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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)**

### **DISCLOSEABLE TRANSACTION SALE AND LEASEBACK ARRANGEMENT**

#### **SALE AND LEASEBACK ARRANGEMENT**

On 24 July 2015, the Lessee and the Lessor entered into the Sale and Leaseback Agreement, pursuant to which and subject to the terms and conditions therein, (i) the Lessor will purchase the Leased Assets from the Lessee at a consideration of RMB300,000,000 (equivalent to approximately HK\$379,410,000); and (ii) the Lessee will lease back the Leased Assets from the Lessor for a period of 5 years at an aggregate lease consideration of RMB335,294,030 (equivalent to approximately HK\$424,046,360).

On the same day, the Lessor and Lessee also entered into a service agreement, pursuant to which, the Lessee agreed to pay the Lessor a service fee of RMB8,200,000 (equivalent to approximately HK\$10,370,540) in respect of the services provided in connection with the Sale and Leaseback Arrangement.

#### **LISTING RULES IMPLICATIONS**

As not less than one of the applicable percentage ratios in respect of the arrangement under the Sale and Leaseback Agreement and service agreement are more than 5% but all less than 25%, the arrangement under the Sale and Leaseback Agreement and service agreement constitutes a discloseable transaction of the Company and is subject to the reporting and announcement requirements but is exempt from shareholder's approval under Chapter 14 of the Listing Rules.

The board of directors (the “**Directors**”) (the “**Board**”) of CITIC Dameng Holdings Limited (the “**Company**”, together with its subsidiaries, the “**Group**”) announces that CITIC Dameng Mining Industrial Co., Limited ( 中信大錳礦業有限責任公司) (the “**Lessee**”), an indirect wholly owned subsidiary of the Company, and Ping An International Financial Leasing Co.,

Ltd. ( 平安國際融資租賃有限公司 ) (the “**Lessor**”) entered into a Sale and Leaseback agreement (the “**Sale and Leaseback Agreement**”) on 24 July 2015, pursuant to which and subject to the terms and conditions therein, (i) the Lessor will purchase certain equipments and assets for the operation of Daxin Mine located at Daxin County, Chongzuo City, Guangxi Province, China and owned by the Lessee (the “**Leased Assets**”); and (ii) the Lessee will lease back the Leased Assets from the Lessor upon payment of the Purchase Price (as defined below) payable by the Lessor for a period of 5 years with effect from the lease commencement date, which will commence on or before 30 September 2015 (“**Lease Commencement Date**”). The Sale and Leaseback arrangement is based on the Sale and Leaseback Agreement and service agreement (the “**Sale and Leaseback Arrangement**”) as set out below.

## **SALE AND LEASEBACK AGREEMENT**

Date: 24 July 2015

### **Parties**

1. Ping An International Financial Leasing Co., Ltd. ( 平安國際融資租賃有限公司 ) as the Lessor; and
2. CITIC Dameng Mining Industrial Co., Limited ( 中信大錳礦業有限責任公司 ), an indirectly wholly owned subsidiary of the Company, as the Lessee.

The Directors confirm that to the best of their knowledge, information and belief, having made all reasonable enquiries, the Lessor and its ultimate beneficial owner(s) are third parties independent of the Company and its connected persons (as defined in the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”)).

### **Sale and Leaseback**

Pursuant to the Sale and Leaseback Agreement, (i) the Lessor will purchase the Leased Assets owned by the Lessee free from any title defects and encumbrances for an aggregate consideration of RMB300,000,000 (equivalent to approximately HK\$379,410,000) (the “**Purchase Price**”), of which RMB100,000,000 (equivalent to approximately HK\$126,470,000) after the deduction of the Guarantee Payment (as defined hereinbelow) will be paid by way of telegraphic transfer and the remaining RMB200,000,000 (equivalent to approximately HK\$252,940,000) will be paid by way of 180 day bank acceptance notes; and (ii) immediately after payment of the Purchase Price by the Lessor, the Lessee will lease back the Leased Assets from the Lessor for a period of 5 years (the “**Lease Period**”) with effect from the Lease Commencement Date for an aggregate lease consideration of approximately RMB335,294,030 (equivalent to approximately HK\$424,046,360) (the “**Lease Consideration**”), and to be paid in 10 instalments in cash during the Lease Period.

In addition, the Lessee shall pay the Lessor a guarantee payment in the amount of RMB24,000,000 (equivalent to approximately HK\$30,352,800) (the “**Guarantee Payment**”) for contractual performance of the Sale and Lease Back Agreement.

### **Calculation basis of the rental**

The calculation of the rental under the Sale and Leaseback Agreement is based upon and by reference to the benchmark lending rate of the same term published by the People's Bank of China ("PBOC") for Renminbi loans and will be adjusted in line with the change of the corresponding benchmark lending rate of the same term published by PBOC from time to time for the Renminbi loans.

The terms of the Sale and Leaseback Agreement, including the Lease Consideration, were determined after arm's length negotiation between the parties and by reference to, among other things, the value of the Leased Assets, Lessor's purchase cost of the Leased Asset and similar prevailing leasing arrangements.

### **Ownership of the Leased Assets during the Lease Period**

The Leased Assets comprise certain equipments and assets that are being used for the operation of Daxin Mine owned by the Lessee located in Daxin county, Chongzu City, Guangxi Province, China. As at 31 May 2015, the net book value of the Leased Assets was RMB206,000,000 (equivalent to approximately HK\$260,000,000).

Upon payment of the Purchase Price by the Lessor to the Lessee, the legal ownership of the Leased Assets will be transferred to the Lessor despite the possession of and registration of the Leased Assets remain under the name of the Lessee during the Lease Period.

At the end of the Lease Period and subject to fulfillment of all of its obligations under the Sale and Leaseback Agreement, the Lessee will be entitled to purchase the Leased Assets on an "as-is" basis at a nominal consideration of RMB100 (equivalent to approximately HK\$126).

### **Service Fee**

On the same day, the Lessor and Lessee also entered into a service agreement, pursuant to which, the Lessee agreed to pay the Lessor a service fee of RMB8,200,000 (equivalent to approximately HK\$10,370,540) in respect of the services provided in connection with the Sale and Leaseback Arrangement.

The service fee shall be payable by the Lessee in cash as one time payment and to be paid within 5 business days after the Lease Commencement Date.

### **REASONS FOR THE SALE AND LEASEBACK ARRANGEMENT**

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

The Sale and Leaseback Arrangement has been agreed under normal commercial terms and after arm's length negotiations between the parties.

The Directors are of the view that entering into the Sale and Leaseback Arrangement will provide the Group with additional working capital to support its business and operational

activities and the terms and condition of the Sale and Leaseback Agreement are fair and reasonable and in the interests of the Company and its shareholders as a whole.

### **INFORMATION ON THE LESSEE**

The Lessee is a company established in China and an indirect wholly owned subsidiary of the Company. It is principally engaged in manganese mining and downstream manganese operations.

### **INFORMATION ON THE LESSOR**

The Lessor is a company established in China and is principally engaged in finance leasing of machinery and equipment, transportation and real estates.

### **LISTING RULES IMPLICATIONS**

As not less than one of the applicable percentage ratios in respect of the arrangement under the Sale and Leaseback Agreement and service agreement are more than 5% but all less than 25%, the arrangement under the Sale and Leaseback Agreement and service agreement constitutes a discloseable transaction of the Company and is subject to the reporting and announcement requirements but is exempt from shareholder's approval under Chapter 14 of the Listing Rules.

- Note:*
- 1. 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.*
  - 2. Unless otherwise specified and for illustration purpose only, the figures in RMB are converted into HK\$ at the rate of RMB1.00=HK\$1.2647 throughout this announcement for indication purposes only. Such conversion should not be construed as a representation that the relevant currency could actually be converted into HK\$ at that rate or at all.*

By order of the Board

**CITIC DAMENG HOLDINGS LIMITED**

**Qiu Yiyong**

Chairman

Hong Kong, 24 July 2015

*As at the date of this announcement, the executive Directors are Mr. Qiu Yiyong, Mr. Li Weijian, Mr. Tian Yuchuan and Mr. Yin Bo; the non-executive Directors are Mr. Suo Zhengang and Mr. Chen Jiqu; and the independent non-executive Directors are Mr. Yang Zhi Jie, Mr. Mo Shijian and Mr. Tan Zhuzhong.*

*\*For identification purpose only*