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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 2023

AND

PROPOSED AMENDMENTS TO ARTICLES OF ASSOCIATION AND ADOPTION OF THE AMENDED AND RESTATED ARTICLES OF ASSOCIATION

FINANCIAL HIGHLIGHTS			
	Year ended 31 December		
	2023	2022	
	RMB'000	RMB'000	% change
Revenue	50,560,063	50,122,319	+0.9%
Gross profit	921,534	908,633	+1.4%
Loss and total comprehensive loss for the year	(190,493)	(158,833)	+19.9%
OPERATING HIGHLIGHTS			
	Year ended 31 December		
	2023	2022	% change
Stainless steel			
Sales volume (tonnes)	2,043,000	1,858,780	+9.9%
Processing volume (tonnes)	3,241,597	2,849,891	+13.7%
Processing multiple (<i>note</i>)	1.59	1.53	
Carbon steel			
Sales volume (tonnes)	4,855,332	3,992,889	+21.6%
Processing volume (tonnes)	4,863,370	4,230,227	+15.0%
Processing multiple (<i>note</i>)	1.00	1.06	
<i>Note:</i>	Processing multiple = Processing volume/Sales volume		

FINAL RESULTS

The board of directors (the “Board”) of Da Ming International Holdings Limited (the “Company”) hereby announce the audited consolidated results of the Company and its subsidiaries (collectively, the “Group”) for the year ended 31 December 2023 together with comparative figures for the year ended 31 December 2022, as follows:

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2023

		Year ended 31 December	
		2023	2022
	Note	RMB'000	RMB'000
Revenue	2	50,560,063	50,122,319
Cost of sales	3	(49,638,529)	(49,213,686)
Gross profit		921,534	908,633
Other income	4	69,224	47,790
Other (loss)/gain – net	5	(12,394)	10,511
Distribution costs	3	(493,264)	(484,850)
Administrative expenses	3	(455,537)	(443,151)
Operating profit		29,563	38,933
Finance income	6	36,526	44,519
Finance costs	6	(274,371)	(277,849)
Finance costs – net	6	(237,845)	(233,330)
Loss before income tax		(208,282)	(194,397)
Income tax credit	7	17,789	35,564
Loss and total comprehensive loss for the year		(190,493)	(158,833)
Attributable to:			
Shareholders of the Company		(219,068)	(178,302)
Non-controlling interests		28,575	19,469
		(190,493)	(158,833)
Earnings per share for profit attributable to shareholders of the Company during the year			
(expressed in RMB per share)			
– Basic loss per share	8	(0.17)	(0.14)
– Diluted loss per share	8	(0.17)	(0.14)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2023

	As at 31 December	
	2023	2022
<i>Note</i>	RMB'000	RMB'000
ASSETS		
Non-current assets		
Property, plant and equipment	5,200,514	5,018,900
Right-of-use assets	540,228	532,750
Investment properties	1,905	1,130
Intangible assets	23,937	24,281
Deferred income tax assets	170,022	130,128
Contract assets	13,878	30,076
Other non-current assets	36,141	16,198
	<u>5,986,625</u>	<u>5,753,463</u>
Current assets		
Inventories	3,952,758	3,518,438
Trade receivables and contract assets	462,592	521,583
Prepayments, deposits and other receivables	1,161,519	1,119,325
Financial assets at fair value through other comprehensive income	59,040	55,571
Restricted bank deposits	1,301,037	1,402,791
Cash and cash equivalents	265,311	406,856
	<u>7,202,257</u>	<u>7,024,564</u>
Total assets	<u>13,188,882</u>	<u>12,778,027</u>
EQUITY		
Equity attributable to shareholders of the Company		
Share capital	109,041	109,041
Reserves	2,833,451	3,056,418
	<u>2,942,492</u>	<u>3,165,459</u>
Non-controlling interests	<u>338,756</u>	<u>339,226</u>
Total equity	<u>3,281,248</u>	<u>3,504,685</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (Continued)

As at 31 December 2023

	As at 31 December	
	2023	2022
<i>Note</i>	RMB'000	RMB'000
LIABILITIES		
Non-current liabilities		
Borrowings	1,968,535	1,947,453
Deferred government grants	132,010	130,398
Deferred income tax liabilities	5,869	15,975
Lease liabilities	3,695	8,936
Long-term payables	32,939	14,773
	<u>2,143,048</u>	<u>2,117,535</u>
Current liabilities		
Trade payables	11 707,959	469,690
Accruals and other payables	659,973	674,446
Contract liabilities	946,397	941,575
Current income tax liabilities	34,305	61,011
Borrowings	5,390,190	4,983,456
Lease liabilities	5,762	5,629
Dividends payable	20,000	20,000
	<u>7,764,586</u>	<u>7,155,807</u>
Total liabilities	<u>9,907,634</u>	<u>9,273,342</u>
Total equity and liabilities	<u>13,188,882</u>	<u>12,778,027</u>

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2023

	Attributable to shareholders of the Company		Non- controlling interests	Total equity
	Share capital RMB'000	Reserves RMB'000	RMB'000	RMB'000
Balance at 1 January 2023	109,041	3,056,418	339,226	3,504,685
Comprehensive income				
Loss for the year	–	(219,068)	28,575	(190,493)
Total comprehensive income for the year ended 31 December 2023	–	(219,068)	28,575	(190,493)
Transactions with owners				
Acquisition of non-controlling interest	–	(3,899)	(13,197)	(17,096)
Capital injection by non-controlling shareholders of subsidiaries	–	–	4,152	4,152
Dividends	–	–	(20,000)	(20,000)
Total transactions with owners	–	(3,899)	(29,045)	(32,944)
Balance at 31 December 2023	109,041	2,833,451	338,756	3,281,248
Balance at 1 January 2022	109,041	3,300,070	340,282	3,749,393
Comprehensive income				
Loss for the year	–	(178,302)	19,469	(158,833)
Total comprehensive income for the year ended 31 December 2022	–	(178,302)	19,469	(158,833)
Transactions with owners				
Dividends	–	(65,350)	(20,525)	(85,875)
Total transactions with owners	–	(65,350)	(20,525)	(85,875)
Balance at 31 December 2022	109,041	3,056,418	339,226	3,504,685

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2023

	2023 RMB'000	2022 <i>RMB'000</i>
Cash flows from operating activities	67,280	272,276
Cash flows from investing activities	(654,461)	(649,167)
Cash flows from financing activities	444,394	635,902
Net (decrease)/increase in cash and cash equivalents	(142,787)	259,011
Cash and cash equivalents at beginning of year	406,856	141,196
Exchange gain on cash and cash equivalents	1,242	6,649
Cash and cash equivalents at end of year	265,311	406,856

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

1. Basis of preparation

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

Going concern

The Group recorded a loss of RMB190,493,000 for the year end 31 December 2023 and the Group’s current liabilities exceeded its current assets by approximately RMB562,329,000 as at 31 December 2023. 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 given a careful consideration to the projected needs for liquidity, operation results and the available financial sources of the Group in evaluating whether the Group will have sufficient financial resources to continue as a going concern. Management’s plan has included a number of measures to mitigate the liquidity pressure and to improve the financial position and operation results:

- (i) the Group forecasts to have net cash inflow from operating activities for the year ending 31 December 2024. The Group’s sales and raw materials purchases, mainly stainless steel and carbon steel, are with short credit terms, majority within 30 days, as such the Group’s operating cash flows is very much affected by the level of raw material inventories retained by the Group. The Group’s management has been making effort in communication with the suppliers in order to further shorten the raw materials supply time lag so as to reduce the inventory level and therefore increase the cash inflow from operations;
- (ii) the Group continues to manage the financing from long-term and short-term bank borrowings, and substantially all of the short-term bank borrowings would be refinanced and/or renewed upon maturity with reference to the historical renewal rate. Given that the Group stands on the history of sound credit with no default in the past, and a significant portion of its short-term bank borrowings were obtained by subsidiaries that are continuously profitable, which further eliminates the possibility of demand for repayments by banks due to operation results;
- (iii) the Group has sufficient available banking facilities as at 31 December 2023, which can be drawn down after the customary submissions to banks are completed; and
- (iv) the Group has been approached by other available sources of financing from banks and other financial institutions given the Group’s good credit history and the fact that majority of the Group’s property, plant and equipment are free from pledge or restriction and would be available to secure further financing if and 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 the period not less than twelve months from period end date of these financial statements. The directors, therefore, are of the opinion that it is appropriate to adopt the going concern basis in preparing its consolidated financial statements.

Changes in accounting policies and disclosures

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

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

		Effective for annual periods beginning on or after
HKAS 12 (Amendments)	Deferred Tax related to Assets and Liabilities arising from a Single Transaction	1 January 2023
HKAS 8 (Amendments)	Definition of Accounting Estimates	1 January 2023
HKAS 1 and HKFRS Practice Statement 2 (Amendments)	Disclosure of Accounting Policies	1 January 2023
HKFRS 17	Insurance contracts	1 January 2023
HKAS 12 (Amendments)	International Tax Reform – Pillar Two Model Rules	Immediately, except for certain disclosures

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

Certain new accounting standards, amendments to accounting standards and interpretations have been published that are not mandatory for the year ended 31 December 2023 reporting periods and have not been early adopted by the Group. These standards, amendments or interpretations are not expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions. These new standards and interpretations are:

		Effective for annual periods beginning on or after
HKAS 1 (Amendments)	Classification of Liabilities as Current or Non-current	1 January 2024
HKAS 1 (Amendments)	Non-current Liabilities with Covenants	1 January 2024
HKFRS 16 (Amendments)	Lease Liability in a Sale and Leaseback	1 January 2024
HKAS 7 and HKFRS 7 (Amendments)	Supplier finance arrangements	1 January 2024
HK Interpretation 5 (Revised)	Presentation of Financial Statements-Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause	Applied when an entity applies Amendments to HKAS 1
HKAS 21 (Amendments)	Lack of Exchangeability	1 January 2025
HKFRS 10 and HKAS 28 (Amendments)	Sale or contribution of assets between an investor and its associate or joint venture	To be determined

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

(c) *Change in accounting policy on offsetting arrangement in long service payment scheme in Hong Kong*

In June 2022, the Hong Kong Government enacted the Employment and Retirement Schemes Legislation (Offsetting Arrangement) (Amendment) Ordinance 2022 (the "Amendment Ordinance") which will be effective from 1 May 2025 (the "Transition Date"). Under the Amendment Ordinance, any accrued benefits attributable to the employer's mandatory contributions under mandatory provident fund scheme ("MPF Benefits") of an entity would no longer be eligible to offset against its obligations on long service payment ("LSP") for the portion of the LSP accrued on or after the Transition Date. There is also a change in the calculation basis of last monthly wages for the portion of the LSP accrued before the Transition Date.

Prior to 1 January 2023, the Group applied practical expedient in HKAS 19 paragraph 93(b) (the "practical expedient") to account for the offsettable MPF Benefits as deemed employee contributions to reduce the current service costs in the period in which the related services were rendered.

In July 2023, the HKICPA published "Accounting implications of the abolition of the MPF-LSP offsetting mechanism in Hong Kong" (the "Guidance") which provides clarified and detailed guidance on the accounting considerations relating to the abolition of the offsetting mechanism. The Guidance clarified that following the enactment of the Amendment Ordinance, LSP is no longer a 'simple type of contributory plans' to which the practical expedient had been intended to apply.

By following the Guidance, the Group has therefore changed its accounting policy and ceased to apply the practical expedient and reattribute the deemed employee contributions on a straight-line basis from the date when services by employees first lead to their benefits in terms of the LSP legislation in accordance with HKAS 19 paragraph 93(a). The cumulative effect of recognising these adjustments as of 31 December 2022 or for the year ended was not material and hence no adjustment was made to the beginning retained earnings, or another component of equity.

2. Revenue

The Group's revenue from sales to external customers in different countries and regions is as follows:

	Year ended 31 December	
	2023	2022
	<i>RMB'000</i>	<i>RMB'000</i>
– Mainland China	49,060,233	48,328,818
– Hong Kong and other overseas countries and regions ⁽ⁱ⁾	1,499,830	1,793,501
Total revenue	50,560,063	50,122,319

- (i) Other overseas countries and regions mainly represented Australia, United States of America, South Korea, Japan, Europe, South America and Southeast Asia.

The Group's revenue from sales by segment products is as follows:

	Year ended 31 December	
	2023	2022
	<i>RMB'000</i>	<i>RMB'000</i>
Processing:		
Processing of metal materials	47,265,587	46,772,226
Components manufacturing	2,089,834	1,711,190
Manufacturing:		
High-end equipment manufacturing	1,204,642	1,638,903
	50,560,063	50,122,319

The segment results for the year ended 31 December 2023:

	Processing <i>RMB'000</i>	Manufacturing <i>RMB'000</i>	Elimination <i>RMB'000</i>	Total <i>RMB'000</i>
Sales to external customers	49,355,421	1,204,642	–	50,560,063
Intra-group sales	<u>605,800</u>	<u>131,691</u>	<u>(737,491)</u>	<u>–</u>
Segment revenue	49,961,221	1,336,333	(737,491)	50,560,063
Segment results	<u>60,160</u>	<u>(84,842)</u>	<u>(2,585)</u>	<u>(27,267)</u>
Other income				69,224
Other loss – net				(12,394)
Finance costs – net				<u>(237,845)</u>
Loss before income tax				(208,282)
Income tax credit				<u>17,789</u>
Loss for the year				<u><u>(190,493)</u></u>
Items included in profit and loss:				
Depreciation and amortization	<u>323,211</u>	<u>115,191</u>	<u>–</u>	<u>438,402</u>

The segment results for the year ended 31 December 2022:

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

3. Expenses by Nature

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

	Year ended 31 December	
	2023	2022
	RMB'000	RMB'000
Changes in inventories of finished goods	(84,413)	86,716
Raw materials consumed	48,311,029	47,977,214
Outsourced processing cost	132,630	127,738
Stamp duty, property tax and other surcharges	81,037	67,792
Transportation costs	278,251	258,885
Employee benefit expenses, including directors' emoluments	1,089,907	1,107,825
Depreciation and amortization		
– Depreciation of property, plant and equipment	413,925	398,629
– Depreciation of right-of-use assets	19,208	18,777
– Depreciation of investment properties	149	91
– Amortization of intangible assets	5,120	4,079
Operating lease rental for buildings and equipments	5,340	2,412
Utilities charges	85,252	81,439
Provision for write-down/(reversal of provision) of inventories	43,668	(144,521)
Provision for impairment of trade receivables and contract assets	11,521	922
Auditors' remuneration		
– Audit services	3,100	3,320
– Non-audit services	169	171
Entertainment and travelling expenses	58,949	39,619
Bank charges	37,286	32,863
Others	95,202	77,716
	<u>50,587,330</u>	<u>50,141,687</u>

4. Other income

	Year ended 31 December	
	2023	2022
	RMB'000	RMB'000
Government subsidy income	32,642	15,048
Sales of scraps and packaging materials	16,223	14,943
Amortization of deferred government grants	12,590	10,490
Rental income from investment properties	1,331	773
Others	6,438	6,536
	<u>69,224</u>	<u>47,790</u>

5. Other (loss)/gain – net

	Year ended 31 December	
	2023	2022
	<i>RMB'000</i>	<i>RMB'000</i>
Losses on disposal of property, plant and equipment – net	(684)	(477)
Foreign exchange (loss)/gain – net	(8,286)	14,708
Others	(3,424)	(3,720)
	<u> </u>	<u> </u>
Other (loss)/gain – net	<u>(12,394)</u>	<u>10,511</u>

6. Finance costs – net

	Year ended 31 December	
	2023	2022
	<i>RMB'000</i>	<i>RMB'000</i>
Finance costs:		
Interest expenses on borrowings	205,435	195,220
Interest expenses on bank/commercial acceptance notes and letters of credit	90,390	103,253
Exchange loss – net	604	1,671
	<u> </u>	<u> </u>
	296,429	300,144
Less: amounts capitalised on qualifying assets	<u>(22,058)</u>	<u>(22,295)</u>
	<u> </u>	<u> </u>
Total finance costs	<u>274,371</u>	<u>277,849</u>
Finance income:		
Interest income on bank deposits	<u>(36,526)</u>	<u>(44,519)</u>
	<u> </u>	<u> </u>
Finance costs – net	<u>237,845</u>	<u>233,330</u>

7. Income tax credit

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

	Year ended 31 December	
	2023	2022
	RMB'000	RMB'000
Current income tax		
– Mainland China corporate income tax	32,211	67,648
Deferred income tax	(50,000)	(103,212)
	<u>(17,789)</u>	<u>(35,564)</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% (2022: 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 Intercity Logistics, Daming Mechanical and Electrical Equipment, Steel Union Logistics and Daming Heavy Industry, are subjected to corporate income tax rate of 25% (2022: 25%) for the year 2023.

As small low-profit enterprises, the portion of annual taxable income amount of Intercity Logistics, Daming Mechanical and Electrical Equipment, Steel Union Logistics which does not exceed RMB1 million shall be computed at a reduced rate of 25%, and be subjected to corporate income tax rate of 20%.

Daming Heavy Industry has been accredited 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% (2022: 15%) for the year ended 31 December 2023. The qualification of High New Tech Enterprises is subjected to renewal for each three years interval. In 2023, Daming Heavy Industry has renewed its qualification of High New Tech Enterprises.

8. Earnings per share

(a) Basic

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

	Year ended 31 December	
	2023	2022
Loss attributable to shareholders of the Company (RMB'000)	<u>(219,068)</u>	<u>(178,302)</u>
Weighted average number of ordinary shares in issue (thousands)	<u>1,274,528</u>	<u>1,274,528</u>
Basic loss per share (RMB per share)	<u>(0.17)</u>	<u>(0.14)</u>

(b) Diluted

As the Group incurred losses for the year ended 31 December 2023 and 2022, the potential ordinary shares were not included in the calculation of diluted loss per share as their inclusion would be anti-dilutive. Accordingly, diluted loss per share for the year ended 31 December 2023 is the same as basic loss per share for the year.

9. Dividends

The directors did not recommend payment of an interim or final dividend in respect of the year ended 31 December 2023 (2022: nil).

No dividend was paid in the year ended 31 December 2023.

The dividends paid in 2022 amounted to HKD76,472,000 (equivalent to approximately RMB65,350,000), representing the final dividend for 2021 based on the number of issued shares outstanding at relevant time.

10. Trade receivables and contract assets

	As at 31 December 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	37,392	14,085	51,477	29,660	30,319	59,979
Accounts receivable	444,204	–	444,204	504,452	–	504,452
Notes receivable						
– bank acceptance notes	5,000	–	5,000	–	–	–
	486,596	14,085	500,681	534,112	30,319	564,431
Less: provision for impairment	(24,004)	(207)	(24,211)	(12,529)	(243)	(12,772)
	462,592	13,878	476,470	521,583	30,076	551,659

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

As at 31 December 2023, bank acceptance notes of RMB5,000,000 were pledged as security for notes payable (2022: nil).

Majority of the Group's sales are made on (i) cash on delivery, (ii) receipt of bank or commercial acceptance, and (iii) credit terms within 180 days. As at 31 December 2023, the aging analysis of trade receivables was as follows:

	As at 31 December	
	2023 RMB'000	2022 RMB'000
Trade receivables		
– within 30 days	243,898	322,339
– 30 days to 3 months	74,754	57,684
– 3 months to 6 months	43,183	59,270
– 6 months to 1 year	53,250	29,206
– 1 year to 2 years	15,700	33,522
– over 2 years	13,419	2,431
	444,204	504,452
Notes receivable		
– 3 months to 6 months	5,000	–
	449,204	504,452

11. Trade payables

	As at 31 December	
	2023	2022
	<i>RMB'000</i>	<i>RMB'000</i>
Accounts payable	647,959	429,690
Notes payable	60,000	40,000
	707,959	469,690

The notes payable as at 31 December 2023 of RMB60,000,000 was secured by restricted bank deposits of approximately RMB30,000,000 (2022: nil).

The aging analysis of trade payables was as follows:

	As at 31 December	
	2023	2022
	<i>RMB'000</i>	<i>RMB'000</i>
Within 6 months	688,721	451,200
6 months to 1 year	12,951	9,606
1 year to 2 years	6,184	8,379
More than 2 years	103	505
	707,959	469,690

Trade payables were denominated in the following currencies:

	As at 31 December	
	2023	2022
	<i>RMB'000</i>	<i>RMB'000</i>
RMB	679,517	402,831
USD	24,448	41,403
EUR	3,994	22,801
JPY	–	2,655
	707,959	469,690

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

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

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

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

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

The market for metal materials is tremendous which provides 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.

Business highlights

1. *Daming Heavy Industry Successfully Shipped ASU Air Separation Equipment For SpaceX Project*

The ASU air separation equipment manufactured by Daming Heavy Industry Energy Equipment for the SpaceX project was successfully shipped. This project is the largest diameter and wall thickness ASU air separation unit supporting adsorber that Daming has undertaken so far. From product design to project execution, it is completed by the customer's globalization participation. Based on the trust in Daming Heavy Industry and Daming's many years of experience in manufacturing air separation equipment, the customer was assured that the core unit of the batch was entrusted to Daming.

2. *HOTBOX Manufactured By Daming Heavy Industry Successfully Exported To Italy*

The hotboxes manufactured by Daming Heavy Industry Process Equipment Branch for the energy projects of global famous enterprises were successfully shipped to Italy, which is a "bridge" connecting the condenser and the low-pressure cylinder for heat exchange. The product is made of carbon steel and weighs 140 tons.

3. *Wanhua Chemical Ethylene Distillation Tower and Fujian Gasification Tower Delivered Early At The Same Time*

The 1028-ton stainless steel ethylene distillation tower of Wanhua Yantai Industrial Park Phase II 1.2 million/year ethylene project, which was manufactured by Daming Heavy Industry, and the first tower of Fujian Industrial Park gasification project were delivered in advance at the same time, and a grand delivery ceremony was held in Daming Heavy Industry.

4. *Huaneng Dadu River Hard Liangbao Hydropower Station Passed The One-Time Acceptance Of The Water Guide Mechanism*

The pre-assembly and acceptance meeting of the water guide mechanism of Huaneng Dadu River Hard Liangbao Hydropower Station was held in Daming Heavy Industry. The acceptance group composed of leaders and experts from Dongfang Electric Group, Sichuan Huaneng Luding Hydropower, Chengdu Survey and Design Research Institute of China Electric Construction Group, Fifth Engineering Bureau of China Water Conservancy and Hydropower, and Xi'an Thermal Engineering Research Institute attended the meeting.

Operating results

The Group recorded a net loss of approximately RMB190.5 million for the year ended 31 December 2023 representing an increase of approximately 19.9% as compared with the net loss of approximately RMB158.8 million for the year ended 31 December 2022.

The annual sales volume of our stainless steel processing business increased from approximately 1,859,000 tonnes for the year ended 31 December 2022 to approximately 2,043,000 tonnes for the year ended 31 December 2023 representing an increase of approximately 9.9% while the processing volume increased from approximately 2,850,000 tonnes for the year ended 31 December 2022 to approximately 3,242,000 tonnes for the year ended 31 December 2023 representing an increase of approximately 13.7%.

The annual sales volume of our carbon steel processing business increased from approximately 3,993,000 tonnes for the year ended 31 December 2022 to approximately 4,855,000 tonnes for the year ended 31 December 2023 representing an increase of approximately 21.6% while the annual processing volume increased from approximately 4,230,000 tonnes for the year ended 31 December 2022 to approximately 4,863,000 tonnes for the year ended 31 December 2023 representing an increase of approximately 15.0%.

FUTURE DEVELOPMENT

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

FINANCIAL REVIEW AND ANALYSIS

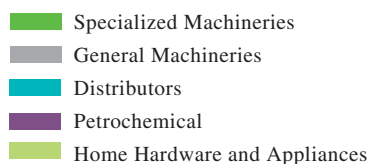
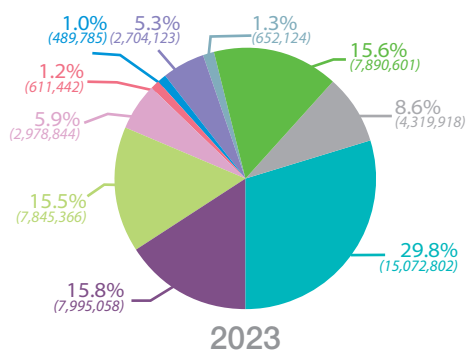
During the year under review, we recorded a revenue of approximately RMB50,560 million, gross profit of approximately RMB922 million and the loss attributable to shareholders of the Company of approximately RMB219.1 million. Total assets of the Group as at 31 December 2023 amounted to approximately RMB13,189 million while equity attributable to shareholders of the Company amounted to approximately RMB2,942 million.

Analysis of revenue by key industry segments

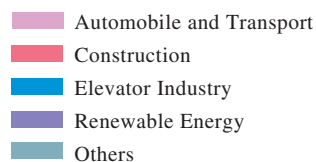
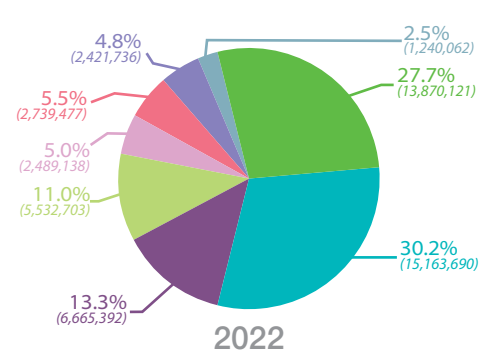
During the years ended 31 December 2023 and 2022, our revenue by key industry segments are shown below:

Industry	Revenue			
	For the year ended 31 December 2023		2022	
	RMB'000	%	RMB'000	%
Specialized Machineries	7,890,601	15.6	13,870,121	27.7
General Machineries	4,319,918	8.6	–	–
Distributors	15,072,802	29.8	15,163,690	30.2
Petrochemical	7,995,058	15.8	6,665,392	13.3
Home Hardware and Appliances	7,845,366	15.5	5,532,703	11.0
Automobile and Transport	2,978,844	5.9	2,489,138	5.0
Construction	611,442	1.2	2,739,477	5.5
Elevator Industry	489,785	1.0	–	–
Renewable Energy	2,704,123	5.3	2,421,736	4.8
Others	652,124	1.3	1,240,062	2.5
Total	50,560,063	100.0	50,122,319	100.0

RMB'000



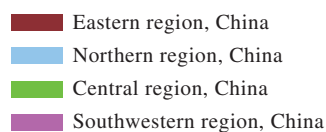
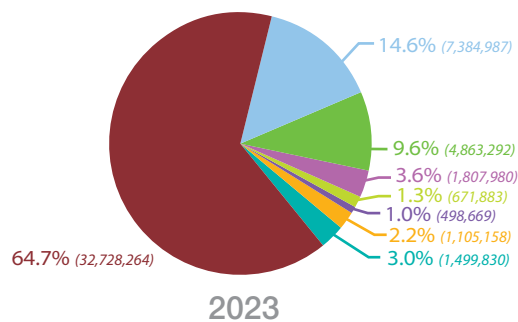
RMB'000



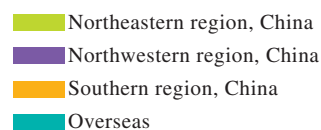
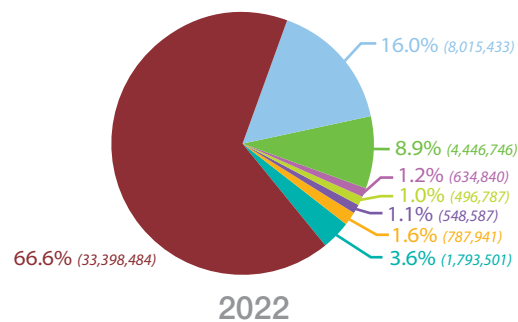
Analysis of revenue by geographic regions

Region	Revenue			
	For the year ended 31 December 2023		2022	
	RMB'000	%	RMB'000	%
Eastern region, China	32,728,264	64.7	33,398,484	66.6
Northern region, China	7,384,987	14.6	8,015,433	16.0
Central region, China	4,863,292	9.6	4,446,746	8.9
Southwestern region, China	1,807,980	3.6	634,840	1.2
Northeastern region, China	671,883	1.3	496,787	1.0
Northwestern region, China	498,669	1.0	548,587	1.1
Southern region, China	1,105,158	2.2	787,941	1.6
Overseas	1,499,830	3.0	1,793,501	3.6
	50,560,063	100.0	50,122,319	100.0

RMB'000



RMB'000



Revenue

Our revenue for the year ended 31 December 2023 amounted to approximately RMB50,560 million comprising approximately RMB47,265 million from processing of metal materials, approximately RMB1,205 million from high-end equipment manufacturing and approximately RMB2,090 million from components manufacturing. As compared with the revenue for the year ended 31 December 2022 of approximately RMB50,122 million, it represented an increase of approximately 0.9%. Such increase was mainly due to the increase in processing of metal materials in 2023.

Gross profit

Gross profit increased from approximately RMB908.6 million in 2022 to approximately RMB921.5 million in 2023 mainly due to the increase in revenue during the year.

Other income

Other income increased from approximately RMB47.8 million for the year ended 31 December 2022 to approximately RMB69.2 million for the year ended 31 December 2023. Such increase was mainly due to the increase in government subsidy income.

Other (loss)/gain – net

The Group recorded a net other loss of approximately RMB12.4 million for the year ended 31 December 2023 as compared to a net other gain of approximately RMB10.5 million for the year ended 31 December 2022. The net other loss was mainly due to the increase in foreign exchange loss.

Distribution costs

Distribution costs increased from approximately RMB484.9 million for the year ended 31 December 2022 to approximately RMB493.3 million for the year ended 31 December 2023. Such increase was mainly due to the increase in transportation costs and entertainment expenses.

Administrative expenses

Administrative expenses increased from approximately RMB443.2 million for the year ended 31 December 2022 to approximately RMB455.5 million for the year ended 31 December 2023. Such increase was mainly due to the increase in stamp duty, property tax and other surcharges.

Finance costs – net

Net finance costs increased slightly from approximately RMB233.3 million for the year ended 31 December 2022 to approximately RMB237.8 million for the year ended 31 December 2023.

Income tax credit

The Group recorded an income tax credit of approximately RMB17.8 million for the year ended 31 December 2023 as compared with an income tax credit of approximately RMB35.6 million for the year ended 31 December 2022 representing a decrease of approximately 50.0% mainly due to the decrease in tax losses that can be recognized as deferred tax assets during the year.

Loss for the year

The Group recorded a loss of approximately RMB190.5 million for the year ended 31 December 2023 as compared with a loss of approximately RMB158.8 million for the year ended 31 December 2022 representing an increase of approximately 19.9%.

Capital Expenditure

Capital expenditure consisted of additions of property, plant and equipment which amounted to approximately RMB602.0 million (2022: RMB615.7 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 2023, the borrowings of the Group amounted to approximately RMB7,358.7 million of which approximately RMB5,390.2 million were repayable within one year, notes payables amounted to approximately RMB60.0 million while the bank balances were approximately RMB1,566.3 million of which approximately RMB1,301.0 million were restricted mainly for the issuance of notes payable and letters of credit.

As at 31 December 2023, the Group recorded a net current liabilities of approximately RMB562.3 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 2023 and 2022 calculated on this basis were 68.37% and 65.05% respectively.

HUMAN RESOURCES

The Group employed a total of 7,231 staffs as at 31 December 2023 (2022: 7,060), of which 5,358 were production and technical personnel, representing 74.1%; 1,150 were sales personnel, representing 15.9%; and 723 were management and financial officer, representing 10%. There was a growth of approximately 2.4% in our workforce in 2023 as compared with 2022. The increase in headcounts was due to the business expansion of our Group. The remuneration of employees was based on their performance, skills, knowledge, experiences and market trend. The Group reviews the remuneration policies and packages on a regular basis. In addition to basic salaries, employees may be offered with discretionary bonus on individual performance. The Group has also adopted share option scheme and share award scheme for its employees, providing incentives and rewards to eligible participants with reference to their contribution.

DIVIDEND

The Directors did not declare any payment of an interim dividend (2022: Nil) during the year.

The Board does not recommend the payment of a final dividend (2022: Nil) for the year ended 31 December 2023.

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 C1 (formerly known as 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 2023. 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 2023, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities.

ANNUAL GENERAL MEETING

The annual general meeting of the Company will be held on Tuesday, 11 June 2024 (the "AGM"). 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 Wednesday, 5 June 2024 to Tuesday, 11 June 2024, 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 Tuesday, 4 June 2024 in order to qualify for attending the above AGM.

AUDIT COMMITTEE

The audit committee of the Company has discussed with the management and reviewed the audited consolidated annual results of the Company for the year ended 31 December 2023 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 2023 will be dispatched to the shareholders and available on the above websites in due course.

PROPOSED AMENDMENTS TO ARTICLES OF ASSOCIATION AND ADOPTION OF THE AMENDED AND RESTATED ARTICLES OF ASSOCIATION

The Board proposes to make amendments to the existing amended and restated articles of association of the Company (the "Existing Articles") for the purposes of (i) updating and bringing the Existing Articles in line with the latest regulatory requirements in relation to the expanded paperless listing regime and the electronic dissemination of corporate communications by listed issuers and the relevant amendments made to the Listing Rules that took effect on 31 December 2023; and (ii) better aligning the amendments of the Existing Articles for housekeeping purposes with the provisions of the Listing Rules and the applicable laws of the Cayman Islands (collectively, the "Proposed Amendments"). For the purposes of the Proposed Amendments, the Board proposes to adopt the amended and restated articles of association, which consolidate the Proposed Amendments in substitution for, and to the exclusion of, the Existing Articles in their entirety (the "New Articles").

The Proposed Amendments and adoption of the New Articles are subject to the approval of the shareholders of the Company by way of a special resolution at the forthcoming AGM of the Company and the New Articles shall become effective upon the passing of such special resolution at the AGM. A circular containing, among other things, the details of the Proposed Amendments and the notice of the AGM will be despatched to the shareholders of the Company in due course.

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

Hong Kong, 28 March 2024

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.