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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)

MAJOR TRANSACTION

FORMATION OF JOINT VENTURE

CONTENTS

	<i>Page</i>
DEFINITIONS	1
 LETTER FROM THE BOARD	
1. Introduction	3
2. Details of the Shareholders' Agreement	4
3. Listing Rules implications	6
4. Reasons for and benefits of the formation of the JVC	6
5. Financial effects of the formation of the JVC	7
6. Further information	7
 APPENDIX I – FINANCIAL INFORMATION OF THE GROUP	 8
 APPENDIX II – GENERAL INFORMATION	 10

DEFINITIONS

Unless the context otherwise requires, the following terms in this circular shall have the meanings set out below:

“Ally Good”	Ally Good Group Limited, a company incorporated in the British Virgin Islands with limited liability, owned as to 77.2% by Mr. Zhou Keming and 22.8% by Ms. Xu Xia as at the Latest Practicable Date
“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
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Third Party”	third party(ies) who to the best knowledge, information and belief of the Directors and having made all reasonable enquiry is independent of the Company and its connected persons (as defined in the Listing Rules)
“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
“JVC”	Taiyuan Taigang Daming Metal Products Company Limited (太原太鋼大明金屬製品有限公司), a non-wholly-owned subsidiary of the Company established in the PRC, owned as to 60% by Jiangsu Daming and 40% by Taiyuan Steel
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Latest Practicable Date”	29 July 2011, being the latest practicable date prior to the printing of this circular for ascertaining certain information in this circular

DEFINITIONS

“PRC”	The People’s Republic of China
“RMB”	Renminbi, the lawful currency of PRC
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the laws of Hong Kong)
“Shareholder(s)”	holder(s) of Share(s)
“Shareholders’ Agreement”	the conditional shareholders’ agreement dated 13 July 2011 entered into between Jiangsu Daming and Taiyuan Steel in relation to the formation of the JVC
“Share(s)”	ordinary share(s) of HK\$0.10 each in the share capital of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“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
“Transaction”	the entering into of the Shareholders’ Agreement and the transactions contemplated thereunder
“%”	per cent

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

LETTER FROM THE BOARD



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)

Executive directors:

Mr. Zhou Keming (*Chairman*)

Ms. Xu Xia

Mr. Qian Li

Mr. Zou Xiaoping

Mr. Tang Zhonghai

Registered office:

Cricket Square

Hutchins Drive, P.O. Box 2681

Grand Cayman KY1-1111

Cayman Islands

Headquarters and principal

place of business in the PRC:

No. 1518, Tongjiang Road

Wuxi, Jiangsu

The People's Republic of China

Non-executive director:

Mr. Jiang Changhong

Independent non-executive directors:

Prof. Hua Min

Mr. Chen Xuedong

Mr. Cheuk Wa Pang

Principal place of business

in Hong Kong:

Suite 1007, Central Plaza

18 Harbour Road, Wanchai

Hong Kong

3 August 2011

To the Shareholders

Dear Sir or Madam,

MAJOR TRANSACTION FORMATION OF JOINT VENTURE

1. INTRODUCTION

Reference is made to the announcement of the Company dated 13 July 2011 that Jiangsu Daming, an indirect wholly-owned subsidiary of the Company, entered into the Shareholders' Agreement with Taiyuan Steel, for the formation of the JVC. The business licence of the JVC had been issued on 26 July 2011 and the JVC is owned as to 60% by Jiangsu Daming and 40% by Taiyuan Steel.

As one of the applicable percentage ratios is more than 25% but less than 100%, the Transaction constitutes a major transaction of the Company and is subject to approval by the Shareholders. To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, no Shareholder has any interest in the Shareholders' Agreement and therefore, none of the Shareholders is required to abstain from voting if the Company was to convene a general meeting for approving the Transaction.

LETTER FROM THE BOARD

On 13 July 2011, written approval for the purpose of approving the Transaction was obtained from Ally Good, which was beneficially interested in 709,275,000 Shares, representing approximately 68.36% of the issued share capital of the Company as at the date on which such approval was obtained, in lieu of an approval from the Shareholders at a general meeting pursuant to Rule 14.44 of the Listing Rules.

The purpose of this circular is to provide the Shareholders with further details of the Transaction as required under the Listing Rules.

2. DETAILS OF THE SHAREHOLDERS' AGREEMENT

Date

13 July 2011

Parties

- (1) Jiangsu Daming; and
- (2) Taiyuan Steel.

The JVC is to be owned as to 60% by Jiangsu Daming and 40% by Taiyuan Steel.

The Company confirms that, to the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, save and except for the 9% equity interest in Tianjin Taigang Daming Metal Product Co., Ltd. (天津太鋼大明金屬製品有限公司) (a non-wholly-owned subsidiary of the Company), held by Shanxi Taigang Stainless Steel Co., Ltd. (山西太鋼不銹鋼股份有限公司), a company that Taiyuan Steel is interested in approximately 64.24%, Taiyuan Steel and its ultimate beneficial owner(s) are third parties independent of the Company and its connected person(s).

Scope of business

The establishment and operation of a processing centre in Taiyuan, Shanxi Province, the PRC for the processing of stainless steel and carbon steel.

Total investment amount

RMB1,080,000,000

Registered capital

RMB500,000,000

LETTER FROM THE BOARD

The registered capital has been/will be contributed into the JVC by three instalments:

- (i) 20% of the registered capital to be paid within fifteen (15) working days from the date on which the Shareholders' Agreement becoming unconditional. As at the Latest Practicable Date, an amount of RMB100,000,000, being 20% of the registered capital, had been contributed by the parties according to their respective shareholdings in the JVC;
- (ii) 40% of the registered capital shall be paid within twelve (12) months from the date of the establishment of the JVC; and
- (iii) the remaining 40% shall be paid within twenty four (24) months from the date of the establishment of the JVC.

The total investment amount of the JVC was determined after taking into account factors including the land to be acquired for the construction of the processing centre and the machinery and equipment to be acquired for the processing of stainless steel and carbon steel.

The registered capital of the JVC contributed/to be contributed by Jiangsu Daming (i.e. RMB300,000,000) was/will be funded by the Group's internal resources, including, among other things, existing bank balances and funds to be generated from operations.

Conditions precedent

The Shareholders' Agreement is conditional upon the following conditions being fulfilled:

- (i) the Shareholders' Agreement being duly executed by the legal representatives of each of Jiangsu Daming and Taiyuan Steel;
- (ii) the Shareholders' Agreement being approved by the board of directors of Jiangsu Daming and the board of directors of Taiyuan Steel;
- (iii) the Transaction being approved by the Shareholders; and
- (iv) all approval and authorisation from the State-owned Assets Supervision and Administration Commission of Shanxi Province (山西省國有資產監督管理委員會) having been obtained by Taiyuan Steel.

All the conditions stated above had been fulfilled and the Shareholders' Agreement had become unconditional. The business licence of the JVC had been issued on 26 July 2011. Upon formation, the JVC started to be accounted for as a non-wholly-owned subsidiary of the Company and therefore, will be consolidated into the Company's consolidated financial statements in accordance with the Company's interest in the JVC.

LETTER FROM THE BOARD

Term

20 years from the date of issue of the business license of the JVC, and to be extended subject to the parties' agreement.

Board composition

The board of the JVC will consist of five directors, three of whom will be nominated by Jiangsu Daming and two of whom will be nominated by Taiyuan Steel. The chairman of the board of the JVC will be nominated by Taiyuan Steel.

Transfer of equity interest

The Shareholders' Agreement contains standard restrictive provisions (such as pre-emption rights) in relation to the transfer of the equity interests by the parties.

The parties agreed not to transfer their equity interests in the JVC to any third parties within five years from the date when the first instalment of the registered capital was paid.

3. LISTING RULES IMPLICATIONS

As one of the applicable percentage ratios is more than 25% but less than 100%, the Transaction constitutes a major transaction of the Company and is subject to approval by the Shareholders. To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, no Shareholder has any interest in the Shareholders' Agreement and therefore, none of the Shareholders is required to abstain from voting if the Company was to convene a general meeting for approving the Transaction. A written approval for the purpose of approving the Transaction has been obtained from Ally Good, which was beneficially interested in 709,275,000 Shares, representing approximately 68.36% of the issued share capital of the Company as at the date on which such approval was obtained, in lieu of an approval from the Shareholders at a general meeting pursuant to Rule 14.44 of the Listing Rules.

4. REASONS FOR AND BENEFITS OF THE FORMATION OF THE JVC

The Group is principally engaged in the processing, distribution and sale of stainless steel products and the principal activity of Taiyuan Steel is the production of stainless steel and specialised steel. Taiyuan Steel is the largest stainless steel producer in the world and Jiangsu Daming is a large-scale independent stainless steel processor in the PRC. Through the establishment of the JVC, Jiangsu Daming can strengthen its strategic alliance with Taiyuan Steel as well as increasing its market share and market penetration in mid-west region of the PRC for the processing of stainless steel and carbon steel.

The Directors are of the view that the terms of the Shareholders' Agreement have been arrived at after arm's length negotiations, are on normal commercial terms, fair and reasonable and in the interests of the Group and the Shareholders as a whole.

LETTER FROM THE BOARD

5. FINANCIAL EFFECTS OF THE FORMATION OF THE JVC

The total investment amount and the registered capital of the JVC are RMB1,080,000,000 and RMB500,000,000 respectively. Accordingly, the maximum investment amount to be contributed by Jiangsu Daming will be RMB648,000,000, being 60% of the total investment amount of the JVC, which includes the registered capital of the JVC to be contributed by Jiangsu Daming of RMB300,000,000.

The difference between the total investment amount and the registered capital of the JVC i.e. RMB580,000,000, will be funded by bank loans and/or shareholders loans and/or capital contribution from Jiangsu Daming and Taiyuan Steel in proportion to their respective interests in the JVC, when considered to be necessary by the board of the JVC based on the working capital and business development requirements of the JVC from time to time.

The registered capital of the JVC will be contributed into the JVC by three instalments over a period of twenty four months and the registered capital of the JVC to be contributed by Jiangsu Daming will be funded by the Group's internal resources, including, among other things, existing bank balances and funds to be generated from operations. Such funding is not derived from the proceeds raised in the global offering of the Company in December 2010.

The business licence of the JVC had been issued on 26 July 2011. Upon formation, the JVC started to be accounted for as a non-wholly-owned subsidiary of the Company and therefore, its financial statements will be consolidated into the Company's consolidated financial statements. As such, both of the assets and liabilities of the Group will be increased by the same amount representing minority interest contributed by Taiyuan Steel. The overall effects of the Transaction on the future earnings of the Group will depend on, among other things, the operating results of the JVC.

6. FURTHER INFORMATION

Your attention is also drawn to the additional information set out in the appendices to this circular.

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

1. WORKING CAPITAL STATEMENT

Taking into account the financial resources available to the Group, including the internally generated funds and the available facilities from banks, the Directors are of the opinion that the Group will, following the completion of the Transaction and in the absence of unforeseeable circumstances have sufficient working capital for its present requirements, for at least the next 12 months from the date of this circular.

2. INDEBTEDNESS STATEMENT

As at 30 June 2011, being the latest practicable date for the purpose of ascertaining certain information relating to this indebtedness statement, the Group had outstanding indebtedness of approximately RMB1,932million, comprising short-term bank borrowing of approximately RMB1,068million and notes payable of approximately RMB864million. Restricted bank deposits of approximately RMB432 million were pledged to banks for issuing notes payable, letter of credit and bank borrowings. As at 30 June 2011, the Group did not have any material contingent liabilities.

Save as aforesaid, as at the close of business of 30 June 2011, the Group did not have any debt securities issued and outstanding or authorised or otherwise created but unissued, or term loans, other borrowings or indebtedness in the nature of borrowings including bank overdrafts, liabilities under acceptance (other than normal trade bills), acceptance credits, hire purchase commitments, or mortgages, charges, guarantees or other material contingent liabilities.

3. FINANCIAL AND TRADING PROSPECT OF THE GROUP

The Group is a leading independent stainless steel services provider in the PRC which acts as a link between the stainless steel producers and the manufacturing customers within the value chain. Stainless steel producers typically sell their products in the form of standard-sized coils and plates. As stainless steel production is capital-intensive, to reduce cost and increase efficiency, stainless steel producers generally do not provide direct supply and delivery to manufacturing customers with small orders. The trend towards producing more standardized products to reduce production down-time means that stainless steel producers are becoming less flexible in providing customized products and services to end users. The Directors believe that stainless steel end users are increasingly seeking to purchase from “one-stop” suppliers like us who can provide customized specifications, including value-added processing, in smaller volumes, on shorter lead times and with more reliable deliveries.

The Group has a network of four processing centres situated in Wuxi, Hangzhou, Wuhan and Tianjin providing a wide variety of processing services to our customers, including coil cutting, coil slitting, surface polishing, plate cutting, forming and machining. The customer base of the Group comprises more than 6,000 customers from industries including machineries, petrochemical, home hardware and appliances, automobile and transport, construction and renewable energy. The broad and diversified customer base allows us to capture growth in various industries, while at the same time reduces our business concentration risk from any unexpected downturn in a particular industry.

4. FINANCIAL INFORMATION OF THE GROUP FOR THE LAST THREE FINANCIAL YEARS

Please refer to the prospectus of the Company dated 17 November 2010 and the annual report of the Company for the year ended 31 December 2010 for information in relation to the three financial years ended 31 December 2010, both of which can be obtained at the website of the Stock Exchange at <http://www.hkexnews.hk>.

1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

2. DISCLOSURE OF INTERESTS

Directors and chief executives

As at the Latest Practicable Date, the interests of the Directors or chief executives of the Company in the shares and the underlying shares of the Company and any of its associated corporations (within the meaning of Part XV of the SFO), which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO), or which were required pursuant to Section 352 of the SFO to be entered in the register maintained by the Company referred to therein, or which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers were as follows:

(a) *Beneficial interests and long positions in Shares:*

(i) Long position in the Shares and underlying Shares

Name of Director	Nature of interests	Number of Shares/ underlying Shares held	% of issued share capital of the Company
Mr. Zhou Keming	Corporate (<i>Note 1</i>)	709,275,000	68.36%
Ms. Xu Xia	Corporate (<i>Note 1</i>)	709,275,000	68.36%
Mr. Qian Li	Personal	7,350,000	0.71%
Mr. Zou Xiaoping	Family (<i>Note 2</i>)	7,350,000	0.71%
Mr. Tang Zhonghai	Personal (<i>Note 3</i>)	600,000	0.06%

Notes:

- 1 The Shares are held by Ally Good, which is owned as to 77.2% by Mr. Zhou Keming and 22.8% by Ms. Xu Xia.
- 2 The Shares are held by Mr. Zou Xiaoping's spouse, Ms. Li Jun.
- 3 The interests represent the underlying Shares in respect of the share options granted pursuant to the share options scheme of the Company.

(ii) Long position in the shares of associated corporation(s)

Name of Director	Name of associated corporation (Note 4)	Nature of interests	Number of shares held	% of issued share capital of associated corporation
Mr. Zhou Keming	Ally Good	Personal (Note 5)	1,000	100%
Ms. Xu Xia	Ally Good	Personal (Note 5)	1,000	100%

Notes:

- 4 Ally Good is interested in approximately 68.36% of the issued share capital of the Company.
- 5 772 shares of Ally Good are held by Mr. Zhou Keming and 228 shares of Ally Good are held by Ms. Xu Xia. Ms. Xu Xia is the spouse of Mr. Zhou Keming.

(b) As at the Latest Practicable Date, so far as was known to the Directors, Mr. Zhou Keming is also the sole director of Ally Good, being a company which has an interest or short position in the Shares or underlying Shares which would fall to be disclosed to the Company under the provision of Divisions 2 and 3 of Part XV of the SFO.

Apart from the above, as at the Latest Practicable Date, there were no interest of the Directors or chief executives of the Company in the shares and the underlying shares of the Company and any of its associated corporations (within the meaning of Part XV of the SFO), which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO), or which were required pursuant to Section 352 of the SFO to be entered in the register maintained by the Company referred to therein, or which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers.

3. SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had entered or was proposing to enter into any service contracts with any member of the Group (excluding contracts expiring or determinable by the employer within one year without payment of compensation other than statutory compensation).

4. LITIGATION

As at the Latest Practicable Date, no member of the Group was engaged in any litigation or arbitration of material importance and no litigation or claim of material importance was known to the Directors to be pending or threatened by or against any member of the Group.

5. MATERIAL CONTRACTS

Within the two years immediately preceding the date of this circular, the following agreements, being contracts not entered into in the ordinary course of business, have been entered into by members of the Group and is or may be material:

- (a) the subscription agreement dated 14 May 2010 entered into between Allybest Investments Limited (協好投資有限公司) and Mitsui Ventures Global Fund in respect of the subscription of shares of Allybest Investments Limited;
- (b) a sale and purchase agreement dated 5 November 2010 entered into among the Company as purchaser, and Ally Good, Mr. Yu Wenjun (俞文軍), Ms. Li Jun (李軍), Mr. Qian Li (錢立), Ms. Zhou Mingya (周明亞) and Mitsui Ventures Global Fund as vendors, pursuant to which Ally Good, Mr. Yu Wenjun, Ms. Li Jun, Mr. Qian Li, Ms. Zhou Mingya and Mitsui Ventures Global Fund transferred their respective interests in Allybest Investments Limited to the Company;
- (c) the deed of indemnity dated 9 November 2010 executed by Ally Good, Mr. Zhou Keming (周克明) and Ms. Xu Xia (徐霞) in favour of the Company;
- (d) the deed of non-competition dated 9 November 2010 executed by Ally Good, Mr. Zhou Keming and Ms. Xu Xia in favour of the Company;
- (e) a cornerstone placing agreement dated 11 November 2010, entered into among Lee Kee Holdings Limited, Brilliant Market Limited (being an indirect wholly-owned subsidiary of Lee Kee Holdings Limited), CCB International Capital Limited, Deutsche Bank AG, Hong Kong Branch and the Company, pursuant to which Brilliant Market Limited agreed to subscribe at a price not higher than HK\$2.70 per Share for such number of the Shares in the amount of HK\$30 million rounded down to the nearest board lot;
- (f) the Hong Kong underwriting agreement dated 16 November 2010 in relation to the global offering of the Company;
- (g) the international underwriting agreement dated 23 November 2010 in relation to the global offering of the Company; and
- (h) the Shareholders' Agreement.

6. COMPETING INTERESTS OF DIRECTORS

As at the Latest Practicable Date, so far as the Directors were aware, none of the Directors or their respective associates had interest in any business which competed or was likely to compete, either directly or indirectly, with the business of the Group.

7. DIRECTORS INTEREST IN ASSETS

Since the date to which the latest published audited accounts of the Company were made up until the Latest Practicable Date, none of the Directors or proposed Directors or experts had or had proposed to acquire or dispose or lease any interest, direct or indirect, in any assets to any member of the Group.

8. DIRECTORS INTEREST IN CONTRACTS

As at the Latest Practicable Date, there were no contract or arrangement subsisting in which a Director was materially interested and which was significant in relation to the business of the Group.

9. MATERIAL ADVERSE CHANGE

The Directors confirm that, as at the Latest Practicable Date, there were no material adverse changes in the financial or trading positions of the Company since 31 December 2010, the date to which the latest published audited financial statements of the Company were made up.

10. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection during normal business hours at the principal place of business of the Company in Hong Kong, which is situated at Suite 1007, Central Plaza, 18 Harbour Road, Wanchai, Hong Kong, for a period of 14 days from the date of this circular:

- (a) the memorandum and articles of associations of the Company;
- (b) the annual report of the Company for the year ended 31 December 2010;
- (c) the prospectus of the Company dated 17 November 2010;
- (d) the material contracts as referred to in the section headed “Material Contracts” in this appendix; and
- (e) this circular.

11. MISCELLANEOUS

- (a) The registered office of the Company is situated at Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands.
- (b) The company secretary of the Company is Mr. Leung Man Fai, a fellow member of The Hong Kong Institute of Certified Public Accountants and a fellow member of The Association of Chartered Certified Accountants.
- (c) The principal place of business of the Company in Hong Kong is situated at Suite 1007, Central Plaza, 18 Harbour Road, Wanchai, Hong Kong.

12. LANGUAGE

In the event of inconsistency, the English text of this circular will prevail over the Chinese text.