
RELATIONSHIP WITH CITIC GROUP AND GUANGXI DAMENG

RELATIONSHIP WITH CITIC GROUP

Overview

As at the Latest Practicable Date, CITIC Resources, through its indirect wholly-owned subsidiary Highkeen, owned 52.40% of our issued share capital. Immediately after completion of the Global Offering (assuming that the Over-allotment Option or any options granted or to be granted under the Share Option Scheme is not exercised), CITIC Resources will beneficially own in aggregate approximately 39.30% of the issued share capital of our Company. As such, our Company will cease to be a subsidiary of CITIC Resources and CITIC Resources will not be able to consolidate the statement of comprehensive income and statement of financial position items of our Company and its subsidiaries after the Global Offering. Nonetheless, CITIC Resources will continue to be the controlling shareholder of our Company.

Background of CITIC Group

CITIC Group was established in 1979 and is one of the PRC's leading state-owned multinational conglomerates with investments in financial services, investment business, information technology, project contracting, real estate and civil infrastructure, energy and resources, heavy industry, manufacturing and trading and service business. CITIC Group currently has operations in the PRC, the U.S., Canada, Australia, Central Asia and Africa.

Background of CITIC Resources

CITIC Resources was incorporated in Bermuda with limited liability in 1997 and is an integrated provider of key commodities and strategic natural resources with particular focus on the oil business. Apart from the manganese-related business conducted through our Company and its subsidiaries, the CRH Group is currently engaging in the business of aluminum smelting, coal, import and export of commodities (including alumina, iron ore (lump or fine) and steel) and the exploration, development and production of oil.

Background of CITIC United Asia

CITIC United Asia was incorporated in Hong Kong in 1991. It is wholly-owned by CITIC Group through CITIC Projects Management (HK) Limited, a direct wholly-owned subsidiary of CITIC Group. CITIC United Asia conducts investments mainly on resources (minerals) as well as auto-parts. In recent years, CITIC United Asia has been focusing on the trading of precious metals, such as platinum, the exploration and extraction of domestic and overseas metal minerals such as nickel, chromium, lead, zinc and gold, and the metallurgical processing of metal and ferroalloy. Apart from trading, mining and processing, CITIC United Asia also engages in the business of auto-parts, such as plastic parts and gas springs etc.

As at the Latest Practicable Date, our Company's controlling shareholder is CITIC Resources, which owns approximately 52.40% of our Company's issued share capital through its indirect non wholly-owned subsidiary Highkeen. Immediately following the Global Offering (assuming the Over-allotment Option or any options granted or to be granted under the Share Option Scheme is not exercised), it is expected that CITIC Resources will beneficially own approximately 39.30% of our Company's issued share capital. As at the Latest Practicable Date, CITIC Resources is ultimately owned by CITIC Group as to 54.01% of its issued share capital through its wholly-owned subsidiaries, Keentech Group Limited and CITIC Australia Pty Limited, which holds 41.61% and 12.40% of CITIC Resources' issued share capital respectively.

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Further, immediately prior to the Global Offering, CITIC United Asia is expected to beneficially own approximately 13.10% of our Company's issued share capital through its wholly-owned subsidiary Apexhill. It is expected that CITIC United Asia's shareholding interest in our Company will be reduced to approximately 9.83% immediately following the Global Offering (assuming the Over-allotment Option or any options granted or to be granted under the Share Option Scheme is not exercised). It is wholly-owned by CITIC Group through CITIC Projects Management (HK) Limited, its direct wholly-owned subsidiary.

As such, CITIC Group is expected to beneficially own 49.13% interest in our Company through CITIC Resources and CITIC United Asia and will continue to be the ultimate controlling shareholder of our Company upon Listing.

Independence from CITIC Group

Our Board confirms that, for reasons set out below, we will be able to operate independently of CITIC Group, and in particular, the Retained Group, after Listing.

- **Independence of boards and management.** CITIC Group and its subsidiaries, including CITIC Resources, and our Company have boards of directors that function independently of each other.

The following table sets forth details of the directorships of our Company and CITIC Resources immediately upon the Listing:

	<u>Our Company</u>	<u>CITIC Resources</u>
Executive Directors	Qiu Yiyong Li Weijian Tian Yuchuan	Sun Xinguo Li So Mui Qiu Yiyong ⁽¹⁾ Tian Yuchuan ⁽²⁾ Zeng Chen
Non-executive Directors	Mi Zengxin Yin Ke Chen Jiqui	Kong Dan Mi Zengxin Wong Kim Yin Zhang Jijing Yap Chwee Mei (alternate to Wong Kim Yin)
Independent Non-executive Directors	Yang Zhi Jie Mo Shijian Tan Zhuzhong	Fan Ren Da, Anthony Ngai Man Tsang Link Carl, Brian

Notes:

- (1) Mr. Qiu is currently an executive director of CITIC Resources but is expected to become a non-executive director of CITIC Resources upon the completion of the Global Offering.
- (2) Mr. Tian is currently an executive director of CITIC Resources but is expected to become a non-executive director of CITIC Resources upon the completion of the Global Offering.

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Apart from Mr. Mi Zengxin's, Mr. Qiu Yiyong's and Mr. Tian Yuchuan's overlapping directorship in our Company and CITIC Resources, the following Directors of our Company also hold, and will continue to hold, directorship in CITIC Group and its other subsidiaries upon completion of the Global Offering:

<u>Director of the Company</u>	<u>Other directorship held within CITIC Group and its subsidiaries (apart from those in CITIC Resources)</u>
Mr. Mi Zengxin	executive director and executive vice president, CITIC Group director and chairman, CITIC USA Holding Inc. director and chairman, CITIC Application Service Provider Co., Ltd. director and chairman, CITIC Bohai Aluminum Industries Holding Limited non-executive director, CITIC United Asia director and vice chairman, Asia Satellite Telecommunications Holdings Co., Ltd. vice chairman, CITIC Press Corp.
Mr. Qiu Yiyong	director, CITIC Group managing director, CITIC United Asia chairman, CITIC Jinzhou Ferroalloy Co., Ltd. chairman, CITIC Platinum (Shenzhen) Limited
Mr. Yin Ke	chief executive officer, executive director and vice chairman, CITIC Securities International Company Limited non-executive director, CITIC Pacific Limited director, CITIC Securities Co., Ltd

Our Company will have four common directors with CITIC Resources and CITIC Group and its subsidiaries: Mr. Mi Zengxin, Mr. Qiu Yiyong, Mr. Tian Yuchuan and Mr. Yin Ke. Despite the common directorship described above, our Company believes that independence between our Company and CITIC Group will be maintained as Mr. Mi will only act as a non-executive Director of our Company and will be chiefly responsible for overseeing the overall strategy and major management decisions of the Group. Although Mr. Qiu and Mr. Tian are currently executive directors of CITIC Resources, it is intended that they will become non-executive directors of CITIC Resources upon the completion of the Global Offering and as such, they will not have any overlapping responsibilities in the Company and CITIC Resources. Further, Mr. Mi, Mr. Qiu, and Mr. Tian will abstain from the meetings in which matters of actual or potential conflict of interest are being considered. To further avoid any actual or potential conflict of interest, Mr. Mi, Mr. Qiu, and Mr. Tian will not be involved in making decisions in connection with the on-going connected transactions with CITIC Group and/or its subsidiaries, and we believe that the remaining Board, in particular Mr. Li Weijian and Mr. Tan Zhuzong, possess sufficient relevant industry experience to make decisions and to monitor such transactions. Our Company believes that our four common directors with CITIC Resources and CITIC Group will commit and devote sufficient time to our Group upon the completion of the Global Offering on the basis that: (a) responsible for overseeing the overall strategy and major management decisions of the Group, Mr. Mi is not and will not be involved in the day-to-day management of the business operation of the Group; (b) Mr. Qiu, as the Chairman of our Group, will devote a majority of his working time to our Group upon the completion of the Global Offering whereas his main roles in CITIC Resources and CITIC Group will be limited to participating in making major business decisions; (c) Mr. Tian, as Chief Executive

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Officer and an Executive Director of our Company, will devote a majority of his working time to our Group upon the completion of the Global Offering whereas his main roles in CITIC Resources, as a non-executive director then, will be limited to participating in making major business decisions; and (d) Mr. Yin, as a Non-executive Director of our Company responsible for providing guidance on major merger and acquisition activities and business development of the Group as well as the Group's financing activities in the capital markets, will not be involved in the day-to-day management of the business operation of the Group.

In the circumstances where there are on-going connected transactions conducted between the Group and Guangxi Dameng and/or its subsidiaries, two of our Directors, Li Weijian and Chen Jiqui, who are also the director and senior management of Guangxi Dameng, respectively, will abstain from voting in these transactions, and our Directors believe that the remaining Board can continue to function and discharge their duties properly. Please refer to the section headed "Connected Transactions — Continuing Connected Transactions" in this prospectus for further details.

Our Company's senior management consists of:

<u>Name</u>	<u>Title</u>
Qiu Yiyong	Chairman
Li Weijian	Vice Chairman
Tian Yuchuan	Chief Executive Officer
Lau Wai Yip	Chief Financial Officer and Company Secretary
Ma Shirong	Vice President

Their respective biographies are set out in the section headed "Directors and Senior Management" in this prospectus.

The senior management of our Company will be comprised of senior managers currently employed by the Group. The members of the senior management team have had, for all or substantially all of the Track Record Period, senior management supervisory responsibilities in our business. Mr. Ma Shirong, our Vice President, is currently a vice president of CITIC Resources but his responsibility within CITIC Resources has been limited to the management of CITIC Dameng Mining and he is not involved in other operations within CITIC Resources. The senior management of the Group and the Retained Group will therefore be independent of, and separate from each other.

Save for the aforesaid, none of our Directors or senior management holds any office in or is employed by CITIC Group. On the basis of the current proposed board composition of our Company, our Directors believe that our Board will operate and resolve all actual or potential conflicting matters of the Group's business independently of CITIC Group, and vice versa. Our Company will therefore operate independently and in the interests of its shareholders as a general body, and not in the interests of CITIC Group only.

- **Clear delineation between the business of our Company and the business of CITIC Group.** The Retained Group will, after the Listing, be principally engaged in the business of aluminum smelting, coal, import and export of commodities (alumina, iron ore and steel) and the exploration, development and production of oil whilst the Group will be principally engaged in the business of exploration, mining and processing of manganese and the associated production of manganese products. The products of our Group and the Retained Group differ significantly with unique usages and distinct sale networks. As such, there will not be any overlap in the operational focus of the Group and the Retained Group, nor will there be any kind of competition between them.

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As for CITIC Group and its other subsidiaries, apart from the business of CITIC United Asia and its subsidiaries set out in the table below, as of the Latest Practicable Date, none of CITIC Group's subsidiaries are engaged in the Group's manganese and other business set out in the paragraph headed "Overview" in the section headed "Business" in this prospectus.

The table below shows a breakdown of the resources related business of CITIC United Asia and whether the particular product is also traded/produced by the Group:

Nature of business	Entity through which CITIC United Asia conducts the relevant business and the equity interest of CITIC United Asia in such entity	Location of operation	Whether similar business is also engaged by the Group	Percentage (%) of revenue of the Group attributable to such business (December 31, 2009)
platinum trading	China Platinum Company (中博世金科貿有限責任公司) (36.4%)	Beijing	No	N/A
gold exploration	Jiang Xi CITIC Mining Investment Co., Ltd. (江西中信礦業投資有限公司) (44.05%)	Jiangxi Province, PRC	No	N/A
lead and zinc exploration and development	CITIC Xing Guang Mining Co., Ltd. (中信興光礦業有限公司) (20.91%)	Hunan Province, PRC	No	N/A
nickel and chromium exploration and development	AAM-Phil Natural Resources Exploration and Development Corp (25%)	Surigao Province, the Philippines	Yes — the Group engages in trading of chromium ore ^(Note 1)	Nil
metallurgic business focusing on the production of middle carbon ferromanganese, chromium and high carbon ferrochrome, titanium products, ferrovanadium, zirconium products, EMM and silicon manganese alloy	CITIC Jinzhou Ferroalloy Co., Ltd. (86.38%)	Liaoning Province, PRC	Yes — the Group engages in the trading of chromium ore, processing and trading of high carbon ferrochromium, production of EMM and silicon manganese alloy ^(Note 2)	trading of chromium ore (Nil) processing of high carbon ferrochromium (15.26%) trading of high carbon ferrochromium (Nil) production of EMM (43.87%) production of silicon manganese alloy (19.22%)

Note 1:

Regarding the exploration and development of chromium conducted by AAM-Phil Natural Resources Exploration and Development Corp ("AAM-Phil"), the Company believes that such business is not in competition with the Group's trading of

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chromium ore as AAM-Phil will focus on the sales of the product in northeast Asia and southeast Asia, while the Group's chromium ore is mainly traded within the PRC. Further, the Group's chromium ore trading business only constitutes a very small portion of its total revenue (nil, 1.1%, nil for the three years ended December 31, 2009). Chromium ore trading is a side business of the Group resulting from the Group's inventory management and seasonal production balancing, and will not be the focus of the Group's business going forward.

Note 2:

In respect of the manufacturing business of chromium, high carbon ferrochromium, EMM and silicon-manganese alloy conducted by CITIC Jinzhou Ferroalloy Co., Ltd ("CITIC Jinzhou"), we believe that there is no competition between such business and the business of the Group for the following reasons:

- (i) The chromium manufactured by CITIC Jinzhou differs from the chromium ore traded by the Group in that the former is a type of processed metal while the latter is chromium in its crude form;
- (ii) All of the silicon-manganese alloy produced by CITIC Jinzhou is for use by itself for the production of mid-carbon ferromanganese which is the major final product of CITIC Jinzhou for sale to its customers whereas the silicon-manganese alloy produced by our Group are supplied for sale in the open markets. The mid-carbon ferromanganese produced by CITIC Jinzhou is a distinctively different product from any products produced by our Group; and
- (iii) The only end-products of CITIC Jinzhou which are similar to the end-products of our Group are EMM and high carbon ferrochromium. We believe that there is no competition between CITIC Jinzhou and our Group in respect of the such products. As the largest manganese producer in China, we can access extensive market opportunities both internationally and domestically, while CITIC Jinzhou only has low capacity and volume of production for EMM and high carbon ferrochromium as compared to the Group. For the year ended December 31, 2010, the capacity and actual production of EMM by CITIC Jinzhou amounted to less than 6% and 4%, respectively, of the capacity and actual production of EMM by our Group. For the year ended December 31, 2010, the capacity and actual production of high carbon ferrochromium by CITIC Jinzhou amounted to less than 15% and 13%, respectively, of the capacity and actual production of high carbon ferrochromium by our Group. Further, in respect of such similar products, the Group and CITIC Jinzhou have different geographical focuses. CITIC Jinzhou has a geographical focus on Northern China while the Group's geographical coverage, in respect of such similar products, is focused on Southern China. The different locations of CITIC Jinzhou and our Group have increased costs associated with any sales beyond the respective geographical focus of CITIC Jinzhou and our Group and make competition in such similar products economically inadvisable. In addition, there are established open markets for EMM and high carbon ferrochromium with the prices determined by the market supply and demand. The market information is readily available to all market participants. With different geographical focus, customers and scales, we believe that there is no competition between CITIC Jinzhou and our Group in respect of such similar products.

For the reasons set out above, our Company believes that it is highly unlikely for material competition to occur between the business of the Group and that of CITIC United Asia. As at the Latest Practicable Date, our Company understood from CITIC Jinzhou that there was no expansion plan for its production of EMM and processing of high carbon ferrochromium. CITIC Jinzhou estimates that its capacity and production of silicon-manganese alloy will increase as its production of mid-carbon ferromanganese increases.

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- **Independent operations.** Our mining and processing facilities are located in the following PRC and overseas cities:

No.	Address	Province	Country
A. Manganese mining fields			
1.	Xialei, Daxin	Guangxi	PRC
2.	Dongping, Tiandeng	Guangxi	PRC
3.	Bembélé Manganese Mine north of Ndjole Town ⁽¹⁾	Moyen-Ogooué	Gabon

No.	Address	Province	Country
B. Manganese products processing facilities			
1.	Daxin Branch, Xialei, Daxin	Guangxi	PRC
2.	Tiandeng Branch, Dongping, Tiandeng	Guangxi	PRC
3.	Guangxi Start Manganese Materials Co., Ltd., Hurun, Jingxi	Guangxi	PRC
4.	Guangxi Daxin Dabao Ferroalloy Co., Ltd., Xialei, Daxin	Guangxi	PRC
5.	Tiandeng Dameng Ferroalloy Co., Ltd., Dongping, Tiandeng	Guangxi	PRC
6.	CITIC Dameng Tiandong New Materials Co., Ltd., Tiandong	Guangxi	PRC
7.	CITIC Dameng (Tiandeng) New Materials Co., Ltd., Linfeng, Tiandeng	Guangxi	PRC
8.	CITIC Dameng (Chongzuo) New Materials Co., Ltd., Chongzuo	Guangxi	PRC

No.	Address	Province	Country
C. Non-manganese products processing facilities			
1.	CITIC Dameng (Qinzhou) New Materials Co., Ltd., Qinzhou	Guangxi	PRC

Note:

(1) Production at this site has not yet commenced as of the Latest Practicable Date. For details, please refer to the section headed “Business — Our Production Processes and Facilities — Mining Operations — Bembélé Manganese Mine” in this prospectus.

The Retained Group’s facilities are located in the following PRC and overseas cities:

No.	Address	Province/City	Country
A. Oil fields			
1.	Seram Non-Bula Block	Seram Island	Indonesia
2.	Hainan-Yuedong Block Bohai Bay Basin	Liaoning	PRC
3.	Mangistau Oblast	Aktau	Kazakhstan

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No.	Address	Province/City	Country
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B. Aluminum smelting facilities

1.	The Portland Aluminum Smelter Point Danger 5 km south of Portland	Western Victoria	Australia
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No.	Address	Province/City	Country
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C. Coal

1.	Bowen Basin	Queensland	Australia
2.	The Coppabella Mine 140 km south-west of Mackay	North Queensland	Australia
3.	The Moorvale Mine 157 km by rail from the Dalrymple Bay Coal Terminal	Queensland	Australia

No.	Address	Province/City	Country
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D. Import and Export of Commodities

1.	99 King's Street	Melbourne	Australia
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Our Group's products are manufactured in separate and distinct facilities from the Retained Group's facilities. The operation of the business of our Group is carried out at its own mining and processing facilities, which are separate and distinct from that of the business of the Retained Group. Our Group is not in any way dependent on the Retained Group in its business operations and our Company will function independently of CITIC Resources. In addition, we have our own sources of supplies and raw materials and sales and distribution channels. Such sources of supplies and raw materials and sales and distribution channels are independent of the Retained Group.

As for CITIC United Asia and its subsidiaries, none of their production facilities is located in the Guangxi Province. It is evident that our Group is not dependent on CITIC United Asia and/or its subsidiaries in its business operations.

Our Company's controlling shareholder, Highkeen, confirms that neither it nor any of its subsidiaries is interested in any business which competes or is likely to compete, directly or indirectly, with that of the Group.

- CITIC Resources Non-compete Undertaking: On November 3, 2010, our Company and CITIC Resources entered into the CITIC Resources Non-compete Undertaking in favor of our Company (for itself and as trustee for the benefit of its subsidiaries from time to time) pursuant to which CITIC Resources has undertaken with our Company that it will not, and will procure that its subsidiaries will not, subject to certain exceptions, either on its own account or in conjunction with or on behalf of any person, firm or company, directly or indirectly, be interested or engaged in or acquire or hold any right or interest (in each case whether as a shareholder, partner, agent or otherwise) in any business which competes or may compete with the Relevant Business (the "Restricted Activity").

CITIC Resources has also undertaken to provide an annual confirmation that each of CITIC Resources and/or its subsidiaries (as applicable) has not breached the terms of the CITIC Resources Non-compete Undertaking. For the purpose of the CITIC Resources Non-compete Undertaking, "Relevant Business" refers to the business of exploration, mining and processing of manganese and the associated production of manganese products, as well as the processing

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of non-manganese ferroalloy and trading of manganese commodities that the Group currently engages in.

Notwithstanding the above undertakings, each of CITIC Resources and its subsidiaries are allowed to hold, directly or indirectly, securities of any company listed on the Stock Exchange or other recognized stock exchange whose primary business is the Restricted Activity provided that the interests of CITIC Resources and its subsidiaries in such company represents in aggregate not more than 5% of the total issued share capital of such company and that CITIC Resources and its subsidiaries, individually or together, are not in control of the board of directors of such company. Further, the above undertakings do not prevent each of CITIC Resources and its subsidiaries from holding interests in our Group or companies listed on the Stock Exchange or any other stock exchange whose primary business is not the Restricted Activity.

The obligations of CITIC Resources under the CITIC Resources Non-compete Undertaking will cease to have any effect whatsoever on the earlier of:

- (a) the date on which CITIC Resources and/or its subsidiaries cease to be a controlling shareholder of our Company;
 - (b) the date on which our Shares are no longer listed and traded on the Stock Exchange or other recognized stock exchange; and
 - (c) our Group ceases to engage in the Relevant Business (as defined above).
- **Independent financial viability:** As described in the section headed “Financial Information” in this prospectus, our Directors confirm that our Group has the ability to support its own operations following the Reorganization and the Listing. Further, all guarantees and non-trade balances with the controlling shareholder (i.e. CITIC Resources) will be fully settled before Listing.
 - **Independent administrative capability.** All the essential administrative functions of the Group are handled locally at each plant and facility. We will be administratively independent of the Retained Group.

Corporate Governance

We are committed to the view that our Board should include a balanced composition of Executive and Non-executive Directors (including Independent Non-executive Directors) so that there is a strong element on the Board which can effectively exercise independent judgment. We are also committed to the view that our Independent Non-executive Directors should be of sufficient caliber and number for their views to carry weight. Our Independent Non-executive Directors, details of whom are set forth in the section headed “Directors and Senior Management” in this prospectus, are free of any business or other relationships which could interfere in any material manner with the exercise of their independent judgment.

In addition, the following measures will be adopted by us in respect of the enforceability of the Non-compete Undertakings:

- the Independent Non-executive Directors will review, on an annual basis, the Retained Group’s compliance with the CITIC Resources Non-compete Undertaking;

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- we will disclose decisions on matters reviewed by the Independent Non-executive Directors relating to the enforcement of the CITIC Resources Non-compete Undertaking (if any) in our annual report or, where the Board considers it appropriate, by way of an announcement; and
- we will make an annual confirmation as to compliance with the CITIC Resources Non-compete Undertaking in our annual report.

Further, any transaction that is proposed between us and the Retained Group will be required to comply with the then requirements of the Listing Rules, including, where applicable, the announcement, reporting and independent shareholders' approval requirements.

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As at the Latest Practicable Date, Guangxi Dameng owned 34.5% of our issued share capital. Immediately after completion of the Global Offering (assuming that the Over-allotment Option or any options granted or to be granted under the Share Option Scheme is not exercised), Guangxi Dameng will beneficially own in aggregate approximately 25.88% of the issued share capital of our Company and will not be a controlling shareholder of the Company.

In December 2009, Guangxi Dameng acquired 60% equity interest in a mining company in Singapore which in turn held certain manganese and iron mines in South Africa. We were granted the right of first refusal by Guangxi Dameng to acquire all the equity interest it holds in such company.