



**DAMENG**

● Interim Report **2016**

**CITIC Dameng Holdings Limited**  
**中信大鋳控股有限公司\***

(incorporated in Bermuda with limited liability)

Stock Code: 1091

\*For identification purpose only

# Contents

Page

2 **Corporate Information**

**Financial Results**

3	Interim Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income
4-5	Interim Condensed Consolidated Statement of Financial Position
6-7	Interim Condensed Consolidated Statement of Changes in Equity
8	Interim Condensed Consolidated Statement of Cash Flows
9-32	Notes to Interim Condensed Consolidated Financial Statements

**Other Information**

33-42	Management Discussion and Analysis
43-45	Human Resources Report
46-53	Social Responsibilities Report
54-61	Summary of Our Manganese Mineral Resources and Our Manganese Ore Reserves
62	Code on Corporate Governance Practices
62	Model Code for Securities Transactions by Directors
62	Directors' and Chief Executive's Interests in Shares and Underlying Shares
63	Share Option Scheme
64	Substantial Shareholders' and Other Persons' Interests in Shares and Underlying Shares
65	Purchase, Redemption or Sale of Listed Securities of the Company
65	Review of Accounts
65	Forward Looking Statements
66-68	Glossary of Terms

## Corporate Information

### BOARD OF DIRECTORS

#### Executive Directors

Mr. Yin Bo (*Chairman*)

Mr. Li Weijian (*Vice Chairman*)

Mr. Tian Yuchuan (*Chief Executive Officer*)

#### Non-executive Directors

Mr. Suo Zhengang

Mr. Chen Jiqu

#### Independent Non-executive Directors

Mr. Yang Zhi Jie

Mr. Mo Shijian

Mr. Tan Zhuzhong

### AUDIT COMMITTEE

Mr. Yang Zhi Jie (*Chairman*)

Mr. Mo Shijian

Mr. Tan Zhuzhong

### REMUNERATION COMMITTEE

Mr. Mo Shijian (*Chairman*)

Mr. Yin Bo

Mr. Li Weijian

Mr. Yang Zhi Jie

Mr. Tan Zhuzhong

### NOMINATION COMMITTEE

Mr. Tan Zhuzhong (*Chairman*)

Mr. Yin Bo

Mr. Li Weijian

Mr. Yang Zhi Jie

Mr. Mo Shijian

### COMPANY SECRETARY

Mr. Lau Wai Yip

### REGISTERED OFFICE

Clarendon House, 2 Church Street,  
Hamilton HM 11, Bermuda

### HEADQUARTERS IN HONG KONG

23/F, 28 Hennessy Road,

Wanchai, Hong Kong

Telephone : (852) 2179 1310

Facsimile : (852) 2537 0168

E-mail : ir@citicdameng.com.hk

### PRINCIPAL PLACE OF BUSINESS IN THE PRC

CITIC Dameng Building, No.18 Zhujin Road,

Nanning, Guangxi, PRC

### BERMUDA PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Codan Services Limited

Clarendon House, 2 Church Street,

Hamilton HM 11, Bermuda

### HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Computershare Hong Kong Investor Services Limited

Shops 1712-1716, 17th Floor, Hopewell Centre,

183 Queen's Road East, Wanchai, Hong Kong

### AUDITORS

Ernst & Young

*Certified Public Accountants*

22nd Floor, CITIC Tower, 1 Tim Mei Avenue,

Central, Hong Kong

### AUTHORIZED REPRESENTATIVES

Mr. Yin Bo

Mr. Tian Yuchuan

### PRINCIPAL BANKERS

China CITIC Bank

China Construction Bank

China Guangfa Bank

DBS Bank

Bank of Communications

Standard Chartered Bank

### STOCK CODE

1091 (Mainboard of the Hong Kong Stock Exchange)

### COMPANY WEBSITE

[www.dameng.citic.com](http://www.dameng.citic.com)

## Interim Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

Six months ended 30 June 2016

	Notes	Six months ended 30 June	
		2016 HK\$'000 (Unaudited)	2015 HK\$'000 (Unaudited)
<b>REVENUE</b>	4	<b>1,276,039</b>	1,351,568
Cost of sales		<b>(1,136,996)</b>	(1,309,870)
Gross profit		<b>139,043</b>	41,698
Other income and gains	4	<b>68,121</b>	43,691
Selling and distribution expenses		<b>(37,723)</b>	(46,399)
Administrative expenses		<b>(163,597)</b>	(221,863)
Finance costs	5	<b>(121,074)</b>	(134,263)
Other expenses		<b>(16,974)</b>	(8,224)
Share of losses of associates		<b>(23,613)</b>	(1,253)
<b>LOSS BEFORE TAX</b>	6	<b>(155,817)</b>	(326,613)
Income tax expense	7	<b>(917)</b>	(7,271)
<b>LOSS FOR THE PERIOD</b>		<b>(156,734)</b>	(333,884)
<b>OTHER COMPREHENSIVE LOSS</b>			
<i>Other comprehensive loss to be reclassified to profit or loss in subsequent periods:</i>			
– Exchange differences on translation of foreign operations		<b>(85,175)</b>	249
<b>TOTAL COMPREHENSIVE LOSS FOR THE PERIOD</b>		<b>(241,909)</b>	(333,635)
<b>Loss attributable to:</b>			
Owners of the parent		<b>(137,203)</b>	(280,913)
Non-controlling interests		<b>(19,531)</b>	(52,971)
		<b>(156,734)</b>	(333,884)
<b>Total comprehensive loss attributable to:</b>			
Owners of the parent		<b>(222,378)</b>	(280,686)
Non-controlling interests		<b>(19,531)</b>	(52,949)
		<b>(241,909)</b>	(333,635)
<b>Loss per share attributable to ordinary equity holders of the parent:</b>	8		
– Basic		<b>(HK cents 4.00)</b>	(HK cents 9.25)
– Diluted		<b>(HK cents 4.00)</b>	(HK cents 9.25)

## Interim Condensed Consolidated Statement of Financial Position

30 June 2016

	Notes	30 June 2016 HK\$'000 (Unaudited)	31 December 2015 HK\$'000 (Audited)
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	10	3,157,754	3,314,103
Investment properties		85,616	87,343
Prepaid land lease payments	11	477,046	492,756
Intangible assets	12	606,241	624,450
Investment in associates	13	888,255	762,035
Deferred tax assets	14	31,090	33,122
Prepayments and deposits	17	206,668	214,074
Total non-current assets		5,452,670	5,527,883
<b>CURRENT ASSETS</b>			
Inventories	15	760,028	810,867
Trade and notes receivables	16	714,895	751,611
Prepayments, deposits and other receivables	17	526,489	667,481
Due from related companies	30	6,777	1,692
Advance to an associate	13	15,906	–
Tax recoverable		13,103	13,610
Financial assets at fair value through profit or loss	18	24,017	–
Pledged deposits	19	592,019	558,730
Cash and cash equivalents	19	379,040	968,404
		3,032,274	3,772,395
Non-current assets classified as held for sale		7,409	37,058
Total current assets		3,039,683	3,809,453
<b>CURRENT LIABILITIES</b>			
Trade and notes payables	20	806,856	505,878
Other payables and accruals	21	767,259	772,300
Interest-bearing bank and other borrowings	22	2,535,523	2,630,208
Medium-term notes	24	–	596,800
Due to related companies	30	6,334	7,505
Tax payable		–	247
Total current liabilities		4,115,972	4,512,938
<b>NET CURRENT LIABILITIES</b>		<b>(1,076,289)</b>	<b>(703,485)</b>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<b>4,376,381</b>	<b>4,824,398</b>
<b>NON-CURRENT LIABILITIES</b>			
Interest-bearing bank and other borrowings	22	1,303,405	1,504,989
Deferred tax liabilities	14	199,502	204,385
Other long-term liabilities		18,188	16,407
Deferred income	25	97,536	98,974
Total non-current liabilities		1,618,631	1,824,755
<b>Net assets</b>		<b>2,757,750</b>	<b>2,999,643</b>

## Interim Condensed Consolidated Statement of Financial Position (continued)

30 June 2016

	Notes	30 June 2016 HK\$'000 (Unaudited)	31 December 2015 HK\$'000 (Audited)
<b>EQUITY</b>			
<b>Equity attributable to owners of the parent</b>			
Issued capital	26	342,846	342,846
Reserves	27	2,325,223	2,547,585
		<b>2,668,069</b>	2,890,431
<b>Non-controlling interests</b>			
		<b>89,681</b>	109,212
Total equity		<b>2,757,750</b>	2,999,643

**Yin Bo**  
Director

**Tian Yuchuan**  
Director

## Interim Condensed Consolidated Statement of Changes in Equity

Six months ended 30 June 2016

	Attributable to owners of the parent										
	Issued capital HK\$'000	Share premium HK\$'000	Contributed surplus HK\$'000	Share option reserve HK\$'000	Reserve funds HK\$'000	Exchange fluctuation reserve HK\$'000	Capital redemption reserve HK\$'000	Accumulated losses HK\$'000	Total HK\$'000	Non- controlling interests HK\$'000	Total equity HK\$'000
<b>At 31 December 2015 and</b>											
<b>1 January 2016 (audited)</b>	342,846	3,352,902 *	(171,695) *	110,540 *	143,213 *	193,039 *	312 *	(1,080,726) *	2,890,431	109,212	2,999,643
Loss for the period	-	-	-	-	-	-	-	(137,203)	(137,203)	(19,531)	(156,734)
Other comprehensive loss for the period:											
Exchange differences on translation of foreign operations	-	-	-	-	-	(85,175)	-	-	(85,175)	-	(85,175)
Total comprehensive loss for the period	-	-	-	-	-	(85,175)	-	(137,203)	(222,378)	(19,531)	(241,909)
Provision for special reserve	-	-	-	-	16,392	-	-	(16,392)	-	-	-
Utilisation of special reserve	-	-	-	-	(12,751)	-	-	12,751	-	-	-
Government grant	-	-	16	-	-	-	-	-	16	-	16
Transfer of share option reserve upon the cancellation of share options	-	-	-	(40,738)	-	-	-	40,738	-	-	-
<b>At 30 June 2016 (Unaudited)</b>	<b>342,846</b>	<b>3,352,902 *</b>	<b>(171,679) *</b>	<b>69,802 *</b>	<b>146,854 *</b>	<b>107,864 *</b>	<b>312 *</b>	<b>(1,180,832) *</b>	<b>2,668,069</b>	<b>89,681</b>	<b>2,757,750</b>



# Interim Condensed Consolidated Statement of Changes in Equity

Six months ended 30 June 2016

	Attributable to owners of the parent										Total equity HK\$'000
	Issued capital HK\$'000	Share premium HK\$'000	Contributed surplus HK\$'000	Share option reserve HK\$'000	Reserve funds HK\$'000	Exchange fluctuation reserve HK\$'000	Capital redemption reserve HK\$'000	Accumulated losses HK\$'000	Total HK\$'000	Non- controlling interests HK\$'000	
<b>At 31 December 2014 and 1 January 2015 (audited)</b>	302,480	2,872,076	(171,859)	110,540	141,902	331,821	-	(123,408)	3,463,552	129,125	3,592,677
Loss for the period	-	-	-	-	-	-	-	(280,913)	(280,913)	(52,971)	(333,884)
Other comprehensive income for the period:											
Exchange differences on translation of foreign operations	-	-	-	-	-	227	-	-	227	22	249
Total comprehensive loss for the period	-	-	-	-	-	227	-	(280,913)	(280,686)	(52,949)	(333,635)
Provision for special reserve	-	-	-	-	16,723	-	-	(16,723)	-	-	-
Utilisation of special reserve	-	-	-	-	(10,799)	-	-	10,799	-	-	-
Share placement	30,248	362,976	-	-	-	-	-	-	393,224	-	393,224
Placement expense	-	(4,946)	-	-	-	-	-	-	(4,946)	-	(4,946)
<b>At 30 June 2015 (Unaudited)</b>	<b>332,728</b>	<b>3,230,106</b>	<b>(171,859)</b>	<b>110,540</b>	<b>147,826</b>	<b>332,048</b>	<b>-</b>	<b>(410,245)</b>	<b>3,571,144</b>	<b>76,176</b>	<b>3,647,320</b>

\* These reserve accounts comprise the consolidated reserves of HK\$2,325,223,000 in the interim condensed consolidated statement of financial position (31 December 2015: HK\$2,547,585,000).



## Interim Condensed Consolidated Statement of Cash Flows

Six months ended 30 June 2016

	Note	Six months ended 30 June	
		2016 HK\$'000 (Unaudited)	2015 HK\$'000 (Unaudited)
Net cash flows generated from operating activities		<b>551,441</b>	190,468
Net cash flows used in investing activities		<b>(119,615)</b>	(435,128)
Net cash flows (used in)/generated from financing activities		<b>(999,964)</b>	683,150
<b>NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS</b>		<b>(568,138)</b>	438,490
Cash and cash equivalents at beginning of period		<b>968,404</b>	1,153,121
Effect of exchange rate changes, net		<b>(21,226)</b>	578
<b>CASH AND CASH EQUIVALENTS AT END OF PERIOD</b>		<b>379,040</b>	1,592,189
<b>ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS</b>			
Cash and bank balances	19	<b>971,059</b>	2,016,505
Less: Pledged deposits	19	<b>(592,019)</b>	(424,316)
Cash and cash equivalents at end of period		<b>379,040</b>	1,592,189

# Notes to Interim Condensed Consolidated Financial Statements

30 June 2016

## 1. Corporate information

CITIC Dameng Holdings Limited (the “**Company**”) was incorporated in Bermuda on 18 July 2005 as an exempted company with limited liability under Section 14 of the Companies Act 1981 of Bermuda (as amended). The registered office of the Company is located at Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda. The principal place of business of the Company is located at 23/F, 28 Hennessy Road, Wanchai, Hong Kong. The Company’s shares are listed on the Main Board of the Stock Exchange.

The principal activity of the Company is investment holding. The principal activities of the subsidiaries comprise manganese mining, ore processing and downstream processing operations in Mainland China, as well as manganese mining and ore processing operations in Gabon.

## 2. Basis of preparation and accounting policies

### Basis of preparation

The interim condensed consolidated financial statements have been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing Securities on the Stock Exchange and the Hong Kong Accounting Standard (“**HKAS**”) 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”).

As at 30 June 2016, the Group recorded net current liabilities of HK\$1,076.3 million. In view of these circumstances, the Directors of the Company have given consideration to the future liquidity of the Group and its available sources of finance including banking facilities in assessing whether the Group will have sufficient financial resources to continue as a going concern. The Directors of the Company believe that the Group has adequate resources, including the net cash inflows generated from operating activities and bank borrowings, as well as financial support agreed to be provided by a shareholder to the Group if necessary, to continue the Group’s operation and fulfill financial responsibility in the foreseeable future. The Directors of the Company therefore are of the opinion that it is appropriate to adopt the going concern basis in preparing the consolidated financial statements.

### Significant accounting policies

Except as described below, the accounting policies adopted in the preparation of the interim condensed consolidated financial statements are the same as those used in the annual financial statements for the year ended 31 December 2015, except for the adoption of the revised Hong Kong Financial Reporting Standards (“**HKFRSs**”) (which also include HKASs and Interpretations) as disclosed below. The Group has adopted the following revised HKFRSs for the first time for the current period’s interim condensed consolidated financial statements.

Amendments to HKFRS 10 and HKAS 28 (2011)	<i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture</i>
Amendments to HKFRS 10, HKFRS 12 and HKAS 28 (2011)	<i>Investment Entities: Applying the Consolidation Exception</i>
Amendments to HKFRS 11	<i>Accounting for Acquisitions of Interests in Joint Operations</i>
Amendments to HKAS 1	<i>Disclosure Initiative</i>
Amendments to HKAS 16 and HKAS 38	<i>Clarification of Acceptable Methods of Depreciation and Amortisation</i>
Amendments to HKAS 16 and HKAS 41	<i>Agriculture: Bearer Plants</i>
Amendments to HKAS 27 (2011)	<i>Equity Method in Separate Financial Statements</i>
<i>Annual Improvements 2012-2014 Cycle</i>	Amendments to a number of HKFRSs

The adoption of these revised HKFRSs has no significant financial effect on these interim condensed consolidated financial statements and there have been no significant changes to the accounting policies applied in these financial statements.

## Notes to Interim Condensed Consolidated Financial Statements

30 June 2016

### 2. Basis of preparation and accounting policies (continued)

#### Issued but not yet effective HKFRSs

The Group has not applied the following new HKFRSs, that have been issued but are not yet effective, in these interim condensed consolidated financial statements:

HKFRS 9	<i>Financial Instruments</i> <sup>1</sup>
HKFRS 15	<i>Revenue from Contracts with Customers</i> <sup>1</sup>
HKFRS 16	<i>Leases</i> <sup>2</sup>

1 Effective for annual periods beginning on or after 1 January 2018

2 Effective for annual periods beginning on or after 1 January 2019

The Group is in the process of making an assessment of the impact of these new HKFRSs upon initial application, but is not in a position to state whether these new HKFRSs will have a significant impact on the Group's results of operations and financial position.

### 3. Operating segment information

For management purposes, the Group is organised as a mixture of both business products and geographical locations based on their products and services and has four reportable operating segments as follows:

(a) Manganese mining and ore processing segment (PRC and Gabon)

The manganese mining and ore processing segment engages in the mining and production of manganese products including principally, through the Group's integrated processes, the mining, beneficiation, concentrating, grinding and the production of manganese concentrate and natural discharging manganese powder and sand;

(b) Manganese downstream processing segment (PRC)

The manganese downstream processing segment comprises hydrometallurgical processing and pyrometallurgical processing, and the resulting products of which mainly include Electrolytic Manganese Metal ("**EMM**"), manganese briquette, Electrolytic Manganese Dioxide ("**EMD**"), manganese sulfate and silicomanganese alloys;

(c) Non-manganese processing segment (PRC)

The non-manganese processing segment engages in the production and sale of non-manganese products, including lithium cobalt oxide; and

(d) Others segment (PRC and HK)

The others segment comprises, principally, the trading of various commodities such as manganese ore, EMM, sales of scrap, and rental of investment properties and leasehold lands.

Management monitors the results of the Group's operating segments separately for the purpose of making decisions about resources allocation and performance assessment. Segment performance is evaluated based on reportable segment profit/loss, which is a measure of adjusted profit/loss before tax. The adjusted profit/loss before tax is measured consistently with the Group's profit/loss before tax except that gain on bargain purchase, interest income, finance costs, share of losses of associates, as well as head office and corporate expenses are excluded from such measurement.

Segment assets exclude financial assets at fair value through profit or loss, deferred tax assets, tax recoverable, pledged deposits, cash and cash equivalents, investment in associates and other unallocated head office and corporate assets as these assets are managed on a group basis.

Segment liabilities exclude interest-bearing bank and other borrowings, medium-term notes, deferred tax liabilities and other unallocated head office and corporate liabilities as these liabilities are managed on a group basis.

Intersegment sales and transfers are transacted with reference to the selling prices used for sales made to third parties at the then prevailing market prices.



## Notes to Interim Condensed Consolidated Financial Statements

30 June 2016

### 3. Operating segment information (continued)

	Manganese mining and ore processing		Manganese downstream processing	Non-manganese processing	Others	Eliminations	Total
	PRC	Gabon	PRC	PRC	PRC		
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
<b>Six months ended 30 June 2015 (Unaudited)</b>							
<b>Segment revenue:</b>							
Sales to external customers	46,141	85,451	1,152,063	66,070	1,843	–	1,351,568
Intersegment sales	155,082	–	–	–	–	(155,082)	–
Other revenue	1,411	24	17,829	408	14,067	–	33,739
<b>Total</b>	<b>202,634</b>	<b>85,475</b>	<b>1,169,892</b>	<b>66,478</b>	<b>15,910</b>	<b>(155,082)</b>	<b>1,385,307</b>
<b>Segment results</b>	<b>(57,766)</b>	<b>(32,489)</b>	<b>(69,960)</b>	<b>(3,685)</b>	<b>10,776</b>	<b>–</b>	<b>(153,124)</b>
<i>Reconciliations:</i>							
Interest income							9,952
Corporate and other unallocated expenses							(47,925)
Finance costs							(134,263)
Share of losses of an associate							(1,253)
Loss before tax							(326,613)
Income tax expense							(7,271)
Loss for the period							(333,884)
<b>Assets and liabilities</b>							
<b>Segment assets</b>	<b>1,223,281</b>	<b>891,310</b>	<b>4,794,232</b>	<b>132,505</b>	<b>31,721</b>	<b>–</b>	<b>7,073,049</b>
<i>Reconciliations:</i>							
Corporate and other unallocated assets							3,194,287
<b>Total assets</b>							<b>10,267,336</b>
<b>Segment liabilities</b>	<b>374,072</b>	<b>785,883</b>	<b>1,037,146</b>	<b>40,235</b>	<b>4,101</b>	<b>–</b>	<b>2,241,437</b>
<i>Reconciliations:</i>							
Corporate and other unallocated liabilities							4,378,579
<b>Total liabilities</b>							<b>6,620,016</b>

## Notes to Interim Condensed Consolidated Financial Statements

30 June 2016

### 4. Revenue, other income and gains

Revenue represents the net invoiced value of goods sold after allowances for returns and trade discounts during the reporting period.

An analysis of revenue, other income and gains is as follows:

	Six months ended 30 June	
	2016	2015
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
<b>Revenue</b>		
Sale of goods	<b>1,276,039</b>	1,351,568
<b>Other income and gains</b>		
Interest income	<b>10,513</b>	9,952
Gain on disposal of items of property, plant and equipment	<b>5,869</b>	2,883
Subsidy income	<b>31,645</b>	16,944
Sale of scraps	<b>2,520</b>	4,132
Rental income	<b>8,587</b>	4,483
Fair value gain on financial assets at fair value through profit or loss	<b>801</b>	–
Others	<b>8,186</b>	5,297
	<b>68,121</b>	43,691

### 5. Finance costs

	Six months ended 30 June	
	2016	2015
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Interest on loans wholly repayable within five years	<b>102,229</b>	117,126
Finance costs for discounted notes receivable	<b>5,296</b>	7,367
Other finance costs	<b>13,549</b>	9,850
Less: Interest capitalised	–	(80)
	<b>121,074</b>	134,263

## Notes to Interim Condensed Consolidated Financial Statements

30 June 2016

### 6. Loss before tax

The Group's loss before tax is arrived at after charging/(crediting):

	Notes	Six months ended 30 June	
		2016 HK\$'000 (Unaudited)	2015 HK\$'000 (Unaudited)
Cost of inventories sold		<b>1,129,960</b>	1,264,612
Write-down of inventories to net realisable value, net <sup>#</sup>		<b>10,613</b>	45,258
Depreciation	10	<b>161,918</b>	189,183
Amortisation of prepaid land lease payments	11	<b>6,147</b>	6,514
Amortisation of intangible assets	12	<b>6,151</b>	8,519
Auditors' remuneration		<b>2,196</b>	2,248
Minimum lease payments under operating leases, land and buildings		<b>2,529</b>	4,573
Employee benefit expense		<b>211,622</b>	248,727
Gain on disposal of items of property, plant and equipment*		<b>(5,869)</b>	(2,883)
Loss on disposal of non-current assets held for sale*		<b>3,714</b>	–
Foreign exchange differences, net*		<b>2,876</b>	998
Impairment of trade and other receivables, net*		<b>3,937</b>	4,030

<sup>#</sup> Included in "Cost of sales" and "Other expenses" in the interim condensed consolidated statement of profit or loss and other comprehensive income.

\* Included in "Other income and gains" or "Other expenses" in the interim condensed consolidated statement of profit or loss and other comprehensive income.



## Notes to Interim Condensed Consolidated Financial Statements

30 June 2016

### 7. Income tax

The Group is subject to income tax on an entity basis on profits arising in or derived from the jurisdictions in which members of the Group are domiciled and operate.

The major components of income tax expenses for the reporting period are as follows:

	Six months ended 30 June	
	2016 HK\$'000 (Unaudited)	2015 HK\$'000 (Unaudited)
Current – PRC		
Charge for the period	<b>580</b>	1,268
Current – Gabon		
Charge for the period	<b>–</b>	376
Deferred (note 14)	<b>337</b>	5,627
<b>Total tax charge for the period</b>	<b>917</b>	<b>7,271</b>

#### Hong Kong profits tax

No provision for Hong Kong profits tax has been made as the Group did not generate any assessable profits arising in Hong Kong during the reporting period.

#### PRC corporate income tax (“CIT”)

Pursuant to the PRC Income Tax Law and the respective regulations, except for the preferential tax treatment available to CITIC Dameng Mining which is recognised as a High and New Technology Enterprise and is entitled to a preferential CIT rate of 15%, and Guangxi Start, which is entitled to a preferential CIT rate of 15% for Developing Western China for which the policy will end in 2020 and related benefit will subject to review by tax authorities each year, other companies of the Group which operate in Mainland China are subject to CIT at a rate of 25% on their respective taxable income. The preferential tax treatment will expire in November 2016 and the Group is in the process of renewing the High and New Technology certificate.

#### Gabon corporate income tax

Pursuant to the Gabon Income Tax Law, a company which operates in Gabon is subject to CIT at the higher of 35% of its taxable income or 1% of its revenue.

## Notes to Interim Condensed Consolidated Financial Statements

30 June 2016

### 8. Loss per share attributable to ordinary equity holders of the parent

	Six months ended 30 June	
	2016	2015
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)

The calculation of basic and diluted loss per share are based on:

#### Loss

Loss attributable to ordinary equity holders of the parent,  
used in the basic loss per share calculation

**137,203** 280,913

	Number of shares	
<b>Shares</b>		
Weighted average number of ordinary shares in issue during the period used in the basic loss per share calculation	<b>3,428,459,000</b>	3,038,164,281

The Group had no potentially dilutive ordinary shares in issue during the six months ended 30 June 2016 nor the six months ended 30 June 2015. No adjustment has been made to the basic loss per share amounts presented for the six months ended 30 June 2016 nor the six months ended 30 June 2015 in respect of dilution as the share options outstanding had an anti-dilutive effect on the basic loss per share amounts presented.

### 9. Dividend

The Board does not recommend the payment of any interim dividend for the six months ended 30 June 2016 (2015: Nil).

### 10. Property, plant and equipment

	30 June 2016 HK\$'000 (Unaudited)	31 December 2015 HK\$'000 (Audited)
At 1 January 2016/1 January 2015	<b>3,314,103</b>	3,923,817
Additions	<b>70,289</b>	218,197
Depreciation (note 6)	<b>(161,918)</b>	(369,727)
Impairment	–	(178,761)
Disposals	<b>(2,832)</b>	(39,776)
Transfer to non-current assets held for sale	–	(37,069)
Exchange realignment	<b>(61,888)</b>	(202,578)
At 30 June 2016/31 December 2015	<b>3,157,754</b>	3,314,103

No interest-bearing bank and other borrowings were secured by the Group's buildings and machinery as at 30 June 2016 (31 December 2015: approximately HK\$85,115,000) (note 22(a)).

The net carrying amount of HK\$343,396,000 (31 December 2015: HK\$393,279,000) of the Group's property, plant and equipment held under finance leases as at 30 June 2016.

At 30 June 2016, the Group was in the process of applying for the building ownership certificates of certain of its buildings with an aggregate net carrying amount of approximately HK\$242,519,000 (31 December 2015: HK\$248,901,000). In addition, certain of its construction in progress with an aggregate net carrying amount of approximately HK\$90,513,000 (31 December 2015: HK\$92,339,000) situated on certain land parcels which the Group was in the process of applying for land use rights certificates. The Directors are of the opinion that the aforesaid matter will not have any significant impact on the Group's financial position as at 30 June 2016.

## Notes to Interim Condensed Consolidated Financial Statements

30 June 2016

### 11. Prepaid land lease payments

	<b>30 June 2016 HK\$'000 (Unaudited)</b>	31 December 2015 HK\$'000 (Audited)
At 1 January 2016/1 January 2015	<b>506,199</b>	549,876
Additions	<b>84</b>	962
Amortisation (note 6)	<b>(6,147)</b>	(13,046)
Exchange realignment	<b>(9,907)</b>	(31,593)
At 30 June 2016/31 December 2015	<b>490,229</b>	506,199
Current portion included in prepayments, deposits and other receivables	<b>(13,183)</b>	(13,443)
Non-current portion	<b>477,046</b>	492,756

At 30 June 2016, the Group leases certain of its leasehold lands with a net carrying amount of HK\$98,701,000 (31 December 2015: HK\$100,531,000) under operating lease arrangements with lease negotiated for terms from 1 to 3 years.

### 12. Intangible assets

	<b>30 June 2016 HK\$'000 (Unaudited)</b>	31 December 2015 HK\$'000 (Audited)
Mining rights and other intangible assets:		
At 1 January 2016/1 January 2015	<b>624,450</b>	847,670
Additions	–	653
Amortisation (note 6)	<b>(6,151)</b>	(13,014)
Disposal	–	(703)
Impairment	–	(168,896)
Exchange realignment	<b>(12,058)</b>	(41,260)
At 30 June 2016/31 December 2015	<b>606,241</b>	624,450

### 13. Investment in associates and advance to an associate

	<b>30 June 2016 HK\$'000 (Unaudited)</b>	31 December 2015 HK\$'000 (Audited)
Share of net assets	<b>888,136</b>	761,916
Loans to an associate	<b>119</b>	119
At 30 June 2016/31 December 2015	<b>888,255</b>	762,035
Advance to an associate	<b>15,906</b>	–

The advance to an associate is repayable by 31 December 2016.

## Notes to Interim Condensed Consolidated Financial Statements

30 June 2016

### 14. Deferred tax assets and liabilities

The movements in deferred tax assets and liabilities of the Group during the reporting period are as follows:

#### Deferred tax assets

	Deductible temporary differences HK\$'000
At 1 January 2016 (Audited)	33,122
Charged to the interim condensed consolidated statement of profit or loss and other comprehensive income during the period (note 7)	(1,400)
Exchange realignment	(632)
At 30 June 2016 (Unaudited)	31,090

#### Deferred tax liabilities

	Fair value adjustments arising from acquisition of subsidiaries HK\$'000	Withholding taxes HK\$'000	Fair value adjustments of investment properties and others HK\$'000	Total HK\$'000
At 1 January 2016 (Audited)	172,422	11,246	20,717	204,385
Credited to the interim condensed consolidated statement of profit or loss and other comprehensive income during the period (note 7)	(1,063)	-	-	(1,063)
Exchange realignment	(3,411)	-	(409)	(3,820)
At 30 June 2016 (Unaudited)	167,948	11,246	20,308	199,502

### 15. Inventories

	30 June 2016 HK\$'000 (Unaudited)	31 December 2015 HK\$'000 (Audited)
Raw materials	734,147	768,062
Work in progress	3,117	3,837
Finished goods	135,887	173,747
	<b>873,151</b>	945,646
Less: Inventory provision	<b>(113,123)</b>	(134,779)
	<b>760,028</b>	810,867

## Notes to Interim Condensed Consolidated Financial Statements

30 June 2016

### 16. Trade and notes receivables

	<b>30 June 2016 HK\$'000 (Unaudited)</b>	31 December 2015 HK\$'000 (Audited)
Trade receivables	<b>638,882</b>	422,861
Notes receivable	<b>127,832</b>	377,722
	<b>766,714</b>	800,583
Less: Provision for impairment	<b>(51,819)</b>	(48,972)
	<b>714,895</b>	751,611

The Group's trading terms with its customers are mainly on credit, except for new customers, where payment is required either in advance or upon delivery. Credit periods allowed are determined according to relevant business practice and the relevant type of goods and generally are in the range of one month, extended to not more than three months for major customers, from the invoice date and cash realisation may be further extended by 3 to 6 months for those customers paying by notes receivable. Each customer has a maximum credit limit. The Group seeks to maintain strict control over its outstanding receivables and has a credit control department to minimise credit risk. Overdue balances are reviewed and followed up regularly by senior management. In view of the aforementioned and the fact that the Group's trade receivables relate to a large number of diversified customers, there is no significant concentration of credit risk. Except for the trade receivables of HK\$140,563,000 relating to the trading of imported manganese ores into the PRC, which are guaranteed by the shareholder of the customer and certain corporate guarantee, the Group does not hold any collateral or other credit enhancements over its trade receivable balances. Trade receivables are non-interest-bearing.

Notes receivable represent 1) bank acceptance notes issued by banks in Mainland China which are secured and payable when due by the banks and 2) commercial acceptance notes which are due by 31 December 2016.

An ageing analysis of the trade and notes receivables of the Group as at the end of the reporting period, based on the invoice date and net of provisions, is as follows:

	<b>30 June 2016 HK\$'000 (Unaudited)</b>	31 December 2015 HK\$'000 (Audited)
Within one month	<b>406,469</b>	425,247
One to two months	<b>157,396</b>	98,652
Two to three months	<b>65,975</b>	115,946
Over three months	<b>85,055</b>	111,766
	<b>714,895</b>	751,611

## Notes to Interim Condensed Consolidated Financial Statements

30 June 2016

### 16. Trade and notes receivables (continued)

#### Transferred financial assets that are derecognised in their entirety

At 30 June 2016, the Group endorsed certain notes receivable accepted by banks in Mainland China (the “**Derecognised Notes**”) to certain of its suppliers in order to settle the trade payables due to such suppliers with a carrying amount in aggregate of RMB90,051,000 (equivalent to HK\$105,360,000) (31 December 2015: RMB304,489,000, equivalent to HK\$363,438,000). The Derecognised Notes had a maturity of one to six months at the end of the reporting period. In accordance with the Law of Negotiable Instruments in the PRC, the holders of the Derecognised Notes have a right of recourse against the Group if the PRC banks default (the “**Continuing Involvement**”). In the opinion of the Directors, the Group has transferred substantially all risks and rewards relating to the Derecognised Notes. Accordingly, it has derecognised the full carrying amounts of the Derecognised Notes and the associated trade payables. The maximum exposure to loss from the Group’s Continuing Involvement in the Derecognised Notes and the undiscounted cash flows to repurchase these Derecognised Notes equal to their carrying amounts. In the opinion of the Directors, the fair values of the Group’s Continuing Involvement in the Derecognised Notes are not significant.

During the period ended 30 June 2016, the Group has not recognised any gain or loss on the date of transfer of the Derecognised Notes. No gains or losses were recognised from the Continuing Involvement, both during the period or cumulatively. The endorsement has been made evenly throughout the period.

The movements in provision for impairment of trade and notes receivables are as follows:

	<b>30 June 2016 HK\$'000 (Unaudited)</b>	31 December 2015 HK\$'000 (Audited)
At 1 January 2016/1 January 2015	<b>48,972</b>	37,502
Impairment losses recognised	<b>5,584</b>	24,388
Impairment losses reversed	<b>(1,704)</b>	(1,907)
Write-off	–	(8,224)
Exchange realignment	<b>(1,033)</b>	(2,787)
At 30 June 2016/31 December 2015	<b>51,819</b>	48,972

The above provision for impairment of trade and notes receivables of HK\$51,819,000 (31 December 2015: HK\$48,972,000) are provisions for individually impaired trade receivables with a carrying amount before provision of approximately HK\$61,064,000 (31 December 2015: HK\$59,516,000) as at 30 June 2016. The individually impaired trade receivables relate to customers that were in financial difficulties and only a portion of these receivables is expected to be recovered.

An ageing analysis of the trade and notes receivables that are not considered to be impaired is as follows:

	<b>30 June 2016 HK\$'000 (Unaudited)</b>	31 December 2015 HK\$'000 (Audited)
Neither past due nor impaired	<b>629,840</b>	639,845
Less than three months past due	<b>70,419</b>	99,214
Over three months past due	<b>14,636</b>	12,552
Total	<b>714,895</b>	751,611

## Notes to Interim Condensed Consolidated Financial Statements

30 June 2016

### 16. Trade and notes receivables (continued)

Receivables that were neither past due nor impaired relate to a large number of diversified customers in respect of whom there was no recent history of default.

Receivables that were past due but not impaired relate to a number of independent customers that have a good track record with the Group. Based on past experience, the Directors of the Company are of the opinion that no provision for impairment is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable.

### 17. Prepayments, deposits and other receivables

#### Non-current portion

	<b>30 June 2016 HK\$'000 (Unaudited)</b>	31 December 2015 HK\$'000 (Audited)
Deposits	<b>143,442</b>	147,950
Prepayments	<b>63,226</b>	66,124
	<b>206,668</b>	214,074

#### Current portion

	<b>30 June 2016 HK\$'000 (Unaudited)</b>	31 December 2015 HK\$'000 (Audited)
Prepayments	<b>59,438</b>	60,464
Deposits and other receivables	<b>467,051</b>	519,977
Loan to a third party	–	87,040
	<b>526,489</b>	667,481

### 18. Financial assets at fair value through profit or loss

	<b>30 June 2016 HK\$'000 (Unaudited)</b>	31 December 2015 HK\$'000 (Audited)
Listing bonds investment, at market value	<b>24,017</b>	–

The above bonds investment as at 30 June 2016 are recognised as held for trading and upon initial recognition were classified by the Group as financial assets at fair value through profit or loss.



## Notes to Interim Condensed Consolidated Financial Statements

30 June 2016

### 19. Cash and cash equivalents and pledged deposits

	Note	30 June 2016 HK\$'000 (Unaudited)	31 December 2015 HK\$'000 (Audited)
Cash and bank balances		<b>971,059</b>	1,527,134
Less: Pledged deposits			
– Pledged for bank and other borrowings	22	<b>(439,815)</b>	(442,574)
– Pledged for bank acceptance notes and letters of credit		<b>(152,204)</b>	(116,156)
Cash and cash equivalents		<b>379,040</b>	968,404

As at 30 June 2016, cash and bank balances of the Group denominated in RMB amounting to HK\$585,654,000 (31 December 2015: HK\$1,014,274,000) were deposited with banks in Mainland China. RMB is not freely convertible in the PRC into other currencies, however, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

Cash at banks earns interest at floating rates based on daily bank deposit rates. The bank balances including pledged deposits are deposited with creditworthy banks with no recent history of default.

### 20. Trade and notes payables

An ageing analysis of the trade and notes payables as at the end of the reporting period, based on the invoice date, is as follows:

	30 June 2016 HK\$'000 (Unaudited)	31 December 2015 HK\$'000 (Audited)
Within one month	<b>126,702</b>	118,330
One to two months	<b>274,271</b>	50,142
Two to three months	<b>52,139</b>	71,484
Over three months	<b>353,744</b>	265,922
	<b>806,856</b>	505,878

Trade payables are non-interest-bearing and are normally settled on 60-day terms.

### 21. Other payables and accruals

	30 June 2016 HK\$'000 (Unaudited)	31 December 2015 HK\$'000 (Audited)
Advances from customers	<b>44,619</b>	18,602
Other payables	<b>527,989</b>	531,388
Accruals	<b>194,651</b>	222,310
	<b>767,259</b>	772,300

Other payables are non-interest-bearing and have no fixed terms of repayment.

## Notes to Interim Condensed Consolidated Financial Statements

30 June 2016

## 22. Interest-bearing bank and other borrowings

	30 June 2016			31 December 2015		
	Effective interest rate (%)	Maturity	HK\$'000 (Unaudited)	Effective interest rate (%)	Maturity	HK\$'000 (Audited)
<b>Current</b>						
Finance lease payables (note 23)	5.60-7.51	2016-2017	238,494	5.60-7.51	2016	243,211
Bank loans – secured (note (a))	4.13	2017	206,879	2.50-6.16	2016	477,261
Bank loans – unsecured	3.48-4.83	2016-2017	1,014,828	4.35-6.00	2016	1,045,594
Current portion of long-term bank loans – secured (note (a))	LIBOR+2.15	2016	232,770	LIBOR+2.15	2016	232,503
Current portion of long-term bank loans – unsecured	5.51	2016-2017	494,325	5.35-6.77	2016	514,442
Other loans – unsecured (note (b), (c))	4.56-5.00	2016-2017	348,227	5.04	2016	117,197
			<b>2,535,523</b>			<b>2,630,208</b>
<b>Non-current</b>						
Finance lease payables (note 23)	7.51	2017-2020	211,568	7.51	2017-2020	250,560
Bank loans – secured (note (a))	4.00,	2017-2018	564,167	4.00,	2017-2018	569,303
	LIBOR+2.15			LIBOR+2.15		
Bank loans – unsecured	4.50-5.78	2017-2018	527,670	4.75-6.46	2017-2018	685,126
			<b>1,303,405</b>			<b>1,504,989</b>
			<b>3,838,928</b>			<b>4,135,197</b>

	30 June 2016 HK\$'000 (Unaudited)	31 December 2015 HK\$'000 (Audited)
<b>Analysed into:</b>		
Bank loans repayable:		
Within one year or on demand	1,948,802	2,269,800
In the second year	1,035,975	620,423
In the third to fifth years, inclusive	55,862	634,006
	<b>3,040,639</b>	<b>3,524,229</b>
Other loans and finance leases repayable:		
Within one year or on demand	586,721	360,408
In the second year	70,810	70,424
In the third to fifth years, inclusive	140,758	180,136
	<b>798,289</b>	<b>610,968</b>
	<b>3,838,928</b>	<b>4,135,197</b>

## Notes to Interim Condensed Consolidated Financial Statements

30 June 2016

### 22. Interest-bearing bank and other borrowings (continued)

- (a) The above secured bank and other borrowings are secured by certain of the Group's assets with the following carrying values:

	Notes	30 June 2016 HK\$'000 (Unaudited)	31 December 2015 HK\$'000 (Audited)
Property, plant and equipment	10	–	85,115
Pledged deposits		<b>439,815</b>	442,574
		<b>439,815</b>	527,689

- (b) The balance as at 31 December 2015 represents a loan borrowed by way of gold lease arrangement, with the principal of RMB98,188,000 (equivalent to HK\$117,197,000) and bearing interest at a fixed rate of 5.04% per annum. The loan was repaid on 12 May 2016.
- (c) The balances as at 30 June 2016 represent:
- 1) an entrusted loan with the principal of RMB200,000,000 (equivalent to HK\$234,000,000) and bearing interest at a fixed rate of 5.00% per annum. The loan is repayable on 14 October 2016; and
  - 2) a loan borrowed by way of gold lease arrangement, with the principal of RMB97,630,000 (equivalent to HK\$114,227,000) and bearing interest at a fixed rate of 4.56% per annum. The loan is repayable on 26 May 2017.
- (d) Except for bank and other borrowings of HK\$463,486,000 (31 December 2015: HK\$795,659,000) which were denominated in United States dollars, all borrowings were in Renminbi.

### 23. Finance lease payables

The finance lease payables comprised balances arising from the following lease arrangements:

- 1) a principal of RMB300,000,000 (approximately HK\$358,080,000) carrying effective interest at a fixed rate of 7.51% per annum and an one-off service fee of RMB7,008,000 (approximately HK\$8,365,000) payable to the lessor and being secured also by a cash deposit of RMB24,000,000 (approximately HK\$28,646,000). The loan is repayable on 5 August 2020;
- 2) a principal of RMB142,000,000 (approximately HK\$169,491,000) carrying interest at a fixed rate of 5.60% per annum. The loan is repayable on 16 December 2016.

As at 30 June 2016, the Group's plant and machinery of its manganese downstream processing segment with net carrying amount of HK\$343,396,000 (31 December 2015: HK\$393,279,000) were held under the above finance leases. If no default occurs during the lease periods, the ownership of the plant and machinery shall automatically be transferred to the Group at a price of RMB100 and RMB1, respectively upon termination of the leases.

## Notes to Interim Condensed Consolidated Financial Statements

30 June 2016

### 23. Finance lease payables (continued)

The total future minimum lease payments under finance leases and their present values were as follows:

	Minimum lease payments 30 June 2016 HK\$'000 (Unaudited)	Present value of minimum lease payments 30 June 2016 HK\$'000 (Unaudited)	Minimum lease payments 31 December 2015 HK\$'000 (Audited)	Present value of minimum lease payments 31 December 2015 HK\$'000 (Audited)
Amounts payable:				
Within one year	250,119	238,494	259,511	243,211
In the second year	79,761	70,810	81,195	70,424
In the third to fifth years, inclusive	149,194	140,758	192,933	180,136
Total minimum finance lease payments	479,074	450,062	533,639	493,771
Future finance charge	(29,012)		(39,868)	
Total net finance lease payables	450,062		493,771	
Portion classified as current liabilities (note 22)	(238,494)		(243,211)	
Non-current portion (note 22)	211,568		250,560	

### 24. Medium-term notes

The carrying amount of the Group's medium-term notes are as follows:

	30 June 2016 HK\$'000 (Unaudited)	31 December 2015 HK\$'000 (Audited)
<b>Medium-term notes</b>		
The First Tranche Notes – Nominal value of 5.0% fixed rate notes matured in April 2016 – unsecured		
– Current portion	–	596,800

In April 2013, the Group completed the registration with National Association of Financial Market Institutional Investors of a RMB1,000 million unsecured medium-term notes facility issuable in two years from the date of registration. In April 2013, the Group issued the First Tranche Notes of RMB500 million, equivalent to HK\$585,000,000 (31 December 2015: HK\$596,800,000) with a tenor of three years, and carrying interest at a fixed rate of 5.0% per annum. The remaining facility of RMB500 million expired in April 2015. The medium-term notes was repaid in April 2016.

## Notes to Interim Condensed Consolidated Financial Statements

30 June 2016

### 25. Deferred income

	<b>30 June 2016 HK\$'000 (Unaudited)</b>	31 December 2015 HK\$'000 (Audited)
At 1 January 2016/1 January 2015	<b>98,974</b>	109,388
Addition	<b>5,476</b>	8,245
Amortisation	<b>(4,949)</b>	(12,449)
Exchange realignment	<b>(1,965)</b>	(6,210)
At 30 June 2016/31 December 2015	<b>97,536</b>	98,974

Deferred income represents the receipt of government grants for the construction of certain equipment, which has been credited as a non-current liability on the interim condensed consolidated statement of financial position. Such deferred income is amortised on the straight-line basis to profit or loss over the expected useful lives of the relevant assets acquired.

### 26. Share capital

The following is a summary of the authorised share capital and the issued share capital of the Company:

	<b>30 June 2016 HK\$'000 (Unaudited)</b>	31 December 2015 HK\$'000 (Audited)
Authorised: 10,000,000,000 (31 December 2015: 10,000,000,000) ordinary shares of HK\$0.10 each	<b>1,000,000</b>	1,000,000
Issued and fully paid: 3,428,459,000 (31 December 2015: 3,428,459,000) ordinary shares of HK\$0.10 each	<b>342,846</b>	342,846

### 27. Reserves

The amounts of the Group's reserves and the movements therein are presented in the interim condensed consolidated statement of changes in equity.

	<b>30 June 2016 HK\$'000 (Unaudited)</b>	31 December 2015 HK\$'000 (Audited)
Share premium	<b>3,352,902</b>	3,352,902
Contributed surplus	<b>(171,679)</b>	(171,695)
Share option reserve	<b>69,802</b>	110,540
Reserve funds	<b>146,854</b>	143,213
Exchange fluctuation reserve	<b>107,864</b>	193,039
Capital redemption reserve	<b>312</b>	312
Accumulated losses	<b>(1,180,832)</b>	(1,080,726)
	<b>2,325,223</b>	2,547,585

## Notes to Interim Condensed Consolidated Financial Statements

30 June 2016

### 27. Reserves (continued)

- (a) In accordance with the Company Law of the PRC, each of the subsidiaries of the Company established in the PRC is required to appropriate 10% of the annual statutory profit after tax (after offsetting any prior years' losses), determined in accordance with PRC GAAP, to the statutory reserve until the balance of the reserve funds reaches 50% of the entity's registered capital. The statutory reserve can be utilised to offset prior years' losses, or to increase capital, provided that the remaining balance of the statutory reserve is not less than 25% of the registered capital.

Pursuant to the relevant regulation in the PRC, the Group is required to provide for safety fund based on the volume of ore excavated and turnover of ferroalloy in prior year.

### 28. Share option scheme

The Company operates a share option scheme (the "Scheme") which became effective on 11 January 2011, for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Unless otherwise cancelled or amended, share options will remain in force for 10 years from the grant date. Share options do not confer rights on the holders to dividends or to vote at shareholders' meetings.

The following share options granted on 11 January 2011 and were outstanding under the Scheme during:

	Six months ended 30 June 2016		Year ended 31 December 2015	
	Weighted average exercise price HK\$ per share	Number of options '000	Weighted average exercise price HK\$ per share	Number of options '000
At 1 January 2016/1 January 2015	2.81	92,500	2.81	92,500
Granted during the period/year	-	-	-	-
Cancelled during the period/year	2.81	(34,000)	2.81	-
Expired during the period/year	-	-	-	-
At 30 June 2016/31 December 2015	2.81	58,500	2.81	92,500

The exercise price and exercise periods of the share options outstanding as at the end of the reporting period are as follows:

At 30 June 2016:

Number of share options outstanding '000	Exercise price HK\$ Per share	Exercise period
14,625	2.81	11-1-2012 to 10-1-2021
14,625	2.81	11-1-2013 to 10-1-2021
29,250	2.81	11-1-2014 to 10-1-2021
58,500		

## Notes to Interim Condensed Consolidated Financial Statements

30 June 2016

### 28. Share option scheme (continued)

At 31 December 2015:

Number of share options outstanding '000	Exercise price HK\$ Per share	Exercise period
23,125	2.81	11-1-2012 to 10-1-2021
23,125	2.81	11-1-2013 to 10-1-2021
46,250	2.81	11-1-2014 to 10-1-2021
92,500		

The fair value of the outstanding share options at the time of grant was estimated, using a binomial model, as HK\$69,732,000 (31 December 2015: HK\$110,075,000) (weighted average fair value of HK\$1.19 each). All share options have been vested in 2014.

### 29. Commitments and contingencies

#### a) Operating lease commitments

##### i) As Lessor

The Group leases its investment properties and leasehold lands (note 11) under operating lease arrangements, with lease negotiated for terms ranging from 1 to 10 years (31 December 2015: 1 to 10 years).

At the end of the reporting period, the Group had total future minimum lease receivables under non-cancellable operating leases with its tenants falling due as follows:

	30 June 2016 HK\$'000 (Unaudited)	31 December 2015 HK\$'000 (Audited)
Within one year	11,516	12,612
In the second to fifth years, inclusive	17,654	13,513
After five years	–	–
	<b>29,170</b>	26,125

During the period, the Group has not recognised any contingent rentals receivable.

##### ii) As Lessee

At the end of the reporting period, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	30 June 2016 HK\$'000 (Unaudited)	31 December 2015 HK\$'000 (Audited)
Within one year	5,898	5,832
In the second to fifth years, inclusive	15,407	18,313
After five years	–	–
	<b>21,305</b>	24,145



## Notes to Interim Condensed Consolidated Financial Statements

30 June 2016

### 29. Commitments and contingencies (continued)

#### b) Capital commitments

	<b>30 June 2016 HK\$'000 (Unaudited)</b>	31 December 2015 HK\$'000 (Audited)
Contracted, but not provided for:		
Acquisition of land and buildings	<b>79,320</b>	88,152
Acquisition of plant and machinery	<b>69,992</b>	70,692
<b>Total</b>	<b>149,312</b>	158,844

#### c) Contingent liabilities

- (a) At the end of reporting period, contingent liabilities not provided for in the financial statements were as follows:

	<b>30 June 2016 HK\$'000 (unaudited)</b>	31 December 2015 HK\$'000 (audited)
Guarantees given to banks in connection with facilities granted to an associate	<b>308,880</b>	–

As at 30 June 2016, the associate's banking facilities guaranteed by the Group were utilised to the extent of approximately HK\$276,000,000 (31 December 2015: nil).

- (b) A subsidiary of the Group is currently a defendant in a lawsuit brought by a party alleging that the subsidiary is liable for the losses owing to termination of a subcontracting arrangement. Details can be referred to the announcement of the Group dated 11 December 2015. The Directors, based on the advice from the Group's PRC legal counsel, believe that the subsidiary has a valid defence against the allegation and, accordingly, have not provided for any claim arising from the litigation, other than the related legal and other costs as at 30 June 2016 and 31 December 2015.

## Notes to Interim Condensed Consolidated Financial Statements

30 June 2016

### 30. Related party balances and transactions

- (a) In addition to the transactions detailed elsewhere in the interim condensed consolidated financial statements, the Group had the following transactions with related parties during the period:

	Notes	Six months ended 30 June	
		2016 HK\$'000 (Unaudited)	2015 HK\$'000 (Unaudited)
Sale of finished goods to a subsidiary of Guangxi Dameng	(i)	<b>332</b>	–
Sale of finished goods to a related company	(i)	<b>21,302</b>	–
Purchase of raw materials from subsidiaries of Guangxi Dameng	(i)	<b>1,991</b>	2,199
Mining drawing service provided by Guangxi Dameng	(ii)	–	379
Provision of water and electricity to Guangxi Dameng	(iii)	<b>23</b>	22
Provision of integrated service by Guangxi Dameng	(iv)	<b>1,856</b>	1,897
Rental income received from Guangxi Dameng	(v)	<b>458</b>	471
Interest income on deposits placed with related companies	(vi)	<b>4</b>	12
Maximum balance of bank deposits with related companies during the period	(vi)	<b>1,482</b>	20,750
Loan from Guangxi Dameng	(vii)	<b>175,500</b>	–
Interest expense on other borrowing provided by Guangxi Dameng	(vii)	<b>221</b>	–

Notes:

- (i) These sales and purchases were made at prices based on the mutual agreements between the parties.
- (ii) These services were made at prices based on the mutual agreements between the parties.
- (iii) Reimbursement of electricity and water was based on the actual costs incurred.
- (iv) Service fees were charged at a monthly amount of HK\$309,000 (2015: HK\$316,000) as mutually agreed by the parties.
- (v) The rental income was made at rent based on the mutual agreement between the parties.
- (vi) Maximum bank deposits with related companies during the period and related interest income were transacted in the usual and ordinary course of business of the Group.
- (vii) The loan provided by Guangxi Dameng amounted to HK\$175,500,000, was unsecured and carried interest at 6.36% per annum calculated on a daily basis for a tenor of one week. During the period, the loan was fully repaid.

## Notes to Interim Condensed Consolidated Financial Statements

30 June 2016

### 30. Related party balances and transactions (continued)

#### (b) Outstanding balances with related parties

	30 June 2016 HK\$'000 (Unaudited)	31 December 2015 HK\$'000 (Audited)
i) Due from related companies		
Trade receivables	6,771	1,686
Prepayments and other receivables	6	6
	<b>6,777</b>	1,692
ii) Due to related companies		
Trade payables	2,346	2,406
Other payables	3,988	5,099
	<b>6,334</b>	7,505
iii) Bank balances with related companies	<b>1,482</b>	61,180

Trade receivables from the Group's related companies are unsecured, non-interest-bearing and repayable on similar credit terms to those offered to the customers of the Group.

The Group's prepayments and other receivables from related companies are unsecured, non-interest-bearing and have no fixed terms of repayment.

Trade payables to the Group's related companies are non-interest-bearing and have no fixed terms of repayment. The Group's other payables to related companies are unsecured, non-interest-bearing and have no fixed terms of repayment.

#### (c) Compensation of key management personnel of the Group

	Six months ended 30 June 2016 HK\$'000 (Unaudited)	2015 HK\$'000 (Unaudited)
Salaries, director fees, allowances and benefits in kind	9,218	7,667
Pension scheme contributions	167	171
Total compensation paid to key management personnel	<b>9,385</b>	7,838

## Notes to Interim Condensed Consolidated Financial Statements

30 June 2016

### 31. Fair value of financial instruments

The carrying amounts and fair values of the Group's financial instruments, other than those with carrying amounts that reasonably approximate to fair values, are as follows:

#### Financial assets

	Carrying amount		Fair value	
	30 June 2016 HK\$'000 (Unaudited)	31 December 2015 HK\$'000 (Audited)	30 June 2016 HK\$'000 (Unaudited)	31 December 2015 HK\$'000 (Audited)
Financial assets at fair value through profit or loss	<b>24,017</b>	–	<b>24,017</b>	–

#### Financial liabilities

	Carrying amounts		Fair values	
	30 June 2016 HK\$'000 (Unaudited)	31 December 2015 HK\$'000 (Audited)	30 June 2016 HK\$'000 (Unaudited)	31 December 2015 HK\$'000 (Audited)
Interest-bearing bank and other borrowings	<b>3,838,928</b>	4,135,197	<b>3,838,928</b>	4,135,197
Medium-term notes	–	596,800	–	596,800
	<b>3,838,928</b>	4,731,997	<b>3,838,928</b>	4,731,997

Management has assessed that the fair values of cash and cash equivalents, pledged deposits, trade and notes receivables, trade and notes payables, advance to an associate, financial assets included in prepayments, deposits and other receivables, financial liabilities included in other payables and accruals, amounts due from subsidiaries and amounts due from/to related companies approximate to their carrying amounts largely due to the short-term maturities of these instruments.

The Group's management is responsible for determining the policies and procedures for the fair value measurement of financial instruments. At each reporting date, the management analyses the movements in the values of financial instruments and determines the major inputs applied in the valuation.

The fair values of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.

The fair values of interest-bearing bank and other borrowings and medium-term notes have been calculated by discounting the expected future cash flows using rates currently available for instruments with similar terms, credit risk and remaining maturities. The Group's own non-performance risk for interest-bearing bank and other borrowings and medium-term notes as at 30 June 2016 was assessed to be insignificant.

The fair value of listed bond investments are based on quote market prices.

### 32. Approval of the interim condensed consolidated financial statements

These interim condensed consolidated financial statements were approved and authorised for issue by the Board of Directors on 27 July 2016.

## Management Discussion and Analysis

### Financial Review

	1H 2016 HK\$'000	1H 2015 HK\$'000	Increase/(decrease)	
			HK\$'000	%
Revenue	<b>1,276,039</b>	1,351,568	(75,529)	(5.6%)
Loss before tax	<b>(155,817)</b>	(326,613)	(170,796)	(52.3%)
Income tax expense	<b>(917)</b>	(7,271)	(6,354)	(87.4%)
Loss for the period	<b>(156,734)</b>	(333,884)	(177,150)	(53.1%)
Loss attributable to owners of the parent	<b>(137,203)</b>	(280,913)	(143,710)	(51.2%)
Loss attributable to non-controlling interests	<b>(19,531)</b>	(52,971)	(33,440)	(63.1%)
	<b>(156,734)</b>	(333,884)	(177,150)	(53.1%)
Net cash inflows generated from operating activities	<b>551,441</b>	190,468	360,973	189.5%

### Financial Highlights

- Turnover amounted to HK\$1,276.0 million for 1H 2016, representing a decrease of 5.6% from HK\$1,351.6 million of 1H 2015.
- Loss attributable to owners of the parent decreased by 51.2% to HK\$137.2 million for 1H 2016 (1H 2015: HK\$280.9 million).
- Net cash inflows generated from operating activities increased by 189.4% to HK\$551.4 million for 1H 2016 (1H 2015: HK\$190.5 million).

### Overview

In 1H 2016, global economy has experienced a slower and milder recovery than the world is expecting. Despite US economy exhibited a promising sign of recovery, the quantitative easing monetary policy put forward by European countries and Japan continued. Nevertheless, Euro zone economy will still be obsessed by the Brexit and debt crisis in particular Italy banks' bad or doubtful debt problems in case effective resolution cannot be implemented timely and completely to solve these issues. On the other hand, subsequent to the Chinese government revised its 2016 Gross Domestic Product (GDP) growth rate downward to target range of 6.5 – 7 %, soaring debt levels in China could lead to systemic financial risks and declining economic growth. This supported a view that the trajectory of China's economic growth will continue to be "L-shaped" in the next few years amid the aggregate business environment of China are still undergoing structural adjustments and is far from recovery.

For the PRC steel sector, facing the continued slowdown of China's economy, together with the challenge of overcapacity, intense competition and rising manufacturing cost, growth for production has shrunk gradually in recent years. Many small EMM producers without sufficient competitiveness had been phased out from the market, while large manufacturers could only survive through proactive moves such as expanding product mix, cost containment and improving product quality. As a result, the average prices of our manganese products, in particular EMM, experienced a mild upward adjustment from 2H 2015 but it continued to stay at a low level.

On the cost side, we strive to maintain our competitiveness in the manganese sector through repeated negotiation with our upstream suppliers for raw materials and power consumption together with increasing production efficiency to reduce overall production cost, as well as suspension of certain incompetent processing plants plus our Gabon operations temporarily until we see signals of market recovery. Above all, we successfully obtained lower bargain prices for our electricity supply in 1H 2016 and contributed to a lower unit production cost of EMM when comparing with last corresponding period.

## Management Discussion and Analysis

In summary, we recorded a loss of HK\$156.7 million for the six months ended 30 June 2016 (1H 2015: HK\$333.9 million) and the consolidated net loss attributable to owners of the parent was HK\$137.2 million (1H 2015: HK\$280.9 million). The major reasons for the substantial decrease in loss are as follow:

- (1) An improved gross profit margin which was mainly contributed by the decrease in unit cost of production;
- (2) More stringent cost control measures were implemented and monitored, especially for administrative expenses;
- (3) Inventory provision of HK\$10.6 million (1H 2015: HK\$45.3 million) was greatly decreased as the average selling price of manganese products became comparatively more stable in 1H 2016.

### Comparison with six months ended 30 June 2016

The following table sets out the revenue, sales volume and average selling prices of our products and services.

	2016				Six months ended 30 June 2015			
	Sales Volume (tonnes)	Average Selling Price (HK\$/Tonne)	Revenue (HK\$'000)	% of Total Revenue (%)	Sales Volume (tonnes)	Average Selling Price (HK\$/Tonne)	Revenue (HK\$'000)	% of Total Revenue (%)
<b>Manganese mining and ore processing</b>								
Gabon ore	10,068	587	5,906	0.5	111,601	766	85,451	6.3
Manganese concentrate	73,753	256	18,864	1.5	67,423	363	24,481	1.8
Natural discharging manganese powder and sand	8,472	2,514	21,298	1.7	7,725	2,804	21,660	1.6
<b>Sub-Total</b>	<b>92,293</b>	<b>499</b>	<b>46,068</b>	<b>3.7</b>	<b>186,749</b>	<b>705</b>	<b>131,592</b>	<b>9.7</b>
<b>Manganese downstream processing</b>								
EMM	62,710	10,371	650,350	51.0	61,994	12,754	790,681	58.5
Manganese briquette	14,600	10,796	157,624	12.3	8,018	13,153	105,461	7.8
	<b>77,310</b>	<b>10,451</b>	<b>807,974</b>	<b>63.3</b>	<b>70,012</b>	<b>12,800</b>	<b>896,142</b>	<b>66.3</b>
Silicomanganese alloy	8,767	5,182	45,430	3.6	15,024	6,277	94,310	7.0
EMD	13,475	8,390	113,050	8.9	12,002	8,976	107,728	8.0
Manganese sulfate	9,233	3,455	31,900	2.5	7,390	4,076	30,122	2.2
Others	7,567	3,425	25,916	1.9	5,155	4,609	23,761	1.8
<b>Sub-Total</b>	<b>116,352</b>	<b>8,803</b>	<b>1,024,270</b>	<b>80.2</b>	<b>109,583</b>	<b>10,513</b>	<b>1,152,063</b>	<b>85.3</b>
<b>Non-manganese processing</b>								
Lithium cobalt oxide	301	201,213	60,565	4.7	362	182,514	66,070	4.9
<b>Other business</b>								
Trading	165,421	877	145,136	11.4	30	61,433	1,843	0.1
<b>Total</b>	<b>374,367</b>	<b>3,409</b>	<b>1,276,039</b>	<b>100.0</b>	<b>296,724</b>	<b>4,555</b>	<b>1,351,568</b>	<b>100.0</b>

## Management Discussion and Analysis

### Revenue

In 1H 2016, the Group's revenue was HK\$1,276.0 million (1H 2015: HK\$1,351.6 million), representing a decrease of 5.6% as compared with 1H 2015. The revenue decrease was mainly due to: (1) the effect of the decrease in average selling prices of manganese related products, especially for EMM, more than offset the increase in sales volumes of EMM and manganese briquette; and (2) substantial decrease in the sales volume of Gabon ores after temporary suspension of its operations since the second half of 2015. Nevertheless, we are actively exploring other related business opportunities including manganese ore trading into the PRC starting from the second quarter of the year. Therefore, the only increase in revenue is seen in this segment. As a result, only a slight decrease of our total revenue was recorded on a combined basis.

*Manganese mining and ore processing* – Revenue of manganese mining and ore processing segment decreased by 65.0% to HK\$46.1 million (1H 2015: HK\$131.6 million) due to: (1) the persistent low average selling price of manganese mining and ore processing products since last year in line with the drop in the international manganese ore market and (2) our desire to keep our ore stocks instead of selling at an irrational price during the current sluggish market environment.

*Manganese downstream processing* – Revenue from manganese downstream processing decreased by 11.1% from HK\$1,152.1 million to HK\$1,024.3 million and was principally attributable to the decrease in the average selling price of our core products EMM and manganese briquette albeit a 10.4% increase in the combined sales volume of these two products. Combined sales value of EMM and manganese briquette accounted for 63.3% (1H 2015: 66.3%) of our total sales. On the other hand, our Qinzhou plant could only recommence its production in May after a prolonged period of temporary suspension for completing certain major maintenance and therefore both sales volume and sales revenue of silicomanganese alloy decreased from the same period last year.

Sales quantity of EMD increased by 12.3% to 13,475 tonnes (1H 2015: 12,002 tonnes) due to the higher demand of EMD, an ingredient which is widely used in producing rechargeable batteries which in recent years got increasing applications.

*Non-manganese processing* – For 1H 2016, sales volume of lithium cobalt oxide decreased by 16.9% to 301 tonnes (1H 2015: 362 tonnes) while its average selling price increased by 10.2% to HK\$201,213/tonne (1H 2015: HK\$182,514/tonne) during the period.

*Trading* – In HK, we commenced from 1H 2016 importing manganese ores from international miners and on-sale to a key customer engaging in ferroalloy production in the PRC. Trading revenue in 1H 2015 was all derived from sales of lithium cobalt oxide and lithium manganese oxide.



## Management Discussion and Analysis

The following table sets out the cost of sales, unit cost of sales, gross profit/(loss) and gross profit/(loss) margins of our products and services.

	Six months ended 30 June							
	2016				2015			
	Cost of Sales (HK\$'000)	Unit Cost of Sales (HK\$/Tonne)	Gross Profit/(Loss) (HK\$'000)	Gross Profit/(Loss) Margin (%)	Cost of Sales (HK\$'000)	Unit Cost of Sales (HK\$/Tonne)	Gross Profit/(Loss) (HK\$'000)	Gross Profit/(Loss) Margin (%)
<b>Manganese mining and ore processing</b>								
Gabon ore	7,874	782	(1,968)	(33.3)	90,564	811	(5,113)	(6.0)
Manganese concentrate	25,073	340	(6,209)	(32.9)	34,180	507	(9,699)	(39.6)
Natural discharging manganese powder and sand	4,813	568	16,485	77.4	7,393	957	14,267	65.9
<b>Sub-Total</b>	<b>37,760</b>	<b>409</b>	<b>8,308</b>	<b>18.0</b>	<b>132,137</b>	<b>708</b>	<b>(545)</b>	<b>(0.4)</b>
<b>Manganese downstream processing</b>								
EMM	587,440	9,368	62,910	9.7	772,324	12,458	18,357	2.3
Manganese briquette	143,017	9,796	14,607	9.3	91,420	11,402	14,041	13.3
	<b>730,457</b>	<b>9,448</b>	<b>77,517</b>	<b>9.6</b>	<b>863,744</b>	<b>12,337</b>	<b>32,398</b>	<b>3.6</b>
Silicomanganese alloy	39,435	4,498	5,995	13.2	98,351	6,546	(4,041)	(4.3)
EMD	90,945	6,749	22,105	19.6	99,142	8,260	8,586	8.0
Manganese sulfate	21,679	2,348	10,221	32.0	23,443	3,172	6,679	22.2
Others	23,941	3,164	1,975	7.6	27,031	5,244	(3,270)	(13.8)
<b>Sub-Total</b>	<b>906,457</b>	<b>7,791</b>	<b>117,813</b>	<b>11.5</b>	<b>1,111,711</b>	<b>10,145</b>	<b>40,352</b>	<b>3.5</b>
<b>Non-manganese processing</b>								
Lithium cobalt oxide	51,460	170,963	9,105	15.0	63,701	175,970	2,369	3.6
<b>Other business</b>								
Trading	141,319	854	3,817	2.6	2,321	77,367	(478)	(25.9)
<b>Total</b>	<b>1,136,996</b>	<b>3,037</b>	<b>139,043</b>	<b>10.9</b>	<b>1,309,870</b>	<b>4,414</b>	<b>41,698</b>	<b>3.1</b>

### Cost of Sales

Total cost of sales decreased by HK\$172.9 million or 13.2%, to HK\$1,137.0 million in 1H 2016, as compared to HK\$1,309.9 million in 1H 2015. The cost decrease was primarily due to: (1) the decrease in the unit price of raw materials and electricity; (2) sales volume of Gabon ores substantially decreased; and (3) the decrease in stock provision to HK\$7.0 million (1H 2015: HK\$45.3 million) during the period.

The unit cost of manganese mining and ore processing decreased substantially by 42.2% to HK\$409/tonne (1H 2015: HK\$708/tonne) and was mainly attributable to: (1) the substantial decrease in sales volume of Gabon ores which carry higher logistics cost and therefore a higher average unit cost within the segment and (2) shift of mix to lower grade Hui Xing manganese carbonate in 1H 2016.

In 1H 2016, unit cost of EMM and manganese briquette decreased by 23.4% to HK\$9,448/tonne (1H 2015: HK\$12,337/tonne). This was mainly attributable to: (1) the decrease in the unit price of raw materials and auxiliary materials and to a less extent, improvement in containing our raw materials and power consumption per unit of production; and (2) decrease in unit price of electricity during the reporting period as a result of our continuous effort of negotiation with local authorities and power plants.

## Management Discussion and Analysis

### **Gross Profit**

In 1H 2016, the Group recorded a gross profit of HK\$139.0 million (1H 2015: HK\$41.7 million), representing an increase of HK\$97.3 million or 233.3%. The Group's overall gross margin was 10.9%, representing an increase of 7.8% from 3.1% of 1H 2015. Improved overall gross margin was mainly attributable to: (1) lower unit cost of production of EMM; and (2) much smaller inventory provision for 1H 2016 of HK\$7.0 million (1H 2015: HK\$45.3 million) for our manganese products, in particular manganese ores, as the price of manganese products became more stable in the period.

### **Other income**

Other income increased by 55.8% to HK\$68.1 million (1H 2015: HK\$43.7 million) and was primarily due to the increase in subsidies from the government.

### **Selling and Distribution Expenses**

Selling and distribution expenses in 1H 2016 have decreased by 18.8% to HK\$37.7 million (1H 2015: HK\$46.4 million) which was in line with our decrease in revenue together with the decrease in unit transportation cost following the global drop in oil price.

### **Administrative Expenses**

Administrative expenses have decreased by 26.3% to HK\$163.6 million (1H 2015: HK\$221.9 million) which was mainly attributable to: (1) the decrease in overall staff cost especially due to the reshuffle of temporarily idle staff from Gabon operations to our plants in the PRC; and (2) our cost control effort to contain expenses.

### **Finance Cost**

For 1H 2016, our Group's finance cost was HK\$121.1 million (1H 2015: HK\$134.3 million), which was mainly due to: (1) the decrease in loan interest rate by PBOC throughout 2015 and (2) our effort to squeeze our cash and bank balances to repay some of our existing bank and other borrowings.

### **Other Expenses**

Other expenses increased by 107.3% to HK\$17.0 million (1H 2015: HK\$8.2 million) and was mainly attributable to: (1) the loss arising from disposal of certain redundant materials and infrastructure in Gabon; (2) additional inventory provision was provided for our Gabon operations; and (3) RMB depreciated in 1H 2016 and therefore exchange loss on RMB denominated deposits and notes receivable increased.

### **Share of losses of associates**

Share of losses of associates of HK\$ 23.6 million (1H 2015: HK\$1.3 million) mainly related to CPM, in which we own 29.81% equity interest since July 2015. During the period, CPM suffered from : (1) significant decline in production volume due to continual downhole water flowing and fragmentation of wall rocks near a major operating mine; (2) decrease in product price as a result of general weakness in the metal markets; and (3) impairment of other receivables.

### **Income Tax**

Although the Group reported a loss, tax expense of HK\$0.9 million (1H 2015: HK\$7.3 million) was recorded primarily due to reversal of deferred tax credit upon expiry of the relevant tax loss in 1H 2016. As most of the deferred tax credit had already been reversed in previous years, the reversal in the reporting period was much less than in last year.

### **Loss Attributable to Owners of the Parent**

For 1H 2016, the Group's loss attributable to owners of the parent was HK\$137.2 million (1H 2015: HK\$280.9 million).

### **Loss per share**

For 1H 2016, loss per share attributable to ordinary equity holders of the Company was 4.00 HK cents (1H 2015: 9.25 HK cents).

### **Interim Dividend**

The Board does not recommend the payment of any interim dividend for the six months ended 30 June 2016 (1H 2015: Nil).

## Management Discussion and Analysis

### Use of Proceeds from IPO

Up to 30 June 2016, we utilised the net proceeds raised from the IPO in accordance with the designated uses set out in the Prospectus as follows:

Description	Amount designated in Prospectus (HK\$ Million)	Amount utilised up to 30.06.2016 (HK\$ Million)	% utilised	Amount utilised up to 31.12.2015 (HK\$ Million)	% utilised
1 Expansion project at Daxin EMD Plant	79	79	100.0%	79	100.0%
2 Expansion project of underground mining and ore processing at Daxin Mine	278	278	100.0%	249	89.6%
3 Expansion and construction projects of our EMM production facilities	516	516	100.0%	516	100.0%
4 Construction project at Chongzuo Base	59	31	52.5%	27	45.8%
5 Development of Bembele manganese mine and associated facilities	119	119	100.0%	119	100.0%
6 Technological improvement and renovation projects at our production facilities	40	40	100.0%	40	100.0%
7 Acquisition of mines and mining right	397	282	71.0%	282	71.0%
8 Repayment on a portion of our bank borrowings	297	297	100.0%	297	100.0%
9 Working capital and other corporate purposes	198	198	100.0%	198	100.0%
<b>Total</b>	<b>1,983</b>	<b>1,840</b>	<b>92.8%</b>	<b>1,807</b>	<b>91.1%</b>

### Use of Proceeds from Share Placing

Up to 30 June 2016, we utilised the net proceeds raised from the share placing in accordance with the designated uses set out in the placing agreement as follows:

Description	Amount designated in the Placing Agreement (HK\$ Million)	Amount utilised up to 30.06.2016 (HK\$ Million)	% utilised	Amount utilised up to 31.12.2015 (HK\$ Million)	% utilised
1 Possible investment(s) and/or as general working capital of the Group	388	388	100.0%	146	37.6%

## Management Discussion and Analysis

### Liquidity and financial resources

#### Cash and bank balances

As at 30 June 2016, the currency denomination of the Group's cash and bank balances including pledged deposits are as follows:

Currency denomination	30 June 2016 HK\$ million	31 December 2015 HK\$ million
Denominated in:		
RMB	585.7	1,014.3
HKD	42.4	155.8
USD	342.5	355.7
XAF	0.5	1.3
	<b>971.1</b>	<b>1,527.1</b>

As at 30 June 2016, our cash and bank balances including pledged deposits were HK\$971.1 million (31 December 2015: HK\$1,527.1 million) while the Group's borrowings (inclusive of medium-term notes) amounted to HK\$3,838.9 million (31 December 2015: HK\$4,732.0 million). The Group's borrowings net of cash and bank balances amounted to HK\$2,867.8 million (31 December 2015: HK\$3,204.9 million).

To manage liquidity risk, the Group continues to monitor current and expected liquidity requirements to secure sufficient balance of cash in the short and long terms as well as facilities from banks and financial institutions.

#### Bank and other Borrowings

As at 30 June 2016, the Group's borrowing structure and maturity profile are as follows:

Borrowing structure	30 June 2016 HK\$ million	31 December 2015 HK\$ million
Secured borrowings (including finance lease payables)	1,453.9	1,772.8
Unsecured borrowings	2,385.0	2,959.2
	<b>3,838.9</b>	<b>4,732.0</b>

Maturity profile	30 June 2016 HK\$ million	31 December 2015 HK\$ million
Repayable:		
On demand or within one year	2,535.5	3,227.0
After one year and within two years	1,106.8	690.8
After two years and within five years	196.6	814.2
	<b>3,838.9</b>	<b>4,732.0</b>

## Management Discussion and Analysis

Currency denomination	30 June 2016 HK\$ million	31 December 2015 HK\$ million
Denominated in:		
RMB	<b>3,375.4</b>	3,936.3
USD	<b>463.5</b>	795.7
	<b>3,838.9</b>	4,732.0

As at 30 June 2016, borrowings as to the amounts of HK\$2,098.4 million (31 December 2015: HK\$2,616.7 million) and HK\$1,740.5 million (31 December 2015: HK\$2,115.3 million), carry fixed and floating rate interest respectively. The fixed rate borrowings carry interest at rates ranging from 3.48% to 7.51%. The floating rate borrowings carry interest up to a premium of 5% above the Benchmark Borrowing Rates of the People's Bank of China ("PBOC"), except the USD loans which carry interest at rates of LIBOR plus a margin of 2.15%.

Overall, aggregate borrowings were decreased to HK\$3,838.9 million (31 December 2015: HK\$4,732.0 million). The Group are now exploring various means including short-term or medium-term notes to improve borrowing structure without losing the balance between interest rate level and repayment periods.

### **Credit risk**

The Group endeavoured to maintain strict control over its outstanding receivables to minimise credit risk. Overdue balances are regularly reviewed by senior management. Since the Group's trade and notes receivables related to a large number of diversified customers, there was no significant concentration of credit risk. The Group did not hold any collateral or other credit enhancements over its trade and notes receivable balances.

### **Interest rate risk**

We are exposed to interest rate risk resulting from fluctuations in interest rates on our floating rate debt. Floating interest rates are subject to published interest rate changes in PBOC as well as movements in LIBOR. If the PBOC increases interest rates or LIBOR moves up, our finance cost will increase. In addition, to the extent that we may need to raise debt financing or roll over our short-term loans in the future, any upward fluctuations in interest rates will increase the cost of new debt obligations. We do not currently use any derivative instruments to modify the nature of our debt for risk management purpose.

### **Foreign exchange risk**

The Group's operations are primarily in the PRC and Gabon. We have not entered into any foreign exchange contract or derivative transactions to hedge against foreign exchange fluctuations for these operations for reasons set out below.

In respect of our operations in the PRC, our products are sold to local customers in RMB and to a less extent to overseas customers in United States dollars. Major expenses of our PRC operations are also denominated in RMB. The functional currencies of our PRC subsidiaries are RMB.

In respect of our Gabon operations, most of its sales are denominated in United States dollars with the remainder in RMB. Major expenses including sea freight are also denominated in United States dollars with those relatively minor expenses incurred locally denominated in EURO or XAF which is pegged to Euro. Gabon operation is substantially financed by United States dollar loans which are expected to be repaid in the long term out of the project's surplus operating cash inflow which is mainly denominated in United States dollars.

Our other major exposures to exchange rate fluctuations relate to our RMB bank deposits maintained in Hong Kong which we intend to invest in the PRC and elsewhere should opportunity arise. We constantly monitor the fluctuation of the currency rate of RMB and the currency denomination of our deposits to ensure that the risk involved is within our expectation. During the period, all such deposits have been converted into United States dollars deposits.

## Management Discussion and Analysis

### Charge on group assets

As at 30 June 2016, no interest-bearing bank and other borrowings were secured by the Group's buildings and machinery (31 December 2015: HK\$85.1 million). On the other hand, bank balances of HK\$439.8 million (31 December 2015: HK\$442.6 million) were pledged to secure certain of the Group's bank borrowings.

### Net current liabilities

As at 30 June 2016, the Group recorded net current liabilities of HK\$1,076.3 million. In view of these circumstances, the Directors of the Company have given consideration to the future liquidity of the Group and its available sources of finance including banking facilities in assessing whether the Group will have sufficient financial resources to continue as a going concern. The Directors of the Company believe that the Group has adequate resources, including the net cash inflows generated from operating activities and bank borrowings, as well as financial support agreed to be provided by a shareholder to the Group if necessary, to continue the Group's operation and fulfill financial responsibility in the foreseeable future. The Directors of the Company therefore are of the opinion that it is appropriate to adopt the going concern basis in preparing the consolidated financial statements.

### Key Financial Ratios of the Group

	<b>30 June 2016</b>	31 December 2015
Current ratio	<b>0.74</b>	0.84
Quick ratio	<b>0.55</b>	0.66
Net Gearing ratio	<b>107.5%</b>	110.9%

Current ratio = balance of current assets at the end of the period/balance of current liabilities at the end of the period

Quick ratio = (balance of current assets at the end of the period – balance of inventories at the end of the period)/balance of current liabilities at the end of the period

Net Gearing ratio = Calculated as net debt divided by equity attributable to owners of the parent. Net debt is defined as the sum of interest-bearing bank and other borrowings and medium-term notes less cash and cash equivalents and pledged deposits

Current ratio and quick ratio deteriorated as a result of further capital injection into an associated company and repayment of certain bank loans together with our loss suffered during the reporting period. Net gearing ratio improved slightly as we squeezed our internal resources including also the realization of notes receivables to repay medium term notes which were due during the period.

### Contingent liabilities

(a) At the end of reporting period, contingent liabilities not provided for in the financial statements were as follows:

	<b>30 June 2016 HK\$'000</b>	31 December 2015 HK\$'000
Guarantees given to banks in connection with facilities granted to an associate	<b>308,880</b>	–

As at 30 June 2016, the banking facilities guaranteed by the Group to an associate were utilised to the extent of approximately HK\$276,000,000 (31 December 2015: nil).

## Management Discussion and Analysis

- (b) The Group is currently a defendant in a lawsuit relating to a subcontracting arrangement. Details can be referred to the announcement of the Group dated 11 December 2015. The Directors, based on the advice from the Group's PRC legal counsel, believe that the subsidiary has a valid defence against the allegation and, accordingly, have not provided for any claim arising from the litigation, other than the related legal and other costs as at 30 June 2016 and 31 December 2015.

### **Events after the reporting period**

No subsequent event has occurred after 30 June 2016 which may have a significant effect on the assets and liabilities or future operations of the Group.

### **Human Resources**

As at 30 June 2016, the Group had approximately 7,896 (30 June 2015: 8,222) full-time employees in HK and the PRC; approximately 38 (30 June 2015: 273) full-time employees in Gabon. The Group offers a competitive remuneration and welfare package to its employees and will regularly reviews its remuneration scheme to ensure remuneration packages are market-competitive. Other benefits including comprehensive medical, life and disability insurance plans and retirement schemes are offered to the employees.

### **Outlook**

UK recent vote in referendum determined to leave the EU have brought fears that the world economy will further slowdown. On the other hand, it is perceived that China economic growth would further slow down as trajectory continue to be "L-shaped" in coming few years and challenging years ahead are expected. For commodities including manganese related products, excess overcapacity adjustment as well as consolidation process still need to undergo for a certain period of time, especially China's supply-side structural reforms will continue to force closures and mergers of enterprises in steel sector. In the short term, production and sales of manganese products will continue to face substantial challenges. Nevertheless, we believe that, once "One Belt One Road" initiative gets up to speed, it would provide a wide range of opportunities for Chinese companies going global with outbound investments and we shall be one of the most beneficial commodity sectors as overseas market demand for Chinese infrastructures will greatly increase in medium to long term.

We shall remain committed to rapidly changing market conditions by sustaining our competitive advantages through further cost reduction, careful monitoring of capital expenditure and integration of our existing plants. In terms of financing, we will try to improve our liquidity and capital structure by exploring various alternatives from debt to equity, to raise necessary funds to finance our operations. In particular, we will put more weight on longer term financing than short term, and due consideration will be given to equity financing alternatives which have the advantages of expanding our shareholder base and reducing our debt gearing.



## Human Resources Report

Employees are the foundation of our business and underpin our success. We treasure our employees as well as encourage and foster the development of talented and motivated individuals on an ongoing basis in order to support the development and growth of our diverse operations. It is one of our aims as an organization to strive to build a sense of responsibilities and achievement amongst all of our people in the work they do.

### Our Employees

As at 30 June 2016, we have a total of 7,934 employees (30 June 2015: 8,495), which is mainly located in the Mainland China, representing 99.31% (30 June 2015: 96.59%). Over 42.08% of our employees are below 40, of which the majority of them are general workers. Therefore, we have a relatively young and equal workforce structure. It is contemplated in the future number of years, our workforce composition will remain relatively the same. We have also maintained a workforce with stable turnover for a number of years. For the six months ended 30 June 2016, our overall turnover rate was 6.92% (30 June 2015: 2.41%).

Since the second half of the year 2015, our Gabon operations were temporarily suspended due to the sluggish international manganese ore market. During the period, we streamlined our Gabon workforce including reshuffle of certain temporarily idle staff to our plants in the PRC.

Set out below is a summary of our employee structure and turnover analysis:

Headcount by Location	2016			2015		
	Male	Female	Total	Male	Female	Total
Hong Kong	8	9	17	8	9	17
Mainland China	5,370	2,509	7,879	5,486	2,719	8,205
Gabon	33	5	38	264	9	273
Total:	5,411	2,523	7,934	5,758	2,737	8,495

Headcount by Age	Hong Kong		Mainland China For the six months ended 30 June		Gabon		Group	
	2016	2015	2016	2015	2016	2015	2016	2015
60 and above	1	1	9	10	0	1	10	12
51-59	4	2	1,083	984	4	6	1,091	992
41-50	2	3	3,478	3,407	14	52	3,494	3,462
31-40	7	7	1,978	2,205	12	104	1,997	2,316
30 and below	3	4	1,331	1,599	8	110	1,342	1,713
Total:	17	17	7,879	8,205	38	273	7,934	8,495

Headcount by Employment Category	Hong Kong		Mainland China For the six months ended 30 June		Gabon		Group	
	2016	2015	2016	2015	2016	2015	2016	2015
Senior	4	3	7	7	1	1	12	11
Middle	2	2	307	191	4	7	313	200
Professional	5	6	444	543	19	86	468	635
General	6	6	7,121	7,464	14	179	7,141	7,649
Total:	17	17	7,879	8,205	38	273	7,934	8,495



## Human Resources Report

### Our Employees (continued)

#### Employee Turnover

	Hong Kong		Mainland China		Gabon		Group	
	2016	2015	2016	2015	2016	2015	2016	2015
Employee Turnover Number	4	1	310	178	235	26	549	205
Employee Turnover Rate	23.53%	5.88%	3.93%	2.17%	86%	9.52%	6.92%	2.41%

Employee Turnover Number by Location	For the six months ended 30 June	
	2016	2015
Hong Kong	4	1
Mainland China	310	178
Gabon	235	26
Total:	549	205

Employee Turnover Number by Age	Hong Kong		Mainland China		Gabon		Group	
	2016	2015	2016	2015	2016	2015	2016	2015
60 and above	0	0	0	1	1	0	1	1
51-59	0	0	20	3	2	1	22	4
41-50	0	0	50	23	38	6	88	29
31-40	4	1	101	62	92	9	197	72
30 and below	0	0	139	89	102	10	241	99
Total:	4	1	310	178	235	26	549	205

## Human Resources Report

### Development and Training

We place high importance to the training and development of our employees, so as to elevate their performance in their existing positions and to better prepare for their promotion in the future. All our employees are encouraged to participate sufficient degree of training in order to help maximising their performance and realise their full potential. The importance we place on employee development and training is demonstrated by the significant amount of training our employees undertake during the six months ended 30 June 2016.

Set out below is a summary of statistics for the training to our employees:

Percentage of Employees Trained by Employment Category	Hong Kong		Mainland China		Gabon		Group	
	For the six months ended 30 June						2016	2015
	2016	2015	2016	2015	2016	2015		
Senior	<b>100</b>	100	<b>100</b>	62	<b>0</b>	100	<b>75</b>	76
Middle	<b>100</b>	100	<b>78</b>	58	<b>0</b>	100	<b>77</b>	60
Professional	<b>100</b>	100	<b>80</b>	75	<b>0</b>	90	<b>76</b>	77
General	<b>100</b>	100	<b>90</b>	72	<b>0</b>	80	<b>90</b>	72

Average Training Hours per Employee by Employment Category	Hong Kong		Mainland China		Gabon		Group	
	For the six months ended 30 June						2016	2015
	2016	2015	2016	2015	2016	2015		
Senior	<b>27</b>	14	<b>20</b>	10	<b>0</b>	15	<b>16</b>	12
Middle	<b>6</b>	8	<b>14</b>	12	<b>0</b>	15	<b>7</b>	12
Professional	<b>3</b>	6	<b>18</b>	12	<b>0</b>	20	<b>7</b>	13
General	<b>2</b>	3	<b>15</b>	10	<b>0</b>	15	<b>5</b>	10
Total:	<b>38</b>	31	<b>67</b>	44	<b>0</b>	65	<b>35</b>	47

## Social Responsibilities Report

We are committed to ensure long-term sustainability of our businesses. Now we have over 7,934 employees in Hong Kong, Guangxi, Guizhou, China and Gabon, Africa. In addition to continue our long term goal to provide quality products to our valuable clients in an environmental friendly manner, we are also keen to establish a quality operation system, to protect the safety and health of our employees and also to provide contribution to the surrounding community in which we have businesses.

### Materiality

As part of the preparation for compiling this report, we undertake a preliminary review of the material topics that have affected and continue to affect our business, and our actions to address them. This process focuses our reporting on the sustainability topics which we consider of interest to our key stakeholders, which include national and regional government, community members, our workforce and business partners.

A matter is considered to be material if, in the view of the Board and senior management, it is of such importance that it will, or potentially could, in the short, medium or long term:

- have a significant influence on, or is of particular attention to, our stakeholders; or
- substantively impact our ability to meet our strategic objectives.

Once identified, each material issue is given a priority level based on the level of concern shown by stakeholders, as well as its actual and/or potential impact on the business. The issues which we identified as being material are in the following four aspects, in no order of priority:

- Safety Production and Labour Protection;
- Energy Savings and Environmental Protection;
- Quality Operation System Establishment, Employment Training and Growth; and
- Social Contribution, Living Environment and Culture Development

### Basis of preparation

The data in this report, unless otherwise stated, cover companies, assets and projects in which we have operational control (where we have full authority to implement our operating policies), but does not cover our associated companies.

## Social Responsibilities Report

A summary of our key performance indicators in the aforesaid four critical areas is set out in the following table:

Critical Areas	Key performance indicators	For the six months ended 30 June	
		2016	2015
Safety Production and Labour Protection	Fatalities	0	2
	Number of Injuries	0	9
	Number of Lost Days Caused by Injuries	0	107
Energy Savings and Environmental Protection	Electricity Consumption (kWh)	398,797,481	397,488,744
	Water Consumption (Tonnes)	199,210	204,126
	Tailing Volume (Tonnes)	377,487	370,358
	Total packaging material used for finished products	721,200	726,865
Quality Operation System Establishment, Employment Training and Growth	Number of Suppliers	196	202
	Number of Complaint against our Products	6	5
	Number of Complaints and/or Legal Cases regarding Corrupt Practices	0	0
	Number of Employees	7,934	8,495
	Female Ratio (percentage)	31.8	32.2
	Average Training Hours per Employee	35	47
Social Contribution, Living Environment and Culture Development	Donation (HKD)	211,000	202,000

### 1. Safety Production and Labor Protection

Safety production and labour protection is our top priority. We insist on safety production and continue to strengthen the safety awareness of our workers.

During the six months ended 30 June 2016, our major measures are as follows:

- (1) Strict Implementation of the Establishment and Execution of the Safety Production System:

In China, we continued to strictly implement the "Six Major Safety Systems" in our Daxin Mine, Tiandeng Mine and Changgou Manganese Mine.

- (2) Strict Implementation of Safety Production Responsibility System:

We strictly implemented the safety production responsibility system, requiring each of our production units to endorse and implement the production safety responsibility commitments, which are also part of the appraisals for our employees, and also to implement the Safety Production deposit system, so as to ensure our safety system is in place.

## Social Responsibilities Report

### (3) Establishment of Safety Production Standardization System:

In China, we reinforced our efforts on production safety standardization for metallurgical and non coal enterprises, including, inter alia, the followings:

- (i) Daxin Mine and Tiandeng Mine have completed the construction works for second level metallurgical safety standardization for non coal mines; including Daxin mine (open pit mine, processing plants and 弄松 (Nongsong tailing pond), Tiandeng Mine (open pit mine, processing plants) tailing pond and slag draining dam) have successfully completed the review for second level safety standardization construction works and obtained the certificate of second level safety standardization works for metallurgical enterprises issued by 廣西壯族自治區生產監督管理局 (Guangxi Safety Supervision Bureau);
- (ii) Daixin Manganese, Tiandeng New Materials and Tiandong New Material have commenced the construction works for second level safety standardization works for metallurgical enterprises. They have successfully completed the review for second level safety standardization construction works and obtained the certificate of second level safety standardization work for metallurgical enterprise issued by Guangxi Safety Supervision Bureau.

### (4) Periodic Review of Health Accreditation Works:

In China, we cooperated with 廣西安全生產科學研究所 (Guangxi Safety Production Scientific Research) and 廣西德高仕安全技術有限公司 (Guangxi De Gao Shi Safety Technology Limited Company) to jointly carry out the occupational health assessment works and most of our subsidiaries have completed the occupational health assessment check for our employees as well as the establishment of the health assessment reports filing system.

### (5) Reinforcement of Production Safety Concept to Our Employees:

In China, we continued to reinforce the production safety concept to our employees, including, inter alia, the following:

- (i) We kept requiring the frontline workers of our production units to read "Safety Management System" and "Safety Operation Regulation" every day, requiring them to understand, check and review the safety level of our manufacturing techniques, accessories and facilities, protection and emergency system on a regular basis.
- (ii) We continued to carry out a series of safety production activities, including "Safety Production Month" and safety knowledge competition, etc, in order to enhance the awareness of safety production of our workers.
- (iii) We regularly carried out a series of emergency rescue activities, including ammonia emergency activities, fire emergency evacuation drills, etc.

### (6) Continuous Investment to the Safety Measures:

We committed to invest in our safety measures for labor protection, including protection accessories, dust prevention and noise removal facilities. During the period, our employees in Daxin Branch have undergone the body check so as to ensure our employees to have healthy bodies.

We strongly believe that our carefully designed safety production system, thoroughly implemented and continuous reassessment, can provide sufficient protection to protect the health and safety of our employees.

## Social Responsibilities Report

As a result of our continuous stringent control in respect of the production safety, the number of fatalities and injuries in respect of our employees continued to remain at a low level. Set out below is a summary of the fatalities, number of injuries and loss of days caused by injuries for the six months ended 30 June 2016:

Fatalities (by Location)	For the six months ended 30 June	
	2016	2015
Hong Kong	0	0
Mainland China	0	2
Gabon	0	0
Total:	0	2

Number of Injuries (by Location)	For the six months ended 30 June	
	2016	2015
Hong Kong	0	0
Mainland China	0	5
Gabon	0	4
Total:	0	9

Number of Lost Days Caused by injuries (by Location)	For the six months ended 30 June	
	2016	2015
Hong Kong	0	0
Mainland China	0	26
Gabon	0	81
Total:	0	107

### Compliance with Safety Production Rules and Regulations

During the six months ended 30 June 2016, we continued to strictly follow all the prevailing laws and regulations regarding safety production in Hong Kong, Mainland China and Gabon. To the best of our information and knowledge, there are no material non-compliance with the prevailing laws and regulations regarding safety production by the Group during the period.

## 2. Energy Savings and Environmental Protection

### Strict Supervision of Resource Consumption and Reduction of Waste Production

We continued to ensure that all key environmental impacts are identified and managed in a responsible manner and electricity consumption, water consumption and tailing production are our top priorities. During the six months ended 30 June 2016, our electricity consumption, water consumption and tailing production, as compared with the corresponding period in the previous years, remains similar and do not have any material change, details are set out in the following table:

	For the six months ended 30 June	
	2016	2015
Electricity Consumption (kWh)	398,797,481	397,488,744
Water Consumption (Tonnes)	199,210	204,126
Tailing Production (Tonnes)	377,487	370,358

We will continue to monitor the environmental effect in respect of our production, continuing to reduce the electricity consumption, water consumption and tailing production, so as to minimize the impact to the surrounding ecosystem.

## Social Responsibilities Report

### Energy Savings and Reduction: Continuous Research and Implementation

By strengthening our management method, improving our production facilities and streamlining our production process, we continued our research upon and implement various energy savings and reduction measures. For the six months ended 30 June 2016, we have implemented the following measures:

(1) Mining Business:

Daxin branch and Tiandeng branch continued to implement various cost reduction measures, and adopt refined management, our production costs were thereby reduced, which included but not limited to the followings:

(i) In Daxin Mine:

- 1) we expanded the mining production scale in a systematic and scientific manner by descending our mining area at line 5a-8 located at the eastern part of Daxin Mine from the original location at depth above 335 meters to 305 meters, thereby increasing the mining areas;
- 2) we continuously improved and refined the mining method, thereby increasing the mining efficiency;
- 3) we increased and optimized the tailing recocoverry rate of Daxin concentration plant, thereby reducing the production cost.

(ii) In Tiandeng Mine:

- 1) we acquired several advanced mining machines and facilities, like the drilling machines, thereby increasing the mining efficiency;
- 2) we adopted different mining methods in different mining sections in a scientific and orderly manner, thereby increasing the mining efficiency.

(2) Downstream Business:

(i) EMM Business:

As a result of our enhancement on our management and improvement of our production technique, our various unit consumption rate for EMM production has continued to decrease and the metal recoveries rate has increased correspondingly. Our measures included:

- 1) we conducted technology improvements to the filter press machines and by using the filter technology to recover the manganese ammonia of the manganese tailings, thereby increasing the recovery rate of manganese ammonia;
- 2) we increased and optimized the filter efficiency of carbonate manganese, thereby increasing the chemical leaching efficiency during the EMM production process;
- 3) we commenced the construction of automatic feeder system for manganese ores, thereby reducing the production cost.

(ii) EMD Business:

- 1) we improved and optimized the rinsing solution of the EMD production by recovering the rinsing fluid, thereby minimising the production consumption;
- 2) we conducted research on the nature and the composition of hybrid manganese oxide in order to fully utilise the usage of its oxide component, thereby minimising the production cost.

## Social Responsibilities Report

(iii) Manganese Sulfate Business:

We used the pyrite leaching production technique to produce manganese sulfate, our recoveries rate has increased, thus reducing the consumption rate of ore powder.

(iv) Lithium Manganese Oxide and Lithium Cobalt Oxide Business:

Chongzuo Branch continued to invest in waste treatment, environmental monitoring system and the establishment of environmental emergency plans work, etc.

### Environmental Regulation: Compliance and Beyond

During the six months ended 30 June 2016, we have not breached any environmental rules or regulations which resulted in fines or prosecutions. We believe that rule compliance is only the minimum standard – we treat it as the floor to our environmental performance. We are committed to the responsible management of both the short and long-term impacts of our business on the environment. This commitment goes beyond compliance and applies to all stages of our business – from planning, building, operation, maintenance to the decommissioning of our facilities and equipment.

## 3. Quality Operation System Establishment, Employment Training and Growth

(1) Quality Operation System Establishment

We continued to enhance our quality operation system, so as to increase our operational efficiency and effectiveness.

(i) Supply Chain Management

Our suppliers and contractors provide a wide range of products and services including fuel and equipment for our upstream mining operations; electricity and other raw materials for our downstream operations; packaging bags and other related accessories for the sales of our final products as well as underground technology innovation construction service and subcontracting processing services, etc.

During the six months ended 30 June 2016, the number of our suppliers are set out as follows:

	For the six months ended 30 June	
	2016	2015
Number of our suppliers		
Hong Kong	1	0
Mainland China	194	199
Gabon	1	3
<b>Total</b>	<b>196</b>	<b>202</b>

All our suppliers are required to be assessed for their capabilities to fulfil our business needs and such assessment is based on a combination of different and various factors such as their track record, reputation, production capacity as applicable.

In addition, we continued to keep close supervision in respect of procurement practice of normal operation. Save and except for those special suppliers, all other suppliers and contractors are selected based on public auction with strict comparison and assessment.

Furthermore, we also continued to carry out assessment and internal audit in respect of our suppliers on a regular basis, so as to assess whether such suppliers continue to meet our request.



## Social Responsibilities Report

### (ii) Product Quality Supervision

The whole production process of our products, from procurement, production to after sales, are strictly compiled with ISO9001:2008 quality management requirement.

All our products strictly meet the national and our sector standards and our client's requirement. Among which, our major products, EMM, EMD and manganese sulfate are rewarded with recognition of "Quality products of Guangxi" since 2015 and have passed the inspection by the relevant PRC quality assessment bureau.

We continued to provide our clients with quality after sales service and follow up in accordance with our stringent products quality control system, e.g. "Customers Satisfaction and Complain Assessment Procedure" and "Products Recall Procedures" etc..

As a result of our continuous stringent control in respect of the quality of our products, the complaints we received in respect of our products continued to remain at a low level. During the six months ended 30 June 2016, the complaints we received in respect of our products are as follows:

	For the six months ended 30 June	
	2016	2015
Number of products related complaints received	<b>6</b>	7

All of the six complaints are related to minor quality issues of our EMM and manganese sulfate, which after our internal investigation and subsequent adjustment in respect of our production technique, the quality of our EMM and manganese sulfate have resumed normal and to the satisfaction of the clients.

### (iii) Probity Operating System Establishment

We continued to establish probity operating system, including establishment of anti bribery regulation, inclusion of probity system as annual object responsibility audit and execution of probity agreement with our suppliers, etc.

During the six months ended 30 June 2016, we have not received any complaints or any legal cases regarding corruption, details are as follows

	For the six months ended 30 June	
	2016	2015
Number of Complaints and/or Legal Cases regarding Corrupt Practices	<b>0</b>	0

## (2) Employment Training and Growth

We arranged trainings at all levels of our employees through multi-channels, multi-formats and multi-levels. The key statistics in respect of our training for our employees are set out in the Human Resources Report. In summary, various different training courses were held throughout the six months ended 30 June 2016, effectively improving the quality of staff, and promoting development of our employees.

During the six months ended 30 June 2016, our major training activities and projects are as follows:

- (i) "Advanced Leadership Skills Course", so as to enhance the leadership skills of the management;
- (ii) "Financial knowledge for non-financial management course" so as to enhance the basic financial knowledge of the management;

## Social Responsibilities Report

- (iii) "Effective Communication Skills" course, so as to enhance the communication skills of our employees, thereby increasing the working efficiency;
- (iv) "Mining Geology Talk" and "Past Production Safety Accident Cases Analysis and the safety measures", so as to enhance the knowledge of mining production and the production safety of our employees;
- (v) "Project Completion Billing and Accounts Elementary Training Course", so as to enhance the knowledge of the project managers, project completion auditors and the related financial management.

### 4. Social Contribution, Living Environment and Culture Development

Our community investment activities complement the way in which our core business contributes to society, by improving the quality of life for communities through donation of our skills, expertise and resources. The three focus areas of our community investment initiatives are: social contribution, living environment and cultural development, details of which are as follows:

- (1) In China, we treasured our social contribution in particular the surrounding community of our mines and the improvement of the living environment of our employees as well as the cultural development, including the followings:

In Daxin Mine,

- (i) We organized various cultural activities and basketball competitions with the local government and their units, etc., thereby enhancing the harmonious relationship with the community;
- (ii) We built the waste and sewage treatment systems, lighting and irrigation systems and other ancillary facilities, so as to improve the living conditions of our employees and attract talent candidates, thereby creating a stable workforce.

In Tiandeng Mine,

- (i) We continued to finance the peripheral villages to construct water pipes as well as ancillary facilities;
- (ii) We provided food and water subsidies to the peripheral villages and financed them to organize the Chinese new year celebration activities.

- (2) In Gabon, we continued to focus on the local community development and actively participate in various social activities in Gabon, including national festival and etc.

We treasure serving our community and therefore, we spent money into the community where our businesses are situated. During the six months ended 30 June 2016, our cash donations to charities reached HK\$211,000. Details are as follows:

	For the six months ended 30 June	
	2016	2015
Donation (HKD)	211,000	202,000

Given the geographical diversity of our business, we take a site-specific or tailored approach to our various social engagements or construction works. As with any investment that the Company makes, we need to be careful that our resources are allocated to community initiatives in a disciplined and systematic way and that this leads to positive, sustainable outcomes as opposed to having a disruptive effect on a community or the local environment. We are confident that selected community initiatives, carefully chosen, thoroughly implemented and carefully monitored, do enhance the Company's reputation and relationships and do enjoy the support of our shareholders and other stakeholders.

## Summary of Our Manganese Mineral Resources and Our Manganese Ore Reserves

Below is the information on our mineral resources and ore reserves as of 30 June 2016:

### Summary of our manganese mineral resources

Mining Block	Ownership Percentage	JORC Resource Category	Average Manganese Grade		Million Tonnes	
			As of 30.6.2016	As of 31.12.2015	As of 30.6.2016	As of 31.12.2015
Daxin Mine	100%	Measured	4.74	24.76	4.95	24.60
		Indicated	64.30	21.28	64.91	21.24
		Subtotal	69.04	21.52	69.86	21.48
		Inferred	0.43	21.23	0.43	21.23
		Total	69.47	21.51	70.29	21.48
Tiandeng Mine	100%	Measured	0.56	18.27	0.57	18.19
		Indicated	2.80	16.72	2.82	16.70
		Subtotal	3.36	16.98	3.39	16.95
		Inferred	3.51	14.24	3.51	14.24
Total	6.87	15.58	6.90	15.57		
Waifu Manganese Mine	100%	Measured	-	-	-	-
		Indicated	-	-	-	-
		Subtotal	-	-	-	-
		Inferred	1.54	17.52	1.54	17.52
Total	1.54	17.52	1.54	17.52		
Changgou Manganese Mine	64%	Measured	3.03	20.45	3.08	20.45
		Indicated	14.67	20.32	14.67	20.32
		Subtotal	17.70	20.34	17.75	20.34
		Inferred	4.22	20.50	4.22	20.50
Total	21.92	20.37	21.97	20.37		
Bembélé Manganese Mine	51%	Measured	-	-	-	-
		Indicated	15.97	31.99	15.97	31.99
		Subtotal	15.97	31.99	15.97	31.99
		Inferred	12.37	32.74	12.37	32.74
Total	28.34	32.32	28.34	32.32		
<b>Total</b>			<b>128.14</b>		<b>129.04</b>	

## Summary of Our Manganese Mineral Resources and Our Manganese Ore Reserves

### Summary of our manganese ore reserves

Mine	Ownership Percentage	JORC Resource Category	Average Manganese		Million tonnes	Average Manganese Grade (%)
			Million tonnes	Grade (%)		
			As of 30.6.2016		As of 31.12.2015	
Daxin Mine	100%	Proved	4.52	21.04	4.73	21.04
		Probable	61.77	18.84	62.38	18.83
		<b>Total</b>	<b>66.29</b>	<b>18.99</b>	67.11	18.98
Tiandeng Mine	100%	Proved	0.52	15.76	0.53	15.72
		Probable	2.68	15.59	2.70	15.58
		<b>Total</b>	<b>3.20</b>	<b>15.62</b>	3.23	15.61
Waifu Manganese Mine	100%	Proved	-	-	-	-
		Probable	-	-	-	-
		<b>Total</b>	<b>-</b>	<b>-</b>	-	-
Changgou Manganese Mine	64%	Proved	3.01	20.45	3.06	20.45
		Probable	14.67	20.32	14.67	20.32
		<b>Total</b>	<b>17.68</b>	<b>20.34</b>	17.73	20.34
Bembélé Manganese Mine	51%	Proved	-	-	-	-
		Probable	15.96	31.36	15.96	31.36
		<b>Total</b>	<b>15.96</b>	<b>31.36</b>	15.96	31.36
<b>Total</b>			<b>103.13</b>		104.03	

#### Assumptions:

The figures of the aforesaid manganese resources and manganese ores reserves are based on the following assumptions:

- (1) (a) The manganese resources and manganese ore reserves for Daxin Mine, Tiandeng Mine and Bembélé Manganese Mine were based on the estimates per the independent technical review report as shown in the Company's Prospectus. The decreases of the amounts of manganese resources and manganese ore reserves with the increases of average manganese grade in the aforesaid mines during the period were largely due to mining depletion and the decreases of manganese grade of manganese ores mined during the period as compared with the estimates of average manganese grade as per independent technical review report, therefore it is expected that there will be an increase in the average manganese grade of our remaining manganese resources and reserves. The period end amounts have been confirmed by internal experts.
  - (b) The manganese resources and manganese ore reserves for Changgou Manganese Mine are based on the estimate in accordance with 《錳礦礦產資源儲量核實報告》(Manganese Resources Verification Report) dated November 2009 prepared by 中國冶金地質總局中南局南寧地質調查所 (ChinaYe Jin Di Zhi Zong Ju Zhong Nan Ju Nanning Di Zhi Diao Cha Suo). The period end amounts have been confirmed by our internal experts.
  - (c) The manganese resources and manganese ore reserves for Waifu Manganese Mine are based on the estimate in accordance with 《靖西縣湖潤外伏錳礦礦產資源量核實地質報告評審意見書》(Accreditation Opinion of the Verified Geographical Resources Report of Waifu Manganese Mine, Jinxi) dated 17th July 2004 prepared by 南寧儲偉資源有限公司 (Nanning Qu Wei Resources Limited Company). The period end amounts have been confirmed by our internal experts.
- (2) All material assumptions and technical parameters underpinning the estimates in the aforesaid independent technical reports continue to apply and have not materially changed.

## Summary of Our Manganese Mineral Resources and Our Manganese Ore Reserves

### Exploration, Development, and Mining Activities

#### I) Exploration

##### **Overview**

During the six months ended 30 June 2016, there were no significant progress in respect of our exploration works and we have not conducted any exploration drilling works which are largely due to: (1) completion of the exploration works in Daxin Mine and Changgou Mine; (2) Waifu Manganese Mine still has not entered into formal operation; and (3) temporary suspension of operations for Bembélé Manganese Mine. During the period, our main focus was to continue the subsequent follow up in respect of the exploration works at Tiandeng Mine.

##### **Daxin Mine**

During the six months ended 30 June 2016, we have not entered into any contracts or commitments in respect of exploration work or conducted any exploration work at Daxin Mine.

##### **Tiandeng Mine**

During the six months ended 30 June 2016, we continued the preparation of the detailed exploration report in respect of the exploration area located at 440 meters depth below the mining block of Tiandeng Mine.

Save as disclosed herein above, we have not entered into any contracts or commitments in respect of exploration work or conducted any exploration work at Tiandeng Mine.

##### **Waifu Manganese Mine**

During the six months ended 30 June 2016, we have not entered into any contracts or commitments in respect of exploration work or conducted any exploration work at Waifu Manganese Mine.

##### **Changgou Manganese Mine**

During the six months ended 30 June 2016, we have not entered into any contracts or commitments in respect of exploration work or conducted any exploration work at Changgou Manganese Mine.

##### **Bembélé Manganese Mine**

During the six months ended 30 June 2016, we have not entered into any contracts or commitments in respect of exploration work or conducted any exploration work at Bembélé Manganese Mine.

## Summary of Our Manganese Mineral Resources and Our Manganese Ore Reserves

### Exploration, Development, and Mining Activities (continued)

#### II) Development

##### ***Daxin Mine***

During the six months ended 30 June 2016, our out sourced contractor, 溫州建設集團公司 (Wenzhou Construction Group Co.) has completed the phase A 600,000 tonnes/year expansion project for the underground mining at Daxin Mine, totalling 3,116.90 metre length tunnel construction works and the construction work amounted to 41,962.40 m<sup>3</sup>. The other out sourced contractor, 廣西錫山礦業有限公司 (Guangxi Xishan Mining Limited Company) continued the phase B 600,000 tonnes/year expansion project for the underground mining at Daxin Mine. As at 30 June 2016, the tunnel construction works in phase B amounted to 45,016 metres in length and the construction works in phase B amounted to 383,630 m<sup>3</sup>.

Save as disclosed herein above, we have not entered into any contracts or commitments in respect of the infrastructure development (including infrastructure construction, subcontracting arrangements or purchases of equipments) or conducted any infrastructure or development work at Daxin Mine.

##### ***Tiandeng Mine***

During the six months ended 30 June 2016, we have not entered into any contracts or commitments in respect of the infrastructure development (including infrastructure construction, subcontracting arrangements or purchases of equipments) or conducted any infrastructure or development work at Tiandeng Mine.

##### ***Waifu Manganese Mine***

During the six months ended 30 June 2016, we have not entered into any contracts or commitments in respect of the infrastructure development (including infrastructure constructions, subcontracting arrangements or purchases of equipments) or conducted any infrastructure or development work at Waifu Manganese Mine.

##### ***Changgou Manganese Mine***

During the six months ended 30 June 2016, we have not entered into any contracts or commitments in respect of the infrastructure development (including infrastructure constructions, subcontracting arrangements or purchases of equipments) or conducted any infrastructure or development work at Changgou Manganese Mine.

##### ***Bembélé Manganese Mine***

During the six months ended 30 June 2016, we have not entered into any contracts or commitments in respect of the infrastructure development (including infrastructure constructions, subcontracting arrangements or purchases of equipments) or conducted any infrastructure or development work at Bembélé Manganese Mine.

## Summary of Our Manganese Mineral Resources and Our Manganese Ore Reserves

### Exploration, Development, and Mining Activities (continued)

#### III) Mining activities

##### (1) Mining Operations

##### *Daxin Mine*

	1.1.2016-30.6.2016	1.1.2015-30.6.2015
<b>Open pit mining</b>		
Mine production (thousand tonnes)	603	329
<b>Underground mining</b>		
Mine production (thousand tonnes)	284	263
Total mine production (thousand tonnes)	887	592
<b>Average manganese grade</b>		
Manganese carbonate ore	15.9%	15.2%
Manganese oxide ore	28.3%	28.6%

##### *Tiandeng Mine*

	1.1.2016-30.6.2016	1.1.2015-30.6.2015
<b>Open pit mining</b>		
Mine production (thousand tonnes)		
Manganese oxide	142	72
<b>Average manganese grade</b>		
Manganese oxide	11.8%	13.8%

##### *Waifu Manganese Mine*

During the six months ended 30 June 2016, there were no mining production.

##### *Changgou Manganese Mine*

	1.1.2016-30.6.2016	1.1.2015-30.6.2015
<b>Underground mining</b>		
Mine production (thousand tonnes)	5	5
Average manganese carbonate grade	17.3%	17%

##### *Bembélé Manganese Mine*

	1.1.2016-30.6.2016	1.1.2015-30.6.2015
<b>Open pit mining</b>		
Mine production (thousand tonnes)	0	316
Average manganese oxide grade	N/A	30.7%

Note: Figures for mining production are rounded to nearest whole number and figures for manganese grade are rounded to one decimal place and these figures may show apparent addition errors

## Summary of Our Manganese Mineral Resources and Our Manganese Ore Reserves

### Exploration, Development, and Mining Activities (continued)

#### III) Mining activities (continued)

##### (2) Ore processing operations

##### • Concentrating

Production (thousand tonnes)	1.1.2016-30.6.2016	1.1.2015-30.6.2015
<b>Daxin Concentration Plant</b>		
<b>Concentrate production</b>		
Manganese carbonate ore	507	467
Manganese oxide ore	69	45
<b>Total</b>	<b>576</b>	<b>512</b>
<b>Average manganese grade of concentrate</b>		
Manganese carbonate ore	18.9%	17.7%
Manganese oxide ore	29.1%	29.8%
<b>Tiandeng Concentration Plant</b>		
Manganese concentrate production		
Manganese carbonate of concentrate	125	96
Manganese oxide of concentrate	0	33
<b>Total</b>	<b>125</b>	<b>129</b>
<b>Average manganese grade of concentrate</b>		
Manganese carbonate of concentrate	11.8%	9.6%
Manganese oxide of concentrate	0	20.6%
<b>Bembélé Concentration Plant</b>		
Concentrate production	0	174
Average manganese grade of concentrate	N/A	34.2%

##### • Grinding

Production (thousand tonnes)	1.1.2016-30.6.2016	1.1.2015-30.6.2015
<b>Daxin Grinding Plant</b>		
Powder produced	496	482

Note: Figures for concentrating and grinding are rounded to nearest whole number and the figures for manganese grade are rounded to nearest one decimal place and these figures may show apparent addition errors.

#### IV) Downstream processing operations

##### (1) Manganese downstream processing operations

##### • EMM

Our existing EMM production facilities include Daxin EMM Plant, Daxin Manganese EMM Plant, Tiandeng EMM Plant, Start EMM Plant and Tiandong EMM Plant. Details of EMM production are set out below:

Production (thousand tonnes)	1.1.2016-30.6.2016	1.1.2015-30.6.2015
<b>Daxin EMM Plant</b>	<b>52.5</b>	<b>42.3</b>
<b>Daxin Manganese EMM Plant</b>	<b>12.2</b>	<b>9.8</b>
<b>Tiandeng EMM Plant</b>	<b>10.8</b>	<b>10.6</b>
<b>Start EMM Plant</b>	<b>8.4</b>	<b>6.3</b>
<b>Tiandong EMM Plant</b>	<b>0</b>	<b>0</b>
<b>Total</b>	<b>83.9</b>	<b>69.0</b>



## Summary of Our Manganese Mineral Resources and Our Manganese Ore Reserves

### Exploration, Development, and Mining Activities (continued)

#### IV) Downstream processing operations (continued)

(1) Manganese downstream processing operations (continued)

- Manganese briquette

Production (thousand tonnes)	1.1.2016-30.6.2016	1.1.2015-30.6.2015
<b>Chongzuo Branch</b>	<b>9.3</b>	9.8

- Manganese sulfate

Production (thousand tonnes)	1.1.2016-30.6.2016	1.1.2015-30.6.2015
<b>Daxin Manganese Sulfate Plant</b>	<b>10.8</b>	7.1

- EMD

Production (thousand tonnes)	1.1.2016-30.6.2016	1.1.2015-30.6.2015
<b>Daxin EMD Plant</b>	<b>13</b>	8.2

- Silicomanganese alloy

Production (thousand tonnes)	1.1.2016-30.6.2016	1.1.2015-30.6.2015
<b>Qinzhou Ferroalloy Plant</b>	<b>5.6</b>	17.9

- Lithium manganese oxide

Production (thousand tonnes)	1.1.2016-30.6.2016	1.1.2015-30.6.2015
<b>Chongzuo Branch</b>	<b>0.15</b>	0.01

(2) Non-manganese processing operations

- Lithium cobalt oxide

Production (thousand tonnes)	1.1.2016-30.6.2016	1.1.2015-30.6.2015
<b>Chongzuo Branch</b>	<b>0.36</b>	0.44

Note: Except figures for lithium manganese oxide and lithium cobalt oxide are rounded to nearest two decimal place, all our other manganese downstream processing products are rounded to nearest one decimal place and these figures may show apparent addition errors.

## Summary of Our Manganese Mineral Resources and Our Manganese Ore Reserves

### Exploration, Development, and Mining Activities (continued)

#### V) Exploration, development and mining cost of the Group

Expenses of exploration, development, and mining activities of the Group for the six months ended 30 June 2016 are set out below:

(HK\$'000)

	Daxin Mine	Tiandeng Mine	Waifu Manganese Mine	Changgou Manganese Mine	Bembélé Manganese Mine	Total
<b>Exploration activities</b>						
Drilling and analysis	–	100	–	–	–	100
Transportation	–	–	–	–	–	–
Others	–	–	–	–	–	–
	–	100	–	–	–	100
<b>Development activities (including mine construction)</b>						
Purchases of assets and equipment	–	–	–	–	–	–
Construction of mines, tunnels and roads	–	–	–	–	–	–
Staff cost	–	–	–	–	–	–
Sub-contracting fee	–	–	–	–	–	–
Others	9	–	–	–	–	9
	9	–	–	–	–	9
<b>Mining activities*</b>						
Staff cost	1,336	2,192	–	–	–	3,528
Consumables	470	4,061	–	–	–	4,531
Fuel, electricity, water and other services	5,409	1,629	–	–	–	7,038
Transportation	689	–	–	–	–	689
Sub-contracting fee	79,013	–	–	–	–	79,013
Depreciation	6,812	980	–	–	–	7,792
Others	–	2,562	–	–	–	2,562
	93,729	11,424	–	–	–	105,153

(\*Concentrating not included)

## CODE ON CORPORATE GOVERNANCE PRACTICES

Throughout the six months ended 30 June 2016, the Company has applied the principles, complied with the applicable code provisions, and also complied with certain recommended best practices, of the Code on Corporate Governance Practices (the “**CG Code**”) as set out in Appendix 14 to the Listing Rules.

## MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted a code of conduct for dealings in securities of the Company by its Directors (the “**Securities Dealings Code**”) that is based on the Model Code for Securities Transactions by Directors of Listed Issuers (the “**Model Code**”) as set out in Appendix 10 to the Listing Rules (or on terms no less stringent than the Model Code).

All Directors confirmed, following specific enquiry by the Company, that they have complied with the required standards set out in the Securities Dealings Code throughout the six months ended 30 June 2016.

## DIRECTORS’ AND CHIEF EXECUTIVE’S INTERESTS IN SHARES AND UNDERLYING SHARES

As at 30 June 2016, the interests and short positions of the Directors and chief executive of the Company in the shares, underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) which are required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are deemed or taken to have under such provisions of the SFO) or which are required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein or pursuant to the Model Code and which have been notified to the Company and the Stock Exchange are as follows:

Name of director	Nature of interest	Number of ordinary shares	Number of underlying shares pursuant to share options	Approximate percentage of the total issued share capital of the Company
Mr. Li Weijian	Directly beneficially owned	–	15,000,000	0.44%
Mr. Tian Yuchuan	Directly beneficially owned	–	12,000,000	0.35%
Mr. Chen Jiqiu	Directly beneficially owned	–	9,000,000	0.26%
Mr. Yang Zhi Jie	Directly beneficially owned	–	1,000,000	0.03%
Mr. Mo Shijian	Directly beneficially owned	–	1,000,000	0.03%
Mr. Tan Zhuzhong	Directly beneficially owned	–	1,000,000	0.03%

## SHARE OPTION SCHEME

The Company operates a share option scheme for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Details of the Company's share options are set out as follows:

Name and category of participant	Number of share options					Date of grant	Exercise period <sup>(2)</sup>	Exercise price per share HK\$
	At 1 January 2016	Granted during the period	Exercised during the period <sup>(1)</sup>	Cancelled during the period	At 30 June 2016			
<b>Directors of the Company</b>								
Mr. Li Weijian	15,000,000	–	–	–	15,000,000	11.1.2011	11.1.2012 to 10.1.2021	2.81
Mr. Tian Yuchuan	12,000,000	–	–	–	12,000,000	11.1.2011	11.1.2012 to 10.1.2021	2.81
Mr. Chen Jiqui	9,000,000	–	–	–	9,000,000	11.1.2011	11.1.2012 to 10.1.2021	2.81
Mr. Yang Zhi Jie	1,000,000	–	–	–	1,000,000	11.1.2011	11.1.2012 to 10.1.2021	2.81
Mr. Mo Shijian	1,000,000	–	–	–	1,000,000	11.1.2011	11.1.2012 to 10.1.2021	2.81
Mr. Tan Zhuzhong	1,000,000	–	–	–	1,000,000	11.1.2011	11.1.2012 to 10.1.2021	2.81
	39,000,000	–	–	–	39,000,000			
<b>Non-directors</b>	53,500,000	–	–	34,000,000	19,500,000	11.1.2011	11.1.2012 to 10.1.2021	2.81
	92,500,000	–	–	34,000,000	58,500,000			

Note:

- (1) No share option was exercised during the six months ended 30 June 2016.
- (2) The vesting period of the share options is from the date of grant until the respective dates of commencement of the exercise periods. The exercise period is divided into three tranches, i.e. 25% after 10 January 2012, an additional 25% after 10 January 2013 and the remaining 50% after 10 January 2014.

## SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS IN SHARES AND UNDERLYING SHARES

As at 30 June 2016, according to the register kept by the Company pursuant to Section 336 of the SFO and, so far as is known to the Directors, the persons or entities who had an interest or a short position in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or who were, directly or indirectly, interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of the Company, or of any other company which is a member of the Group, or in any options in respect of such share capital are as follows:

Name	Notes	Capacity and nature of interest	Number of ordinary shares held (a)	Approximate percentage the Company's issued share capital	Number of share options held
CITIC Group Corporation	(b)	Through a controlled corporation	1,490,026,000 (L)	43.46	–
CITIC Corporation Limited	(b)	Through a controlled corporation	1,490,026,000 (L)	43.46	–
CITIC Projects Management (HK) Limited	(b)	Through a controlled corporation	1,490,026,000 (L)	43.46	–
CITIC Pacific Limited	(b)	Other	1,490,026,000 (L)	43.46	–
Keentech Group Limited	(c)	Through a controlled corporation	1,179,000,000 (L)	34.39	–
CITIC Resources Holdings Limited	(c)	Through a controlled corporation	1,179,000,000 (L)	34.39	–
Starbest Venture Limited	(c)	Through a controlled corporation	1,179,000,000 (L)	34.39	–
Group Smart Resources Limited	(c)	Through a controlled corporation	1,179,000,000 (L)	34.39	–
Highkeen Resources Limited	(c)	Directly beneficially interested	1,179,000,000 (L)	34.39	–
CITIC United Asia Investments Limited	(d)	Through a controlled corporation	311,026,000 (L)	9.07	–
Apexhill Investments Limited	(d)	Directly beneficially interested	311,026,000 (L)	9.07	–
Guangxi Dameng Manganese Industrial Co., Ltd	(e)	Through a controlled corporation	776,250,000 (L)	22.64	–
			776,250,000 (S)	22.64	–
Huanan Dameng Investments Limited	(e)	Through a controlled corporation	776,250,000 (L)	22.64	–
			776,250,000 (S)	22.64	–
Guinan Dameng International Resources Limited	(e)	Directly beneficially interested	776,250,000 (L)	22.64	–
			776,250,000 (S)	22.64	–
China Minsheng Banking Corporation Limited		Directly beneficially interested	776,250,000 (L)	22.64	–
Gaoling Fund, L.P.	(f)	Through a controlled corporation	225,794,000 (L)	6.59	–
Hillhouse Capital Management, Ltd.	(f)	Directly beneficially interested	225,794,000 (L)	6.59	–

Notes:

- (a) The letter "L" denotes the long position in such Shares and the letter "S" denotes the short position in such Shares.
- (b) CITIC Projects Management (HK) Limited ("**CITIC Projects**") is wholly owned by CITIC Corporation Limited ("**CITIC Corporation**"). CITIC Corporation is wholly owned by CITIC Limited (Stock Code: 267), which is owned as to 25.60% by CITIC Glory Limited and as to 32.53% by CITIC Polaris Limited. CITIC Glory Limited and CITIC Polaris Limited are wholly owned by CITIC Group Corporation. CITIC Group Corporation is a company established in the PRC.
- (c) Highkeen Resources Limited is wholly owned by Group Smart Resources Limited ("**Group Smart**"), which is in turn wholly owned by Starbest Venture Limited ("**Starbest Venture**"). Starbest Venture is wholly owned by CITIC Resources, which is in turn owned as to 49.57% by Keentech Group Limited ("**Keentech**"). Keentech is wholly owned by CITIC Projects.
- (d) Apexhill Investments Limited ("**Apexhill**") wholly owned by CITIC United Asia Investment Limited ("**CITIC UA**"), which is in turn wholly owned by CITIC Projects.
- (e) Guinan Dameng International Resources Limited is wholly owned by Huanan Dameng Investments Limited ("**Huanan Dameng**"), which is in turn wholly owned by Guangxi Dameng.
- (f) Hillhouse Capital Management, Ltd. is wholly owned by Gaoling Fund, L.P. Gaoling Fund, L.P. is a company incorporated under the laws of Cayman Islands.

Save as disclosed above, as at 30 June 2016, the Company has not been notified by any persons (other than the Directors and chief executive of the Company, whose interests are set out in the section "Directors' and chief executive's interests in shares and underlying shares" above), who had interests or short positions in the shares or underlying shares of the Company which would fall to be discloseable to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO.

## **PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY**

During the six months ended 30 June 2016, neither the Company nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities during the six months ended 30 June 2016.

## **REVIEW OF ACCOUNTS**

The audit committee has reviewed the unaudited interim results for the six months ended 30 June 2016 with the management of the Company.

## **FORWARD LOOKING STATEMENTS**

This interim report contains certain forward looking statements with respect to the financial condition, results of operations and business of the Group. These forward looking statements represent the Company's expectations or beliefs concerning future events and involve known and unknown risks and uncertainty that could cause actual results, performance or events to differ materially from those expressed or implied in such statements.

On behalf of the Board

**Yin Bo**  
*Chairman*

Hong Kong, 27 July 2016

## Glossary of Terms

associate	has the meaning ascribed thereto in the Listing Rules
Bembélé Concentration Plant	the concentration plant associated with Bembélé Manganese Mine
Bembélé Manganese Mine	a manganese mine located in Bembélé, Moyen-Ogooue Province, Gabon, the exploration rights and mining rights of which are owned by La Compagnie Industrielle et Commerciale des Mines de Huazhou (Gabon) (華州礦業(加蓬)工貿有限公司), a company in which we indirectly hold 51% equity interest
Board or Board of Directors	our board of Directors
Changgou Manganese Mine	貴州遵義匯興鐵合金有限責任公司長溝錳礦(Guizhou Zunyi Hui Xing Ferroalloy Limited Company Changgou Manganese Mine)
China or PRC	the People's Republic of China, but for the purpose of this interim report, excluding Hong Kong Special Administrative Region, Macau Special Administrative Region and Taiwan
Chongzuo Branch	中信大錳礦業有限責任公司崇左分公司(CITIC Dameng Mining Industries Co., Limited Chongzuo Branch)
CITIC Dameng Investments	CITIC Dameng Investments Limited (中信大錳投資有限公司)
CITIC Dameng Mining	中信大錳礦業有限責任公司(CITIC Dameng Mining Industries Co., Limited)
CITIC Group	中國中信集團有限公司(CITIC Group Corporation), a company incorporated under the laws of the PRC on 4 October 1979, and, except where the context may otherwise require, all of its subsidiaries, which is a Controlling Shareholder of our Company
CITIC Resources	CITIC Resources Holdings Limited, a company incorporated in Bermuda with limited liability on 18 July 1997 and listed on the Stock Exchange (Stock Code: 1205), which is a Controlling Shareholder of our Company
Companies Ordinance	the Companies Ordinance of Hong Kong (Chapter 32 of the Laws of Hong Kong) as amended, supplemented or otherwise modified from time to time
Company or our Company	CITIC Dameng Holdings Limited
Controlling Shareholder	has the meaning ascribed to it in the Listing Rules
CPM	China Polymetallic Mining Limited, a company incorporated in Cayman Islands with limited liability on 30 November 2009 and listed on the Stock Exchange (Stock Code: 2133)
Daxin Manganese	中信大錳大新錳業有限公司(CITIC Dameng Daxin Manganese Limited Company), formerly known as 廣西三錳龍礦業有限公司(Guangxi Sanmenglong Mining Limited Company)
Daxin Mine	中信大錳礦業有限責任公司大新錳礦(CITIC Dameng Mining Industries Co., Limited Daxin Manganese Mine)

## Glossary of Terms

Director(s)	the director(s) of our Company
EMD	electrolytic manganese dioxide
EMM	electrolytic manganese metal
Gabon	the Gabonese Republic
Group, we or us	the Company and its subsidiaries
Guangxi	Guangxi Zhuang Autonomous Region, the PRC
Guangxi Dameng	廣西大錳業有限公司(Guangxi Dameng Manganese Industrial Co., Ltd.), a state-owned limited liability company established under the laws of the PRC on 30 July 2001. Guangxi Dameng is wholly-owned by the government of Guangxi, PRC
Guangxi Dameng BVI	Guinan Dameng International Resources Limited (桂南大錳國際資源有限公司)
Guangxi Start	廣西斯達特錳材料有限公司(Guangxi Start Manganese Materials Co., Ltd.)
Guinan Huagong	大新桂南化工有限責任公司(Daxin Guinan Huagong Limited Company)
Hong Kong or HK	the Hong Kong Special Administrative Region of the PRC
Hui Xing Company	貴州遵義匯興鐵合金有限責任公司(Guizhou Zunyi Hui Xing Ferroalloy Limited Company)
Hui Xing Group	Hui Xing Company together with its subsidiaries (including 遵義中信大錳設備製造安裝有限公司(Zunyi CITIC Dameng Equipment Manufacture and Installation Co., Ltd))
IPO	the initial public offering and listing of Shares of the Company on the main board of the Stock Exchange on 18 November 2010
JORC	the Joint Ore Reserves Committee of the Australian Institute of Mining and Metallurgy
JORC Code	the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves 2012 edition, which is used to determine resources and reserves, and is published by JORC of the Australasian Institute of Mining and Metallurgy, the Australian Institute of Geoscientists and the Minerals Council of Australia
Listing	the listing of the Shares on the Main Board of the Stock Exchange
Listing Rules	the Rules Governing the Listing of Securities on the Stock Exchange (as amended from time to time)
Prospectus	the prospectus of the Company dated 8 November 2010



## Glossary of Terms

Qinzhou Ferroalloy Plant	the ferroalloy production plant located near Qinzhou Harbour and owned and operated by 中信大錳(欽州)新材料有限公司(CITIC Dameng (Qinzhou) New Materials Co., Ltd.), a company in which we indirectly hold 70% equity interest
Securities and Futures Ordinance or SFO	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
Shares	ordinary shares in the share capital of the Company, with a nominal value of HK\$0.10 each
Share Placing	the placing of 302,480,000 Shares by the Company pursuant to the general mandate of Company, the details of which are set out in the announcements of the Company dated 17 June 2015 and 23 June 2015 respectively
Stock Exchange	the Stock Exchange of Hong Kong Limited
substantial shareholder	has the meaning ascribed to it under the Listing Rules
Tiandeng Ferroalloy Plant	a ferroalloy production plant owned and operated by 中信大錳(天等)錳材料有限公司(CITIC Dameng (Tiandeng) Manganese Materials Co., Ltd.), a company in which we indirectly hold 60% equity interest
Tiandeng Mine	中信大錳礦業有限責任公司天等錳礦(CITIC Dameng Mining Industries Co., Limited Tiandeng Manganese Mine)
tonne	metric tonne
Waifu Manganese Mine	中信大錳大新錳業有限公司靖西縣湖潤外伏錳礦(CITIC Dameng Daxin Manganese Limited Company Jingxi Hu Run Waifu Manganese Mine)
XAF	Central African CFA franc

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.

