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**DAMENG**  
**CITIC Dameng Holdings Limited**  
**中信大錳控股有限公司\***  
*(incorporated in Bermuda with limited liability)*  
**(Stock Code: 1091)**

- (1) NEW CONTINUING CONNECTED TRANSACTIONS WITH GUANGXI  
DAMENG AND ITS SUBSIDIARIES**
- (2) RENEWAL OF CONTINUING CONNECTED TRANSACTIONS WITH  
GUANGXI DAMENG AND ITS SUBSIDIARIES**
- (3) REVISION OF ANNUAL CAPS UNDER 2018 CITIC SPECIAL STEEL  
AGREEMENT  
AND  
(4) SHARE PREMIUM REDUCTION**

**(1) NEW CONTINUING CONNECTED TRANSACTIONS WITH GUANGXI  
DAMENG AND ITS SUBSIDIARIES**

**(i) 2018 Guangxi Dameng Ore Agreement**

On 21 June 2018, the Company entered into the 2018 Guangxi Dameng Ore Agreement with Guangxi Dameng. Pursuant to the 2018 Guangxi Dameng Ore Agreement, the Company (for itself and on behalf of its subsidiaries) agreed to purchase High Grade Manganese Ore from Guangxi Dameng (and/or its subsidiaries) for the period from 26 July 2018 to 31 December 2020.

*\* For identification purpose only*

**(ii) 2018 Guangxi Dameng EMM Agreement**

On 21 June 2018, the Company entered into the 2018 Guangxi Dameng EMM Agreement with Guangxi Dameng. Pursuant to the 2018 Guangxi Dameng EMM Agreement, the Company (for itself and on behalf of its subsidiaries) agreed to purchase EMM from Guangxi Dameng (and/or its subsidiaries) for the period from 26 July 2018 to 31 December 2020.

**(iii) 2018 Guangxi Dameng Raw Materials Agreement**

On 21 June 2018, the Company entered into the 2018 Guangxi Dameng Raw Materials Agreement with Guangxi Dameng. Pursuant to the 2018 Guangxi Dameng Raw Materials Agreement, the Company (for itself and on behalf of its subsidiaries) agreed to sell Raw Materials to Guangxi Dameng (and/or its subsidiaries) for the period from 26 July 2018 to 31 December 2020.

**(2) RENEWAL OF CONTINUING CONNECTED TRANSACTIONS WITH GUANGXI DAMENG AND ITS SUBSIDIARIES**

Reference is made to the announcement of the Company dated 30 December 2015 in respect of the 2016 Guangxi Dameng Agreements.

2016 Guangxi Dameng Agreements will expire on 31 December 2018 and it is currently expected that the transactions under 2016 Guangxi Dameng Agreements except 2016 Guangxi Dameng Tenancy Agreement will continue to be entered into on a recurring basis thereafter. On 21 June 2018, the Company has entered into the 2018 Integrated Services Framework Agreement, 2018 Guangxi Liuzhou Agreement and 2018 Nanning Battery Plant Agreement with Guangxi Dameng and/or its subsidiaries.

**(i) 2018 Integrated Services Framework Agreement**

Pursuant to 2018 Integrated Services Framework Agreement, Guangxi Dameng agreed to provide the Integrated Services and mining drawing services to the Group for the period from 1 January 2019 to 31 December 2021.

**(ii) 2018 Guangxi Liuzhou Agreement**

Pursuant to 2018 Guangxi Liuzhou Agreement, the Company (for itself and on behalf of its subsidiaries) agreed to purchase vertical mill(s) and accessories from Guangxi Liuzhou for the period from 1 January 2019 to 31 December 2021.

**(iii) 2018 Nanning Battery Plant Agreement**

Pursuant to 2018 Nanning Battery Plant Agreement, the Company (for itself and on behalf of its subsidiaries) agreed to purchase packaging bags produced by Nanning Battery Plant for the period from 1 January 2019 to 31 December 2021.

**LISTING RULES IMPLICATIONS**

As the Company intends to enter into the transactions contemplated under the 2018 Guangxi Dameng Agreements, the highest applicable Percentage Ratio calculated with reference to 2016 Guangxi Dameng Caps and 2018 Guangxi Dameng Caps under the 2016 Guangxi Dameng Agreements and the 2018 Guangxi Dameng Agreements on an aggregate basis exceeds 5%. The transactions contemplated under the 2018 Guangxi Dameng Agreements are therefore subject to announcement, reporting and annual review and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

**(3) REVISION OF ANNUAL CAPS UNDER 2018 CITIC SPECIAL STEEL AGREEMENT**

Reference is made to the announcement of the Company dated 29 December 2017 in respect of the 2017 CITIC Special Steel Agreement.

On 29 December 2017, the Company entered into 2017 CITIC Special Steel Agreement with CITIC Special Steel. Pursuant to 2017 CITIC Special Steel Agreement, the Group agreed to sell manganese ferroalloy to CITIC Special Steel (and/or its subsidiaries) for the period from 1 January 2018 to 31 December 2020.

On 21 June 2018, the Company (for itself and on behalf of its subsidiaries) entered into the 2018 CITIC Special Steel Agreement with CITIC Special Steel to revise the annual caps under the 2017 CITIC Special Steel Agreement. The 2018 CITIC Special Steel Agreement is subject to approval by Non CITIC Independent Shareholders and the transactions contemplated thereunder will commence only after the Company has obtained such approval in the SGM.

## **LISTING RULES IMPLICATIONS**

As the highest applicable Percentage Ratio calculated with reference to the 2018 CITIC Special Steel Caps is more than 5%, the transactions contemplated under 2018 CITIC Special Steel Agreement are therefore subject to the reporting, annual review and announcement and independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

### **(4) SHARE PREMIUM REDUCTION**

The Board intends to seek shareholders' approval at the SGM to reduce the share premium of the Company in accordance with applicable laws and regulations of Bermuda and the Bye-laws. The amount standing to the credit of the Share Premium Account as at 31 December 2017 was HK\$3,352,902,000. It is proposed that (i) an amount of HK\$3,352,902,000 standing to the credit of the Share Premium Account be cancelled and that HK\$700,000,000 of the credit arising from the Share Premium Reduction be applied to offset the amount of the accumulated loss of the Company and (ii) the remaining balance of HK\$2,652,902,000 of the credit arising from the Share Premium Reduction be transferred to the Contributed Surplus Account.

### **SGM**

An SGM will be convened by the Company for the purposes of, among other things, seeking approval for (i) 2018 Guangxi Dameng Agreements and the transactions contemplated thereunder; (ii) 2018 CITIC Special Steel Agreement and the transactions contemplated thereunder; and (iii) the Share Premium Reduction. Save and except for Guinan Dameng and its associates, no Shareholder is required to abstain from voting at the SGM on resolutions approving the 2018 Guangxi Dameng Agreements. Save and except for Apexhill and Highkeen and their associates, no Shareholder is required to abstain from voting at the SGM on resolutions approving the 2018 CITIC Special Steel Agreement. At the SGM, votes will be taken by poll.

## **GENERAL INFORMATION**

The Independent Board Committee comprising all independent non-executive Directors has been formed by the Company in accordance with the Listing Rules to advise (i) Non Guangxi Dameng Independent Shareholders on the 2018 Guangxi Dameng Agreements; and (ii) Non CITIC Independent Shareholders on the 2018 CITIC Special Steel Agreement. Shinco Capital has been appointed by the Company to advise: (i) the Independent Board Committee and the Non Guangxi Dameng Independent Shareholders in respect of the terms of the 2018 Guangxi Dameng Agreements and the transactions contemplated thereunder; and (ii) the Independent Board Committee and the Non CITIC Independent Shareholders in respect of the terms of the 2018 CITIC Special Steel Agreement and the transactions contemplated thereunder.

A circular containing, among other things, (i) details on the 2018 Guangxi Dameng Agreements and the 2018 Guangxi Dameng Caps; (ii) details on the 2018 CITIC Special Steel Agreement and the 2018 CITIC Special Steel Caps; (iii) a letter of recommendation from the Independent Board Committee to (a) the Non Guangxi Dameng Independent Shareholders in respect of the 2018 Guangxi Dameng Agreements and the 2018 Guangxi Dameng Caps and (b) the Non CITIC Independent Shareholders in respect of the 2018 CITIC Special Steel Agreement and the 2018 CITIC Special Steel Caps; (iv) a letter of advice from Shinco Capital to (a) the Independent Board Committee and the Non Guangxi Dameng Independent Shareholders in respect of 2018 Guangxi Dameng Agreements and the 2018 Guangxi Dameng Caps and (b) the Independent Board Committee and the Non CITIC Independent Shareholders in respect of 2018 CITIC Special Steel Agreement and the 2018 CITIC Special Steel Caps; (v) the reduction of share premium of the Company; and (vi) the notice of the SGM, will be despatched to the Shareholders in accordance with the Listing Rules.

**(1) NEW CONTINUING CONNECTED TRANSACTIONS WITH GUANGXI DAMENG AND ITS SUBSIDIARIES**

**(i) 2018 Guangxi Dameng Ore Agreement**

On 21 June 2018, the Company entered into the 2018 Guangxi Dameng Ore Agreement with Guangxi Dameng. Pursuant to the 2018 Guangxi Dameng Ore Agreement, the Company (for itself and on behalf of its subsidiaries) agreed to purchase High Grade Manganese Ore from Guangxi Dameng (and/or its subsidiaries) for the period from 26 July 2018 to 31 December 2020. Details of the 2018 Guangxi Dameng Ore Agreement are set out as follows:

Date: 21 June 2018

Parties: (1) Guangxi Dameng (as the seller)  
(2) the Company (as the purchaser)

Subject: Pursuant to the 2018 Guangxi Dameng Ore Agreement, the Company (for itself and on behalf of its subsidiaries) agreed to purchase High Grade Manganese Ore from Guangxi Dameng (and/or its subsidiaries).

Pricing terms: The transactions under Guangxi Dameng Ore Agreement will be conducted in ordinary and usual course of business and on normal commercial terms and such terms and conditions will be no less favourable than those available from Independent Third Parties.

Under the 2018 Guangxi Dameng Ore Agreement, the quantity of High Grade Manganese Ore to be purchased from Guangxi Dameng (and/or its subsidiaries) is not fixed but is to be determined and agreed between the parties from time to time. The Group is not required to purchase a minimum amount or any pre-defined quantity of High Grade Manganese Ore from Guangxi Dameng (and/or its subsidiaries) during the term of the agreement. In addition, the prices are not fixed and are to be determined in accordance with prevailing market prices (including with reference to quotations of the same products issued by no less than two Independent Third Parties), and through arm's length negotiation and in a fair and reasonable manner.

Term: For the period from 26 July 2018 to 31 December 2020.

Condition Precedent: The 2018 Guangxi Dameng Ore Agreement is subject to the Non Guangxi Dameng Independent Shareholders' approval. In the event that shareholder's approval is not obtained at the SGM, the Company (and/or its subsidiaries) will not continue the transactions with Guangxi Dameng (and/or its subsidiaries) contemplated under 2018 Guangxi Dameng Ore Agreement.

**(ii) 2018 Guangxi Dameng EMM Agreement**

On 21 June 2018, the Company entered into the 2018 Guangxi Dameng EMM Agreement with Guangxi Dameng. Pursuant to the 2018 Guangxi Dameng EMM Agreement, the Company (for itself and on behalf of its subsidiaries) agreed to purchase EMM from Guangxi Dameng (and/or its subsidiaries) for the period from 26 July 2018 to 31 December 2020. Details of the 2018 Guangxi Dameng EMM Agreement are set out as follows:

Date: 21 June 2018

Parties: (1) Guangxi Dameng (as the seller)  
(2) the Company (as the purchaser)

Subject: Pursuant to the 2018 Guangxi Dameng EMM Agreement, the Company (for itself and on behalf of its subsidiaries) agreed to purchase EMM from Guangxi Dameng (and/or its subsidiaries).

Pricing terms: The transactions under the 2018 Guangxi Dameng EMM Agreement will be conducted in ordinary and usual course of business and on normal commercial terms and such terms and conditions will be no less favourable than those available from Independent Third Parties.

Under the 2018 Guangxi Dameng EMM Agreement, the quantity of EMM to be purchased from Guangxi Dameng (and/or its subsidiaries) is not fixed but is to be determined and agreed between the parties from time to time. The Group is not required to purchase a minimum amount or any pre-defined quantity of EMM from Guangxi Dameng (and/or its subsidiaries) during the term of the agreement. In addition, the prices are not fixed and are to be determined in accordance with prevailing market prices (including with reference to quotations of the same products issued by no less than two Independent Third Parties), and through arm's length negotiation and in a fair and reasonable manner.

Term: For the period from 26 July 2018 to 31 December 2020.

Condition Precedent: The 2018 Guangxi Dameng EMM Agreement is subject to the Non Guangxi Dameng Independent Shareholders' approval. In the event that shareholder's approval is not obtained at the SGM, the Company (and/or its subsidiaries) will not continue the transactions with Guangxi Dameng (and/or its subsidiaries) contemplated under 2018 Guangxi Dameng EMM Agreement.



**(iii) 2018 Guangxi Dameng Raw Materials Agreement**

On 21 June 2018, the Company entered into the 2018 Guangxi Dameng Raw Materials Agreement with Guangxi Dameng. Pursuant to the 2018 Guangxi Dameng Raw Materials Agreement, the Company (for itself and on behalf of its subsidiaries) agreed to sell Raw Materials to Guangxi Dameng (and/or its subsidiaries) for the period from 26 July 2018 to 31 December 2020. Details of the 2018 Guangxi Dameng Raw Materials Agreement are set out as follows:

Date: 21 June 2018

Parties: (1) the Company (as the seller)  
(2) Guangxi Dameng (as the purchaser)

Subject: Pursuant to the 2018 Guangxi Dameng Raw Materials Agreement, the Company (for itself and on behalf of its subsidiaries) agreed to sell Raw Materials to Guangxi Dameng (and/or its subsidiaries).

Pricing terms: The transactions under 2018 Guangxi Dameng Raw Materials Agreement will be conducted in ordinary and usual course of business and on normal commercial terms and such terms and conditions will be no less favourable than those available to Independent Third Parties.

Under the 2018 Guangxi Dameng Raw Materials Agreement, the quantity of raw materials to be sold to Guangxi Dameng (and/or its subsidiaries) is not fixed but is to be determined and agreed between the parties from time to time. The Group is not required to sell a minimum amount or any pre-defined quantity of raw materials to Guangxi Dameng (and/or its subsidiaries) during the term of the agreement. In addition, the prices are not fixed and are to be determined in accordance with prevailing market prices (including with reference to quotations of the same products issued by no less than two Independent Third Parties), and through arm's length negotiation and in a fair and reasonable manner.

Term: For the period from 26 July 2018 to 31 December 2020.

Condition  
Precedent: The 2018 Guangxi Dameng Raw Materials Agreement is subject to the Non Guangxi Dameng Independent Shareholders' approval. In the event that shareholder's approval is not obtained at the SGM, the Company (and/or its subsidiaries) will not continue the transactions with Guangxi Dameng (and/or its subsidiaries) contemplated under 2018 Guangxi Dameng Raw Materials Agreement.

**(2) RENEWAL OF CONTINUING CONNECTED TRANSACTIONS WITH GUANGXI DAMENG AND ITS SUBSIDIARIES**

Reference is made to the announcement of the Company dated 30 December 2015 in respect of the 2016 Guangxi Dameng Agreements.

2016 Guangxi Dameng Agreements will expire on 31 December 2018 and it is currently expected that the transactions under the 2016 Guangxi Dameng Agreements except 2016 Guangxi Dameng Tenancy Agreement will continue to be entered into on a recurring basis thereafter. On 21 June 2018, the Company has entered into the 2018 Integrated Services Framework Agreement, 2018 Guangxi Liuzhou Agreement and 2018 Nanning Battery Plant Agreement with Guangxi Dameng and/or its subsidiaries.

**(i) 2018 Integrated Services Framework Agreement**

Date: 21 June 2018

Parties: (1) Guangxi Dameng

(2) the Company

Subject: Pursuant to the 2018 Integrated Services Framework Agreement, Guangxi Dameng agreed to provide the Integrated Services and mining drawing services to the Group.

Pricing terms: The transactions under 2018 Integrated Services Framework Agreement will be conducted in ordinary and usual course of business and on normal commercial terms and such terms and conditions will be no less favourable than those available from Independent Third Parties.

Fees charged by Guangxi Dameng to the Company in relation to the provision of the Integrated Services are based on the costs incurred by Guangxi Dameng and to be agreed between the parties. The fees for the provision of the Integrated Services by Guangxi Dameng will be charged to the Group at the respective rates of HK\$339,583 (equivalent to RMB271,666), HK\$339,583 (equivalent to RMB271,666) and HK\$339,583 (equivalent to RMB271,666) per month for each of the three years ending 31 December 2021.

The fees for the provision of mining drawing services to be charged by Guangxi Dameng to the Group are not fixed and are to be determined in accordance with prevailing market prices (including with reference to quotations of the same services issued by no less than two Independent Third Parties), and through arm's length negotiation and in a fair and reasonable manner.

Term: For the period from 1 January 2019 to 31 December 2021.

Condition Precedent: The 2018 Integrated Services Framework Agreement is subject to the Non Guangxi Dameng Independent Shareholders' approval.

**(ii) 2018 Guangxi Liuzhou Agreement**

Date:	21 June 2018
Parties:	(1) Guangxi Liuzhou  (2) the Company
Subject:	Pursuant to the 2018 Guangxi Liuzhou Agreement, the Company (for itself and on behalf of its subsidiaries) agreed to purchase vertical mill(s) and accessories from Guangxi Liuzhou.
Pricing terms:	<p>The transactions under 2018 Guangxi Liuzhou Agreement will be conducted in ordinary and usual course of business and on normal commercial terms and such terms and conditions will be no less favourable than those available from Independent Third Parties.</p> <p>Under the 2018 Guangxi Liuzhou Agreement, the quantity of vertical mill(s) and accessories to be purchased from Guangxi Liuzhou is not fixed but is to be determined and agreed between the parties from time to time. The Group is not required to purchase a minimum amount or any pre-defined quantity of vertical mill(s) and accessories from Guangxi Liuzhou during the term of the agreement. In addition, the prices are not fixed and are to be determined in accordance with the prevailing market prices (including with reference to quotations of the same products issued by no less than two Independent Third Parties), and through arm's length negotiation and in a fair and reasonable manner.</p>
Term:	For the period from 1 January 2019 to 31 December 2021.
Condition Precedent:	The 2018 Guangxi Liuzhou Agreement is subject to the Non Guangxi Dameng Independent Shareholders' approval.

**(iii) 2018 Nanning Battery Plant Agreement**

Date:	21 June 2018
Parties:	(1) Nanning Battery Plant  (2) the Company
Subject:	Pursuant to the 2018 Nanning Battery Plant Agreement, the Company (for itself and on behalf of its subsidiaries) agreed to purchase packaging bags produced by Nanning Battery Plant.
Pricing terms:	The transactions under the 2018 Nanning Battery Plant Agreement will be conducted in ordinary and usual course of business and on normal commercial terms and such terms and conditions will be no less favourable than those available from Independent Third Parties.  Under the 2018 Nanning Battery Plant Agreement, the quantity of packaging bags to be purchased by the Group is not fixed but is to be determined and agreed between the parties from time to time. The Group is not required to purchase a minimum amount or any pre-defined quantity of packaging bags from Nanning Battery Plant during the term of the agreement. In addition, the prices are not fixed and are to be determined in accordance with prevailing market prices (including with reference to quotations of the same products issued by no less than two Independent Third Parties), and through arm's length negotiation and in a fair and reasonable manner.
Term:	For the period from 1 January 2019 to 31 December 2021.
Condition Precedent:	The 2018 Nanning Battery Plant Agreement is subject to the Non Guangxi Dameng Independent Shareholders' approval.

## PRICING STANDARDS

### (i) In respect of the Integrated Services contemplated under the 2018 Integrated Services Agreement

Daxin Mine of the Company is located in a remotely isolated area of Guangxi, the PRC, where the social welfare and recreational facilities in the Daxin Mine have not been transferred to the Group. Historically, Guangxi Dameng has developed and operated various basic social facilities for the Group's employees, such as the provision of Integrated Services by Guangxi Dameng which enables employees of the Group to continue to enjoy the basic and necessary living and social welfare facilities at Daxin Mine. The Group is not able to find the same or similar living and social welfare facilities provided by other independent third parties nearby Daxin Mine. Given such historical and geographical background, therefore no quotation and tender in respect of the provision of Integrated Services is obtained.

In order to determine the fair and reasonable amount of the Integrated Services, the Group has made reference to:

- (1) the historical fees paid to Guangxi Dameng for the Integrated Services of approximately RMB3,120,000, RMB3,240,000 and RMB1,400,000 by the Group for the two years ended 31 December 2017 and for the five months period ended 31 May 2018;
- (2) the estimated market rental of RMB12.8 per meter<sup>2</sup> per annum in respect of the land area used for provision of social facilities (including but not limited to housing, schools, hospitals, recreational facilities) by Guangxi Dameng to the Group at Daxin Mine for the three years ending 31 December 2021, which is in line with or lower than the prevalent market rental in the other region of Guangxi province, the PRC.

**(ii) In respect of transactions contemplated under the 2018 Guangxi Dameng Ore Agreement, 2018 Guangxi Dameng EMM Agreement, 2018 Guangxi Dameng Raw Materials Agreement, 2018 Guangxi Liuzhou Agreement and 2018 Nanning Battery Plant Agreement and the mining drawing services under 2018 Integrated Services Agreement**

The purchase or selling prices in respect of the goods or products under the 2018 Guangxi Dameng Ore Agreement, 2018 Guangxi Dameng EMM Agreement, 2018 Guangxi Dameng Raw Materials Agreement, 2018 Guangxi Liuzhou Agreement, 2018 Nanning Battery Plant Agreement and mining drawing service under 2018 Integrated Services Agreement will be determined with reference to:

- (1) the applicable state price in respect of the goods or products or services promulgated by local government of the PRC (if any);
- (2) if there is no applicable state price for such goods or products or services, the fair prices of the same or same type of goods or products or services provided by independent third parties in the location of the Company or the nearby area, and the prevailing market price of the transaction. The Group will obtain relevant market price information through various channels, which include (i) considering at least two comparable transactions (if any) conducted by independent third parties during the same period on such goods or products or services; (ii) communication and exchange of price information with at least two independent suppliers or customers by various means, including telephone conversations, emails and meetings, with peers and business partners within the same industry; and/or (iii) online information obtained from various websites from time to time like 華誠金屬網 (<http://www.hme01.com/information/>), 中國鐵合金在線 (<http://www.cnfeol.com/>) or other relevant websites. The Company will conclude the relevant market price by (i) at least two comparable transactions with independent third parties; and (ii) the prices offered by at least two independent suppliers or customers to set the fair price; or
- (3) where there are no available prevailing market prices or where it is impracticable to obtain the relevant market price information, the Group and the Guangxi Dameng and/or its subsidiaries will determine the price after arm's length negotiations with reference to (i) the previous same or same type of the transactions concluded by the Group with Guangxi Dameng and/or its subsidiaries; and/or (ii) previous same or same type of the transactions concluded by the Group with independent third parties.

According to the internal control policy of the Group, there are at least two historical transactions and enquiries or at least two participants in the tender (if applicable) when determining the selling or purchase price for the goods or products or service fees and the Group will continue to strictly follow the abovementioned requirements.

**Annual Caps and Historical Amounts of the Transactions Between the Group and Guangxi Dameng and/or its subsidiaries in respect of sale/purchase of High Grade Manganese Ore, EMM and Raw Materials**

Set out below are the annual caps and historical amounts in relation to the transactions between the Group and Guangxi Dameng and/or its subsidiaries in respect of sale/purchase of High Grade Manganese Ore, EMM and Raw Materials for the period between 1 January 2016 and 31 May 2018:

	For the year ended 31 December 2016		For the year ended 31 December 2017		Year 2018	For the five months period ended 31 May 2018
	Annual Caps	Historical Amounts	Annual Caps	Historical Amounts	Annual Caps	Historical Amounts
Purchase of high grade manganese ore from Guangxi Dameng and/or its subsidiaries	Nil	Nil	Nil	Nil	Nil	Nil
Purchase of EMM from Guangxi Dameng and/or its subsidiaries	Nil	Nil	Nil	Nil	Nil	Nil
Sale of Raw Materials to Guangxi Dameng and/or its subsidiaries						
(1) low grade manganese ore	Nil	Nil	Nil	Nil	Nil	Nil
(2) sulfuric acid	Nil	Nil	Nil	Nil	Nil	Nil
(3) selenium dioxide	Nil	Nil	Nil	Nil	Nil	Nil

**Annual Caps and Historical Amounts of the Transactions Between the Group and Guangxi Dameng and/or its subsidiaries in respect of the continuing connected transactions under the 2016 Guangxi Dameng Agreements**

Set out below are the annual caps and historical amounts in relation to the continuing connected transactions between the Group and Guangxi Dameng and/or its subsidiaries under the 2016 Guangxi Dameng Agreements for the period between 1 January 2016 and 31 May 2018:



		For the year ended 31 December 2016			For the year ended 31 December 2017			For the year ending 31 December 2018	For the five months period ended 31 May 2018		
		Annual Caps (A)	Historical Amounts (B)	(B)/(A)	Annual Caps (A)	Historical Amounts (B)	(B)/(A)	Annual Caps (A)	Historical Amounts (B)	(B)/(A)	
<b>2016 Guangxi Dameng Agreements</b>											
(1)	<b>2016 Integrated Services Framework Agreement</b>										
(i)	Provision of Integrated Services by Guangxi Dameng	HK\$3,737,000 (equivalent to RMB3,120,000)	HK\$3,649,000 (equivalent to RMB3,120,000)	97.6%	HK\$3,881,000 (equivalent to RMB3,240,000)	HK\$3,736,000 (equivalent to RMB3,240,000)	96.3%	HK\$4,024,000 (equivalent to RMB3,360,000)	HK\$1,750,000 (equivalent to RMB1,400,000)	43.5%	
(ii)	Provision of mining drawing service by Guangxi Dameng	HK\$838,000 (equivalent to RMB700,000)	HK\$702,000 (equivalent to RMB600,000)	83.8%	HK\$838,000 (equivalent to RMB700,000)	HK\$653,000 (equivalent to RMB566,000)	77.9%	HK\$838,000 (equivalent to RMB700,000)	HK\$295,000 (equivalent to RMB236,000)	35.2%	
(iii)	Provision of electricity and fuels to Guangxi Dameng	HK\$72,000 (equivalent to RMB60,080)	HK\$42,000 (equivalent to RMB36,000)	58.3%	HK\$72,000 (equivalent to RMB60,080)	HK\$48,000 (equivalent to RMB42,000)	66.7%	HK\$72,000 (equivalent to RMB60,080)	HK\$29,000 (equivalent to RMB23,000)	40.3%	
(2)	<b>2016 Guangxi Liuzhou Agreement</b>										
	Purchase of vertical mills and accessories from Guangxi Liuzhou	HK\$15,569,000 (equivalent to RMB13,000,000)	HK\$12,868,000 (equivalent to RMB11,002,000)	82.7%	Nil	Nil	Nil	Nil	Nil	Nil	
(3)	<b>2016 Nanning Battery Plant Agreement</b>										
	Purchase of packaging bags from Nanning Battery Plant	HK\$6,012,000 (equivalent to RMB5,020,000)	HK\$4,718,000 (equivalent to RMB4,034,000)	78.5%	HK\$6,012,000 (equivalent to RMB5,020,000)	HK\$5,710,000 (equivalent to RMB4,952,000)	95.0%	HK\$6,012,000 (equivalent to RMB5,020,000)	HK\$2,758,000 (equivalent to RMB2,206,000)	45.9%	
(4)	<b>2016 Guangxi Dameng Tenancy Agreement</b>										
	Letting of the Premises to Guangxi Dameng	HK\$939,000 (equivalent to RMB783,821)	HK\$895,000 (equivalent to RMB765,000)	95.3%	HK\$972,000 (equivalent to RMB811,255)	HK\$891,000 (equivalent to RMB773,000)	91.7%	HK\$1,006,000 (equivalent to RMB839,649)	HK\$409,000 (equivalent to RMB327,000)	40.7%	

As at the date of this announcement, the annual caps for the 2016 Guangxi Dameng Agreements for the year ending 31 December 2018 had not been nor expected to be exceeded.

## 2018 Guangxi Dameng Caps

The 2018 Guangxi Dameng Caps under 2018 Guangxi Dameng Agreements are as follows:

	2018 Guangxi Dameng Caps		
	For the period from 26 July to 31 December 2018	For the year ending 31 December 2019 <i>(Note*)</i>	For the year ending 31 December 2020
<b>2018 Guangxi Dameng Ore Agreement</b>			
Purchase of High Grade Manganese Ore from Guangxi Dameng (and/or its subsidiaries)	HK\$154,286,000 (equivalent to RMB123,429,000)	HK\$330,750,000 (equivalent to RMB264,600,000)	HK\$396,900,000 (equivalent to RMB317,520,000)
<b>2018 Guangxi Dameng EMM Agreement</b>			
Purchase of EMM from Guangxi Dameng (and/or its subsidiaries)	HK\$115,500,000 (equivalent to RMB92,400,000)	HK\$257,250,000 (equivalent to RMB205,800,000)	HK\$351,146,000 (equivalent to RMB280,917,000)
<b>2018 Guangxi Dameng Raw Materials Agreement</b>			
Sale of Raw Materials to Guangxi Dameng (and/or its subsidiaries)			
(1) low grade manganese ore	HK\$11,571,000 (equivalent to RMB9,257,000)	HK\$18,900,000 (equivalent to RMB15,120,000)	HK\$19,845,000 (equivalent to RMB15,876,000)
(2) sulfuric acid	HK\$10,000,000 (equivalent to RMB8,000,000)	HK\$27,563,000 (equivalent to RMB22,050,000)	HK\$28,941,000 (equivalent to RMB23,153,000)
(3) selenium dioxide	HK\$3,834,000 (equivalent to RMB3,067,000)	HK\$9,975,000 (equivalent to RMB7,980,000)	HK\$10,474,000 (equivalent to RMB8,379,000)

*Note* \*: As the annual caps of the 2018 Guangxi Dameng Ore Agreement, 2018 Guangxi Dameng EMM Agreement and Guangxi Dameng Raw Materials Agreement for the year ending 31 December 2018 relate only to a shorter period from 26 July 2018 to 31 December 2018, there are significant increases in the annual caps of the 2018 Guangxi Dameng Ore Agreement, 2018 Guangxi Dameng EMM Agreement and Guangxi Dameng Raw Materials Agreement for the year ending 31 December 2019 over that of 2018.

**2018 Guangxi Dameng Caps**

	<b>For the year ending 31 December 2019</b>	<b>For the year ending 31 December 2020</b>	<b>For the year ending 31 December 2021</b>
<b>2018 Integrated Services Framework Agreement</b>			
(i) Provision of Integrated Services by Guangxi Dameng	HK\$4,075,000 (equivalent to RMB3,260,000)	HK\$4,075,000 (equivalent to RMB3,260,000)	HK\$4,075,000 (equivalent to RMB3,260,000)
(ii) Provision of mining drawing services by Guangxi Dameng	HK\$875,000 (equivalent to RMB700,000)	HK\$875,000 (equivalent to RMB700,000)	HK\$875,000 (equivalent to RMB700,000)
<b>2018 Guangxi Liuzhou Agreement</b>			
Purchase of vertical mill(s) and accessories from Guangxi Liuzhou	HK\$32,500,000 (equivalent to RMB26,000,000)	—	—
<b>2018 Nanning Battery Plant Agreement</b>			
Purchase of packaging bags from Nanning Battery Plant	HK\$6,275,000 (equivalent to RMB5,020,000)	HK\$6,275,000 (equivalent to RMB5,020,000)	HK\$6,275,000 (equivalent to RMB5,020,000)

The proposed annual caps in respect of the purchase of the High Grade Manganese Ore from Guangxi Dameng (and/or its subsidiaries) were determined with reference to, inter alia, (i) the historical demand and purchase price of High Grade Manganese Ore by the Group for its manganese ferroalloy production for the two years and five months ended 31 May 2018; (ii) the estimated aggregate demand of High Grade Manganese Ore for the Group's manganese ferroalloy production and our resale to Dushan Jinneng to meet its manganese ferroalloy production totalling approximately 137,100 tonnes, 280,000 tonnes and 320,000 tonnes for the period from 26 July 2018 to 31 December 2018 and two years ending 31 December 2020; and (iii) the estimated purchase prices of High Grade Manganese Ore of RMB900 per tonne, RMB945 per tonne and RMB992 per tonne for the period from 26 July 2018 to 31 December 2018 and two years ending 31 December 2020 respectively.

The proposed annual caps in respect of the purchase of EMM from Guangxi Dameng (and/or its subsidiaries) were determined with reference to, inter alia, (i) the historical production of EMM by Guangxi Dameng (and/or its subsidiaries) and historical sales of EMM of the Group for the two years and five months ended 31 May 2018; (ii) the estimated quantity of EMM purchase from Guangxi Dameng (and/or its subsidiaries) of approximately 9,400 tonnes, 20,000 tonnes and 26,000 tonnes for the period from 26 July 2018 to 31 December 2018 and two years ending 31 December 2020 respectively; and (iii) the estimated purchase prices of EMM of RMB9,800 per tonne, RMB10,290 per tonne and RMB10,805 per tonne for the period from 26 July 2018 to 31 December 2018 and two years ending 31 December 2020 respectively.

The proposed annual caps for the sale of Low Grade Manganese Ore to Guangxi Dameng (and/or its subsidiaries) were determined with reference to, inter alia, (i) the historical demand of Low Grade Manganese Ore for EMM production by the Group for the two years and five months ended 31 May 2018; (ii) the estimated sales quantity of Low Grade Manganese Ore to Guangxi Dameng (and/or its subsidiaries) of approximately 25,700 tonnes, 40,000 tonnes and 40,000 tonnes for the period from 26 July 2018 to 31 December 2018 and two years ending 31 December 2020 respectively; and (iii) the estimated average selling prices of low grade manganese ore of RMB360 per tonne, RMB378 per tonne and RMB397 per tonne for the period from 26 July 2018 to 31 December 2018 and two years ending 31 December 2020 respectively.

The proposed annual caps for the sale of sulfuric acid to Guangxi Dameng (and/or its subsidiaries) were determined with reference to, inter alia, (i) the historical demand and purchase price of sulfuric acid for EMM production by the Group for the two years and five months ended 31 May 2018; (ii) the estimated sale of sulfuric acid to Guangxi Dameng (and/or its subsidiaries) of approximately 22,900 tonnes, 60,000 tonnes and 60,000 tonnes for the period from 26 July 2018 to 31 December 2018 and two years ending 31 December 2020 respectively; and (iii) the estimated average selling prices of sulfuric acid of RMB350 per tonne, RMB368 per tonne and RMB386 per tonne for the period from 26 July 2018 to 31 December 2018 and two years ending 31 December 2020 respectively.

The proposed annual caps for the sale of selenium dioxide to Guangxi Dameng (and/or its subsidiaries) were determined with reference to, inter alia, (i) the historical demand and purchase price of selenium oxide for EMM production by the Group for the two years and five months ended 31 May 2018; (ii) the estimated sales quantity of selenium dioxide to Guangxi Dameng (and/or its subsidiaries) of approximately 16,100kg, 40,000kg and 40,000kg for the period from 26 July 2018 to 31 December 2018 and two years ending 31 December 2020 respectively; and (iii) the estimated average selling prices of selenium dioxide of RMB190 per kg, RMB200 per kg and RMB209 per kg for the period from 26 July 2018 to 31 December 2018 and two years ending 31 December 2020 respectively.

The proposed annual caps for the Integrated Services paid to Guangxi Dameng (and/or its subsidiaries) were a matter of commercial negotiation between the parties with reference to (i) the historical fees paid to Guangxi Dameng for the Integrated Services of approximately RMB3,120,000, RMB3,240,000 and RMB1,400,000 by the Group for the two years ended 31 December 2017 and for the five months period ended 31 May 2018; (ii) the estimated market rental of RMB12.8 per meter<sup>2</sup> in respect of the land area used for provision of social facilities (including but not limited to housing, schools, hospitals, recreational facilities) by Guangxi Dameng to the Group at Daxin Mine for the three years ending 31 December 2021.

The proposed annual caps for the mining drawing services paid to Guangxi Dameng (and/or its subsidiaries) were a matter of commercial negotiation with reference to (i) the historical fees paid to Guangxi Dameng for the mining drawing services of approximately RMB600,000, RMB566,000 and RMB236,000 for the two years ended 31 December 2017 and for the five months period ended 31 May 2018; (ii) the estimated mining drawing services provided by Guangxi Dameng to CITIC Dameng Mining for the three years ending 31 December 2021.

The proposed annual caps for the purchase of vertical mill(s) and accessories from Guangxi Liuzhou were determined primarily based on (i) the historical transaction of vertical mill(s) and accessories between the Group and Guangxi Liuzhou for the two years and five months ended 31 May 2018; (ii) the estimated demand of vertical mill(s) and accessories by the Group of one unit, Nil and Nil for each of the three years ending 31 December 2021 respectively; (iii) the estimated purchase price of vertical mill(s) and accessories of RMB26,000,000 per unit during the three years ending 31 December 2021.

The proposed annual caps for the purchase of packaging bags from Nanning Battery Plant were determined primarily based on (i) the historical demand and purchase price of packaging bags by the Group for the two years and five months ended 31 May 2018; (ii) the estimated demand in number of packaging bags by the Group of approximately 321,000 for each of the three years ending 31 December 2021; (iii) the estimated average selling price of packaging bags of RMB15.6 per unit during the three years ending 31 December 2021.

### **Reasons for Entering Into the 2018 Guangxi Dameng Agreements**

The Group has established long term and good cooperation and working relationship with Guangxi Dameng and its subsidiaries.

## **2018 Guangxi Dameng Ore Agreement**

As disclosed in the website of PMG Mining (Pty) Limited (a subsidiary of Guangxi Dameng) (<http://www.pmgmining.co.za/pmgmining/english/aboutus.asp>), Guangxi Dameng now operates Bishop Mine, South Africa with existing mining capacity of approximately 600,000 tonnes per annum and is now developing Paling Mine South Africa, and its mining capacity of the two mines, in aggregate, will be further increased to approximately 1,200,000 per annum in year 2018. The measured and indicated manganese resources of Bishop Mine is approximately 10,084,800 tonnes with average manganese content of 34% and the manganese resources of Paling Mine is approximately 40,000,000 tonnes with average manganese content of 35%. Guangxi Dameng is one of the key manganese ore suppliers in the PRC and can offer such High Grade Manganese Ore in large quantities at competitive prices. Such High Grade Manganese Ore are essential materials for manganese ferroalloy production.

## **2018 Integrated Services Framework Agreement**

The provision of Integrated Services by Guangxi Dameng has enabled our employees to continue to enjoy the basic and necessary living and social welfare facilities at Daxin Mine. On the other hand, Guangxi Dameng possesses the requisite certification for carrying out the mining drawing services and is familiar with geological composition of Daxin Mine, and therefore can provide mining drawing services at competitive prices.

## **2018 Guangxi Dameng EMM Agreement, 2018 Guangxi Liuzhou Agreement and 2018 Nanning Battery Plant Agreement**

Guangxi Dameng's subsidiaries have proven to be reliable suppliers to the Group in the provision of tools and equipment and raw materials at competitive prices which are beneficial to the continuing operations and business of the Group, including but not limited to the followings:

- (i) Guangxi Dameng together with its subsidiaries is also one of the leading EMM producers in Guangxi, the PRC which produces EMM at competitive price with high quality and can supplement the customers demand of the Group from time to time and to enlarge our Group's market share and maintain our market leadership in the region. In addition, the collaboration with Guangxi Dameng can ensure a more orderly market in the local region and enhance the Group's economies of scales and sales bargaining power in negotiating commercial terms with their common customers.
- (ii) Guangxi Liuzhou is one of the reputable market leaders in Guangxi, the PRC for production of electrical and mechanical equipment.

(iii) Nanning Battery Plant is one of the reputable market leaders in Guangxi, the PRC for production of packaging bags.

### **2018 Guangxi Dameng Raw Materials Agreement**

In terms of Raw Materials, the Group is the largest EMM producer in southern China and therefore we can purchase Low Grade Manganese Ore, sulfuric acid and selenium dioxide at competitive prices which can be resold to Guangxi Dameng (and/or its subsidiaries) for their EMM production. Trading with Guangxi Dameng and its subsidiaries increases our economies of scales and therefore strengthens our bargaining power in price and other commercial terms negotiation with our Raw Materials suppliers and is beneficial to the continuing operations and business of the Group.

The Directors are of the view that: (i) the 2018 Guangxi Dameng Agreements have been entered into on normal commercial terms and in the ordinary and usual course of business of the Group; and (ii) the terms under the 2018 Guangxi Dameng Agreements (including 2018 Guangxi Dameng Caps) are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

### **Information on the Company**

The Company is a vertically integrated manganese producer that produces and sells manganese products. It has manganese mining, ore processing and downstream processing operations in the PRC as well as manganese mining and ore processing operations in Gabon.

### **Information on Guangxi Dameng, Guangxi Liuzhou and Nanning Battery Plant**

Guangxi Dameng holds 22.64% equity interest in the Company and therefore is a connected person of the Company. Guangxi Dameng together with its subsidiaries is principally engaged in manganese mining and processing, EMM production, battery production, mechanical engineering, accessories manufacturing and export trade, and other businesses.

Guangxi Liuzhou is a wholly owned subsidiary of Guangxi Dameng and therefore is a connected person of the Company. Guangxi Liuzhou is principally engaged in electrical and mechanical equipment manufacturing business.

Nanning Battery Plant is a wholly owned subsidiary of Guangxi Dameng and therefore is a connected person of the Company. Nanning Battery Plant is principally engaged in battery manufacturing and accessories production (including plastic bags) businesses.

## **Listing Rules Implications**

The transactions under the 2016 Guangxi Dameng Agreements and the 2016 Guangxi Dameng Tenancy Agreement (on their own) were previously subject only to announcement, reporting and annual review requirements as detailed in the Company's announcement of 30 December 2015.

As the Company intends to enter into the transactions contemplated under the 2018 Guangxi Dameng Agreements, the highest applicable Percentage Ratio calculated with reference to 2016 Guangxi Dameng Caps and 2018 Guangxi Dameng Caps under the 2016 Guangxi Dameng Agreements and the 2018 Guangxi Dameng Agreements on an aggregate basis exceeds 5%. The transactions contemplated under the 2018 Guangxi Dameng Agreements are therefore subject to announcement, reporting and annual review and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

To the best knowledge and belief of the Directors, none of the Directors have a material interest in the transactions contemplated under the 2018 Guangxi Dameng Agreements and therefore have to abstain from voting on the board resolution approving the 2018 Guangxi Dameng Agreements.

An Independent Board Committee comprising all the independent non-executive Directors has been formed to advise the Non Guangxi Dameng Independent Shareholders in respect of the terms of the 2018 Guangxi Dameng Agreements.

To the best knowledge and belief of the Directors, save and except for Guinan Dameng (which holds 776,250,000 Shares, representing approximately 22.64% of the issued Shares) and its associates, no Shareholder is required to abstain from voting at the SGM on resolutions approving the 2018 Guangxi Dameng Agreements.

Shinco Capital has been appointed by the Company to advise the Independent Board Committee and the Non Guangxi Dameng Independent Shareholders in respect of the terms of the 2018 Guangxi Dameng Agreements and the transactions contemplated thereunder.



### **(3) REVISION OF ANNUAL CAPS UNDER THE 2018 CITIC SPECIAL STEEL AGREEMENT**

Reference is made to the announcement of the Company dated 29 December 2017 in respect of the 2017 CITIC Special Steel Agreement.

On 29 December 2017, the Company entered into the 2017 CITIC Special Steel Agreement with CITIC Special Steel. Pursuant to the 2017 CITIC Special Steel Agreement, the Group agreed to sell manganese ferroalloy to CITIC Special Steel (and/or its subsidiaries) for the period from 1 January 2018 to 31 December 2020. Details of the 2017 CITIC Special Steel Agreement are set out as follows:

Date: 29 December 2017

Parties: (1) The Group (as the seller)

(2) CITIC Special Steel (as the purchaser)

Subject: Pursuant to the 2017 CITIC Special Steel Agreement, the Company (for itself and on behalf of its subsidiaries) agreed to sell manganese ferroalloy to CITIC Special Steel (and/or its subsidiaries).

Pricing terms: The transactions under the 2017 CITIC Special Steel Agreement are conducted in ordinary and usual course of business and on normal commercial terms and such terms and conditions are no less favourable than those available from Independent Third Parties.

Under the 2017 CITIC Special Steel Agreement, the quantity of manganese ferroalloy to be sold by the Group is not fixed and is to be determined and agreed between the parties from time to time. The Group is not required to sell a minimum amount or any pre-defined quantity of manganese ferroalloy to CITIC Special Steel (and/or its subsidiaries) during the term of the agreement. In addition, the prices are not fixed and are to be determined in accordance with prevailing market prices and to be agreed between the parties.

The annual cap for the sale of manganese ferroalloy by the Group to CITIC Special Steel (and/or its subsidiaries) under the 2017 CITIC Special Steel Agreement is calculated by reference to the prevailing market unit price of manganese ferroalloy multiplying the estimated quantity of manganese ferroalloy to be sold by the Group to CITIC Special Steel (and/or its subsidiaries) under the 2017 CITIC Special Steel Agreement for the period from 26 July 2018 to 31 December 2018 and two years ending 31 December 2020. The amount will be settled in accordance with the prevailing market practice and to be agreed between the parties.

Pricing  
standards:

The selling prices in respect of the manganese ferroalloy under the 2017 CITIC Special Steel Agreement are determined with reference to:

- (1) the applicable state price in respect of the manganese ferroalloy issued by local government of the PRC (if any);
- (2) if there is no applicable state price for manganese ferroalloy, the fair prices of the same or same type of manganese ferroalloy provided by independent third parties in the location of the Company or the nearby area, and the prevailing market price of the transaction. The Group will obtain relevant market price information through various channels, which include (i) considering at least two comparable transactions (if any) conducted by independent third parties during the same period on such manganese ferroalloy; (ii) communication and exchange of price information with at least two independent customers by various means, including telephone conversations, emails and meetings, with peers and business partners within the manganese ferroalloy production industry and (iii) online information obtained from various websites from time to time like 華誠金屬網(<http://www.hme01.com/information/>), 中國鐵合金在線 (<http://www.cnfeol.com/>) or other relevant websites. The Company will conclude the relevant market price by (i) at least two comparable transactions with independent third parties; and (ii) the prices offered by at least two independent suppliers to set the fair price; or

- (3) where there are no available prevailing market prices or where it is impracticable to obtain the relevant market price information, the Group and CITIC Special Steel and/or its subsidiaries will determine the price after arm's length negotiations with reference to (i) the previous same or same type of the transactions concluded by the Group with CITIC Special Steel and/or its subsidiaries; and/or (ii) previous same or same type of the transactions concluded by the Group with independent third parties;

According to the internal control policy of the Group, there are at least two historical transactions and enquiries or at least two participants in the tender (if applicable) when determining the price of manganese ferroalloy and the Group will continue to strictly follow the abovementioned requirements.

Term: For the period from 1 January 2018 to 31 December 2020.

## **2018 CITIC SPECIAL STEEL AGREEMENT**

The Company, as part of internal control procedures, regularly keeps reviewing the existing annual caps and updated accumulated transactions of various continuing connected transactions including particularly those under the 2017 CITIC Special Steel Agreement for the three years ending 31 December 2020. In April 2018, the management of the Company, based on the significant increase of historical transactions under the 2017 CITIC Special Steel Agreement for the first quarter of 2018 and the expected increase of production volume of Qinzhou Ferroalloy Plant and the gradual completion of the commercial production by Dushan Jinmeng as detailed in the section headed "Reasons for Entering Into the 2018 CITIC Special Steel Agreement", reported to the Board members of the expected significant increase of transactions thereunder and suggested to the Board to initiate compliance procedures for revising the annual caps.

On 21 June 2018, the Company (for itself and on behalf of its subsidiaries) entered into the 2018 CITIC Special Steel Agreement with CITIC Special Steel to revise the annual caps under the 2017 CITIC Special Steel Agreement. The 2018 CITIC Special Steel Agreement is subject to approval by Non CITIC Independent Shareholders and the transactions contemplated thereunder will commence only after the Company has obtained such approval in the SGM.

For the two years ended 31 December 2016 and 2017, the sale of manganese ferroalloy to CITIC Special Steel (and/or its subsidiaries) by the Group amounted to HK\$47,632,000 (equivalent to RMB40,725,000) and HK\$81,628,000 (equivalent to RMB70,790,000) respectively.

During the period from 1 January 2018 to the date of this announcement, the Group has already delivered 5,000 tonnes of manganese ferroalloy to CITIC Special Steel (and/or its subsidiaries) with a total value of approximately HK\$45,623,000 (equivalent to RMB36,498,000), which is approximately 61% of the 2017 CITIC Special Steel Caps for the year ending 31 December 2018.

As at the date of this announcement, the annual cap for the 2017 CITIC Special Steel Agreement for the year ending 31 December 2018 had not been exceeded.

### **Annual Caps and Historical Amounts of the Transactions Between the Group and CITIC Special Steel (and/or its subsidiaries) in respect of Sale of Manganese Ferroalloy**

Set out below are the annual caps and historical amounts in relation to the transactions between the Group and CITIC Special Steel (and/or its subsidiaries) for the period from 1 January 2016 to 31 May 2018:

	For the year ended 31 December 2016			For the year ended 31 December 2017			For the year ending 31 December 2018		The period from 1 January 2018 to 31 May 2018	
	Annual Caps (A)	Historical Amounts (B)	(B)/(A)	Annual Caps (A)	Historical Amounts (B)	(B)/(A)	Annual Caps (A)	Historical Amounts (B)	(B)/(A)	
Sale of manganese ferroalloy to CITIC Special Steel and/or its subsidiaries	HK\$95,611,000	HK\$47,632,000	49.8%	HK\$95,611,000	HK\$81,628,000	85.4%	HK\$75,000,000	HK\$45,623,000	60.8%	
	(equivalent to RMB75,600,000)	(equivalent to RMB40,725,000)		(equivalent to RMB75,600,000)	(equivalent to RMB70,790,000)		(equivalent to RMB63,025,000)	(equivalent to RMB36,498,000)		

### **2018 CITIC Special Steel Caps**

The 2018 CITIC Special Steel Caps under the 2018 CITIC Special Steel Agreement are as follows:

	For the year ending 31 December 2018		For the year ending 31 December 2019		For the year ending 31 December 2020	
	Original annual cap	Revised annual cap	Original annual cap	Revised annual cap	Original annual cap	Revised annual cap

#### **2018 CITIC Special Steel Agreement**

Sale of manganese ferroalloy to

CITIC Special Steel and/or its subsidiaries	HK\$75,000,000	HK\$383,979,000	HK\$75,000,000	HK\$862,785,000	HK\$75,000,000	HK\$905,962,000
	(equivalent to RMB63,025,000)	(equivalent to RMB307,183,000)	(equivalent to RMB63,025,000)	(equivalent to RMB690,228,000)	(equivalent to RMB63,025,000)	(equivalent to RMB724,769,000)

The proposed annual caps for the sale of the manganese ferroalloy to CITIC Special Steel (and/or its subsidiaries) are determined primarily based on (i) the historical production and sales price of manganese ferroalloy by the Group for the two years and five months ended 31 May 2018; (ii) the estimated sale of the manganese ferroalloy to CITIC Special Steel (and/or its subsidiaries) by the Group of approximately 46,500 tonnes, 99,600 tonnes and 99,600 tonnes for each of the three years ending 31 December 2020 respectively, as further explained in the following paragraph headed “Reasons for Entering Into the 2018 CITIC Special Steel Agreement” below. Nevertheless, the Group currently does not have any significant committed orders from CITIC Special Steel (and/or its subsidiaries); (iii) the estimated selling prices of manganese ferroalloy of RMB6,600 per tonne, RMB6,930 per tonne and RMB7,277 per tonne for each of the three years ending 31 December 2020 respectively.

### **Reasons for Entering Into the 2018 CITIC Special Steel Agreement**

Since 2014, the selling price for manganese alloy experienced a continuous rebound following numerous years’ fluctuation. The stabilisation and continuous rebound in selling price served to release the pended-up demand for manganese ferroalloy production, with the Group’s sales to CITIC Special Steel (and/or its subsidiaries) for the first quarter 2018 having surged by more than 212% as compared with the same period in 2017. The 2017 CITIC Special Steel Agreement has an unexpired period of more than two years and that the Company expects that the manganese ferroalloy market will continue to improve.

In addition, Dushan Jinmeng commenced its first phase of commercial production in the late 2017, which upon completion of the whole project scheduled to be around the end of the year 2018 will have an annual production capacity of 500,000 tonnes manganese ferroalloy in Guizhou province, the PRC and we intend to purchase the manganese ferroalloy from it and resell to our customers (including CITIC Special Steel (and/or its subsidiaries)). Furthermore, it is expected that our Qinzhou Ferroalloy Plant through leasing or subcontracting the surrounding manganese ferroalloy production plants will increase its manganese ferroalloy production capacity from 60,000 tonne per annum to approximately 110,000 tonne per annum on or before July 2018 and approximately 200,000 tonne per annum on or before the year end of 2018, which further enhancing our manganese ferroalloy production in a significant manner.

The intended sales of manganese ferroalloy to CITIC Special Steel (and/or its subsidiaries) therefore will only account for approximately 23.1%, 27.1% and 26.2% of the total sales of our manganese ferroalloy for the three years ending 31 December 2020 with the remaining sales to independent third parties.

At the same time, we plan to grasp the continued improving market environment of the manganese ferroalloy business and the scale advantages of the Group in the manganese ferroalloy, so as to further develop the manganese ferroalloy trading business.

With the steady growth in selling price for manganese ferroalloy, the surge in new orders and the gradual commercial production by Dushan Jinneng, which coupled with the Group's business plan of expanding its trading business, the Company expects that the annual transaction amount by the Group will exceed the 2017 CITIC Special Steel Caps based on the business projections.

In addition, CITIC Special Steel (together with its subsidiaries) is one of the market leaders in steel production in the PRC which purchases manganese ferroalloy in large quantities and at a competitive price. As disclosed in the 2017 annual report of CITIC Limited, CITIC Special Steel (and its subsidiaries) is the largest dedicated manufacturer of special steel in China with a total production capacity of 12 million tonnes per annum and therefore has a huge and constant demand of manganese ferroalloy to satisfy its special steel production, therefore sales of manganese ferroalloy to CITIC Special Steel (and/or its subsidiaries) can expand our customer portfolio and increase our sales network, which is beneficial to our continuing operations and business.

Our sales of manganese ferroalloy to CITIC Special Steel (for itself and its subsidiaries) have grown since 2015, thus generating valuable revenue for the Group. The cooperation with CITIC Special Steel (for itself and its subsidiaries) has been beneficial for the Group, significantly helping the Group to expand its ferroalloy manganese sales in the PRC over the years. The Board believes this cooperation can help the Group to increase sales in manganese ferroalloy.

The Directors (excluding Mr. Suo Zhengang and Mr. Lyu Yanzhen, all are also directors of certain subsidiaries of CITIC Group, have abstained from voting on the board resolution approving 2018 CITIC Special Steel Agreement) are of the view that: (i) the 2018 CITIC Special Steel Agreement has been entered into on normal commercial terms and in the ordinary and usual course of business of the Group; and (ii) the terms under the 2018 CITIC Special Steel Agreement (including 2018 CITIC Special Steel Caps) are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

### **Information on CITIC Special Steel**

CITIC Special Steel is an indirect wholly owned subsidiary of CITIC Limited, which is in turn a subsidiary of CITIC Group. Therefore, CITIC Special Steel is a connected person of the Company. CITIC Special Steel (together with its subsidiaries) is principally engaged in steel and ancillary products manufacturing and processing.

## **Listing Rules Implications**

As the highest applicable Percentage Ratio calculated with reference to the 2018 CITIC Special Steel Caps is more than 5%, the transactions contemplated under the 2018 CITIC Special Steel Agreement are therefore subject to the reporting, annual review and announcement and independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

To the best knowledge and belief of the Directors, save for Mr. Suo Zhengang and Mr. Lyu Yanzhen, none of the Directors have a material interest in the transactions contemplated under 2018 CITIC Special Steel Agreement and therefore have to abstain from voting on the board resolution approving the 2018 CITIC Special Steel Agreement and the transactions contemplated thereunder.

An Independent Board Committee comprising all the independent non-executive Directors has been formed to advise the Non CITIC Independent Shareholders in respect of the terms of the 2018 CITIC Special Steel Agreement and the transactions contemplated thereunder.

To the best knowledge and belief of the Directors, save and except for Apexhill (which holds 311,026,000 Shares, representing approximately 9.07% of the issued Shares), Highkeen (which holds 1,179,000,000 Shares, representing approximately 34.39% of the issued Shares) and their associates, no Shareholder is required to abstain from voting at the SGM on resolutions approving the 2018 CITIC Special Steel Agreement and the transactions contemplated thereunder.

Shinco Capital has been appointed by the Company to advise the Independent Board Committee and the Non CITIC Independent Shareholders in respect of the terms of the 2018 CITIC Special Steel Agreement and the transactions contemplated thereunder.

## **(4) SHARE PREMIUM REDUCTION**

The Board intends to seek shareholders' approval at the SGM to reduce the share premium of the Company in accordance with applicable laws and regulations of Bermuda and the Bye-laws. The amount standing to the credit of the Share Premium Account as at 31 December 2017 was HK\$3,352,902,000. It is proposed that (i) an amount of HK\$3,352,902,000 standing to the credit of the Share Premium Account be cancelled and that HK\$700,000,000 of the credit arising from the Share Premium Reduction be applied to offset the amount of the accumulated loss of the Company and (ii) the remaining balance of HK\$2,652,902,000 of the credit arising from the Share Premium Reduction be transferred to the Contributed Surplus Account.

## **Reasons for the Share Premium Reduction**

The Directors consider it unnecessary to maintain the Share Premium Account at its current level. The Company is subject to the restrictions under the laws of Bermuda on the use of the funds standing to the credit of the Share Premium Account which, in summary, is limited to application towards crediting as fully paid bonus shares to be issued and paying the costs arising on the issue of Shares. The Contributed Surplus Account is a distributable reserve which is available to be applied by the Company in a more general manner, including but not limited to, payment of dividends to Shareholders, issue of bonus shares, elimination of accumulated losses and the repurchase of Shares.

The Share Premium Reduction and the subsequent transfer of part of the credit arising therefrom to the Contributed Surplus Account will increase the distributable reserves of the Company and give the Company greater flexibility. The Board believes that the Share Premium Reduction is in the interests of the Company and Shareholders as a whole.

## **Effect of the Share Premium Reduction**

The implementation of the Share Premium Reduction does not involve any reduction in the authorised or issued share capital of the Company nor does it involve any reduction in the nominal value of the Shares or the trading arrangements concerning the Shares. Save for the expenses incurred by the Company in relation to the Share Premium Reduction, the implementation of the Share Premium Reduction will not, in itself, have any material adverse effect on the underlying assets, liabilities, business operations, management or financial position of the Company or the interests of Shareholders as a whole.

## **Conditions of the Share Premium Reduction**

The Share Premium Reduction is conditional upon:

1. the passing of a special resolution by Shareholders to approve the Share Premium Reduction at the SGM; and
2. compliance with the requirements of section 46(2) of the Companies Act to effect the Share Premium Reduction, including (i) the publication of a notice in relation to the Share Premium Reduction in an appointed newspaper in Bermuda on a date not more than 30 days and not less than 15 days before the Effective Date, and (ii) the Board being satisfied that on the Effective Date, there are no reasonable grounds for believing that the Company is, or after the Share Premium Reduction would be, unable to pay its liabilities as they become due.



Subject to the fulfilment of the above conditions, it is expected that the Share Premium Reduction shall become effective on the date of the SGM.

## DEFINITIONS

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

“2016 Guangxi Dameng Agreements”	2016 Integrated Services Framework Agreement, 2016 Guangxi Liuzhou Agreement and 2016 Nanning Battery Plant Agreement. Details of these agreements were disclosed in the announcement of the Company dated 30 December 2015
“2016 Guangxi Dameng Caps”	the maximum aggregate annual caps for the transactions contemplated under the 2016 Guangxi Dameng Agreements and 2016 Guangxi Dameng Tenancy Agreement for each of the three years ending 31 December 2018.
“2016 Guangxi Dameng Tenancy Agreement”	the tenancy agreement dated 30 December 2015 entered into between CITIC Dameng Mining and Guangxi Dameng in respect of the leasing of the premises situated at 2nd Floor of CITIC Dameng Building, No. 18 Zhujin Road, Nanning, Guangxi, PRC for the three years ending 30 June 2019
“2016 Guangxi Liuzhou Agreement”	the agreement dated 30 December 2015 entered into between CITIC Dameng Mining and Guangxi Liuzhou, pursuant to which CITIC Dameng Mining (for itself and on behalf of its subsidiaries) agreed to purchase negative plates, vertical mill(s) and accessories from Guangxi Liuzhou for the three years ending 31 December 2018
“2016 Integrated Services Framework Agreement”	the agreement dated 30 December 2015 entered into between CITIC Dameng Mining and Guangxi Dameng, pursuant to which Guangxi Dameng agreed to provide the Integrated Services and mining drawing services to CITIC Dameng Mining while CITIC Dameng Mining agreed to provide electricity and fuels to Guangxi Dameng in connection with the provision of the Integrated Services at Daxin Mine for the three years ending 31 December 2018

“2016 Nanning Battery Plant Agreement”	the agreement dated 30 December 2015 entered into between CITIC Dameng Mining and Nanning Battery Plant, pursuant to which Nanning Battery Plant agreed to provide packaging bags to CITIC Dameng Mining and/or its subsidiaries for the three years ending 31 December 2018
“2017 CITIC Special Steel Agreement”	the agreement dated 29 December 2017 entered into between the Company and CITIC Special Steel, pursuant to which the Company (for itself and on behalf of its subsidiaries) agreed to sell manganese ferroalloy to CITIC Special Steel (and/or its subsidiaries) for the three years ending 31 December 2020. Details of the agreement were disclosed in the announcement of the Company dated 29 December 2017
“2017 CITIC Special Steel Caps”	the maximum annual caps for the transactions contemplated under 2017 CITIC Special Steel Agreement for each of the three years ending 31 December 2020.
“2018 CITIC Special Steel Agreement”	the conditional agreement entered into between the Company and CITIC Special Steel dated 21 June 2018, pursuant to which the Company (and/or its subsidiaries) agreed to revise the annual caps for the sales of manganese ferroalloy to CITIC Special Steel (and/or its subsidiaries) under 2017 CITIC Special Steel Agreement for the three years ending 31 December 2020.
“2018 CITIC Special Steel Caps”	the revised maximum annual caps for the transactions contemplated under 2018 CITIC Special Steel Agreement for each of the three years ending 31 December 2020
“2018 Guangxi Dameng Agreements”	2018 Guangxi Dameng Ore Agreement, 2018 Guangxi Dameng EMM Agreement, 2018 Guangxi Dameng Raw Materials Agreement, 2018 Integrated Services Framework Agreement, 2018 Guangxi Liuzhou Agreement and 2018 Nanning Battery Plant Agreement
“2018 Guangxi Dameng Caps”	the maximum aggregate annual caps for the transactions contemplated under 2018 Guangxi Dameng Agreements for each of the four years ending 31 December 2021

“2018 Guangxi Dameng EMM Agreement”	the conditional agreement entered into between the Company and Guangxi Dameng dated 21 June 2018, pursuant to which the Company (for itself and on behalf of its subsidiaries) agreed to purchase EMM from Guangxi Dameng (and/or its subsidiaries) for the period from 26 July 2018 to 31 December 2020
“2018 Guangxi Dameng Ore Agreement”	the conditional agreement entered into between the Company and Guangxi Dameng dated 21 June 2018, pursuant to which the Company (for itself and on behalf of its subsidiaries) agreed to purchase High Grade Manganese Ore from Guangxi Dameng (and/or its subsidiaries) for the period from 26 July 2018 to 31 December 2020
“2018 Guangxi Dameng Raw Materials Agreement”	the conditional agreement entered into between the Company and Guangxi Dameng dated 21 June 2018, pursuant to which the Company (for itself and on behalf of its subsidiaries) agreed to sell Raw Materials to Guangxi Dameng (and/or its subsidiaries) for the period from 26 July 2018 to 31 December 2020
“2018 Guangxi Liuzhou Agreement”	the conditional agreement dated 21 June 2018 entered into between the Company and Guangxi Liuzhou, pursuant to which the Company (for itself and on behalf of its subsidiaries) agreed to purchase vertical mill(s) and accessories from Guangxi Liuzhou for the three years ending 31 December 2021
“2018 Integrated Services Framework Agreement”	the conditional agreement dated 21 June 2018 entered into between the Company and Guangxi Dameng, pursuant to which Guangxi Dameng agreed to provide the Integrated Services and mining drawing services to the Group for the three years ending 31 December 2021
“2018 Nanning Battery Plant Agreement”	the conditional agreement dated 21 June 2018 entered into between the Company and Nanning Battery Plant, pursuant to which Nanning Battery Plant agreed to provide packaging bags to the Group for the three years ending 31 December 2021

“Apexhill”	Apexhill Investments Limited, a company incorporated in the British Virgin Islands, which is an indirect wholly owned subsidiary of CITIC Limited and a shareholder of the Company
“associates”	has the meaning as ascribed to it under the Listing Rules
“connected person(s)”	
“controlling shareholder” or	
“substantial shareholder”	
“Board”	the board of directors of the Company
“Business Day”	a day (other than a Saturday, Sunday or any other public holiday) on which licensed banks in Hong Kong are generally open for normal banking business
“CITIC Dameng Mining”	中信大錳礦業有限責任公司 (CITIC Dameng Mining Industries Co., Limited), an indirect wholly owned subsidiary of the Company
“CITIC Group”	中信集團有限公司 (CITIC Group Corporation), a state-owned company established in the PRC in 1979 and the controlling shareholder of the Company
“CITIC Limited”	CITIC Limited (中國中信股份有限公司), a company incorporated in Hong Kong with limited liability with its shares listed on the Main Board of the Stock Exchange (Stock Code: 267) and the controlling shareholder of the Company
“CITIC Special Steel”	中信泰富特鋼有限公司 (CITIC Pacific Special Steel Co., Ltd.), a company incorporated under the laws of the PRC, which is an indirect wholly owned subsidiary of CITIC Limited
“Companies Act”	the Companies Act 1981 of Bermuda
“Company”	CITIC Dameng Holdings Limited, a limited company incorporated in Bermuda, whose shares are listed on the Main Board of the Stock Exchange (Stock Code: 1091)
“Daxin Mine”	CITIC Dameng Mining Industries Limited Daxin Manganese Mine (中信大錳礦業有限責任公司大新錳礦)

“Directors”	directors of the Company
“Dushan Jinmeng”	獨山金孟錳業有限公司(Dushan Jinmeng Manganese Limited Company Ltd.), a company incorporated under the laws of the PRC, which is owned as to 67% by 廣西金孟錳業有限公司 (Guangxi Jinmeng Manganese Limited Company) and 33% by 深圳藍海策略貿易有限公司 (Shenzhen Blue Ocean Strategy Trading Co., Ltd). 深圳藍海策略貿易有限公司 (Shenzhen Blue Ocean Strategy Trading Co., Ltd) is an indirect wholly owned subsidiary of the Company
“Effective Date”	the date on which the Share Premium Reduction shall become effective which is expected to be the date of the SGM, subject to approval by the Shareholders of the relevant special resolution approving the Share Premium Reduction at the SGM
“EMM”	electrolytic manganese metal
“Group”	the Company and its subsidiaries
“Guangxi Dameng”	廣西大錳業集團有限公司 (Guangxi Dameng Manganese Industrial Group Co., Ltd.), a state-owned limited liability company established under the laws of the PRC, which is wholly-owned by the government of Guangxi, the PRC and a substantial shareholder of the Company
“Guangxi Liuzhou”	廣西柳州大錳機電設備製造有限公司 (Guangxi Liuzhou Dameng Electrical and Mechanical Equipment Manufacturer Co., Ltd.), a company incorporated under the laws of the PRC which is a wholly owned subsidiary of Guangxi Dameng and is a connected person of the Company
“Guinan Dameng”	Guinan Dameng International Resources Limited (桂南大錳國際資源有限公司) a company incorporated in the British Virgin Islands, which is an indirect wholly owned subsidiary of Guangxi Dameng and a substantial shareholder of the Company
“Highkeen”	Highkeen Resources Limited, a company incorporated in the British Virgin Islands, which is an indirect subsidiary of CITIC Resources Holdings Limited (Stock Code: 1205) and a controlling shareholder of the Company

“High Grade Manganese Ore”	manganese ore with manganese content of more than 30%
“HK\$”	Hong Kong Dollar, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Board Committee”	the independent board committee of the Company comprising all the independent non-executive Directors, namely, Mr. Lin Zhijun, Mr. Mo Shijian and Mr. Tan Zhuzhong
“Independent Third Parties”	persons or companies which are not connected with any of the directors, the chief executives, the substantial shareholders of the Company or any of its subsidiaries, or their respective associates
“Integrated Services”	the provision of social facilities (including but not limited to housing, schools, hospitals, recreational facilities) by Guangxi Dameng to the Group at Daxin Mine
“JORC”	the Joint Ore Reserves Committee of the Australian Institute of Mining and Metallurgy
“kg”	kilogram
“Listing Committee”	the Listing Committee of the Stock Exchange
“Listing Rules”	The Rules Governing the Listing of Securities on the Stock Exchange
“Low Grade Manganese Ore”	manganese ore with manganese content of less than 30% (including 30%)
“Nanning Battery Plant”	南寧市電池廠 (Nanning Battery Plant), a company incorporated under the laws of the PRC which is wholly owned by Guangxi Dameng and is a connected person of the Company
“Non CITIC Independent Shareholders”	Shareholders excluding CITIC Group and its associates

“Non Guangxi Dameng Independent Shareholders”	Shareholders excluding Guangxi Dameng and its associates
“Shinco Capital”	Shinco Capital Limited, a licensed corporation to carry out type 6 (advising on corporate finance) regulated activity under the SFO and the independent financial adviser to: (i) advise the Independent Board Committee and Non Guangxi Dameng Independent Shareholders on the fairness and reasonableness of 2018 Guangxi Dameng Agreements and the transactions contemplated thereunder; and (ii) advise the Independent Board Committee and Non CITIC Independent Shareholders on the fairness and reasonableness of 2018 CITIC Special Steel Agreement and the transactions contemplated thereunder
“packaging bags”	the packaging bags for manganese products
“Percentage Ratios”	the applicable percentage ratios (other than the profits ratio) under Rule 14.07 of the Listing Rules
“PRC” or “China”	the People’s Republic of China and for the purposes of this announcement excludes Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
“purchase price”	unless otherwise stated, purchase price refers to ex-tax purchase price
“Raw Materials”	Low Grade Manganese Ore, sulfuric acid and selenium dioxide
“RMB”	Renminbi, the lawful currency of the PRC
“selling price”	unless otherwise stated, selling price refers to ex-tax selling price
“SFO”	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“SGM”	a special general meeting to be convened and held for approving, among other things, 2018 Guangxi Dameng Agreements, 2018 CITIC Special Steel Agreement, share premium reduction and the transactions contemplated thereunder

“Share(s)”	share(s) of HK\$0.10 each in the share capital of the Company
“Share Premium Account”	the share premium account of the Company
“Share Premium Reduction”	the proposed reduction of an amount of HK\$3,352,902,000 standing to the credit of the Share Premium Account as at 31 December 2017 to be considered and, if thought fit, passed by Shareholders at the SGM
“Shareholder(s)”	holders of Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“%”	per cent.

*For the purpose of this announcement, save for the historical amounts for the years ended 31 December 2016, 2017 and the five months period ended 31 May 2018 which are converted based on their respective historical rates and the annual caps for the above historical transactions are converted at the rate(s) adopted in their respective announcements previously issued by the Group, the amounts in RMB have been converted into HK\$ or vice versa at the rate of RMB1.00 = HK\$1.25 for illustration purposes only. No representation is made that any amounts in HK\$ or RMB have been or could have been or can be converted at the above rate or at any other rates or at all.*

*Note:* The English names of the PRC entities mentioned hereinabove are translated from their Chinese names. If there are any inconsistencies, the Chinese names shall prevail.

By order of the Board  
**CITIC DAMENG HOLDINGS LIMITED**  
**Yin Bo**  
*Chairman*

Hong Kong, 21 June 2018

*As at the date of this announcement, the executive Directors are Mr. Yin Bo and Mr. Li Weijian; the non-executive Directors are Mr. Suo Zhengang, Mr. Lyu Yanzheng and Mr. Chen Jiqui; and the independent non-executive Directors are Mr. Lin Zhijun, Mr. Mo Shijian and Mr. Tan Zhuzhong.*