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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)

## INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2022

<b>FINANCIAL HIGHLIGHTS</b>			
	<b>Six months ended 30 June</b>		
	<b>2022</b>	<b>2021</b>	
	<b>RMB'000</b>	<b>RMB'000</b>	<b>% change</b>
Revenue	<b>24,800,954</b>	22,385,163	+10.8%
Gross profit	<b>700,880</b>	1,225,230	-42.8%
Total comprehensive income for the period	<b>158,486</b>	468,264	-66.2%
<b>OPERATING HIGHLIGHTS</b>			
	<b>Six months ended 30 June</b>		
	<b>2022</b>	<b>2021</b>	<b>% change</b>
<b>Stainless steel</b>			
Sales volume (tonnes)	<b>865,358</b>	951,655	-9.1%
Processing volume (tonnes)	<b>1,379,928</b>	1,462,346	-5.6%
Including: cutting platform (tonnes)	<b>600,617</b>	576,762	+4.1%
slitting platform (tonnes)	<b>605,762</b>	655,041	-7.5%
polishing platform (tonnes)	<b>112,468</b>	118,551	-5.1%
other platforms (tonnes)	<b>61,081</b>	111,992	-45.5%
Processing multiple ( <i>note</i> )	<b>1.59</b>	1.54	
<b>Carbon steel</b>			
Sales volume (tonnes)	<b>1,755,596</b>	1,575,317	+11.4%
Processing volume (tonnes)	<b>1,924,192</b>	1,850,946	+4.0%
Including: cutting platform (tonnes)	<b>1,268,382</b>	1,283,531	-1.2%
slitting platform (tonnes)	<b>385,787</b>	355,445	+8.5%
other platforms (tonnes)	<b>270,023</b>	211,970	+27.4%
Processing multiple ( <i>note</i> )	<b>1.10</b>	1.17	
<i>Note: Processing multiple = Processing volume/Sales volume</i>			

## INTERIM RESULTS

The board of directors (the “Board”) of Da Ming International Holdings Limited (the “Company”) announces the unaudited consolidated results of the Company and its subsidiaries (collectively, the “Group”) for the six months ended 30 June 2022 together with comparative figures for the six months ended 30 June 2021, as follows:

### UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

*For the six months ended 30 June 2022*

		Six months ended 30 June	
		2022	2021
	Note	RMB'000	RMB'000
Revenue	6	<b>24,800,954</b>	22,385,163
Cost of sales	7	<b>(24,100,074)</b>	(21,159,933)
<b>Gross profit</b>		<b>700,880</b>	1,225,230
Other income		<b>7,855</b>	14,115
Other expenses		<b>(1,178)</b>	(563)
Distribution costs	7	<b>(231,457)</b>	(264,281)
Administrative expenses	7	<b>(175,249)</b>	(247,541)
<b>Operating profit</b>		<b>300,851</b>	726,960
Finance income	8	<b>26,655</b>	18,166
Finance costs	8	<b>(108,170)</b>	(129,757)
Finance costs – net	8	<b>(81,515)</b>	(111,591)
<b>Profit before income tax</b>		<b>219,336</b>	615,369
Income tax expense	9	<b>(60,850)</b>	(147,105)
<b>Profit and total comprehensive income for the period</b>		<b>158,486</b>	468,264
<b>Attributable to:</b>			
Equity holders of the Company		<b>149,114</b>	454,216
Non-controlling interests		<b>9,372</b>	14,048
		<b>158,486</b>	468,264
<b>Earnings per share for profit attributable to equity holders of the Company during the period</b> (expressed in RMB per share)			
– basic earnings per share	10	<b>0.12</b>	0.36
– diluted earnings per share	10	<b>0.12</b>	0.36

# UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2022

		As at 30 June 2022 RMB'000	As at 31 December 2021 RMB'000
	<i>Note</i>		
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment		4,904,242	4,805,389
Right-of-use assets		541,074	546,500
Investment properties		813	1,724
Intangible assets		19,142	21,031
Deferred income tax assets		56,600	37,190
Trade receivables and contract assets	12	38,510	41,677
Other non-current assets		19,459	36,475
		<u>5,579,840</u>	<u>5,489,986</u>
<b>Current assets</b>			
Inventories		4,283,955	3,724,944
Trade receivables and contract assets	12	736,562	532,650
Prepayments, deposits and other receivables		1,134,316	950,969
Financial assets at fair value through other comprehensive income		79,113	42,083
Restricted bank deposits		2,277,310	1,076,606
Cash and cash equivalents		253,483	141,196
		<u>8,764,739</u>	<u>6,468,448</u>
<b>Total assets</b>		<u><u>14,344,579</u></u>	<u><u>11,958,434</u></u>
<b>EQUITY</b>			
<b>Equity attributable to equity holders of the Company</b>			
Share capital		109,041	109,041
Reserves		3,385,143	3,300,070
		<u>3,494,184</u>	<u>3,409,111</u>
<b>Non-controlling interests</b>		<u>349,654</u>	<u>340,282</u>
<b>Total equity</b>		<u><u>3,843,838</u></u>	<u><u>3,749,393</u></u>

		As at 30 June 2022 <i>RMB'000</i>	As at 31 December 2021 <i>RMB'000</i>
	<i>Note</i>		
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Borrowings		1,437,087	1,573,933
Deferred government grants		130,879	132,764
Deferred income tax liabilities		7,619	33,549
Lease liabilities		9,439	9,867
Long-term payables		13,511	17,747
		<u>1,598,535</u>	<u>1,767,860</u>
<b>Current liabilities</b>			
Trade payables	13	902,933	459,157
Accruals and other current liabilities		553,345	602,853
Contract liabilities		807,683	930,149
Current income tax liabilities		97,953	125,824
Borrowings		6,507,318	4,289,443
Lease liabilities		4,974	5,755
Dividends payable		28,000	28,000
		<u>8,902,206</u>	<u>6,441,181</u>
<b>Total liabilities</b>		<u>10,500,741</u>	<u>8,209,041</u>
<b>Total equity and liabilities</b>		<u><u>14,344,579</u></u>	<u><u>11,958,434</u></u>

## UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

*For the six months ended 30 June 2022*

	Attributable to equity holders of the Company		Non- controlling	Total
	Share Capital <i>RMB'000</i>	Reserves <i>RMB'000</i>	interests <i>RMB'000</i>	equity <i>RMB'000</i>
<b>Balance at 1 January 2022</b>	109,041	3,300,070	340,282	3,749,393
<b>Comprehensive income</b>				
Profit for the period	<u>–</u>	<u>149,114</u>	<u>9,372</u>	<u>158,486</u>
<b>Total comprehensive income for the period</b>	<u>–</u>	<u>149,114</u>	<u>9,372</u>	<u>158,486</u>
<b>Transaction with owners</b>				
Dividend	<u>–</u>	<u>(64,041)</u>	<u>–</u>	<u>(64,041)</u>
<b>Total transaction with owners</b>	<u>–</u>	<u>(64,041)</u>	<u>–</u>	<u>(64,041)</u>
<b>Balance at 30 June 2022</b>	<u><u>109,041</u></u>	<u><u>3,385,143</u></u>	<u><u>349,654</u></u>	<u><u>3,843,838</u></u>
	Attributable to equity holders of the Company		Non- controlling	Total
	Share Capital <i>RMB'000</i>	Reserves <i>RMB'000</i>	interests <i>RMB'000</i>	equity <i>RMB'000</i>
<b>Balance at 1 January 2021</b>	106,607	2,853,629	355,725	3,315,961
<b>Comprehensive income</b>				
Profit for the period	<u>–</u>	<u>454,216</u>	<u>14,048</u>	<u>468,264</u>
<b>Total comprehensive income for the period</b>	<u>–</u>	<u>454,216</u>	<u>14,048</u>	<u>468,264</u>
<b>Transaction with owners</b>				
Dividend	<u>–</u>	<u>(62,880)</u>	<u>(29,050)</u>	<u>(91,930)</u>
<b>Total transaction with owners</b>	<u>–</u>	<u>(62,880)</u>	<u>(29,050)</u>	<u>(91,930)</u>
<b>Balance at 30 June 2021</b>	<u><u>106,607</u></u>	<u><u>3,244,965</u></u>	<u><u>340,723</u></u>	<u><u>3,692,295</u></u>

## UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

*For the six months ended 30 June 2022*

	<b>Six months ended 30 June</b>	
	<b>2022</b>	<b>2021</b>
	<i>RMB'000</i>	<i>RMB'000</i>
<b>Cash flows from operating activities</b>		
Cash flows from operations	(197,148)	302,333
Interest received	26,655	18,166
Interest paid	(108,170)	(129,757)
Income tax paid	(134,061)	(104,759)
	<u>(412,724)</u>	<u>85,983</u>
<b>Cash flows from investing activities</b>		
Purchase of property, plant and equipment	(297,852)	(293,915)
Other investing cash flow	6,579	(7,881)
	<u>(291,273)</u>	<u>(301,796)</u>
<b>Cash flows from financing activities</b>		
Net change in borrowings	2,081,029	1,756,032
Net change in restricted bank deposits	(1,200,704)	(1,207,566)
Dividend paid	(64,041)	(71,130)
	<u>816,284</u>	<u>477,336</u>
<b>Net change in cash and cash equivalents</b>	<b>112,287</b>	<b>261,523</b>
Cash and cash equivalents at beginning of the period	141,196	103,189
Exchange gain on cash and cash equivalents	—	—
	<u>—</u>	<u>—</u>
<b>Cash and cash equivalents at end of the period</b>	<b>253,483</b>	<b>364,712</b>
	<u><u>253,483</u></u>	<u><u>364,712</u></u>

# NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

*For the six months ended 30 June 2022*

## 1. GENERAL INFORMATION

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

## 2. BASIS OF PREPARATION

The unaudited condensed consolidated financial statements for the six months ended 30 June 2022 have been prepared in accordance with Hong Kong Accounting Standard 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and Appendix 16 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited. These unaudited condensed consolidated financial statements have not been reviewed by external auditors but have been reviewed by the Company's audit committee.

### Going Concern

As at 30 June 2022, the Group's current liabilities exceeded its current assets by approximately RMB137,467,000. The Group meets its day-to-day working capital requirements mainly through its bank borrowings and facilities with banks in the PRC and Hong Kong that are refinanced and/or renewed every twelve months. In preparing this financial statements, the directors of the Company have considered the Group's available sources of funds as follows:

- The available financing including bank borrowings in Mainland China to be renewed during the next twelve months. The directors are confident that these bank financing could be renewed and/or extended for at least another twelve months upon renewal based on the Group's past experience and good credit standing; and
- Other available sources of financing from banks and other financial institutions given the Group's credit history and that most of the Group's property, plant and equipment are free from pledge or restriction and would be available to secure further financing when necessary.

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

### 3. SIGNIFICANT ACCOUNTING POLICIES

Except as described below, the accounting policies applied are consistent with those of the annual financial statements for the year ended 31 December 2021, as described in those annual financial statements.

Taxes on income in the interim periods are accrued using the tax rate that would be applicable to expected total earnings.

#### (a) New and amended standards adopted by the Group

The Group has applied the following standards and amendments for the first time for their annual financial period commencing 1 January 2022.

		<b>Effective for annual periods beginning on or after</b>
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

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

- (b) The following new standard has been issued but are not effective for the financial year beginning on 1 January 2022 and have not been early adopted.

		<b>Effective for annual periods beginning on or after</b>
HKFRS 17	Insurance Contracts	1 January 2023
HKAS 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
HKAS 1 (Amendments)	Classification of Liabilities as Current or Non-current	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
HKAS 1 and HKFRS Practice Statement 2 (Amendments)	Disclosure of Accounting Policies	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

The Group is assessing the full impact of the new standards, new interpretations and amendments to standards and interpretations.

#### **4. ESTIMATES**

The preparation of unaudited condensed consolidated interim financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates.

In preparing these unaudited condensed consolidated interim financial statements, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements for the year ended 31 December 2021.

## 5. FINANCIAL RISK MANAGEMENT

### 5.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including currency risk and fair value interest rate risk), credit risk, and liquidity risk.

The unaudited condensed consolidated interim financial statements do not include all financial risk management information and disclosures required in the annual financial statements and should be read in conjunction with the Group's annual financial statements as at 31 December 2021.

There have been no changes in the risk management department since year end or in any risk management policies.

### 5.2 Fair value estimation

There are no financial assets/liabilities carried at fair value determined by valuation method. The carrying value of cash and cash equivalents, restricted bank deposits, trade and other receivables and financial liabilities including trade and other payables and borrowings are assumed to approximate their fair values.

## 6. REVENUE

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

	Six months ended 30 June	
	2022	2021
	<i>RMB'000</i>	<i>RMB'000</i>
– Mainland China	<b>23,945,870</b>	21,992,271
– Hong Kong and other overseas countries and regions (i)	<b>855,084</b>	392,892
Total sales	<b>24,800,954</b>	22,385,163

- (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 six months ended 30 June 2022 and 2021. All revenues are derived from external customers.

	Six months ended 30 June	
	2022	2021
	<i>RMB'000</i>	<i>RMB'000</i>
Processing services of metal materials	<b>23,056,785</b>	20,962,514
High-end equipment manufacturing services	<b>987,064</b>	807,744
Components manufacturing services	<b>757,105</b>	614,905
	<b>24,800,954</b>	22,385,163

The segment results for the six months ended 30 June 2022:

	<b>Processing</b> <i>RMB'000</i>	<b>Manufacturing</b> <i>RMB'000</i>	<b>Elimination</b> <i>RMB'000</i>	<b>Total</b> <i>RMB'000</i>
Segment revenue	24,230,981	1,094,783	(524,810)	24,800,954
– including external customers	23,813,890	987,064	–	24,800,954
internal customers	<u>417,092</u>	<u>107,718</u>	<u>(524,810)</u>	<u>–</u>
Segment results	292,726	13,775	(12,327)	294,174
– including depreciation and amortisation	<u>162,280</u>	<u>46,143</u>	<u>–</u>	<u>208,423</u>
Other income and expenses				6,677
Finance costs – net				<u>(81,515)</u>
Profit before income tax				219,336
Income tax expense				<u>(60,850)</u>
Profit for the period				<u><u>158,486</u></u>

The segment results for the six months ended 30 June 2021:

	Processing <i>RMB'000</i>	Manufacturing <i>RMB'000</i>	Elimination <i>RMB'000</i>	Total <i>RMB'000</i>
Segment revenue	21,917,700	928,317	(460,854)	22,385,163
– including external customers	21,577,419	807,744	–	22,385,163
internal customers	<u>340,281</u>	<u>120,573</u>	<u>(460,854)</u>	<u>–</u>
Segment results	665,319	54,261	(6,172)	713,408
– including depreciation and amortisation	<u>153,570</u>	<u>43,819</u>	<u>–</u>	<u>197,389</u>
Other income and expenses				13,552
Finance costs – net				<u>(111,591)</u>
Profit before income tax				615,369
Income tax expense				<u>(147,105)</u>
Profit for the period				<u><u>468,264</u></u>

## 7. EXPENSES BY NATURE

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

	Six months ended 30 June	
	2022	2021
	<i>RMB'000</i>	<i>RMB'000</i>
Changes in inventories of finished goods	(222,911)	(57,744)
Raw materials consumed	23,517,446	20,520,335
Stamp duty, property tax and other surcharges	30,425	33,828
Transportation costs	131,269	122,034
Employee benefit expenses, including directors' emoluments	528,828	640,002
Depreciation and amortisation	208,423	197,389
Operating lease rental for buildings	4,319	4,398
Utilities charges	39,452	32,752
Provision for write-down of inventories	122,411	19,869
Entertainment and travelling expenses	14,786	30,858
Professional service expenses	6,318	5,847
Others	126,014	122,187
	<u>24,506,780</u>	<u>21,671,755</u>

## 8. FINANCE COSTS – NET

	Six months ended 30 June	
	2022	2021
	<i>RMB'000</i>	<i>RMB'000</i>
Interest expenses on bank borrowings	83,548	74,746
Interest expenses on bank/commercial acceptance notes and letters of credit	57,413	53,914
Exchange (gain)/loss, net	(32,791)	1,097
	<u>108,170</u>	<u>129,757</u>
Total finance costs	108,170	129,757
Interest income	(26,655)	(18,166)
	<u>81,515</u>	<u>111,591</u>

## 9. INCOME TAX EXPENSE

	Six months ended 30 June	
	2022	2021
	RMB'000	RMB'000
Current income tax expense		
– Mainland China corporate income tax	106,190	143,206
Deferred income tax expense	(45,340)	3,899
	<u>60,850</u>	<u>147,105</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.

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 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.

## 10. 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 period.

	Six months ended 30 June	
	2022	2021
Profit attributable to equity holders of the Company (RMB'000)	149,114	454,216
Weighted average number of ordinary shares in issue (thousands)	1,274,528	1,245,190
Basic earnings per share (RMB)	0.12	0.36

**(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.

	<b>Six months ended 30 June</b>	
	<b>2022</b>	<b>2021</b>
Profit attributable to equity holders of the Company (RMB'000)	<b>149,114</b>	454,216
Weighted average number of ordinary shares in issue (thousands)	<b>1,274,528</b>	1,245,190
Adjustments for share option plan (thousands)	<b>1,782</b>	578
Weighted average number of ordinary shares for diluted earnings per share (thousands)	<b>1,276,310</b>	1,245,768
Diluted earnings per share (RMB)	<b>0.12</b>	0.36

**11. INTERIM DIVIDENDS**

The board of directors does not recommend the payment of an interim dividend in respect of the six months ended 30 June 2022 (2021: HK\$0.06 per share).

## 12. TRADE RECEIVABLES AND CONTRACT ASSETS

	As at 30 June 2022			As at 31 December 2021		
	Current RMB'000	Non- Current RMB'000	Total RMB'000	Current RMB'000	Non- Current RMB'000	Total RMB'000
Contract assets	44,277	38,820	83,097	22,158	42,013	64,171
Accounts receivable	697,072	-	697,072	518,117	-	518,117
Notes receivable						
– bank acceptance notes	7,462	-	7,462	2,361	-	2,361
– commercial acceptance notes	-	-	-	2,240	-	2,240
	<u>748,811</u>	<u>38,820</u>	<u>787,631</u>	<u>544,876</u>	<u>42,013</u>	<u>586,889</u>
Less: provision for impairment	<u>(12,249)</u>	<u>(310)</u>	<u>(12,559)</u>	<u>(12,226)</u>	<u>(336)</u>	<u>(12,562)</u>
	<u><u>736,562</u></u>	<u><u>38,510</u></u>	<u><u>775,072</u></u>	<u><u>532,650</u></u>	<u><u>41,677</u></u>	<u><u>574,327</u></u>

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

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 30 June 2022 and 31 December 2021, the aging analysis of trade receivables was as follows:

	As at 30 June 2022 RMB'000	As at 31 December 2021 RMB'000
Accounts receivable		
– within 30 days	304,957	248,024
– 30 days to 3 months	255,611	104,573
– 3 months to 6 months	30,508	77,215
– 6 months to 1 year	61,759	76,672
– 1 year to 2 years	33,626	10,973
– over 2 years	<u>10,611</u>	<u>660</u>
	<u>697,072</u>	<u>518,117</u>
Notes receivable		
– within 1 year	<u>7,462</u>	<u>4,601</u>
	<u><u>704,534</u></u>	<u><u>522,718</u></u>

### 13. TRADE PAYABLES

	<b>As at 30 June 2022 RMB'000</b>	<b>As at 31 December 2021 RMB'000</b>
Accounts payable	723,433	341,157
Notes payable	<u>179,500</u>	<u>118,000</u>
	<b><u>902,933</u></b>	<b><u>459,157</u></b>

The ageing analysis of the trade payable was as follows:

	<b>As at 30 June 2022 RMB'000</b>	<b>As at 31 December 2021 RMB'000</b>
Within 6 months	893,597	449,249
6 months to 1 year	8,495	4,188
1 year to 2 years	804	5,605
More than 2 years	<u>37</u>	<u>115</u>
	<b><u>902,933</u></b>	<b><u>459,157</u></b>

## **BUSINESS REVIEW**

### **Processing centres**

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 in a wide range of 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 the downstream customers cost-effective and high-quality materials and manufacturing services together with fast delivery.

Thanks to our profound experience in equipment and technology application, the Company has the capacity to provide a complete range of processing and manufacturing services for the manufacturing industry. Our processing services cover the whole manufacturing process, including trimming, polishing, cutting, forming, pre-grooving, welding, heat treating, machinery, painting and assembling. Leveraging a variety of automated processing equipment and its capabilities to provide one-stop professional processing and manufacturing services, the Company saves time, manpower, costs and the needs of capital investment for our downstream customers. These merits enable the downstream customers to significantly reduce their investment in highly-utilised and cost-effective equipment, and hence to save their overall manufacturing costs. Such industry dynamics and business model have opened up 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 cyclicity 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.

### **Kick-off ceremony for Da Ming International's large-scale equipment project was successfully held**

The third phase of Da Ming's large-scale equipment project, being a major project in Jiangsu Province in 2022, for which the kick-off ceremony was held in phase III of the Daming Jingjiang Base in Jingjiang Industrial Park, Jiangyin.

The third phase of the large-scale equipment project mainly involves the manufacturing of large high-end equipment and components for large-scale engineering machinery, new energy, aerospace and petrochemical equipment. Through the introduction of advanced processes and technology and production management methods, the project will achieve highly automated manufacturing of bulk orders and rapid customised manufacturing of individual orders. Not only ensuring high product quality, but the project also puts in place safeguards one after another for Da Ming's most competitive large-scale equipment manufacturing capacity and efficiency.

## Projects highlights

### 1. **Da Ming joined hands with Changqing Machinery to successfully serve Weichai's new mining truck project**

The special steel engineering department of Da Ming Group's carbon steel business unit, in conjunction with Daming Jingjiang Processing Centre, joined hands with Changqing Machinery (a listed company) to successfully serve Weichai Group's special vehicle company for its new project involving components of 50 mining wide-body dump trucks, laying the foundation for further exchanges and cooperation between the three parties.

With a history of more than 50 years in the research and development and manufacturing of special vehicles, the mining truck company undertakes the research and development of large mining trucks for its group. The mining machinery developed by the company has been ranked among the top in the industry in recent years since its launch into the market in 2013. Its large-scale mining trucks of 70-150 tonnes are widely used in the mining and transportation of various types of open-pit mines and have been well received by the customers.

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

Daming Heavy Industry successfully delivered the whole de-ethylene stripping tower of over 1,000 tonnes for transshipment for the PDH & PP project of CTCI Beijing's Grand Pacific Chemical, the completion of which once again manifested Da Ming's "one-stop" service capability.

### 3. **Da Ming continued to gain its 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.

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 will be shipped to the customer for installation.

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

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.

**5. Da Ming joined forces with Luomu Group to secure shipment to Congo**

Daming Heavy Industry team, in conjunction with Da Ming Jingjiang Processing Centre and Da Ming Steel Union Logistics, joined forces with Luomu team to successfully deliver over 6,000 tonnes of large-scale mining equipment to Congo by land and water within 120 days.

**6. 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 completed for Andritz the first monolithic manufacturing project in China, in the first batch of which 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 whole product.

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

The first batch of bell covers of Inner Mongolia Dongli Photovoltaic's large-scale reduction furnaces, being the first core equipment of the polysilicon industry manufactured by Daming Heavy Industry, was successfully delivered.

**Operating results**

The Group recorded a net profit of approximately RMB158.5 million for the six months ended 30 June 2022 representing a decrease of approximately 66.2% as compared with the net profit of approximately RMB468.3 million for the six months ended 30 June 2021. The decrease in operating results was mainly due to i) the adverse impact of the COVID-19 pandemic during the period which caused a decrease in production efficiency; ii) a decrease in the market price of steel materials during the period.

The sales volume of our stainless steel processing business decreased from approximately 952,000 tonnes for the six months ended 30 June 2021 to approximately 865,000 tonnes for the six months ended 30 June 2022 representing a decrease of approximately 9.1%. The processing volume decreased from approximately 1,462,000 tonnes for the six months ended 30 June 2021 to approximately 1,380,000 tonnes for the six months ended 30 June 2022 representing a decrease of approximately 5.6%.

The sales volume of our carbon steel processing business increased from approximately 1,575,000 tonnes for the six months ended 30 June 2021 to approximately 1,755,600 tonnes for the six months ended 30 June 2022 representing an increase of approximately 11.4% while the processing volume increased from approximately 1,851,000 tonnes for the six months ended 30 June 2021 to approximately 1,924,000 tonnes for the six months ended 30 June 2022 representing an increase of approximately 4.0%.

The sales volume and processing volume of our processing centres for the six months ended 30 June 2022 and the corresponding period in 2021 were as follows:

### Stainless steel

	Six months ended 30 June		% change
	2022 <i>tonnes</i>	2021 <i>tonnes</i>	
<b>Sales volume</b>			
Wuxi	<b>376,920</b>	378,912	-0.5%
Hangzhou	<b>108,391</b>	132,362	-18.1%
Tianjin	<b>98,076</b>	126,010	-22.2%
Taiyuan	<b>62,502</b>	70,900	-11.8%
Wuhan	<b>43,853</b>	48,078	-8.8%
Jingjiang	<b>69,040</b>	85,891	-19.6%
Shandong	<b>71,540</b>	79,247	-9.7%
Jiaxing	<b>35,036</b>	30,255	+15.8%
Total	<b>865,358</b>	951,655	-9.1%
<b>Processing volume</b>			
Wuxi	<b>638,486</b>	662,082	-3.6%
Hangzhou	<b>150,342</b>	178,493	-15.8%
Tianjin	<b>128,939</b>	156,166	-17.4%
Taiyuan	<b>159,985</b>	162,305	-1.4%
Wuhan	<b>62,053</b>	62,224	-0.3%
Jingjiang	<b>136,744</b>	130,459	+4.8%
Shandong	<b>67,333</b>	83,813	-19.7%
Jiaxing	<b>36,046</b>	26,804	+34.5%
Total	<b>1,379,928</b>	1,462,346	-5.6%

## Carbon steel

	Six months ended 30 June		% change
	2022 <i>tonnes</i>	2021 <i>tonnes</i>	
<b>Sales volume</b>			
Wuxi	<b>347,504</b>	318,073	+9.3%
Hangzhou	<b>111,624</b>	106,516	+4.8%
Tianjin	<b>189,079</b>	168,173	+12.4%
Taiyuan	<b>120,702</b>	125,905	-4.1%
Wuhan	<b>262,456</b>	223,678	+17.3%
Jingjiang	<b>294,223</b>	312,483	-5.8%
Shandong	<b>212,177</b>	180,725	+17.4%
Jiaying	<b>217,831</b>	139,764	+55.9%
	<b><u>1,755,596</u></b>	<u>1,575,317</u>	+11.4%
<b>Processing volume</b>			
Wuxi	<b>271,853</b>	261,787	+3.8%
Hangzhou	<b>111,848</b>	114,868	-2.6%
Tianjin	<b>223,093</b>	235,110	-5.1%
Taiyuan	<b>149,333</b>	191,238	-21.9%
Wuhan	<b>297,730</b>	276,902	+7.5%
Jingjiang	<b>426,720</b>	428,248	-0.4%
Shandong	<b>232,257</b>	207,337	+12.0%
Jiaying	<b>211,358</b>	135,456	+56.0%
	<b><u>1,924,192</u></b>	<u>1,850,946</u>	+4.0%

## **FINANCIAL REVIEW AND ANALYSIS**

During the six months ended 30 June 2022, we recorded a revenue of approximately RMB24,801 million, gross profit of approximately RMB701 million and profit attributable to equity holders of the Company of approximately RMB149 million. Total assets of the Group as at 30 June 2022 amounted to approximately RMB14,345 million while equity attributable to equity holders of the Company amounted to approximately RMB3,494 million.

### **Revenue**

Our revenue for the six months ended 30 June 2022 amounted to approximately RMB24,801 million comprising approximately RMB23,814 million from our processing business and approximately RMB987 million from our manufacturing business. As compared with the revenue for the six months ended 30 June 2021 of approximately RMB22,385 million, it represented an increase of approximately 10.8%. Such increase was mainly due to the increase in the revenue from our processing business.

The sales volume of our stainless steel processing business decreased from 951,655 tonnes for the six months ended 30 June 2021 to 865,358 tonnes for the six months ended 30 June 2022 representing a decrease of approximately 9.1%. The sales volume of our carbon steel processing business increased from 1,575,317 tonnes for the six months ended 30 June 2021 to 1,755,596 tonnes for the six months ended 30 June 2022 representing an increase of approximately 11.4%.

The processing volume of our stainless steel processing business decreased from 1,462,346 tonnes for the six months ended 30 June 2021 to 1,379,928 tonnes for the six months ended 30 June 2022 representing a decrease of approximately 5.6%. The processing volume of our carbon steel processing business increased from 1,850,946 tonnes for the six months ended 30 June 2021 to 1,924,192 tonnes for the six months ended 30 June 2022 representing an increase of approximately 4.0%.

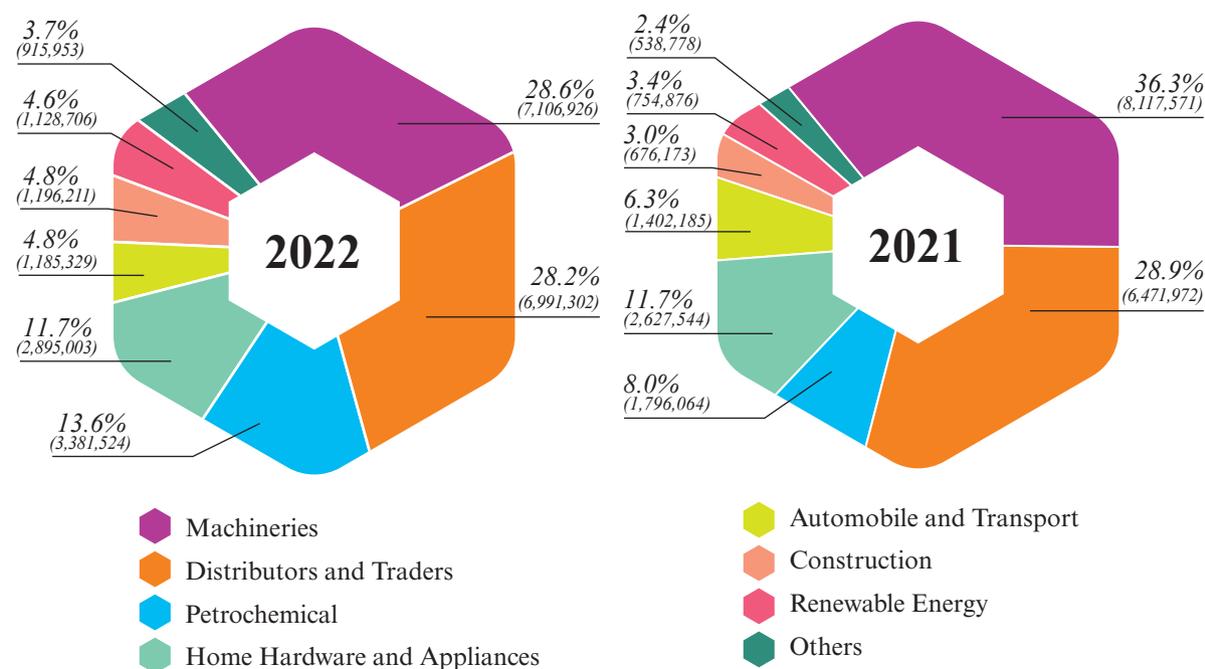
## Analysis of revenue by key industry segments

During the six months ended 30 June 2022 and the corresponding period in 2021, our revenue by key industry segments were shown below:

### Revenue

Industry	Six months ended 30 June			
	2022		2021	
	RMB'000	%	RMB'000	%
Machineries	7,106,926	28.6	8,117,571	36.3
Distributors and Traders	6,991,302	28.2	6,471,972	28.9
Petrochemical	3,381,524	13.6	1,796,064	8.0
Home Hardware and Appliances	2,895,003	11.7	2,627,544	11.7
Automobile and Transport	1,185,329	4.8	1,402,185	6.3
Construction	1,196,211	4.8	676,173	3.0
Renewable Energy	1,128,706	4.6	754,876	3.4
Others	915,953	3.7	538,778	2.4
<b>Total</b>	<b>24,800,954</b>	<b>100.0</b>	<b>22,385,163</b>	<b>100.0</b>

RMB'000

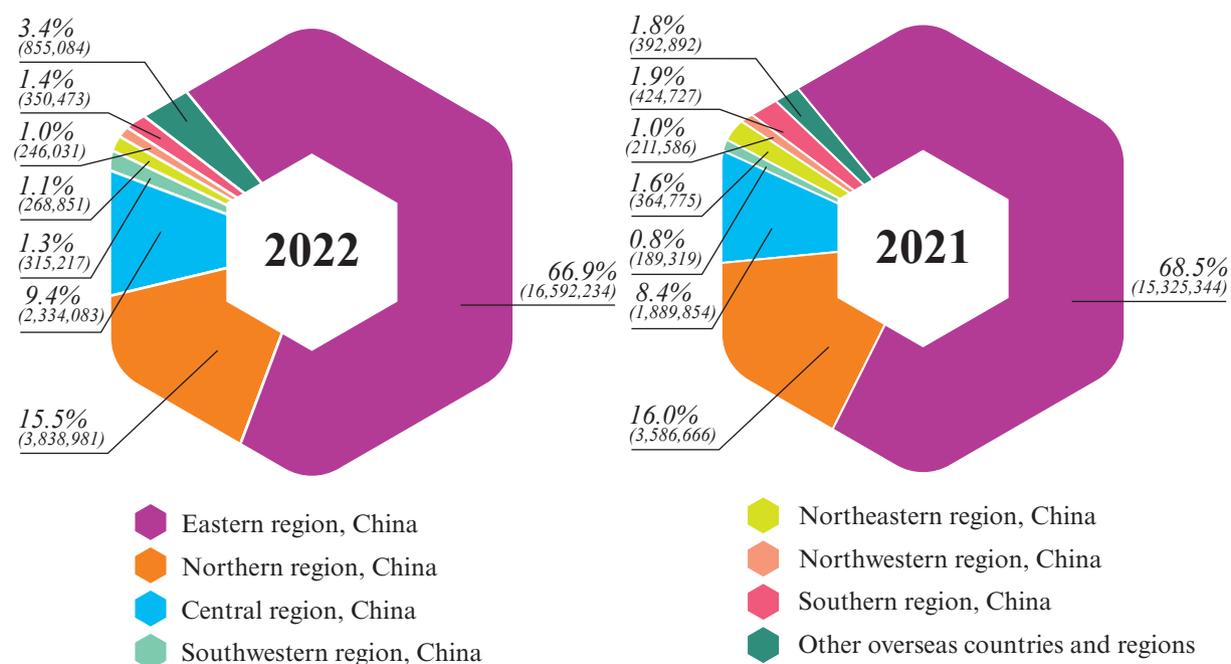


## Analysis of revenue by geographical regions

During the six months ended 30 June 2022 and the corresponding period in 2021, our revenue by geographical regions were shown below:

Region	Six months ended 30 June			
	2022		2021	
	<i>RMB'000</i>	%	<i>RMB'000</i>	%
Eastern region, China	<b>16,592,234</b>	<b>66.9</b>	15,325,344	68.5
Northern region, China	<b>3,838,981</b>	<b>15.5</b>	3,586,666	16.0
Central region, China	<b>2,334,083</b>	<b>9.4</b>	1,889,854	8.4
Southwestern region, China	<b>315,217</b>	<b>1.3</b>	189,319	0.8
Northeastern region, China	<b>268,851</b>	<b>1.1</b>	364,775	1.6
Northwestern region, China	<b>246,031</b>	<b>1.0</b>	211,586	1.0
Southern region, China	<b>350,473</b>	<b>1.4</b>	424,727	1.9
Other overseas countries and regions	<b>855,084</b>	<b>3.4</b>	392,892	1.8
<b>Total</b>	<b>24,800,954</b>	<b>100.0</b>	<b>22,385,163</b>	<b>100.0</b>

*RMB'000*



**Gross profit**

Gross profit decreased from approximately RMB1,225.2 million for the six months ended 30 June 2021 to approximately RMB700.9 million for the six months ended 30 June 2022 mainly due to the decrease in production efficiency caused by the adverse impact of the COVID-19 pandemic and the decrease in the market price of steel materials during the period.

**Other income**

Other income decreased from approximately RMB14.1 million for the six months ended 30 June 2021 to approximately RMB7.9 million for the six months ended 30 June 2022 mainly due to the decrease in government grants received.

**Distribution costs**

Distribution costs decreased from approximately RMB264.3 million for the six months ended 30 June 2021 to approximately RMB231.5 million for the six months ended 30 June 2022. Such decrease was mainly due to the decrease in staff bonus expenses.

**Administrative expenses**

Administrative expenses decreased from approximately RMB247.5 million for the six months ended 30 June 2021 to approximately RMB175.2 million for the six months ended 30 June 2022. Such decrease was mainly due to the decrease in staff bonus expenses.

**Finance costs**

Finance costs decreased from approximately RMB111.6 million for the six months ended 30 June 2021 to approximately RMB81.5 million for the six months ended 30 June 2022. Such decrease was mainly due to the increase in exchange gain recognised during the period.

**Income tax expense**

The income tax expense decreased from approximately RMB147.1 million for the six months ended 30 June 2021 to approximately RMB60.9 million for the six months ended 30 June 2022 due to the decrease in profit.

**Profit for the period**

The Group recorded a net profit of approximately RMB158.5 million for the six months ended 30 June 2022 as compared with a net profit of approximately RMB468.3 million for the six months ended 30 June 2021. The decrease was mainly due to the decrease in gross profit.

## **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, restricted bank balances, 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.

The management will closely monitor the exchange rate fluctuations to ensure sufficient precautionary measures against any adverse impacts.

## **LIQUIDITY, CAPITAL STRUCTURE AND FINANCIAL RESOURCES**

As at 30 June 2022, the borrowings of the Group amounted to approximately RMB7,944 million. Notes payable amounted to approximately RMB180 million while the bank balances were approximately RMB2,531 million of which approximately RMB2,277 million were restricted bank deposits for issuing letter of credit and notes payable.

As at 30 June 2022, the Group recorded a net current liabilities of approximately RMB137 million.

The gearing ratios as at 30 June 2022 and 31 December 2021 were 66.68% and 64.65% respectively. The ratios are calculated as net debt divided by total capital. Net debt is calculated as total borrowings less cash and cash equivalents while total capital is calculated as total equity plus net debt.

## **CONTINGENT LIABILITIES**

As at 30 June 2022, the Group did not have any material contingent liabilities.

## **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 six months ended 30 June 2022. The Company adopted the CG Code as its own code of corporate governance.

## **INTERIM DIVIDEND**

The Board does not recommend the payment of an interim dividend for the six months ended 30 June 2022 (2021: HK\$0.06 per share).

## **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 six months ended 30 June 2022.

## **REVIEW OF INTERIM RESULTS**

The Audit Committee of the Company has discussed with the management and reviewed the unaudited interim results, including the unaudited condensed consolidated financial statements, of the Group for the six months ended 30 June 2022 and considered that the Company has complied with all applicable accounting standards and requirements.

## **INTERIM REPORT**

The 2022 Interim Report will be dispatched to shareholders of the Company and will be available on the websites of The Stock Exchange of Hong Kong Limited ([www.hkexnews.hk](http://www.hkexnews.hk)) and the Company ([www.dmssc.net](http://www.dmssc.net)) in due course.

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

Hong Kong, 26 August 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, Mr. Zhang Feng, Mr. Qian Li and Mr. Ni Chen; the non-executive Directors are Mr. Lu Jian and Mr. Zhu Baomin; and the independent non-executive Directors are Mr. Cheuk Wa Pang, Prof. Hua Min, Mr. Lu Daming, Mr. Hu Xuefa and Prof. Chen Xin.*