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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 2023

FINANCIAL HIGHLIGHTS			
	Six months ended 30 June		
	2023	2022	
	RMB'000	RMB'000	% change
Revenue	24,504,930	24,800,954	-1.2%
Gross profit	464,229	700,880	-33.8%
Total comprehensive income for the period	11,628	158,486	-92.7%
OPERATING HIGHLIGHTS			
	Six months ended 30 June		
	2023	2022	% change
Stainless steel			
Sales volume (tonnes)	956,613	865,358	+10.5%
Processing volume (tonnes)	1,547,745	1,379,928	+12.2%
Including: cutting platform (tonnes)	572,278	600,617	-4.7%
slitting platform (tonnes)	678,109	605,762	+11.9%
polishing platform (tonnes)	125,402	112,468	+11.5%
other platforms (tonnes)	171,956	61,081	+181.5%
Processing multiple (<i>note</i>)	1.62	1.59	
Carbon steel			
Sales volume (tonnes)	2,225,500	1,755,596	+26.8%
Processing volume (tonnes)	2,333,674	1,924,192	+21.3%
Including: cutting platform (tonnes)	1,594,540	1,268,382	+25.7%
slitting platform (tonnes)	466,059	385,787	+20.8%
other platforms (tonnes)	273,075	270,023	+1.1%
Processing multiple (<i>note</i>)	1.05	1.10	
<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 2023 together with comparative figures for the six months ended 30 June 2022, as follows:

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2023

		Six months ended 30 June	
		2023	2022
	Note	RMB'000	RMB'000
Revenue	6	24,504,930	24,800,954
Cost of sales	7	(24,040,701)	(24,100,074)
Gross profit		464,229	700,880
Other income		41,277	7,855
Other expenses		(1,888)	(1,178)
Distribution costs	7	(225,415)	(231,457)
Administrative expenses	7	(140,558)	(175,249)
Operating profit		137,645	300,851
Finance income	8	32,304	26,655
Finance costs	8	(151,615)	(108,170)
Finance costs – net	8	(119,311)	(81,515)
Profit before income tax		18,334	219,336
Income tax expense	9	(6,706)	(60,850)
Profit and total comprehensive income for the period		11,628	158,486
Attributable to:			
Equity holders of the Company		7,323	149,114
Non-controlling interests		4,305	9,372
		11,628	158,486
Earnings per share for profit attributable to equity holders of the Company during the period (expressed in RMB per share)			
– basic earnings per share	10	0.01	0.12
– diluted earnings per share	10	0.01	0.12

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2023

		As at 30 June 2023 RMB'000	As at 31 December 2022 RMB'000
	<i>Note</i>		
ASSETS			
Non-current assets			
Property, plant and equipment		5,108,390	5,018,900
Right-of-use assets		551,938	532,750
Investment properties		1,318	1,130
Intangible assets		22,324	24,281
Deferred income tax assets		127,389	130,128
Trade receivables and contract assets	12	2,363	30,076
Other non-current assets		26,151	16,198
		<u>5,839,873</u>	<u>5,753,463</u>
Current assets			
Inventories		4,183,374	3,518,438
Trade receivables and contract assets	12	522,056	521,583
Prepayments, deposits and other receivables		1,171,821	1,119,325
Financial assets at fair value through other comprehensive income		53,102	55,571
Restricted bank deposits		2,397,361	1,402,791
Cash and cash equivalents		278,541	406,856
		<u>8,606,255</u>	<u>7,024,564</u>
Total assets		<u><u>14,446,128</u></u>	<u><u>12,778,027</u></u>
EQUITY			
Equity attributable to equity holders of the Company			
Share capital		109,041	109,041
Reserves		3,063,741	3,056,418
		<u>3,172,782</u>	<u>3,165,459</u>
Non-controlling interests		<u>347,675</u>	<u>339,226</u>
Total equity		<u><u>3,520,457</u></u>	<u><u>3,504,685</u></u>

		As at 30 June 2023 <i>RMB'000</i>	As at 31 December 2022 <i>RMB'000</i>
LIABILITIES			
Non-current liabilities			
Borrowings		1,848,634	1,947,453
Deferred government grants		120,629	130,398
Deferred income tax liabilities		14,653	15,975
Lease liabilities		7,680	8,936
Long-term payables		9,902	14,773
		<u>2,001,498</u>	<u>2,117,535</u>
Current liabilities			
Trade payables	13	610,018	469,690
Accruals and other current liabilities		472,633	674,446
Contract liabilities		953,898	941,575
Current income tax liabilities		22,438	61,011
Borrowings		6,861,343	4,983,456
Lease liabilities		3,843	5,629
Dividends payable		–	20,000
		<u>8,924,173</u>	<u>7,155,807</u>
Total liabilities		<u>10,925,671</u>	<u>9,273,342</u>
Total equity and liabilities		<u>14,446,128</u>	<u>12,778,027</u>

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2023

	Six months ended 30 June	
	2023	2022
	RMB'000	RMB'000
Cash flows from operating activities		
Cash flows from operations	(392,600)	(197,148)
Interest received	32,304	26,655
Interest paid	(151,615)	(108,170)
Income tax paid	(43,862)	(134,061)
	<u>(555,773)</u>	<u>(412,724)</u>
Cash flows from investing activities		
Purchase of property, plant and equipment	(296,147)	(297,852)
Other investing cash flow	(45,037)	6,579
	<u>(341,184)</u>	<u>(291,273)</u>
Cash flows from financing activities		
Net change in borrowings	1,779,068	2,081,029
Net change in restricted bank deposits	(994,570)	(1,200,704)
Dividend paid	–	(64,041)
Dividend paid to non-controlling shareholders	(20,000)	–
Capital injection from non-controlling shareholders	4,144	–
	<u>768,642</u>	<u>816,284</u>
Net cash from financing activities	<u>768,642</u>	<u>816,284</u>
Net change in cash and cash equivalents	(128,315)	112,287
Cash and cash equivalents at beginning of the period	<u>406,856</u>	<u>141,196</u>
Cash and cash equivalents at end of the period	<u>278,541</u>	<u>253,483</u>

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2023

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 2023 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 2023, the Group's current liabilities exceeded its current assets by approximately RMB317,918,000. 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 2022, 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

A number of amended standards became applicable for the current reporting period. The Group did not have to change its accounting policies as a result of adopting these standards except HKAS 12 (Amendments).

		Effective for annual periods beginning on or after
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 and HKFRS Practice Statement 2 (Amendments)	Disclosure of Accounting Policies	1 January 2023

The amendments to HKAS 12 Income Taxes require companies to recognise deferred tax on transactions that, on initial recognition, give rise to equal amounts of taxable and deductible temporary differences. They will typically apply to transactions such as leases of lessees and decommissioning obligations, and will require the recognition of additional deferred tax assets and liabilities.

The amendment should be applied to transactions that occur on or after the beginning of the earliest comparative period presented. In addition, entities should recognise deferred tax assets (to the extent that it is probable that they can be utilised) and deferred tax liabilities at the beginning of the earliest comparative period for all deductible and taxable temporary differences associated with:

- i) right-of-use assets and lease liabilities, and
- ii) decommissioning, restoration and similar liabilities, and the corresponding amounts recognised as part of the cost of the related assets.

The cumulative effect of recognising these adjustments as of 31 December 2022 was not material and hence no adjustment was made to the beginning retained earnings, or another component of equity.

- (b) **The following new standards, new interpretations and amendments to standards and interpretations have been issued but are not effective for the financial year beginning on 1 January 2023 and have not been early adopted by the Group:**

		Effective for annual periods beginning on or after
HKAS 1 (Amendments)	Classification of Liabilities as Current or Non-current	1 January 2024
HKAS 1 (Amendments)	Non-current liabilities with covenants	1 January 2024
HKFRS 16 (Amendments)	Lease liability in sale and leaseback	1 January 2024
HK Int 5 (Revised)	Presentation of Financial Statements-Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause	1 January 2024
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 2022.

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 2022.

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 were as follows:

	Six months ended 30 June	
	2023	2022
	RMB'000	RMB'000
– Mainland China	23,778,486	23,945,870
– Hong Kong and other overseas countries and regions (i)	726,444	855,084
Total sales	<u>24,504,930</u>	<u>24,800,954</u>

- (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 consisted of the following revenues for the six months ended 30 June 2023 and 2022. All revenues were derived from external customers.

	Six months ended 30 June	
	2023	2022
	RMB'000	RMB'000
Processing services of metal materials	22,917,635	23,056,785
High-end equipment manufacturing services	608,242	987,064
Components manufacturing services	979,053	757,105
	<u>24,504,930</u>	<u>24,800,954</u>

The segment results for the six months ended 30 June 2023:

	Processing <i>RMB'000</i>	Manufacturing <i>RMB'000</i>	Elimination <i>RMB'000</i>	Total <i>RMB'000</i>
Segment revenue	24,234,216	677,262	(406,548)	24,504,930
– including external customers	23,896,688	608,242	–	24,504,930
internal customers	<u>337,528</u>	<u>69,020</u>	<u>(406,548)</u>	<u>–</u>
Segment results	143,977	(31,145)	(14,576)	98,256
– including depreciation and amortisation	<u>156,032</u>	<u>55,098</u>	<u>–</u>	<u>211,130</u>
Other income and expenses				39,389
Finance costs – net				<u>(119,311)</u>
Profit before income tax				18,334
Income tax expense				<u>(6,706)</u>
Profit for the period				<u><u>11,628</u></u>

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

	Processing <i>RMB'000</i>	Manufacturing <i>RMB'000</i>	Elimination <i>RMB'000</i>	Total <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>

7. EXPENSES BY NATURE

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

	Six months ended 30 June	
	2023	2022
	<i>RMB'000</i>	<i>RMB'000</i>
Changes in inventories of finished goods	60,003	(222,911)
Raw materials consumed	23,263,492	23,517,446
Stamp duty, property tax and other surcharges	46,194	30,425
Transportation costs	126,951	131,269
Employee benefit expenses, including directors' emoluments	479,615	528,828
Depreciation and amortisation	211,130	208,423
Operating lease rental for buildings	3,999	4,319
Utilities charges	43,746	39,452
Provision for write-down of inventories	9,163	122,411
Entertainment and travelling expenses	26,286	14,786
Professional service expenses	5,751	6,318
Others	130,344	126,014
	<u>24,406,674</u>	<u>24,506,780</u>

8. FINANCE COSTS – NET

	Six months ended 30 June	
	2023	2022
	<i>RMB'000</i>	<i>RMB'000</i>
Interest expenses on bank borrowings	114,562	83,548
Interest expenses on bank/commercial acceptance notes and letters of credit	47,084	57,413
Exchange gain, net	(10,031)	(32,791)
	<u>151,615</u>	<u>108,170</u>
Total finance costs	151,615	108,170
Interest income	(32,304)	(26,655)
	<u>119,311</u>	<u>81,515</u>

9. INCOME TAX EXPENSE

	Six months ended 30 June	
	2023	2022
	RMB'000	RMB'000
Current income tax expense		
– Mainland China corporate income tax	13,520	106,190
Deferred income tax expense	(6,814)	(45,340)
	<u>6,706</u>	<u>60,850</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	
	2023	2022
Profit attributable to equity holders of the Company (RMB'000)	7,323	149,114
Weighted average number of ordinary shares in issue (thousands)	1,274,528	1,274,528
Basic earnings per share (RMB)	0.01	0.12

(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.

	Six months ended 30 June	
	2023	2022
Profit attributable to equity holders of the Company (RMB'000)	7,323	149,114
Weighted average number of ordinary shares in issue (thousands)	1,274,528	1,274,528
Adjustments for share option plan (thousands)	–	1,782
Weighted average number of ordinary shares for diluted earnings per share (thousands)	1,274,528	1,276,310
Diluted earnings per share (RMB)	0.01	0.12

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 2023 (2022: nil).

12. TRADE RECEIVABLES AND CONTRACT ASSETS

	As at 30 June 2023			As at 31 December 2022		
	Current RMB'000	Non- Current RMB'000	Total RMB'000	Current RMB'000	Non- Current RMB'000	Total RMB'000
Contract assets	59,531	2,382	61,913	29,660	30,319	59,979
Accounts receivable	473,444	-	473,444	504,452	-	504,452
Notes receivable						
– bank acceptance notes	1,621	-	1,621	-	-	-
– commercial acceptance notes	-	-	-	-	-	-
	<u>534,596</u>	<u>2,382</u>	<u>536,978</u>	<u>534,112</u>	<u>30,319</u>	<u>564,431</u>
Less: provision for impairment	<u>(12,540)</u>	<u>(19)</u>	<u>(12,559)</u>	<u>(12,529)</u>	<u>(243)</u>	<u>(12,772)</u>
	<u><u>522,056</u></u>	<u><u>2,363</u></u>	<u><u>524,419</u></u>	<u><u>521,583</u></u>	<u><u>30,076</u></u>	<u><u>551,659</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 2023 and 31 December 2022, the aging analysis of trade receivables were as follows:

	As at 30 June 2023 RMB'000	As at 31 December 2022 RMB'000
Accounts receivable		
– within 30 days	307,485	322,339
– 30 days to 3 months	45,355	57,684
– 3 months to 6 months	34,369	59,270
– 6 months to 1 year	54,293	29,206
– 1 year to 2 years	23,365	33,522
– over 2 years	8,577	2,431
	<u>473,444</u>	<u>504,452</u>
Notes receivable		
– within 1 year	<u>1,621</u>	<u>-</u>
	<u><u>475,065</u></u>	<u><u>504,452</u></u>

13. TRADE PAYABLES

	As at 30 June 2023 RMB'000	As at 31 December 2022 RMB'000
Accounts payable	580,018	429,690
Notes payable	30,000	40,000
	<hr/> 610,018 <hr/>	<hr/> 469,690 <hr/>

The ageing analysis of the trade payable were as follows:

	As at 30 June 2023 RMB'000	As at 31 December 2022 RMB'000
Within 6 months	599,004	451,200
6 months to 1 year	9,317	9,606
1 year to 2 years	1,254	8,379
More than 2 years	443	505
	<hr/> 610,018 <hr/>	<hr/> 469,690 <hr/>

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 1,780 million tonnes in 2022, of which China recorded an apparent consumption of approximately 920 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.

Projects highlights

1. **Daming Heavy Industry delivered a new energy rotary kiln project with mass production**

The new energy rotary kiln project for large-scale drying equipment of a famous domestic enterprise manufactured by the process equipment branch of Daming Heavy Industry has passed the qualification test of the customer and has ensured successful delivery by fast processing speed and stable production quality.

2. **Jiangsu Daming and TISCO served Yancheng SKO lithium battery workshops cleaning project of CESE3**

For SK's largest global power battery project, Jiangsu Daming provided floor cleaning in the workshops.

Relying on the resources of steel mills, Daming extended its services and customized them according to the needs of customers, creating a full-process service from raw materials to the customer, and constructing an efficient processing service system and total solutions close to the customer.

3. **Metso Outotec carbon steel flotation machines were successfully shipped to serve large-scale copper milling project**

The successful shipment of the Metso Outotec carbon steel flotation machines for large-scale copper milling projects manufactured by Daming Energy Equipment will help the concentrator achieve more efficient resource comprehensive utilization, as well as save energy, improve the energy utilization rate, and reduce production costs.

4. **Daming's internal cooperation to serve the CHINALCO's nickel and cobalt smelting project in Indonesia**

Jiangsu Daming cooperated with Daming Taian Processing Center to complete the processing of tanks for the overseas project of the CHINALCO's nickel and cobalt smelting equipment system in Indonesia for the first time, which has successfully assisted the construction of the first phase of the project.

Operating results

The Group recorded a net profit of approximately RMB11.6 million for the six months ended 30 June 2023 representing a significant decrease of approximately 92.7% as compared with the net profit of approximately RMB158.5 million for the six months ended 30 June 2022. The decrease in operating results was mainly due to the decrease in the market price of steel materials during the period.

The sales volume of our stainless steel processing business increased from approximately 865,000 tonnes for the six months ended 30 June 2022 to approximately 957,000 tonnes for the six months ended 30 June 2023 representing an increase of approximately 10.5%. The processing volume increased from approximately 1,380,000 tonnes for the six months ended 30 June 2022 to approximately 1,548,000 tonnes for the six months ended 30 June 2023 representing an increase of approximately 12.2%.

The sales volume of our carbon steel processing business increased from approximately 1,756,000 tonnes for the six months ended 30 June 2022 to approximately 2,226,000 tonnes for the six months ended 30 June 2023 representing an increase of approximately 26.8%. The processing volume increased from approximately 1,924,000 tonnes for the six months ended 30 June 2022 to approximately 2,334,000 tonnes for the six months ended 30 June 2023 representing an increase of approximately 21.3%.

The sales volume and processing volume of our processing centres for the six months ended 30 June 2023 and the corresponding period in 2022 were as follows:

Stainless steel

	Six months ended 30 June		<i>% change</i>
	2023	2022	
	<i>tonnes</i>	<i>tonnes</i>	
Sales volume			
Wuxi	395,970	376,920	+5.1%
Hangzhou	118,364	108,391	+9.2%
Tianjin	128,477	98,076	+31.0%
Taiyuan	70,169	62,502	+12.3%
Wuhan	45,566	43,853	+3.9%
Jingjiang	79,912	69,040	+15.7%
Shandong	72,105	71,540	+0.8%
Jiaying	46,050	35,036	+31.4%
	<hr/>	<hr/>	
Total	956,613	865,358	+10.5%
	<hr/> <hr/>	<hr/> <hr/>	
Processing volume			
Wuxi	677,640	638,486	+6.1%
Hangzhou	148,610	150,342	-1.2%
Tianjin	134,257	128,939	+4.1%
Taiyuan	256,260	159,985	+60.2%
Wuhan	56,304	62,053	-9.3%
Jingjiang	157,823	136,744	+15.4%
Shandong	69,695	67,333	+3.5%
Jiaying	47,156	36,046	+30.8%
	<hr/>	<hr/>	
Total	1,547,745	1,379,928	+12.2%
	<hr/> <hr/>	<hr/> <hr/>	

Carbon steel

	Six months ended 30 June		% change
	2023 tonnes	2022 tonnes	
Sales volume			
Wuxi	387,966	347,504	+11.6%
Hangzhou	89,999	111,624	-19.4%
Tianjin	282,714	189,079	+49.5%
Taiyuan	142,808	120,702	+18.3%
Wuhan	313,732	262,456	+19.5%
Jingjiang	452,452	294,223	+45.4%
Shandong	282,393	212,177	+33.1%
Jiaying	273,436	217,831	+25.5%
	<u>2,225,500</u>	<u>1,755,596</u>	+26.8%
Processing volume			
Wuxi	333,968	271,853	+22.8%
Hangzhou	7,418	111,848	-93.4%
Tianjin	291,044	223,093	+30.5%
Taiyuan	170,113	149,333	+13.9%
Wuhan	361,605	297,730	+21.5%
Jingjiang	537,319	426,720	+25.9%
Shandong	288,414	232,257	+24.2%
Jiaying	343,793	211,358	+62.7%
	<u>2,333,674</u>	<u>1,924,192</u>	+21.3%

FINANCIAL REVIEW AND ANALYSIS

During the six months ended 30 June 2023, we recorded a revenue of approximately RMB24,505 million, gross profit of approximately RMB464 million and profit attributable to equity holders of the Company of approximately RMB7 million. Total assets of the Group as at 30 June 2023 amounted to approximately RMB14,446 million while equity attributable to equity holders of the Company amounted to approximately RMB3,173 million.

Revenue

Our revenue for the six months ended 30 June 2023 amounted to approximately RMB24,505 million comprising approximately RMB23,897 million from our processing business and approximately RMB608 million from our manufacturing business. As compared with the revenue for the six months ended 30 June 2022 of approximately RMB24,801 million, it represented a slight decrease of approximately 1.2%.

The sales volume of our stainless steel processing business increased from 865,358 tonnes for the six months ended 30 June 2022 to 956,613 tonnes for the six months ended 30 June 2023 representing an increase of approximately 10.5%. The sales volume of our carbon steel processing business increased from 1,755,596 tonnes for the six months ended 30 June 2022 to 2,225,500 tonnes for the six months ended 30 June 2023 representing an increase of approximately 26.8%.

The processing volume of our stainless steel processing business increased from 1,379,928 tonnes for the six months ended 30 June 2022 to 1,547,745 tonnes for the six months ended 30 June 2023 representing an increase of approximately 12.2%. The processing volume of our carbon steel processing business increased from 1,924,192 tonnes for the six months ended 30 June 2022 to 2,333,674 tonnes for the six months ended 30 June 2023 representing an increase of approximately 21.3%.

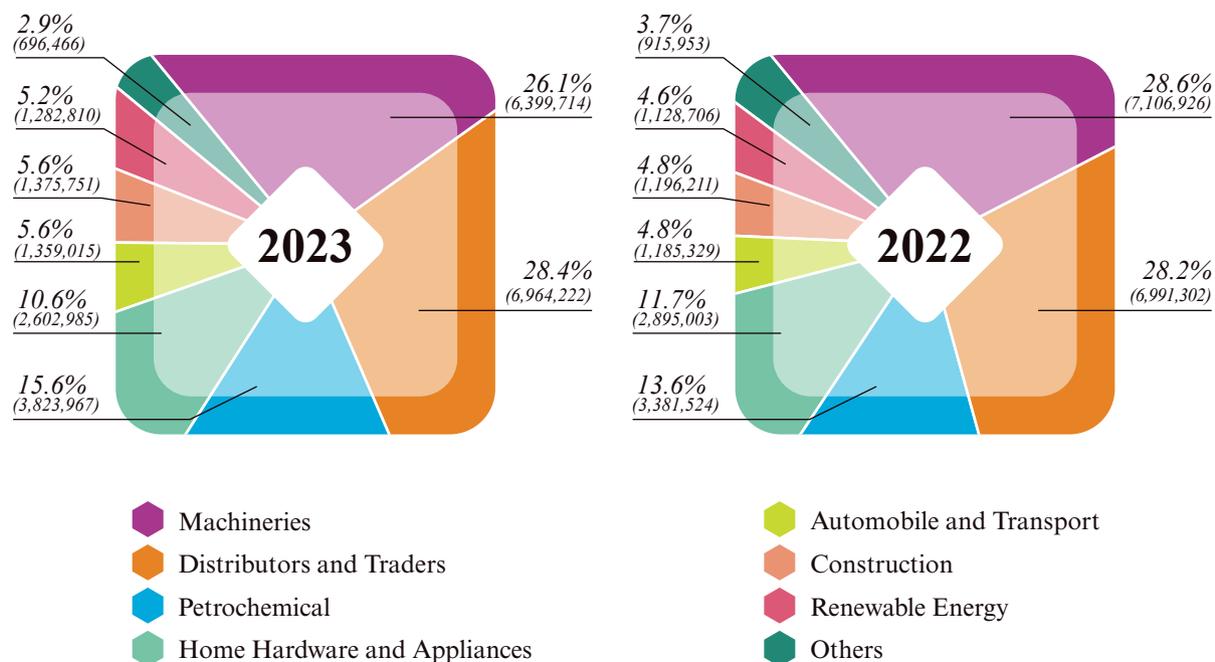
Analysis of revenue by key industry segments

During the six months ended 30 June 2023 and the corresponding period in 2022, our revenue by key industry segments were shown below:

Revenue

Industry	Six months ended 30 June			
	2023		2022	
	RMB'000	%	RMB'000	%
Machineries	6,399,714	26.1	7,106,926	28.6
Distributors and Traders	6,964,222	28.4	6,991,302	28.2
Petrochemical	3,823,967	15.6	3,381,524	13.6
Home Hardware and Appliances	2,602,985	10.6	2,895,003	11.7
Automobile and Transport	1,359,015	5.6	1,185,329	4.8
Construction	1,375,751	5.6	1,196,211	4.8
Renewable Energy	1,282,810	5.2	1,128,706	4.6
Others	696,466	2.9	915,953	3.7
Total	24,504,930	100.0	24,800,954	100.0

RMB'000

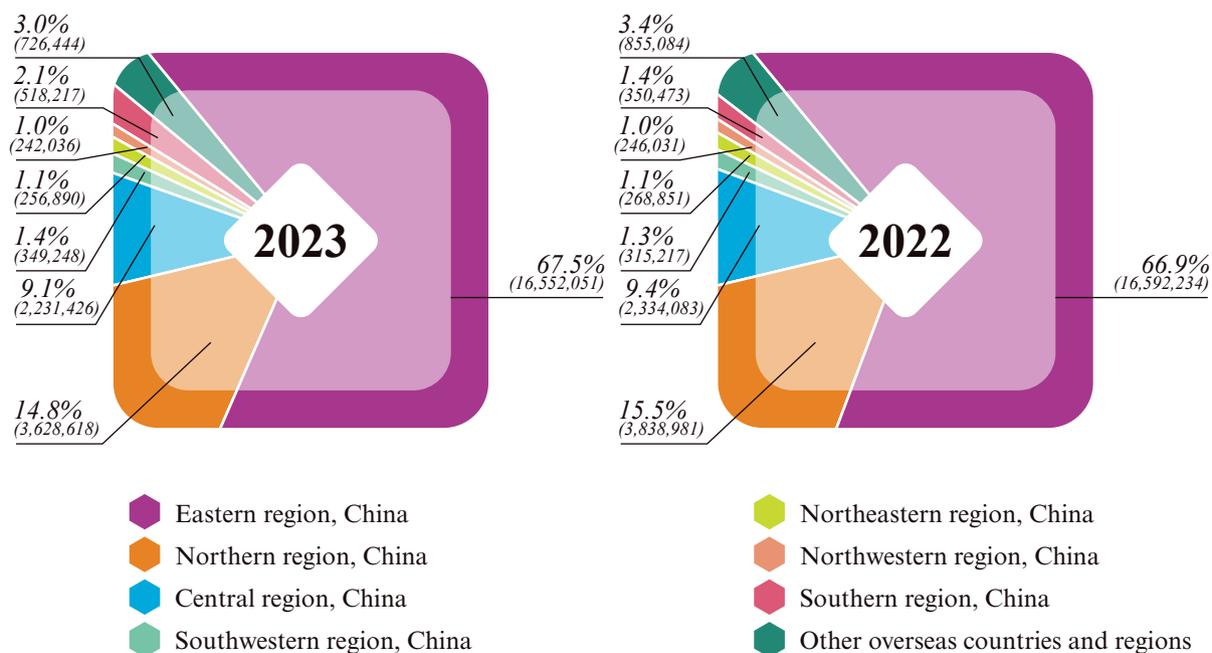


Analysis of revenue by geographical regions

During the six months ended 30 June 2023 and the corresponding period in 2022, our revenue by geographical regions were shown below:

Region	Six months ended 30 June 2023		2022	
	RMB'000	%	RMB'000	%
Eastern region, China	16,552,051	67.5	16,592,234	66.9
Northern region, China	3,628,618	14.8	3,838,981	15.5
Central region, China	2,231,426	9.1	2,334,083	9.4
Southwestern region, China	349,248	1.4	315,217	1.3
Northeastern region, China	256,890	1.1	268,851	1.1
Northwestern region, China	242,036	1.0	246,031	1.0
Southern region, China	518,217	2.1	350,473	1.4
Other overseas countries and regions	726,444	3.0	855,084	3.4
Total	24,504,930	100.0	24,800,954	100.0

RMB'000



Gross profit

Gross profit decreased from approximately RMB700.9 million for the six months ended 30 June 2022 to approximately RMB464.2 million for the six months ended 30 June 2023 mainly due to the decrease in the market price of steel materials during the period.

Other income

Other income increased from approximately RMB7.9 million for the six months ended 30 June 2022 to approximately RMB41.3 million for the six months ended 30 June 2023 mainly due to the increase in government grants received.

Distribution costs

Distribution costs decreased from approximately RMB231.5 million for the six months ended 30 June 2022 to approximately RMB225.4 million for the six months ended 30 June 2023. Such decrease was mainly due to the decrease in staff bonus expenses.

Administrative expenses

Administrative expenses decreased from approximately RMB175.2 million for the six months ended 30 June 2022 to approximately RMB140.6 million for the six months ended 30 June 2023. Such decrease was mainly due to the decrease in staff bonus expenses.

Finance costs

Finance costs increased from approximately RMB81.5 million for the six months ended 30 June 2022 to approximately RMB119.3 million for the six months ended 30 June 2023. Such increase was mainly due to the decrease in exchange gain recognised during the period.

Income tax expense

The income tax expense decreased from approximately RMB60.9 million for the six months ended 30 June 2022 to approximately RMB6.7 million for the six months ended 30 June 2023 due to the decrease in profit.

Profit for the period

The Group recorded a net profit of approximately RMB11.6 million for the six months ended 30 June 2023 as compared with a net profit of approximately RMB158.5 million for the six months ended 30 June 2022. 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 2023, the borrowings of the Group amounted to approximately RMB8,710 million. Notes payable amounted to approximately RMB30 million while the bank balances were approximately RMB2,676 million of which approximately RMB2,397 million were restricted bank deposits for issuing letter of credit and notes payable.

As at 30 June 2023, the Group recorded a net current liabilities of approximately RMB318 million.

The gearing ratios as at 30 June 2023 and 31 December 2022 were 70.54% and 65.05% 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 2023, 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 (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 2023. 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 2023 (2022: Nil).

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 2023.

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 2023 and considered that the Company has complied with all applicable accounting standards and requirements.

INTERIM REPORT

The 2023 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) and the Company (www.dmssc.net) in due course.

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

Hong Kong, 25 August 2023

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