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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)

**DISCLOSEABLE AND CONNECTED TRANSACTION
FORMATION OF JOINT VENTURE IN THE PRC**

FORMATION OF JOINT VENTURE IN THE PRC

On 30 November 2021 (after trading hours), the Transferor, Transferee A and Transferee B (being 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 the 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.

As at the date of this announcement, the Transaction has not been completed and the Target Company is wholly owned by the Transferor. Upon completion of the Transaction, the Target Company will become an indirect non wholly-owned subsidiary of the Company. The financial results of the Target Company will be consolidated into the financial statements of the Group.

LISTING RULES IMPLICATIONS

As at the date of this announcement, (i) Mr. Zhou Keming is a Director and controlling shareholder of the Company; and (ii) the Transferor is owned as to 78% by Mr. Zhou Keming and 22% by Ms. Xu Xia. Accordingly, the Transferor is an associate of Mr. Zhou, and hence, a connected person of the Company.

As one or more of the applicable percentage ratio under the Listing Rules in respect of the Transaction exceeds 5% but is less than 25%, the Transaction constitutes (i) a discloseable transaction of the Company and is subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules; and (ii) a connected transaction of the Company and is subject to the reporting, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

The Independent Board Committee, comprising all the independent non-executive Directors, has been formed to advise the Independent Shareholders in respect of the Equity Transfer Agreement and the transactions contemplated thereunder. Donvex Capital Limited, has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in this connection.

GENERAL

A circular containing, amongst others, (i) a letter from the Board containing further details of the Transaction; (ii) a letter of recommendation from the Independent Board Committee; (iii) a letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders; and (iv) a notice convening the EGM will be despatched to the Shareholders on or before 21 December 2021.

FORMATION OF JOINT VENTURE IN THE PRC

The Equity Transfer Agreement

On 30 November 2021 (after trading hours), the Transferor, Transferee A and Transferee B (being 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 the 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 principal terms of the Equity Transfer Agreement are as follows:

Date: 30 November 2021

Parties:

- (1) The Transferor;
- (2) Transferee A; and
- (3) Transferee B.

For further details of the parties to the Equity Transfer Agreement, please refer to the section headed “Information on the parties to the Equity Transfer Agreement” in this announcement.

Subject matter:

- (1) The Transferor has agreed to dispose of, and Transferee A has agreed to acquire, 20% of the equity interest in the Target Company; and
- (2) the Transferor has agreed to dispose of, and Transferee B has agreed to acquire, 80% of the equity interest in the Target Company.

Registered capital and capital contribution: The registered capital of the Target Company is RMB350 million. The capital contribution shall be made by 31 December 2041.

Each of the Transferees shall contribute to the registered capital of the Target Company according to their respective shareholding percentages in the Target Company. Based on the above, the respective amount of capital contribution and the proportion of capital contribution of each of the Transferees are summarised as follows:

	Committed capital contribution <i>(RMB' million)</i>	Percentage of committed capital contribution <i>(%)</i>
Transferee A	70	20
Transferee B	280	80
Total	350	100

The liabilities of the Target Company prior to the completion of the transfer of the equity interest shall be assumed by Transferee B. As at 31 October 2021, the liabilities of the Target Company is approximately RMB7.5 million.

The capital contribution to be made by Transferee B and the liabilities to be assumed by Transferee B under the Equity Transfer Agreement are expected to be funded by the internal resources of the Group.

Consideration:

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 consideration for the transfer of equity interest in the Target Company from the Transferor to each of Transferee A and Transferee B was determined after arm's length negotiations among the Transferor and the Transferees taking into account (i) the fact that only RMB2 million had been injected to the Target Company by the Transferor as at the date of this announcement; and (ii) while certain ancillary approvals had been obtained from the governmental authorities in the PRC, no project for the construction of the pier had been taken up by the Target Company as at the date of this announcement.

The Target Company was established as a wholly-owned subsidiary of the Transferor on 5 November 2015, and hence there was no original acquisition cost (other than the commitment by the Transferor to contribute to the registered capital of the Target Company) of the equity interest in the Target Company to be acquired by the Transferees.

Conditions:

The Equity Transfer Agreement shall take effect upon the fulfilment of all the conditions below:

- (i) the execution of the Equity Transfer Agreement by the legal representative or authorised representative of the Transferor, Transferee A and Transferee B; and
- (ii) (if required) the obtaining of the approval of the independent shareholders of the ultimate holding company of Transferee B (being the Company) and the Stock Exchange in accordance with the Listing Rules.

As at the date of this announcement, the Transaction has not been completed and the Target Company is wholly owned by the Transferor. Upon completion of the Transaction, the Target Company will become an indirect non wholly-owned subsidiary of the Company. The financial results of the Target Company will be consolidated into the financial statements of the Group.

REASONS FOR AND BENEFITS OF THE TRANSACTION

The Equity Transfer Agreement was entered into so that the Group may have the opportunity to undertake a pier construction project in Jingjiang (靖江), Jiangsu Province (江蘇省), the PRC. It is anticipated that upon the completion of the construction of such pier, the pier would provide the Group with additional logistical support to enhance the distribution and supply network of their raw materials and finished goods. The formation of the joint venture with Transferee A would allow the Group to, amongst others, share the costs and expenses of the underlying pier construction project without having to seek external bank financing, which would incur additional finance costs, and leverage on the experience and resources of Transferee A in relation to construction and operation of piers.

Save and except for Mr. Zhou Keming and Ms. Xu Xia, who are shareholders of the Transferor and are materially interested in the Transaction and had therefore abstained from voting on the board resolutions approving the Equity Transfer Agreement and the transactions contemplated thereunder, none of the other Directors had any material interest in the Equity Transfer Agreement or the transactions contemplated thereunder.

The Directors (excluding the independent non-executive Directors, whose views will be given after taking into account the advice from the Independent Financial Adviser, and Mr. Zhou Keming and Ms. Xu Xia, who are required to abstain from voting on the board resolutions) are of the view that the Equity Transfer Agreement is on normal commercial terms, and its terms are fair and reasonable and are in the interests of the Company and the Shareholders as a whole.

INFORMATION ON THE GROUP

The Company is a company incorporated in the Cayman Islands with limited liability. The Group is principally engaged in the processing, distribution and sale of stainless steel and carbon steel products.

INFORMATION ON THE PARTIES TO THE EQUITY TRANSFER AGREEMENT

The Transferor

The Transferor is a company established under the laws of the PRC with limited liability and is owned as to 78% by Mr. Zhou Keming and 22% by Ms. Xu Xia as at the date of this announcement. The Transferor is principally engaged in the business of leasing.

Transferee A

Transferee A is a company established under the laws of the PRC with limited liability and is principally engaged in port operation and EPC (engineering, procurement and construction).

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, (i) Transferee A is wholly owned by 江蘇江陰—靖江工業園區管理委員會(Jiangsu Jiangyin – Jingjiang Industrial Park Management Committee*); and (ii) Transferee A and its ultimate beneficial owners are Independent Third Parties.

Transferee B

Transferee B is a company established in the PRC with limited liability and an indirect wholly-owned subsidiary of the Company. It is principally engaged in the processing, manufacturing and sale of stainless steel products in the PRC.

INFORMATION ON THE TARGET COMPANY

The Target Company was established under the laws of the PRC with limited liability and is wholly owned by the Transferor as at the date of this announcement. The Target Company is principally engaged in, amongst others, provision of cargo handling and storage services in respect of public pier, logistics services and transportation related consultancy services. As at the date of this announcement, the paid-up capital of the Target Company is RMB2 million.

Financial Information of the Target Company

Based on (i) the unaudited financial statements of the Target Company for the two years ended 31 December 2020 prepared in accordance with PRC GAAP; and (ii) the unaudited financial statements of the Target Company for the ten months ended 31 October 2021, the financial information of the Target Company for the financial years ended 31 December 2019 and 2020, and the ten months ended 31 October 2021 is as follows:

	For the financial year ended 31 December 2019 <i>(unaudited)</i> <i>(RMB'000)</i>	For the financial year ended 31 December 2020 <i>(unaudited)</i> <i>(RMB'000)</i>	For the ten months ended 31 October 2021 <i>(unaudited)</i> <i>(RMB'000)</i>
Loss before taxation	(210)	(772)	(783)
Loss after taxation	(159)	(588)	(588)
	As at 31 December 2019 <i>(unaudited)</i> <i>(RMB'000)</i>	As at 31 December 2020 <i>(unaudited)</i> <i>(RMB'000)</i>	As at 31 October 2021 <i>(unaudited)</i> <i>(RMB'000)</i>
Net assets	1,342	754	166

LISTING RULES IMPLICATIONS

As at the date of this announcement, (i) Mr. Zhou Keming is a Director and controlling shareholder of the Company; and (ii) the Transferor is owned as to 78% by Mr. Zhou Keming and 22% by Ms. Xu Xia. Accordingly, the Transferor is an associate of Mr. Zhou, and hence, a connected person of the Company.

As one or more of the applicable percentage ratio under the Listing Rules in respect of the Transaction exceeds 5% but is less than 25%, the Transaction constitutes (i) a discloseable transaction of the Company and is subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules; and (ii) a connected transaction of the Company and is subject to the reporting, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

The Independent Board Committee, comprising all the independent non-executive Directors, has been formed to advise the Independent Shareholders in respect of the Equity Transfer Agreement and the transactions contemplated thereunder. Donvex Capital Limited, has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in this connection.

An EGM will be convened for the Independent Shareholders to consider, and if thought fit, approve the Equity Transfer Agreement and the transactions contemplated thereunder.

GENERAL

A circular containing, amongst others, (i) a letter from the Board containing further details of the Transaction; (ii) a letter of recommendation from the Independent Board Committee; (iii) a letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders; and (iv) a notice convening the EGM will be despatched to the Shareholders on or before 21 December 2021.

DEFINITIONS

In this announcement, unless the context otherwise requires, the following terms shall have the following meanings:

“associate(s)”	has the meaning ascribed to it under the Listing Rules
“Board”	the board of Directors
“controlling shareholder(s)”	has the meaning ascribed to it under the Listing Rules
“Company”	Da Ming International Holdings Limited (大明國際控股有限公司), a limited liability company incorporated in the Cayman Islands, 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)”	the director(s) of the Company
“EGM”	the extraordinary general meeting of the Company to be convened and held for the purpose of considering and, if thought fit, approving the Equity Transfer Agreement and the transactions contemplated thereunder
“Equity Transfer Agreement”	the equity transfer agreement dated 30 November 2021 and entered into among the Transferor, Transferee A and Transferee B in relation to the transfer of 20% and 80% of the equity interest of the Target Company to Transferee A and Transferee B, respectively
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Board Committee”	an independent committee of the Board comprising all independent non-executive Directors, namely, Mr. Cheuk Wa Pang, Prof. Hua Min, Mr. Lu Daming, Mr. Liu Fuxing and Mr. Hu Xuefa, established to advise the Independent Shareholders in respect of the Equity Transfer Agreement and the transactions contemplated thereunder

“Independent Financial Adviser”	Donvex Capital Limited, a corporation licensed to carry on Type 6 (advising on corporate finance) regulated activity under the SFO, and the independent financial adviser to the Independent Board Committee and the Independent Shareholders in respect of the Equity Transfer Agreement and the transactions contemplated thereunder
“Independent Third Party(ies)”	third party(ies) independent of, and not connected with, the Company or any of its connected persons
“Independent Shareholders”	the Shareholders (other than Mr. Zhou Keming, Ms. Xu Xia and their respective associates) who are not required under the Listing Rules to abstain from voting on the resolution(s) to be proposed at the EGM
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“PRC”	the People’s Republic of China (excluding Hong Kong, the Macau Special Administrative Region and Taiwan for the purpose of this announcement)
“RMB”	Renminbi, the lawful currency of the PRC
“Shareholder(s)”	holder(s) of Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Target Company”	大明物流有限公司(Daming Logistics Co., Limited*), a company established under the laws of the PRC with limited liability which was wholly owned by the Transferor as at the date of this announcement
“Transaction”	the acquisition of 80% equity interest in the Target Company by the Transferee B from the Transferor pursuant to the Equity Transfer Agreement
“Transferee A”	江蘇兩江城建開發有限公司(Jiangsu Liangjiang Construction and Development Co., Ltd.*), a company established under the laws of the PRC with limited liability and an Independent Third Party

“Transferee B”	大明重工有限公司(Daming Heavy Industry Co., Ltd.*), a company established under the laws of the PRC with limited liability and an indirect wholly-owned subsidiary of the Company
“Transferees”	Transferee A and Transferee B
“Transferor”	無錫大明物流股份有限公司(Wuxi Daming Logistics Co., Ltd.*), a company established under the laws of the PRC with limited liability and was owned as to 78% by Mr. Zhou Keming and 22% by Ms. Xu Xia as at the date of this announcement
“%”	per cent.

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

Hong Kong, 30 November 2021

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 and Mr. Wang Jian; the non-executive Directors are Mr. Lu Jian and Mr. Zhu Baomin; and the independent non-executive Directors are Mr. Cheuk Wa Pang, Prof. Hua Min, Mr. Lu Daming, Mr. Liu Fuxing and Mr. Hu Xuefa.

* For identification purpose only