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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)

**REVISION OF THE EXISTING ANNUAL CAPS OF THE
CONTINUING CONNECTED TRANSACTIONS UNDER THE NEW
FRAMEWORK AGREEMENT**

Reference is made to the Previous Announcement and the Previous Circular in relation to the continuing connected transactions under the New Framework Agreement.

On 27 January 2021 (after trading hours), the Company and China Baowu entered into the New Framework Agreement in relation to the (i) supply of steel by the China Baowu Group to the Group; and (ii) provision of processed metallic goods and processing services by the Group to the China Baowu Group for the period from 1 January 2021 to 31 December 2023. On 20 October 2021 (after trading hours), the Company and China Baowu entered into the Supplemental Agreement to revise the Existing Annual Caps under the New Framework Agreement for the financial years ending 31 December 2021, 2022 and 2023.

As at the date of this announcement, China Baowu indirectly held approximately 16.28% of the total number of issued Shares, and is therefore, a substantial shareholder and a connected person of the Company. Accordingly, the Supplemental Agreement and the transactions contemplated thereunder constitute continuing connected transactions of the Company.

As one or more of the applicable percentage ratios for the Revised Annual Caps are higher than 5% on an annual basis, the Supplemental Agreement and the Revised Annual Caps are subject to the reporting, announcement, independent shareholders' approval and annual review requirements under Chapter 14A of the Listing Rules. An EGM will be convened for the Independent Shareholders to consider, and if thought fit, approve the Supplemental Agreement and the Revised Annual Caps. Each of China Baowu and its associates will abstain from voting on the resolution(s) in respect of the Supplemental Agreement and the Revised Annual Caps at the EGM.

The Independent Board Committee, comprising all the independent non-executive Directors, has been set up to advise the Independent Shareholders in connection with the Supplemental Agreement and the Revised Annual Caps. Donvex Capital Limited has been appointed as the Independent Financial Adviser for the purpose of providing independent advice to the Independent Board Committee and the Independent Shareholders in connection with the Supplemental Agreement and the Revised Annual Caps.

A circular containing, among other things, (i) a letter from the Board containing further details of the Supplemental Agreement and the Revised Annual Caps; (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 10 November 2021.

On 27 January 2021 (after trading hours), the Company and China Baowu entered into the New Framework Agreement in relation to the (i) supply of steel by the China Baowu Group to the Group; and (ii) provision of processed metallic goods and processing services by the Group to the China Baowu Group for the period from 1 January 2021 to 31 December 2023. The New Framework Agreement and the transactions contemplated thereunder, together with the Existing Annual Caps, were approved, confirmed and ratified by the Independent Shareholders at an extraordinary general meeting held on 31 May 2021.

THE SUPPLEMENTAL AGREEMENT

On 20 October 2021 (after trading hours), the Company and China Baowu entered into the Supplemental Agreement to revise the Existing Annual Caps under the New Framework Agreement for the financial years ending 31 December 2021, 2022 and 2023.

Revision of the Existing Annual Caps

As disclosed in the Previous Announcement and the Previous Circular, the Existing Annual Caps for the transactions contemplated under the New Framework Agreement are set out as follows:

	Existing Annual Caps for the year ending 31 December		
	2021	2022	2023
	(RMB' billion)	(RMB' billion)	(RMB' billion)
(i) maximum aggregate amount of steel to be supplied by the China Baowu Group to the Group	22.4	28.0	35.4
(ii) maximum aggregate amount of processed metallic goods and processing services to be supplied by the Group to the China Baowu Group	0.25	0.30	0.35

Pursuant to the Supplemental Agreement, the Existing Annual Caps are revised as follows:

	Revised Annual Caps for the year ending 31 December		
	2021	2022	2023
	(RMB' billion)	(RMB' billion)	(RMB' billion)
(i) maximum aggregate amount of steel to be supplied by the China Baowu Group to the Group	22.4	35.0	44.3
(ii) maximum aggregate amount of processed metallic goods and processing services to be supplied by the Group to the China Baowu Group	0.39	0.60	0.88

Save for the Revised Annual Caps, all other terms of the New Framework Agreement will remain unchanged and in full force and effect.

Condition

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

- (i) the execution of the Supplemental Agreement by the legal representative or authorised representative of the parties; and
- (ii) (if required) the obtaining of the approval of the Independent Shareholders and the Stock Exchange in accordance with the Listing Rules.

HISTORICAL TRANSACTION AMOUNTS AND THE REVISED ANNUAL CAPS

Based on the Group's unaudited management accounts, the actual transaction amounts in respect of the transactions contemplated under the New Framework Agreement for the nine months ended 30 September 2021 are as follows:

	For the nine months ended 30 September 2021 (RMB' billion)
(i) aggregate amount of steel supplied by the China Baowu Group to the Group	13.6
(ii) aggregate amount of processed metallic goods and processing services supplied by the Group to China Baowu Group	0.21

Purchases from the China Baowu Group

The Revised Annual Caps in relation to the supply of steel by the China Baowu Group to the Group were determined with reference to (a) the actual transaction amounts in relation to the transactions contemplated under the New Framework Agreement for the nine months ended 30 September 2021; (b) the increase in market price of steel in the PRC market during the nine months ended 30 September 2021; and (c) the historical information of the Group's demand for steel.

Supply of processed metallic goods and provision of processing service to China Baowu Group

The Revised Annual Caps in relation to the supply of processed metallic goods and provision of processing service by the Group to the China Baowu Group were determined with reference to (a) the actual transaction amounts in relation to the transactions contemplated under the New Framework Agreement for the nine months ended 30 September 2021; (b) the increase in market price of steel in the PRC market during the nine months ended 30 September 2021; and (c) the historical information of the China Baowu Group's demand for processed metallic goods and processing services and the indications from China Baowu regarding its requirement for the Group's processing services.

REASONS FOR AND BENEFITS OF THE REVISED ANNUAL CAPS

The reasons for and benefits of entering into the New Framework Agreement have been set out in the Previous Announcement and the Previous Circular.

The market price of both carbon steel and stainless steel in the PRC as at 30 September 2021 has increased for more than 25%, as compared to that as at 31 December 2020. As such, the total transaction amount between the Group and China Baowu Group under the New Framework Agreement is expected to increase. It is therefore necessary for the relevant parties to enter into the Supplemental Agreement to revise the Existing Annual Caps for the financial years ending 31 December 2021, 2022 and 2023.

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. Lu Jian and Mr. Zhu Baomin who are required to abstain from voting on the board resolutions) are of the view that the Supplemental Agreement and the Revised Annual Caps are on normal commercial terms and in the ordinary and usual course of business of the Group, and the terms of the Supplemental Agreement and the Revised Annual Caps are fair and reasonable and in the interest of the Company and the Shareholders as a whole.

Save and except for Mr. Lu Jian and Mr. Zhu Baomin who are directors and/or employees of certain subsidiaries of China Baowu and are materially interested in the Supplemental Agreement and the transactions contemplated thereunder and therefore had abstained from voting on the board resolutions approving the Supplemental Agreement and the transactions contemplated thereunder and the Revised Annual Caps, the Directors confirm that none of the other Directors had a material interest in the Supplemental Agreement and the transactions contemplated thereunder.

PRICING AND INTERNAL CONTROL

The Company will continue to implement the pricing policies and internal control arrangements as set out in the Previous Circular.

Purchases from China Baowu Group

The price in relation to the purchase of steel by the Group from China Baowu Group is determined with reference to the ex-factory price provided by China Baowu Group. Such ex-factory price is different for each supplier and is set by China Baowu Group having taken into account its costs and its analysis on the commodities market conditions. All purchasers of steel from the same supplier will be subject to the same ex-factory price. Based on the experience of the Directors over the years, the market price of steel is led by steel suppliers. The settlement price between the Group and a steel supplier is the ex-factory price.

The purchase department of the Company will obtain quotations from at least 3 suppliers (including China Baowu Group) for different types of steel in the market every month. Based on past practice, every steel supplier will provide one or more quotations every month and the same quotation is provided to all customers. The orders placed in the month will be subject to the latest quotation from the relevant supplier as confirmed with the supplier on the date of the order. The purchase department will assess whether the quotations provided by China Baowu Group are reasonable by comparing them with the steel prices of the same type of steel from other suppliers in the market, taking into account the demands of the Group's customers and considering whether the steel from any particular supplier is better than another in the market, and submit report to the department manager and department head of the purchase department for approval before the Group would confirm to place purchase orders with the China Baowu Group. The Group is not obliged to purchase from China Baowu Group if their quotations are not reasonable and comparable to the market price and/or the quotations from other suppliers.

Supply of processed metallic goods and provision of processing service to China Baowu Group

In respect of the sale of processed goods and provision of processing services by the Group to the China Baowu Group, the price is determined by the Group with reference to the costs and weight of the raw materials, the model and specifications of the relevant type of steel, service fees in relation to processing services and costs of delivery and the terms of the processing services are provided by the Group for China Baowu Group's consideration and acceptance. The costs of the raw materials are based on the prevailing market price provided by raw material suppliers (which are independent third parties) on the day when the order is placed. At least 3 quotations would be obtained from the raw material suppliers to assess the prevailing market price. The Group will select the raw material supplier based on the demands and specifications of China Baowu Group. The costs of delivery are based on the actual costs incurred by the Group for the delivery of the processed goods to its customers through third party service providers. Service fees for processing services are charged on a per tonne basis and vary between different type of processing services involving different level of complexity and time required. The same charging standard applies to all customers (without any discounts offered to any particular customers). The basis for determining the price for sale of processed goods and provision of processing services by the Group to China Baowu Group is consistent with that for sale of processed goods and provision of processing services by the Group to independent third parties.

Service fees charged on a per tonne basis in relation to each type of processing service provided by the Group are determined by the sales management department of the Group with reference to the prevailing market price of similar type of processing services by obtaining quotations by the sales management department of the Group from at least 3 other suppliers providing similar type of processing services. The sales management department would consider the quotations obtained from the other suppliers and take into account the Group's production costs to set the pricing standards, which will be reviewed in light of the market conditions from time to time. The pricing standards will be passed to the sales department and used as the pricing guidelines. According to the customer's needs, the sales staff will prepare sales order with reference to the weight and prevailing market price per tonne of the raw materials on that day and the processing services required for the approval of the sales manager and the head of the sales department before it is issued.

Based on the above, the Board considers that the procedures disclosed above can allow the Group to assess on whether the pricing in relation to goods and services provided by or to China Baowu Group are at prevailing market prices and ensure that the transactions between the Group and the China Baowu Group will be conducted on normal commercial terms or better.

Each of the finance department, purchase department and sales department of the Company has been informed about the annual caps in relation to the transactions between the Group and the China Baowu Group. The finance department will check (i) the purchase amount of the Group with the purchase department; and (ii) the sales amount of the Group with the sales department every month to ensure that the actual transaction amounts will not exceed the relevant annual caps. The actual transaction amounts will be audited by the auditors of the Company every year.

INFORMATION ON THE GROUP

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

INFORMATION ON CHINA BAOWU GROUP

The China Baowu Group is principally engaged in the operation of state-owned assets as authorised by the State Council of the PRC. To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, the ultimate beneficial owner of China Baowu is the State-owned Assets Supervision and Administration Commission of the State Council of the PRC.

LISTING RULES IMPLICATIONS

As at the date of this announcement, China Baowu indirectly held approximately 16.28% of the total number of issued Shares, and is therefore, a substantial shareholder and a connected person of the Company. Accordingly, the Supplemental Agreement and the transactions contemplated thereunder constitute continuing connected transactions of the Company.

As one or more of the applicable percentage ratios for the Revised Annual Caps are higher than 5% on an annual basis, the Supplemental Agreement and the Revised Annual Caps are subject to the reporting, announcement, independent shareholders' approval and annual review requirements under Chapter 14A of the Listing Rules. An EGM will be convened for the Independent Shareholders to consider, and if thought fit, approve the Supplemental Agreement and the Revised Annual Caps. Each of China Baowu and its associates will abstain from voting on the resolution(s) in respect of the Supplemental Agreement and the Revised Annual Caps at the EGM.

The Independent Board Committee, comprising all the independent non-executive Directors, has been set up to advise the Independent Shareholders in connection with the Supplemental Agreement and the Revised Annual Caps. Donvex Capital Limited has been appointed as the Independent Financial Adviser for the purpose of providing independent advice to the Independent Board Committee and the Independent Shareholders in connection with the Supplemental Agreement and the Revised Annual Caps.

A circular containing, among other things, (i) a letter from the Board containing further details of the Supplemental Agreement and the Revised Annual Caps; (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 10 November 2021.

DEFINITIONS

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

“associate”	has the meaning ascribed to it under the Listing Rules
“Board”	the board of Directors
“China Baowu”	China Baowu Steel Group Company Limited (中國寶武鋼鐵集團有限公司), a company incorporated in the PRC and a substantial shareholder of the Company as at the date of this announcement

“China Baowu Group”	China Baowu and its subsidiaries
“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)”	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 Supplemental Agreement and the Revised Annual Caps
“Existing Annual Caps”	the maximum annual monetary value of the transactions contemplated under the New Framework Agreement for the three years ending 31 December 2023, and each an “Existing Annual Cap”
“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 Supplemental Agreement and the Revised Annual Caps
“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 Supplemental Agreement and the Revised Annual Caps
“Independent Shareholders”	the Shareholders other than China Baowu and its associates who are not required under the Listing Rules to abstain from voting on the resolution to be proposed at the EGM

“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“New Framework Agreement”	the framework agreement dated 27 January 2021 and entered into between the Company and China Baowu in relation to (i) the supply of steel by the China Baowu Group to the Group; and (ii) the provision of processed metallic goods and processing services by the Group to the China Baowu Group for the three years ending 31 December 2021, 31 December 2022 and 31 December 2023, respectively
“PRC”	the People’s Republic of China (excluding Hong Kong, the Macau Special Administrative Region and Taiwan for the purpose of this announcement)
“Previous Announcement”	the announcement of the Company dated 27 January 2021 in relation to the continuing connected transactions under the New Framework Agreement
“Previous Circular”	the circular of the Company dated 10 May 2021 in relation to the continuing connected transactions under the New Framework Agreement
“Revised Annual Caps”	the revised maximum annual monetary value of the transactions between the Group and China Baowu Group for the three years ending 31 December 2023 pursuant to the Supplemental Agreement, and each a “Revised Annual Cap”
“RMB”	Renminbi, the lawful currency of the PRC
“Share(s)”	the ordinary share(s) of HK\$0.10 each in the share capital of the Company
“Shareholder(s)”	holder(s) of Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Supplemental Agreement”	the supplemental agreement dated 20 October 2021 and entered into between the Company and China Baowu in relation to the revision of the Existing Annual Caps

“%”

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, 20 October 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.