection, and hence the quality of the products was well-received by the customer.

Operating results

The Group recorded a net profit of approximately RMB527.6 million for the year ended 31 December 2021 representing an increase of approximately 36.7% as compared with the net profit of approximately RMB385.8 million for the year ended 31 December 2020.

The annual sales volume of our stainless steel processing business decreased from approximately 1,921,000 tonnes for the year ended 31 December 2020 to approximately 1,831,000 tonnes for the year ended 31 December 2021 representing a decrease of approximately 4.7% while the processing volume increased from approximately 2,794,000 tonnes for the year ended 31 December 2020 to approximately 2,857,000 tonnes for the year ended 31 December 2021 representing an increase of approximately 2.2%.

The annual sales volume of our carbon steel processing business increased from approximately 2,669,000 tonnes for the year ended 31 December 2020 to approximately 3,123,000 tonnes for the year ended 31 December 2021 representing an increase of approximately 17% while the annual processing volume increased from approximately 3,132,000 tonnes for the year ended 31 December 2020 to approximately 3,606,000 tonnes for the year ended 31 December 2021 representing an increase of approximately 15.2%.

FUTURE DEVELOPMENT

In the coming year, we will continue to diversify and improve our service network, enhance our processing capabilities by investing in advanced automation equipment, and further optimise production efficiency by digitising and intellectualising our existing production equipment. We will also continue to deepen strategic cooperation with upstream steel manufacturers and downstream customers with leading position in the areas of supply continuity of resources, material application technology, development and services for key projects in related industries, information technology and supply chain services, in order to jointly explore markets and achieve mutual benefits. With an aim to carry out the related businesses, we will establish specialised companies equipped with engineering services, automation services and information technology respectively. Our stainless steel processing service will continue to provide a stable source of income, while there will also be outstanding development potential for our carbon steel processing service. Following the expansion of our in-depth processing business for stainless steel and carbon steel and the diversification of major engineering projects, our components and high-end manufacturing businesses will also continue to grow rapidly.

FINANCIAL REVIEW AND ANALYSIS

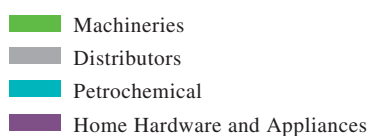
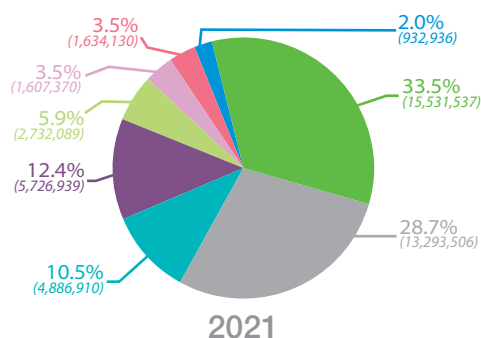
During the year under review, we recorded a revenue of approximately RMB46,345 million, gross profit of approximately RMB1,827 million and the profit attributable to equity holders of the Company of approximately RMB495 million. Total assets of the Group as at 31 December 2021 amounted to approximately RMB11,958 million while equity attributable to equity holders of the Company amounted to approximately RMB3,409 million.

Analysis of revenue by key industry segments

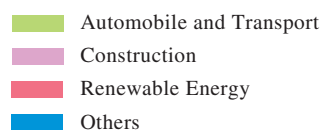
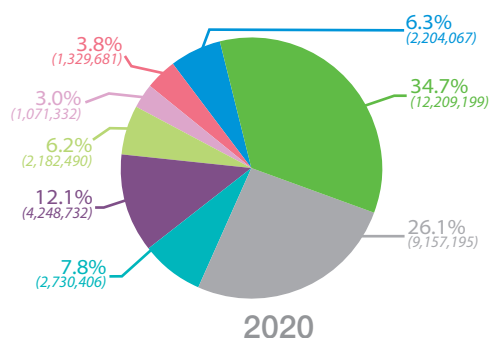
During the years ended 31 December 2021 and 2020, our revenue by key industry segments are shown below:

Industry	Revenue For the year ended 31 December			
	2021		2020	
	RMB'000	%	RMB'000	%
Machineries	15,531,537	33.5	12,209,199	34.7
Distributors	13,293,506	28.7	9,157,195	26.1
Petrochemical	4,886,910	10.5	2,730,406	7.8
Home Hardware and Appliances	5,726,939	12.4	4,248,732	12.1
Automobile and Transport	2,732,089	5.9	2,182,490	6.2
Construction	1,607,370	3.5	1,071,332	3.0
Renewable Energy	1,634,130	3.5	1,329,681	3.8
Others	932,936	2.0	2,204,067	6.3
Total	46,345,417	100.0	35,133,102	100.0

RMB'000



RMB'000

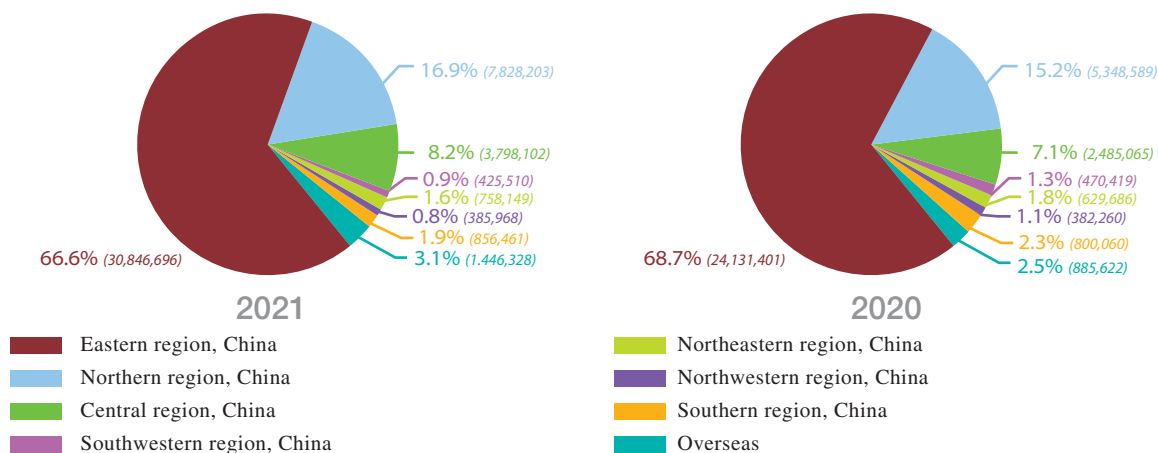


Analysis of revenue by geographic regions

Region	Revenue			
	For the year ended 31 December 2021		2020	
	RMB'000	%	RMB'000	%
Eastern region, China	30,846,696	66.6	24,131,401	68.7
Northern region, China	7,828,203	16.9	5,348,589	15.2
Central region, China	3,798,102	8.2	2,485,065	7.1
Southwestern region, China	425,510	0.9	470,419	1.3
Northeastern region, China	758,149	1.6	629,686	1.8
Northwestern region, China	385,968	0.8	382,260	1.1
Southern region, China	856,461	1.9	800,060	2.3
Overseas	1,446,328	3.1	885,622	2.5
	46,345,417	100.0	35,133,102	100.0

RMB'000

RMB'000



Revenue

Our revenue for the year ended 31 December 2021 amounted to approximately RMB46,345 million comprising approximately RMB43,524 million from our processing services, approximately RMB1,438 million from our high-end equipment manufacturing services and approximately RMB1,383 million from our components manufacturing services. As compared with the revenue for the year ended 31 December 2020 of approximately RMB35,133 million, it represented an increase of approximately 31.9%. Such increase was mainly due to the increase in our processing services of metal materials in 2021.

Gross profit

Gross profit increased from approximately RMB1,433.8 million in 2020 to approximately RMB1,827.2 million in 2021 mainly due to the increase in revenue.

Other income

Other income decreased from approximately RMB49.2 million for the year ended 31 December 2020 to approximately RMB47.3 million for the year ended 31 December 2021.

Other loss – net

Other loss decreased from approximately RMB15.5 million for the year ended 31 December 2020 to approximately RMB10.6 million for the year ended 31 December 2021. The decrease was mainly due to the decrease in foreign exchange loss.

Distribution costs

Distribution costs increased from approximately RMB382.2 million for the year ended 31 December 2020 to approximately RMB467.1 million for the year ended 31 December 2021. Such increase was mainly due to the increase in staff salaries and transportation costs.

Administrative expenses

Administrative expenses increased from approximately RMB375.3 million for the year ended 31 December 2020 to approximately RMB434.7 million for the year ended 31 December 2021. Such increase was mainly due to the increase in staff costs, research and developments expenses.

Finance costs – net

Net finance costs increased from approximately RMB183.8 million for the year ended 31 December 2020 to approximately RMB232.1 million for the year ended 31 December 2021. The increase in net finance costs was mainly due to the increase in interest expenses on borrowings.

Income tax expense

Income tax expense increased from approximately RMB140.2 million for the year ended 31 December 2020 to approximately RMB201.6 million for the year ended 31 December 2021. Such increase was due to the increase in profit before tax for the year.

Profit for the year

The Group recorded a profit of approximately RMB527.6 million for the year ended 31 December 2021 as compared with a profit of approximately RMB385.8 million for the year ended 31 December 2020 representing an increase of approximately 36.7%.

Capital Expenditure

Capital expenditure consisted of additions of property, plant and equipment which amounted to approximately RMB504.0 million (2020: RMB514.5 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 2021, the borrowings of the Group amounted to approximately RMB5,863.4 million of which approximately RMB4,289.4 million were repayable within one year, notes payables amounted to approximately RMB118.0 million while the bank balances were approximately RMB1,217.8 million of which approximately RMB1,076.6 million were restricted mainly for the issuance of notes payable and letters of credit.

As at 31 December 2021, the Group recorded a net current assets of approximately RMB27.3 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 2021 and 2020 calculated on this basis were 60.41% and 61.31% respectively.

HUMAN RESOURCES

The Group employed a total of 6,907 staffs as at 31 December 2021 (2020: 6,587), of which 5,152 were production and technical personnel, representing 75%; 1,107 were sales personnel, representing 16%; and 648 were management and financial officer, representing 9%. There was a growth of approximately 5% in our workforce in 2021 as compared with 2020. The increase in headcounts was due to the business expansion of our Group. The remuneration of employees was based on their performance, skills, knowledge, experiences and market trend. The Group reviews the remuneration policies and packages on a regular basis. In addition to basic salaries, employees may be offered with discretionary bonus on individual performance. The Group has also adopted share option scheme and share award scheme for its employees, providing incentives and rewards to eligible participants with reference to their contribution.

DIVIDEND

The Directors declared and paid an interim dividend of HK\$0.06 (2020: nil) per share during the year.

The Board has recommended the payment of a final dividend of HK\$0.06 (2020: HK\$0.06) per share for the year ended 31 December 2021 which will be payable on or about Wednesday, 29 June 2022 to the shareholders of the Company (the “Shareholders”) whose names appear on the register of members of the Company on Monday, 20 June 2022 subject to the Shareholders’ approval on the annual general meeting of the Company (the “AGM”) to be held on Friday, 10 June 2022.

CORPORATE GOVERNANCE

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

The Company has complied with the Corporate Governance Code and Corporate Governance Report (the “CG Code”) set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”) during the year ended 31 December 2021. The Company adopted the CG Code as its own code of corporate governance.

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

During the year ended 31 December 2021, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company’s listed securities.

ANNUAL GENERAL MEETING

The AGM of the Company will be held on Friday, 10 June 2022. A notice convening the AGM will be published and dispatched to the Shareholders in the manner as required by the Listing Rules in due course.

CLOSURE OF REGISTER OF MEMBERS

For the purpose of determining Shareholders who are entitled to attend and vote at the forthcoming AGM, the register of members of the Company will be closed from Tuesday, 7 June 2022 to Friday, 10 June 2022, both days inclusive. During the aforementioned period, no request for the transfer of shares will be accepted. All transfers of shares accompanied by the relevant share certificates and transfer forms must be lodged with the Company's Share Registrar in Hong Kong, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong not later than 4:30 p.m. on Monday, 6 June 2022 in order to qualify for attending the above AGM.

For the purpose of ascertaining Shareholders' entitlement to the proposed final dividend, the register of members of the Company will be closed from Thursday, 16 June 2022 to Monday, 20 June 2022, both days inclusive. During the aforementioned period, no request for the transfer of shares will be accepted. All transfers of shares accompanied by the relevant share certificates and transfer forms must be lodged with the Company's Share Registrar in Hong Kong, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong not later than 4:30 p.m. on Wednesday, 15 June 2022.

AUDIT COMMITTEE

The audit committee of the Company has discussed with the management and reviewed the audited consolidated annual results of the Company for the year ended 31 December 2021 and considered that the Company has complied with all applicable accounting standards and requirements.

PUBLICATION OF INFORMATION ON THE STOCK EXCHANGE WEBSITE

This announcement is published on the websites of the Company (www.dmssc.net) and The Stock Exchange of Hong Kong Limited (www.hkexnews.hk). The annual report of the Company for the year ended 31 December 2021 will be dispatched to the Shareholders and available on the above websites in due course.

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

Hong Kong, 28 March 2022

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