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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 UNDER THE NEW FRAMEWORK AGREEMENT

NEW FRAMEWORK AGREEMENT

Reference is made to the Previous Announcements and the Previous Circulars in relation to the continuing connected transactions under the Previous Framework Agreement. The term of the Previous Framework Agreement will expire on 31 December 2023.

On 28 June 2023 (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 2024 to 31 December 2026.

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 New Framework Agreement and the transactions contemplated thereunder constitute continuing connected transactions of the Company.

As one or more of the applicable percentage ratios for the Annual Caps are higher than 5% on an annual basis, the New Framework Agreement and the 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 New Framework Agreement and the Annual Caps. Each of China Baowu and its associates will abstain from voting on the resolution(s) in respect of the New Framework Agreement and the 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 New Framework Agreement and the 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 New Framework Agreement and the Annual Caps.

GENERAL

A circular containing, among other things, (i) a letter from the Board containing further details of the New Framework Agreement and the 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 28 July 2023 as additional time is required to prepare certain information to be included in the circular.

On 28 June 2023 (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 2024 to 31 December 2026.

THE NEW FRAMEWORK AGREEMENT

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

Date:	28 June 2023
Parties:	(1) The Company; and (2) China Baowu
Term:	1 January 2024 to 31 December 2026

Amount of steel to be purchased during the term:

The China Baowu Group agrees to supply to the Group steel not exceeding the following amounts during the respective periods as stated below:

Period	Maximum aggregate amount of steel <i>(RMB' billion)</i>
From 1 January 2024 to 31 December 2024	26.2
From 1 January 2025 to 31 December 2025	30.3
From 1 January 2026 to 31 December 2026	36.2

Amount of processed metallic goods and processing services to be supplied during the term:

The Group agrees to supply to the China Baowu Group processed metallic goods and processing services not exceeding the following amounts during the respective periods as stated below:

Period	Maximum aggregate amount of processed metallic goods and processing services <i>(RMB' billion)</i>
From 1 January 2024 to 31 December 2024	0.62
From 1 January 2025 to 31 December 2025	0.72
From 1 January 2026 to 31 December 2026	0.86

Basis of pricing:

The purchase price of the steel and the purchase price of processed metallic goods and processing fee are to be determined with reference to the prevailing market price of similar products and service at the relevant time 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 the steel, processed metallic goods and processing fee will be determined on normal commercial terms based on the following:

- (i) the price of similar products or service offered to independent third parties in the same or near region agreed on normal commercial terms in the ordinary course of business; or
- (ii) if the above (i) is not applicable, the price of similar products or service offered to independent third parties 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 the Group or the relevant member of the China Baowu Group (as the case may be) in accordance with the terms of the definitive contracts (as detailed below) to be entered into.

Definitive contracts:

Definitive contracts specifying the price, quality, quantity, delivery date and transportation method in relation to the products and service will be entered into between the relevant member of the Group and the relevant member of the China Baowu Group.

Conditions precedent:

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

- (i) the execution of the New Framework Agreement by the legal representative or authorised representative of the parties; and
- (ii) if required, the approval of the New Framework Agreement by the independent Shareholders and the Stock Exchange.

The obligations of the parties under the New Framework Agreement shall be conditional upon the Company's compliance of the Listing Rules in respect of continuing connected transactions.

HISTORICAL TRANSACTION AMOUNTS AND THE ANNUAL CAPS

Historical transaction amounts

The actual transaction amounts in respect of the transactions contemplated under the Previous Framework Agreement for the two years ended 31 December 2022 and the five months ended 31 May 2023 are as follows:

	For the year ended 31 December 2021 (RMB' billion)	For the year ended 31 December 2022 (RMB' billion)	For the five months ended 31 May 2023 (RMB' billion)
(i) aggregate amount of steel supplied by the China Baowu Group to the Group	18.3	15.9	7.3
(ii) aggregate amount of processed metallic goods and processing services supplied by the Group to China Baowu Group	0.28	0.17	0.13

Annual Caps

The maximum aggregate amounts to be paid by the Group to the China Baowu Group for the purchase of steel pursuant to the New Framework Agreement are expected not to exceed approximately RMB26.2 billion, RMB30.3 billion and RMB36.2 billion for each of the three years ending 31 December 2026, respectively, with reference to the historical information of the Group's demand for steel, the scale of the Group's expected business expansion and the average market price of steel in the PRC market from 2021 to 2023.

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 pursuant to the New Framework Agreement are expected not to exceed approximately RMB0.62 billion, RMB0.72 billion and RMB0.86 billion for each of the three years ending 31 December 2026, respectively, with reference to the historical information of the China Baowu Group's demand for processed metallic goods and processing services, and the average market price of processed metallic goods and processing service in the PRC market from 2021 to 2023.

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 New Framework Agreement is renewed or there is any material change to the terms of the New Framework Agreement.

REASONS FOR AND BENEFITS OF THE NEW FRAMEWORK AGREEMENT

The entering into of the New Framework Agreement enables the Group to secure constant supply of quality steel raw materials for the stable operation of the business of the Group, and secure stable revenue and maintain good relationship with a renowned steel manufacturer.

The Directors (other than the independent non-executive Directors who will express their views after considering 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 terms of the New Framework Agreement and the transactions contemplated thereunder and the Annual Caps 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.

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 New Framework Agreement and the transactions contemplated thereunder and therefore had abstained from voting on the board resolutions approving the New Framework Agreement and the transactions contemplated thereunder and the Annual Caps, the Directors confirm that none of the other Directors had a material interest in the New Framework 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 below.

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 New Framework Agreement and the transactions contemplated thereunder constitute continuing connected transactions of the Company.

As one or more of the applicable percentage ratios for the Annual Caps are higher than 5% on an annual basis, the New Framework Agreement and the 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 New Framework Agreement and the Annual Caps. Each of China Baowu and its associates will abstain from voting on the resolution(s) in respect of the New Framework Agreement and the 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 New Framework Agreement and the 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 New Framework Agreement and the Annual Caps.

GENERAL

A circular containing, among other things, (i) a letter from the Board containing further details of the New Framework Agreement and the 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 28 July 2023 as additional time is required to prepare certain information to be included in the circular.

DEFINITIONS

“Annual Caps”	the maximum annual monetary value of the transactions contemplated under the New Framework Agreement for the three years ending 31 December 2026, and each an “Annual Cap”
“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)”	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 New Framework Agreement and the Annual Caps
“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. Hu Xuefa and Prof. Chen Xin established to advise the Independent Shareholders in respect of the New Framework Agreement and the 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 New Framework Agreement and the 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 28 June 2023 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 2024, 31 December 2025 and 31 December 2026, 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 Announcements”	the announcements of the Company dated 27 January 2021 and 20 October 2021 in relation to the continuing connected transactions under the Previous Framework Agreement
“Previous Circulars”	the circulars of the Company dated 10 May 2021 and 24 November 2021 in relation to the continuing connected transactions under the Previous Framework Agreement
“Previous Framework Agreement”	the framework agreement dated 27 January 2021 (as amended and supplemented by a supplemental agreement dated 20 October 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
“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) of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“%”	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, 28 June 2023

As at the date of this announcement, the executive Directors are Mr. Zhou Keming (Chairman), Ms. Xu Xia, Mr. Zou Xiaoping, Mr. Zhang Feng, Mr. Qian Li and Mr. Ni Chen; 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. Hu Xuefa and Prof. Chen Xin.