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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

BACKGROUND

The Company has been informed by China Baowu that China Baowu has acquired 51% of the equity interests in Taiyuan Steel and the Acquisition was completed on 23 December 2020. Prior to the completion of the Acquisition, the Company was held as to approximately 8.33% by China Baowu and 8.33% by Tisco (a wholly-owned subsidiary of STSS, which was in turn a subsidiary of Taiyuan Steel), respectively. Immediately after the completion of the Acquisition, Taiyuan Steel became a subsidiary of China Baowu, and China Baowu became a connected person of the Company by virtue of being a substantial shareholder of the Company, holding approximately 16.66% of the equity interest in the Company (comprising 8.33% directly held by China Baowu and 8.33% indirectly held by China Baowu through Tisco).

Before China Baowu became a connected person of the Company, certain subsidiaries of the Company and certain subsidiaries of China Baowu entered into a series of Supply Agreements in relation to the ongoing supply of stainless steel and carbon steel by the relevant subsidiaries of China Baowu to the relevant subsidiaries of the Company.

During the period from 23 December 2020 to 31 December 2020, no Supply Agreements were entered into and hence no actual transaction amount of continuing connected transactions was recorded.

CHANGE IN CONNECTED RELATIONSHIP BETWEEN STSS AND THE COMPANY

In addition to China Baowu, the Company also procured stainless steel and carbon steel from STSS. Reference is made to the announcement of the Company dated 22 December 2017 and 3 October 2018 in relation to the STSS Agreements.

Prior to the completion of the Acquisition, STSS was a connected person of the Company at the subsidiary level by virtue of being a non wholly-owned subsidiary of Taiyuan Steel (a substantial shareholder of the JVC, which was a non wholly-owned subsidiary of the Company) and had entered into various continuing connected transactions with the Company under the STSS Agreements. Upon completion of the Acquisition, the STSS Agreements and the transactions contemplated thereunder remained to constitute continuing connected transactions of the Company, except that STSS became a connected person of the Company at the issuer level by virtue of being a subsidiary of China Baowu (a substantial shareholder of the Company).

EXPIRY OF THE STSS AGREEMENTS

The term of the STSS Agreements expired on 31 December 2020. On 27 January 2021, the Company and China Baowu entered into the New Framework Agreement in relation to the ongoing (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 during the period from 1 January 2021 to 31 December 2023.

THE NEW FRAMEWORK AGREEMENT

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

Date:	27 January 2021
Parties:	The Company as (i) the purchaser of steel from the China Baowu Group; and (ii) the supplier of processed metallic goods and processing services to the China Baowu Group China Baowu as (i) the supplier of steel to the Group; and (ii) the purchaser of processed metallic goods and processing services from the Group
Term:	1 January 2021 to 31 December 2023

Amount of steel to be purchased during the term:

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

Period	Maximum aggregate amount of steel (RMB' billion)
From 1 January 2021 to 31 December 2021	22.4
From 1 January 2022 to 31 December 2022	28.0
From 1 January 2023 to 31 December 2023	35.4

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

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

Period	Maximum aggregate amount of processed metallic goods and processing services (RMB' billion)
From 1 January 2021 to 31 December 2021	0.25
From 1 January 2022 to 31 December 2022	0.30
From 1 January 2023 to 31 December 2023	0.35

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 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.

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 as and when needed.

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 respect of continuing connected transactions.

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 RMB22.4 billion, RMB28.0 billion and RMB35.4 billion for each of the three years ending 31 December 2023, respectively, with reference to the historical information of the Group's demand for steel, the scale of the Group's expected business expansion and the average market price of steel in the PRC market from 1 January 2020 to 31 December 2020.

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 RMB0.25 billion, RMB0.30 billion and RMB0.35 billion for each of the three years ending 31 December 2023, respectively, with reference to the historical information of the China Baowu Group's demand for processed metallic goods and processing services, and the average market price of processed metallic goods and processing service in the PRC market from 1 January 2020 to 31 December 2020.

The Company will comply with the requirement of the annual review as set out in Rules 14A.71 to 14A.72 of the Listing Rules and will re-comply with the relevant Listing Rules if any of the annual caps is exceeded, or when the New Framework Agreement is renewed or there is any material change to the terms of the New Framework Agreement.

REASONS FOR AND BENEFITS OF THE NEW FRAMEWORK AGREEMENT

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

The Directors (other than the independent non-executive Directors who will express their views after considering the advice from the independent financial adviser) are of the view that the terms of the New Framework Agreement and the transactions contemplated thereunder are on normal commercial terms and in the ordinary and usual course of business of the Group, and are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

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.

LISTING RULES IMPLICATIONS

As a substantial shareholder of the Company, China Baowu is a connected person of the Company. The China Baowu Group's ongoing supply of steel to the Group and the Group's ongoing supply of processed metallic goods and processing services to the China Baowu Group pursuant to the New Framework Agreement constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

As the applicable percentage ratios under Rule 14.07 of the Listing Rules for the proposed annual caps for each of the three years ending 31 December 2023 exceed 5%, the continuing connected transactions contemplated under the New Framework Agreement and their respective annual caps therefore are subject to the reporting, announcement and the independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

GENERAL

An EGM will be held for the independent Shareholders to consider, and if thought fit, approve the continuing connected transactions contemplated under the New Framework Agreement and their annual caps at the EGM.

As at the date of this announcement, China Baowu holds approximately 16.66% of the equity interest in the Company (comprising 8.33% directly held by China Baowu and 8.33% indirectly held by China Baowu through Tisco). China Baowu and Tisco have a material interest in the New Framework Agreement and the transactions contemplated thereunder and are therefore required under the Listing Rules to abstain from voting on the resolution to be proposed at the EGM.

An independent board committee of the Company comprising all of the independent non-executive Directors has been formed to advise the independent Shareholders as to whether the continuing connected transactions contemplated under the New Framework Agreement and their annual caps are on normal commercial terms and in the ordinary and usual course of business of the Group, and are fair and reasonable and in the interests of the Company and the Shareholders as a whole. Donvex Capital Limited has been appointed as an independent financial adviser to advise the independent board committee of the Company and the independent Shareholders in this regard.

A circular containing, among other things, (i) a letter from the Board containing further details of the New Framework Agreement and the transactions contemplated thereunder; (ii) a letter of recommendation from the independent board committee of the Company; (iii) a letter of advice from the independent financial adviser to the independent board committee of the Company and the independent Shareholders on the New Framework Agreement; and (iv) other information as required under the Listing Rules will be despatched to the Shareholders on or before 19 February 2021.

DEFINITIONS

“Acquisition”	the acquisition of 51% of the equity interests in Taiyuan Steel by China Baowu on 23 December 2020
“Board”	the board of Directors
“China Baowu”	China Baowu Steel Group Company Limited (中國寶武鋼鐵集團有限公司), a company incorporated in the PRC and a substantial shareholder of the Company
“China Baowu Group”	China Baowu and its subsidiaries, including Taiyuan Steel, STSS and Tisco
“Company”	Da Ming International Holdings Limited (大明國際控股有限公司), a company incorporated in the Cayman Islands with limited liability, the shares of which are listed on the main board of the Stock Exchange
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“Director(s)”	director(s) of the Company
“EGM”	the extraordinary general meeting of the Company to be convened and held for the purpose of considering and, if thought fit, approving the continuing connected transactions contemplated under the New Framework Agreement and their annual caps
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Jiangsu Daming”	Jiangsu Daming Metal Products Company Limited(江蘇大明金屬製品有限公司), a limited company incorporated in the PRC and an indirect wholly-owned subsidiary of the Company

“Jiangsu Daming Group”	Jiangsu Daming and its subsidiaries
“JVC”	Taiyuan Taigang Daming Metal Products Company Limited (太原太鋼大明金屬製品有限公司), a joint venture company owned as to 60% by Jiangsu Daming and 40% by Taiyuan Steel, established pursuant to the shareholders’ agreement dated 13 July 2011. The JVC is an indirect non wholly-owned subsidiary of the Company
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“New Framework Agreement”	the framework agreement dated 27 January 2021 entered into between the Company and China Baowu in relation to (i) the supply of steel by the China Baowu Group to the Group; and (ii) the provision of processed metallic goods and processing services by the Group to the China Baowu Group for the three years ending 31 December 2021, 31 December 2022 and 31 December 2023, respectively
“PRC”	the People’s Republic of China
“RMB”	Renminbi, the lawful currency of the PRC
“Shareholder(s)”	holder(s) of share(s) of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“STSS”	Shanxi Taigang Stainless Steel Co., Ltd. (山西太鋼不鏽鋼股份有限公司), a stainless steel producer and a company whose shares are listed on The Shenzhen Stock Exchange (with stock code 000825)
“STSS Agreements”	the framework agreement dated 22 December 2017 entered into between Jiangsu Daming and STSS in relation to the supply of stainless steel and carbon steel by STSS to Jiangsu Daming Group for each of the years ended 31 December 2018, 31 December 2019 and 31 December 2020, respectively, and the framework agreement dated 30 September 2018 entered into between Jiangsu Daming and STSS in relation to the (i) supply of stainless steel and carbon steel, processed finished goods or processed semi-finished goods; and (ii) provision of processing service by Jiangsu Daming Group to STSS Group for each of the years ended 31 December 2018, 31 December 2019 and 31 December 2020, respectively

“Supply Agreements”	the supply agreements entered into between certain subsidiaries of the Company and certain subsidiaries of China Baowu in relation to ongoing supply of stainless steel and carbon steel by the relevant subsidiaries of the China Baowu Group to the relevant subsidiaries of the Company prior to 23 December 2020
“Taiyuan Steel”	Taiyuan Iron & Steel (Group) Co., Ltd. (太原鋼鐵(集團)有限公司), a state-owned enterprise incorporated in the PRC
“Tisco”	Tisco Stainless Steel (H.K.) Limited, a company incorporated in Hong Kong
“%”	per cent

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

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

Hong Kong, 27 January 2021

As at the date of this announcement, the executive Directors are Mr. Zhou Keming (Chairman), Mr. Jiang Changhong (Chief Executive Officer), Ms. Xu Xia, Mr. Zou Xiaoping, Dr. Fukui Tsutomu, Mr. Zhang Feng and Mr. Wang Jian; the non-executive Directors are Mr. Lin Changchun and Mr. Lu Jian; and the independent non-executive Directors are Mr. Cheuk Wa Pang, Prof. Hua Min, Mr. Lu Daming, Mr. Liu Fuxing and Mr. Hu Xuefa.