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## THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

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**If you are in any doubt** as to any aspect of this circular or as to the action you should take, you should consult a licensed securities dealer or other bank manager, solicitor, professional accountant or other professional adviser.

**If you have sold or transferred** all your shares in Da Ming International Holdings Limited, you should at once hand this circular with the accompanying form of proxy to the purchaser or the transferee or to the licensed bank, licensed securities dealer or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

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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 AND NOTICE OF EXTRAORDINARY GENERAL MEETING

**Independent Financial Adviser to the  
Independent Board Committee and the Independent Shareholders**



**Donvex Capital Limited**

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A letter from the Board is set out on pages 4 to 16 of this circular. A letter from the Independent Board Committee is set out on page 17 of this circular. A letter from Donvex Capital Limited, the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders, is set out on pages 18 to 43 of this circular.

A notice convening the EGM to be held at Conference room B106, Jiangsu Daming Industrial Technology Group Limited, No. 1518 Tongjiang Road, Wuxi, Jiangsu, The People's Republic of China on Wednesday, 8 November 2023 at 3:00 p.m. is set out on pages EGM-1 and EGM-2 of this circular.

Shareholders are advised to read the Notice of EGM and if you are not able to attend the EGM or its adjournment (as the case may be) in person but wish to exercise your right as a Shareholder, please complete and sign the accompanying form of proxy in accordance with the instructions printed thereon and deposit the same with the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited at 17M Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong as soon as possible, but in any event not less than 48 hours before the time fixed for holding the EGM or any adjournment thereof (as the case may be).

Completion and return of the form of proxy shall not preclude you from attending and voting in person at the EGM or any adjournment thereof (as the case may be) should you so wish and in such event, the instrument appointing a proxy shall be deemed to be revoked.

26 September 2023

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## DEFINITIONS

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*In this circular, the following expressions shall have the following meanings unless the context requires otherwise:*

“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”
“Announcement”	the announcement of the Company dated 28 June 2023 in relation to the New Framework Agreement and the Annual Caps
“associate”	has the meaning ascribed to it under the Listing Rules
“Board”	the board of Directors
“chief executive”	has the meaning ascribed to it under the Listing Rules
“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 Latest Practicable Date
“China Baowu Group”	China Baowu and its subsidiaries
“close associate”	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 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 at Conference room B106, Jiangsu Daming Industrial Technology Group Limited, No. 1518 Tongjiang Road, Wuxi, Jiangsu, The People’s Republic of China on 8 November 2023 at 3:00 p.m., or any adjournment thereof, for the purpose of considering and, if thought fit, approving the New Framework Agreement and the Annual Caps
“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

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## DEFINITIONS

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“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 Shareholder(s)”	the Shareholders other than China Baowu and its associates who are not required under the Listing Rules to abstain from voting on the ordinary resolution in relation to the New Framework Agreement and the Annual Caps to be proposed at the EGM
“Latest Practicable Date”	21 September 2023, being the latest practicable date prior to the printing of this circular for the purpose of ascertaining certain information contained herein
“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
“Notice of EGM”	the notice convening the EGM as set out on pages EGM-1 to EGM-2 of this circular
“PRC”	the People’s Republic of China (excluding Hong Kong, the Macau Special Administrative Region and Taiwan for the purpose of this circular)
“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

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## DEFINITIONS

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“Previous Framework Agreement”	the framework agreement dated 27 January 2021 (as amended and supplemented by a supplement 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
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“Share(s)”	the ordinary share(s) of HK\$0.10 each in the share capital of the Company
“Shareholder(s)”	holder(s) of the share(s) of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiary(ies)”	has the meaning ascribed to it under the Listing Rules
“substantial shareholder”	has the meaning ascribed to it under the Listing Rules
“%”	per cent

\* *All the English translation of certain Chinese names or words in this circular are included for information purpose only, and should not be regarded as the official English translation of such Chinese names or words.*

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LETTER FROM THE BOARD

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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)

*Executive Directors:*

Mr. Zhou Keming (*Chairman*)

Ms. Xu Xia

Mr. Zou Xiaoping

Mr. Zhang Feng

Mr. Qian Li

Mr. Ni Chen

*Non-executive Directors:*

Mr. Lu Jian

Mr. Zhu Baomin

*Independent non-executive Directors:*

Mr. Cheuk Wa Pang

Prof. Hua Min

Mr. Hu Xuefa

Prof. Chen Xin

*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, Tong Jiang Road

Wuxi, Jiangsu

People's Republic of China

*Principal Place of Business in*

*Hong Kong:*

Suite 1007, Central Plaza

18 Harbour Road, Wanchai

Hong Kong

26 September 2023

*To the Shareholders*

Dear Sir or Madam,

**CONTINUING CONNECTED TRANSACTIONS  
UNDER THE NEW FRAMEWORK AGREEMENT  
AND  
NOTICE OF EXTRAORDINARY GENERAL MEETING**

**INTRODUCTION**

Reference is made to the Announcement in relation to the New Framework Agreement entered into between the Company and China Baowu on 28 June 2023 for 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.

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## LETTER FROM THE BOARD

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The purpose of this circular is to provide you with, among other things, (i) further information on the New Framework Agreement and the Annual Caps; (ii) a letter from the Independent Board Committee containing its recommendation to the Independent Shareholders; (iii) a letter from the Independent Financial Adviser containing its advice and recommendation to the Independent Board Committee and the Independent Shareholders; and (iv) the notice of the EGM.

### THE NEW FRAMEWORK AGREEMENT

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 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:

<b>Period</b>	<b>Maximum aggregate amount of steel</b> <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

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## LETTER FROM THE BOARD

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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:

<b>Period</b>	<b>Maximum aggregate amount of processed metallic goods and processing services</b> <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.



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## LETTER FROM THE BOARD

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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

##### *Purchase of steel from China Baowu Group*

In respect of the purchase of steel from China Baowu Group, the actual transaction amounts, the existing annual caps under the Previous Framework Agreement and the utilisation rates of such annual caps for the two years ended 31 December 2022 and the six months ended 30 June 2023 are as follows:

	<b>For the year ended 31 December 2021 <i>(RMB' billion)</i></b>	<b>For the year ended 31 December 2022 <i>(RMB' billion)</i></b>	<b>For the six months ended 30 June 2023 <i>(RMB' billion)</i></b>
Actual transaction amounts	18.3	15.9	9.1
Existing annual cap under the Previous Framework Agreement	22.4	35.0	44.3 (for the year ending 31 December 2023)
Utilisation rate	82%	45%	21%

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## LETTER FROM THE BOARD

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The reasons for low utilisation rates for the year ended 31 December 2022 and for the six months ended 30 June 2023 are as follows:

- (i) the demand for steel raw materials has significantly decreased during the year ended 31 December 2022 due to sluggish sentiment of the real estate market in the PRC. A decrease in demand has eventually resulted in a decrease in the market price of stainless steel in the PRC;
- (ii) the Group has been purchasing steel raw materials from two other state-owned steelmakers located in Guangxi Province and Shandong Province, the PRC, which were expected to be merged with the China Baowu Group (the “**Merger**”). These transactions would have constituted connected transactions had the merger been taken place. However, since the merger has yet to be completed as at the Latest Practicable Date, the purchase of steel from these two state-owned steelmakers did not constitute connected transactions, resulting in a lower utilisation rate of the existing annual caps under the Previous Framework Agreement than initially expected; and
- (iii) due to the COVID-19 pandemic in the PRC in early 2022, the PRC government implemented restriction policies in some regions such as Shanghai. Therefore, there were delays or obstructions in the delivery of steel raw materials from China Baowu Group to the Group in such regions. Hence, the volume of steel raw materials purchased from China Baowu Group was not as high as initially contemplated and the Group ordered steel from other suppliers instead to avoid disruption to its business operations, which resulted in a lower utilisation rate of the existing annual cap under the Previous Framework Agreement.

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

In respect of the supply of processed metallic goods and provision of processing service to China Baowu Group, the actual transaction amounts, the existing annual caps under the Previous Framework Agreement and the utilisation rates of such annual caps for the two years ended 31 December 2022 and the six months ended 30 June 2023 are as follows:

	<b>For the year ended 31 December 2021 (RMB' billion)</b>	<b>For the year ended 31 December 2022 (RMB' billion)</b>	<b>For the six months ended 30 June 2023 (RMB' billion)</b>
Actual transaction amounts	0.28	0.17	0.19
Existing annual cap under the Previous Framework Agreement	0.39	0.60	0.88 (for the year ending 31 December 2023)
Utilisation rate	72%	28%	22%

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## LETTER FROM THE BOARD

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The reasons for low utilisation rates for the year ended 31 December 2022 and for the six months ended 30 June 2023 are as follows:

- (i) due to the COVID-19 pandemic in the PRC in early 2022, the PRC government implemented restriction policies in some regions such as Shanghai. Therefore, there were delays or obstructions in the delivery of processed metallic goods from the Group to the China Baowu Group in such regions, resulting in a decrease in the sales volume of processed metallic goods to the China Baowu Group by the Group. As such, the utilisation rate of the existing annual cap under the Previous Framework Agreement was lower than expected;
- (ii) the Group improved its metal processing techniques to reduce the cost of metal materials processing. As such, the price which the Group charged its customers, including the China Baowu Group, in relation to the provision of processing services decreased; and
- (iii) the sluggish sentiment of the real estate market in the PRC led to a reduction in demand for steel products. As a result, the China Baowu Group adjusted its sales plan and purchase budgets to reduce the demand for such products and lower the specifications for the processing service required for the year ended 31 December 2022 and for the six months ended 30 June 2023. This led to a decrease in utilisation rate of the existing annual caps under the Previous Framework Agreement.

### **Annual Caps**

#### ***Purchase of steel from China Baowu Group***

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, the average market price of stainless steel and carbon steel in the PRC market during the first half of the year (the average purchase price in relation to stainless steel for the six months ended 30 June 2023 was RMB14,700 per ton and the average purchase price in relation to carbon steel for the six months ended 30 June 2023 was RMB3,850 per ton) and the expected overall increase in steel price over the next three years as follows:

- (i) the Group expected that the demand in steel products in the PRC market would increase upon recovery of the economy of the PRC and the further development of real-estate, machineries, renewable energy and automobile manufacturing industry; and
- (ii) the Group expected that there would be an increase in its sales volume of processed metallic products, such that its demand for steel as raw materials from the China Baowu Group would increase.

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## LETTER FROM THE BOARD

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As at the Latest Practicable Date, to the best of the knowledge, information and belief of the Directors, the expected completion date in relation to the Merger remained uncertain. While the transactions between the two state-owned steelmakers and the Group (“**Other Transactions**”) are expected to constitute continuing connected transactions upon completion of the Merger, since it is currently not clear to the Company as to whether and if so, when the Merger will take place, the Company has not taken into account the potential effects of the completion of the expected Merger in determining the Annual Caps.

In the event that the Merger takes place during the three years ending 31 December 2026 and as a result the Other Transactions will become continuing connected transactions, the Company will comply with the relevant requirements under the Listing Rules.

The year on year increase in the Annual Caps for the purchase of steel from China Baowu Group is mainly due to the expected increase in purchase volume having regard to the Group’s production plans, the expected overall increase in steel price of 1% to 3% over the next three years and a buffer of approximately 3% for each of the three years ending 31 December 2026.

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

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 in the past (the average sale price in relation to stainless steel products in the past three years was RMB19,230 per ton and the average sale price in relation to carbon steel products in the past six months was RMB3,850 per ton) and the expected demand for processed metallic goods and processing service of China Baowu Group as follows:

- (i) the expected demand in processed metallic goods of approximately 46,000 tons, 55,000 tons and 68,000 tons of China Baowu Group for the years ending 31 December 2024, 31 December 2025 and 31 December 2026, respectively; and
- (ii) the expected demand in processing service of approximately 227,000 tons, 280,000 tons and 336,000 tons of China Baowu Group for the years ending 31 December 2024, 31 December 2025 and 31 December 2026, respectively.

The year-on-year increase in the Annual Caps for the supply of processed metallic goods and provision of processing service to China Baowu Group is due to the expected demand for processed metallic goods and processing service of China Baowu Group and the complexity and processing techniques that the Group expects from the China Baowu Group in relation to the processed metallic goods and processing service.

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## **LETTER FROM THE BOARD**

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The website [www.mysteel.com](http://www.mysteel.com) provides reference prices of steel on a daily basis, which reflect historical composite prices of steel. In respect of pricing in relation to the purchase of steel from China Baowu Group and the supply of processed metallic goods and provision of processing service to China Baowu Group, the Group refers to its pricing policies (as disclosed in the section headed “Pricing and Internal Control” of this circular) and not the reference price as set out in the website disclosed above.

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 (including the independent non-executive Directors having taken into account the advice of the Independent Financial Adviser, but excluding Mr. Lu Jian and Mr. Zhu Baomin who are required to abstain from voting on the board resolutions) are of the view that the New Framework Agreement and the Annual Caps are on normal commercial terms and in the ordinary and usual course of business of the Group, and the terms of the New Framework Agreement and the Annual Caps are fair and reasonable and in the interest of the Company and the Shareholders as a whole.

### **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.

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## LETTER FROM THE BOARD

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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.

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## LETTER FROM THE BOARD

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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 Latest Practicable Date, 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.

As at the Latest Practicable Date, Mr. Lu Jian, a non-executive director of the Company, is the director of Operation Improvement Department of 太原鋼鐵(集團)有限公司(Taiyuan Iron and Steel (Group) Co., Ltd\* ), which is a subsidiary of China Baowu.

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## LETTER FROM THE BOARD

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As at the Latest Practicable Date, Mr. Zhu Baomin, a non-executive director of the Company, is the general manager of the stainless steel business unit of 歐冶雲商股份有限公司 (Ouyeel Co., Ltd.\*), the chairman of the board of directors of 佛山寶鋼不鏽鋼貿易有限公司 (Foshan Baosteel Stainless Steel Trading Co., Ltd.\*), a director of 寧波寶鋼不鏽鋼加工有限公司 (Ningbo Baosteel Stainless Steel Processing Co., Ltd.\*) and the chairman of 無錫寶井鋼材加工配送有限公司 (Wuxi Baojing Steel Processing and Distribution Co., Ltd.\*). These companies are subsidiaries of China Baowu.

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.

### EGM

The EGM will be held at Conference room B106, Jiangsu Daming Industrial Technology Group Limited, No. 1518 Tongjiang Road, Wuxi, Jiangsu, The People's Republic of China on Wednesday, 8 November 2023 at 3:00 p.m., to consider and, if thought fit, approve the New Framework Agreement and the Annual Caps. Any Shareholder with a material interest in the transactions will be required to abstain from voting on the resolution to approve the New Framework Agreement and the Annual Caps.

As at the Latest Practicable Date, China Baowu and its associates, which were interested in, in aggregate, 207,500,000 Shares, representing approximately 16.28% of the issued share capital of the Company, will abstain from voting at the EGM on the resolution in relation to the New Framework Agreement and the Annual Caps.

The Notice of EGM is set out on pages EGM-1 to EGM-2 of this circular. A form of proxy for use at the EGM is enclosed with this circular. Whether or not you intend to attend the meeting, you are requested to complete the accompanying proxy form in accordance with the instructions printed thereon and return the same to the Company's share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong as soon as possible and in any event by 3:00 p.m. on Monday, 6 November 2023 (Hong Kong time), being 48 hours before the time appointed for the holding of the EGM. Completion and returning of the form of proxy will not preclude you from attending and voting at the EGM or any adjourned meeting should you so wish.



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## LETTER FROM THE BOARD

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### **CLOSURE OF REGISTER OF MEMBERS**

The register of members of the Company will be closed from Friday, 3 November 2023 to Wednesday, 8 November 2023, both days inclusive, for the purpose of determining Shareholders' entitlement to attend and vote at the EGM.

In order to qualify for attending and voting at the EGM, all transfer documents accompanied by the relevant share certificates must be lodged with the Company's Hong Kong branch share registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration no later than 4:30 p.m. on Thursday, 2 November 2023.

### **VOTING BY WAY OF POLL**

Pursuant to Rule 13.39(4) of the Listing Rules, any vote of shareholders at a general meeting must be taken by poll except where the chairman, in good faith, decides to allow a resolution which relates purely to a procedural or administrative matter to be voted on by a show of hands.

### **INDEPENDENT BOARD COMMITTEE AND INDEPENDENT FINANCIAL ADVISER**

The Independent Board Committee comprising all independent non-executive Directors, namely Mr. Cheuk Wa Pang, Prof. Hua Min, Mr. Hu Xuefa and Prof. Chen Xin has been established to advise and provide recommendation to the Independent Shareholders in respect of the New Framework Agreement and the Annual Caps.

Donvex Capital Limited has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the New Framework Agreement and the Annual Caps.

### **RECOMMENDATION**

Your attention is drawn to the letter from the Independent Board Committee to the Independent Shareholders set out on page 17 of this circular which contains its recommendation to the Independent Shareholders in relation to the New Framework Agreement and the Annual Caps and the letter from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders set out on pages 18 to 43 of this circular which contains its advice to the Independent Board Committee and the Independent Shareholders in relation to New Framework Agreement and the Annual Caps.

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## LETTER FROM THE BOARD

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The Directors (including the independent non-executive Directors having taken into account the advice of the Independent Financial Adviser, but excluding Mr. Lu Jian and Mr. Zhu Baomin who are required to abstain from voting on the board resolutions) are of the view that the New Framework Agreement and the Annual Caps are on normal commercial terms and in the ordinary and usual course of business of the Group, and the terms of the New Framework Agreement and the Annual Caps are fair and reasonable and in the interest of the Company and the Shareholders as a whole. The Directors recommend the Independent Shareholders to vote in favour of the ordinary resolution in relation to the New Framework Agreement and the Annual Caps to be proposed at the EGM.

### **ADDITIONAL INFORMATION**

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

The English version shall prevail in case of any discrepancy or inconsistency between this English version and its Chinese translation.

Yours faithfully,  
For and on behalf of the Board of  
**Da Ming International Holdings Limited**  
**Zhou Keming**  
*Chairman*



**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)

26 September 2023

*To the Independent Shareholders*

Dear Sir/Madam,

**CONTINUING CONNECTED TRANSACTIONS  
UNDER THE NEW FRAMEWORK AGREEMENT**

We refer to the circular of the Company dated 26 September 2023 (the “**Circular**”) despatched to the Shareholders of which this letter forms part. Unless the context requires otherwise, terms and expressions defined or adopted in the Circular shall have the same meanings in this letter.

We have been appointed by the Board to form the Independent Board Committee to advise the Independent Shareholders as to whether the New Framework Agreement and the Annual Caps are on normal commercial terms and in the ordinary and usual course of business of the Group, and the terms of the New Framework Agreement and the Annual Caps are fair and reasonable and in the interests of the Company and the Shareholders as a whole. Donvex Capital Limited has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the New Framework Agreement and the Annual Caps.

We wish to draw your attention to the letter from the Board as set out on pages 4 to 16 of the Circular and the text of a letter of advice from the Independent Financial Adviser as set out on pages 18 to 43 of the Circular, both of which provide details of the New Framework Agreement and the Annual Caps.

Having taken into account the terms of the New Framework Agreement and the Annual Caps and the principal factors and reasons considered by the Independent Financial Adviser and its advice, we are of the opinion that the New Framework Agreement and the Annual Caps are on normal commercial terms and in the ordinary and usual course of business of the Group, and the terms of the New Framework Agreement and Annual Caps are fair and reasonable and in the interests of the Company and the Shareholders as a whole. Accordingly, we recommend the Independent Shareholders to vote in favour of the ordinary resolution to be proposed at the EGM to approve the New Framework Agreement and the Annual Caps.

Yours faithfully

For and on behalf of

the Independent Board Committee of

**Da Ming International Holdings Limited**

**Mr. Cheuk Wa Pang**

**Prof. Hua Min**

**Mr. Hu Xuefa**

**Prof. Chen Xin**

*Independent Non-Executive Directors*

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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*The following is the full text of the letter of advice from Donvex Capital Limited setting out their advice to the Independent Board Committee and the Independent Shareholders, which has been prepared for the purpose of inclusion in this circular.*



Unit 2502, 25/F  
Carpo Commercial Building  
18-20 Lyndhurst Terrace  
Central  
Hong Kong

26 September 2023

*The Independent Board Committee and the Independent Shareholders of  
Da Ming International Holdings Limited*

Dear Sir/Madam,

### **CONTINUING CONNECTED TRANSACTIONS UNDER THE NEW FRAMEWORK AGREEMENT**

#### **INTRODUCTION**

We refer to our engagement as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in relation to (i) the entering into of the New Framework Agreement; and (ii) the proposed annual caps under the New Framework Agreement for the financial years ending 31 December 2024, 2025 and 2026, details of which are set out in the letter from the Board (the “**Letter from the Board**”) contained in the circular of the Company dated 26 September 2023 to the Shareholders (the “**Circular**”), of which this letter forms part. Terms used herein have the same meanings as those defined in the Circular unless otherwise stated.

As stated in the Letter from the Board, on 28 June 2023, the Company entered into the New Framework Agreement with China Baowu relating to the renewal of Previous Framework Agreement, pursuant to which (i) China Baowu Group will supply steel raw materials to the Group (the “**Purchase of Steel Raw Materials**”); and (ii) the Group will provide the processed metallic goods and steel processing services to China Baowu Group (the “**Provision of Processing Services and Supply of Processed Metallic Goods**”) for the three years ending 31 December 2026.

As at the Latest Practical Date, China Baowu indirectly held approximately 16.28% of the total number of issued Shares of the Company, and therefore is 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 under Chapter 14A of the Listing Rules.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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As one or more of the applicable percentage ratios in relation to the New Framework Agreement exceeds 5% on an annual basis, the continuing connected transactions under the New Framework Agreement (the “**Continuing Connected Transaction**”) and the relevant proposed annual caps (the “**Proposed Annual Caps**”) are subject to reporting, announcement, and Independent Shareholders’ approval requirement under Chapter 14A of the Listing Rules.

The Independent Board Committee, comprising all the independent non-executive Directors, namely Mr. Cheuk Wa Pang, Prof. Hua Min, Mr. Hu Xuefa and Prof. Chen Xin, has been established to advise the Independent Shareholders on (i) whether the terms of the New Framework Agreements are in the ordinary and usual course of business, on normal commercial terms, fair and reasonable and in the interest of the Company and the Independent Shareholders as a whole; (ii) whether the Continuing Connected Transaction and the Proposed Annual Caps are fair and reasonable and in the interests of the Company and the Shareholders as a whole; and (iii) how the Independent Shareholders should vote in respect to the relevant resolution(s) to approve the Continuing Connected Transactions at the EGM. In our capacity as the Independent Financial Adviser, our role is to advise the Independent Board Committee and the Independent Shareholders in this regard.

As at the Latest Practicable Date, China Baowu is a substantial shareholder and a connected person of the Company, thus each of China Baowu and its associates will abstain from voting on the resolution(s) in respect of the New Framework Agreement and the Proposed Annual Caps at the EGM. As at the Latest Practicable Date, so far as the Directors are aware, other than the aforesaid, there is no other associate of China Baowu that held shares of the Company and therefore is required to abstain from voting on such ordinary resolution(s).

### INDEPENDENCE

We did not act as financial adviser to the Group and its respective connected persons in the past two years immediately preceding the Latest Practicable Date.

In the past two years immediately preceding the Latest Practicable Date, we have acted as the independent financial adviser to independent board committee and independent shareholders of the Company for:

- (i) the discloseable and connected transaction in relation to the formation of joint venture in the PRC by entering into the equity transfer agreement with Wuxi Daming Logistics Co., Ltd.\* and Jiangsu Liangjiang Construction and Development Co., Ltd.\*, details of which are set out in the circular of the Company dated 11 February 2022; and
- (ii) (a) the revision of the existing annual caps of the continuing connected transactions under the Previous Framework Agreement; and (b) the continuing connected transactions under the Previous Framework Agreement, details of which are set out in the circular of the Company dated 24 November 2021. (collectively, the “**Previous Engagements**”)

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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Under the Previous Engagements, we were required to express our opinion on and give recommendations to the independent board committee and independent shareholders of the Company in relation to (i) the entering into of the equity transfer agreement and the transaction contemplated thereunder; (ii) the supplemental agreement to revise the existing annual caps of the continuing connected transactions under the Previous Framework Agreement for the financial years ending 31 December 2021, 2022 and 2023; and (iii) the continuing connected transactions under the Previous Framework Agreement in relation to the supply of steel by China Baowu Group to the Group and the provision of processed metallic goods and processing services by the Group to China Baowu Group. Apart from the independent financial adviser roles in connection with the Continuing Connected Transactions and the Previous Engagements, we have not acted in any capacity of the Group in the past two years immediately preceding the Latest Practicable Date.

As at the Latest Practicable Date, we did not have any relationship with or interest in the Company or any other parties that could reasonably be regarded as relevant to our independence.

We are independent from and not connected with the Group pursuant to Rule 13.84 of the Listing Rules and, accordingly, are qualified to advise the Independent Board Committee and the Independent Shareholders in relation to the Continuing Connected Transactions. Apart from the normal advisory fee payable to us in connection with our appointment as the independent financial adviser, no arrangement exists whereby we shall receive any other fees or benefits from the Company.

### **BASIS OF OUR OPINION**

In formulating our opinion to the Independent Board Committee and the Independent Shareholders, we have relied on the statements, information, opinions and representations contained in the Circular and the information and representations provided to us by the Directors and management of the Company. We have no reason to believe that any information and representations relied on by us in forming our opinion is untrue, inaccurate or misleading, nor are we aware of any material facts the omission of which would render the information provided and the representations made to us untrue, inaccurate or misleading. We have assumed that all statements, information, opinions and representations contained or referred to in the Circular, which have been provided by the Directors and management of the Company and for which they are solely and wholly responsible, were true and accurate at the time they were made and continue to be true until the date of the EGM.

The Directors have collectively and individually accepted full responsibility for the accuracy of the information contained in the Circular and have confirmed that, having made all reasonable enquiries, to the best of their knowledge and belief, the information contained in the Circular is accurate and complete in all material respects and not misleading or deceptive, and there are no material facts and representations the omission of which would make any statement in the Circular or the Circular misleading.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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We consider that we have reviewed sufficient information to reach an informed view regarding the Continuing Connected Transactions and to justify reliance on the accuracy of the information contained in the Circular and to provide a reasonable basis for our recommendation. We have not, however, for the purpose of this exercise, conducted any form of independent in-depth investigation or audit into the businesses or affairs or future prospects of the Group, nor have we considered the taxation implication on the Group.

Our opinion is based on the financial, economic, market, and other conditions in effect and the information made available to us as at the Latest Practicable Date. Shareholders should note that subsequent developments (including any material change in market and economic conditions) may affect and/or change our opinion, and we have no obligation to update this opinion to take into account events occurring after the Latest Practicable Date or to update, revise, or reaffirm our opinion. In addition, nothing contained in this letter should be construed as a recommendation to hold, sell, or buy any Shares or any other securities of the Company.

This letter is issued for the information for the Independent Board Committee and the Independent Shareholders solely in connection with the Continuing Connected Transactions, and, except for its inclusion in the Circular, is not to be quoted or referred to, in whole or in part, nor shall this letter be used for any other purpose, without our prior written consent.

### PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our opinion in respect of the Continuing Connected Transactions, we have taken into consideration the following principal factors and reasons:

#### A. Background information of the parties

##### 1. The Company and the Group

The Group is a leading metal processing service provider in the PRC, principally engaged in processing, distribution and sale of stainless steel and carbon steel products. The Group has established ten processing centers and two plants manufacturing plants strategically located in different cities in China, providing full range processing services on stainless steel, carbon steel and other metallic materials.

##### 2. China Baowu Group

China Baowu is principally engaged in the manufacturing and distribution of steel products. As at the Latest Practicable Date, China Baowu is directly wholly-owned by the State-owned Assets Supervision and Administration Commission of the State Council (國務院國有資產監督管理委員會).

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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### **B. New Framework Agreement**

#### **1. Background**

The Previous Framework Agreement will expire on 31 December 2023. As the Group intends to continue such continuing connected transactions for the three years ending 31 December 2026, on 28 June 2023, the Company and China Baowu entered into the New Framework Agreement to renew the Previous Framework Agreement.

#### **2. Reasons for and benefits of the entering into of the New Framework Agreement**

We consider that the establishment of the New Framework Agreement between the Group and China Baowu Group can provide benefits to the Group due to the following reasons:

- (i) due to the long-standing and close working relationship between the Group and China Baowu Group, China Baowu Group has been familiar with the product specifications or demands of the Group, and accordingly can supply the steel raw materials based on different demands from the Group in a cost-effective manner;
- (ii) according to the annual report of the Company for FY2020, FY2021 and FY2022, the sale volume of steel products of the Group (including stainless steel and carbon steel) was approximately 4.60 million tons, 4.95 million tons and 5.85 million tons for FY2020, FY2021 and FY2022, respectively, which represents an average annual growth rate of 9.1% and shows a steady growth rate of the sale volume of steel products in the past 3 years. As advised by the Company, such increase was primarily driven by the growing demand for the Group's carbon steel processing services. As such, the estimated demand in the steel raw materials from the Group will increase in the future due to its increase trend of the sales volume of steel products;
- (iii) as China Baowu Group is a state-owned enterprise of the PRC with a large-scale operation and ample supply of steel raw materials, it can offer the Group a reliable, high-quality and cost-effective source of steel raw materials. As it is critical for the Group's business operation and production plans to secure a stable and secure supply of steel raw materials, the entering into of the New Framework Agreement can help the Group to maintain consistency in its production output, reduce the risk of disruptions, and optimize its production procedures to improve efficiency and reduce costs; and
- (iv) the provision of processed metallic goods and steel processing services from the Group to China Baowu Group can become an additional revenue stream for the Group, diversify sources of income of the Group and strengthen its financial position.

In light of above, the entering into of the New Framework Agreement between the Group and China Baowu Group is a strategic and mutually beneficial arrangement that enables a stable and secure supply of raw materials and provides cost savings and enhance the profitability of the Group.



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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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Having considered (i) the principal business of the Group; (ii) the nature of the Continuing Connected Transactions; (iii) the estimated growth trend of the sale volume of steel products of the Group in the future; (iv) the stable cooperation in respect of supply of steel raw materials between the Group and China Baowu Group; and (v) the additional stream of income generated from the provision of processed metallic goods and steel processing services to China Baowu Group, we are of the view that the entering into the New Framework Agreement falls within the ordinary and usual course of business of the Group and are in the interests of the Company and the Shareholders as a whole.

### 3. Principal terms of the New Framework Agreement

The following summarizes the principal terms of the New Framework Agreement.

#### *Date*

28 June 2023

#### *Parties*

(a) the Company; and

(b) China Baowu.

#### *Term*

Three years with effective from 1 January 2024 and will expire on 31 December 2026.

#### *Subject matter*

(i) Purchase of Steel Raw Materials; and

(ii) Provision of Steel Processing Services and Supply of Processed Metallic Goods.

#### *Basis of pricing*

(a) The purchase price of the steel raw materials; and (b) the purchase price of the processed metallic goods and processing fee, are to be determined with reference to the prevailing market price of similar products and service at the time when the order is placed and will be on normal commercial terms or not less favourable terms than those available to independent third parties at the relevant time.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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

### *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 as and when required.

### *Conditions precedent*

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

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

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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### C. Analysis on the Proposed Annual Caps under the New Framework Agreement

#### 1. Purchase of Steel Raw Materials from China Baowu Group

The table below sets forth the maximum aggregate amounts of the Purchase of Steel Raw Materials under the New Framework Agreement for the three years ending 31 December 2026 (the “**Proposed Annual Cap A**”):

	Year ending 31 December		
	2024	2025	2026
	(RMB' billion)	(RMB' billion)	(RMB' billion)
Purchase of Steel Raw Materials	26.2	30.3	36.2
Growth rate		16%	19%

#### (1) Proposed Annual Cap A

In order to assess the basis of determination of the Proposed Annual Cap A, we have obtained and reviewed the purchase plan demonstrating the Group’s estimation on purchase amounts of steel raw material from China Baowu Group for the three years ending 31 December 2026.

The table below shows (i) the historical transaction amounts of the Purchase of Steel Raw Materials for the year ended 31 December 2021 (“**FY2021**”), the year ended 31 December 2022 (“**FY2022**”) and the six months period ended 30 June 2023 (“**6M2023**”) under the Previous Framework Agreement (the “**Historical Purchase Amounts**”); and (ii) the Proposed Annual Cap A for each of the three years ending 31 December 2024 (“**FY2024**”), 31 December 2025 (“**FY2025**”), and 31 December 2026 (“**FY2026**”) under the New Framework Agreement.

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**LETTER FROM THE INDEPENDENT FINANCIAL ADVISER**

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		Historical Purchase Amounts			Proposed Annual Cap A		
		FY2021	FY2022	6M2023	FY2024	FY2025	FY2026
		<i>(Actual)</i>	<i>(Actual)</i>	<i>(Actual)</i>	<i>(Estimated)</i>	<i>(Estimated)</i>	<i>(Estimated)</i>
<i>Purchase of stainless steel</i>							
Purchase volume of stainless steel (ton)	<i>a</i>	782,900	646,600	380,100	854,954	931,900	1,025,090
Average purchase price per ton of stainless steel (RMB)		15,072	15,002	14,700	14,889	15,038	15,050
Estimated growth rate of average purchase price (%)					1%	1%	0%
<b>Total amount (RMB' billion)</b>	<b><i>b</i></b>	<b>11.8</b>	<b>9.7</b>	<b>5.5</b>	<b>12.8</b>	<b>14.0</b>	<b>15.5</b>
<i>Purchase of carbon steel</i>							
Purchase volume of carbon steel (ton)	<i>c</i>	1,556,800	1,535,000	960,700	3,368,105	4,002,100	5,000,200
Average purchase price per ton of carbon steel (RMB)		4,175	4,039	3,850	3,983	4,061	4,143
Estimated growth rate of average purchase price (%)					3%	2%	2%
<b>Total amount (RMB' billion)</b>	<b><i>d</i></b>	<b>6.5</b>	<b>6.2</b>	<b>3.6</b>	<b>13.4</b>	<b>16.3</b>	<b>20.7</b>
<i>Purchase of steel raw materials</i>							
Total purchase volume of steel raw materials (ton)	<i>a + c</i>	2,137,900	2,181,600	1,340,800	4,223,059	4,934,000	6,025,290
<b>Total amount (RMB' billion)</b>	<b><i>b + d</i></b>	<b>18.3</b>	<b>15.9</b>	<b>9.1</b>	<b>26.2</b>	<b>30.3</b>	<b>36.2</b>

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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### (2) Historical transaction amounts

The following table sets out (i) the existing annual caps for the Purchase of Steel Raw Materials for FY2021, FY2022 and the year ending 31 December 2023 (“**FY2023**”) (the “**Existing Annual Cap A**”); and (ii) the calculation of the utilization rate for FY2021, FY2022 and 6M2023 of the Existing Annual Cap A:

		<b>FY2021</b>	<b>FY2022</b>	<b>6M2023</b>
		<i>(RMB' billion)</i>	<i>(RMB' billion)</i>	<i>(RMB' billion)</i>
Historical Purchase Amounts	a	18.3	15.9	9.1
Existing Annual Cap A under the Previous Framework Agreement	b	22.4	35.0	44.3
Utilization rate	c = a/b	82%	45%	21%

As illustrated in the table above, the Historical Purchase Amounts for FY2021, FY2022 and 6M2023 were approximately RMB18.3 billion, RMB15.9 billion and RMB9.1 billion respectively. In addition, we noted that the utilization rates of the Existing Annual Cap A for the FY2021, FY2022 and 6M2023 ranged from approximately 21% to 82%. As advised by the management of the Company, the decrease in the Historical Purchase Amounts and low utilization rates for FY2022 and 6M2023 are mainly attributable to the following reasons.

- (i) Sluggish sentiment of the real estate market - during FY2022, the demand for steel raw materials has significantly decreased due to sluggish sentiment of the real estate market in the PRC, which resulted in a drop in the market price of stainless steel in the PRC. Accordingly, the Historical Purchase Amount and the utilization rate in FY2022 decreased as compared to that of FY2021;
- (ii) Ongoing merger for China Baowu Group - the Group has been purchasing steel raw materials from two other state-owned steelmakers located in Guangxi Province and Shandong Province, the PRC (the “**Steelmakers**”). As disclosed in the circular of the Group dated 10 May 2021, the Existing Annual Cap A was determined by, among other things, the expected completion of the merger between the Steelmakers and China Baowu Group. The Existing Annual Cap A for FY2022 and FY2023 has already taken into account the potential purchase volume between the Group and the Steelmakers assuming the merger was completed. However, as the merger has not yet completed up to the Latest Practicable Date, the purchase of steel between the Group and the Steelmakers did not constitute connected transactions. In particular, as advised by the management of the Company, the transactions between the Group and the Steelmakers of approximately RMB8.87 billion and RMB2.02 billion for FY2022 and 6M2023, respectively, were not included as transaction with China Baowu Group as the merger has yet to be completed. As such, the utilization rate for FY2022 and 6M2023 was lower than anticipated; and

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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- (iii) Impact of implementation of restriction policies by the PRC government in response to the COVID-19 pandemic - as the Group's predominant business transactions with China Baowu Group are located in regions such as Shanghai and Jiangsu province, the outbreak of the COVID-19 pandemic from early 2022 in Shanghai has had a profound impact on the business operations of the Group. The implementation of restriction policies by the PRC government in response to the COVID-19 pandemic has led to delays or obstructions in the delivery of steel raw materials from China Baowu Group to the Group, resulting in a decrease in the purchase of steel raw materials from China Baowu Group. Therefore, the Group did not purchase the volume of steel raw material from China Baowu as estimated in the Existing Annual Cap A, which resulted in the low utilization rates for FY2022 and 6M2023.

In light of above, the actual purchase amount of steel raw materials from China Baowu during FY2022 and 6M2023 were lower than expected, which ultimately led to the low utilization rate of the Existing Annual Cap A.

### (3) Assessment on the Proposed Annual Cap A

In assessing the reasonableness and fairness of the basis of determination of the Proposed Annual Cap A, we have discussed with the management of the Company and reviewed the underlying principal assumptions and bases considered in the determination of the Proposed Annual Cap A. We understand from the management of the Company that the Company has adopted the Proposed Annual Cap A by considering (i) Historical Purchase Amounts as illustrated above; (ii) the market outlook of steel in the PRC; and (iii) the anticipated growth of the Group's business.

#### *The market outlook of steel industry*

As advised by the management of the Company, the steel products produced by the Company are primarily utilized in real estate construction, infrastructure construction, automotive manufacturing and machinery manufacturing.

Based on statistics published by the World Steel Association, a non-profit organization founded in 1967 and one of the largest and most dynamic associations for the steel industry in the world, it is estimated that global steel demand will increase by approximately 2.3% in 2023 as compared to that of in 2022, reaching a total of 1.82 billion tons, and will further increase by 1.7% to reach a total of 1.85 billion tons in 2024. In addition, steel demand in the PRC is expected to increase by approximately 2% from 0.92 billion tons to 0.94 billion tons in 2023.

Based on a research report of steel industry, namely Investment Strategy for the Steel Industry in the Second Half of 2023 (《鋼鐵行業2023年下半年投資策略》) (the "**Industry Report**") issued on 9 June 2023 by Dongguan Securities Co., Ltd., a security firm established in the PRC, the gradual recovery of the economy of the PRC from the COVID-19 pandemic and the settlement of debts of real estate developers in the PRC are expected to boost real estate construction from 2023, thereby increasing the demand for steel.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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The Industry Report also states that the PRC government is encouraging investment in the manufacturing industry, particularly in high-tech manufacturing, which is expected to drive the demand for steel in the machinery industry.

It is further estimated in the Industry Report that the consumption of steel in the automobile industry would increase from 2023 as the PRC government is consistently introducing automobile subsidy policies and encouraging the development of the new energy vehicle industry. In addition, the PRC government is encouraging the demand of commodities such as automobiles and striving to stimulate domestic consumption. Therefore, the automobile market is expected to gradually improve from the second half of 2023, thereby boosting demand for steel in automotive manufacturing.

The Industry Report further stated that, in order to achieve the targets of carbon peak and carbon neutrality as outlined in the 14th Five-Year Plan of the PRC (“十四五”規劃綱要) by the year of 2030, it would be necessary for the PRC government to regulate the growth of production efficiency and capacity in the steel industry, which will involve the elimination of outdated capacity and the promotion of clean and efficient steel production. As such, considering the potential impact of fluctuating and unstable steel raw material prices on the overall efficiency of the production of steel industry, the PRC government will continue to promulgate policies to ensure the stability of supply and prices of steel raw materials to enhance the efficiency of steel production and ultimately achieve the carbon peak and carbon neutrality goals.

In light of the above, we concur with the view of the Company that the demand in steel will continue to grow and the price of steel raw materials will remain stable in the future.

### *The anticipated development of the Group's business*

The Group has worked closely with China Baowu Group to determine the Proposed Annual Cap A for each of the three years ending 31 December 2026. We have reviewed the purchase budget plans provided by the Group (the “**Purchase Budget Plans**”) and noted the following details based on such purchase budget plans:

- (i) the estimated amount of the Proposed Annual Cap A for FY2024 is expected to increase to approximately RMB26.2 billion, representing an increase of approximately RMB8.0 billion as compared to the annualized amount for FY2023 based on the Historical Purchase Amount for 6M2023;
- (ii) the estimated total purchase volume of the steel raw materials is expected to increase to approximately 4.22 million tons, representing an increase of approximately 1.54 million tons as compared to the annualized amount for FY2023 based on the Historical Purchase Amount for 6M2023;

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- (iii) the estimated overall average price of stainless steel raw materials and carbon steel raw materials under Proposed Annual Cap A for FY2024 (i.e., RMB14,889 per ton and RMB3,983 per ton, respectively) is expected to increase by approximately 1% and 3% as compared to the actual average price of the stainless steel raw materials and carbon steel raw materials for 6M2023 (i.e., RMB14,700 per ton and RMB3,850 per ton, respectively); and
- (iv) the estimated amount of the Proposed Annual Cap A for FY2025 and FY2026 are approximately RMB30.3 billion and RMB36.2 billion, representing a growth rate of approximately 16% and 19% as compared to the previous year respectively.

### *Assessment of the Proposed Annual Cap A for FY2024*

To assess the fairness and reasonableness of the Proposed Annual Cap A under the New Framework Agreement for FY2024, we have discussed with the management of the Company and assessed that the estimated amount of the Proposed Annual Cap A for FY2024 by considering:

- (i) we have reviewed the Purchase Budget Plans and assessed the estimated demand in the steel raw materials for the production plans of processed metallic products for the three years ending 31 December 2026. We noted that the estimated increase in the purchase volume of steel raw materials from China Baowu Group for FY2024 was determined by the Company considering that
  - (a) the Group estimated that the demand in the steel products in the PRC market would increase due to the recovery of the economy of the PRC and the further development of the real estate and automotive manufacturing industry, as analysed in the above section headed “The market outlook of steel industry”; and
  - (b) the Group anticipated that the demand for steel raw materials would be driven by the estimated increase in the sales volume of processed metallic products in FY2024, given that the sales and processed volume of processed metallic products of the Group from 2021 to 2022 increased from 11.4 million tons to 12.9 million tons, by approximately 1.5 million tons, as disclosed in the annual report of the Group for FY2022.

As such, considering the estimated increasing trend in the demand of steel products in the PRC market and the further expansion of production of the processed metallic products of the Group, we are of the view that it is reasonable to consider an increase by approximately 2.8 million tons in the estimated purchase volume of steel raw materials for FY2024 from China Baowu Group as compared to the actual purchase amount of steel raw materials during 6M2023; and



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- (ii) based on our review on the average price of steel published on Mysteel Global (<https://www.mysteel.com/>), the average price of carbon steel and stainless steel fluctuated from RMB3,746 per ton to RMB4,478 per ton, RMB15,362 per ton to RMB17,793 per ton during the period between 31 December 2022 and 29 June 2023, respectively. As such, considering that
  - (a) the estimated purchase price of carbon steel for FY2024 (i.e., RMB3,983 per ton) is within the range of the average price of carbon steel during the period between 31 December 2022 and 29 June 2023; and
  - (b) the estimated purchase price of stainless steel as discussed with the China Baowu by the Company for FY2024 (i.e., RMB14,889 per ton) is lower than the minimum average price of stainless steel during the period between 31 December 2022 and 29 June 2023,

we are of the view that the estimated purchase price of carbon steel and stainless steel for FY2024 are reasonable and favourable to the Group.

- (iii) as advised by the management of the Company, we noted that the expected completion date for the merger between Steelmakers and China Baowu Group remained uncertain as at the Latest Practicable Date. As such, the Company was unable to ascertain as to when and whether the transactions between the Company and Steelmakers would constitute connected transactions during FY2024 to FY2026. Accordingly, the Company did not take into account the potential impact of the completion of such merger in determining the Annual Caps for FY2024 to FY2026.

Meanwhile, we were advised by the management of the Company that, in the event the merger is completed during FY2024 and FY2026, the Company would conduct a comprehensive review of the Annual Caps and, if necessary, seek Shareholders' approval for any subsequent revision of the Annual Caps to take into account the impact of the completion of such merger and the respective transactions between the Steelmakers and the Group.

In light of the above, considering the Company was unable to ascertain as to when and whether (a) the merger between Steelmakers and China Baowu Group would be completed; and (b) the transactions between the Company and Steelmakers would constitute connected transactions during FY2024 to FY2026, we are of the view that it is reasonable for the Company to determine the Annual Caps for FY2024 to FY2026 without factoring in the potential impact resulting from the completion of such merger.

In light of above, we are of the view that the increase in the Proposed Annual Cap A for FY2024 as compared to the actual amount of the Purchase of Steel Raw Materials for FY2023 is fair and reasonable.

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### *Assessment of the Proposed Annual Cap A for FY2025 and FY2026*

Based on our assessment on the amounts for 2025 and 2026, we consider that the growth rate of approximately 16% and 19% in the Annual Cap A for FY2025 and FY2026 respectively is justifiable after taking into account the following facts and circumstances:

- (i) the overall growth in the purchase volume of approximately 14%, which is determined based on the production plans of the Group in view of the market overview of the steel industry;
- (ii) the overall growth in the steel price of around 1%, as the Group considers that the steel price is estimated to remain stable during FY2025 and FY2026 due to the recovery of the global economy and the sufficient and stable supply of the steel raw materials in the PRC as analysed in the section headed “The market outlook of the steel industry” above; and
- (iii) a buffer of around 3% has been properly adopted to ensure the flexibility for the Group in dealing with any unforeseeable increase of the Continuing Connected Transactions under the Proposed Annual Cap A.

### *View on Proposed Annual Cap A*

Having considered the factors and circumstances as stated above, we concur with the Directors that the Proposed Annual Cap A under the New Framework Agreement is fair, reasonable and justifiable, on normal commercial terms or better, in ordinary and usual course of business and in the interest of the Company and its Shareholders as a whole.

#### **(4) Pricing policies and procedures**

The Group has implemented the following pricing policies and procedures in place for its daily operation in respect of the Continuing Connected Transactions:

- (i) the procurement department of the Company is responsible for preparing a budget of the purchase of steel raw materials, which is based on (a) the historical volume of steel raw materials consumed by the Group; (b) the sales order received by its customers; and (c) the inventory level of the steel raw materials. Such budget will be reviewed and approved by the management of the Company;
- (ii) after the approval of the said budget by the management of the Company, the procurement department of the Company would identify no less than three different suppliers, including China Baowu Group and two other pre-approved independent suppliers from the list of pre-approved suppliers;

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- (iii) the procurement department of the Company would assess the pre-approved supplier based on their record of historical transactions with the Group, including any delay of delivery and quality of the products, and update the list of pre-approved suppliers on a monthly basis; and
- (iv) after obtaining the quotations from three different suppliers, the procurement department of the Company would compare 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 management of the Company for approval before the Group would confirm to place purchase orders with China Baowu Group.

We have obtained a complete list of all Purchase of Steel Raw Materials for FY2021, FY2022 and 6M2023, and randomly selected one transaction in each year or period from the list as samples. Based on the samples selected, we have reviewed the corresponding quotations from two pre-approved independent suppliers and compared them with the unit price of steel offered by China Baowu Group. We note that the unit price of steel offered by the China Baowu Group is not higher than and the other relevant terms are not less favorable than those offered by the pre-approved independent suppliers to the Group.

### *Views on pricing policies and procedures*

Having considered that (i) the Group has established an internal control procedure to ensure that the pricing for the Purchase of Steel Raw Materials under the New Framework Agreement is not less favourable than those offered by independent third parties; (ii) the Company will collect the quotations from independent third parties in the market, at a regular basis, to compare with price offered by China Baowu; and (iii) the management of the Company will review the continuing connected transactions under at a regular basis, we are of the view that the pricing policies and procedures for the Purchase of Steel Raw Materials under the New Framework Agreement is fair and reasonable and in the interest of the Company and Independent Shareholders as a whole.

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

The table below sets forth the maximum aggregate amounts of the supply of processed metallic goods and provision of processing service under the New Framework Agreement for the three years ending 31 December 2026 (the “**Proposed Annual Cap B**”):

	<b>FY2024</b> <i>(RMB' billion)</i>	<b>FY2025</b> <i>(RMB' billion)</i>	<b>FY2026</b> <i>(RMB' billion)</i>
Supply of processed metallic goods and provision of processing service	0.62	0.72	0.86
Growth rate		16%	19%

#### (1) Proposed Annual Cap B

In order to assess the Proposed Annual Cap B, we have obtained and reviewed a sales plan demonstrating the Group’s estimation on the amounts of the Provision of Processing Services and Supply of Processed Metallic Goods to the China Baowu Group.

The table below shows (i) the historical transaction amounts of the Provision of Processing Services and Supply of Processed Metallic Goods for FY2021, FY2022 and 6M2023 (the “**Historical Supply and Processing Amounts**”) under the Previous Framework Agreement; and (ii) the Proposed Annual Cap B FY2024, FY2025, and FY2026 under the New Framework Agreement.

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		Historical Supply and Processing Amounts			Proposed Annual Cap B		
		FY2021 <i>(Actual)</i>	FY2022 <i>(Actual)</i>	6M2023 <i>(Actual)</i>	FY2024 <i>(Estimated)</i>	FY2025 <i>(Estimated)</i>	FY2026 <i>(Estimated)</i>
<b><i>Provision of processing service</i></b>							
Processing volume (ton)	<i>a</i>	220,325	92,972	82,662	226,796	279,600	336,350
Average processing price (RMB per ton)		278	268	275	436	440	455
Estimated growth rate of average processing price (%)					59%	1%	3%
<b>Subtotal (RMB billion)</b>	<b><i>b</i></b>	<b>0.06</b>	<b>0.02</b>	<b>0.02</b>	<b>0.10</b>	<b>0.12</b>	<b>0.15</b>
<b><i>Supply of processed metallic goods</i></b>							
Processed stainless steel products (mainly grade 304 stainless steel)							
Sales volume (ton)	<i>c</i>	7,812	830	5,085	20,975	24,600	28,980
Average selling price (RMB per ton)		17,793	15,743	22,008	19,642	19,700	19,820
Estimated growth/(decline) rate of average selling price (%)					-11%	0%	1%
<b>Subtotal (RMB billion)</b>	<b><i>d</i></b>	<b>0.14</b>	<b>0.01</b>	<b>0.11</b>	<b>0.42</b>	<b>0.48</b>	<b>0.55</b>
Processed carbon steel products (mainly hot rolled coil)							
Sales volume (ton)	<i>e</i>	15,406	28,461	15,089	25,320	30,360	39,510
Average selling price (RMB per ton)		5,050	4,761	3,850	3,914	3,920	3,933
Estimated growth rate of average selling price (%)					2%	0%	0%
<b>Subtotal (RMB billion)</b>	<b><i>f</i></b>	<b>0.08</b>	<b>0.14</b>	<b>0.06</b>	<b>0.10</b>	<b>0.12</b>	<b>0.16</b>
<b><i>Supply of processed metallic goods</i></b>							
Total sales volume (ton)	<i>g = c+e</i>	23,218	29,291	20,174	46,295	54,960	68,490
<b>Total amount of supply of processed metallic goods (RMB billion)</b>	<b><i>h = d+f</i></b>	<b>0.22</b>	<b>0.15</b>	<b>0.17</b>	<b>0.52</b>	<b>0.60</b>	<b>0.71</b>
<b><i>Supply of processed metallic goods and provision of processing service</i></b>							
<b>Total amount (RMB' billion)</b>	<b><i>i = h+b</i></b>	<b>0.28</b>	<b>0.17</b>	<b>0.19</b>	<b>0.62</b>	<b>0.72</b>	<b>0.86</b>

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### (2) Historical transaction amounts

The following table sets out (i) the existing annual caps for the Provision of Processing Services and Supply of Processed Metallic Goods for FY2021, FY2022 and FY2023 (the “**Existing Annual Cap B**”); and (ii) the calculation of the utilization rate for FY2021, FY2022 and 6M2023 of the Existing Annual Cap B:

		FY2021 (RMB' billion)	FY2022 (RMB' billion)	6M2023 (RMB' billion)
Historical transaction amount	a	0.28	0.17	0.19
Existing Annual Cap B under the Previous Framework Agreement	b	0.39	0.60	0.88
Utilization rate	c = a/b	72%	28%	22%

As illustrated in the table above, the Historical Supply and Processing Amounts for FY2021, FY2022 and 6M2023 are approximately RMB0.28 billion, RMB0.17 billion and RMB0.19 billion, respectively. We also noted that the utilization rates of the Existing Annual Cap B for FY2021, FY2022 and 6M2023 ranged from approximately 22% to 72%.

As advised by the management of the Company, the decrease in the Historical Supply and Processing Amounts as compared to that of FY2021 and the low utilization rates for FY2022 and 6M2023 are mainly due to the following reasons:

- (i) Restriction policy promulgated by the PRC government in respond to COVID-19 pandemic outbreak in Shanghai and Jiangsu Province - since the outbreak of the COVID-19 pandemic in early 2022 in Shanghai and Jiangsu Province, the business of supply of processed metallic goods and provision of processing service of the Group with China Baowu Group in Shanghai and Jiangsu Province has been significantly and adversely affected. The implementation of restriction policies in response to the pandemic has led to frequent interruptions or delays in the delivery of processed metallic goods to China Baowu Group from the Group, resulting in a decrease in the sales volume of processed metallic goods to China Baowu by the Company;
- (ii) Lowered processing cost during FY2022 and 6M2023 - due to the rise in steel raw material prices from 2021 to 2022, the cost of the business of processing of metal materials of the Group accordingly increased. In order to maintain the market competitiveness of the Group, the Group improved its metal processing techniques to reduce the cost of metal materials processing, which allowed the Group to lower the price of its metal processing services charged to the customers, including China Baowu Group. Accordingly, the utilization rates for FY2022 and 6M2023 lowered as a result; and

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- (iii) Slowdown in the real estate market in the PRC - the slowdown in the real estate market in the PRC due to the impact of the COVID-19 pandemic in 2022 led to a reduction in demand for steel products with a higher level of complexity. As a result, China Baowu Group adjusted its sales plan and purchase budgets to reduce the demand for such products and lower the specifications for the processing service required for FY2022 and FY2023. As such, the metal processing services charged to China Baowu Group and the respective utilization rates for FY2022 and 6M2023 were lowered.

In light of above, the Group did not supply the expected volume of processed metallic goods and provide the processing service for the estimated volume of steel products to China Baowu Group during FY2022 and 6M2023, which ultimately led to the low utilization rate of the Existing Annual Caps B.

### (3) Assessment on the Proposed Annual Cap B

To assess the reasonableness and fairness of the basis of determination of the Proposed Annual Cap B, we have discussed with the management of the Company and reviewed the underlying principal assumptions and bases considered in the determination of the Proposed Annual Cap B. We understand from the management of the Company that the Company has adopted the Proposed Annual Cap A by considering (i) Historical Supply and Processing Amounts as illustrated above; and (ii) the anticipated growth of the demand from the China Baowu Group.

#### *The anticipated growth of the demand from the China Baowu Group*

The Group has worked closely with China Baowu Group to determine sales budget plans for each of the three years ending 31 December 2026. We have obtained a list from the Group which summarizes the details of the purchase budgets prepared by the China Baowu Group for the three years ending 31 December 2026 (the “**Purchase Budget List**”), including but not limited to the estimated purchase volume, requirement on raw materials and processing techniques, which requires the processing services from the Group. We noted the following details based on the Purchase Budget List:

- (i) the estimated amount of the Proposed Annual Cap B for FY2024 is expected to increase as compared to the Historical Supply and Processing Amounts;
- (ii) the estimated processing volume of the provision of processing services under Proposed Annual Cap B for FY2024 (i.e., 226,796 tons) is expected to increase as compared to the processing volume of the Historical Supply and Processing Amounts for FY2021, FY2022 and 6M2023 (i.e., 220,325 tons, 92,972 tons and 82,662 tons);
- (iii) the estimated average processing price of processing service offered to China Baowu Group under Proposed Annual Cap B for FY2024 (i.e., RMB436 per ton) is expected to increase as compared to the average processing price of the Historical Supply and Processing Amounts for FY2021, FY2022 and 6M2023 (i.e., RMB278 per ton, RMB268 per ton and RMB275 per ton);

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- (iv) the estimated sales volume of the processed products under Proposed Annual Cap B for FY2024 (i.e., 46,295 tons) is expected to increase as compared to the processing volume of the Historical Supply and Processing Amounts for FY2021, FY2022 and 6M2023 (i.e., 23,217 tons, 29,291 tons and 20,174 tons); and
- (v) the estimated amount of the Proposed Annual Cap B for FY2025 and FY2026 is approximately RMB0.72 billion and RMB0.86 billion, representing a growth rate of approximately 16% and 19% as compared to the previous year respectively.

### *Assessment of the Proposed Annual Cap B for FY2024*

To assess the fairness and reasonableness of the Annual Cap B under the New Framework Agreement for FY2024, we have discussed with the management of the Company and assessed that the estimated amount of the Proposed Annual Cap B for FY2024 by considering:

- (i) based on the Purchase Budget List, we noted that the China Baowu Group have demand in
  - (a) processed metallic products of approximately 46,000 tons, 55,000 tons and 68,000 tons from the Group for FY2024, FY2025 and FY2026, respectively, as illustrated in the above table; and
  - (b) processing service for steel products in the volume of approximately 226,796 tons, 279,600 tons and 336,350 tons from the Group for FY2024, FY2025 and FY2026 respectively, as illustrated in the above table, which is higher than the amount of metal processing services the Group has provided to China Baowu Group for FY2021, FY2022 and 6M2023;
- (ii) we have assessed the unit price for the Provision of Steel Processing Services mainly by considering (a) the market price of steel raw materials in the PRC; (b) the Historical Supply and Processing Amounts; and (c) the processing service fees subject to the level of complexity and processing techniques required for different raw materials:
  - (a) based on our review on the average price of steel processed products published on Mysteel Global (<https://www.mysteel.com/>), the average price of processed hot rolled coil decreased from RMB4,210 per ton to RMB3,810 per ton during the period between 31 December 2022 and 30 May 2023. Subsequently, the average price of processed hot rolled coil increased to RMB3,940 per ton as at 29 June 2023, which represents an increase of approximately 2%. Meanwhile, the average price of processed grade 304 stainless steel decreased from RMB17,400 per ton to RMB15,500 per ton, which represents a decline of approximately 11%, during the period between 31 December 2022 and 29 June 2023.



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Considering the estimated sales price of processed hot rolled coil for FY2024 increased by approximately 2% and the estimated sales price of processed grade 304 stainless steel decreased by 11%, under the Proposed Annual Cap B for FY2024 are consistent with the fluctuation of the current market prices of different types of steel processed products, we are of the view that the proposed estimated sales prices for processed steel products for FY2024 are reasonable and justifiable for the Group;

- (b) as analysed above, the average sale price of processed grade 304 stainless steel and processed hot rolled coil fluctuated from RMB15,500 per ton to RMB17,400 per ton, RMB3,810 per ton to RMB4,210 per ton during the period between 31 December 2022 and 29 June 2023, respectively. As such, considering (a) the estimated sale price of processed grade 304 stainless steel (i.e., RMB19,642 per ton) is higher than the maximum average sale price of processed grade 304 stainless steel; and (b) the estimated processed hot rolled coil (i.e., RMB3,914 per ton) is within range of the average sale price of processed hot rolled coil during the period between 31 December 2022 and 29 June 2023, we are of the view that the estimated unit sales price of processed carbon steel products and processed stainless steel products for FY2024 are reasonable and favourable for the Group; and
- (c) based on the Purchase Budget List, we have reviewed the processing techniques required by the China Baowu Group in accordance with the purchase orders that it has received. Furthermore, we have compared them with the Group's purchase orders in the previous year and note that the specifications for the processing service required by the customers during FY2024 generally have higher level of complexity and less comprehensive procedure for processing services than the specifications for the processing service required by the customers for FY2021, FY2022 and 6M2023, which would result in a higher charge to the China Baowu Group.

In this regard, we consider that it is fair and reasonable to forecast an increase in the unit sales price of the Provision of Steel Processing Services for FY2024;

In light of above, we are of the view that the increase in the Proposed Annual Cap B for FY2024 is fair and reasonable.

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### *Assessment of the Proposed Annual Cap B for FY2025 and FY2026*

In addition, based on our assessment on the amounts in the next two years, we consider that the growth rate of approximately 16% and 19% in the Annual Caps B for 2025 and 2026 respectively is justifiable after taking into account the following facts and circumstances:

- (i) the overall growth rate in the sales and processed volume of steel products of approximately 13% during 2021 to 2022, as disclosed in the annual report for FY2022 of the Company;
- (ii) the overall growth in the steel price of around 1%, as the steel price is estimated to remain stable during FY2025 and FY2026 due to the recovery of the global economy and the sufficient and stable supply of the steel raw materials in the PRC as analysed in the above section headed “The market outlook of the steel industry”; and
- (iii) the level of complexity and processing techniques that would be required by the China Baowu Group in the foreseeable future based on the communication and discussion between China Baowu Group and its end customers.

### *Views on Proposed Annual Cap B*

Based on the review as stated above, we concur with the Directors that the Proposed Annual Cap B under the New Framework Agreement is fair and justifiable, on normal commercial terms or better, in ordinary and usual course of business and in the interest of the Company and its Shareholders as a whole.

#### **(4) Pricing policies and procedures**

The Group has implemented the following pricing policies and procedures in place for the supply of processed metallic goods and the provision of processing services by the Group to China Baowu. 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 provided by the Group for China Baowu, where:

- (i) the costs of the steel raw materials are based on the prevailing market price on the day when the order is placed. The Group would obtain at least three quotations from the raw materials suppliers to assess the market price of the steel raw materials with the same or similar specifications required by the China Baowu Group;
- (ii) the costs of delivery are based on the actual costs incurred by the Group for the delivery of the processed goods to its customers;

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- (iii) the processing service fees for are charged on a per ton basis and determined based on different type of processing services involving different level of complexity and time and processing techniques required. Besides, the processing service fees are with reference to the prevailing market price for the same or similar type of processing services by obtaining at least three quotations from other processing service providers in the market; and
- (iv) the basis for determining the price for sale of processed metallic goods and provision of processing services by the Group to China Baowu Group is consistent with the basis for determining the price for sale of processed metallic goods and provision of processing services by the Group to independent third parties.

### *Provision of Processing Service*

In order to assess the pricing policies of the Provision of Processing Service, we have obtained a complete list of all Provision of Processing Services for FY2021, FY2022 and 6M2023, and randomly selected one transaction in each year or period from the list as samples. Based on the samples selected, we have reviewed:

- (i) the corresponding quotations obtained from three suppliers and processing service providers in connection with the costs of the raw materials and processing fees, respectively. After comparing them with the prices offered to China Baowu Group, we are of the view that the price offered to China Baowu Group is not more favorable than the costs offered by the above suppliers; and
- (ii) the corresponding quotations to two pre-approved independent customers and compared them with the unit price of the Provision of Steel Processing Services offered by the Group to China Baowu. We note that the unit price offered to China Baowu Group is not lower than and the other relevant terms are not less favorable than those offered to the pre-approved independent customers of the Group.

### *Supply of Processed Metallic Goods*

In order to assess the pricing policies of the Supply of Processed Metallic Goods, we have obtained a complete list of all Supply of Processed Metallic Goods for FY2021, FY2022 and 6M2023, and randomly selected one transaction in each year or period from the list as samples. Based on the samples selected, we have reviewed the corresponding quotations to two pre-approved independent customers and compared them with the unit sale price of the processed metallic goods offered by the Group to China Baowu Group. We note that the unit sale price offered to China Baowu Group is not lower than and the other relevant terms are not less favorable than those offered to the pre-approved independent customers of the Group.

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### *Views on pricing policies and procedures*

Having considered that (i) the Group has established an internal control procedure to ensure that the pricing for the Provision of Processing Services and Supply of Processed Metallic Goods under the New Framework Agreement is not less favourable than those offered to independent third parties; (ii) the Company will collect the quotations from independent third parties in the market, at a regular basis, to compare with unit sale price of process metallic products and unit price of processing services offered to China Baowu Group to ensure the consistency with respective current market price; and (iii) the management of the Company will review the Continuing Connected Transactions at a regular basis, we are of the view that the pricing policies and procedures for the Provision of Steel Processing Services and Supply of Processed Metallic Goods under the New Framework Agreement is fair and reasonable and in the interest of the Company and Independent Shareholders as a whole.

### **3. Internal control policies and procedures for the Continuing Connected Transactions**

The Group has implemented the following internal control policies and procedures in place to ensure that the Proposed Annual Caps will not be exceeded and the relevant Listing Rules will be complied with from time to time:

- (i) the finance department of the Company reviews the amount of the Continuing Connected Transactions on a monthly basis to ensure the respective annual cap not being exceeded;
- (ii) the independent auditors will be engaged to review the Continuing Connected Transactions in compliance with the requirements of the annual reporting under the Listing Rules; and
- (iii) the independent non-executive Directors would review the Continuing Connected Transactions to ensure all transactions contemplated thereunder are entered into on normal commercial terms or better and are fair and reasonable.

To assess the internal control procedures, we have (i) obtained the internal control manual of the Company and reviewed the above procedures in respect of the Continuing Connected Transactions; (ii) discussed with the management of the Company to ensure the finance department of the Company would follow the internal control policies to review the amount of the Continuing Connected Transactions on a monthly basis; and (iii) reviewed the monthly report prepared by the finance department.

Based on our review, we understand that the financial department of the Company produces, on a monthly basis, a report to the management team summarising (a) the monthly amounts of the Continuing Connected Transactions of the Company and (b) the aggregate amounts of the Continuing Connected Transactions of the Company for the current financial year. Such monthly report would provide the management team with a necessary mechanism to monitor the progress of the Continuing Connected Transactions and to ensure that the amounts would not exceed the Proposed Annual Caps.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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In conclusion, we concur with the view of the Directors that the internal control measures adopted by the Group for the Continuing Connected Transactions under the New Framework Agreement have been properly implemented, and are sufficient to safeguard the interest of the Company and Independent Shareholders.

### RECOMMENDATION

Having considered the principal factors and reasons referred to the above, we consider that the New Framework Agreement are entered into within the usual and ordinary course of business of the Company and the terms thereof, including the terms and the Proposed Annual Caps, are of normal commercial terms and fair and reasonable so far as the Company and the independent shareholders of the Company are concerned. Accordingly, we consider that the New Framework Agreement is in the interests of the Company and the Shareholders as a whole.

Accordingly, we advise the Independent Board Committee to recommend the independent shareholders of the Company to vote in favor of the ordinary resolutions of the Company to approve the New Framework Agreement and the Proposed Annual Caps if the Company were to convene a Shareholders' meeting for the approval of the New Framework Agreement and transactions contemplated therein.

Yours faithfully,  
For and on behalf of  
**Donvex Capital Limited**  
**Doris Sy**  
*Director*

*Ms. Doris Sy is a person licensed to carry out type 6 (advising on corporate finance) regulated activity under the SFO and is a responsible officer of Donvex Capital Limited who has over 21 years of experience in corporate finance industry.*

\* For identification purpose only

## 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. DISCLOSURES OF INTERESTS

### Directors and chief executives

As at the Latest Practicable Date, the interests and short positions of the Directors or chief executives of the Company in the Shares, the underlying Shares and debentures of the Company or 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 (the “**Model Code**”) were as follows:

#### (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	Personal, family and corporate	793,551,000 <sup>(1)</sup>	62.26%
Ms. Xu Xia	Personal and family	793,551,000 <sup>(1)</sup>	62.26%
Mr. Zou Xiaoping	Personal and family	5,060,000 <sup>(2)</sup>	0.40%
Mr. Zhang Feng	Personal	2,244,000 <sup>(3)</sup>	0.18%
Mr. Qian Li	Personal	1,880,000	0.15%
Mr. Ni Chen	Personal	458,000	0.04%

Notes:

1. 793,435,000 shares are held by Ally Good Group Limited, which is owned as to 77.2% by Mr. Zhou Keming and 22.8% by Ms. Xu Xia. 60,000 shares are held by Mr. Zhou Keming and 56,000 shares are held by Ms. Xu Xia personally.
2. 60,000 shares are held by Mr. Zou Xiaoping and 5,000,000 shares are held by Mr. Zou Xiaoping's spouse, Ms. Li Jun.
3. The interest comprises 2,144,000 shares, 100,000 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	Nature of interests	Number of shares held	% of issued share capital of the associated corporation
Mr. Zhou Keming	Ally Good Group Limited <sup>(4)</sup>	Personal and family	1,000 <sup>(5)</sup>	100%
Ms. Xu Xia	Ally Good Group Limited <sup>(4)</sup>	Personal and family	1,000 <sup>(5)</sup>	100%

Notes:

4. As at the Latest Practicable Date, Ally Good Group Limited is the holder of approximately 62.25% of the issued share capital of the Company and is an associated corporation under SFO.
5. As at the Latest Practicable Date, 772 shares are held by Mr. Zhou Keming and 228 shares are held by Ms. Xu Xia. Ms. Xu Xia is the spouse of Mr. Zhou Keming.

As at the Latest Practicable Date, Mr. Lu Jian, a non-executive director of the Company, is the director of Operation Improvement Department of 太原鋼鐵(集團)有限公司(Taiyuan Iron and Steel (Group) Co., Ltd\* ), which is a subsidiary of China Baowu.

As at the Latest Practicable Date, Mr. Zhu Baomin, a non-executive director of the Company, is the general manager of the stainless steel business unit of 歐冶雲商股份有限公司(Ouyeel Co., Ltd.\*), the chairman of the board of directors of 佛山寶鋼不鏽鋼貿易有限公司(Foshan Baosteel Stainless Steel Trading Co., Ltd.\*), a director of 寧波寶鋼不鏽鋼加工有限公司(Ningbo Baosteel Stainless Steel Processing Co., Ltd.\*) and the chairman of 無錫寶井鋼材加工配送有限公司(Wuxi Baojing Steel Processing and Distribution Co., Ltd.\* ). These companies are subsidiaries of China Baowu.

As at the Latest Practicable Date, so far as was known to the Directors, Mr. Zhou Keming, a Director, was also the sole director of Ally Good Group Limited, 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. Save as disclosed, no other directors of the Company is a director or employee of 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 provisions of Divisions 2 and 3 of Part XV of the SFO.

Apart from the above, as at the Latest Practicable Date, there were no interests and short positions of the Directors or chief executives of the Company in the Shares and the underlying Shares 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.

### **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. COMPETING INTERESTS OF DIRECTORS**

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

### **5. DIRECTORS' INTEREST IN ASSETS**

Since 31 December 2022, being 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 and their respective associates had or had proposed to acquire or dispose or lease any interest, direct or indirect, in any assets to any member of the Group.

### **6. 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.



**7. EXPERT**

The following is the qualification of the expert who has given opinion or advice, which is contained in this circular:

<b>Name</b>	<b>Qualification</b>
Donvex Capital Limited	A corporation licensed for carrying out Type 6 (advising on corporate finance) regulated activity under the SFO

As at the Latest Practicable Date, Donvex Capital Limited had given and had not withdrawn its written consent to the issue of this circular with inclusion of its letter (which has been prepared for inclusion in this circular) in the form and context in which it is included.

As at the Latest Practicable Date, Donvex Capital Limited did not have any shareholding in any member of the Group or any right (whether legally enforceable or not) to subscribe for, or to nominate persons to subscribe for, securities in any member of the Group.

As at the Latest Practicable Date, Donvex Capital Limited did not have any direct or indirect interest in any assets which have been, since 31 December 2022 (being the date to which the latest published audited accounts of the Company were made up), acquired or disposed of by or leased to any member of the Group or were proposed to be acquired or disposed of by or leased to any member of the Group.

The Letter from the Independent Financial Adviser is given as of the date of this circular for incorporation herein.

**8. MATERIAL ADVERSE CHANGE**

The Directors confirm that, as at the Latest Practicable Date, there have been no material adverse changes in the financial or trading positions of the Company since 31 December 2022, the date to which the latest published audited financial statements of the Company were made up.

**9. DOCUMENTS AVAILABLE FOR INSPECTION ON DISPLAY**

Copies of the following documents will be published on the websites of the Stock Exchange (<http://www.hkexnews.hk>) and the Company (<http://www.dmssc.net>) during the period of 14 days from the date of this circular:

- (a) the New Framework Agreement.

**10. 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.
- (c) The principal place of business in Hong Kong is situated at Suite 1007, Central Plaza, 18 Harbour Road, Wanchai, Hong Kong.

**11. LANGUAGE**

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

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## NOTICE OF EXTRAORDINARY GENERAL MEETING

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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)

### NOTICE OF EXTRAORDINARY GENERAL MEETING

**NOTICE IS HEREBY GIVEN** that an extraordinary general meeting (“EGM”) of the shareholders of Da Ming International Holdings Limited (“**Company**”) will be held at Conference room B106, Jiangsu Daming Industrial Technology Group Limited, No. 1518 Tongjiang Road, Wuxi, Jiangsu, The People’s Republic of China, on Wednesday, 8 November 2023 at 3:00 p.m. for the purpose of considering and, if thought fit, with or without amendments, passing the following ordinary resolution of the Company:

#### ORDINARY RESOLUTION

1. **“THAT:**

- (a) the New Framework Agreement (as defined in the circular of the Company dated 26 September 2023 of which this notice forms part (the “**Circular**”)) and the transactions contemplated thereunder and the implementation thereof be and are hereby approved, confirmed and ratified;
- (b) the Annual Caps (as defined in the Circular) for each of the three years ending 31 December 2026 be and are hereby approved; and
- (c) any one director of the Company (or any two directors of the Company or one director and the secretary of the Company, in the case of execution of documents under seal) be and is hereby authorised for and on behalf of the Company to execute all such other documents, instruments and agreements and to do all such acts or things deemed by him/her to be incidental to, ancillary to or in connection with the matters contemplated in the New Framework Agreement and the transactions contemplated thereunder and the implementation thereof including the affixing of seal thereon.”

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

Hong Kong, 26 September 2023

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## NOTICE OF EXTRAORDINARY GENERAL MEETING

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*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, Tong Jiang Road  
Wuxi, Jiangsu  
People's Republic of China

*Principal Place of Business  
in Hong Kong:*

Suite 1007, Central Plaza  
18 Harbour Road, Wanchai  
Hong Kong

*Notes:*

- (1) The register of members of the Company will be closed from 3 November 2023 to 8 November 2023 (both days inclusive), during which period no transfer of Shares can be registered. In order to be entitled to attend and vote at the EGM, all transfers accompanied by the relevant share certificates must be lodged with the Company's share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not later than 4:30 p.m. on 2 November 2023.
- (2) Any member entitled to attend and vote at the EGM convened by the above notice is entitled to appoint another person as his proxy to attend and vote instead of him. A proxy need not be a member of the Company. All proxies, together with powers of attorney or other authorities, if any, under which they are signed or notarially certified copies thereof, must be deposited with the Company's share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, by 3:00 p.m. on 6 November 2023 (Hong Kong time), being 48 hours before the time appointed for the EGM. Completion and returning of the form of proxy will not preclude a member from attending and voting in person at the EGM or any adjournment thereof should she/he so wishes.
- (3) Where there are joint holders of any Share, any one of such joint holders may vote at any meeting, either personally or by proxy, in respect of such Share as if he were solely entitled thereto; but if more than one of such joint holders are present at any meeting, the vote of the senior holder who tenders a vote, whether in person or by proxy, shall be accepted to the exclusion of the votes of the other joint holders, and for this purpose, seniority shall be determined by the order in which the names stand in the register in respect of the joint holding.
- (4) In compliance with Rule 13.39(4) of the Listing Rules, voting on the resolution proposed in this notice shall be decided by way of a poll at the EGM.
- (5) Shareholders are advised to read the circular of the Company dated 26 September 2023 which contains information concerning the resolution to be proposed in the EGM.