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**DA MING INTERNATIONAL HOLDINGS LIMITED**

**大明國際控股有限公司**

*(Incorporated in the Cayman Islands with limited liability)*

(Stock code: 1090)

## **CONTINUING CONNECTED TRANSACTIONS**

On 30 September 2018, Jiangsu Daming and STSS entered into the Framework Agreement in relation to the ongoing (i) supply of stainless steel and carbon steel (including processed finished goods or processed semi-finished goods); and (ii) provision of processing service by Jiangsu Daming Group to STSS Group during the period from 1 January 2018 to 31 December 2020.

As a substantial shareholder of the JVC, which is a non wholly-owned subsidiary of the Company, Taiyuan Steel is a connected person of the Company, and STSS, being a non wholly-owned subsidiary of Taiyuan Steel, is a connected person of the Company at the subsidiary level. Jiangsu Daming Group's ongoing (i) supply of stainless steel and carbon steel (including processed finished goods or processed semi-finished goods); and (ii) provision of processing service to STSS Group pursuant to the Framework Agreement constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

By virtue of Rule 14A.101 of the Listing Rules, as (i) STSS is a connected person of the Company at the subsidiary level; (ii) the continuing connected transactions are on normal commercial terms; (iii) the Board (including all the independent non-executive Directors) have approved the continuing connected transactions and confirmed that the terms of the continuing connected transactions are fair and reasonable and that the continuing connected transactions are on normal commercial terms and in the interests of the Company and the Shareholders as a whole, the continuing connected transactions are subject to the reporting and announcement requirements but are exempted from the circular, independent financial advice and Shareholders' approval requirements under Chapter 14A of the Listing Rules.

**BACKGROUND**

On 30 September 2018, Jiangsu Daming and STSS entered into the Framework Agreement in relation to the ongoing (i) supply of stainless steel and carbon steel (including processed finished goods or processed semi-finished goods); and (ii) provision of processing service by Jiangsu Daming Group to STSS Group during the period from 1 January 2018 to 31 December 2020.

**THE FRAMEWORK AGREEMENT**

The principal terms of the Framework Agreement are summarised as follows:

- Date : 30 September 2018
- Parties : Jiangsu Daming (as supplier)  
STSS (as purchaser)
- Term : 1 January 2018 to 31 December 2020
- Maximum aggregate volume of stainless steel and carbon steel (including processed finished goods or processed semi-finished goods) to be sold during the term : STSS Group agrees to purchase, and Jiangsu Daming Group agrees to supply to STSS Group, stainless steel and carbon steel (including processed finished goods or processed semi-finished goods) not exceeding the following amounts during the respective periods as stated below:

<b>Period</b>	<b>Maximum aggregate amount of stainless steel and carbon steel (tonnes)</b>
From 1 January 2018 to 31 December 2018	200,000
From 1 January 2019 to 31 December 2019	300,000
From 1 January 2020 to 31 December 2020	400,000

Maximum aggregate volume of stainless steel and carbon steel to be processed during the term : STSS Group agrees to purchase, and Jiangsu Daming Group agrees to provide to STSS Group, stainless steel and carbon steel processing service not exceeding the following amounts during the respective periods as stated below:

<b>Period</b>	<b>Maximum aggregate amount of stainless steel and carbon steel (tonnes)</b>
From 1 January 2018 to 31 December 2018	300,000
From 1 January 2019 to 31 December 2019	500,000
From 1 January 2020 to 31 December 2020	700,000

Basis of pricing : The purchase price of the stainless steel and carbon steel is to be determined with reference to the prevailing market price of raw materials, finished goods or semi-finished goods at the local markets at the time when the order is placed by the relevant member of STSS Group with Jiangsu Daming Group and will be on normal commercial terms or not less favourable terms than those available to independent third parties at the relevant time.

The processing fee of the stainless steel and carbon steel is to be determined with reference to the processing requirements of the relevant member of STSS Group and the prevailing market price of processing fee of similar products at the local markets at the time when the order is placed by the relevant member of STSS Group with Jiangsu Daming Group and will be on normal commercial terms or not less favourable terms than those available to independent third parties at the relevant time.

The respective prevailing market price of raw materials, finished goods or semi-finished goods in respect of the stainless steel and carbon steel and processing fee will be determined on normal commercial terms based on the following:

- (i) the price of similar products or processing fee offered to independent third parties by Jiangsu Daming Group in the same or near region agreed on normal commercial terms in the ordinary course of business;
- (ii) if the above paragraph (i) is not applicable, the price of similar products or processing fee offered to independent third parties by Jiangsu Daming Group in the PRC agreed on normal commercial terms in the ordinary course of business.

Payment terms : Payment should be made by the relevant member of STSS Group in accordance with the terms of the definitive contracts (as detailed below) to be entered into.

Definitive contracts : Definitive contracts specifying the price or processing fee and quantity of the stainless steel and carbon steel to be purchased or processed (as the case may be) will be entered into between the respective relevant member of Jiangsu Daming Group and STSS Group as and when needed.

Conditions precedent : The obligations of the parties under the Framework Agreement shall be conditional upon:

- (i) if required, the approval of the Framework Agreement by the independent Shareholders and the Stock Exchange; and
- (ii) the Company's compliance of the Listing Rules in respect of continuing connected transactions.

Based on the unaudited management accounts of the Jiangsu Daming Group, for the period from 1 January 2018 and up to 31 August 2018, the aggregate amounts paid by STSS Group to Jiangsu Daming Group for the (i) supply of stainless steel and carbon steel (including processed finished goods or processed semi-finished goods); and (ii) provision of processing service was approximately RMB24.5 million.

The maximum aggregate amounts to be paid by STSS Group to Jiangsu Daming Group for the (i) supply of stainless steel and carbon steel (including processed finished goods or processed semi-finished goods); and (ii) provision of processing service pursuant to the Framework Agreement are expected not to exceed approximately RMB448.2 million, approximately RMB469.4 million and approximately RMB465.8 million for each of the years ending 31 December 2018, 31 December 2019 and 31 December 2020, respectively, by reference to the historical information of STSS Group's demand for stainless steel and carbon steel (including processed finished goods or processed semi-finished goods) and processing service and the average market price of stainless steel and carbon steel (including processed finished goods or processed semi-finished goods) and processing service in the PRC market from 1 July 2017 to 31 December 2017.

The Company will comply with the requirement of the annual review as set out in Rules 14A.71 to 14A.72 of the Listing Rules and will re-comply with the relevant Listing Rules if any of the annual caps is exceeded, or when the Framework Agreement is renewed or there is a material change to the terms of the Framework Agreement.

#### **REASONS FOR AND BENEFITS OF THE FRAMEWORK AGREEMENT**

The entering into of the Framework Agreement enables the Group to secure stable revenue and maintain good relationship with a renowned steel manufacturer.

As none of the Directors has a material interest in the continuing connected transactions contemplated under the Framework Agreement, no Director was required to abstain from voting on the Board resolutions approving the continuing connected transactions.

The Directors (including the independent non-executive Directors) are of the view that the terms of the Framework Agreement and the transactions contemplated thereunder are on normal commercial terms and in the ordinary and usual course of business of the Group, and are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

#### **INFORMATION ON THE COMPANY**

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

#### **INFORMATION ON TAIYUAN STEEL GROUP**

The principal activity of Taiyuan Steel Group is the production of stainless steel, carbon steel and specialised steel.

## LISTING RULES IMPLICATIONS

As a substantial shareholder of the JVC, which is a non wholly-owned subsidiary of the Company, Taiyuan Steel is a connected person of the Company, and STSS, being a non wholly-owned subsidiary of Taiyuan Steel, is a connected person of the Company at the subsidiary level. The ongoing (i) supply of stainless steel and carbon steel (including processed finished goods or processed semi-finished goods); and (ii) provision of processing service by Jiangsu Daming Group to STSS Group pursuant to the Framework Agreement constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

By virtue of Rule 14A.101 of the Listing Rules, as (i) STSS is a connected person of the Company at the subsidiary level; (ii) the continuing connected transactions are on normal commercial terms; (iii) the Board (including all the independent non-executive Directors) have approved the continuing connected transactions and confirmed that the terms of the continuing connected transactions are fair and reasonable and that the continuing connected transactions are on normal commercial terms and in the interests of the Company and the Shareholders as a whole, the continuing connected transactions are subject to the reporting and announcement requirements but are exempted from the circular, independent financial advice and Shareholders' approval requirements under Chapter 14A of the Listing Rules.

## DEFINITIONS

“Board”	the board of Directors
“Company”	Da Ming International Holdings Limited (大明國際控股有限公司), a company incorporated in the Cayman Islands with limited liability, the shares of which are listed on the main board of the Stock Exchange
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“Director(s)”	director(s) of the Company
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Jiangsu Daming”	Jiangsu Daming Metal Products Company Limited (江蘇大明金屬製品有限公司), a limited company incorporated in the PRC and an indirect wholly-owned subsidiary of the Company
“Jiangsu Daming Group”	Jiangsu Daming and its subsidiaries

“JVC”	Taiyuan Taigang Daming Metal Products Company Limited (太原太鋼大明金屬製品有限公司), a joint venture company owned as to 60% by Jiangsu Daming and 40% by Taiyuan Steel, established pursuant to the shareholders’ agreement dated 13 July 2011. The JVC is an indirect non wholly-owned subsidiary of the Company
“Framework Agreement”	the framework agreement dated 30 September 2018 entered into between Jiangsu Daming and STSS in relation to the (i) supply of stainless steel and carbon steel, processed finished goods or processed semi-finished goods; and (ii) provision of processing service by Jiangsu Daming Group to STSS Group for each of the years ending 31 December 2018, 31 December 2019 and 31 December 2020, respectively
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“PRC”	the People’s Republic of China
“RMB”	Renminbi, the lawful currency of the PRC
“Shareholder(s)”	holder(s) of share(s) of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“STSS”	Shanxi Taigang Stainless Steel Co., Ltd. (山西太鋼不鏽鋼股份有限公司), a stainless steel and carbon steel producer and a company whose shares are listed on The Shenzhen Stock Exchange (with stock code 000825)
“STSS Group”	STSS and its subsidiaries
“Taiyuan Steel”	Taiyuan Iron & Steel (Group) Co., Ltd. (太原鋼鐵(集團)有限公司), a state-owned enterprise incorporated in the PRC

“Taiyuan Steel Group” for the purpose of this announcement, includes Taiyuan Steel and STSS

“%” per cent

The English names of the PRC entities referred to in this announcement are translations from their Chinese names and are for identification purposes only. If there is any inconsistency, the Chinese names shall prevail.

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

Hong Kong, 3 October 2018

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