
THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

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)

(1) DISCLOSEABLE AND CONNECTED TRANSACTION FORMATION OF JOINT VENTURE IN THE PRC; AND (2) NOTICE OF EXTRAORDINARY GENERAL MEETING

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



A letter from the Board is set out on pages 4 to 14 of this circular. A letter from the Independent Board Committee is set out on page 15 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 16 to 35 of this circular.

A notice convening the EGM to be held at Conference Room A309, Jiangsu Daming Industrial Technology Group Limited, No. 1518 Tongjiang Road, Wuxi, Jiangsu, The People's Republic of China on Tuesday, 8 March 2022 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.

11 February 2022

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DEFINITIONS

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

“Announcement”	the announcement of the Company dated 30 November 2021 in relation to the Equity Transfer Agreement and the transactions contemplated thereunder
“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
“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
“controlling shareholder(s)”	has the meaning ascribed to it under the Listing Rules
“Director(s)”	the director(s) of the Company
“EGM”	the extraordinary general meeting of the Company to be convened and held for the purpose of considering and, if thought fit, approving the Equity Transfer Agreement and the transactions contemplated thereunder
“Equity Transfer Agreement”	the equity transfer agreement dated 30 November 2021 and entered into among the Transferor, Transferee A and Transferee B in relation to the transfer of 20% and 80% of the equity interest of the Target Company to Transferee A and Transferee B, respectively
“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

DEFINITIONS

“Independent Board Committee”	an independent committee of the Board comprising all independent non-executive Directors at the time when such committee was formed, namely, Mr. Cheuk Wa Pang, Prof. Hua Min, Mr. Lu Daming, Mr. Liu Fuxing and Mr. Hu Xuefa, established to advise the Independent Shareholders in respect of the Equity Transfer Agreement and the transactions contemplated thereunder
“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 Equity Transfer Agreement and the transactions contemplated thereunder
“Independent Third Party(ies)”	third party(ies) independent of, and not connected with, the Company or any of its connected persons
“Independent Shareholder(s)”	the Shareholders (other than Mr. Zhou Keming, Ms. Xu Xia and their respective associates) who are not required under the Listing Rules to abstain from voting on the resolution to be proposed at the EGM
“km”	kilometer(s)
“Latest Practicable Date”	8 February 2022, 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
“m”	meter(s)
“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)
“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

DEFINITIONS

“Share(s)”	the ordinary share(s) of HK\$0.10 each in the share capital of the Company
“Shareholder(s)”	holder(s) of the Shares
“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
“Target Company”	大明物流有限公司 (Daming Logistics Co., Limited*), a company established under the laws of the PRC with limited liability which was wholly owned by the Transferor as at the Latest Practicable Date
“Transaction”	the acquisition of 80% equity interest in the Target Company by Transferee B from the Transferor pursuant to the Equity Transfer Agreement
“Transferee A”	江蘇兩江城建開發有限公司 (Jiangsu Liangjiang Construction and Development Co., Ltd.*), a company established under the laws of the PRC with limited liability and an Independent Third Party
“Transferee B”	大明重工有限公司 (Daming Heavy Industry Co., Ltd.*), a company established under the laws of the PRC with limited liability and an indirect wholly-owned subsidiary of the Company
“Transferees”	Transferee A and Transferee B
“Transferor”	無錫大明物流股份有限公司 (Wuxi Daming Logistics Co., Ltd.*), a company established under the laws of the PRC with limited liability and was owned as to 78% by Mr. Zhou Keming and 22% by Ms. Xu Xia as at the Latest Practicable Date
“%”	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. If there is any inconsistency, the Chinese names or words shall prevail.*

LETTER FROM THE BOARD



DA MING INTERNATIONAL HOLDINGS LIMITED

大明國際控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 1090)

Executive Directors:

Mr. Zhou Keming (*Chairman*)
Mr. Jiang Changhong (*Chief Executive Officer*)
Ms. Xu Xia
Mr. Zou Xiaoping
Dr. Fukui Tsutomu
Mr. Zhang Feng
Mr. Wang Jian

Non-executive Directors:

Mr. Lu Jian
Mr. Zhu Baomin

Independent non-executive Directors:

Mr. Cheuk Wa Pang
Prof. Hua Min
Mr. Lu Daming
Mr. Liu Fuxing
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

11 February 2022

To the Shareholders

Dear Sir or Madam,

**(1) DISCLOSEABLE AND CONNECTED TRANSACTION
FORMATION OF JOINT VENTURE IN THE PRC; AND
(2) NOTICE OF EXTRAORDINARY GENERAL MEETING**

INTRODUCTION

Reference is made to the Announcement in relation to the Equity Transfer Agreement and the transactions contemplated thereunder.

LETTER FROM THE BOARD

The purpose of this circular is to provide you with, among other things, (i) further information on the Equity Transfer Agreement and the transactions contemplated thereunder; (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.

FORMATION OF JOINT VENTURE IN THE PRC

The Equity Transfer Agreement

On 30 November 2021, the Transferor, Transferee A and Transferee B (being an indirect wholly-owned subsidiary of the Company) entered into the Equity Transfer Agreement, pursuant to which (i) the Transferor has agreed to dispose of, and Transferee A has agreed to acquire, 20% of the equity interest in the Target Company; and (ii) the Transferor has agreed to dispose of, and Transferee B has agreed to acquire, 80% of the equity interest in the Target Company.

The principal terms of the Equity Transfer Agreement are as follows:

Date: 30 November 2021

Parties:

- (1) The Transferor;
- (2) Transferee A; and
- (3) Transferee B.

For further details of the parties to the Equity Transfer Agreement, please refer to the section headed “Information on the parties to the Equity Transfer Agreement” in this circular.

Subject matter:

- (1) The Transferor has agreed to dispose of, and Transferee A has agreed to acquire, 20% of the equity interest in the Target Company; and
- (2) the Transferor has agreed to dispose of, and Transferee B has agreed to acquire, 80% of the equity interest in the Target Company.

LETTER FROM THE BOARD

Registered capital and capital contribution: The registered capital of the Target Company is RMB350 million. The capital contribution shall be made by 31 December 2041. The registered capital of RMB350 million is determined with reference to the estimated total expenditure for the development and construction of the pier, including approximately RMB32 million for acquisition of the land, RMB250 million as the construction costs, and RMB100 million for acquisition and installation of equipment. The land acquisition costs of approximately RMB32 million is expected to be funded by bank loans to be obtained by the Target Company.

Each of the Transferees shall contribute to the registered capital of the Target Company according to their respective shareholding percentages in the Target Company. Based on the above, the respective amount of capital contribution and the proportion of capital contribution of each of the Transferees are summarised as follows:

	Committed capital contribution <i>(RMB' million)</i>	Percentage of committed capital contribution <i>(%)</i>
Transferee A	70	20
Transferee B	280	80
Total	350	100

According to the Equity Transfer Agreement, the creditor's rights and liabilities of the Target Company prior to the completion of the transfer of the equity interest shall be assumed by Transferee B. According to the Company, (a) the intention of such provision is that the financial results of the Target Company (including its liabilities incurred prior to completion) will be consolidated into the accounts of Transferee B upon completion of the transfer of equity interest in the Target Company; and (b) the Target Company is expected to settle its own liabilities. As at 31 October 2021, the total liabilities of the Target Company is approximately RMB7.5 million and the net assets of the Target Company is approximately RMB0.2 million.

The capital contribution to be made by Transferee B and the liabilities to be assumed by Transferee B under the Equity Transfer Agreement are expected to be funded by the internal resources of the Group.

Consideration: The consideration for the transfer of equity interest in the Target Company from the Transferor to each of Transferee A and Transferee B is RMB0.

LETTER FROM THE BOARD

The consideration for the transfer of equity interest in the Target Company from the Transferor to each of Transferee A and Transferee B was determined after arm's length negotiations among the Transferor and the Transferees taking into account (i) the fact that only RMB2 million had been injected to the Target Company by the Transferor as at the date of the Equity Transfer Agreement; (ii) while certain ancillary approvals had been obtained from the governmental authorities in the PRC, no project for the construction of the pier had been taken up by the Target Company as at the date of the Equity Transfer Agreement; and (iii) the unaudited net assets of the Target Company of approximately RMB0.2 million as at 31 October 2021.

As at the Latest Practicable Date, all necessary approvals from the relevant PRC government authorities for registration and initiation of the pier construction project have been obtained. In order to commence the construction of the pier, completion of the architecture drawings review by the Jingjiang Transportation Bureau is required which is expected to be completed in around February 2022. Subject to unforeseeable events, it is expected that the construction of the pier will commence in or around October 2022 and be completed in or around October 2023. After completion of the pier construction, the Target Company is required to obtain an inspection certificate from the Jingjiang Transportation Bureau.

Based on the above, the Directors (including the independent non-executive Directors, but excluding Mr. Zhou Keming and Ms. Xu Xia) consider that the consideration for the Transaction and the capital contribution to be made by the Group are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

The Target Company was established as a wholly-owned subsidiary of the Transferor on 5 November 2015, and hence there was no original acquisition cost (other than the commitment by the Transferor to contribute to the registered capital of the Target Company) of the equity interest in the Target Company to be acquired by the Transferees.

LETTER FROM THE BOARD

- Conditions:** The Equity Transfer Agreement shall take effect upon the fulfilment of all the conditions below:
- (i) the execution of the Equity Transfer Agreement by the legal representative or authorised representative of the Transferor, Transferee A and Transferee B; and
 - (ii) (if required) the obtaining of the approval of the independent shareholders of the ultimate holding company of Transferee B (being the Company) and the Stock Exchange in accordance with the Listing Rules.

The Equity Transfer Agreement does not contain any provisions that completion of the Transaction is conditional upon obtaining all the required approval(s) from the relevant government authorities in the PRC. Nonetheless, the Board considers the entering of the Equity Transfer Agreement is in the interests of the Company and the Shareholders as a whole because the review of the architecture drawings by the Jingjiang Transportation Bureau, being the only outstanding governmental procedure for commencing the construction, is merely subject to modifications and adjustments of the construction plan, and the chance of rejection or termination of the pier construction project is remote.

The Equity Transfer Agreement does not contain any provisions that any of the conditions can be waived. As at the Latest Practicable Date, condition (i) of the above has been fulfilled.

Save as disclosed, the Company currently does not expect there to be further investment or capital contribution by Transferee B to the Target Company. The estimated costs of RMB32 million for acquisition of the land is expected to be funded by bank loans that will be obtained by the Target Company. The Company currently does not expect to provide any guarantee for such bank loans to be obtained by the Target Company.

As at the Latest Practicable Date, the Transaction has not been completed and the Target Company is wholly owned by the Transferor. Upon completion of the Transaction, the Target Company will become an indirect non wholly-owned subsidiary of the Company. The financial results of the Target Company will be consolidated into the financial statements of the Group.

REASONS FOR AND BENEFITS OF THE TRANSACTION

The Equity Transfer Agreement was entered into so that the Group may have the opportunity to undertake a pier construction project in Jingjiang (靖江), Jiangsu Province (江蘇省), the PRC.

In relation to the pier to be constructed, the platform in respect of the pier is expected to be 254 m in length and 30 m in width. From the main channel of the Yangtze River to the area in which the pier is proposed to be constructed, the navigation width is 160 m to 215 m, the length is about 4.7 km, and the water depth is 9.0 m to 14.1 m. The throughput of the proposed construction is 1 million tonnes per year, which can cover 300,000 tonnes of heavy parts to be exported and 700,000 tonnes of steel to be used as raw materials for production to be imported. The pier is designed for general cargo ship of 40,000 tonnes and heavy cargo ship of 5,000 tonnes or 10,000 tonnes. In respect of the berth, it is expected that parking space for a general cargo ship of 40,000 tonnes will be built, which can accommodate 1 heavy cargo ship of 5,000 tonnes and 1 heavy cargo ship of 10,000 tonnes at the same time.

LETTER FROM THE BOARD

Whilst Transferee A will contribute 20% of the registered capital of the Target Company as capital contribution, the pier construction project is expected to be managed and led by the Group. The expected timetable for the pier construction project (including preliminary works, such as sandblasting, construction of dike and test on piles) is as follows:

Date	Event
January 2022 to May 2022	Sandblasting/construction of dike/test on piles
June 2022 to September 2022	Suspension on construction during the flood season of the Yangtze River
October 2022 to July 2023	Commencement of construction of pier in relation to the waters and land area
August 2023 to September 2023	Installation of equipment
October 2023	Completion of construction

The expected costs for (i) construction of pier; and (ii) acquisition and installation of equipment are approximately RMB250 million and RMB100 million, respectively.

Since the Group has commenced its production at the Jingjiang production base, it has been receiving more large-sized equipment orders. Currently, most of the products produced at the Jingjiang production base are large-sized, lengthy and heavy products which cannot be delivered through road transport cost efficiently or at all. For example, large-sized products with diameter exceeding 10m and length exceeding 65m cannot be transported by road transport, whilst products within such dimensions generally comes with higher transportation costs by road transport, including but not limited to, the additional expenses for loading checks for bridges, removal of traffic lights and high-voltage power cables.

The Group has attempted to make use of the existing piers in the vicinity of its Jingjiang production base, however, these piers could not satisfy the Group's demand for transporting its large-sized products as the sizes and capacities of these piers are too small, or the equipment of those piers is not suitable, to contain or transport large-sized heavy cargo for the Group. The lack of piers specialised for large-sized and heavy cargo shipping has restricted the Group's business development. As such, the Company has decided to construct its own pier instead of acquiring or leasing other available piers nearby.

Moreover, the Group has been receiving more overseas orders for large module casing which generally require direct shipping of the products to the overseas work sites. Since the Group does not have any specialised pier for shipping large-sized heavy cargo, it could only disassemble the products into several parts for transportation and later assemble those parts onsite which increases the assembling costs and undermines the competitiveness of the Group.

LETTER FROM THE BOARD

In view of the above, the Company currently intends to reserve the pier for its internal use for transportation of finished products and raw materials. The Group's current annual output volume of processed steel materials from its Jingjiang production base is approximately 0.8 million tonnes and is expected to further increase and exceed 1 million tonnes in 2022 and 2 million tonnes in 2025. Furthermore, the Group's current output for high-end equipment from its Jingjiang production base is approximately 250,000 tonnes, of which 150,000 tonnes are large-sized and heavy products. Going forward, the annual output for such large-sized and heavy products is expected to further increase to approximately 200,000 tonnes in 2022 and 450,000 tonnes in 2025. It is anticipated that upon the completion of the construction of such pier, the pier would provide the Group with additional logistical support to enhance the distribution and supply network of their raw materials and finished goods, in particular, large-sized and heavy products, and to improve the Group's capacity of accepting production orders for such products.

The payback period of the pier construction project is currently expected to be approximately 10 years after completion of the pier construction assuming that, amongst others, (i) the pier will achieve its operating target and generate a revenue of approximately RMB120 million, comprising RMB110 million from transportation of large-sized and heavy cargo and RMB10 million from transportation of raw materials and other finished goods, in the 4th year after completion of the pier construction, and (ii) the pier will generate a net profit after tax of approximately RMB40 million to RMB50 million in the same year based on the revenue level set out in (i) above.

The formation of the joint venture with Transferee A would allow the Group to, amongst others, share the costs and expenses of the underlying pier construction project without having to seek external bank financing, which would incur additional finance costs, and leverage on the experience and resources of Transferee A in relation to construction and operation of piers. Moreover, given that it is recommended by 江蘇江陰 — 靖江工業園區管理委員會 (Jiangsu Jiangyin – Jingjiang Industrial Park Management Committee*) during the Target Company's application process for the approval on the utilization of the coastline for 20% of the equity stake in the pier construction project in Yangtze River to be owned by state-owned entity, the involvement of Transferee A would satisfy such requirement for obtaining the necessary approvals from the relevant PRC authorities for the pier construction project.

The Directors (including the independent non-executive Directors having taken into account the advice from the Independent Financial Adviser, but excluding Mr. Zhou Keming and Ms. Xu Xia, who are required to abstain from voting on the board resolutions) are of the view that the Equity Transfer Agreement, though not entered in the ordinary and usual course of business of the Group, is on normal commercial terms, and its terms are fair and reasonable and are in the interests of the Company and the Shareholders as a whole.

INFORMATION OF THE GROUP

The Company is a company incorporated in the Cayman Islands with limited liability. The Group is principally engaged in the processing, distribution and sale of stainless steel and carbon steel products.

INFORMATION ON THE PARTIES TO THE EQUITY TRANSFER AGREEMENT

The Transferor

The Transferor is a company established under the laws of the PRC with limited liability and is owned as to 78% by Mr. Zhou Keming and 22% by Ms. Xu Xia as at the Latest Practicable Date. Mr. Zhou Keming is an executive Director and chairman of the Board. Ms. Xu Xia is an executive Director and vice-chairman of the Board. The Transferor is principally engaged in the business of leasing.

LETTER FROM THE BOARD

Transferee A

Transferee A is a company established under the laws of the PRC with limited liability and is principally engaged in port operation and EPC (engineering, procurement and construction).

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, (i) Transferee A is a state-owned company and is wholly owned by 江蘇江陰—靖江工業園區管理委員會 (Jiangsu Jiangyin – Jingjiang Industrial Park Management Committee*) of the Jiangyin people's government of the PRC; and (ii) Transferee A and its ultimate beneficial owners are Independent Third Parties.

Transferee B

Transferee B is a company established in the PRC with limited liability and an indirect wholly-owned subsidiary of the Company. It is principally engaged in the processing, manufacturing and sale of stainless steel products, the sales and processing of metal materials and manufacturing and installing of steel structures, pressure vessels and pressure pipes in the PRC.

INFORMATION ON THE TARGET COMPANY

The Target Company was established under the laws of the PRC with limited liability and is wholly owned by the Transferor as at the Latest Practicable Date. According to the business licence of the Target Company, the principal business of the Target Company includes, amongst others, provision of cargo handling and storage services in respect of public pier, logistics services and transportation related consultancy services. Since its incorporation and up to the Latest Practicable Date, given that the pier is still at the stage of development and construction, the Target Company has neither commenced any provision of services nor recorded any revenue. As at the Latest Practicable Date, the paid-up capital of the Target Company is RMB2 million.

Financial Information of the Target Company

Based on (i) the unaudited financial statements of the Target Company for the two years ended 31 December 2020 prepared in accordance with PRC GAAP; and (ii) the unaudited financial statements of the Target Company for the ten months ended 31 October 2021, the financial information of the Target Company for the financial years ended 31 December 2019 and 2020, and the ten months ended 31 October 2021 is as follows:

	For the financial year ended 31 December 2019	For the financial year ended 31 December 2020	For the ten months ended 31 October 2021
	<i>(unaudited)</i>	<i>(unaudited)</i>	<i>(unaudited)</i>
	<i>(RMB'000)</i>	<i>(RMB'000)</i>	<i>(RMB'000)</i>
Loss before taxation	(210)	(772)	(783)
Loss after taxation	(159)	(588)	(588)

LETTER FROM THE BOARD

	As at 31 December 2019 <i>(unaudited)</i> <i>(RMB'000)</i>	As at 31 December 2020 <i>(unaudited)</i> <i>(RMB'000)</i>	As at 31 October 2021 <i>(unaudited)</i> <i>(RMB'000)</i>
Net assets	1,342	754	166

The Target Company had recorded continuous loss for the two financial years ended 31 December 2020 and the ten months ended 31 October 2021 primarily because the pier is still at the stage of development and construction, and therefore, the Target Company has not recorded any revenue but only expenses for preparation of the pier development and construction during such period.

LISTING RULES IMPLICATIONS

As at the Latest Practical Date, (i) Mr. Zhou Keming is a Director and controlling shareholder of the Company; and (ii) the Transferor is owned as to 78% by Mr. Zhou Keming and 22% by Ms. Xu Xia. Accordingly, the Transferor is an associate of Mr. Zhou, and hence, a connected person of the Company.

As one or more of the applicable percentage ratios under the Listing Rules in respect of the Transaction exceeds 5% but is less than 25%, the Transaction constitutes (i) a discloseable transaction of the Company and is subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules; and (ii) a connected transaction of the Company and is subject to the reporting, announcement and independent shareholders' approval 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 Equity Transfer Agreement and the transactions contemplated thereunder. Each of Mr. Zhou Keming, Ms. Xu Xia and their respective associates will abstain from voting on the resolution in respect of the Equity Transfer Agreement and the transactions contemplated thereunder at the EGM.

Save and except for Mr. Zhou Keming and Ms. Xu Xia, who are shareholders of the Transferor and are materially interested in the Transaction and had therefore abstained from voting on the board resolutions approving the Equity Transfer Agreement and the transactions contemplated thereunder, none of the other Directors had any material interest in the Equity Transfer Agreement and the transactions contemplated thereunder.

EGM

The EGM will be held at Conference Room A309, Jiangsu Daming Industrial Technology Group Limited, No. 1518 Tongjiang Road, Wuxi, Jiangsu, The People's Republic of China on Tuesday, 8 March 2022 at 3:00 p.m., to consider and, if thought fit, approve the Equity Transfer Agreement and the transactions contemplated thereunder. Any Shareholder with a material interest in the transactions will be required to abstain from voting on the resolution to approve the Equity Transfer Agreement and the transactions contemplated thereunder.

As at the Latest Practicable Date, Mr. Zhou Keming, Ms. Xu Xia and their respective associates, which were interested in, in aggregate, 793,551,000 Shares, representing approximately 62.26% of the issued share capital of the Company, will abstain from voting at the EGM on the resolution in relation to the Equity Transfer Agreement and the transactions contemplated thereunder.

LETTER FROM THE BOARD

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 Sunday, 6 March 2022 (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.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Thursday, 3 March 2022 to Tuesday, 8 March 2022, 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 Wednesday, 2 March 2022.

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 at the time when such committee was formed, namely Mr. Cheuk Wa Pang, Prof. Hua Min, Mr. Lu Daming, Mr. Liu Fuxing and Mr. Hu Xuefa, has been established to advise and provide recommendation to the Independent Shareholders in respect of the Equity Transfer Agreement and the transactions contemplated thereunder.

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 Equity Transfer Agreement and the transactions contemplated thereunder.

LETTER FROM THE BOARD

RECOMMENDATION

Your attention is drawn to the letter from the Independent Board Committee to the Independent Shareholders set out on page 15 of this circular which contains its recommendation to the Independent Shareholders in relation to the Equity Transfer Agreement and the transactions contemplated thereunder, and the letter from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders set out on pages 16 to 35 of this circular which contains its advice to the Independent Board Committee and the Independent Shareholders in relation to the Equity Transfer Agreement and the transactions contemplated thereunder.

The Directors (including the independent non-executive Directors having taken into account the advice of the Independent Financial Adviser, but excluding Mr. Zhou Keming and Ms. Xu Xia who are required to abstain from voting on the board resolutions) are of the view that the Equity Transfer Agreement, though not entered in the ordinary and usual course of business of the Group, is on normal commercial terms, and its terms 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 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
Zou Xiaoping
Vice-chairman and Executive Director



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)

11 February 2022

To the Independent Shareholders

Dear Sir/Madam,

**DISCLOSEABLE AND CONNECTED TRANSACTION
FORMATION OF JOINT VENTURE IN THE PRC**

We refer to the circular of the Company dated 11 February 2022 (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 Equity Transfer Agreement is on normal commercial terms, in the ordinary and usual course of business of the Group, and whether its terms are fair and reasonable and are 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 Equity Transfer Agreement and the transactions contemplated thereunder.

We wish to draw your attention to the letter from the Board as set out on pages 4 to 14 of the Circular and the text of a letter of advice from the Independent Financial Adviser as set out on pages 16 to 35 of the Circular, both of which provide details of the Equity Transfer Agreement and the transactions contemplated thereunder.

Having taken into account the terms of the Equity Transfer Agreement and the principal factors and reasons considered by the Independent Financial Adviser and its advice, we are of the opinion that the Equity Transfer Agreement, though not entered in the ordinary and usual course of business of the Group, is on normal commercial terms, and its terms are fair and reasonable and are 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 Equity Transfer Agreement and the transactions contemplated thereunder.

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. Lu Daming Mr. Liu Fuxing Mr. Hu Xuefa

Independent Non-Executive Directors

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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

11 February 2022

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

Dear Sir/Madam,

DISCLOSEABLE AND CONNECTED TRANSACTION IN RELATION TO FORMATION OF JOINT VENTURE IN THE PRC

INTRODUCTION

We refer to our engagement as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in relation to the Equity Transfer Agreement and the Transaction, 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 11 February 2022 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 30 November 2021, Transferee B, an indirect wholly-owned subsidiary of the Company, entered into the Equity Transfer Agreement with the Transferor and Transferee A, pursuant to which (i) the Transferor has agreed to dispose of, and Transferee A has agreed to acquire, 20% of the equity interest in the Target Company; and (ii) the Transferor has agreed to dispose of, and Transferee B has agreed to acquire, 80% of the equity interest in the Target Company.

As at the Latest Practicable Date, (i) Mr. Zhou Keming (“**Mr. Zhou**”) is a Director and controlling shareholder of the Company; and (ii) the Transferor is owned as to 78% by Mr. Zhou and 22% by Ms. Xu Xia (“**Ms. Xu**”), the spouse of Mr. Zhou. Accordingly, the Transferor is an associate of Mr. Zhou and hence a connected person of the Company. As such, the Transaction constitutes a connected transaction of the Company and is subject to the reporting, announcement and independent shareholders’ approval requirements under Chapter 14A of the Listing Rules.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Pursuant to Rule 13.39(4) of the Listing Rules, all resolutions will be passed by way of poll at the EGM. Any shareholder with a material interest in the Equity Transfer Agreement and his/her close associates will abstain from voting on the ordinary resolutions for approving the Equity Transfer Agreement and the transactions contemplated thereunder at the EGM. To the extent that the Company is aware, having made all reasonable enquiries, other than the Mr. Zhou, Ms. Xu and their respective associates, no Shareholder will be required under the Listing Rules to abstain from voting on the ordinary resolution for approving the Equity Transfer Agreement and the transactions contemplated thereunder at the EGM. As at the Latest Practicable Date, Mr. Zhou is the controlling Shareholder of the Company.

The Independent Board Committee, comprising all of the independent non-executive Directors at the time when such committee was formed, namely Mr. Cheuk Wa Pang, Prof. Hua Min, Mr. Lu Daming, Mr. Liu Fuxing and Mr. Hu Xuefa, has been established to advise the Independent Shareholders on (a) whether the terms of the Equity Transfer Agreement is fair and reasonable and in the interest of the Company and the Shareholders as a whole; (b) whether the Transaction is on normal commercial terms and in the Company's ordinary and usual course of business; and (c) how the Independent Shareholders should vote in respect of the resolution to approve the Equity Transfer Agreement and the transactions contemplated thereunder 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.

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 (a) the revision of the existing annual caps of the continuing connected transactions under the new framework agreement, details of which are set out in the circular of the Company dated 24 November 2021; and (b) the continuing connected transactions under the new framework agreement, details of which are set out in the circular of the Company dated 10 May 2021 (the "**Previous Engagements**"). 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 supplemental agreement to revise the existing annual caps of the continuing connected transactions under the new framework agreement for the financial years ending 31 December 2021, 2022 and 2023; and (ii) the continuing connected transactions under the new 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 Previous Engagements and the transactions disclosed in the Circular, 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.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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 Equity Transfer Agreement and the Transaction. 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.

We consider that we have reviewed sufficient information to reach an informed view regarding the Equity Transfer Agreement, 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 their consideration of the Transaction, 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.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

PRINCIPAL FACTORS AND REASONS CONSIDERED

A. Background information on the Group, Target Company, Transferor, Transferee A and Transferee B

1. 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.

The tables below set forth a summary of the consolidated financial information of the Company for the year ended 31 December 2019 (“FY2019”), the year ended 31 December 2020 (“FY2020”), six months ended 30 June 2020 (“1H2020”), and six months ended 30 June 2021 (“1H2021”) as extracted from the annual report for FY2020 (“2020 Annual Report”) and the interim report for 1H2021 (“2021 Interim Report”) of the Company:

	FY2019	FY2020	1H2020	1H2021
	<i>RMB million</i>	<i>RMB million</i>	<i>RMB million</i>	<i>RMB million</i>
	(Audited)	(Audited)	(Unaudited)	(Unaudited)
Total revenue	35,509	35,133	15,634	22,385
Profit after taxation	196	386	141	468

	As at 31 December		As at 30 June
	2019	2020	2021
	<i>RMB million</i>	<i>RMB million</i>	<i>RMB million</i>
	(Audited)	(Audited)	(Unaudited)
Cash and cash equivalents	162	103	365
Net assets	2,934	3,316	3,692

Revenue

The revenue of the Group decreased from approximately RMB35,509 million for FY2019 to approximately RMB35,133 million for FY2020, which was mainly due to the temporary suspension of business operation in the first quarter of 2020 as a result of the pandemic of COVID-19.

The revenue of the Group increased from approximately RMB15,634 million for 1H2020 to approximately RMB22,385 million for 1H2021, which was mainly attributable to the improvement in operating efficiency and contribution from the project business, further processing services and manufacturing business during the period.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Profit after taxation

The profit after taxation of the Group increased from approximately RMB196 million for FY2019 to approximately RMB386 million for FY2020, which was mainly due to the improvement in operating efficiency of the Group's processing services and the increasing profit contributed from the manufacturing business of the Group during FY2020.

The profit after taxation of the Group increased from approximately RMB141 million for 1H2020 to approximately RMB468 million for 1H2021, which was mainly attributable to the increase in the overall revenue of the Group during 1H2021.

Cash and cash equivalents

The cash and cash equivalents of the Group decreased from approximately RMB162 million as at 31 December 2019 to approximately RMB103 million as at 31 December 2020, which was mainly due to the decrease in net cash generated from financing activities as a result of the increase in the repayment of bank borrowings and the restricted bank deposits pledged for bank borrowings during FY2020.

The cash and cash equivalents of the Group increased from approximately RMB103 million as at 31 December 2020 to approximately RMB365 million as at 30 June 2021, which was mainly due to the net effect of (a) the increase in net cash from operating activities as a result of the increase in the gross profit; (b) the increase in net cash used in investing activities as a result of the purchase of property, plant and equipment; and (c) the increase in net cash generated from financing activities as a result of the increasing bank borrowings in 1H2021.

Net assets

The net assets of the Group increased from approximately RMB2,934 million as at 31 December 2019 to approximately RMB3,316 million as at 31 December 2020, which was mainly due to the increase in profit after taxation for FY2020.

The net assets of the Group increased from approximately RMB3,316 million as at 31 December 2020 to approximately RMB3,692 million as at 30 June 2021, which was mainly due to the net effect of (a) the increase in profit after taxation for 1H2021; and (b) the distribution of dividends in 1H2021.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

2. *Target Company, Transferor, Transferee A and Transferee B*

(a) *Target Company*

The Target Company is a company incorporated in the PRC and a direct wholly-owned subsidiary of the Transferor.

According to the business licence of the Target Company, the principal business of the Target Company includes, amongst others, provision of cargo handling and storage services in respect of public pier, logistics services and transportation related consultancy services. Since its incorporation and up to the Latest Practicable Date, given that the pier of the Target Company (the “**Pier**”) is still at the stage of development and construction, the Target Company did not commence its business and no revenue was recorded during FY2019, FY2020 and ten months ended 31 October 2021 (“**10M2021**”).

The tables below set forth a summary of the of the unaudited financial information of the Target Company prepared in accordance with China Accounting Standards for two years ended 31 December 2020 and 10M2021:

	FY2019	FY2020	10M2021
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)	(Unaudited)
Loss after taxation	(159)	(588)	(588)
		As at	As at
	As at 31 December	31 October	
	2019	2020	2021
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)	(Unaudited)
Total assets	4,760	5,527	7,633
Total liabilities	3,418	4,773	7,467
Net assets	1,342	754	166

Loss after taxation

The Target Company had recorded continuous loss for FY2019, FY2020 and 10M2021. During the above periods, the Target Company did not record revenue and only incurred expenses as the Target Company did not commence its business in the respective period.

The loss after taxation of the Target Company increased from approximately RMB159,000 in FY2019 to approximately RMB588,000 in FY2020, which was mainly attributable to the increase in the payroll for the preparation of the construction of the Pier (the “**Pier Construction**”).

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Total assets

The total assets of the Target Company amounted to approximately RMB4.8 million, RMB5.5 million, and RMB7.6 million as at 31 December 2019 and 2020 and 31 October 2021, respectively. The overall increase in total asset of the Target Company was mainly due to the increase in the construction in progress as a result of the increase in the cost of the preparation for the Pier Construction, including but not limited to the design of the Pier and geotechnical investigation of the location of the Pier.

Total liabilities

The total liabilities of the Target Company amounted to approximately RMB3.4 million, RMB4.8 million, and RMB7.5 million as at 31 December 2019 and 2020 and 31 October 2021, respectively. The overall increase in total liabilities of the Target Company was mainly due to the increase in other payable, which mainly represented the retention payables from the construction companies for the Pier Construction.

(b) the Transferor

The Transferor is a company incorporated in the PRC with limited liability and is held as to 78% by Mr. Zhou and 22% by Ms. Xu as at the Latest Practicable Date. Mr. Zhou is an executive Director and chairman of the Board. Ms. Xu is an executive Director and vice-chairman of the Board. The Transferor is principally engaged in the business of leasing.

(c) Transferee A

As at the Latest Practicable Date, Transferee A is a state-owned company and is wholly owned by Jiangsu Jiangyin- Jingjiang Industrial Park Management Committee (江蘇江陰—靖江工業園區管理委員會) of the Jiangyin people's government of the PRC.

Transferee A is a company incorporated in the PRC with limited liability and is principally engaged in port operation and EPC (engineering, procurement and construction).

(d) Transferee B

Transferee B is a company established in the PRC with limited liability and an indirect wholly-owned subsidiary of the Company. It is principally engaged in the processing, manufacturing and sale of stainless steel products, the sales and processing of metal materials and manufacturing and installing of steel structures, pressure vessels and pressure pipes in the PRC.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

B. The Equity Transfer Agreement

The principal terms of the Equity Transfer Agreement are summarized as follows:

Date

30 November 2021

Parties

- (a) Transferor;
- (b) Transferee A; and
- (c) Transferee B, an indirect wholly-owned subsidiary of the Company.

Nature of the Transaction

As at the Latest Practicable Date, the Target Company is a wholly-owned subsidiary of Transferor.

Pursuant to the Equity Transfer Agreement, (i) the Transferor has agreed to dispose of, and Transferee A has agreed to acquire, 20% of the equity interest in the Target Company; and (ii) the Transferor has agreed to dispose of, and Transferee B has agreed to acquire, 80% of the equity interest in the Target Company.

Registered capital and capital contribution

The registered capital of the Target Company is RMB350 million. The capital contribution shall be made by 31 December 2041.

Each of the Transferees shall contribute to the registered capital of the Target Company according to their respective shareholding percentages in the Target Company. Based on the above, the respective amount of capital contribution and the proportion of capital contribution of each of the Transferees are summarized as follows:

	Committed capital contribution <i>(RMB' million)</i>	Percentage of committed capital contribution <i>(%)</i>
Transferee A	70	20
Transferee B	280	80
Total	350	100

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

As advised by the Company, the register capital of the Target Company was determined with the reference to the budget cost for the Pier Construction (the “**Budget Cost**”) of approximately RMB382 million. In assessing the fairness and reasonableness of the register capital of the Target Company, we have performed the following analysis:

1. Our assessment on the Budget Cost

As advised by the Directors, the following table set forth the details of the Budget Cost:

Items	Budget Cost <i>(RMB' million)</i>	Proposed source of fund
Acquisition of the land	32	Bank loan
Construction cost, including but not limited to (i) payroll for workers; and (ii) cost for the building materials	250	Capital contribution
Acquisition and installation of equipment	100	Capital contribution
Total	382	

We understand that the Budget Cost was issued by an independent engineering consultancy company (the “**Consultant**”), which is a wholly-owned subsidiary of one of the Fortune Global 500 companies and has sufficient experience in planning, consulting, investigating and designing in ports, including but not limited to Yangpu port, Yangzhou Port, Mabianzhou Port and Heshangdao Port.

For our due diligence purpose, we have discussed the Budget Cost with the Consultant and reviewed the detailed calculation in the Budget Cost, and further noted that:

- (i) the Budget Cost was prepared on the basis of the market price of the construction material and equipment (i.e., concrete, pipe piles and rebar), the quantity of materials in need of the Pier Construction, the minimum wage of the labor costs for the construction workers in Jingjiang City and the value-added tax for the Pier Construction. We have searched the market price of the materials and the minimum wage of the Jingjiang City, and found that (a) the market price of the construction material and equipment used in the Budget Cost was determined with the reference to their respective actual market price; and (b) the minimum wage of labor cost adopted in the Budget Cost was determined with the reference to the minimum wage of Jingjiang City in 2021. We also found that the value-added tax rate used in the Budget Cost is line with the value-added tax rate required under the tax law of the PRC for the construction industry; and

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

- (ii) the architecture drawings of the Pier was designed by the Consultant in compliance with the national safety standards for the Pier Construction, thus the quantity for the materials and equipment could be accurately estimated for the Pier Construction.

Based on our view, the methodology and basis of the Budget Cost adopted by the Consultant is fair and reasonable.

2. Our assessment on the capital contribution commitment

Pursuant to the Budget Cost and proportion of the capital contribution of each of the Transferees, taking into account that:

- (i) the registered capital of the Target Company was determined with reference to the Budget Cost, including (a) the construction costs; and (b) the cost of acquisition and installation of equipment, which is fair and reasonable;
- (ii) the respective capital contribution of Transferee A and Transferee B was determined with reference to (a) the aforementioned registered capital; and (b) their respective shareholding percentage in the Target Company; and
- (iii) no further investment or capital construction by Transferee B to the Target Company,

we considered that the consideration of the capital contribution is fair and reasonable and in the interests of the Company and the Shareholders as a whole.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Expected timetable for the Pier Construction

In assessing the fairness and reasonableness of the timetable for the Pier Construction, we have interviewed the Consultant and reviewed the schedule of the Pier Construction. The following table sets forth the detailed tentative timetable and respective construction work to be performed from January 2022 to October 2023:

Date	Event
January 2022 to May 2022	Sandblasting, construction of dike and test on piles
June 2022 to September 2022	Suspension on construction during the flood season of the Yangtze River
October 2022 to July 2023	Commencement of Pier Construction in relation to the waters and land area

<i>Including:</i>	
<i>November 2022 to March 2023</i>	<i>Drilling and piling</i>
<i>February 2023 to May 2023</i>	<i>Pouring the concrete and building up the foundation of the Pier</i>
<i>April 2023 to July 2023</i>	<i>Building up the reinforcement bars, external panels and stringer for the main structure of the Pier</i>

August 2023 to September 2023	Installation of equipment
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<i>Including:</i>	
<i>August 2023 to September 2023</i>	<i>Installing the shipping cargo handling equipment, the infrastructure for electricity, communication and the ancillary facilities for land area</i>

October 2023	Completion of construction
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As advised by the Consultant, we understand that the expected timetable for the Pier Construction was determined with the reference to the following:

(i) Sandblasting, construction of dike and test on piles

the structure of the Pier contained a large number of the steel piles to support the whole structure of the Pier, which required the preparation, including but not limited to sandblasting, construction of dike and test on piles, for the subsequent stages of the Pier Construction from January 2022 to May 2022;

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

(ii) Suspension on construction during the flood season of the Yangtze River

the construction in the water area of the Pier will still be ongoing in May 2022. However, the Pier Construction would be suspended from June 2022 to September 2022 since the flood season of the Yangtze River, which is expected to last from June to September every year, could put the Pier Construction and the construction workers at risk as a result of the high flow velocity and high water-level of the Yangtze River during its flood season, thus it is reasonable to suspend the construction during this period; and

(iii) Commencement of construction of Pier in relation to the waters and land area, and installation of equipment

referring to the schedule of the Pier Construction, considering the complexity and the on-site conditions of the Pier Construction, the construction team will be required to proceed the progressive construction stages from October 2022 for the commencement of Pier Construction, including but not limited to:

- (a) drilling and piling into the riverbed with the use of dredger, piling ships, carriers and crane ships from November 2022 to March 2023;
- (b) pouring the concrete and building up the foundation of the Pier from February 2023 to May 2023 by using ferry service;
- (c) Using the reinforcement bars, external panels and stringer for the main structure of the Pier from April 2023 to July 2023; and
- (d) installing the shipping cargo handling equipment and the infrastructure for the electricity, communication facilities and roads and ancillary facilities for land area from August 2023 to September 2023.

In light of the above, we are of the view that the expected timetable for the Pier Construction is fair and reasonable.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Payback period of the Pier

As disclosed in the Letter from the Board, the payback period of the Pier is currently expected to be approximately 10 years after the completion of the Pier Construction, which is determined based on the following assumptions:

- (i) the Pier will achieve its operating target and generate a revenue of approximately RMB120 million, including RMB110 million from transportation of large-sized and heavy cargo and RMB10 million from transportation of raw materials and other finished goods, in the 4th year after completion of the Pier Construction; and
- (ii) the Pier will generate a net profit after tax of approximately RMB40 million to RMB50 million in the same year based on the revenue level set out in (i) above.

To assess the fairness and reasonableness of the payback period of the Pier, we have reviewed the financial forecast of the Pier for each of the ten years ending 31 December 2032. We noted that:

- (i) the revenue generated from (1) the delivery of the large-sized and heavy cargo; and (2) the raw materials and other finished goods is determined with reference to:
 - (a) the quantity of the large-sized and heavy cargo to be produced, which is ascertained based on (1) the sales and purchase agreements in relation to the large-sized and heavy cargo entered into between the Transferee B and its customers in 2022; and (2) the sales orders on hand as at 31 October 2021;
 - (b) the quantity of the raw materials and other finished goods to be delivered to the customers of the Transferee B, which is ascertained based on the sales orders and the sales contracts on hand as at 31 October 2021; and
 - (c) the transportation service fee for each of the large-sized and heavy cargo and each ton of the raw materials and other finished goods, which is determined with reference to the expense charged by the other piers in the vicinity of the Pier for providing similar services;
- (ii) the net profit after tax was determined with reference to (1) the forecasted revenue as stated in (i) above; and (2) the net profit margin for the Pier, which was ascertained with reference to the net profit margin or segment profit margin of the companies which were principally engaged in the port transportation and operation business and listed on the Stock Exchange for the year ended 31 December 2020.

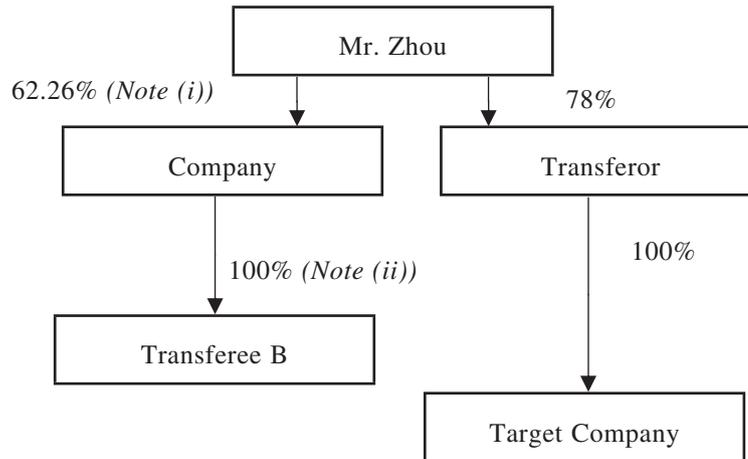
As such, we considered that the payback period of the Pier is fair and reasonable.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

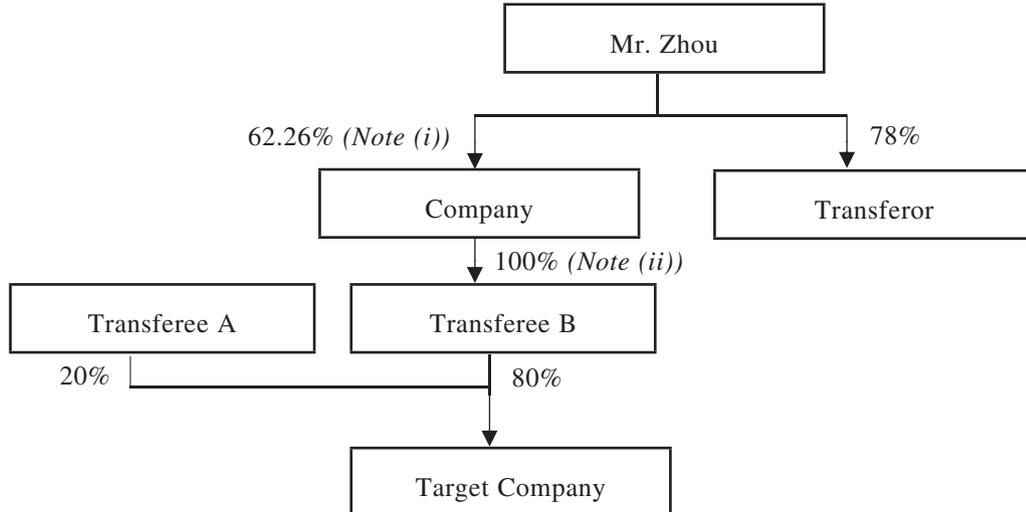
Shareholding structure

The following graphs indicate the shareholding structure of the Target Company as at the Latest Practicable Date and upon the completion of Transaction:

Shareholding structure as at the Latest Practicable Date:



Shareholding structure upon the completion of Transaction:



Notes:

- (i) *Mr. Zhou, together with his associates, are interested in approximately 62.26% of total issued shares of the Company. Mr. Zhou is a Director and controlling shareholder of the Group.*
- (ii) *Transferee B is an indirect wholly-owned subsidiary of the Company.*

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Consideration

The consideration for the transfer of equity interest in the Target Company from the Transferor to each of Transferee A and Transferee B is nil.

The consideration for the transfer of equity interest in the Target Company from the Transferor to each of Transferee A and Transferee B was determined after arm's length negotiations among the Transferor and the Transferees taking into account (i) the fact that only RMB2 million had been injected to the Target Company by the Transferor as at the date of the Equity Transfer Agreement; (ii) while certain ancillary approvals had been obtained from the governmental authorities in the PRC, no project for the Pier Construction had been taken up by the Target Company as at the date of the Equity Transfer Agreement; and (iii) the unaudited net assets of the Target Company of approximately RMB0.2 million as at 31 October 2021.

We are of the view that the consideration of the Equity Transfer Agreement is fair and reasonable and in the interests of the Company and the Shareholders as a whole due to the following reasons:

- (i) the Target Company did not commence its business and has been suffering loss for two consecutive years ended 31 December 2020 and 10M2021;
- (ii) the Transferor has injected RMB2 million in the Target Company as the date of the Equity Transfer Agreement;
- (iii) the Transferor, which is held as to 78% by Mr. Zhou and 22% by Ms. Xu as at the Latest Practicable Date, had issued a letter of support to the Target Company indicating that Transferor will provide adequate financial support to the Target Company. The Target Company will settle its own liabilities when falling due. In the event that the Target Company is unable to settle its own liabilities, the Transferor would provide financial assistance to the Target Company to settle the liabilities. We have obtained and reviewed the letter of support which stated that the Transferor would (a) provide financial assistance to the business operation of the Target Company where necessary; and (b) ensure the liabilities of the Target Company would be settled when falling due; and
- (iv) the final approval of the proposal for the Pier Construction has already been obtained from the Ministry of Transport of the PRC, which took the Target Company approximately seven months for completing the respective application. It would be time-saving to acquire the Target Company to construct the Pier rather than to undergo the entire procedures to apply for the government approvals for the Pier Construction by the Transferee B itself.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Conditions precedent

The Equity Transfer Agreement will take effect upon fulfilment of all conditions precedent as set out below:

- (I) the execution of the Equity Transfer Agreement by the legal representative or authorised representative of the Transferor, Transferee A and Transferee B; and
- (II) (if required) the obtaining of the approval of the independent shareholders of the ultimate holding company of Transferee B (being the Company) and the Stock Exchange in accordance with the Listing Rules.

The Equity Transfer Agreement does not contain any provisions that any of the conditions can be waived. As at the Latest Practicable Date, the conditions precedent (I) has been fulfilled.

The completion of the Transaction is not conditional upon obtaining all the required approval(s) from the relevant government authorities in the PRC.

We are of the view that the entering into of the Equity Transfer Agreement is in the interests of the Company and the Shareholders as a whole due to the following reasons:

- (i) the Target Company had internally assessed the architecture drawings before it submitted these documents to Jingjiang Transportation Bureau and was of the view that the feasibility for the design of the Pier had fulfilled the requirement of the national safety standards for the Pier Construction; and
- (ii) as disclosed under the section headed “C. Reasons for and benefits of the Transaction” in this letter, the final approval in relation to the above proposal has been obtained by the Target Company in June 2021 from the Ministry of Transport of the PRC. The commencement of the Pier Construction is only subject to the approval of the architecture drawings by Jingjiang Transportation Bureau. We are advised by the Directors that the chance of the Pier Construction being rejected is remote due to the fact that (a) Jingjiang Transportation Bureau will uphold the decision made by the Ministry of Transport of the PRC; and (b) Jingjiang Transportation Bureau is mainly responsible for the assessment on the reasonableness and feasibility of the design in accordance with the requirement of the national safety standards for the Pier Construction.

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C. Reasons for and benefits of the Transaction

The Group proposed to acquire 80% equity interest in the Target Company given that the Group intended to erect a pier for the following reasons:

(1) *The piers in the vicinity of Transferee B are unable to handle the delivery of the massive pressure vessels.*

According to the Letter of the Board, the Transferee B is principally engaged in the processing, manufacturing and sale of stainless steel products in the sales and processing of metal materials and manufacturing and installing of steel structures, pressure vessels and pressure pipes. The pressure vessel is a container which is designed to hold gas or liquid such as ethylene at a pressure substantially different from the ambient pressure. As the customers required Transferee B to manufacture the specialized and customized pressure vessels with larger capacity and higher safety standard, the weight and size of these pressure vessels would increase as more metal materials were used to thicken and strengthen the shells of these pressure vessels.

Transferee B has made an endeavor to take full advantage of the five existing piers in its vicinity for the delivery of the pressure vessels. Nevertheless, according to the information provided by the Directors, including (i) the size of the five existing piers; (ii) the length and estimated volume of the pressure vessels; and (iii) the size of the vehicles for delivering the pressure vessels, such as trucks, these piers could not fulfill the requirements of Transferee B to deliver the pressure vessels since the total land sizes of these five piers are too small to handle the delivery of the gigantic pressure vessels. In particular:

- (a) the turning radius of the road in one of the piers is not large enough for the trucks to complete delivery of the pressure vessels, and the truck drivers would be easily involved in a traffic accident if they try to complete the above delivery on the road with a small turning radius; and
- (b) the land size of other four piers are too small to complete the delivery of such massive pressure vessels.

(2) *The road transportations are not suitable for the logistic of heavy cargo.*

In view of the size and the weight of the pressure vessels, it is also difficult for Transferee B to deliver the products by road transportation due to the following reasons:

- (a) as most of the roads and highways were not designed to bear the weight of the trucks with such heavy pressure vessels, it would be difficult for Transferee B to obtain the approval for the delivery of pressure vessels via road transportation from Traffic and Police Department of Jingjiang City; and

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- (b) even though Transferee B would be approved to deliver the pressure vessels via road transportation by Traffic and Police Department of Jingjiang City, the time for the transportation of the pressure vessels would be difficult to be estimated upon the entering into of a sales and purchase agreement between Transferee B and the customers since Transferee B would be unable to confirm the route for the delivery until such delivery has been approved by and the route of the delivery has been arranged by Traffic and Police Department of Jingjiang City.

Taking into account the factors of the road transportation and the nearby piers as mentioned above, the Group intended to build a pier to expand its business on the manufacturing and sales of the pressure vessels.

- (3) ***The demand for the pressure vessels would increase in the future due to the increase in the demand of ethylene.***

As disclosed in the report, namely, Price of Ethylene peaked whereas price of coal goes back to normal (《乙烯價格再創新高、煤炭價格理性回歸》), dated 24 October 2021 (website: https://pdf.dfcfw.com/pdf/H3_AP202110261525046293_1.pdf?1635254085000.pdf), issued by East Asia Qianhai Securities Co., Ltd., a security firm established in the PRC, as the pandemic of COVID-19 has been gradually controlled, the demand of thin film, which is made from ethylene, has been increased in agriculture industry. In addition, the film of the lithium battery is also made from polyethylene, which is produced from ethylene. Considering the efforts by the PRC government to develop clean energy and the prospect of the development of new energy vehicles in the future, we are of the view that the demand for the ethylene will eventually increase, and the demand for the pressure vessels will also be driven.

- (4) ***It would be timesaving for Transferee B to acquire the equity interest of the Target Company to construct the Pier.***

Prior to the entering into of the Equity Transfer Agreement, the Target Company has already obtained the following approvals of the proposal in relation to the Pier Construction from:

- (i) China Maritime Safety Administration, pursuant to the administrative permission for the utilization of the coastline (《海事行政許可決定書》);
- (ii) Changjiang River Administration of Navigational Affairs, pursuant to the administrative permission for the flood assessment (《長江水利委員會關於泰州港靖江港區八圩作業區大明物流有限公司碼頭工程洪水影響評價的行政許可決定》); and
- (iii) Ministry of Water Resource of the PRC, pursuant to the administrative permission for the waterway assessment (《長航局關於泰州港靖江港區八圩作業區大明物流有限公司碼頭工程航道同行條件影響評價的審核意見》)

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to undertake the Pier Construction project near one of the processing centers of the Group since December 2020. According to the approval on the utilization of the coastline (《交通運輸部關於泰州港靖江港區八圩作業區大明物流有限公司碼頭工程使用港口岸線的批復》), the final approval in relation to the above proposal has been obtained by the Target Company in June 2021 from the Ministry of Transport of the PRC. The commencement of the Pier Construction is only subject to the approval of the architecture drawings by Jingjiang Transportation Bureau.

The Target Company has already submitted the architecture drawings to Jingjiang Transportation Bureau to apply for the commencement for the Pier Construction. Up to the Latest Practicable Date, the architecture drawings are still under review by Jingjiang Transportation Bureau and the Pier Construction has not started yet. It is expected that the architecture drawings will be approved by Jingjiang Transportation Bureau and the Pier Construction will commence no later than October 2022.

Considering:

- (i) the Target Company had tried to apply for the change in the applicant of the Pier Construction from the Target Company to Transferee B, but was rejected by Ministry of Transport of the PRC; and
- (ii) the Target Company had already obtained the approval for the proposal in relation to the Pier Construction in June 2021 whereas it would take at least seven months for Transferee B to obtain the above approval for the further Pier Construction by itself starting from the Latest Practicable Date,

we are of the view that it is reasonable for Transferee B to enter into the Equity Transfer Agreement.

(5) Conclusion

Considering (i) the incapability to handle the delivery of the pressure vessels by the nearby piers; (ii) the difficulties Transferee B faced to deliver the pressure vessels by road transportation; (iii) the demand for the pressure vessels and ethylene in the future; (iv) it would be timesaving to acquire the Target Company to construct the Pier; and (v) the consideration of the Transaction is nil, we are of the view that the terms of the Equity Transfer Agreement is fair and reasonable and the Transaction is in the interests of the Shareholders as a whole.

D. Financial impact of the Transaction to the Company

Upon completion of the Transaction, the Target Company will become an indirect subsidiary of the Company, and the financial results of the Target Company will be consolidated into the financial statements of the Group.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

It should be noted that the analyses above are for illustrative purpose only and do not purport to represent how the financial positions and performance of the Company will be after the entering into of the Equity Transfer Agreement. Having considered the reasons for and the benefits of entering into the Equity Transfer Agreement, details of which are set out under the section headed “C. Reasons for and benefits of the Transaction” in this letter, we are of the view the Transaction is fair and reasonable and in the interests of the Company and the Independent Shareholders as a whole.

RECOMMENDATION

Having taken into consideration the factors and reasons as stated above, we are of the opinion that (a) the terms of the Equity Transfer Agreement is fair and reasonable and in the interest of the Company and the Shareholders as a whole; and (b) while the Transaction is not in the ordinary and usual course of business, the Transaction is on normal commercial terms or better to the Company.

Accordingly, we recommend the Independent Board Committee to advise the Independent Shareholders to vote in favor of the resolution(s) to be proposed at the EGM to approve the Equity Transfer Agreement and the Transaction and we recommend the Independent Shareholders to vote in favor of the resolution(s) in this regard.

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 activities under the Securities and Futures Ordinance and is a responsible officer of Donvex Capital Limited who has around 20 years of experience in corporate finance advisory.

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 ⁽¹⁾	62.26%
Ms. Xu Xia	Personal and family	793,551,000 ⁽¹⁾	62.26%
Mr. Zou Xiaoping	Personal and family	5,060,000 ⁽²⁾	0.40%
Mr. Jiang Changhong	Personal	384,000	0.03%
Dr. Fukui Tsutomu	Personal and family	1,864,000 ⁽³⁾	0.15%
Mr. Zhang Feng	Personal	2,244,000 ⁽⁴⁾	0.18%
Mr. Wang Jian	Personal and family	1,496,000 ⁽⁵⁾	0.12%

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 498,000 shares held by Dr. Fukui Tsutomu, 866,000 shares held by Dr. Fukui's spouse, Ms. Mizuho Fukui and 500,000 underlying shares in respect of the share options granted to Dr. Fukui pursuant to the share option scheme of the Company.
4. 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.
5. The interest comprises 448,000 shares held by Mr. Wang Jian, 648,000 shares held by Mr. Wang Jian's spouse, Ms. Zhang Minxian and 400,000 underlying shares in respect of the share options granted to Mr. Wang Jian 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 ⁽⁶⁾	Personal and family	1,000 ⁽⁷⁾	100%
Ms. Xu Xia	Ally Good Group Limited ⁽⁶⁾	Personal and family	1,000 ⁽⁷⁾	100%

Notes:

6. 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.
7. 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, was the deputy general manager of the marketing centre at 山西太鋼不鏽鋼股份有限公司 (Shanxi Taigang Stainless Steel Co., Ltd.), a stainless steel producer and a company whose shares are listed on The Shenzhen Stock Exchange (with stock code 000825), which is a subsidiary of China Baowu.

As at the Latest Practicable Date, Mr. Zhu Baomin, a non-executive director of the Company, was 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.*) and a director of 寧波寶鋼不鏽鋼加工有限公司 (Ningbo Baosteel Stainless Steel Processing 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 2020, 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 experts who have given opinion or advice, which is contained in this circular:

Name	Qualification
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 2020 (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 were no material adverse changes in the financial or trading positions of the Company since 31 December 2020, the date to which the latest published audited financial statements of the Company were made up.

9. DOCUMENT ON DISPLAY

A copy of the Equity Transfer Agreement 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.

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.

NOTICE OF EXTRAORDINARY GENERAL MEETING



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 A309, Jiangsu Daming Industrial Technology Group Limited, No. 1518 Tongjiang Road, Wuxi, Jiangsu, The People’s Republic of China, on Tuesday, 8 March 2022 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

“**THAT:**

- (a) the Equity Transfer Agreement (as defined in the circular of the Company dated 11 February 2022 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; and
- (b) 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 Equity Transfer 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
Zou Xiaoping
Vice-chairman and Executive Director

Hong Kong, 11 February 2022

NOTICE OF EXTRAORDINARY GENERAL MEETING

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 March 2022 to 8 March 2022 (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 March 2022.
- (2) Any member entitled to attend and vote at the EGM convened by the above notice is entitled to appoint one or more proxies 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 March 2022 (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 registered holders of any Share, any one of such persons 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 personally or by proxy, that one of the said persons so present being the most or, as the case may be, the more senior shall alone be entitled to vote in respect of the relevant joint holding and, for this purpose, seniority shall be determined by reference to the order in which the names of the joint holders stand on the register of the relevant 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 11 February 2022 which contains information concerning the resolution to be proposed in the EGM.