DA MING INTERNATIONAL HOLDINGS LIMITED

(Incorporated in the Cayman Islands with limited liability)

2021

Annual Report

Stock code: 1090

Contents

CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Mr. Zhou Keming *(Chairman)*
Mr. Jiang Changhong *(Chief Executive Officer)*
Ms. Xu Xia
Mr. Zou Xiaoping
Dr. Fukui Tsutomu *(formerly known as Zhang Qinzhong)*
Mr. Zhang Feng
Mr. Wang Jian

Non-executive Directors

Mr. Lu Jian
Mr. Zhu Baomin

Independent Non-executive Directors

Prof. Hua Min
Mr. Cheuk Wa Pang
Mr. Lu Daming
Mr. Liu Fuxing
Mr. Hu Xuefa
Prof. Chen Xin

COMPANY SECRETARY

Mr. Leung Man Fai

AUTHORISED REPRESENTATIVES

Mr. Zou Xiaoping
Mr. Leung Man Fai

AUDIT COMMITTEE

Prof. Hua Min
Mr. Cheuk Wa Pang
Mr. Lu Daming
Mr. Liu Fuxing
Mr. Hu Xuefa
Prof. Chen Xin

REMUNERATION COMMITTEE

Prof. Hua Min
Mr. Cheuk Wa Pang
Mr. Lu Daming
Mr. Liu Fuxing
Mr. Hu Xuefa
Prof. Chen Xin
Mr. Zou Xiaoping

NOMINATION COMMITTEE

Prof. Hua Min
Mr. Cheuk Wa Pang
Mr. Lu Daming
Mr. Liu Fuxing
Mr. Hu Xuefa
Prof. Chen Xin
Mr. Zou Xiaoping

REGISTERED OFFICE IN THE CAYMAN ISLANDS

Cricket Square
Hutchins Drive, P.O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

HEADQUARTERS AND PRINCIPAL PLACE OF BUSINESS IN CHINA

No. 1518, Tong Jiang Road
Wuxi, Jiangsu
People's Republic of China

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Suite 1007, Central Plaza
18 Harbour Road, Wanchai
Hong Kong

LEGAL ADVISERS TO THE COMPANY

As to Hong Kong Law

Deacons
5/F, Alexandra House
18 Chater Road, Central
Hong Kong

As to Cayman Islands Law

Conyers Dill & Pearman
Cricket Square
Hutchins Drive, P.O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

HONG KONG SHARE REGISTRAR

Computershare Hong Kong Investor Services Limited
Shops 1712-1716
17/F, Hopewell Centre
183 Queen's Road East, Wanchai
Hong Kong

AUDITOR

PricewaterhouseCoopers
Certified Public Accountants
22/F, Prince's Building, Central
Hong Kong

PRINCIPAL BANKERS

In Hong Kong

Bank of China (Hong Kong) Limited

In China

China Construction Bank, Wuxi Xishan Sub-branch
Agricultural Bank of China, Wuxi Xishan Sub-branch
China CITIC Bank, Wuxi Sub-branch
Bank of China, Wuxi Xishan Sub-branch
China Everbright Bank, Wuxi New District Sub-branch

STOCK CODE

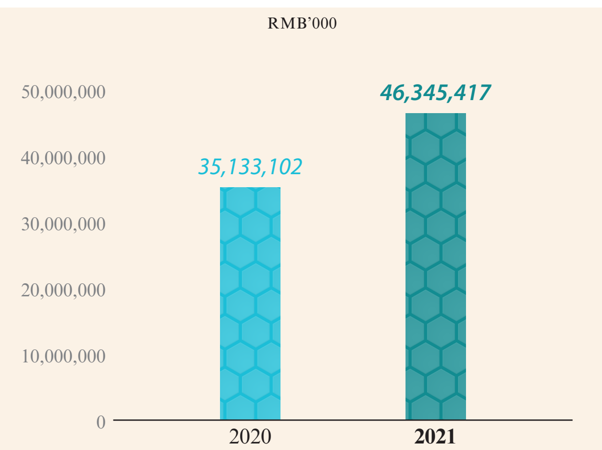
SEHK: 1090

WEBSITE

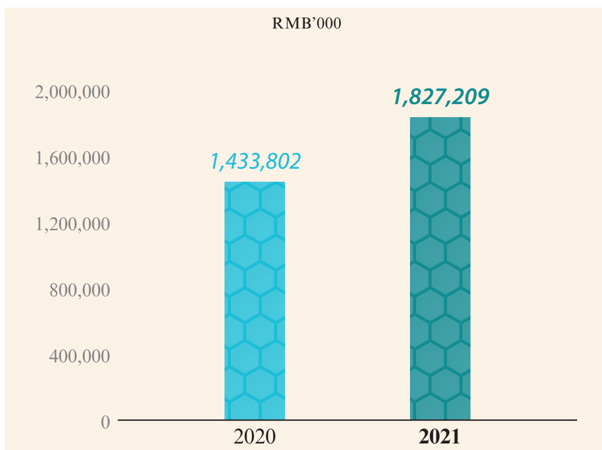
http://www.dmssc.net

	Year ended 31 December		
	2021	2020	
	RMB'000	*RMB'000*	% change
FINANCIAL HIGHLIGHTS			
Revenue	**46,345,417**	35,133,102	+31.9%
Gross profit	**1,827,209**	1,433,802	+27.4%
Profit and total comprehensive income for the year	**527,567**	385,811	+36.7%

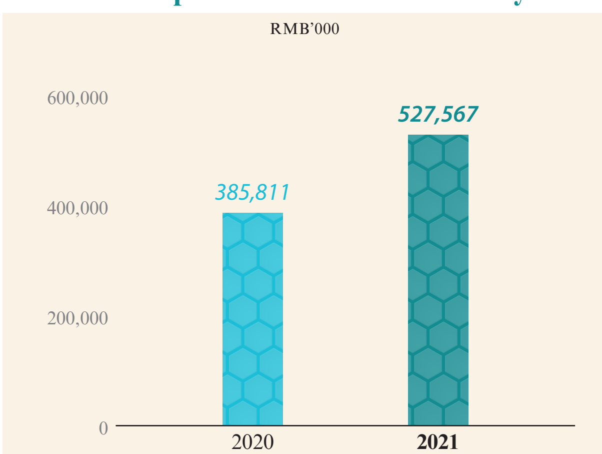
Revenue



Gross Profit



Total comprehensive income for the year



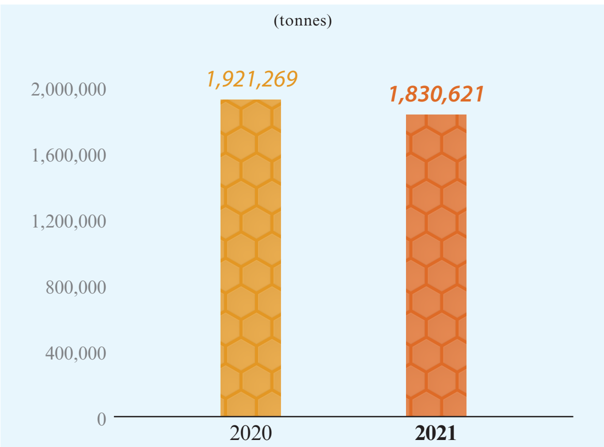
FINANCIAL AND OPERATING HIGHLIGHTS

FINANCIAL AND OPERATING HIGHLIGHTS

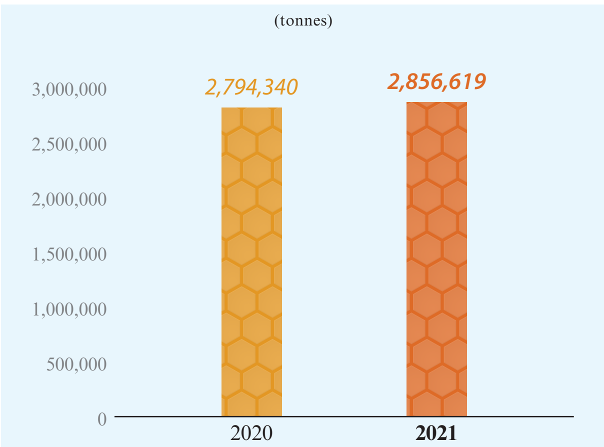
	Year ended 31 December		
	2021	2020	% change
OPERATING HIGHLIGHTS			
Stainless steel			
Sales volume (tonnes)	**1,830,621**	1,921,269	-4.7%
Processing volume (tonnes)	**2,856,619**	2,794,340	+2.2%
Processing multiple *(note)*	**1.56**	1.45	
Carbon steel			
Sales volume (tonnes)	**3,122,930**	2,669,134	+17.0%
Processing volume (tonnes)	**3,606,493**	3,131,781	+15.2%
Processing multiple *(note)*	**1.15**	1.17	

Note: Processing multiple = Processing volume/Sales volume

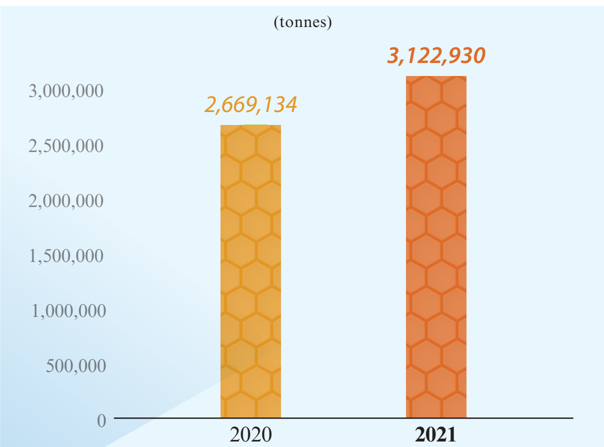
Sales volume of stainless steel



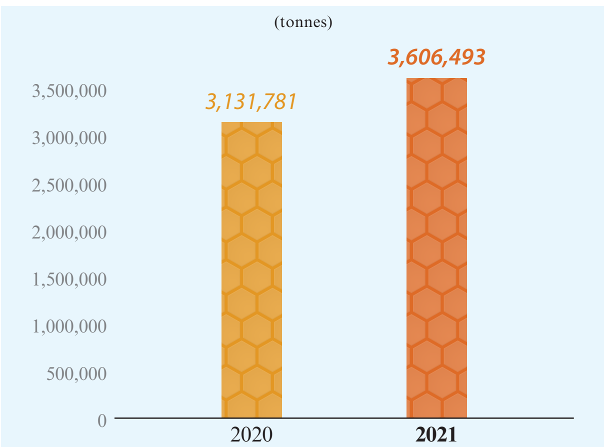
Processing volume of stainless steel



Sales volume of carbon steel



Processing volume of carbon steel



The sales volume and processing volume of our processing centres for the year ended 31 December 2021 and the corresponding period in 2020 are as follows:

Stainless steel	Year ended 31 December 2021 *tonnes*	2020 *tonnes*	*% change*
Sales volume			
Wuxi	**713,887**	711,153	+0.4%
Wuhan	**80,337**	86,860	-7.5%
Hangzhou	**249,265**	285,442	-12.7%
Tianjin	**237,109**	247,980	-4.4%
Taiyuan	**148,733**	169,502	-12.3%
Jingjiang	**153,914**	175,818	-12.5%
Shandong	**137,322**	167,891	-18.2%
Qianzhou	**47,197**	44,191	+6.8%
Jiaxing	**62,857**	32,432	+93.8%
Total	**1,830,621**	1,921,269	-4.7%
Processing volume			
Wuxi	**1,296,496**	1,247,418	+3.9%
Wuhan	**95,484**	107,138	-10.9%
Hangzhou	**344,388**	351,512	-2.0%
Tianjin	**299,206**	273,741	+9.3%
Taiyuan	**347,464**	402,200	-13.6%
Jingjiang	**270,336**	233,926	+15.6%
Shandong	**147,455**	154,026	-4.3%
Jiaxing	**55,790**	24,379	+128.8%
Total	**2,856,619**	2,794,340	+2.2%

Carbon steel	Year ended 31 December 2021 *tonnes*	2020 *tonnes*	*% change*
Sales volume			
Wuxi	**14,115**	9,227	+53.0%
Wuhan	**439,594**	277,270	+58.5%
Hangzhou	**207,739**	200,138	+3.8%
Tianjin	**375,421**	307,302	+22.2%
Taiyuan	**239,319**	240,268	-0.4%
Jingjiang	**598,039**	603,942	-1.0%
Qianzhou	**602,267**	503,795	+19.5%
Shandong	**342,614**	334,374	+2.5%
Jiaxing	**303,822**	192,818	+57.6%
	3,122,930	2,669,134	+17.0%
Processing volume			
Wuxi	**9,042**	11,812	-23.5%
Wuhan	**542,558**	376,323	+44.2%
Hangzhou	**226,170**	220,385	+2.6%
Tianjin	**483,400**	448,390	+7.8%
Taiyuan	**327,152**	356,699	-8.3%
Jingjiang	**811,328**	725,845	+11.8%
Qianzhou	**506,960**	431,877	+17.4%
Shandong	**392,577**	380,091	+3.3%
Jiaxing	**307,306**	180,359	+70.4%
	3,606,493	3,131,781	+15.2%

DEAR SHAREHOLDERS:

On behalf of the board of directors of Da Ming International Holdings Limited (the "Company", together with its subsidiaries as the "Group"), I hereby present to the shareholders the annual report of the Group for the year ended 31 December 2021.

BUSINESS REVIEW

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

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

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

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

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

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

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

2. **Strategic agreement with Sany Group**

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

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

Processing centres

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

Business highlights

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

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

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

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

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

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

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

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

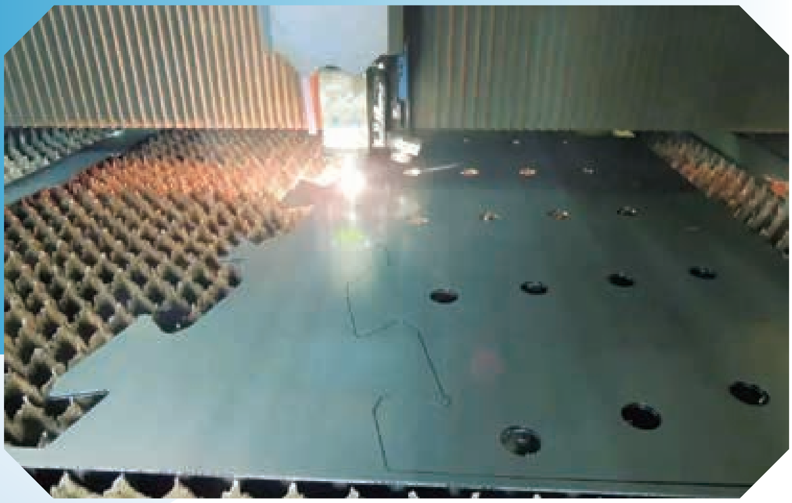
For over 10 consecutive years, the major economic indicators of the ZMJ Group's coal mining machinery sector have ranked top within the trade, with domestic market share maintained at 30% and above. Following the key components such as excavator arms provided for ZMJ in previous periods, Daming Heavy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

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

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

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

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



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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Operating results

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

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

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

FUTURE DEVELOPMENT

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

APPRECIATION

On behalf of the Board, I would like to thank the management and staff for their dedication, effort and contribution towards the Company. I would also like to thank the shareholders for their support to the Company.

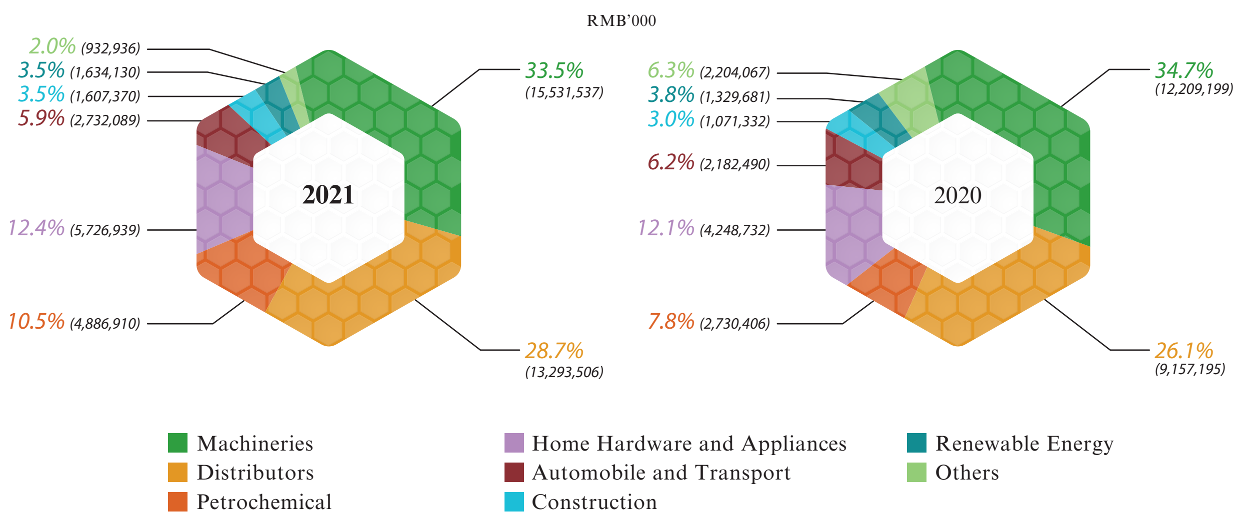
FINANCIAL REVIEW AND ANALYSIS

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

Analysis of revenue by key industry segments

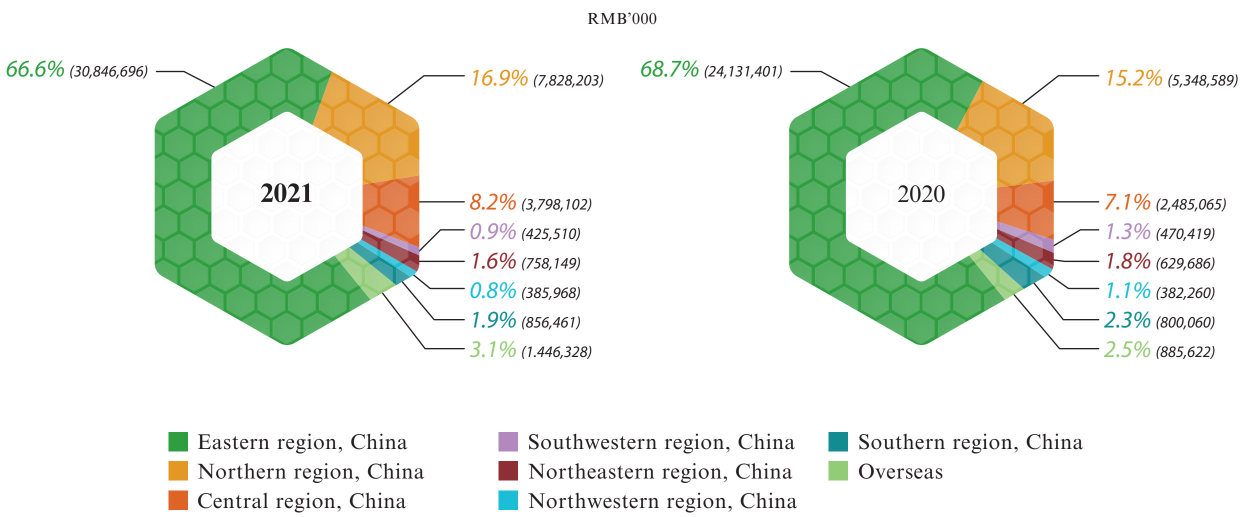
During the years ended 31 December 2021 and 2020, our revenue by key industry segments are shown below:

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



Analysis of revenue by geographic regions

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



Revenue

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

Gross profit

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

Other income

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

Other loss – net

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

Distribution costs

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

Administrative expenses

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

Finance costs – net

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

Income tax expense

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

Profit for the year

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

Capital Expenditure

Capital expenditure consisted of additions of property, plant and equipment which amounted to approximately RMB504.0 million (2020: RMB514.5 million).

Foreign Exchange Risk Management

The Group mainly operates in the PRC with most of the transactions denominated and settled in RMB. However, the Group has certain trade receivables and contract assets, deposits and other receivables, restricted bank deposits, cash and cash equivalents, trade payables, other payables and borrowings denominated in foreign currencies, mainly United States Dollar, Euro, Hong Kong Dollar and Japanese Yen, which are exposed to foreign currency translation risk.

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

LIQUIDITY AND FINANCIAL RESOURCES

As at 31 December 2021, the borrowings of the Group amounted to approximately RMB5,863.4 million of which approximately RMB4,289.4 million were repayable within one year, notes payables amounted to approximately RMB118.0 million while the bank balances were approximately RMB1,217.8 million of which approximately RMB1,076.6 million were restricted mainly for the issuance of notes payable and letters of credit.

As at 31 December 2021, the Group recorded a net current assets of approximately RMB27.3 million. The Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings less cash and cash equivalents. Total capital is calculated as total equity plus net debt. The gearing ratio as at 31 December 2021 and 2020 calculated on this basis were 60.41% and 61.31% respectively.

CORPORATE GOVERNANCE PRACTICES

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

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

MODEL CODE

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 of the Listing Rules (the "Model Code") as its code of conduct regarding securities transactions by the directors. Having made specific enquiry with all directors of the Company (the "Directors"), all Directors confirmed that they have complied with the required standard set out in the Model Code during the year ended 31 December 2021.

BOARD OF DIRECTORS

Composition

The Board of Directors (the "Board") comprises 7 executive directors, 2 non-executive directors and 6 independent non-executive directors. As of 31 December 2021, the Directors are as follows (Note):

Executive directors:
Mr. Zhou Keming *(Chairman)*
Mr. Jiang Changhong *(Chief Executive Officer)*
Ms. Xu Xia
Mr. Zou Xiaoping
Dr. Fukui Tsutomu
(formerly known as Zhang Qinzhong)
Mr. Zhang Feng
Mr. Wang Jian

Non-executive directors:
Mr. Lu Jian
Mr. Zhu Baomin *(appointed on 11 June 2021)*

Independent non-executive directors:
Mr. Cheuk Wa Pang
Prof. Hua Min
Mr. Lu Daming
Mr. Liu Fuxing
Mr. Hu Xuefa
Prof. Chen Xin *(appointed on 16 December 2021)*

Note: Mr. Lin Changchun resigned as a non-executive director of the Company on 11 June 2021.

The biographical details of the Directors are set out on pages 36 to 41 of this Annual Report. Save as Mr. Zhou Keming is the spouse of Ms. Xu Xia, Mr. Zhang Feng is a cousin of Mr. Zhou Keming and the relative of Ms. Xu Xia, none of the members of the Board is related to one another.

BOARD MEETING

The Board meets regularly and board meetings are held at least four times a year at approximately quarterly intervals. All the Directors are given opportunities to include matter in the agenda for regular board meetings. Notices of regular board meetings are given to all Directors at least 14 days before the meeting. For all other board meetings, reasonable notice will be given. The company secretary of the Company is responsible to take and keep minutes of all board meetings and committee meetings. Draft minutes are normally circulated to Directors for comment within a reasonable time after each meeting and the final signed version is sent to all Directors for their records and is opened for Directors' inspection.

Eleven board meetings had been held in the financial year ended 31 December 2021. The individual attendance record of each director at the meetings of the Board is set out below:

	No. of meetings attended/ No. of meetings held
Executive Directors	
Mr. Zhou Keming *(Chairman)*	9/11
Mr. Jiang Changhong	10/11
Ms. Xu Xia	10/11
Mr. Zou Xiaoping	11/11
Dr. Fukui Tsutomu	11/11
Mr. Zhang Feng	7/11
Mr. Wang Jian	11/11
Non-executive Directors	
Mr. Lin Changchun[(a)]	2/5
Mr. Lu Jian	6/11
Mr. Zhu Baomin[(b)]	4/6
Independent non-executive Directors	
Mr. Cheuk Wa Pang	11/11
Prof. Hua Min	10/11
Mr. Lu Daming	11/11
Mr. Liu Fuxing	6/11
Mr. Hu Xuefa	10/11
Prof. Chen Xin[(c)]	N/A

(a) Mr. Lin Changchun resigned as a director of the Company with effect from 11 June 2021. Five board meetings were held before his resignation.

(b) Mr. Zhu Baomin was appointed as a director of the Company with effect from 11 June 2021. Six board meetings were held after his appointment.

(c) Prof. Chen Xin was appointed as a director of the Company with effect from 16 December 2021. No board meeting was held after his appointment.

During the year, a meeting of the chairman of the Board and the independent non-executive directors without the presence of other directors and the management was held to discuss and review the performance of the executive directors and the management.

DIRECTORS' CONTINUING PROFESSIONAL DEVELOPMENT

To ensure all Directors' contributions to the Board remain informed and relevant, all Directors had participated in continuous professional development to develop and refresh their knowledge and skills.

During the year, the Company had organised a training seminar relating to the latest information on compliance matters for listed companies on 23 December 2021. Attendance records of the directors are set out below:

Name of Directors	**Attended the training seminar held on 23 December 2021**
Executive directors	
Mr. Zhou Keming	✓
Mr. Jiang Changhong	✓
Ms. Xu Xia	✓
Mr. Zou Xiaoping	✓
Dr. Fukui Tsutomu	✓
Mr. Zhang Feng	✓
Mr. Wang Jian	✓
Non-executive directors	
Mr. Lu Jian	✓
Mr. Zhu Baomin	✓
Independent non-executive directors	
Mr. Cheuk Wa Pang	✓
Prof. Hua Min	✓
Mr. Lu Daming	✓
Mr. Liu Fuxing	✓
Mr. Hu Xuefa	✓
Prof. Chen Xin[(a)]	

(a) Prof. Chen Xin attended other talks or seminars to update knowledge in regulatory updates or his focused professional area.

All Directors had provided their training records for the year 2021 to the Company. Furthermore, each newly appointed director is provided with necessary induction and information to ensure that he has a proper understanding of his responsibilities under the relevant laws, rules, codes and regulations.

MONTHLY MANAGEMENT REPORTS

Management provided all members of the Board with monthly management reports including monthly financial and operating updates, proposed projects and latest development of the Group. Directors are able to review and assess the performance of the Group and be informed of the Group's latest development through the monthly management reports.

DIRECTORS AND OFFICERS LIABILITY INSURANCE

The Company has arranged appropriate directors and officers liability insurance in respect of legal action against the Directors.

BOARD OPERATIONS

The Board is accountable to the shareholders and has responsibility for strategic leadership, directing and overseeing all major matters of the Group. Day-to-day management, administration and operation of the Group are delegated to senior management or the officer in charge of each division and they are required to report to the Board. Some key decisions, however, were taken by the Board, including but not limited to:

– The Group's strategy and management
– Corporate structure and capital
– Financial reporting and controls
– Internal controls
– Agreements/business transactions/financial commitment
– Shareholders communication
– Board membership and senior management appointments
– Remuneration
– Corporate governance matters
– Board policies

Directors and senior management hold regular meetings to ensure the strategies and policies set out by the Directors are implemented effectively. The Board has also delegated some of its functions to the board committees, details of which are set out in sub-sections headed "Remuneration Committee", "Nomination Committee" and "Audit Committee".

CORPORATE GOVERNANCE FUNCTIONS

The Board is responsible for performing the corporate governance functions of the Company. A summary of the work performed by the Board relating to corporate governance functions is listed below:

– reviewed the Company's corporate governance policy and practices on corporate governance;
– reviewed, monitored and arranged training and continuous professional development of Directors and senior management;
– reviewed and monitored the Company's policies and practices on compliance with legal and regulatory requirements;
– reviewed the code of conduct applicable to the Directors; and
– reviewed the Company's compliance with the CG Code and disclosure in the Corporate Governance Report.

INDEPENDENT NON-EXECUTIVE DIRECTORS

The independent non-executive directors ("INEDs") bring independent views on the Group's business strategy, results and management so that interests of shareholders, employees and stakeholders can be taken into account, and the interests of the Company and its shareholders can be protected.

The Board met the requirements of the Listing Rules in relation to the appointment of at least three INEDs with at least one independent non-executive director possessing appropriate professional accounting qualifications, or accounting, or related financial management expertise.

Also, the Board comprises six INEDs representing over one-third of the Board.

The Company has received, from each of the INEDs, an annual confirmation of his independence pursuant to Rule 3.13 of the Listing Rules. The Company considers that all of the INEDs are independent in accordance with the guidelines set out in the Listing Rules.

BOARD COMMITTEES

The Board has set up three Board Committees, namely, the Remuneration Committee, the Nomination Committee and the Audit Committee, for overseeing particular aspects of the Company's affairs.

REMUNERATION COMMITTEE

The Remuneration Committee was established on 9 November 2010 with written terms of reference in compliance with the CG Code. The terms of reference of the Remuneration Committee are available on the websites of the Company (www.dmssc.net) and The Stock Exchange of Hong Kong Limited (www.hkexnews.hk). The primary duties of the Remuneration Committee are to make recommendations to the Board on the remuneration policies and structure of the remuneration for the Directors and senior management and to set up formal and transparent procedures for determination of such remuneration policies. The Remuneration Committee comprises the six INEDs, namely, Mr. Cheuk Wa Pang, Prof. Hua Min, Mr. Lu Daming, Mr. Liu Fuxing, Mr. Hu Xuefa and Prof. Chen Xin, and an executive Director, Mr. Zou Xiaoping. Mr. Cheuk Wa Pang is the chairman of the Remuneration Committee.

The Remuneration Committee refers to the below policies when determining the remuneration of Directors:

1. No director or any of his/her associates is involved in deciding his/her own remuneration;

2. Remuneration levels should be sufficient to attract and retain directors to run the Company successfully but without paying more than necessary; and

3. Remuneration should reflect performance, complexity and responsibility.

The Remuneration Committee held three meetings during the financial year ended 31 December 2021.

The following is an attendance record of the meetings held by the Remuneration Committee for the financial year:

Name of Remuneration Committee Members	**No. of meetings attended/ No. of meetings held**
Mr. Cheuk Wa Pang *(Chairman)*	3/3
Prof. Hua Min	3/3
Mr. Lu Daming	3/3
Mr. Liu Fuxing	2/3
Mr. Hu Xuefa	3/3
Prof. Chen Xin[(a)]	N/A
Mr. Zou Xiaoping	3/3

(a) Prof. Chen Xin was appointed as a director of the Company and a member of the Remuneration Committee with effect from 16 December 2021. No meeting of the Remuneration Committee was held after his appointment.

A summary of the work performed by the Remuneration Committee during the financial year is listed below:

(1) Reviewed the remuneration policy of the Company and determined the remuneration packages for the Board and senior management;

(2) Reviewed the Company's share award scheme;

(3) Reviewed the level of remuneration for INEDs. Ensured the remunerations are linked to their level of responsibilities, undertaking and contribution in terms of time commitment to the effective functioning of the Board;

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

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

The 2021 annual salary review had been noted and reviewed by the members of the Remuneration Committee.

NOMINATION COMMITTEE

The Nomination Committee was established on 9 November 2010 with written terms of reference in compliance with the CG Code. The terms of reference of the Nomination Committee are available on the websites of the Company (www.dmssc.net) and The Stock Exchange of Hong Kong Limited (www.hkexnews.hk). The primary duty of the Nomination Committee is to make recommendations to the Board on the appointment of directors and senior management. The Nomination Committee comprises the six INEDs, namely, Mr. Cheuk Wa Pang, Prof. Hua Min, Mr. Lu Daming, Mr. Liu Fuxing, Mr. Hu Xuefa and Prof. Chen Xin, and an executive Director, Mr. Zou Xiaoping. Mr. Cheuk Wa Pang is the chairman of the Nomination Committee.

The Company adopts a formal procedure in the selection of new Directors and nomination of retiring Directors for re-election by the Shareholders at general meetings. The prospective director will first be assessed by the Nomination Committee, taking into account the balance of skills, knowledge, experience and diversity on the Board. Upon receiving the recommendation from the Nomination Committee, the proposed appointment will be considered and approved by the Board after due deliberation. All new Directors are subject to re-election by the Shareholders at the Company's next general meeting or Annual General Meeting ("AGM"). All Directors are subject to retirement by rotation at the AGM at least once every three years in accordance with the Articles of Association. The retiring Directors shall be eligible for re-election.

The Nomination Committee held three meetings during the financial year ended 31 December 2021. The following is an attendance record of the meetings held by the Nomination Committee for the financial year:

Name of Nomination Committee Members	**No. of meetings attended/ No. of meetings held**
Mr. Cheuk Wa Pang *(Chairman)*	3/3
Prof. Hua Min	2/3
Mr. Lu Daming	3/3
Mr. Liu Fuxing	2/3
Mr. Hu Xuefa	2/3
Prof. Chen Xin[(a)]	N/A
Mr. Zou Xiaoping	3/3

(a) Prof. Chen Xin was appointed as a director of the Company and a member of the Nomination Committee with effect from 16 December 2021. No meeting of the Nomination Committee was held after his appointment.

A summary of the work performed by the Nomination Committee during the financial year is listed below:

(1) Reviewed the structure, size, composition and diversity of the Board, as well as the skills, knowledge, qualifications and time engagement of the Directors;

(2) Considered the appointment of Mr. Zhu Baomin as a non-executive director and Prof. Chen Xin as an independent non-executive director and the resignation of Mr. Lin Changchun as a non-executive director of the Company;

(3) Reviewed the independence of all INEDs;

(4) Recommended to the Board for endorsement on the re-election of the retiring Directors; and

(5) Discussed succession planning for directors.

AUDIT COMMITTEE

The Audit Committee was established by the Board on 9 November 2010 with written terms of reference in compliance with the CG Code. The terms of reference of the Audit Committee are available on the websites of the Company (www.dmssc.net) and The Stock Exchange of Hong Kong Limited (www.hkexnews.hk). The Audit Committee comprises the six INEDs, namely Mr. Cheuk Wa Pang, Prof. Hua Min, Mr. Lu Daming, Mr. Liu Fuxing, Mr. Hu Xuefa and Prof. Chen Xin. Mr. Cheuk Wa Pang is the chairman of the Audit Committee.

The Audit Committee is responsible for reviewing and supervising the financial reporting process, the system of internal controls, financial controls and risk management. It is also responsible for reviewing the terms of engagement of the Company's auditor as well as their independence.

The Audit Committee held two meetings during the financial year ended 31 December 2021 The following is an attendance record of the meetings held by the Audit Committee for the financial year:

Name of Audit Committee Members	No. of meeting(s) attended/ No. of meetings held
Mr. Cheuk Wa Pang *(Chairman)*	2/2
Prof. Hua Min	1/2
Mr. Lu Daming	2/2
Mr. Liu Fuxing	2/2
Mr. Hu Xuefa	2/2
Prof. Chen Xin[a]	N/A

(a) Prof. Chen Xin was appointed as a director of the Company and a member of the Audit Committee with effect from 16 December 2021. No meeting of the Audit Committee was held after his appointment.

A summary of the work performed by the Audit Committee during the financial year is listed below:

(1) Reviewed the Group's interim financial results;

(2) Reviewed the Group's final results and recommended to the Board the re-appointment of PricewaterhouseCoopers as the Company's auditor (the "Auditor") at the AGM of the Company;

(3) Reviewed the results of the audit on the continuing connected transactions;

(4) Granted authorisation of non-audit services for which the Auditor provided;

(5) Reviewed the Terms of Reference of the Audit Committee;

(6) Reviewed the Group's internal controls and risk management functions; and

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

BOARD DIVERSITY POLICY

The Company recognises and embraces the benefits of having a diverse Board to enhance the quality of its performance. The Board adopted a Board Diversity Policy (the "Policy") in 2013. Board diversity has been considered from a number of aspects, including but not limited to gender, age, cultural and educational background, or professional experience. All Board appointments are made on merit, in the content of the talents, skills and experience the Board as a whole requires to be effective. Selection of candidates will be based on a range of diversity perspectives, but the ultimate decision will be based on merit and contribution that the selected candidates will bring to the Board. The Nomination Committee is responsible for monitoring the achievement of the measurable objectives and effectiveness of the Policy. Full contents of the Policy is available on the Company's website.

DIVIDEND POLICY

The board shall consider the following factors when determining whether to recommend and declare any dividend.

- the Group's actual and expected financial results;
- the general economic conditions and other internal or external factors that may have an impact on the business or financial performance and financial position of the Company;
- the Company's business strategy, including expected working capital requirements, capital expenditure requirements and future expansion plans;
- the Company's liquidity position;
- retained earnings and distributable reserves of the Company;
- the contractual restrictions on the payment of dividends imposed by the Company's lenders and other institutions; and
- any other factors that the Board considers to be applicable from time to time.

The Company does not have any pre-determined dividend distribution proportion or distribution ratio. The declaration, payment and amount of dividends will be subject to the Board's discretion. The Board will review the Dividend Policy on a regular basis.

AUDITOR'S REMUNERATION

During the year ended 31 December 2021, the remuneration paid or payable by the Company and its subsidiaries to the Auditor, PricewaterhouseCoopers in respect of their audit and non-audit services were as follows:

Type of services	Fees paid/payable
Audit services	RMB3,400,000
Tax-related services	HK$212,850

The Audit Committee considered that the non-audit services in 2021 did not impair the independence of the Auditor.

COMPANY SECRETARY

Mr. Leung Man Fai has been appointed as company secretary of the Company since 2007. He has complied with Rule 3.29 of the Listing Rules in relation to professional training for the year ended 31 December 2021.

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The Directors acknowledge their responsibilities for the preparation of the consolidated financial statements that give a true and fair view of the Group for the year ended 31 December 2021.

The reporting responsibilities of the Auditor on the consolidated financial statements of the Group are set out in the "Independent Auditor's Report" in this annual report.

SHAREHOLDERS RIGHTS

There are no provisions allowing shareholders to propose new resolutions at the general meetings under the Cayman Islands Companies Law. However, pursuant to the Company's Articles of Association, an Extraordinary General Meeting (the "EGM") can be convened by any one or more shareholders holding at the date of deposit of the requisition not less than one-tenth of the paid up capital of the Company carrying the right of voting at general meetings of the Company shall at all times have the right, by written requisition to the Board or the secretary of the Company at our principal place of business in Hong Kong at Unit 1007, Central Plaza, 18 Harbour Road, Wanchai, Hong Kong, to require an EGM to be called by the Board for the transaction of any business specified in such requisition.

Shareholders who wish to put forward proposals at shareholders' meetings may follow the procedures set out in the preceding paragraph. Shareholders may make their enquiries to the Board by contacting the Company Secretary by the following method:

The Company Secretary
Da Ming International Holdings Limited

Address:	:	Unit 1007, Central Plaza, 18 Harbour Road, Wanchai, Hong Kong
Telephone	:	(852) 2511 0744
Facsimile	:	(852) 2511 4700
Email	:	info@jsdmss.com.hk

Shareholders may also direct their enquiries at the general meeting of the Company. Detailed procedures for shareholders to propose a person for election as a director are available on the Company's website www.dmssc.net or on request to the Company Secretary.

INVESTORS RELATIONS

The Board understands the importance of maintaining an on-going dialogue with shareholders and in particular, uses AGM or other general meetings to communicate with shareholders and encourage their participation. Notice of AGM will be sent to shareholders at least 20 clear business days before the meeting and for other general meetings, notice of the meeting will be sent at least 10 clear business days before the meeting.

During the year, 2021 AGM was held on 10 June 2021 and two Extraordinary General Meetings ("EGM") were held on 31 May 2021 and 15 December 2021 respectively at the Company's headquarters in Wuxi, the People's Republic of China. The related notice and circular have been sent to shareholders in accordance with the applicable rules and regulations. In order to ensure shareholders are familiar with the detailed procedures for conducting a poll, an explanation has been given by the Chairman at the commencement of the meeting. The results of the poll have been published on the websites of the Company and The Stock Exchange of Hong Kong Limited. In respect of each substantially separate issue at a general meeting, a separate resolution will be proposed by the Chairman of that meeting.

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

	AGM No. of meeting(s) attended/No. of meeting(s) held	EGM No. of meeting(s) attended/No. of meeting(s) held
Executive Directors		
Mr. Zhou Keming *(Chairman)*	1/1	2/2
Mr. Jiang Changhong	0/1	2/2
Ms. Xu Xia	1/1	1/2
Mr. Zou Xiaoping	1/1	2/2
Dr. Fukui Tsutomu	1/1	2/2
Mr. Zhang Feng	1/1	1/2
Mr. Wang Jian	1/1	1/2
Non-executive Directors		
Mr. Lin Changchun[(a)]	1/1	0/1
Mr. Lu Jian	1/1	1/2
Mr. Zhu Baomin[(b)]	N/A	1/1
Independent non-executive Directors		
Mr. Cheuk Wa Pang	1/1	2/2
Prof. Hua Min	1/1	2/2
Mr. Lu Daming	1/1	2/2
Mr. Liu Fuxing	0/1	2/2
Mr. Hu Xuefa	1/1	2/2
Prof. Chen Xin[(c)]	N/A	N/A

(a) Mr. Lin Changchun resigned as a director of the Company with effect from 11 June 2021. One AGM and one EGM were held before his resignation.

(b) Mr. Zhu Baomin was appointed as a director of the Company with effect from 11 June 2021. No AGM and one EGM were held after his appointment.

(c) Prof. Chen Xin was appointed as a director of the Company with effect from 16 December 2021. Neither AGM nor EGM was held after his appointment.

There is no change in the Company's constitutional documents during the year ended 31 December 2021. A consolidation version of the Company's Memorandum and Articles of Association, Shareholder Communication Policy and Procedures for Shareholders to Propose a Person for Election as a Director are available on the Company's website.

The Company's announcements, circulars and other information are also available on the Company's website www.dmssc.net.

RISK MANAGEMENT AND INTERNAL CONTROL

The Board acknowledges that it is responsible for the risk management and internal control systems and reviewing their effectiveness. Such risk management and internal control systems are designed for managing risks rather than eliminating the risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss.

MAIN FEATURES OF THE RISK MANAGEMENT AND INTERNAL CONTROL SYSTEMS

The Group's risk governance structure and the main responsibilities of each level of the structure are summarized below:

Board

- Determines the business strategies and objectives of the Group, and evaluates and determines the nature and extent of risks it is willing to take in achieving the Group's strategic objectives;

- Ensures that the Group establishes and maintains appropriate and effective risk management and internal control systems; and

- Oversees management in the design, implementation and monitoring of the risk management and internal control systems.

Audit Committee

- Oversees the Group's risk management and internal control systems on an ongoing basis;

- Reviews the effectiveness of the Group's risk management and internal control systems at least annually and such reviews cover all material controls including financial, operational and compliance controls;

- Considers major findings on risk management and internal control matters and then reports and makes recommendations to the Board.

Management

- Designs, implements and maintains appropriate and effective risk management and internal control systems;

- Identifies, evaluates and manages the risks that may potentially impact the major processes of the operations;

- Monitors risks and takes measures to mitigate risks in day-to-day operations;

- Ensures the adequacy of resources, staff qualifications and experience, training programmes and budget of the Group's accounting, internal audit and financial reporting functions;

- Gives prompt responses to, and follow up the findings on risk management and internal control matters raised by the internal audit department; and

- Provides confirmation to the Board and Audit Committee on the effectiveness of the risk management and internal control systems.

Internal Audit Department

- Reviews the adequacy and effectiveness of the Group's risk management and internal control systems; and

- Reports to the Audit Committee the findings of the review and makes recommendations to the Board and management to improve the material systems deficiencies or control weakness identified.

The process used to identify, evaluate and manage significant risks are summarized as follows:

- Identify risks in the Group's operations through continuing collections and analysis of operational data

- Evaluate the risks identified and access their impacts on the Group's business

- Categorize the risks by comparing the results of the risk evaluation

- Develop necessary measures to manage those risks identified

- Performs ongoing and periodic monitoring of the risk and review the effectiveness of the risk management strategies and internal control procedures

Internal Audit Function

The Group's internal audit function is performed by an internal audit department which carries out the analysis and independent appraisal of the adequacy and effectiveness of the Group's risk management and internal control systems. The internal audit department performs regular and specific internal audit projects and reports to the Audit Committee regularly.

Handling and dissemination of inside information

The Group has taken various procedures and measures including arousing the awareness to preserve confidentiality of inside information within the Group, disseminating information to designated persons on strictly confidential basis, sending out securities dealing restrictions notifications to directors and senior management.

EXECUTIVE DIRECTORS

Mr. Zhou Keming, aged 52, was appointed as an executive director on 14 February 2007. He is also the chairman of the Board of the Company. Mr. Zhou is one of the founders of the Group and is responsible for the Group's overall business strategy. He has extensive experience in the steel industry. Mr. Zhou was qualified as a senior economist in 2007 by the Appraisal Committee for Senior Economic Technical Qualification of Jiangsu. He currently serves as a director and legal representative of certain subsidiaries of the Company.

Mr. Zhou is the husband of Ms. Xu Xia and a cousin of Mr. Zhang Feng, both are executive directors of the Company.

Mr. Jiang Changhong, aged 58, was appointed as a non-executive director of the Company on 26 July 2010, and re-designated as an executive director of the Company and appointed as the vice president of the Company on 26 September 2016. He was then appointed as the Chief Executive Officer of the Company on 18 April 2018. Mr. Jiang has extensive experience in the steel industry. From October 2011 to July 2016, he was the minister of planning and development department and the minister of new materials business management department of Taiyuan Iron & Steel (Group) Co., Ltd. He has also served as the manager of the sales department of Shanxi Taigang Stainless Steel Co., Ltd., one of the Group's key suppliers from February 2009 to October 2011.

Mr. Jiang graduated from Beijing Steel and Iron Institute (currently known as University of Science and Technology Beijing) with a Bachelor of Science degree in Computer Science in 1986. He further obtained a Master of Science degree in Computer Application in 1992. Mr. Jiang was accredited by the department of Human Resources, Shanxi Province as a senior engineer and a professor level senior engineer in 1997 and 2013 respectively.

Ms. Xu Xia, aged 47, was re-appointed as an executive director on 24 March 2016 and was appointed as a vice-chairman of the Board of the Company on 18 April 2018. Ms. Xu currently serves as a director of certain subsidiaries of the Company. Ms. Xu was an executive director of the Company from February 2007 to December 2015. She is one of the founders of the Group and is responsible for the Group's business operation and administration. Ms. Xu has extensive sales and business development experience in the steel industry. Ms. Xu graduated from China Textile University (currently known as Donghua University) in 1995 with a diploma in Trading Operation. She also completed Advanced Studies for Senior Executives at College of Continuing Education of Fudan University in 2005 on a part-time basis.

Ms. Xu is the wife of Mr. Zhou Keming, the chairman of the Board, a director and a substantial shareholder of the Company. Ms. Xu is also the relative of Mr. Zhang Feng, an executive director of the Company.

Mr. Zou Xiaoping, aged 57, was appointed as an executive director on 9 March 2007 and appointed as a vice-chairman of the Board of the Company on 18 April 2018. Mr. Zou is a member of the Nomination Committee and the Remuneration Committee of the Company and the supervisor of Taiyuan Taigang Daming Metal Products Co., Ltd., being a non-wholly owned subsidiary of the Company. He joined the Group in 2002 and is responsible for the Group's overall management, administration and operation. Prior to joining the Group, Mr. Zou worked at Local Tax Bureau, Qianzhou Town, Xishan District from 1986 to 2002 on taxation matters and was granted a certificate for having undergone the in-service taxation training offered to the civil servants in 2000, when serving as the assistant to the head of the Bureau. Mr. Zou has extensive experience in taxation and corporate management. He graduated from Correspondence Institute of the Party School of the Central Committee of the Chinese Communist Party with a Bachelor of Laws degree in 2004 and obtained a Master of Business Administration degree from Asia International Open University (Macau) (currently known as City University of Macau) in 2005.

Dr. Fukui Tsutomu (formerly known as Zhang Qinzhong), aged 61, was appointed as an executive director on 15 October 2014. Dr. Fukui currently serves as a director of certain subsidiaries of the Company. Prior to joining the Group, Dr. Fukui was the managing director of Nippon Yakin Shanghai Co., Ltd. He has extensive experience in the steel industry. Dr. Fukui graduated from Nanjing University with a bachelor degree in Catalytic Chemistry in 1982 and obtained a Doctoral degree in Engineering from Tokyo Institute of Technology in 1991, majoring in Materials Science and Engineering.

Mr. Zhang Feng, aged 45, was appointed as an executive director on 15 October 2014. Mr. Zhang is currently the general manager, supervisor, director and legal representative of certain subsidiaries of the Company.

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

Mr. Wang Jian, aged 58, was appointed as an executive director on 25 May 2017. He is currently the general manager, director and legal representative of several subsidiaries of the Company. Mr. Wang graduated from Tianjin University in 1985 with a bachelor's degree in Welding in the School of Mechanical Engineering. Mr. Wang has extensive experience in the steel industry. He was certified as a senior engineer by Jiangsu Wuxi Mechanical Engineering Senior Professional and Technical Qualification Evaluation Committee in 2004.

NON-EXECUTIVE DIRECTORS

Mr. Lu Jian, aged 47, was appointed as a non-executive director on 27 March 2020. Mr. Lu graduated from Beijing University of Technology in July 1996 with a bachelor's degree of metal press forming.

Mr. Lu has extensive experience in sales and marketing of stainless steel. He is currently the deputy general manager of the marketing centre at Shanxi Taigang Stainless Steel Co., Ltd. ("Shanxi Taigang"), a stainless steel producer and a company the shares of which are listed on the Shenzhen Stock Exchange (with stock code 000825).

From July 1996 to April 2002, Mr. Lu was the operations officer at the medium-sized rolled plate section of the sales office of Taiyuan Iron & Steel (Group) Co., Ltd. ("Taiyuan Steel"), a state-owned enterprise incorporated in the People's Republic of China. From April 2002 to January 2005, he was deputy manager of Taiyuan Spot Sales Company. Mr. Lu was the head of the medium-sized rolled plate section of the sales office of Taiyuan Steel and the head of the medium-sized rolled plate section at the operations and sales department of Shanxi Taigang from January 2005 to April 2007. From April 2007 to July 2009, Mr. Lu was the head of the medium-sized rolled plate section of the sales and marketing department of Shanxi Taigang. From July 2009 to January 2010, Mr. Lu was the director of the operations planning office of the sales and marketing department of Shanxi Taigang. From January 2010 to May 2011, he was the assistant to the head of sales and marketing department of Shanxi Taigang and the director of the operations planning office of the sales and marketing department of Shanxi Taigang. Mr. Lu was the deputy head of the sales and marketing department of Shanxi Taigang from May 2011 to September 2017.

Mr. Zhu Baomin, aged 54, was appointed as a non-executive director of the Company on 11 June 2021. He graduated from Beijing University of Technology in July 1989 with a bachelor of engineering degree in metal materials and heat treatment.

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

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

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

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

INDEPENDENT NON-EXECUTIVE DIRECTORS

Professor Hua Min, aged 71, was appointed as an independent non-executive director since 20 March 2007. He is a professor and doctoral candidates adviser and has taught and conducted research in world economics, China economics and international economics at Fudan University and the chief of the Academic Committee of School of Economics of Fudan University since 1990. He has extensive experience in economics. Professor Hua graduated from Fudan University with a Bachelor degree in Political Economics in 1982 and obtained a Doctoral degree in Economics from Fudan University in 1993. From March 2008 to February 2010, he was the Specially Appointed Policy-Making Advisory Expert of the People's Government of Shanghai City. Since 2004, Professor Hua has also been an independent non-executive director and a member of the audit committee of Shanghai International Shanghai Growth Investment Limited (stock code: 770), the shares of which are listed on the Main Board of The Stock Exchange of Hong Kong Limited.

Mr. Cheuk Wa Pang, aged 57, was appointed as an independent non-executive director since 20 March 2007. Mr. Cheuk is currently the chief financial officer, the qualified accountants and the company secretary of Lee Kee Holdings Limited (stock code: 637), the shares of which are listed on the main board of The Stock Exchange of Hong Kong Limited. Mr. Cheuk has extensive experience in accounting and auditing. Mr. Cheuk holds a Bachelor of Science degree in Engineering from the University of Hong Kong, a Master degree in Applied Finance and a Master degree in Business Administration from Macquarie University in Australia. Mr. Cheuk is a fellow member of the Association of Chartered Certified Accountants and a member of the Hong Kong Institute of Certified Public Accountants. He is also a member of the Institute of Chartered Accountants of England and Wales.

Mr. Lu Daming, aged 68, was appointed as an independent non-executive director on 21 August 2014. He was the dean of Hoisting and Conveying Machinery Design Institute Beijing. Mr. Lu obtained his qualification as a research level senior engineer from the People's Republic of China Machinery Industry Department in 1996. He is also a state registered facility supervising engineer and a state registered consulting engineer (investment) of the People's Republic of China. Mr. Lu has also been an independent director of Zhuzhou Tianqiao Crane Co., Ltd. (stock code: 002523, the shares of which are listed on the Shenzhen Stock Exchange), Huadian Heavy Industries Co., Ltd. (stock code: 601226, the shares of which are listed on the Shanghai Stock Exchange), and Noblelift Intelligent Equipment Co., Ltd. (stock code: 603611, the shares of which are listed on the Shanghai Stock Exchange). He has also been an independent director of Changshu Tongrun Auto Accessory Co., Ltd. since October 2020.

Mr. Liu Fuxing, aged 65, was appointed as an independent non-executive director on 25 May 2017. He has been the vice president of Stainless Steel Council of the China Special Steel Enterprises Association since 2015. Mr. Liu obtained a master's degree in applied mathematics from Xi'an Jiaotong University in 2003 and received a senior professional manager qualification certificate from China Association of Construction Enterprise Management in 2005. Mr. Liu has extensive experience in the steel industry. From December 1995 to February 2002, he was the deputy general manager of Taiyuan Iron & Steel (Group) Co., Ltd. and from March 2002 to February 2015, he was a director of Taigang (Group) Limited. During May 2008 to April 2013, Mr. Liu was also the general manager of Shanxi Taigang Stainless Steel Co., Ltd., a company whose shares are listed on the Shenzhen Stock Exchange.

Mr. Hu Xuefa, aged 59, was appointed as an independent non-executive director since 30 May 2018. He has been a qualified senior engineer (professor level) in Shanghai, the People's Republic of China ("PRC") since February 2013. He obtained a master's degree in Executive Master of Business Administration from China Europe International Business School in 2011. In 2008 and 2003, Mr. Hu obtained a doctorate degree in Engineering and a master's degree in Mechanical Engineering, respectively, from Northeastern University, the PRC.

Mr. Hu has extensive experience in the steel industry. From April to November 2017, he was the general manager of Rizhao Steel Holdings Group Company Ltd. From April 2014 to March 2017, he was an executive director and the general manager of Baosteel Stainless Steel Co., Ltd. From March 2011 to April 2014, Mr. Hu was the assistant general manager and general manager of Planning and Development Department of Baosteel Group Limited. Mr. Hu worked as an assistant general manager of Baosteel Company Limited between April 2010 and March 2011 and the general manager of Baosteel Plate Company between April 2008 and April 2010. From August 1999 to April 2008, Mr. Hu was the deputy general manager of Baosteel Group Pu Steel Company.

Prof. Chen Xin, aged 46, was appointed as an independent non-executive director of the Company on 16 December 2021. He graduated from 華中理工大學 (which is currently known as 華中科技大學 (Huazhong University of Science and Technology)), the People's Republic of China, in July 1996 with a bachelor's degree of economics specializing in international trade. He obtained the degree of doctor of philosophy at the University of Minnesota, the United States, in August 2005.

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

Prof. Chen is a member of The 12th Session Yunnan Provincial Committee of the Chinese People's Political Consultative Conference. He is currently an external director of Yunnan Province Investment Holdings Group Limited (the "Yunnan Investment Group") and its group company, namely Yunnan Province Asset Management Limited. Yunnan Investment Group principally engages in management of capital for infrastructure construction at provincial level and is owned by the State-owned Assets Supervision Management Committee of Yunnan People's Government and the Department of Finance of Yunnan Province. He is also the chairman of the board and an external director of Yunnan Province Credit Improvement Limited. Prof. Chen is an independent director of Jiangxi Financial Leasing Co., Ltd.

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

SENIOR MANAGEMENT

Mr. Leung Man Fai, aged 57, joined the Group in 2007 as the chief financial officer and company secretary of the Group. Mr. Leung has extensive experience in accounting and finance. Before joining the Group, Mr. Leung served as a financial controller and company secretary of a private company during 2003 to 2006. From 1996 to 2003, he served various roles including financial controller, company secretary and finance manager in several listed companies within the ITC Corporation (currently known as PT International Development Corporation Limited, stock code: 372), the shares of which are listed on main board of The Stock Exchange of Hong Kong Limited. He also worked as a senior accountant during 1992 to 1996 in Hopewell Holdings Limited, which was delisted from the main board of The Stock Exchange of Hong Kong Limited on 3 May 2019. Mr. Leung received a Bachelor of Arts degree in Accountancy from the City University of Hong Kong. He is a fellow member of the Hong Kong Institute of Certified Public Accountants and a fellow member of the Association of Chartered Certified Accountants.

The Directors are pleased to present to the shareholders their report together with the audited consolidated financial statements of the Group for the year ended 31 December 2021.

PRINCIPAL ACTIVITIES AND ANALYSIS OF OPERATIONS

The principal activity of the Group is engaged in processing, distribution and sale of stainless steel and carbon steel products.

An analysis of the Group's performance for the year by operating segment is set out in Note 5 to the consolidated financial statements.

RESULTS

The results of the Group for the year ended 31 December 2021 are set out in the consolidated statement of comprehensive income on page 62.

DIVIDENDS

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

The Board has recommended the payment of a final dividend of HK$0.06 (2020: 0.06) per share for the year ended 31 December 2021 which will be payable on or about 29 June 2022 to the shareholders of the Company ("Shareholders") whose names appear on the register of members of the Company on 20 June 2022 subject to the shareholders' approval on the forthcoming annual general meeting of the Company.

RESERVES

Movements in the reserves of the Group and of the Company during the year are set out in Note 20 and Note 37 to the consolidated financial statements respectively.

As of 31 December 2021, our reserves available for distribution amounted to RMB1,804.0 million (2020: RMB1,771.5 million).

PROPERTY, PLANT AND EQUIPMENT

Details of the movements in property, plant and equipment of the Group are set out in Note 6 to the consolidated financial statements.

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

There was no purchase, sale or redemption of the Company's listed shares by the Company or any of its subsidiaries during the year ended 31 December 2021.

SHARE CAPITAL

Details of the movements in share capital of the Group and the Company are set out in Note 19 to the consolidated financial statements.

PRINCIPAL PROPERTIES

Details of the principal properties held for investment purposes are set out in Note 8 to the consolidated financial statements.

MAJOR CUSTOMERS AND SUPPLIERS

During the year, the Group sold less than 30% of its goods and services to its five largest customers. The five largest suppliers accounted for approximately 84% of the Group's total purchases for the year and the largest supplier accounted for approximately 46% of the Group's total purchases.

Except China Baowu Steel Group Corporation Limited, which owned approximately 16.28% of the issued share capital of the Company indirectly, is a supplier of the Group, none of the Directors, their associates or any shareholder (which to the knowledge of the Directors owns more than 5% of the Company's share capital) had an interest in these major customers or suppliers.

BORROWINGS

Particulars of borrowings of the Group are set out in Note 24 to the consolidated financial statements.

FIVE-YEAR SUMMARY

A summary of the Group's results, assets, liabilities for the last five years is set out in the section headed "Financial summary" on page 148.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's Articles of Association or the laws of the Cayman Islands, being the jurisdiction in which the Company was incorporated, which would oblige the Company to offer new shares on a pro rata basis to existing shareholders of the Company.

SHARE OPTION SCHEME

The Company adopted a share option scheme on 9 November 2010. The major terms of the share option scheme are as follows:

The purpose of the share option scheme is to attract, retain and motivate talented Participants (as defined below) and to strive for future developments and expansion of our Group. The share option scheme shall be an incentive to encourage the Participants to perform their best in achieving the goals of our Group and allow the Participants to enjoy the results of our Company attained through their efforts and contributions.

Eligible Participants of the share option scheme include: (i) any executive or non-executive director including any independent non-executive director or any employee (whether full-time or part-time) of any member of our Group; (ii) any trustee of a trust (whether family, discretionary or otherwise) whose beneficiaries or objects include any employee or business associate of our Group; (iii) any consultant (in the area of legal, technical, financial or corporate management) and other adviser to any member of our Group; (iv) any provider of goods and/or services to our Group; and (v) any other person who the Board considers, in its sole discretion, have contributed to our Group.

The total number of shares which may be issued upon exercise of all options to be granted under the share option scheme shall not in aggregate exceed 100,000,000 shares of the Company, being 10% of the shares in issue as at the date of listing of the shares, unless shareholders' approval has been obtained, and which must not in aggregate exceed 30% of the shares of the Company in issue from time to time. The total number of shares issued and to be issued upon the exercise of the options granted to or to be granted to each Participant under the share option scheme in any 12-month period shall not exceed 1% of the shares of the Company in issue.

The exercise price for the shares under the share option scheme shall be such price as the Board may in its absolute discretion determine at the time of grant of the option but the subscription price shall not be less than the highest of (i) the closing price of the Company's shares as stated in the daily quotation sheets of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on the date of the Board approving the grant of an option, which must be a business day ("Offer Date"); (ii) the average closing price of the Company's shares as stated in the daily quotation sheets of the Stock Exchange for the five business days immediately preceding the Offer Date; and (iii) the nominal value of the Company's shares.

The share option scheme had remained valid and effective for a period of 10 years from 9 November 2010 to 8 November 2020 ("Effective Period") and the share options granted have a 10-year exercise period. No more share options would be granted under the share option scheme after the Effective Period, but the share options granted during the Effective Period will continue to be valid in accordance with the provisions of the share option scheme.

As at 31 December 2021, there were a total of 13,300,000 outstanding share options granted to directors and certain employees of the Group. Details of which are as follows:

Name or category of participant	Date of grant	Exercise price *(HK$)*	Number of share options: As at 1 January 2021	Granted during the year	Exercised during the year	Cancelled/ lapsed during the year	As at 31 December 2021	Exercise period
Director								
Dr. Fukui Tsutomu	23 December 2014	2.364	500,000[(1)]	–	–	–	500,000	23 December 2017 to 22 December 2024
Mr. Zhang Feng	23 December 2014	2.364	100,000[(1)]	–	–	–	100,000	23 December 2017 to 22 December 2024
Mr. Wang Jian	23 December 2014	2.364	400,000[(1)]	–	–	–	400,000	23 December 2017 to 22 December 2024
Other employees in aggregate	23 December 2014	2.364	12,500,000[(1)]	–	(200,000)	–	12,300,000	23 December 2017 to 22 December 2024
Total			13,500,000	–	(200,000)	–	13,300,000	

(1) 40% of share options are exercisable from the third anniversary date of the date of grant; 70% of share options are exercisable from the fourth anniversary date of the date of grant; and all share options are exercisable from the fifth anniversary date of the date of grant.

Details of the valuation of share options during the year are set out in Note 21 to the consolidated financial statements.

SHARE AWARD SCHEME

The Company adopted a share award scheme on 25 August 2011. The major terms of the share award scheme are as follows:

The purpose of the share award scheme is to encourage and retain Selected Employees (including any directors, as defined below) to work with our Group and to provide incentive for them to achieve performance goals with a view to achieving the objectives of increasing the value of our Group and aligning the interests of the Selected Employees directly to the shareholders of the Company through ownership of shares.

Selected Employees include employees selected by the Remuneration Committee (after taking into consideration recommendations and suggestions made by the Chairman) and approved by the Board pursuant to the share award scheme rules and employees selected by the trustee after having taken into consideration recommendations made by the Chairman, considered and consented to by the Remuneration Committee and approved by the Board pursuant to the share award scheme rules for participation in the share award scheme.

Subject to any early termination in accordance with the share award scheme rules, the share award scheme shall be valid and effective for a period commencing on 25 August 2011 and ending on a date to be determined by the Board (both dates inclusive), after which no further award will be made but the provisions of the share award scheme shall remain in full force and effect to the extent necessary to give effect to any awards granted prior thereto.

Shares will be acquired by an independent trustee at the cost of the Company and be held in trust for the awarded persons until the end of each vesting period. Where any award is proposed to be made to any Selected Employee who is a director, supervisor or senior management of any member of the Group, or where the Board proposes to waive any conditions imposed on any award made to such Selected Employee, such award or waiver (as the case may be) must first be considered and approved by the Remuneration Committee and by the Board. Where a Selected Employee or his associate (within the meaning of the Listing Rule) is a director, such person shall abstain from voting on any approval by the Remuneration Committee and the Board of an award to such Selected Employee.

During the year, an aggregate of 302,000 shares of the Company's existing ordinary shares have been purchased for the share award scheme. No awarded shares were granted nor vested to directors and Selected Employees. A total of 5,208,000 awarded shares, which were vested to directors and Selected Employees on 22 December 2020, were transferred to them during the year. Details of the movements in the Share Award Schemes during the year are set out in Note 21 to the consolidated financial statements. As at 31 December 2021, the independent trustee holds 17,842,000 shares of the Company for the share award scheme.

CONNECTED TRANSACTION

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

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

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

CONTINUING CONNECTED TRANSACTIONS

Pursuant to the framework agreement entered into between the Company and China Baowu Steel Group Company Limited ("China Baowu") on 27 January 2021 ("New Framework Agreement"), (i) the Group agrees to purchase and China Baowu and its subsidiaries ("China Baowu Group") agree to supply steel to the Group; and (ii) the China Baowu Group agrees to purchase and the Group agrees to supply processed metallic goods and processing services to the China Baowu Group for a term of 3 years from 1 January 2021 and 31 December 2023.

Pursuant to the New Framework Agreement, the maximum aggregate amounts to be paid by the Group to the China Baowu Group for the purchase of steel are expected not to exceed approximately RMB22.4 billion, RMB28.0 billion and RMB35.4 billion for each of the three years ending 31 December 2023, respectively; and the maximum aggregate amounts to be paid by the China Baowu Group to the Group for the provision of processed metallic goods and processing service are expected not to exceed approximately RMB0.25 billion, RMB0.30 billion and RMB0.35 billion for each of the three years ending 31 December 2023, respectively.

The New Framework Agreement was approved by the independent shareholders of the Company ("Independent Shareholders") at an extraordinary general meeting ("EGM") held on 31 May 2021. Details of the New Framework Agreement and the connected relationship between the Company and China Baowu were disclosed in the announcement of the Company dated 27 January 2021.

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

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

For the year ended 31 December 2021, (i) supply of steel by the China Baowu Group to the Group amounted to approximately RMB18.3 billion, not exceeding the annual cap of RMB22.4 billion; and (ii) supply of processed metallic goods and processing service by the Group to China Baowu Group amounted to approximately RMB0.28 billion, not exceeding the annual cap of RMB0.39 billion.

The above continuing connected transactions have been reviewed by the INEDs of the Company who have confirmed that the transactions have been entered into:

(1) in the ordinary and usual course of business of the Group;

(2) on normal commercial terms or better; and

(3) in accordance with the relevant agreements governing them on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole.

The Auditor was engaged to report on the Group's continuing connected transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 (Revised) "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants.

The Auditor has issued an unqualified letter containing the findings and conclusions in respect of the above continuing connected transactions in accordance with Rule 14A.56 of the Listing Rules.

DIRECTORS

The Directors during the year and up to the date of this report were:

Executive Directors
Zhou Keming *(Chairman)*
Jiang Changhong *(Chief Executive Officer)*
Xu Xia *(Vice-chairman of the Board)*
Zou Xiaoping *(Vice-chairman of the Board)*
Fukui Tsutomu (formerly known as Zhang Qinzhong)
Zhang Feng
Wang Jian

Non-executive Directors
Lin Changchun (resigned on 11 June 2021)
Lu Jian
Zhu Baomin (appointed on 11 June 2021)

Independent Non-Executive Directors
Cheuk Wa Pang
Hua Min
Lu Daming
Liu Fuxing
Hu Xuefa
Chen Xin (appointed on 16 December 2021)

In accordance with Article 84 of the Articles of Association of the Company, Mr. Zhou Keming, Ms. Xu Xia, Mr. Zou Xiaoping, Mr. Jiang Changhong and Mr. Zhang Feng retire from office by rotation at the Company's 2022 Annual General Meeting. All the retiring directors, being eligible, offer themselves for re-election.

In accordance with Article 83(3) of the Articles of Association of the Company, Prof. Chen Xin, who was appointed as an additional director of the Company by the Board on 16 December 2021, shall hold office until the date of the next following annual general meeting of the Company and shall then be eligible for re-election.

The Company has received from each independent non-executive director an annual confirmation of his independence pursuant to Rule 3.13 of the Listing Rules and the Board considers them independent.

The biographical details of Directors are set out on pages 36 to 41 of this Annual Report.

DIRECTORS' SERVICE CONTRACTS

None of the directors who are proposed for re-election at the forthcoming AGM has a service contract with the Company which is not determinable within one year without payment of compensation, other than statutory compensation.

DIRECTORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

Save as disclosed in the section of "Connected Transaction" of this report, no contracts of significance in relation to the Group's business to which the Company or any of its subsidiaries was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at any time during the year.

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND/OR SHORT POSITIONS IN THE SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY OR ANY ASSOCIATED CORPORATION

As at 31 December 2021, the interests and short positions of each director and chief executive in the shares, underlying shares and debentures of the Company and its associated corporation (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")), as recorded in the register required to be kept by the Company under section 352 of Part XV of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code, were as follows:

(a) Long and short position in the shares and underlying shares of the Company

Name of Director	Nature of interests	Number of shares/underlying shares held	% of issued share capital
Mr. Zhou Keming	Personal, family and corporate	793,551,000[1]	62.26%
Ms. Xu Xia	Personal, family and corporate	793,551,000[1]	62.26%
Mr. Zou Xiaoping	Personal and family	5,060,000[2]	0.40%
Mr. Jiang Changhong *(also Chief Executive Officer)*	Personal	384,000	0.03%
Dr. Fukui Tsutomu	Personal and family	1,864,000[3]	0.15%
Mr. Zhang Feng	Personal	2,244,000[4]	0.18%
Mr. Wang Jian	Personal and family	1,496,000[5]	0.12%

(1) 793,435,000 shares are held by Ally Good Group Limited, which is owned as to 77.2% by Mr. Zhou Keming, and 22.8% by Ms. Xu Xia. 60,000 shares are held by Mr. Zhou Keming and 56,000 shares are held by Ms. Xu Xia personally.

(2) 60,000 shares are held by Mr. Zou Xiaoping and 5,000,000 shares are held by Mr. Zou Xiaoping's spouse, Ms. Li Jun.

(3) The interest comprises 498,000 shares held by Dr. Fukui Tsutomu, 866,000 shares held by Dr. Fukui's spouse, Ms. Mizuho Fukui and 500,000 underlying shares in respect of the share options granted to Dr. Fukui pursuant to the share option scheme as disclosed under section headed share option scheme.

(4) The interest comprises 2,144,000 shares, 100,000 underlying shares in respect of the share options granted pursuant to the share option scheme as disclosed under section headed share option scheme.

(5) The interest comprises 448,000 shares held by Mr. Wang Jian, 648,000 shares held by Mr. Wang's spouse, Ms. Zhang Minxian and 400,000 underlying shares in respect of the share options granted to Mr. Wang pursuant to the share option scheme as disclosed under section headed share option scheme.

(b) Long position in the shares in associated corporation(s)

Name of Director	Name of associated corporation	Nature of interests	Number of shares held	% of issued share capital of associated corporation
Mr. Zhou Keming	Ally Good Group Limited[(1)]	Personal and family	1,000[(2)]	100%
Ms. Xu Xia	Ally Good Group Limited[(1)]	Personal and family	1,000[(2)]	100%

(1) As at 31 December 2021, Ally Good Group Limited is the holder of 62.25% of the issued share capital of the Company and is an associated corporation under SFO.

(2) 772 shares are held by Mr. Zhou Keming and 228 shares are held by Ms. Xu Xia. Ms. Xu Xia is the spouse of Mr. Zhou Keming.

Save as disclosed above, as at 31 December 2021, none of the directors or chief executive and their associates, had interests or short positions in any shares, underlying shares or debentures of the Company and its associated corporations which were recorded in the register required to be kept under section 352 of the SFO or notified to the Company and the Stock Exchange pursuant to the Model Code.

At no time during the year was the Company, its subsidiaries, its associated companies, its fellow subsidiaries or its parent company a party to any arrangement to enable the directors and chief executive of the Company (including their spouse and children under 18 years of age) to hold any interest or short positions in the shares or underlying shares in, or debenture of the Company or its associated corporation.

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND/OR SHORT POSITIONS IN THE SHARES AND UNDERLYING SHARES OF THE COMPANY

As at 31 December 2021, the interests or short positions of every person, other than a director or chief executive of the Company, in the shares and underlying shares of the Company as recorded in the register required to be kept under section 336 of the SFO, are set out below:

Aggregate long position in the shares and underlying shares of the Company

Name of Shareholder	**Number of ordinary shares held**	**Approximate percentage of the Company's issued share capital**
Long position		
Ally Good Group Limited	793,435,000[(1)]	62.25%
China Baowu Steel Group Corporation Limited ("China Baowu")	207,500,000[(2)]	16.28%
Baosteel Stainless Steel (International) Limited ("Baosteel")	103,750,000	8.14%
Tisco Stainless Steel (H.K.) Limited ("Tisco")	103,750,000	8.14%

(1) As Ally Good Group Limited is owned as to 77.2% by Mr. Zhou Keming and 22.8% by Ms. Xu Xia, they have interest in these shares as disclosed under the previous section.

(2) These Shares comprise 103,750,000 shares held by China Baowu indirectly through Baosteel and 103,750,000 shares held by China Baowu indirectly through Tisco. China Baowu owned 51% equity interests in Taiyuan Iron & Steel (Group) Co., Ltd. ("Taiyuan Steel"). Tisco is a wholly-owned subsidiary of Shanxi Taigang Stainless Steel Co., Ltd., which was in turn a subsidiary of Taiyuan Steel and then a subsidiary of China Baowu. As such, China Baowu was deemed to be interested in the same 103,750,000 shares in which Tisco held.

Save as disclosed above, no other parties were recorded in the register of the Company required to be kept under section 336 of the SFO as having interests or short positions in the shares or underlying shares of the Company as at 31 December 2021.

CONTROLLING SHAREHOLDER'S INTERESTS IN CONTRACTS OF SIGNIFICANCE

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

EMOLUMENT POLICY

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

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

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or in existence during the year.

SUFFICIENCY OF PUBLIC FLOAT

Based on information that is publicly available to the Company and within the knowledge of the Directors, from 23 December 2020 to the date of the Annual Report, the Company's public float was below 25%, the minimum prescribed percentage ("Minimum Prescribed Percentage") as required in Rule 8.08(1)(a) of the Hong Kong Listing Rules. To the knowledge of the Directors, as at the date of the Annual Report, the Company's public float was approximately 20.67%.

While the drop of the Company's public float was beyond the Company's control, the Company is considering appropriate steps to ensure the restoration of the Minimum Prescribed Percentage to public hands as soon as possible.

For more details of the insufficiency of public float, please refer to the announcements of the Company since 22 February 2021.

CORPORATE GOVERNANCE

Details of the compliance by the Company with the Corporate Governance Code are set out on pages 19 to 35 of the Annual Report.

AUDIT COMMITTEE

The Audit Committee has discussed with the management and reviewed the audited consolidated financial statements of the Group for the year ended 31 December 2021 and considered that the Group has complied with all applicable accounting standards and requirements.

AUDITORS

The consolidated financial statements have been audited by PricewaterhouseCoopers who retire and, being eligible, offer themselves for re-appointment at the forthcoming AGM.

By Order of the Board

Zhou Keming
Chairman
Hong Kong, 28 March 2022

pwc 羅兵咸永道

To the Shareholders of
Da Ming International Holdings Limited
(incorporated in the Cayman Islands with limited liability)

OPINION

What we have audited

The consolidated financial statements of Da Ming International Holdings Limited (the "Company") and its subsidiaries (the "Group") set out on pages 60 to 147, which comprise:

- the consolidated statement of financial position as at 31 December 2021;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, which include significant accounting policies and other explanatory information.

Our opinion

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2021, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the HKICPA. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants ("the Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter identified in our audit is related to net realisable value of inventory.

Key Audit Matter	How our audit addressed the Key Audit Matter
Net realisable value of inventories *Refer to Note 2.11, Note 4(a), and Note 13 to the consolidated financial statements.* Inventories are stated at the lower of cost and net realisable value. Net realisable value of inventories is the estimated selling price in the ordinary course of business, less estimated costs to completion and selling expense. These estimates are based on the current market condition and the historical experience of manufacturing and selling products of similar nature. As at 31 December 2021, inventories amounting to RMB 3,724,944,000 were stated at the lower of cost and net realisable value. We focused on this area due to the high degree of uncertainties associated with the volatility in the market price of steel products for which the relevant sales contract not yet signed and the subjectivity of significant estimation and judgment required in the determination of selling price used in the net realisable value assessment.	We obtained an understanding of the management's internal controls and assessment process of net realisable value of inventories and assessed the inherent risk of material misstatement by considering the degree of estimation uncertainty and level of other inherent risk factors such as subjectivity, changes and susceptibility to management bias or fraud. We evaluated and validated the key controls over the review of net realisable value of inventories. We assessed and challenged management assumption and estimation by checking against market trend of steel production price, historical and subsequent selling prices, and post year end margin of the Group. We tested whether there were any slow-moving, excess, obsolete or damaged items being omitted from management estimation. We compared management's prior year and current year estimations to assess whether the method for making the accounting estimate had been applied consistently. We also evaluated the variance between subsequent selling price and management's assumption to assess the sensitivity of management assumption. Based on our work performed, we found management's judgement and estimation for the net realisable value of inventories were supported by available evidence.

OTHER INFORMATION

The directors of the Company are responsible for the other information. The other information comprises the information included in Financial and Operating Highlights and Management Discussion and Analysis thereon (but does not include the consolidated financial statements and our auditor's report thereon), which we obtained prior to the date of this auditor's report, and the Chairman's Statement, Cooperate Governance Report and Directors' Report, which are expected to be made available to us after that date.

Our opinion on the consolidated financial statements does not cover the other information and we do not and will not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

When we read the Chairman's Statement, Cooperate Governance Report and Directors' Report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to Audit Committee and take appropriate action considering our legal rights and obligations.

RESPONSIBILITIES OF DIRECTORS AND THE AUDIT COMMITTEE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

The Audit Committee is responsible for overseeing the Group's financial reporting process.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. We report our opinion solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable actions taken to eliminate threats or safeguards applied.

From the matters communicated with the Audit Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Dou Wang, Angel.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 28 March 2022

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2021

		As at 31 December	
		2021	2020
	Note	***RMB'000***	*RMB'000*
ASSETS			
Non-current assets			
Property, plant and equipment	*6*	**4,805,389**	4,693,561
Right-of-use assets	*7*	**546,500**	509,231
Investment properties	*8*	**1,724**	3,831
Intangible assets	*9*	**21,031**	20,282
Deferred income tax assets	*11*	**37,190**	14,497
Trade receivables and contract assets	*14*	**41,677**	25,354
Other non-current assets	*12*	**36,475**	37,612
		5,489,986	5,304,368
Current assets			
Inventories	*13*	**3,724,944**	3,237,265
Trade receivables and contract assets	*14*	**532,650**	451,661
Prepayments, deposits and other receivables	*15*	**950,969**	785,461
Financial assets at fair value through other comprehensive income	*16*	**42,083**	–
Restricted bank deposits	*17*	**1,076,606**	887,422
Cash and cash equivalents	*18*	**141,196**	103,189
		6,468,448	5,464,998
Total assets		**11,958,434**	10,769,366
EQUITY			
Equity attributable to equity holders of the Company			
Share capital	*19*	**109,041**	106,607
Reserves	*20*	**3,300,070**	2,853,629
		3,409,111	2,960,236
Non-controlling interests		**340,282**	355,725
Total equity		**3,749,393**	3,315,961

	Note	As at 31 December 2021 RMB'000	2020 RMB'000
LIABILITIES			
Non-current liabilities			
Borrowings	*24*	**1,573,933**	964,188
Deferred government grants	*25*	**132,764**	134,160
Deferred income tax liabilities	*11*	**33,549**	27,600
Lease liabilities	*7*	**9,867**	–
Long-term payables	*23*	**17,747**	14,912
		1,767,860	1,140,860
Current liabilities			
Trade payables	*22*	**459,157**	568,081
Accruals and other current liabilities	*23*	**602,853**	544,799
Contract liabilities	*5*	**930,149**	720,340
Current income tax liabilities		**125,824**	73,352
Borrowings	*24*	**4,289,443**	4,394,387
Lease liabilities	*7*	**5,755**	4,386
Dividends payable		**28,000**	7,200
		6,441,181	6,312,545
Total liabilities		**8,209,041**	7,453,405
Total equity and liabilities		**11,958,434**	10,769,366

The notes on pages 65 to 147 are an integral part of these consolidated financial statements.

The financial statements were approved by the Board of Directors on 28 March 2022 and were signed on its behalf.

Zhou Keming
Director

Zou Xiaoping
Director

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2021

	Note	Year ended 31 December 2021 RMB'000	2020 RMB'000
Revenue	5	**46,345,417**	35,133,102
Cost of sales	28	**(44,518,208)**	(33,699,300)
Gross profit		**1,827,209**	1,433,802
Other income	26	**47,337**	49,246
Other expenses	28	**(990)**	(303)
Other loss - net	27	**(10,552)**	(15,475)
Distribution costs	28	**(467,060)**	(382,161)
Administrative expenses	28	**(434,711)**	(375,322)
Operating profit		**961,233**	709,787
Finance income	30	**34,792**	31,625
Finance costs	30	**(266,886)**	(215,434)
Finance costs - net	30	**(232,094)**	(183,809)
Profit before income tax		**729,139**	525,978
Income tax expense	31	**(201,572)**	(140,167)
Profit and total comprehensive income for the year		**527,567**	385,811
Attributable to:			
Equity holders of the Company		**495,044**	347,979
Non-controlling interests		**32,523**	37,832
		527,567	385,811
Earnings per share for profit attributable to equity holders of the Company during the year (expressed in RMB per share)			
– Basic earnings per share	32	**0.40**	0.28
– Diluted earnings per share	32	**0.40**	0.28

The notes on pages 65 to 147 are an integral part of these consolidated financial statements.

	Attributable to equity holders of the Company			
	Share capital *(Note 19)* *RMB'000*	Reserves *(Note 20)* *RMB'000*	Non-controlling interests *RMB'000*	Total equity *RMB'000*
Balance at 1 January 2020	106,607	2,500,710	326,843	2,934,160
Comprehensive income				
Profit for the year	–	347,979	37,832	385,811
Total comprehensive income for the year ended 31 December 2020	–	347,979	37,832	385,811
Transactions with owners				
Share award scheme				
– value of employee services *(Note 21(b))*	–	8,235	–	8,235
Shares held for share award scheme *(Note 21(b))*	–	(3,295)	–	(3,295)
Dividends	–	–	(8,950)	(8,950)
Total transactions with owners	–	4,940	(8,950)	(4,010)
Balance at 31 December 2020	106,607	2,853,629	355,725	3,315,961
Balance at 1 January 2021	106,607	2,853,629	355,725	3,315,961
Comprehensive income				
Profit for the year	–	495,044	32,523	527,567
Total comprehensive income for the year ended 31 December 2021	–	495,044	32,523	527,567
Transactions with owners				
Acquisition of non-controlling interest *(Note 19)*	759	22,998	(23,757)	–
Issue of shares *(Note 19)*	1,659	52,437	–	54,096
Exercise of share options	16	370	–	386
Capital injection by non-controlling shareholders	–	–	4,840	4,840
Dividends	–	(124,408)	(29,049)	(153,457)
Total transactions with owners	2,434	(48,603)	(47,966)	(94,135)
Balance at 31 December 2021	109,041	3,300,070	340,282	3,749,393

The notes on pages 65 to 147 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS

For the year ended 31 December 2021

	Note	Year ended 31 December 2021 RMB'000	2020 RMB'000
Cash flows from operating activities			
Cash generated from operations	34(a)	**837,297**	602,996
Interest received		**32,915**	29,497
Interest paid		**(270,948)**	(227,784)
Income tax paid		**(164,488)**	(65,681)
Income tax return		**1,461**	1,943
Net cash generated from operating activities		**436,237**	340,971
Cash flows from investing activities			
Purchase of property, plant and equipment		**(617,243)**	(565,336)
Purchase of land use rights		**(66,839)**	(8,500)
Purchase of intangible assets		**(4,459)**	(4,873)
Cash received in relation to asset-related government grants	25	**8,267**	10,020
Proceeds from sale of property, plant and equipment	34(b)	**591**	1,423
Proceeds from disposal of land use rights		**34,870**	–
Net cash used in investing activities		**(644,813)**	(567,266)
Cash flows from financing activities			
Proceeds from borrowings	34(c)	**10,492,194**	10,331,822
Repayments of borrowings	34(c)	**(7,683,473)**	(7,922,933)
Exercise of share options		**386**	–
Dividends paid to Company's shareholders	33	**(124,408)**	–
Dividends paid to non-controlling interests in subsidiaries		**(8,250)**	(42,800)
Restricted bank deposits pledged for bank borrowings and used for repayment of borrowings	34(c)	**(2,536,131)**	(2,282,894)
Principal elements of lease payments	34(c)	**(6,485)**	(4,961)
Purchase of shares held for share award scheme		**–**	(3,295)
Issue of shares		**54,096**	–
Payment of withholding tax		**(7,000)**	–
Restricted bank deposits collected after repayment of bank borrowings	34(c)	**32,252**	96,753
Capital injection by non-controlling shareholders		**4,840**	–
Contribution from partnership enterprises	34(d)	**30,870**	–
Net cash generated from financing activities		**248,891**	171,692
Net increase/(decrease) in cash and cash equivalents		**40,315**	(54,603)
Cash and cash equivalents at beginning of year	18	**103,189**	161,807
Exchange loss on cash and cash equivalents		**(2,308)**	(4,015)
Cash and cash equivalents at end of year	18	**141,196**	103,189

The notes on pages 65 to 147 are an integral part of these consolidated financial statements.

1. GENERAL INFORMATION OF THE GROUP

Da Ming International Holdings Limited (the "Company") and its subsidiaries (together, the "Group") is principally engaged in the processing, distribution and sale of stainless steel products and carbon steel products in the People's Republic of China ("PRC").

The Company was incorporated in the Cayman Islands on 14 February 2007 as an exempted company with limited liability under the Companies Law, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands. The Company's registered office is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands.

The ultimate parent undertaking of the Company is Ally Good Group Limited ("Ally Good"), which is incorporated in BVI. The registered address of Ally Good is Vistra Corporate Services Centre, Wickhams Cay II, Road Town, Tortola, VG1110, British Virgin Islands. The controlling shareholders of Ally Good are Mr. Zhou Keming and Ms. Xu Xia.

The Company's shares have been listed on The Stock Exchange of Hong Kong Limited since 1 December 2010.

These consolidated financial statements are presented in Renminbi ("RMB"), unless otherwise stated. These consolidated financial statements have been approved for issue by the Board of Directors on 28 March 2022.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

2.1 Basis of preparation

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.1 Basis of preparation (continued)

2.1.1 Going concern

As at 31 December 2021, the Group had cash balance of RMB141,196,000, net working capital of RMB27,267,000 and current liabilities of RMB6,441,181,000. The Group meets its day-to-day working capital requirements mainly through its operating cash flows and bank borrowings. In preparing the financial statements, the directors of the Company have considered the Group's net cash inflows from operating activities, the available financing from long-term bank borrowing with contract signed and the short-term bank borrowings that can be refinanced and/or renewed upon maturity, as well as other available sources of financing from banks and other financial institutions given the Group's credit history and property, plant and equipment which are free of pledge or restriction and would be available to secure further financing when necessary.

Having considered the above, the directors of the Company believe that the Group has adequate sources of financing to continue operation for the foreseeable future of not less than twelve months from period end date of these financial statements. The directors therefore are of the opinion that it is appropriate to adopt the going concern basis in preparing the consolidated financial statements. Further information on the Group's borrowings is given in Note 24.

2.1.2 Changes in accounting policies and disclosures

(a) New and amended standards adopted by the Group

A number of new or amended standards became applicable for the current reporting period commencing 1 January 2021. The Group did not change its accounting policies or make retrospective adjustments as a result of adopting these standards.

		Effective for annual periods beginning on or after
HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16 (Amendments)	Interest Rate Benchmark Reform	1 January 2021

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.1 Basis of preparation (continued)

2.1.2 Changes in accounting policies and disclosures (Continued)

(b) Certain new accounting standards, amendments to accounting standards and interpretations have been published that are not mandatory for 31 December 2021 reporting periods and have not been early adopted by the Group. These standards, amendments or interpretations are not expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions. These new standards and interpretations are:

		Effective for annual periods beginning on or after
HKAS 16 (Amendments)	Property, Plant and Equipment: Proceeds before intended use	1 January 2022
HKAS 37 (Amendments)	Onerous Contracts – Cost of Fulfilling a Contract	1 January 2022
HKFRS 3 (Amendments)	Reference to the Conceptual Framework	1 January 2022
Annual Improvements to HKFRS Standards 2018 – 2020		1 January 2022
HKAS 1 (Amendments)	Classification of Liabilities as Current or Non-current	1 January 2023
HKFRS 17	Insurance Contracts	1 January 2023
AG 5 (Revised)	Revised Accounting Guideline 5 Merger Accounting for Common Control Combinations	1 January 2022
HK Int 5 (2020)	Hong Kong Interpretation 5 (2020) Presentation of Financial Statements-Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause	1 January 2023
HKAS 1 and HKFRS Practice Statement 2 (Amendments)	Disclosure of Accounting Policies	1 January 2023
HKFRS 8 (Amendments)	Definition of Accounting Estimates	1 January 2023
HKAS 12 (Amendments)	Deferred Tax related to Assets and Liabilities arising from a Single Transaction	1 January 2023

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.1 Basis of preparation (continued)

2.1.2 Changes in accounting policies and disclosures (Continued)

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

2.1.3 Changes in accounting estimates

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

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

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

2.2 Subsidiaries

2.2.1 Consolidation

A subsidiary is an entity (including a structured entity) over which the Group has control. The Group controls an entity where the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

Inter-Group transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset. When necessary, amounts reported by subsidiaries have been adjusted to conform with the Group's accounting policies.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Subsidiaries (continued)

2.2.1 Consolidation (Continued)

(a) Business combinations

The Group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date.

Transactions with non-controlling interests that do not result in a loss of control are accounted for as equity transactions – that is, as transactions with the owners of the subsidiary in their capacity as owners. The difference between fair value of any consideration paid and the relevant share acquired of the carrying amount of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

2.2.2 Separate financial statements

Investments in subsidiaries are accounted for at cost less impairment. Cost includes direct attributable costs of investment. The results of subsidiaries are accounted for by the Company on the basis of dividend received and receivable.

Impairment testing of the investments in subsidiaries is required upon receiving a dividend from these investments if the dividend exceeds the total comprehensive income of the subsidiary in the period the dividend is declared or if the carrying amount of the investment in the separate financial statements exceeds the carrying amount in the consolidated financial statements of the investee's net assets including goodwill.

2.3 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the executive directors that makes strategic decisions.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.4 Foreign currency translation

(a) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated financial statements are presented in RMB, which is the Company's functional and the Group's presentation currency.

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are remeasured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the consolidated statement of comprehensive income.

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the consolidated statement of comprehensive income within 'finance income or costs'. All other foreign exchange gains and losses are presented in the consolidated statement of comprehensive income within 'other (loss)/gain – net'.

(c) Group companies

The results and financial position of all the Group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each statement of financial position presented are translated at the closing rate at the balance sheet date;

- income and expenses for each statement of comprehensive income are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions); and

- all resulting exchange differences are recognised in other comprehensive income (OCI).

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.5 Property, plant and equipment

Construction-in-progress (the "CIP") represents buildings, plant and machinery under construction or pending installation and is stated at cost less accumulated impairment losses, if any. Cost includes the costs of construction and acquisition. No provision for depreciation is made on CIP until such time as the relevant assets are completed and ready for intended use. When the assets concerned are available for use, the costs are transferred to property, plant and equipment and depreciated in accordance with the policy as stated below.

Property, plant and equipment from capital contribution are recognised initially at fair value, and are subsequently carried at depreciated cost less accumulated impairment losses, if any.

Other property, plant and equipment are stated at historical cost less accumulated depreciation and accumulated impairment losses, if any. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the consolidated statement of comprehensive income during the reporting periods in which they are incurred.

Depreciation is calculated using the straight-line method to allocate the cost less impairment loss as of each asset to its residual value over its estimated useful life.

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

	Effective from 1 January 2021	**Before 31 December 2020**
Buildings and plant	20-30 years	20-40 years
Machinery	10-20 years	10-25 years
Vehicles	4 to 5 years	4 to 5 years
Office equipment and others	3 to 5 years	3 to 5 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (Note 2.8).

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.5 Property, plant and equipment (continued)

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within 'other (loss)/gain – net' in the consolidated statement of comprehensive income.

2.6 Investment properties

The investment property, comprising leasehold land and buildings, is held for long-term rental yields or for capital appreciation or both, and that is not occupied by the Group. Investment properties are initially measured at cost and subsequently carried at cost less accumulated depreciation and accumulated impairment losses.

Depreciation of investment property is calculated using the straight-line method to allocate cost to its residual value over its estimated useful lives of 20 years.

Subsequent expenditure is charged to the asset's carrying amount only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance costs are expensed in the consolidated statement of comprehensive income during the financial periods in which they are incurred.

If an investment property becomes owner-occupied, it is reclassified as property, plant and equipment, and its carrying amount at the date of reclassification becomes its cost for accounting purposes.

If an item of property, plant and equipment becomes an investment property because its use has changed, the transfer does not change the carrying amount of the property transferred, nor does it change the cost of that property for measurement or disclosure purposes.

2.7 Intangible assets

Intangible assets mainly comprise computer software purchased, which are carried at cost less accumulated amortisation and accumulated impairment losses, if any. Acquired computer software licenses are capitalised on the basis of the costs incurred to acquire and bring to use the software. These costs are amortised using straight-line method over their estimated useful lives of 10 years.

2.8 Impairment of non-financial assets

Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows from other assets or groups of assets (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.9 Financial assets – loans and receivables

2.9.1 Classification

The Group classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through OCI or through profit or loss), and
- those to be measured at amortised cost.

The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses will either be recorded in profit or loss or OCI. For investments in equity instruments that are not held for trading, this will depend on whether the Group has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income (FVOCI).

The Group reclassifies debt investments when and only when its business model for managing those assets changes.

2.9.2 Recognition and derecognition

Regular way purchases and sales of financial assets are recognised on trade-date, the date on which the Group commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

2.9.3 Measurement

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss (FVPL), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVPL are expensed in profit or loss.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

Debt instruments
Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the cash flow characteristics of the asset. There are two measurement categories into which the Group classifies its debt instruments:

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.9 Financial assets – loans and receivables (continued)

2.9.3 Measurement (Continued)

- Amortised cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in profit or loss and presented in other gains/(losses) together with foreign exchange gains and losses. Impairment losses are presented as separate line item in the statement of profit or loss.

- FVOCI: Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI. Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest income and foreign exchange gains and losses which are recognised in profit or loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss and recognised in other gains/(losses). Interest income from these financial assets is included in finance income using the effective interest rate method. Foreign exchange gains and losses are presented in other gains/(losses) and impairment expenses are presented as separate line item in the statement of profit or loss.

2.9.4 Impairment

The Group assesses on a forward-looking basis the expected credit losses associated with its debt instruments carried at amortised cost and FVOCI. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

For trade receivables and contract assets, the Group applies the simplified approach permitted by HKFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables. See Note 14 for further details.

2.10 Derivatives

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured to their fair value at the end of each reporting period. The accounting for subsequent changes in fair value of any derivative instrument that does not qualify for hedge accounting are recognised immediately in profit or loss and are included in other gains/(losses).

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.11 Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the weighted average method, except for inventories in-transit which is determined using the specific identification method. The cost of finished goods comprises raw materials, direct labour, other direct costs and related production overheads (based on normal operating capacity). It excludes borrowing costs. Net realisable value is the estimated selling price in the ordinary course of business less estimated costs of completion and selling expenses.

2.12 Trade and other receivables

Trade receivables and contract assets are amounts due from customers for merchandise sold or services performed in the ordinary course of business.

Trade and other receivables are recognised initially at the amount of consideration that is unconditional unless they contain significant financing components, when they are recognised at fair value. The Group holds the trade and other receivables with the objective of collecting the contractual cash flows and therefore measures them subsequently at amortised cost using the effective interest method. See Note 14 for further information about the Group's accounting for trade receivables and contract assets.

If collection of trade and other receivables is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

2.13 Cash and cash equivalents

In the consolidated statement of cash flows, cash and cash equivalents includes cash on hand, deposits held at call with banks, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, and bank overdrafts. In the consolidated and entity statement of financial position, bank overdrafts are shown within borrowings in current liabilities.

2.14 Share capital

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds.

Where any group company purchases the Company's equity share capital (treasury shares), the consideration paid, including any directly attributable incremental costs (net of income taxes) is deducted from equity attributable to equity holders of the Company until the shares are cancelled or reissued. Where such ordinary shares are subsequently reissued, any consideration received, net of any directly attributable incremental transaction costs and the related income tax effects, is included in equity attributable to equity holders of the Company.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.15 Trade and other payables

Trade and other payables are obligations to pay for goods, services and long-term assets that have been acquired in the ordinary course of business from suppliers, or to pay for accrued salaries, pension and other social welfare. Trade and other payables are presented as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Trade and other payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

2.16 Borrowings

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in the consolidated statement of comprehensive income over the period of the borrowings using the effective interest method.

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a prepayment for liquidity services and amortised over the period of the facility to which it relates.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period.

2.17 Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of that asset, until such time as the asset is substantially ready for its intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are charged to the consolidated statement of comprehensive income in the period in which they are incurred.

Borrowing costs include interest expense, finance charges in respect of finance leases and exchange differences arising from foreign currency borrowings to the extent that they are regarded as an adjustment to interest costs. The exchange gains and losses that are an adjustment to interest costs include the interest rate differential between borrowing costs that would be incurred if the entity had borrowed funds in its functional currency, and the borrowing costs actually incurred on foreign currency borrowings.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.18 Current and deferred income tax

The tax expense for the period comprises current and deferred income tax. Tax is recognised in the comprehensive income statement, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case the tax is also recognised in other comprehensive income or directly in equity, respectively.

(a) Current income tax

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Company and its subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation and establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

(b) Deferred income tax

Inside basis differences

Deferred income tax is recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised to the extent that it is probable that future taxable amounts will be available against which the temporary differences can be utilised.

Outside basis differences

Deferred income tax is provided on temporary differences arising on investments in subsidiaries, except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

(c) Offsetting

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.19 Pension obligations

The Group has arranged for its Hong Kong employees to join the Mandatory Provident Fund Scheme (the "MPF Scheme"). Under the MPF Scheme, the Group and its Hong Kong employees make monthly contributions to the scheme at 5% of the employees' earnings as defined under the Mandatory Provident Fund legislation, subject to a cap of HKD1,500 per person per month, and any excess contributions are voluntary.

In accordance with the rules and regulations in the Mainland China, the Group has arranged for its employees from Mainland China to join a defined contribution retirement benefit plan organised by the PRC government. The PRC government undertakes to assume the retirement benefit obligations of all existing and future retired employees payable under the plan as set out in Note 29(a) of this section. The assets of this plan are held separately from those of the Group in an independent fund managed by the PRC government.

In addition, employees in Mainland China also participate in a defined contribution retirement benefit plan established by the Group and proved by relevant the PRC authorities (the "Annuity Plan"). The Group and its employees are required to make monthly contribution a certain percentage of the employee's earning depending on employee's rank of position. The contribution is charged to profit or loss when it is incurred.

The Group's contributions to the defined contribution retirement benefit plans are expensed in the consolidated statement of comprehensive income as incurred. The Group has no further payment obligations once the contributions have been paid.

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

2.20 Share-based payments

(a) Equity-settled share-based payment transactions

The Group operates a number of equity-settled, share-based compensation plans, under which the entity receives services from employees as consideration for equity instruments (share options) of the Group. The fair value of the employee services received in exchange for the grant of the options is recognised as an expense. The total amount to be expensed is determined by reference to the fair value of the options granted:

- including any market performance conditions;
- excluding the impact of any service and non-market performance vesting conditions; and
- including the impact of any non-vesting conditions.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.20 Share-based payments (continued)

(a) Equity-settled share-based payment transactions (continued)

At the end of each period, the Group revises its estimates of the number of options that are expected to vest based on the non-marketing vesting and service conditions. It recognises the impact of the revision to original estimates, if any, in the income statement, with a corresponding adjustment to equity.

In addition, in some circumstances employees may provide services in advance of the grant date and therefore the grant date fair value is estimated for the purposes of recognising the expense during the period between service commencement period and grant date.

When the options are exercised, the Company issues new shares. The proceeds received net of any directly attributable transaction costs are credited to share capital (nominal value) and share premium.

The Group also has a Share Award Scheme where from time to time, the independent trustee may purchase shares from the market and award shares to grantee. When the independent trustee purchases shares of the Company on the market under the scheme, the consideration paid including any directly attributable incremental costs is presented as shares held for Share Award Scheme in the consolidated statement of changes in equity and deducted from total equity. When the independent trustee transfers the Company's shares to the grantees upon vesting, the related costs of the awarded shares vested are credited to shares held for Share Award Scheme, with a corresponding adjustment to share premium.

(b) Share-based payment transactions among Group entities

The grant by the Company of options over its equity instruments to the employees of subsidiary undertakings in the Group is treated as a capital contribution. The fair value of employee services received, measured by reference to the grant date fair value, is recognised over the vesting period as an increase to investment in subsidiary undertakings, with a corresponding credit to equity in the parent entity accounts.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.21 Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and the amount can be reliably estimated.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The increase in the provision due to passage of time is recognised as interest expense.

2.22 Government grants

Grants from the government are recognised at their fair value where there is a reasonable assurance that the grant will be received and the Group will comply with all attached conditions.

Government grants relating to costs are deferred and recognised in the consolidated statement of comprehensive income over the period necessary to match them with the costs that they are intended to compensate.

Government grants relating to the purchase of property, plant and equipment are included in non-current liabilities as deferred government grants and are credited to the consolidated statement of comprehensive income on a straight-line basis over the expected lives of the related assets.

2.23 Revenue recognition

(a) Sales of goods

The Group is engaged in the sales of stainless steel and carbon steel products. Sales are recognised when control of the products has transferred, which usually happens upon picking up of the products from factory or when the products are delivered and the customers have inspected and accepted the products. Acceptance occurs when the products have been picked up or shipped to the specified location. The risks of obsolescence and loss have been transferred to the customers when either the customer has accepted the products in accordance with the sales contract, or the Group has objective evidence that all criteria for acceptance have been satisfied.

Trade receivables are recognised when the Group has an unconditional right to payment. Contract assets are recognised when the Group's right to consideration is conditional on something other than the passage of time. The Group recognises the loss provision using the expected credit loss model for its trade receivables and contract assets.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.24 Other income

(a) Rental income

Rental income from operating leases is recognised on a straight-line basis over the period of the lease.

(b) Interest income

Interest income on financial assets at amortised cost and financial assets at FVOCI calculated using the effective interest method is recognised in profit or loss as part of other income. Interest income is presented as finance income where it is earned from financial assets that are held for cash management purposes.

Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset except for financial assets that subsequently become credit-impaired. For credit-impaired financial assets the effective interest rate is applied to the net carrying amount of the financial asset (after deduction of the loss allowance).

2.25 Dividend distribution

Dividend distribution to equity holders of the Company is recognised as a liability in the Group's consolidated financial statements in the period in which the dividends are approved by equity holders of the Company.

2.26 Leases

Leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group.

Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor. Leased assets may not be used as security for borrowing purposes.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable

Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases in the Group, the lessee's incremental borrowing rate is used, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.26 Leases (continued)

To determine the incremental borrowing rate, the Group:

- where possible, uses recent third-party financing received by the individual lessee as a starting point, adjusted to reflect changes in financing conditions since third party financing was received

- uses a build-up approach that starts with a risk-free interest rate adjusted for credit risk for leases held by the Group, which does not have recent third-party financing, and makes adjustments specific to the lease, e.g. term, country, currency and security.

If a readily observable amortising loan rate is available to the individual lessee (through recent financing or market data) which has a similar payment profile to the lease, then the group entities use that rate as a starting point to determine the incremental borrowing rate.

Lease payments are allocated between principal and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability, and

- any lease payments made at or before the commencement date less any lease incentives received

Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. If the Group is reasonably certain to exercise a purchase option, the right-of-use asset is depreciated over the underlying asset's useful life.

Payments associated with short-term leases of equipment and vehicles and all leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less without a purchase option.

Lease income from operating leases where the Group is a lessor is recognised in income on a straight-line basis over the lease term (Note 26). Initial direct costs incurred in obtaining an operating lease are added to the carrying amount of the underlying asset and recognised as expense over the lease term on the same basis as lease income. The respective leased assets are included in the balance sheet based on their nature. The Group did not need to make any adjustments to the accounting for assets held as lessor as a result of adopting the new leasing standard.

3. FINANCIAL RISK MANAGEMENT

3.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: market risks (including foreign exchange risk, cash flow and fair value interest rate risk and price risk), credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

Risk management is carried out by various departments within the Group like treasury and sales department, under policies approved by the Board of Directors. Periodic management information is summarised and reported to the directors of the Group who will review the information and take action accordingly. The Group has not used derivative financial instruments to hedge its risk exposures on changes in foreign currency exchange rates and interest rates.

(a) Market risk

(i) Foreign exchange risk

The Group mainly operates in the PRC with most of the transactions denominated and settled in RMB. However, the Group has certain trade receivables and contract assets, deposits and other receivables, restricted bank deposits, cash and cash equivalents, trade payables, other payables and borrowings denominated in foreign currencies, mainly United States Dollar (USD), EURO (EUR), Hong Kong Dollar (HKD), and Japanese Yen (JPY), which are exposed to foreign currency translation risk. Details of the Group's trade receivables and contract assets, deposits and other receivables, restricted bank deposits, cash and cash equivalents, trade payables, other payables and borrowings are disclosed in Notes 14, 15, 17, 18, 22, 23 and 24 respectively.

As at 31 December 2021, if RMB had strengthened/weakened by 5% against the USD with all other variables held constant, profit before income tax for the year would have been approximately RMB5,001,000 lower/higher (2020: RMB7,345,000 higher/lower), mainly as a result of foreign exchange differences on translation of USD-denominated trade receivables and contract assets, deposits and other receivables, restricted bank deposits, cash and cash equivalents, borrowings, trade payables and other payables.

As at 31 December 2021, if RMB had strengthened/weakened by 5% against the EUR with all other variables held constant, profit before income tax for the year would have been approximately RMB2,079,000 (2020: RMB2,538,000) higher/lower, mainly as a result of foreign exchange differences on translation of EUR-denominated cash and cash equivalents, trade receivables and contract assets, borrowings, trade payables and other payables.

3. FINANCIAL RISK MANAGEMENT (CONTINUED)

3.1 Financial risk factors (continued)

(a) Market risk (continued)

(i) Foreign exchange risk (Continued)

As at 31 December 2021, if RMB had strengthened/weakened by 5% against the HKD with all other variables held constant, profit before income tax for the year would have been approximately RMB228,000 (2020: RMB178,000) lower/higher, mainly as a result of foreign exchange differences on translation of HKD-denominated cash and cash equivalents.

As at 31 December 2021, if RMB had strengthened/weakened by 5% against the JPY with all other variables held constant, profit before income tax for the year would have been approximately RMB140,000 (2020: RMB108,000 lower/higher) higher/lower, mainly as a result of foreign exchange differences on translation of JPY-denominated cash and cash equivalents and trade payables.

(ii) Cash flow and fair value interest rate risk

Except for restricted bank deposits and cash and cash equivalents, the Group has no interest-bearing assets.

The Group's interest-rate risk arises from borrowings. Borrowings obtained at variable rates expose the Group to cash flow interest rate risk. Borrowings obtained at fixed rates expose the Group to fair value interest-rate risk. The Group has not used any financial instrument to hedge its exposure to interest rate risk.

Details of the Group's restricted bank deposits, cash and cash equivalents and borrowings have been disclosed in Notes 17, 18 and 24, respectively.

As at 31 December 2021, if the interest rates on bank borrowings had been 100 basis-points higher/lower with all other variables held constant, profit before income tax for the year would have been RMB17,823,000 (2020: RMB13,181,000) lower/higher, mainly as a result of higher/lower interest expense on borrowings.

3. FINANCIAL RISK MANAGEMENT (CONTINUED)

3.1 Financial risk factors (continued)

(a) Market risk (continued)

(iii) Stainless steel and carbon steel raw material price risk

The Group's results of operations may be significantly affected by fluctuation in prices of steel which is a significant cost component of the Group.

Steel raw material, including stainless steel and carbon steel, accounts for 96.83% of the Group's cost of sales (2020: 97.28%). The Group has followed a stainless steel and carbon steel raw material purchase price adjustment practice with its major suppliers. Pursuant to such practice, those suppliers shall reimburse the Group if the purchase price of the stainless steel and carbon steel raw materials that the Group paid is higher than the benchmark selling prices decided by the suppliers based on actual selling prices achieved by the suppliers' key customers, including the Group (after adjusting for bulk purchase discounts and processing fee), subject to its suppliers' sole discretion in determining the actual purchase credit amount and the time in which such purchasing credit would be given to the Group.

The Group mainly purchases stainless and carbon steel from other suppliers and also follows such price adjustment practice as mentioned above.

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

(b) Credit risk

The Group has no significant concentrations of credit risk. The carrying amounts of restricted bank deposits, cash and cash equivalents, trade receivables and contract assets, financial assets at fair value through other comprehensive income and other receivables, represent the Group's maximum exposure to credit risk in relation to financial assets.

The Group has policies to place its cash and cash equivalents only with highly reputable financial institutions, and limit the amount of credit exposure to any financial institution. As at 31 December 2021, most of the restricted bank deposits and cash and cash equivalents are placed with highly reputable financial institutions in Mainland China and Hong Kong.

3. FINANCIAL RISK MANAGEMENT (CONTINUED)

3.1 Financial risk factors (continued)

(b) Credit risk (continued)

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

Group 1	–	Top 4 banks in mainland China (China Construction Bank, Bank of China, Agricultural Bank of China and Industrial and Commercial Bank of China)
Group 2	–	Other listed banks in mainland China
Group 3	–	Other banks in the PRC

	As at 31 December	
	2021	2020
	RMB'000	*RMB'000*
Group 1	**466,040**	272,222
Group 2	**665,789**	673,790
Group 3	**110,903**	69,506
	1,242,732	1,015,518

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

The Group generally requires customers to pay a certain amount of deposits when orders are made and settle full purchase price before delivery of goods. Majority of the sales transactions are settled by telegraphic transfer and bank acceptance notes. Bank acceptance notes are with maturity within a year, and are accepted and settled by bank.

For those key customers with long-term relationship, on some occasions the Group offers credit terms up to 180 days. The granting or extension of any credit period must be appropriately approved. There is no recent history of default in relation to those customers.

3. FINANCIAL RISK MANAGEMENT (CONTINUED)

3.1 Financial risk factors (continued)

(c) Liquidity risk

The liquidity risk of the Group is controlled by maintaining sufficient cash and cash equivalents, which is generated from the operating cash flow and adequate banking facilities.

The table below analyses the Group's financial liabilities that will be settled into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months approximate to their carrying balances, as the impact of discounting is not significant.

	Less than 1 year *RMB'000*	**Between 1 year and 2 years** *RMB'000*	**Between 2 years and 5 years** *RMB'000*	**Over 5 years** *RMB'000*
At 31 December 2021				
Borrowings	4,289,443	1,168,641	196,000	220,000
Interests payment on borrowings *(a)*	113,660	49,700	43,814	10,758
Lease liabilities	6,357	4,359	5,981	–
Trade and other payables *(b)*	979,482	17,747	–	–
	5,388,942	1,240,447	245,795	230,758
At 31 December 2020				
Borrowings	4,394,387	490,953	473,235	–
Interests payment on borrowings *(a)*	97,635	38,040	5,808	–
Lease liabilities	2,271	806	1,292	–
Trade and other payables *(b)*	1,035,801	14,912	–	–
	5,530,094	544,711	480,335	–

(a) The interests on borrowings are calculated based on borrowings held as at 31 December 2021 and 2020 respectively, without taking into account any subsequent changes in the amount of borrowings. Floating-rate interest is estimated using current interest rate as at 31 December 2021 and 2020 respectively.

(b) Other payables include other payables and accruals as stated in Note 23.

3. FINANCIAL RISK MANAGEMENT (CONTINUED)

3.2 Fair value estimation

The carrying amounts of the Group's financial assets including cash and cash equivalents, restricted bank deposits, trade and other receivables; and financial liabilities including trade and other payables, and borrowings, approximate their fair values. The carrying values less any estimated credit adjustments for financial assets are a reasonable approximation of their fair values.

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

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

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

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

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

	Level 1 *RMB'000*	**Level 2** *RMB'000*	**Level 3** *RMB'000*	**Total** *RMB'000*
As at December 31, 2021				
Assets				
Financial assets at fair value through other comprehensive income	–	–	42,083	42,083
As at December 31, 2020				
Assets				
Financial assets at fair value through other comprehensive income	–	–	–	–

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

3. FINANCIAL RISK MANAGEMENT (CONTINUED)

3.2 Fair value estimation (Continued)

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

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

Fair value		**Unobservable**	**Inputs (probability-weighted average)**	
As at 31 December			Year ended 31 December	
2021	2020		**2021**	2020
RMB'000	*RMB'000*			
42,083	–	Discount rates quoted in main state-owned banks	**2.94%**	–

The higher the discount rates quoted in main state-owned banks, the lower the fair value is.

Increasing/decreasing the discount rates quoted in main state-owned banks by 0.5% would decrease/increase the fair values as at 31 December 2021 by approximately RMB90,000 (2020: none).

3. FINANCIAL RISK MANAGEMENT (CONTINUED)

3.3 Capital management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, or sell assets to reduce debt.

Consistent with others in the industry, the Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings (including 'current and non-current borrowings' as shown in the consolidated statement of financial position) less cash and cash equivalents. Total capital is calculated as 'total equity' as shown in the consolidated statement of financial position plus net debt.

The gearing ratios at 31 December 2021 and 2020 were as follows:

	As at 31 December	
	2021	2020
	RMB'000	*RMB'000*
Total borrowings *(Note 24)*	**5,863,376**	5,358,575
Less: cash and cash equivalents *(Note 18)*	**(141,196)**	(103,189)
Net debt	**5,722,180**	5,255,386
Total equity	**3,749,393**	3,315,961
Total capital	**9,471,573**	8,571,347
Gearing ratio	**60.41%**	61.31%

The decrease in the gearing ratio during 2021 mainly because of the increase in total equity due to profit for the year.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

Estimates and judgments are continually evaluated and are based on historical experiences and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom be equal to the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

(a) Net realisable value of inventories

Net realisable value of inventories is the estimated selling price in the ordinary course of business, less estimated costs of completion and selling expense. These estimates are based on the current market condition and the historical experience of manufacturing and selling products of similar nature. It could change significantly as a result of changes of stainless steel raw material market price, technical innovations and competitor actions in response to severe industry cycle. Management reassesses these estimates at each balance sheet date.

(b) Useful lives of property, plant and equipment

The Group determines the estimated useful lives and related depreciation charges for its property, plant and equipment. This estimate is based on the historical experience of the actual useful lives of property, plant and equipment of similar nature and functions and the practice in similar industry. Management will increase or decrease the depreciation charge where updated estimated useful lives of the property, plant and equipment are less or more than previously estimated useful lives. Actual economic lives may differ from estimated useful lives. Periodic review could result in a change in depreciable lives and therefore depreciation expenses in the future periods.

During the year ended 31 December 2021, the management of the Group has reviewed and revised the estimated useful lives of certain categories of property, plant and equipment. Details are set out in Notes 2.1.3 and Note 6.

(c) Income taxes and deferred income tax

The Group is subject to income taxes in several jurisdictions. There are certain transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current and deferred income tax assets and liabilities in the period in which such determination is made.

Deferred income tax assets relating to certain temporary differences and tax losses are recognised when management considers it is likely that future taxable profits will be available against which the temporary differences or tax losses can be utilised. When the expectations are different from the original estimates, such differences will impact the recognition of deferred tax assets and income tax charges in the period in which such estimates are changed.

5. SEGMENT INFORMATION

The chief operating decision-maker has been identified as the executive directors. The decision-maker reviews the Group's internal reporting in order to assess performance and allocate resources. The decision-maker has determined the operating segments based on these reports.

The decision-maker considers the business from a product perspective. The decision-maker assesses the performance of the operating segments based on a measure of segment profit or loss.

The reportable operating segments derive their revenue primarily from the classification, processing and sales of stainless steel and carbon steel products and manufacturing of stainless steel and carbon steel products.

The Group is domiciled in Mainland China. The revenue from external customers in the PRC accounted for more than 90% of the Group's total revenue. Meanwhile, all of the Group's productions and operating assets are located in Mainland China. As a result, no geographical segment information is presented since Mainland China is considered as one geographic location with similar risks and returns.

During the year ended 31 December 2021, none of the customers of the Group from whom the revenue amounting to 10% or more of the Group's revenue (2020: none).

The Board assesses the performance of the operating segments based on a measure of adjusted operating profit or loss which in certain respects, as explained in the table below, is measured differently from operating profit or loss in the consolidated financial statements. The other income and expenses, other loss, finance costs – net are managed on a group basis and are not allocated to operating segments.

Segment assets comprise operating assets. They exclude restricted bank deposits, cash and cash equivalents and deferred income tax assets.

5. SEGMENT INFORMATION (CONTINUED)

Segment liabilities comprise operating liabilities. They exclude borrowings and deferred income tax liabilities.

Revenue

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

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

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

Revenue of the Group consists of the following revenues for the years ended 31 December 2021 and 2020. All revenues are derived from external customers.

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

5. SEGMENT INFORMATION (CONTINUED)

Revenue (Continued)

The segment results for the year ended 31 December 2021:

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

The segment results for the year ended 31 December 2020:

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

5. SEGMENT INFORMATION (CONTINUED)

Revenue (Continued)

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

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

The segment assets and liabilities as at 31 December 2020 are as follows:

	Processing *RMB'000*	Manufacturing *RMB'000*	Elimination *RMB'000*	Unallocated *RMB'000*	Total *RMB'000*
Segment assets	7,548,966	2,470,138	(349,470)	1,099,732	10,769,366
Segment liabilities	1,579,299	835,033	(347,102)	5,386,175	7,453,405
Additions to non-current assets	122,253	133,184	(15,866)	12,198	251,769

5. SEGMENT INFORMATION (CONTINUED)

Revenue (continued)

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

	As at 31 December	
	2021	2020
	RMB'000	*RMB'000*
Current contract assets	**22,158**	40,770
Non-current contract assets	**42,013**	25,482
Loss allowance	**(513)**	(331)
Total contract assets (i)	**63,658**	65,921
Contract liabilities – advances from customers (ii)	**930,149**	720,340

(i) Contract assets relating to sale of goods and rendering of services are mainly related to the undue warranty receivables.

(ii) All the carried-forward contract liabilities satisfied in a prior year is recognised as revenue during the year ended 31 December 2021.

6. PROPERTY, PLANT AND EQUIPMENT

	Buildings and plant *RMB'000*	Machinery *RMB'000*	Vehicles *RMB'000*	Office equipment and others *RMB'000*	Construction-in-progress *RMB'000*	Total *RMB'000*
At 1 January 2020						
Cost	1,256,810	3,639,459	42,346	68,062	655,132	5,661,809
Accumulated depreciation	(194,651)	(960,451)	(27,810)	(46,402)	–	(1,229,314)
Net book amount	1,062,159	2,679,008	14,536	21,660	655,132	4,432,495
Year ended 31 December 2020						
Opening net book amount	1,062,159	2,679,008	14,536	21,660	655,132	4,432,495
Additions	729	30,533	4,683	7,414	471,174	514,533
Transfer from construction-in-progress	270,846	390,990	534	1,199	(663,569)	–
Transfer to construction-in-progress	–	(7,392)	–	–	7,392	–
Disposals *(Note 34(b))*	(27)	(787)	(315)	(265)	(275)	(1,669)
Depreciation *(Note 34(a))*	(42,395)	(197,630)	(4,780)	(6,993)	–	(251,798)
Closing net book amount	1,291,312	2,894,722	14,658	23,015	469,854	4,693,561
At 31 December 2020						
Cost	1,528,117	4,050,430	46,298	75,082	469,854	6,169,781
Accumulated depreciation	(236,805)	(1,155,708)	(31,640)	(52,067)	–	(1,476,220)
Net book amount	1,291,312	2,894,722	14,658	23,015	469,854	4,693,561
Year ended 31 December 2021						
Opening net book amount	1,291,312	2,894,722	14,658	23,015	469,854	4,693,561
Additions	1,363	33,089	8,533	9,323	451,656	503,964
Transfer from construction-in-progress	91,012	220,156	118	1,416	(312,702)	–
Transfer from investment properties *(Note 8)*	1,868	–	–	–	–	1,868
Transfer to intangible assets *(Note 9)*	–	–	–	–	(156)	(156)
Disposals *(Note 34(b))*	–	(535)	(326)	(171)	–	(1,032)
Depreciation *(Note 34(a))*	(58,330)	(322,832)	(5,227)	(6,427)	–	(392,816)
Closing net book amount	1,327,225	2,824,600	17,756	27,156	608,652	4,805,389
At 31 December 2021						
Cost	1,624,745	4,302,904	52,307	84,955	608,652	6,673,563
Accumulated depreciation	(297,520)	(1,478,304)	(34,551)	(57,799)	–	(1,868,174)
Net book amount	1,327,225	2,824,600	17,756	27,156	608,652	4,805,389

6. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Certain subsidiaries of the Group entered into sales and lease back agreements with finance leasing companies of which one is owned by a related party of the Company, whereby machineries were sold and leased back over one to three years lease term. The Group has the option to reacquire the machineries on completion of the lease at nominated value. During such lease term and before the exercise of the completion repurchase option, such machineries are restricted under the agreements where lessee consent must be obtained for the pledge and/or disposal of these assets. As at 31 December 2021, assets under this restriction amounting to RMB269,078,000 (2020: RMB296,371,000).

Taiyuan Taigang Daming Metal Products Co., Ltd. ("Taiyuan Taigang Daming"), a subsidiary of the Group, pledged machineries to Taiyuan Iron & Steel (Group) Co., Ltd., a related party, for inventories on consignment. As at 31 December 2021, assets under this restriction amounting to RMB150,877,000 (2020: RMB141,333,000).

A subsidiary of the Group entered into an agreement of project loan facility with a banking syndicate in 2021. As at 31 December 2021, building and plant with net book value of RMB108,899,000 (2020: none) are pledged under this agreement. The underlying construction in progress shall be secured within 90 days after the construction in progress meets the mortgage conditions.

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

	Year ended 31 December	
	2021	2020
	RMB'000	*RMB'000*
Cost of sales	**371,563**	219,810
Distribution costs	**1,263**	1,602
Administrative expenses	**19,990**	30,386
	392,816	251,798

For the year ended 31 December 2021, general borrowing costs amounting to approximately RMB7,753,000 (2020: RMB16,803,000) were capitalised into the cost of property, plant and equipment at an average borrowing rate of 4.01% (2020: 4.62%) per annum. In addition, costs of the project loan facility amounting to approximately RMB4,502,000 (2020: none) were capitalised into the cost of property, plant and equipment at an average borrowing rate of 5.39% (2020: none) per annum.

7. LEASES

(a) Amounts recognised in the consolidated statement of financial position

The consolidated statement of financial position shows the following amounts relating to leases:

	As at 31 December	
	2021	2020
	RMB'000	*RMB'000*
Right-of-use assets		
Land use rights	**529,219**	502,454
Properties	**17,281**	6,777
	546,500	509,231
Lease liabilities		
Current	**5,755**	4,386
Non-current	**9,867**	–
	15,622	4,386

A subsidiary of the Group entered into an agreement of project loan facility with a banking syndicate in 2021. As at 31 December 2021, land use rights with net book value of RMB165,625,000 (2020: none) are pledged under this agreement.

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

	Properties	**Land-use rights**	**Total**
	RMB'000	*RMB'000*	*RMB'000*
At 1 January 2020	4,958	514,404	519,362
Additions	5,729	–	5,729
Depreciation charges *(Note 34(a))*	(3,910)	(11,950)	(15,860)
At 31 December 2020	6,777	502,454	509,231
At 1 January 2021	6,777	502,454	509,231
Additions	17,721	75,339	93,060
Disposal	–	(36,816)	(36,816)
Depreciation charges *(Note 34(a))*	(7,217)	(11,758)	(18,975)
At 31 December 2021	17,281	529,219	546,500

7. LEASES (CONTINUED)

(b) Amounts recognised in the consolidated statement of comprehensive income

The consolidated statement of comprehensive income shows the following amounts relating to leases:

	2021	2020
	RMB'000	*RMB'000*
Depreciation charge of right-of-use assets		
Land use rights	**(11,758)**	(11,950)
Properties	**(7,217)**	(3,910)
	(18,975)	(15,860)
Interest expense	**(792)**	(253)
Expense relating to short-term leases	**(1,524)**	(1,400)

The total cash outflow for leases in 2021 was RMB75,640,000 (2020: RMB6,614,000).

8. INVESTMENT PROPERTIES

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

	As at 31 December	
	2021	2020
	RMB'000	*RMB'000*
Opening net book amount	**3,831**	4,214
Transfer to property, plant and equipment *(Note 6)*	**(1,868)**	–
Depreciation *(Note 34(a))*	**(239)**	(383)
Closing net book amount	**1,724**	3,831
Cost	**4,252**	8,505
Accumulated depreciation	**(2,528)**	(4,674)
Net book amount	**1,724**	3,831

For the year ended 31 December 2021, the rental income arising from investment properties amounting to approximately RMB357,000 (2020: RMB357,000) (Note 26).

8. INVESTMENT PROPERTIES (CONTINUED)

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

	As at 31 December	
	2021	2020
	RMB'000	*RMB'000*
Not later than 1 year	**357**	357

As at 31 December 2021, the fair values of the investment properties were approximately RMB5,828,000 (2020: RMB11,780,000). These estimates are made by discounted cash flow projections based on reliable estimates of future rental income or market rents for similar properties in the same location and condition, where appropriate.

9. INTANGIBLE ASSETS

	Computer software	
	2021	2020
	RMB'000	*RMB'000*
At 1 January		
Cost	**31,693**	27,409
Accumulated amortisation	**(11,411)**	(8,344)
Net book amount	**20,282**	19,065
Opening net book amount	**20,282**	19,065
Additions	**3,919**	4,284
Transfer from construction in progress *(Note 6)*	**156**	–
Amortisation *(Note 34(a))*	**(3,326)**	(3,067)
Closing net book amount	**21,031**	20,282
At 31 December		
Cost	**35,768**	31,693
Accumulated amortisation	**(14,737)**	(11,411)
Net book amount	**21,031**	20,282

For the year ended 31 December 2021, amortisation of the Group's intangible assets amounting to RMB3,326,000 (2020: RMB3,067,000) has been charged to administrative expenses in the consolidated statement of comprehensive income.

10. SUBSIDIARIES

The following is a list of the principal subsidiaries at 31 December 2021:

Company name	Country/Place and date of incorporation	Type of legal entity	Paid-up capital	Attributable equity interest to the Company Direct	Attributable equity interest to the Company Indirect	Principal activities and place of operation
Allybest Investments Limited ("Allybest")	British Virgin Islands 10 July 2006	Limited liability company	USD20,000	100%	–	Investment holding, in BVI
Fortune Express Industrial Limited ("Fortune Express")	Hong Kong 14 July 2003	Limited liability company	HKD10,000	–	100%	Investment holding and trading of steel products, in Hong Kong
Jiangsu Daming Industrial Technology Group Co., Ltd. ("Jiangsu Daming", formerly known as Jiangsu Daming Metal Products Co., Ltd.)	Mainland China 21 June 2002	Limited liability company	USD136,250,000	–	100%	Processing, distribution and sales of steel products, in the PRC
Hangzhou Daming Wanzhou Metal Technology Co., Ltd. ("Hangzhou Wanzhou)	Mainland China 8 December 2005	Limited liability company	USD26,000,000	–	95%	Processing, distribution and sales of steel products, in the PRC
Tianjin Taigang Daming Metal Technology Co., Ltd. ("Tianjin Taigang Daming", formerly known as Tianjin Taigang Daming Metal Products Co., Ltd.)	Mainland China 15 February 2007	Limited liability company	USD36,500,000	–	91%	Processing, distribution and sales of steel products, in the PRC
Daming Metals (Hong Kong) Company Limited ("Hong Kong Daming")	Hong Kong 30 November 2009	Limited liability company	USD2,000,000	–	100%	Purchase and sales of metal materials, in Hong Kong
Jiangsu Daming Precision Manufacturing Co., Ltd. ("Daming Precision Sheet")	Mainland China 22 November 2010	Limited liability company	RMB100,000,000	–	100%	Processing, manufacturing and sales of steel products, in the PRC

10. SUBSIDIARIES (CONTINUED)

The following is a list of the principal subsidiaries at 31 December 2021: (continued)

Company name	Country/Place and date of incorporation	Type of legal entity	Paid-up capital	Attributable equity interest to the Company Direct	Attributable equity interest to the Company Indirect	Principal activities and place of operation
Taiyuan Taigang Daming Metal Products Co., Ltd. ("Taiyuan Taigang Daming")	Mainland China 26 July 2011	Limited liability company	RMB500,000,000	–	60%	Processing, distribution and sales of steel products, in the PRC
Daming Heavy Industry Co., Ltd. ("Jingjiang Daming Heavy Industry")	Mainland China 14 March 2012	Limited liability company	USD190,000,000	–	100%	Processing, manufacturing and sales of steel products, in the PRC
Daming Metal Products Wuxi Co., Ltd. ("Qianzhou Daming")	Mainland China 11 April 2012	Limited liability company	RMB30,000,000	–	100%	Processing, distribution and sales of steel products, in the PRC
Hubei Daming Metal Technology Co., Ltd. ("Hubei Daming")	Mainland China 22 October 2012	Limited liability company	RMB150,000,000	–	100%	Processing, distribution and sales of steel products, in the PRC
Jiangsu Daming Allybest Trading Co., Ltd. ("Allybest Trading")	Mainland China 23 December 2013	Limited liability company	RMB10,000,000	–	100%	Sales of steel products, in the PRC
Zibo Daming Fortune Metals Products Co., Ltd. ("Zibo Daming")	Mainland China 13 January 2014	Limited liability company	RMB30,000,000	–	100%	Distribution and sales of stainless steel products, in the PRC
Daming Metal Technology Co., Ltd. ("Daming Metal Technology")	Mainland China 09 June 2014	Limited liability company	USD65,000,000	–	100%	Processing, distribution and sales of steel products, in the PRC
Daming International Import & Export Co., Ltd. ("Daming Import & Export")	Mainland China 17 June 2014	Limited liability company	RMB58,000,000	–	100%	Distribution and sales of steel products and fixed assets, in the PRC

10. SUBSIDIARIES (CONTINUED)

The following is a list of the principal subsidiaries at 31 December 2021: (continued)

Company name	Country/Place and date of incorporation	Type of legal entity	Paid-up capital	Attributable equity interest to the Company		Principal activities and place of operation
				Direct	Indirect	
Jiangsu Daming Steel Union logistics Co., Ltd. ("Steel Union Logistics")	Mainland China 30 June 2015	Limited liability company	RMB10,000,000	–	65%	Distribution service, in the PRC
Shandong Daming Allybest Metal Technology Co., Ltd. ("Shandong Allybest")	Mainland China 22 July 2016	Limited liability company	RMB200,000,000	–	100%	Processing, distribution and sales of steel products, in the PRC
Zhejiang Daming Hanwa Metal Technology Co., Ltd. ("Zhejiang Daming")	Mainland China 19 March 2018	Limited liability company	USD74,992,822	–	90%	Processing, distribution and sales of steel products, in the PRC
Jiangsu Daming Specialty Steel Co., Ltd. ("Specialty Steel")	Mainland China 28 January 2019	Limited liability company	RMB10,000,000	–	100%	Sales of steel products, in the PRC
Jiangsu Daming Light Industry Manufacturing Co., Ltd. ("Daming Light Industry")	Mainland China 9 November 2021	Limited liability company	–	–	100%	Processing, manufacturing and sales of steel products, in the PRC
Jiangsu Daming Mechanical and Electrical Equipment Technology Co., Ltd. ("Daming Mechanical and Electrical Equipment")	Mainland China 18 November 2021	Limited liability company	RMB4,840,000	–	77%	Manufacturing and sales of special and general equipments, mechanical and electrical equipments, in the PRC

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

11. DEFERRED INCOME TAX

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

	As at 31 December	
	2021	2020
	RMB'000	*RMB'000*
Deferred income tax assets:		
– deferred tax assets to be recovered after more than 12 months	**17,427**	19,024
– deferred tax assets to be recovered within 12 months	**93,565**	34,605
Total deferred tax assets	**110,992**	53,629
Set-off of deferred tax liabilities	**(73,802)**	(39,132)
Net deferred tax assets	**37,190**	14,497
Deferred income tax liabilities:		
– deferred tax liabilities to be settled after more than 12 months	**91,417**	54,271
– deferred tax liabilities to be settled within 12 months	**15,934**	12,461
Total deferred tax liabilities	**107,351**	66,732
Set-off of deferred tax liabilities	**(73,802)**	(39,132)
Net deferred tax liabilities	**33,549**	27,600

11. DEFERRED INCOME TAX (CONTINUED)

The movement in deferred income tax assets during the year was as follows:

	Provision for write-down of inventories *RMB'000*	Deferred income *RMB'000*	Accrued expenses *RMB'000*	Provision for impairment of receivables *RMB'000*	Unrealised gains *RMB'000*	Tax losses[i] *RMB'000*	Leasing liabilities *RMB'000*	Total *RMB'000*
At 1 January 2020	13,490	16,623	10,070	2,367	5,236	33,287	–	81,073
Recognised in the consolidated statement of comprehensive income	(3,820)	174	(796)	45	885	(23,932)	–	(27,444)
At 31 December 2020	9,670	16,797	9,274	2,412	6,121	9,355	–	53,629
Recognised in the consolidated statement of comprehensive income	39,183	(647)	12,860	(234)	(1,572)	3,586	4,187	57,363
At 31 December 2021	48,853	16,150	22,134	2,178	4,549	12,941	4,187	110,992

The movement in deferred income tax liabilities during the year was as follows:

	Interest expenses on capitalised property, plant and equipment *RMB'000*	Withholding tax[ii] *RMB'000*	Accelerated tax depreciation[iii] *RMB'000*	Right-of-use assets *RMB'000*	Total *RMB'000*
At 1 January 2020	20,652	7,882	15,247	–	43,781
Recognised in the consolidated comprehensive income statements	3,004	–	19,947	–	22,951
At 31 December 2020	23,656	7,882	35,194	–	66,732
Payment of withholding tax	–	(7,000)	–	–	(7,000)
Recognised in the consolidated comprehensive income statements	385	15,000	27,840	4,394	47,619
At 31 December 2021	24,041	15,882	63,034	4,394	107,351

11. DEFERRED INCOME TAX (CONTINUED)

(i) Deferred income tax assets are recognised for tax loss carry-forwards to the extent that the realisation of the related tax benefit through future taxable profits is probable.

The Group did not recognise deferred income tax assets of RMB2,972,000 (2020: RMB2,821,000) in respect of accumulated losses amounting to RMB18,010,000 (2020: RMB17,099,000) that can be carried forward against future taxable income. As at 31 December 2021, accumulated losses that are not recognised as deferred tax assets amounting to RMB18,010,000 (2020: RMB17,099,000) can be carried forward indefinitely.

(ii) According to the Corporate Income Tax Law of the People's Republic of China (the "CIT Law"), a 10% withholding tax will be levied on the immediate holding companies established outside mainland China when their subsidiaries in mainland China declare dividends out of their profits earned after 1 January 2008. A lower withholding tax rate of 5% may be applied if there is a tax treaty arrangement between the PRC and the jurisdiction of the foreign immediate holding companies, including those incorporated in Hong Kong.

Deferred income tax liabilities are recognised for the withholding tax that would be payable on the estimate of retained earnings earned after 1 January 2018 of certain subsidiary incorporated in Mainland China that are expected to be distributed in the foreseeable future, at the withholding income tax rate of 10% (2020: 10%). Unremitted earnings that deferred income tax liabilities have not been recognised totaled RMB927,625,000 (2020: RMB674,154,000) as at 31 December 2021 which, in the opinion of the directors, will be retained in Mainland China for development purpose and not to be distributed in the foreseeable future.

(iii) Pursuant to the 'Circular on Enterprise Income Tax Policy concerning Deductions for Equipment and Appliances' (Cai Shui [2018] 54) issued by the State Administration of Taxation, during the period from 1 January 2018 to 31 December 2021, the cost of newly purchased equipment with the original cost less than RMB5 million can be fully deducted against taxable profit in the next month after the asset is put into use for tax filing, instead of being depreciated annually.

12. OTHER NON-CURRENT ASSETS

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

As at 31 December 2020, other non-current assets mainly represent the long-term bank deposits for issuance of notes payable of RMB25,000,000, prepayment for purchasing of land use rights of RMB8,500,000 and deposits for land use rights of RMB3,000,000.

13. INVENTORIES

	As at 31 December	
	2021	2020
	RMB'000	*RMB'000*
Raw materials	**2,524,641**	2,207,043
Finished goods and work-in-progress	**1,200,303**	1,030,222
	3,724,944	3,237,265

The cost of materials recognised as cost of sales amounting to approximately RMB 43,105,127,000 (2020: RMB 32,783,590,000).

The Group had made provision for inventory write-down of approximately RMB 157,655,000 as at 31 December 2021 (2020: RMB11,476,000 reversed of previous write-down). These amounts have been included in the cost of sales in the consolidated statement of comprehensive income (Note 28).

14. TRADE RECEIVABLES AND CONTRACT ASSETS

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

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

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

14. TRADE RECEIVABLES AND CONTRACT ASSETS (CONTINUED)

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

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

As at 31 December 2021, the balance of provision for impairment of trade receivables is approximately RMB12,049,000 (2020: RMB13,616,000). The aging of the provision was as follows:

	As at 31 December	
	2021	2020
	RMB'000	*RMB'000*
Accounts receivable		
– within 1 year	**10,592**	7,821
– 1 year to 2 years	**892**	5,417
– over 2 years	**565**	378
	12,049	13,616

14. TRADE RECEIVABLES AND CONTRACT ASSETS (CONTINUED)

The movement of the provision for impairment of trade receivables and contract assets was as follows:

	As at 31 December	
	2021	2020
	RMB'000	*RMB'000*
At 1 January	**13,947**	9,112
(Reversal of provision)/provision for trade receivables and contract assets *(Note 28)*	**(667)**	5,856
Written off as uncollectible	**(718)**	(1,021)
At 31 December	**12,562**	13,947

The creation and reversal of provision for impaired trade receivables and contract assets have been included in the administrative expenses. Amounts charged to allowance account are written off when there is no expectation of receiving the receivables.

The carrying amounts of the Group's trade receivables and contract assets were denominated in the following currencies:

	As at 31 December	
	2021	2020
	RMB'000	*RMB'000*
RMB	**513,549**	436,069
USD	**73,340**	47,420
EUR	**–**	6,858
JPY	**–**	615
	586,889	490,962

14. TRADE RECEIVABLES AND CONTRACT ASSETS (CONTINUED)

The credit quality of trade receivables and contract assets can be assessed by types of trade receivables and contract assets and by reference to historical information about counterparty default rates. The Group categorised the trade receivables and contract assets as follows:

Group 1 – Bank acceptance notes
Group 2 – Trade receivables and contract assets and commercial acceptance notes due from customers with no defaults in the past
Group 3 – Trade receivables and contract assets due from customers with some defaults in the past

	As at 31 December	
	2021	2020
	RMB'000	*RMB'000*
Group 1	**2,361**	16,152
Group 2	**584,528**	474,810
Group 3	**–**	–
	586,889	490,962

None of the trade receivables and contract assets that were fully performing have been renegotiated in the last financial year.

The maximum exposure to the credit risk as at the balance sheet date is the carrying value of the trade receivables and contract assets.

15. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	As at 31 December	
	2021	2020
	RMB'000	*RMB'000*
Prepayment for purchase of raw materials	**707,449**	533,864
Discounted interest for notes receivable	**36,065**	29,297
Value-added tax recoverable	**168,972**	182,913
Export tax refundable	**8,865**	11,365
Deposits and other receivables	**29,618**	23,813
Loan to related parties *(Note 36(c))*	**–**	4,209
	950,969	785,461

15. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES (CONTINUED)

The carrying amounts of deposits and other receivables approximate their fair values as at the balance sheet date.

Deposits and other receivables are denominated in the following currencies:

	As at 31 December	
	2021	2020
	RMB'000	*RMB'000*
RMB	**29,067**	23,813
USD	**551**	–
	29,618	23,813

16. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

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

	As at 31 December	
	2021	2020
	RMB'000	*RMB'000*
Bank acceptance notes	**34,753**	–
Commercial acceptance notes	**7,330**	–
	42,083	–

17. RESTRICTED BANK DEPOSITS

	As at 31 December	
	2021	2020
	RMB'000	*RMB'000*
Restricted bank deposits denominated in:		
– RMB	**1,074,197**	886,497
– USD	**2,409**	925
	1,076,606	887,422

The nature of restricted bank deposits was as follows:

	As at 31 December	
	2021	2020
	RMB'000	*RMB'000*
Deposits for issuing notes payable	**948,481**	707,635
Deposits for issuing letters of credit	**104,029**	126,260
Deposits for issuing letters of guarantee	**21,013**	52,235
Deposits for forward foreign exchange	**3,083**	1,292
	1,076,606	887,422

As at 31 December 2021, the weighted average interest rate on restricted bank deposits was 1.50% (2020: 1.44%) per annum, and these deposits have an approximate average maturity of 162 days (2020: 184 days).

The restricted bank deposits are deposited with banks in Mainland China. The conversion of the RMB denominated balances in Mainland China into other currencies and the remittance of funds out of Mainland China are subject to the rules and regulations relating to foreign exchange control promulgated by the Mainland China Government.

18. CASH AND CASH EQUIVALENTS

Cash and cash equivalents represent cash at bank and in hand.

Cash and cash equivalents were denominated in the following currencies:

	As at 31 December	
	2021	2020
	RMB'000	*RMB'000*
RMB	**71,673**	47,087
USD	**61,151**	37,184
HKD	**4,561**	3,567
EUR	**3,674**	9,700
JPY	**137**	5,651
	141,196	103,189

As at 31 December 2021, cash at bank was demand deposits and the weighted average interest rate was 0.20% (2020: 0.18%) per annum.

The maximum exposure to credit risk at the reporting date approximates the carrying value of the cash and cash equivalents.

The conversion of the RMB denominated balances in Mainland China into other currencies and the remittance of funds out of Mainland China are subject to the rules and regulations relating to foreign exchange control promulgated by the Mainland China Government.

19. SHARE CAPITAL

	Issued and fully paid up		
	Number of shares *'000*	*HKD'000*	*RMB'000*
As at 31 December 2020			
(ordinary shares of HKD0.10 each)	1,245,190	124,519	106,607
– Issue of shares	29,138	2,914	2,418
– Exercise of share options	200	20	16
As at 31 December 2021			
(ordinary shares of HKD0.10 each)	1,274,528	127,453	109,041

	Authorised share capital		
	Number of shares *'000*	*HKD'000*	*RMB'000*
As at 31 December 2020 and 2021			
(ordinary shares of HKD0.10 each)	1,500,000	150,000	128,886

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

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

20. RESERVES

	Share premium *RMB'000*	Merger reserves *RMB'000*	Statutory reserves *RMB'000*	Other reserves *RMB'000*	Retained earnings *RMB'000*	Total *RMB'000*
Balance at 1 January 2020	1,003,095	48,611	195,032	7,568	1,246,404	2,500,710
Comprehensive income						
Profit for the year	–	–	–	–	347,979	347,979
Total comprehensive Income	–	–	–	–	347,979	347,979
Transaction with owners						
Appropriation to statutory reserves	–	–	32,444	–	(32,444)	–
Share award scheme *(Note 21(b))*	8,235	–	–	–	–	8,235
Vesting of award shares *(Note 21(b))*	(10,731)	–	–	10,731	–	–
Shares held for share award scheme *(Note 21(b))*	–	–	–	(3,295)	–	(3,295)
Total transaction with owners	(2,496)	–	32,444	7,436	(32,444)	4,940
Balance at 31 December 2020	1,000,599	48,611	227,476	15,004	1,561,939	2,853,629

20. RESERVES (CONTINUED)

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

20. RESERVES (CONTINUED)

(a) Merger reserves

Merger reserves of the Group represent the nominal value of the paid-up share capital of the companies now comprising the Group, after elimination of intra-group investments.

(b) Statutory reserves

Subsidiaries of the Company incorporated in Mainland China are required to make appropriations to certain statutory reserves namely, statutory reserve fund, enterprise expansion fund and discretionary reserve fund from their statutory profit for the year after offsetting accumulated losses as determined under the PRC accounting regulations from prior years and before profit distribution to equity holders. The percentages to be appropriated to such statutory reserve funds are determined according to the relevant regulations in Mainland China at rates of not less than 10%, or at the discretion of the Board of Directors of the respective companies.

(c) Other reserves

Other reserves consist of shareholders' loans waived, employee share option schemes (Note 21(a)) and shares held for Share Award Schemes (Note 21(b)).

(d) Retained earnings

Retained earnings as at 31 December 2021 include proposed final dividend of HKD0.06 per share.

21. SHARE-BASED PAYMENTS

(a) Share option schemes

As approved by the Board of Directors' meeting on 21 December 2010, 6,150,000 share options were granted to a director and certain employees at an exercise price of HKD2.452 per share, which represents the higher of (i) the closing price of the share on the date of grant; and (ii) the average closing price of the share for 5 trading days immediately preceding the date of grant. The Group has no legal or constructive obligation to repurchase or settle the options in cash.

As approved by the Board of Directors' meeting on 23 December 2014, 16,750,000 share options were granted to a director and certain employees at an exercise price of HKD2.364 per share, which represents the higher of (i) the closing price of the share on the date of grant; and (ii) the average closing price of the share for 5 trading days immediately preceding the date of grant. The Group has no legal or constructive obligation to repurchase or settle the options in cash.

Movements in the number of share options outstanding and their related weighted average exercise prices were as follows:

	2021		2020	
	Average exercise price in HKD per share	**Number of options *('000)***	Average exercise price in HKD per share	Number of options *('000)*
At 1 January	**2.364**	**13,500**	2.386	19,220
Lapsed	**–**	**–**	2.452	(4,720)
Forfeited	**–**	**–**	2.364	(1,000)
Exercised	**2.364**	**(200)**	–	–
At 31 December	**2.364**	**13,300**	2.364	13,500

21. SHARE-BASED PAYMENTS (CONTINUED)

(a) Share option schemes (continued)

Details of share options outstanding at the end of year were as follows:

Exercisable from	Expiry date	Exercise price in HKD per share	Number of options ('000)	
			2021	2020
21 December 2013	20 December 2020	2.452	**–**	–
21 December 2014	20 December 2020	2.452	**–**	–
21 December 2015	20 December 2020	2.452	**–**	–
23 December 2017	22 December 2024	2.364	**5,320**	5,400
23 December 2019	22 December 2024	2.364	**3,990**	4,050
23 December 2019	22 December 2024	2.364	**3,990**	4,050
			13,300	13,500

The weighted average fair value of options granted in 2010 determined by using the Binomial Model was HKD1.31 per option. The significant inputs into the model were share price at the grant date, the exercise price shown above, expected volatility of 57.7%, expected dividend yield of 1.83% and risk-free interest rate of 2.89%. The share price at the grant date is the closing price of the Company's listed shares as of the grant date.

The weighted average fair value of options granted in 2014 determined by using the Binomial Model was HKD1.09 per option. The significant inputs into the model were share price at the grant date, the exercise price shown above, expected volatility of 48%, expected dividend yield of 0.8% and risk-free interest rate of 1.82%. The share price at the grant date is the closing price of the Company's listed shares as of the grant date.

The expected volatility measured at the standard deviation of expected share price returns is based on statistical analysis of historical share prices of the listed companies with similar business to the Group. The expected dividend yield is measured based on the dividend yield per companies with similar business as projected by Bloomberg, which agrees to the Directors' best estimation based on the expected future performance and dividend policy of the Group.

(b) Share award schemes

Pursuant to a Board of Directors' resolution dated 25 August 2011, the Board approved the adoption of a Share Award Scheme (the "Scheme") under which shares of the Company may be awarded to selected employees in accordance with its provisions.

21. SHARE-BASED PAYMENTS (CONTINUED)

(b) Share award schemes (continued)

An aggregate of 302,000 shares of the Company's existing ordinary shares have been purchased during year 2021 by an independent trustee in the market out of cash HKD899,262 (equivalent to RMB746,046) contributed by the Company and held in trust for employees until such shares are vested in the relevant selected employees in accordance with the provisions of the Scheme. As at 31 December 2021, the un-utilised cash balance is HKD2,359,000 (equivalent to RMB1,929,000) (2020: HKD1,346,000 (equivalent to RMB1,133,000)).

Pursuant to a Board of Directors' resolution dated 15 December 2020, 5,436,000 shares were awarded to employees.

Movements in the number of shares held for the Share Award Schemes and awarded shares for the year ended 31 December 2021 is as follows:

	Number of shares held for the Share Award Schemes	Number of awarded shares	Total
At 1 January 2021	17,540,000	5,208,000	22,748,000
Purchased	302,000	–	302,000
Vested and transferred	–	(5,208,000)	(5,208,000)
At 31 December 2021	17,842,000	–	17,842,000
Vested but not transferred as at 31 December 2021			–

The fair value of the awarded shares was calculated based on the market price of the Company's shares at the respective grant date. The expected dividends during the vesting period have been taken into account when assessing the fair value of these awarded shares.

The weighted average fair value of awarded shares granted during the year ended 31 December 2020 was HKD1.80 per share (equivalent to approximately RMB1.53 per share).

22. TRADE PAYABLES

	As at 31 December	
	2021	2020
	RMB'000	*RMB'000*
Accounts payable	**341,157**	480,581
Notes payable	**118,000**	87,500
	459,157	568,081

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

The notes payable as at 31 December 2020 of RMB62,500,000 was secured by restricted bank deposits of approximately RMB62,500,000 (Note 17).

The aging analysis of the trade payables was as follows:

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

22. TRADE PAYABLES (CONTINUED)

Trade payables are denominated in the following currencies:

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

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

23. ACCRUALS AND OTHER CURRENT LIABILITIES

	As at 31 December	
	2021	2020
	RMB'000	*RMB'000*
Other payables	**516,702**	463,098
Value-added tax payable	**55,525**	55,362
Other taxes payable	**27,003**	21,717
Accruals	**3,623**	4,622
	602,853	544,799

23. ACCRUALS AND OTHER CURRENT LIABILITIES (CONTINUED)

The breakdown of other payables was as follows:

	As at 31 December	
	2021	2020
	RMB'000	*RMB'000*
Payables for purchase of property, plant and equipment	**125,707**	171,953
Salaries payable	**152,277**	150,083
Pension and other social welfare payables	**114,440**	60,090
Freight payable	**60,239**	56,199
Others	**81,786**	39,685
	534,449	478,010
Less: non-current portion of payables for purchase of property, plant and equipment	**(17,747)**	(14,912)
	516,702	463,098

The fair values of other payables and accruals approximate their carrying amounts.

Accruals and other current liabilities were denominated in the following currencies:

	As at 31 December	
	2021	2020
	RMB'000	*RMB'000*
RMB	**608,259**	539,933
EUR	**11,637**	17,583
USD	**704**	2,195
	620,600	559,711

24. BORROWINGS

	As at 31 December	
	2021	2020
	RMB'000	*RMB'000*
Non – current		
Bank borrowings	**1,514,482**	879,150
Borrowing under finance lease arrangement	**59,451**	85,038
	1,573,933	964,188
Current		
Bank borrowings	**4,138,618**	4,317,966
Borrowing under finance lease arrangement	**25,825**	16,421
Other loans	**125,000**	60,000
	4,289,443	4,394,387
Total borrowings	**5,863,376**	5,358,575
Representing:		
Bank borrowings		
– unsecured	**3,540,609**	3,491,497
– secured (a)	**2,082,491**	1,585,619
– guaranteed (b)	**30,000**	120,000
Finance lease arrangement (c)	**85,276**	101,459
Other loans, unsecured (d)	**125,000**	60,000
	5,863,376	5,358,575

(a) The secured bank borrowings arising from discounting of notes payable and letters of credit, issued by the Group, as at 31 December 2021 amounting to RMB1,693,200,000 (2020: RMB1,585,619,000) were secured by the pledge of restricted bank deposits amounting to RMB999,350,000 (2020: RMB794,011,000) (Note 12, 17).

During the year ended 31 December 2021, a subsidiary of the Group obtained a project loan facility which amounted to RMB389,291,000 as at 31 December 2021. The loan was secured by the pledge of the Group's plant with net book value of RMB108,899,000 (Note 6) and land use rights with net book value of RMB165,625,000 (Note 7). The underlying construction in progress shall be secured within 90 days after the construction in progress meets the mortgage conditions.

(b) As at 31 December 2021, bank borrowings of RMB30,000,000 (2020: RMB120,000,000) were guaranteed by a subsidiary and a related party of the Group.

24. BORROWINGS (CONTINUED)

(c) Finance lease arrangements are repayable by instalment and carry interest between 5.44% to 7.53% (2020: 5.44% to 7.53%) per annum (Note 6).

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

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

	As at 31 December	
	2021	2020
	RMB'000	*RMB'000*
At fixed rates in RMB	**4,757,008**	3,924,586
At fixed rates in USD	**7,618**	207,705
At fixed rates in EUR	**–**	6,284
	4,764,626	4,138,575
At floating rates in RMB	**1,098,750**	1,220,000
	5,863,376	5,358,575

The weighted average effective interest rates per annum at 31 December 2021 was 3.86% (2020: 3.96%) per annum.

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

	Bank borrowings		Borrowings under finance lease arrangement		Other loan	
	2021	2020	**2021**	2020	**2021**	2020
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*	***RMB'000***	*RMB'000*
Within 1 year	**4,138,618**	4,317,966	**25,825**	16,421	**125,000**	60,000
Between 1 and 2 years	**1,107,250**	454,150	**59,451**	24,408	**–**	–
Between 2 and 5 years	**190,889**	425,000	**–**	60,630	**–**	–
Over 5 years	**216,343**	–	**–**	–	**–**	–
	5,653,100	5,197,116	**85,276**	101,459	**125,000**	60,000

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

25. DEFERRED GOVERNMENT GRANTS

	As at 31 December	
	2021	2020
	RMB'000	*RMB'000*
Deferred government grants	**132,764**	134,160

The gross movement of the deferred government grants was as follows:

	Year ended 31 December	
	2021	2020
	RMB'000	*RMB'000*
Beginning balance of the year	**134,160**	133,130
Granted during the year	**8,267**	10,020
Recognised in the consolidated statement of comprehensive income *(Note 26)*	**(9,663)**	(8,990)
Ending balance of the year	**132,764**	134,160

Government grants were granted to support the Group's construction of factory buildings and purchase of machineries. These amounts have been deferred and amortised over the relevant assets' expected useful lives of 10 to 30 years(2020: 10 to 40 years).

26. OTHER INCOME

	Year ended 31 December	
	2021	2020
	RMB'000	*RMB'000*
Sales of scraps and packaging materials	**13,112**	13,192
Subsidy income	**15,420**	14,024
Amortisation of deferred government grants *(Note 25)*	**9,663**	8,990
Rental income	**357**	357
Others	**8,785**	12,683
	47,337	49,246

27. OTHER LOSSES – NET

	Year ended 31 December	
	2021	2020
	RMB'000	*RMB'000*
Losses on disposal of property, plant and equipment - net *(Note 34(a))*	**(441)**	(246)
Foreign exchange loss- net	**(5,429)**	(12,742)
Others	**(4,682)**	(2,487)
	(10,552)	(15,475)

28. EXPENSES BY NATURE

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

	Year ended 31 December	
	2021	2020
	RMB'000	*RMB'000*
Changes in inventories of finished goods	**(208,692)**	(208,603)
Raw materials consumed	**43,313,819**	32,992,193
Outsourced processing cost	**137,052**	97,985
Stamp duty, property tax and other surcharges	**46,090**	39,443
Transportation costs	**232,741**	201,413
Employee benefit expenses, including directors' emoluments *(Note 29)*	**1,071,038**	870,550
Depreciation and amortisation *(Note 6, 7, 8, 9)*	**415,356**	271,108
Operating lease rental for buildings and equipments	**1,524**	1,400
Utilities charges	**69,246**	64,821
Provision for/(reversal of provision for) write-down of inventories *(Note 13)*	**157,655**	(11,476)
Auditors' remuneration		
– Audit services	**3,400**	3,300
– Non-audit services	**177**	182
(Reversal of)/provision for impairment of trade receivables and contract assets *(Note 14)*	**(667)**	5,856
Entertainment and travelling expenses	**74,606**	48,136
Other professional services	**13,411**	8,599
Bank charges	**23,592**	22,628
Others	**70,621**	49,551
	45,420,969	34,457,086

29. EMPLOYEE BENEFIT EXPENSES

	Year ended 31 December	
	2021	2020
	RMB'000	*RMB'000*
Salaries, bonus and other welfares	**992,154**	835,703
Pension – defined contribution plans (a)	**78,884**	34,847
	1,071,038	870,550

(a) Pensions – defined contribution plans

The full time employees of the Mainland China subsidiaries of the Group participate in defined contribution retirement benefit plans organised by the relevant provincial government. For the years ended 31 December 2020 and 2021, the Group is required to make monthly defined contributions to these plans at rates from 16% to 19%, with the base of their total salary subject to a certain ceiling.

The Group has arranged for its Hong Kong employees to join the MPF Scheme in Hong Kong, a defined contribution scheme managed by an independent trustee. Under the MPF Scheme, each of the relevant entities within the Group (the employer) and its employees make monthly contributions to the scheme at 5% of the employees' earnings as defined under the Mandatory Provident Fund legislation. The monthly contributions of each of the employer and the employee are subject to a cap of HKD1,500 during the year ended 31 December 2021, and thereafter contributions are voluntary.

The full time employees in Mainland China with length of service for no less than two years also participate in the Annuity Plan organised by the Group. The Group and its employees are required to make monthly contributions at certain percentages of the employees' earning depending on employees' ranking of position according to the profitability of the Group. The monthly contribution is 9% from the Group and 3% from the employees, which are subject to adjustment in accordance with the terms of the Annuity Plan.

The Group has no other obligations for the payment of retirement and other post-retirement benefits of employees or retirees other than the defined contribution payments as disclosed above.

During the year ended 31 December 2021, no forfeited contributions were utilised by the Group to reduce its contributions for the current year (2020: none), leaving none available amount at the year-end to reduce future contributions.

30. FINANCE COSTS – NET

	Year ended 31 December	
	2021	2020
	RMB'000	*RMB'000*
Finance costs:		
Interest expenses on borrowings	**185,400**	159,003
Interest expenses on bank/commercial acceptance notes and letters of credit	**99,121**	86,024
Exchange gain - net	**(5,380)**	(12,790)
	279,141	232,237
Less: amounts capitalised on qualifying assets *(Note 6)*	**(12,255)**	(16,803)
Total finance costs	**266,886**	215,434
Finance income:		
Interest income *(Note 34(a))*	**(34,792)**	(31,625)
Finance costs - net	**232,094**	183,809

31. INCOME TAX EXPENSE

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

	Year ended 31 December	
	2021	2020
	RMB'000	*RMB'000*
Current income tax		
– Mainland China corporate income tax	**211,316**	89,772
Deferred income tax *(Note 11)*	**(9,744)**	50,395
	201,572	140,167

The Company was incorporated in the Cayman Islands as an exempted company with limited liability under the Companies Law, Cap. 22 (Law 3 of 1961, as consolidated and revised) of Cayman Islands and, accordingly, is exempted from payment of Cayman Islands income tax.

The subsidiary incorporated in British Virgin Islands under the International Business Companies Acts of the British Virgin Islands is exempted from payment of British Virgin Islands income tax.

Subsidiaries incorporated in Hong Kong are subject to income tax at the prevailing rates of 16.5% (2020: 16.5%). Hong Kong profits tax has not been provided as there is no estimated assessable profit arising in or derived from Hong Kong during the financial periods.

The PRC Corporate Income Tax ("CIT") is calculated based on the statutory profit of subsidiaries incorporated in the PRC in accordance with the PRC tax laws and regulations, after adjustments on certain income and expense items, which are not assessable or deductible for income tax purposes.

All of the subsidiaries of the Group in mainland China, except for Daming Heavy Industry, are subjected to corporate income tax rate of 25% (2020: 25%) for the year 2021.

Daming Heavy Industry has been recognised as a High New Tech Enterprise since 2020. According to the CIT Law for High New Tech Enterprises, it is subject to a reduced corporate income tax rate of 15% (2020: 15%) for the year ended 31 December 2021.

31. INCOME TAX EXPENSE (CONTINUED)

The tax on the Group's profit before tax differs from the theoretical amount that would arise using the weighted average tax rates applicable to profits of the consolidated entities as follows:

	Year ended 31 December	
	2021	2020
	RMB'000	*RMB'000*
Profit before income tax	**729,139**	525,978
Tax calculated at tax rates applicable to profits of the respective subsidiaries	**180,369**	127,097
Expenses not deductible for tax purpose	**6,797**	2,404
Effect of withholding tax on certain unremitted profits of subsidiaries in Mainland China	**8,000**	–
Payment of withholding tax	**7,000**	–
Effect of change in tax rates	**–**	10,814
Utilisation of tax losses for which no deferred income tax asset was recognised previously	**(570)**	(42)
Difference of prior year tax filing and others	**(24)**	(106)
Income tax expense	**201,572**	140,167
The weighted average applicable tax rates	**24.74%**	24.16%

32. EARNINGS PER SHARE

(a) Basic

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

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

(b) Diluted

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

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

33. DIVIDENDS

	As at 31 December	
	2021	2020
	RMB'000	*RMB'000*
Interim dividend	**62,239**	–
Proposed final dividend	**62,523**	62,880
	124,762	62,880

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

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

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

34. NOTES TO CONSOLIDATED STATEMENT OF CASH FLOWS

(a) Cash generated from operations

	Year ended 31 December	
	2021	2020
	RMB'000	*RMB'000*
Profit before income tax	**729,139**	525,978
Adjustments for:		
– depreciation of right-of-use assets *(Note 7)*	**18,975**	15,860
– depreciation of property, plant and equipment *(Note 6)*	**392,816**	251,798
– amortisation of intangible assets *(Note 9)*	**3,326**	3,067
– depreciation of investment properties *(Note 8)*	**239**	383
– amortisation of deferred income *(Note 25)*	**(9,663)**	(8,990)
– losses on disposal of property, plant and equipment *(Note 27)*	**441**	246
– (reversal of)/provision for impairment of trade receivables and contract assets *(Note 14)*	**(667)**	5,856
– provision for/(reversal of provision for) write-down of inventories *(Note 13)*	**157,655**	(11,476)
– interest income *(Note 30)*	**(34,792)**	(31,625)
– finance costs *(Note 30)*	**269,194**	219,449
– loss on disposal of land use rights	**1,946**	–
– share award scheme-value of employee services *(Note 20)*	**–**	8,235
	1,528,609	978,781
Changes in working capital:		
– decrease in restricted bank deposits	**16,155**	198,464
– decrease in trade receivables and contract assets, prepayments, deposits and other receivables	**(323,662)**	(114,207)
– increase in contract liabilities	**209,809**	112,801
– increase in inventories	**(645,334)**	(441,341)
– increase/(decrease) in trade payables, accruals and other liabilities	**51,720**	(131,502)
Cash generated from operations	**837,297**	602,996

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

(b) In the consolidated cash flow statements, proceeds from disposal of property, plant and equipment comprise:

	Year ended 31 December 2021 RMB'000	2020 RMB'000
Net book amount *(Note 6)*	**1,032**	1,669
Losses on disposal of property, plant and equipment *(Note 27)*	**(441)**	(246)
Proceeds from disposal of property, plant and equipment	**591**	1,423

(c) The reconciliation of liabilities arising from financing activities is as follows:

	Borrowings RMB'000	Restricted bank deposits RMB'000	Other non-current assets RMB'000	Lease liabilities RMB'000	Total RMB'000
As at 1 January 2021	5,358,575	(794,011)	(25,000)	4,386	4,543,950
Cash flows					
– proceeds from borrowings	10,492,194	–	–	–	10,492,194
– repayment of borrowings	(7,683,473)	–	–	–	(7,683,473)
– restricted bank deposits used for repayment of borrowings	(2,298,540)	2,298,540	–	–	–
– restricted bank deposits pledged for bank borrowings	–	(2,536,131)	–	–	(2,536,131)
– restricted bank deposits collected after repayment of bank borrowings	–	32,252	–	–	32,252
– acquisition of leases	–	–	–	17,721	17,721
– payment for leases	–	–	–	(6,485)	(6,485)
Non-cash changes	–	–	–	–	–
– currency translations	(5,380)	–	–	–	(5,380)
As at 31 December 2021	5,863,376	(999,350)	(25,000)	15,622	4,854,648

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

(d) Contribution from partnership enterprises:

Tianjin Taigang Daming received cash contribution from partnership enterprises in 2021. In January 2022, these partnership enterprises entered into a capital injection agreement with the existing shareholders of Tianjing Taigang Daming. According to the capital injection agreement, Tianjing Taigang Daming will increase its registered capital from USD36,500,000 to USD38,712,800 and these partnership enterprises will subscribe for the addition capital and become the non-controlling shareholders.

35. COMMITMENTS

(a) Capital commitments

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

	As at 31 December	
	2021	2020
	RMB'000	*RMB'000*
Contracted but not provided for:		
Acquisition of property, plant and equipment	**394,610**	276,900

In addition to the capital commitment, Daming Heavy Industry entered into an equity transfer agreement with Mr. Zhou Keming and Ms. Xu Xia, the original shareholder of Daming Ganwu, on 30 November 2021, which will be effective after necessary approval procedures, to acquire 80% of the equity interest in Daming Gangwu. According to the agreement, the registered capital of Daming Gangwu is RMB 350 million and shall be made by 31 December 2041.

(b) Operating lease commitments

The Group leases certain office premises, plant and equipment under non-cancellable operating lease agreements. The future aggregate minimum lease payments under non-cancellable operating leases were as follows:

	As at 31 December	
	2021	2020
	RMB'000	*RMB'000*
Not later than 1 year	**–**	195

36. RELATED PARTY TRANSACTIONS

(a) The directors are of the view that the following companies and persons are related parties that have transactions or balances with the Group during the year ended 31 December 2021:

Name	**Relationship with the Group**
Ally Good	Ultimate parent company of the Group, beneficially owned by Mr. Zhou Keming and Ms. Xu Xia
Mr. Zhou Keming	Chairman and executive director of the Company and the Group
Ms. Xu Xia	The wife of Mr. Zhou Keming and a director of the Company
Wuxi Daming Logistics Co., Ltd. ("Daming Logistics")	The controlling shareholders are Mr. Zhou Keming and Ms. Xu Xia
Daming Logistics Co., Ltd. ("Daming Gangwu")	The controlling shareholders are Mr. Zhou Keming and Ms. Xu Xia
China Baowu Steel Group Company Limited and its subsidiaries ("China Baowu Group")(i)	Shareholder of the Company (become a related party of the Company starting from 23 December 2020)

(i) China Baowu Steel Group Company Limited acquired 51% of the equity interests in Taiyuan Iron & Steel (Group) Co., Ltd., a company effectively holding 8.33% shareholding of the Company, on 23 December 2020. Upon the completion of acquisition, China Baowu Group collectively holds 16.66% of the equity interests in the Company and became related parties of the Group due to the existence of significant influence over the Company by virtue of its shareholding.

36. RELATED PARTY TRANSACTIONS (CONTINUED)

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

	Year ended 31 December **2021** *RMB'000*	2020 *RMB'000*
(i) Loans made to related parties		
Repayments:		
Daming Logistics	**58,593**	–
Daming Gangwu	**4,894**	–
	63,487	–
Loans to:		
Daming Logistics	**54,854**	1,000
Daming Gangwu	**4,424**	470
	59,278	1,470
(ii) Loans from a related party		
Loans from:		
China Baowu Group	**605,000**	400,000
Repayments:		
China Baowu Group	**540,000**	370,000
(iii) Purchase of steel from related parties		
China Baowu Group	**18,264,531**	389,207
(iv) Provide processed metallic goods and processing services to related parties		
China Baowu Group	**278,016**	4,804

36. RELATED PARTY TRANSACTIONS (CONTINUED)

(c) Balances with related parties

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

	As at 31 December	
	2021	2020
	RMB'000	*RMB'000*
(i) Trade receivables		
China Baowu Group		
– Receivables for providing goods and services	**15,107**	4,497
(ii) Other receivables		
Loans provided to		
– Daming Logistics	**–**	3,739
– Daming Gangwu	**–**	470
	–	4,209
(iii) Prepayments		
China Baowu Group		
– Prepayments for purchase of steel	**334,441**	232,284
(iv) Trade payables		
China Baowu Group		
– Payables for purchase of steel	**16,953**	26,513
(v) Other loans		
China Baowu Group		
– Loans borrowed from	**125,000**	60,000
(vi) Advances from customers		
China Baowu Group		
– Advances from customers for sales of steel	**1,866**	–

36. RELATED PARTY TRANSACTIONS (CONTINUED)

(d) Key management compensation

Key management includes directors and top managements. The compensation paid or payable to key management for employee services was shown below:

	Year ended 31 December	
	2021	2020
	RMB'000	*RMB'000*
Salaries, bonus and other welfares	**14,507**	13,887
Pension - defined contribution plans	**146**	117
	14,653	14,004

37. BALANCE SHEET AND RESERVE MOVEMENT OF THE COMPANY

Balance sheet of the Company

	As at 31 December	
	2021	2020
	RMB'000	*RMB'000*
ASSETS		
Non-current assets		
Investments in subsidiaries	**942,656**	942,656
Due from subsidiaries	**993,468**	1,150,486
	1,936,124	2,093,142
Current assets		
Cash and cash equivalents	**890**	1,142
	890	1,142
Total assets	**1,937,014**	2,094,284
EQUITY AND LIABILITIES		
Equity attributable to equity holders of the Company		
Share capital	**109,041**	106,607
Reserves *(Note (a))*	**1,825,503**	1,792,913
Total equity	**1,934,544**	1,899,520
LIABILITIES		
Current liabilities		
Borrowings	**–**	194,279
Accruals and other payables	**2,470**	485
Total liabilities	**2,470**	194,764
Total equity and liabilities	**1,937,014**	2,094,284

The balance sheet of the Company was approved by the Board of Directors on 28 March 2022 and were signed on its behalf.

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

37. BALANCE SHEET AND RESERVE MOVEMENT OF THE COMPANY (CONTINUED)

Note (a) Reserve movement of the Company

	Share premium *RMB'000*	Contributed surplus (i) *RMB'000*	Other reserves *RMB'000*	Accumulated losses *RMB'000*	Total *RMB'000*
Balance at 1 January 2020	1,003,095	921,264	(21,077)	(30,249)	1,873,033
Comprehensive income					
Loss for the year	–	–	–	(85,060)	(85,060)
Total comprehensive income	–	–	–	(85,060)	(85,060)
Transaction with owners					
Employee share award scheme – value of employee services *(Note 21(b))*	8,235	–	–	–	8,235
Vesting of award shares *(Note 21(b))*	(10,731)	–	10,731	–	–
Shares held for share award scheme *(Note 21(b))*	–	–	(3,295)	–	(3,295)
Total transaction with owners	(2,496)	–	7,436	–	4,940
Balance at 31 December 2020	1,000,599	921,264	(13,641)	(115,309)	1,792,913

37. BALANCE SHEET AND RESERVE MOVEMENT OF THE COMPANY (CONTINUED)

Note (a) Reserve movement of the Company (continued)

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

(i) *Contributed surplus*

Contributed surplus arose when the Company issued shares in exchange for the shares of subsidiaries being acquired in connection with a reorganisation of the Group prior to the listing of the Company on the Main Board of The Stock Exchange of Hong Kong Limited, and represents the difference between the nominal value of the Company's shares issued and the value of net assets of the subsidiaries acquired.

Contributed surplus is distributable to equity holders of the Company according to Companies Law of the Cayman Islands subject to solvency test.

38. BENEFITS AND INTERESTS OF DIRECTORS

(a) Directors' and chief executive's emoluments

The remuneration of every director and the chief executive is set out below:

For the year ended 31 December 2021:

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

* Pursuant to a board resoluation dated 10 June 2021, Mr. Lin Changchun has resigned as an non-executive director of the Company with effect from 11 June 2021 and Mr. Zhu Baomin has been appointed as an non-executive director of the Company with effect from 11 June 2021.

** Pursuant to a board resoluation dated 15 December 2021, Mr. Chen Xin has been appointed as an independent non-executive director of the Company with effect from 16 December 2021.

38. BENEFITS AND INTERESTS OF DIRECTORS (CONTINUED)

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

For the year ended 31 December 2020

Name of director	Fees	Salaries	Discretionary bonus	Shares	Pension-defined contribution plans	Other benefits [(i)]	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Executive directors							
– Mr. Zhou Keming	313	922	91	–	18	16	1,360
– Mr. Xu Xia	313	847	–	–	16	–	1,176
– Ms. Zou Xiaoping	313	862	91	–	18	16	1,300
– Mr. Jiang Changhong	313	868	91	–	8	13	1,293
– Mr. Fukui Tsutomu	313	842	191	–	–	–	1,346
– Mr. Zhang Feng	313	1,067	421	699	18	16	2,534
– Mr. Wang Jian	313	945	223	79	18	16	1,594
– Mr. Lu Ping*	78	430	91	–	4	5	608
	2,269	6,783	1,199	778	100	82	11,211
Non-executive directors							
– Mr. Lin Changchun	–	–	–	–	–	–	–
– Mr. Lu Jian**	–	–	–	–	–	–	–
	–	–	–	–	–	–	–
Independent non-executive directors							
– Mr. Cheuk Wa Pang	313	–	–	–	–	–	313
– Mr. Hua Min	313	–	–	–	–	–	313
– Mr. Lu Daming	313	–	–	–	–	–	313
– Mr. Liu Fuxing	313	–	–	–	–	–	313
– Mr. Hu Xuefa	313	–	–	–	–	–	313
	1,565	–	–	–	–	–	1,565
	3,834	6,783	1,199	778	100	82	12,776

* Pursuant to a board resolution dated 27 March 2020 and with immediate effect, Mr. Lu Ping resigned as an executive director of the Company.

** Pursuant to a board resolution dated 27 March 2020 and with immediate effect, Mr. Lu Jian was appointed as a non-executive director of the Company.

(i) Other benefits include social welfare benefits other than pension disclosed above.

No directors of the Company waived any emolument for the year ended 31 December 2021 and 2020.

38. BENEFITS AND INTERESTS OF DIRECTORS (CONTINUED)

(b) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group include 5 (2020: 5) directors, whose emoluments are reflected in the analysis presented above.

For the years ended 31 December 2021 and 2020, no emoluments was paid by the Group to any of the directors as inducement to join or upon joining the Group or as compensation for loss of office.

(c) Directors' material interests in transactions, arrangements or contracts

No significant transactions, arrangements and contracts in relation to the Group's business to which the Company was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

39. EVENTS OCCURRING AFTER THE REPORTING PERIOD

On 8 March 2022, Daming Heavy Industry acquired 80% of the equity interest in Daming Gangwu, a company beneficially owned by Mr. Zhou Keming, the Chairman of the Group, and Ms. Xu Xia, the wife of Mr. Zhou Keming and a director of the Company, after completion of the relevant approval procedures. The principal business of Daming Gangwu includes provision of cargo handling and storage services to a public pier at Jingjing, Jiangsu Province, logistics services and transportation related consultancy services. The paid-up capital of Daming Gangwu is RMB2 million.

Given that the pier is still under construction, Daming Gangwu has neither commenced any provision of services nor recorded any revenue since Daming Gangwu's incorporation in May 2015 and up to the date of this report. The consideration of the acquisition is therefore nil.

	For the year ended 31 December				
	2021	2020	2019	2018	2017
	RMB'000	*RMB'000*	RMB'000	*RMB'000*	*RMB'000*
RESULTS					
Revenue	**46,345,417**	35,133,102	35,508,734	32,135,276	27,724,286
Gross profit	**1,827,209**	1,433,802	1,091,947	866,808	675,358
Operating profit	**961,233**	709,787	487,302	404,038	239,494
Profit for the year	**527,567**	385,811	195,574	132,664	83,342
Attributable to:					
Equity holders of the Company	**495,044**	347,979	177,536	109,557	67,466
Non-controlling interests	**32,523**	37,832	18,038	23,107	15,876
	527,567	385,811	195,574	132,664	83,342
ASSETS, LIABILITIES AND EQUITY					
Total assets	**11,958,434**	10,769,366	10,270,397	10,161,911	9,155,376
Total liabilities	**(8,209,041)**	(7,453,405)	(7,336,237)	(7,309,309)	(6,458,172)
	3,749,393	3,315,961	2,934,160	2,852,602	2,697,204
Equity attributable to equity holders of the Company	**3,409,111**	2,960,236	2,607,317	2,493,627	2,429,578
Non-controlling interests	**340,282**	355,725	326,843	358,975	267,626
Total equity	**3,749,393**	3,315,961	2,934,160	2,852,602	2,697,204