DAMENG

CITIC Dameng Holdings Limited
中信大錳控股有限公司*

(incorporated in Bermuda with limited liability)

(Stock Code: 1091)

ANNOUNCEMENT OF INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2014

FINANCIAL HIGHLIGHTS

- Turnover amounted to HK$1,395.8 million for 1H 2014, representing a decrease of 0.8% from HK$1,406.8 million of 1H 2013.

- Loss attributable to owners of the parent increased by 5.0% to HK$94.3 million for 1H 2014 (1H 2013: HK$89.8 million).

INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
Six months ended 30 June 2014

	Notes	Six months ended 30 June 2014 HK$'000 (Unaudited)	2013 HK$'000 (Unaudited)
REVENUE	*4*	**1,395,848**	1,406,827
Cost of sales		**(1,203,574)**	(1,246,360)
Gross profit		**192,274**	160,467
Other income and gains	*4*	**61,132**	77,861
Gain on bargain purchase	*15*	**8,895**	–
Selling and distribution expenses		**(49,675)**	(42,214)
Administrative expenses		**(214,474)**	(211,400)
Share option expenses		**(640)**	(11,295)
Other expenses		**(28,261)**	(9,181)
Finance costs	*5*	**(110,022)**	(85,719)
LOSS BEFORE TAX	*6*	**(140,771)**	(121,481)
Income tax expense	*7*	**(1,732)**	2,203
LOSS FOR THE PERIOD		**(142,503)**	(119,278)
OTHER COMPREHENSIVE (LOSS)/INCOME			
Other comprehensive (loss)/income to be reclassified to profit or loss in subsequent periods:			
– Exchange differences on translation of foreign operations		**(22,956)**	29,712
TOTAL COMPREHENSIVE LOSS FOR THE PERIOD		**(165,459)**	(89,566)
Loss attributable to:			
Owners of the parent		**(94,325)**	(89,796)
Non-controlling interests		**(48,178)**	(29,482)
		(142,503)	(119,278)
Total comprehensive loss attributable to:			
Owners of the parent		**(118,232)**	(62,106)
Non-controlling interests		**(47,227)**	(27,460)
		(165,459)	(89,566)
Loss per share attributable to ordinary equity holders of the parent:	*8*		
– Basic		**(HK cents 3.12)**	(HK cents 2.97)
– Diluted		**(HK cents 3.12)**	(HK cents 2.97)

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
30 June 2014

	Notes	30 June 2014 HK$'000 (Unaudited)	31 December 2013 HK$'000 (Audited)
NON-CURRENT ASSETS			
Property, plant and equipment		**3,844,993**	3,833,679
Investment properties		**90,241**	91,108
Prepaid land lease payments		**537,736**	549,646
Intangible assets		**852,157**	865,332
Available-for-sale equity investment		**–**	4,723
Deferred tax assets		**81,625**	79,171
Prepayments and deposits		**224,331**	199,163
Total non-current assets		**5,631,083**	5,622,822
CURRENT ASSETS			
Inventories	*10*	**988,408**	931,687
Trade and notes receivables	*11*	**716,178**	768,826
Prepayments, deposits and other receivables		**441,002**	436,369
Due from related companies		**6**	6
Tax recoverable		**10,379**	8,918
Pledged deposits		**367,913**	192,840
Cash and cash equivalents		**1,360,084**	1,301,339
Total current assets		**3,883,970**	3,639,985
CURRENT LIABILITIES			
Trade payables	*12*	**519,909**	425,876
Other payables and accruals		**777,365**	910,070
Interest-bearing bank and other borrowings	*13*	**2,147,750**	816,227
Short-term notes	*14*	**–**	763,140
Due to related companies		**10,044**	20,532
Tax payable		**904**	–
Total current liabilities		**3,455,972**	2,935,845
NET CURRENT ASSETS		**427,998**	704,140
TOTAL ASSETS LESS CURRENT LIABILITIES		**6,059,081**	6,326,962

	Notes	**30 June 2014** **_HK$'000_** **(Unaudited)**	31 December 2013 *HK$'000* (Audited)
NON-CURRENT LIABILITIES			
Interest-bearing bank and other borrowings	*13*	**1,556,446**	1,653,976
Medium-term notes	*14*	**629,900**	635,950
Deferred tax liabilities		**212,844**	214,129
Other long-term liabilities		**10,110**	12,497
Deferred income		**127,219**	131,086
Total non-current liabilities		**2,536,519**	2,647,638
Net assets		**3,522,562**	3,679,324
EQUITY			
Equity attributable to owners of the parent			
Issued capital		**302,480**	302,480
Reserves		**3,040,273**	3,157,865
		3,342,753	3,460,345
Non-controlling interests		**179,809**	218,979
Total equity		**3,522,562**	3,679,324

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
30 June 2014

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**").

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 2013, except for the adoption of the new and revised Hong Kong Financial Reporting Standards ("**HKFRSs**") (which also include HKASs and Interpretations) as disclosed below. The Group has adopted the following new and revised HKFRSs for the first time for the current period's interim condensed consolidated financial statements.

HKFRS 10, HKFRS 12 and HKAS 27 (2011) Amendments	Amendments to HKFRS 10, HKFRS 12 and HKAS 27 (2011) – *Investment Entities*
HKAS 32 Amendments	Amendments to HKAS 32 *Financial Instruments: Presentation – Offsetting Financial Assets and Financial Liabilities*
HKAS 36 Amendments	Amendments to HKAS 36 *Impairment of Assets – Recoverable Amount Disclosures for Non-Financial Assets*
HKAS 39 Amendments	Amendments to HKAS 39 *Financial Instruments: Recognition and Measurement - Novation of Derivatives and Continuation of Hedge Accounting*
HK (IFRIC)-Int 21	*Levies*

Other than as further explained below regarding the impact of amendments to HKAS 36 and HK (IFRIC)-Int 21, the adoption of these new and 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.

The HKAS 36 Amendments remove the unintended disclosure requirement made by HKFRS 13 on the recoverable amount of a cash-generating unit which is not impaired. In addition, the amendments require the disclosure of the recoverable amounts for the assets or cash-generating units for which an impairment loss has been recognised or reversed during the reporting period, and expand the disclosure requirements regarding the fair value measurement for these assets or units if their recoverable amounts are based on fair value less costs of disposal. The amendments are effective retrospectively for annual periods beginning on or after 1 January 2014 with earlier application permitted, provided HKFRS 13 is also applied.

HK(IFRIC)-Int 21 clarifies that an entity recognises a liability for a levy when the activity that triggers payment, as identified by the relevant legislation, occurs. The interpretation also clarifies that a levy liability is accrued progressively only if the activity that triggers payment occurs over a period of time, in accordance with the relevant legislation. For a levy that is triggered upon reaching a minimum threshold, the interpretation clarifies that no liability should be recognised before the specified minimum threshold is reached.

Issued but not yet effective HKFRSs

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

HKFRS 9	*Financial Instruments*[3]
HKFRS 9, HKFRS 7 and HKAS 39 Amendments	*Hedge Accounting and amendments to* HKFRS 9, HKFRS 7 and HKAS 39[3]
HKFRS 7 and HKFRS 9 (Amendments)	*Mandatory Effective Date of HKFRS 9 and Transition Disclosures*[3]
HKFRS 14	*Regulatory Deferral Accounts*[2]
HKAS 19 (2011) Amendments	Amendments to HKAS 19 *Employee Benefits – Defined Benefit Plans: Employee Contributions*[1]
Annual Improvements 2010-2012 Cycle	*Amendment to a Number of HKFRSs issued in January 2014*[1]
Annual Improvements 2011-2013 Cycle	*Amendment to a Number of HKFRSs issued in January 2014*[1]

1 Effective for annual periods beginning on or after 1 July 2014

2 Effective for annual periods beginning on or after 1 January 2016

3 No mandatory effective date yet determined but is available for adoption

The Group is in the process of making an assessment of the impact of these new and revised HKFRSs upon initial application, but is not in a position to state whether these new and revised 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 include Electrolytic Manganese Metal ("**EMM**"), Electrolytic Manganese Dioxide ("**EMD**"), manganese sulfate, silicomanganese alloys, manganese briquette, manganese tetroxide and lithium manganese oxide (new energy materials);

(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)

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

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, dividend income, as well as head office and corporate expenses are excluded from such measurement.

Segment assets exclude deferred tax assets, tax recoverable, pledged deposits, cash and cash equivalents, an available-for-sale equity investment 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, short-term notes, 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.

	Manganese mining and ore processing		Manganese downstream processing	Non-manganese processing	Others		
	PRC	Gabon	PRC	PRC	PRC	Eliminations	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Six months ended 30 June 2014 (Unaudited)							
Segment revenue:							
Sales to external customers	**55,836**	**81,566**	**1,196,457**	**53,381**	**8,608**	**–**	**1,395,848**
Intersegment sales	**58,797**	**–**	**–**	**–**	**–**	**(58,797)**	**–**
Other revenue	**12,026**	**(19)**	**21,933**	**472**	**5,351**	**–**	**39,763**
Total	**126,659**	**81,547**	**1,218,390**	**53,853**	**13,959**	**(58,797)**	**1,435,611**
Segment results	**(20,704)**	**(16,397)**	**49,965**	**(2,088)**	**(4,386)**	**–**	**6,390**
Reconciliations:							
Interest income							**21,369**
Gain on bargain purchase							**8,895**
Corporate and other unallocated expenses							**(67,403)**
Finance costs							**(110,022)**
Loss before tax							**(140,771)**
Income tax expense							**(1,732)**
Loss for the period							**(142,503)**
Assets and liabilities							
Segment assets	**1,463,096**	**856,139**	**4,557,601**	**171,913**	**48,790**	**–**	**7,097,539**
Reconciliations:							
Corporate and other unallocated assets							**2,417,514**
Total assets							**9,515,053**
Segment liabilities	**384,597**	**807,642**	**984,955**	**22,418**	**4,538**	**–**	**2,204,150**
Reconciliations:							
Corporate and other unallocated liabilities							**3,788,341**
Total liabilities							**5,992,491**

	Manganese mining and ore processing PRC HK$'000	Gabon HK$'000	Manganese downstream processing PRC HK$'000	Non-manganese processing PRC HK$'000	Others PRC HK$'000	Eliminations HK$'000	Total HK$'000
Six months ended 30 June 2013 (Unaudited)							
Segment revenue:							
Sales to external customers	60,964	93,938	1,140,662	47,928	63,335	–	1,406,827
Intersegment sales	67,601	38,767	–	–	224	(106,592)	–
Other revenue	13,027	–	31,871	1,699	14,439	–	61,036
Total	141,592	132,705	1,172,533	49,627	77,998	(106,592)	1,467,863
Segment results	(17,292)	(22,625)	38,978	(6,932)	11,970	–	4,099
Reconciliations:							
Interest income							16,825
Corporate and other unallocated expenses							(56,686)
Finance costs							(85,719)
Loss before tax							(121,481)
Income tax credit							2,203
Loss for the period							(119,278)
Assets and liabilities							
Segment assets	1,264,950	798,954	4,127,874	320,525	50,963	–	6,563,266
Reconciliations:							
Corporate and other unallocated assets							3,179,359
Total assets							9,742,625
Segment liabilities	405,247	538,064	986,736	62,571	20,714	–	2,013,332
Reconciliations:							
Corporate and other unallocated liabilities							3,895,092
Total liabilities							5,908,424

4. REVENUE, OTHER INCOME AND GAINS

Revenue, which is also the Group's turnover, represents the net invoiced value of goods sold after allowances for returns and trade discounts during the reporting period.

An analysis of the Group's revenue, other income and gains is as follows:

	Six months ended 30 June	
	2014	2013
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Revenue		
Sale of goods	**1,395,848**	1,406,827
Other income and gains		
Interest income	**21,369**	16,825
Gain on disposal of items of property, plant and equipment	**8,700**	4,767
Subsidy income	**13,414**	43,315
Sale of scraps	**–**	4,579
Rental income	**3,977**	5,553
Reversal of impairment of trade and other receivables, net	**12,799**	–
Others	**873**	2,822
	61,132	77,861

5. FINANCE COSTS

	Six months ended 30 June	
	2014	2013
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Interest on bank loans wholly repayable within five years	**105,390**	104,885
Finance costs for discounted notes receivable	**4,263**	1,536
Other finance costs	**12,321**	–
Less: Interest capitalised	**(11,952)**	(20,702)
	110,022	85,719

6. LOSS BEFORE TAX

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

	Notes	Six months ended 30 June 2014 HK$'000 (Unaudited)	Six months ended 30 June 2013 HK$'000 (Unaudited)
Cost of inventories sold		**1,201,038**	1,219,223
Write-down of inventories to net realisable value, net#		**2,536**	27,137
Depreciation		**173,547**	151,712
Amortisation of prepaid land lease payments		**6,599**	6,271
Amortisation of intangible assets		**8,403**	9,976
Auditors' remuneration		**1,546**	1,498
Minimum lease payments under operating leases, land and buildings		**4,238**	3,895
Equity-settled share option expenses		**640**	11,295
Employee benefit expense		**242,848**	191,058
Gain on disposal of items of property, plant and equipment*		**(8,700)**	(4,767)
Foreign exchange differences, net*		**23,907**	814
(Reversal of impairment)/impairment of trade and other receivables, net*		**(12,799)**	6,318
Gain on bargain purchase from the acquisition of a subsidiary	*15*	**(8,895)**	–

Included in "Cost of sales" in the interim condensed consolidated statement of profit or loss and other comprehensive income.

* Included in "(Other income and gains)" (note 4) or "Other expense" in the interim condensed consolidated statement of profit or loss and other comprehensive income.

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 operate.

The major components of income tax expenses/(credit) for the reporting period are as follows:

	Six months ended 30 June 2014 HK$'000 (Unaudited)	Six months ended 30 June 2013 HK$'000 (Unaudited)
Current – PRC		
Charge for the period	**2,032**	679
Current – Gabon		
Charge for the period	**2,280**	–
Deferred	**(2,580)**	(2,882)
Total tax charge/(credit) for the period	**1,732**	(2,203)

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

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% to 2016 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.

Gabon corporate income tax

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

8. LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

	Six months ended 30 June	
	2014	2013
The calculation of basic and diluted loss per share are based on:	**(Unaudited)**	(Unaudited)
	HK$'000	*HK$'000*
Loss		
Loss attributable to ordinary equity holders of the parent, used in the basic loss per share calculation	**94,325**	89,796
	Number of shares	
Shares		
Weighted average number of ordinary shares in issue during the period used in the basic loss per share calculation	**3,024,795,000**	3,024,795,000

The Group had no potentially dilutive ordinary shares in issue during the six months ended 30 June 2014 nor the six months ended 30 June 2013. No adjustment has been made to the basic loss per share amounts presented for the six months ended 30 June 2014 nor the six months ended 30 June 2013 in respect of dilution as the impact of 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 2014 (2013: Nil).

10. INVENTORIES

	30 June 2014	31 December 2013
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Raw materials	**899,561**	843,717
Work in progress	**6,958**	5,112
Finished goods	**185,554**	209,501
	1,092,073	1,058,330
Less: Inventory provision	**(103,665)**	(126,643)
	988,408	931,687

11. TRADE AND NOTES RECEIVABLES

	30 June 2014	31 December 2013
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Trade receivables	**572,651**	576,486
Notes receivable	**176,327**	238,449
	748,978	814,935
Less: Provision for impairment	**(32,800)**	(46,109)
	716,178	768,826

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. 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. 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 bank acceptance notes issued by banks in Mainland China which are secured and paid by the banks when due.

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:

	30 June 2014	31 December 2013
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Within one month	**301,536**	292,259
One to two months	**136,515**	216,592
Two to three months	**98,632**	105,443
Over three months	**179,495**	154,532
	716,178	768,826

Transferred financial assets that are derecognised in their entirety

At 30 June 2014, 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 RMB222,788,000 (equivalent to HK$286,967,000) (31 December 2013: RMB236,340,000, equivalent to HK$300,601,000). 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 2014, 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:

		30 June 2014	31 December 2013
	Notes	*HK$'000*	*HK$'000*
		(Unaudited)	(Audited)
At 1 January 2014/1 January 2013		**46,109**	32,595
Impairment losses recognised		**2,858**	31,539
Impairment losses reversed		**(15,635)**	(17,777)
Write-off		**(132)**	(1,185)
Exchange realignment		**(400)**	937
At 30 June 2014/31 December 2013		**32,800**	46,109

Included in the above provision for impairment of trade and notes receivables are provisions for individually impaired trade receivables of HK$32,800,000 (31 December 2013: HK$46,109,000) with a carrying amount before provision of approximately HK$106,289,000 (31 December 2013: HK$110,972,000) as at 30 June 2014. 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:

	30 June 2014	31 December 2013
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Neither past due nor impaired	**536,683**	614,294
Less than three months past due	**140,869**	130,070
Over three months past due	**38,626**	24,462
Total	**716,178**	768,826

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.

As at 30 June 2014, the Group has pledged notes receivables of HK$79,811,000 (31 December 2013: HK$50,876,000) to secure bank loans (note 13(a)).

12. TRADE PAYABLES

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

	30 June 2014	31 December 2013
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Within one month	**165,906**	174,217
One to two months	**108,119**	80,422
Two to three months	**69,540**	46,592
Over three months	**176,344**	124,645
	519,909	425,876

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

13. INTEREST-BEARING BANK AND OTHER BORROWINGS

	30 June 2014			31 December 2013		
	Effective interest rate (%)	**Maturity**	***HK$'000*** **(Unaudited)**	Effective interest rate (%)	Maturity	*HK$'000* (Audited)
Current						
Bank loans – secured *(note (a))*	**6.00-6.60, LIBOR+2.6%**	**2014-2015**	**142,612**	6.00	2014	35,613
Bank loans – unsecured	**6.60**	**2015**	**1,646,559**	6.00-6.30	2014	317,975
Current portion of long-term bank loans – secured *(note (a))*	**–**	**–**	**–**	LIBOR+2.10	2014	77,538
Current portion of long-term bank loans – unsecured	**5.99-6.65**	**2014-2015**	**282,195**	5.99-6.65	2014	335,782
Other loans – secured *(note (a))*	**LIBOR+1.3-LIBOR+1.7**	**2014-2015**	**76,384**	LIBOR+1.3	2014	49,319
			2,147,750			816,227
Non-current						
Bank loans – secured *(note (a))*	**5.99, LIBOR+2.10**	**2015-2017**	**693,483**	6.15, LIBOR+2.10	2015-2017	739,098
Bank loans – unsecured	**5.76-6.65**	**2015-2017**	**862,963**	5.76-6.65	2015-2016	914,878
			1,556,446			1,653,976
			3,704,196			2,470,203

	30 June 2014	31 December 2013
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Analysed into:		
Bank loans repayable:		
Within one year or on demand	**2,071,366**	766,908
In the second year	**832,889**	820,661
In the third to fifth years, inclusive	**723,557**	833,315
	3,627,812	2,420,884
Other loans repayable:		
Within one year or on demand	**76,384**	49,319
	3,704,196	2,470,203

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

	Notes	**30 June 2014**	31 December 2013
		HK$'000	*HK$'000*
		(Unaudited)	(Audited)
Property, plant and equipment		**139,789**	155,436
Notes receivable	*11*	**79,811**	50,876
Pledged deposits		**172,695**	152,639
		392,295	358,951

(b) Except for bank and other borrowings of HK$766,342,000 (31 December 2013: HK$738,765,000) which were denominated in United States dollars, all borrowings were in Renminbi.

14. SHORT-TERM NOTES AND MEDIUM-TERM NOTES

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

	30 June 2014	31 December 2013
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Short-term notes		
The Second Tranche Notes – Nominal value of 4.48% fixed rate notes maturing in May 2014 – unsecured	**–**	763,140
Medium-term notes		
The First Tranche Notes – Nominal value of 5.0% fixed rate notes maturing in April 2016 – unsecured	**629,900**	635,950

In November 2012, the Group completed the registration with National Association of Financial Market Institutional Investors of a RMB800 million unsecured short-term notes facility issuable in two years from the date of registration. In May 2013, the Group issued the Second Tranche Notes of RMB600 million (equivalent to HK$763,140,000) in the PRC with a tenor of one year and carrying interest at a fixed rate of 4.48% per annum. The Second Tranche Notes has been redeemed in May 2014.

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$629,900,000 (31 December 2013: HK$635,950,000) in the PRC with a tenor of three years, and carrying interest at a fixed rate of 5.0% per annum.

15. BUSINESS COMBINATION

On 28 February 2014, the Group acquired a further 75.7% equity interest in Daxin Guinan Huagong Limited Company ("**Guinan Huagong**") at a consideration of RMB47,281,000 (equivalent to HK$59,744,000). After the acquisition, the Group owns a total of 90.1% equity interest in Guinan Huagong. The principal activity of Guinan Huagong is the production of sulphuric acid and steam. The purpose of the acquisition is to secure the stable supply of certain quantities of raw materials required by the Group. The Group has elected to measure the non-controlling interest in Guinan Huagong at the non-controlling interests' proportionate share of the fair value of Guinan Huagong identifiable net assets.

The acquisition has been accounted for using the acquisition method. The interim condensed consolidated financial statements include the results of Guinan Huagong for the period from the acquisition date to 30 June 2014.

The fair values of the identifiable assets and liabilities of Guinan Huagong as at the date of acquisition were as follows:

	Notes	***HK$'000*** **(unaudited)**
Property, plant and equipment		**39,106**
Cash and bank balances		**9,823**
Trade receivables		**34,012**
Prepayments and other receivables		**2,028**
Inventories		**2,249**
Trade and notes payables		**(829)**
Other payables and accruals		**(5,000)**
Non-controlling interests		**(8,057)**
		73,332
Less: Available-for-sale equity investment		**(4,693)**
		68,639
Satisfied by cash		**59,744**
Gain on bargain purchase recognised in interim condensed consolidated profit or loss and other comprehensive income	*6*	**8,895**

The Group recognised a gain on bargain purchase of HK$8,895,000 in the interim condensed consolidated statement of profit or loss and other comprehensive income for the period ended 30 June 2014, which was primarily attributable to the consideration determined based on the carrying amount of the net assets of Guinan Huagong that was mutually agreed between the parties.

The Group incurred transaction costs of HK$101,000 for this acquisition. These transaction costs have been expensed and are included in administrative expenses in the interim condensed consolidated statement of profit or loss and other comprehensive income.

An analysis of the cash flows in respect of the acquisition is as follows:

	HK$'000 **(unaudited)**
Cash consideration	**59,744**
Deposit paid in 2013	**(8,000)**
Cash and bank balances acquired	**(9,823)**
Net outflow of cash and cash equivalents included in cash flows from investing activities	**41,921**

Since the acquisition, the subsidiary contributed HK$12,324,000 to the Group's revenue and a profit of HK$5,667,000 to the consolidated loss for the period ended 30 June 2014.

Had the acquisition taken place at the beginning of the year, the revenue of the Group and the loss of the Group for the year would have been HK$1,403,230,000 and HK$141,214,000, respectively.

MANAGEMENT DISCUSSION AND ANALYSIS

Overview

During 1H 2014, worldwide economic environment continued to be clouded by a mix of uncertainties and challenges. While US economic growth picked up and monthly asset purchases were cut back, the market started to discuss about the interest-rate hikes. Nevertheless Eurozone was still struggling with chronically weak growth and deflation threat. In China, growth momentum cooled down and private sector sentiment was weak. For the steel sector, plants continued to add new capacity more than those backward capacity eliminated. Stagnant property sector and decline in planned railway spending in the PRC dampened the steel demand. Near-term demand had also been hampered by Chinese banks containing loans and raising interest rates for the steel sector. Even though certain mini-stimulus programmes, such as relaxed constraints on housing purchases as well as loosened credit policies were implemented in the PRC. Sluggish demand persisted. As a result, the average selling price of our major product, EMM, was further adversely affected.

To maintain our competitive edge, we continually strived to impose stringent cost control measures through reducing and containing our average raw materials and power consumption whilst improving production efficiency and increasing production and sales volume, of EMM and EMD. Despite the success of our devoted efforts in cost reduction, we continued to suffer from financial losses similar to the level recorded in 1H 2013 due to adverse commodities market environment and hence further weakening average selling prices of manganese products.

In summary, we recorded a loss for the period of HK$142.5 million for the six months ended 30 June 2014 (1H 2013: HK$119.3 million). The consolidated net loss attributable to owners of the parent was HK$94.3 million (1H 2013: loss of HK$89.8 million) for a mix of reasons including the following:

(1) Exchange loss of HK$18.9 million was recorded in 1H 2014 (1H 2013: exchange gain of HK$12.2 million) as a result of the depreciation of RMB on our offshore fixed deposits and bills receivable denominated in RMB.

(2) Interest expense was no longer capitalized (1H 2013: HK$12.9 million) for the bank loan relating to our Tiandeng EMM processing plant upon commencement of its production in August 2013.

(3) Share option expenses diminished to HK$0.6 million (1H 2013: HK$11.3 million) upon vesting of the remaining tranche of outstanding share options in January 2014.

(4) An acquisition gain of HK$8.9 million is recorded upon obtaining control of Guinan Huagong a newly acquired subsidiary in March 2014. The principal activity of Guinan Huagong is the production of sulphuric acid and steam. The purpose of the acquisition is to secure the stable supply of certain quantities of raw materials required by the Group.

Comparison with six months ended 30 June 2013

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

	Six months ended 30 June							
	2014				2013			
	Sales Volume	**Average Selling Price**	**Revenue**	**% of Total Revenue**	Sales Volume	Average Selling Price	Revenue	% of Total Revenue
	(tonnes)	*(HK$/ Tonne)*	*(HK$'000)*	*(%)*	*(tonnes)*	*(HK$/ Tonne)*	*(HK$'000)*	*(%)*
Manganese mining and ore processing								
Gabon ore	**81,656**	**999**	**81,566**	**5.8**	82,632	1,137	93,938	6.7
Natural discharging manganese powder and sand	**11,388**	**2,813**	**32,036**	**2.3**	12,975	2,701	35,044	2.5
Manganese concentrate	**34,801**	**684**	**23,800**	**1.7**	39,075	663	25,920	1.8
Sub-Total	**127,845**	**1,075**	**137,402**	**9.8**	134,682	1,150	154,902	11.0
Manganese downstream processing								
EMM	**61,095**	**13,667**	**835,002**	**59.8**	50,270	14,328	720,252	51.2
Manganese briquette	**4,427**	**14,704**	**65,096**	**4.7**	5,286	15,095	79,793	5.7
	65,522	**13,737**	**900,098**	**64.5**	55,556	14,401	800,045	56.9
Silicomanganese alloy	**18,709**	**7,318**	**136,913**	**9.8**	28,693	7,443	213,567	15.2
EMD	**10,910**	**10,078**	**109,955**	**7.9**	9,187	9,043	83,085	5.9
Manganese sulfate	**9,132**	**4,012**	**36,638**	**2.6**	8,938	4,513	40,333	2.9
Others	**1,649**	**7,794**	**12,853**	**1.0**	131	27,725	3,632	0.2
Sub-Total	**105,922**	**11,296**	**1,196,457**	**85.8**	102,505	11,128	1,140,662	81.1
Non-manganese processing								
Lithium cobalt oxide	**294**	**181,568**	**53,381**	**3.8**	263	182,236	47,928	3.4
Sub-Total	**294**	**181,568**	**53,381**	**3.8**	263	182,236	47,928	3.4
Other business								
Trading	**8,093**	**1,064**	**8,608**	**0.6**	3,435	18,438	63,335	4.5
Total	**242,154**	**5,764**	**1,395,848**	**100.0**	240,885	5,840	1,406,827	100.0

Revenue

In 1H 2014, the Group's revenue was HK$1,395.8 million (1H 2013: HK$1,406.8 million), representing a decrease of 0.8% as compared with 1H 2013. Average selling price of manganese products mildly dropped throughout 1H 2014 even though the price level was rejuvenated back to Dec 2013 level in this June. Overcapacity and retarding demand growth of steel sector has persistently supressed the price level of manganese related products. Nonetheless, our production capacity increased with our new Tiandeng EMM processing plant put into production from August 2013 and an overall slight decrease of our total revenue from 1H 2013.

Manganese mining and ore processing – Revenue of manganese mining and ore processing segment decreased by 11.3% to HK$137.4 million (1H 2013: HK$154.9 million). This was mainly attributable to weak demand and hence a general price drop in the imported ore by 12.1% to HK$999/tonne (1H 2013: HK$1,137/tonne). Consequently, even though we strived and maintained the sales volume of Gabon ore at slightly above 80,000 tonnes in 1H 2014, Gabon ore revenue dropped by 13.2% to HK$81.6 million (1H 2013: HK$93.9 million).

In 1H 2014, sales volume of manganese concentrate and natural discharging manganese powder and sand decreased by 10.9% and 12.2% respectively. The drop was in line with the decrease in general commodity demand. Nevertheless, average selling price of manganese concentrate increased by 3.2% due to a change of our sales mix to higher grade ore.

Manganese downstream processing – Revenue from manganese downstream processing increased by 4.9% from HK$1,140.7 million to HK$1,196.5 million and was principally attributable to the increased production volume of EMM following the commencement of production of Tiandeng EMM processing plant in August 2013. As a result, sales quantity of EMM increased by 21.5% to 61,095 tonnes (1H 2013: 50,270 tonnes). On the contrary, average selling price of EMM dropped by 4.6% to HK$13,667/tonne (1H 2013: HK$14,328/tonne) because of the sluggish demand and the intense competition of our downstream steel sector. Nevertheless, the demand of manganese briquette, a compressed form of EMM in regular shape, decreased by 16.3% to 4,427 tonnes (1H 2013: 5,286 tonnes) as orders gradually shifted back to EMM directly. EMM export custom duty was abolished with effect from January 2013, and the two manganese products competed in same level field. The combined sales quantities of EMM and manganese briquette increased by 17.9% to 65,522 tonnes in 1H 2014 (1H 2013: 55,556 tonnes) and more than compensated the drop of average selling price of manganese downstream processing products. Combined EMM and manganese briquette now constituted 64.5% (1H 2013: 56.9%) of our total sales. At the same time, average selling price and sales quantity of EMD increased as we expanded our EMD product varieties and produced two new and more-effective high performance EMD with better electricity storage capabilities at higher cost and hence pushed up the average selling price and total sales volume of EMD.

Our Qinzhou plant was temporarily suspended for two months to carry out major maintenance therefore both sales volume and revenue of silicomanganese alloy decreased.

Non-manganese processing – For 1H 2014, sales volume of lithium cobalt oxide was moderately increased by 11.8% to 294 tonnes (1H 2013: 263 tonnes) with its average selling price remaining stable during the reporting period.

Trading – Trading revenue in 1H 2014 was all derived from sale of aged stocks of import manganese ore. This opposed to higher average selling price EMM in 1H 2013 during which we had to resell certain quantities of EMM to meet part of our customer orders. There was no more trading sale of EMM in 1H 2014 as the increase of our internal production capacity can meet all customer orders in the period.

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

	Six months ended 30 June							
	2014				2013			
	Cost of Sales	**Unit Cost of Sales**	**Gross Profit/(Loss)**	**Gross Margin**	Cost of Sales	Unit Cost of Sales	Gross Profit/(Loss)	Gross Margin
	(HK$'000)	*(HK$/ Tonne)*	*(HK$'000)*	*(%)*	*(HK$'000)*	*(HK$/ Tonne)*	*(HK$'000)*	*(%)*
Manganese mining and ore processing								
Gabon ore	**62,965**	**771**	**18,601**	**22.8**	71,896	870	22,042	23.5
Natural discharging manganese powder and sand	**8,538**	**750**	**23,498**	**73.3**	9,472	730	25,572	73.0
Manganese concentrate	**7,018**	**202**	**16,782**	**70.5**	5,148	132	20,772	80.1
Sub-Total	**78,521**	**614**	**58,881**	**42.9**	86,516	642	68,386	44.1
Manganese downstream processing								
EMM	**732,565**	**11,991**	**102,437**	**12.3**	639,608	12,723	80,644	11.2
Manganese briquette	**56,890**	**12,851**	**8,206**	**12.6**	70,029	13,248	9,764	12.2
	789,455	**12,049**	**110,643**	**12.3**	709,637	12,773	90,408	11.3
Silicomanganese alloy	**132,029**	**7,057**	**4,884**	**3.6**	211,959	7,387	1,608	0.8
EMD	**93,039**	**8,528**	**16,916**	**15.4**	69,521	7,567	13,564	16.3
Manganese sulfate	**28,601**	**3,132**	**8,037**	**21.9**	31,501	3,524	8,832	21.9
Others	**17,132**	**10,389**	**(4,279)**	**(33.3)**	3,104	23,695	528	14.5
Sub-Total	**1,060,256**	**10,010**	**136,201**	**11.4**	1,025,722	10,007	114,940	10.1
Non-manganese processing								
Lithium cobalt oxide	**51,401**	**174,833**	**1,980**	**3.7**	45,429	172,734	2,499	5.2
Sub-Total	**51,401**	**174,833**	**1,980**	**3.7**	45,429	172,734	2,499	5.2
Other business								
Trading	**10,860**	**1,342**	**(2,252)**	**(26.2)**	61,556	17,920	1,779	2.8
Inventory provision	**2,536**		**(2,536)**		27,137		(27,137)	
Total	**1,203,574**		**192,274**	**13.8**	1,246,360		160,467	11.4

Cost of Sales

Total cost of sales decreased by HK$42.8 million or 3.4%, to HK$1,203.6 million in 1H 2014, as compared to HK$1,246.4 million in 1H 2013. The cost decrease was primarily due to price decrease in raw materials and to a certain extent our cost control efforts in reducing unit consumption of raw materials and power.

The unit cost of Gabon ore during 1H 2014 decreased by 11.4% to HK$771/tonne (1H 2013: HK$870/tonne) as we were able to bargain for lower ocean freight rates for shipping ore from Gabon to the PRC. Firstly, we moved into more stable level of production and hence shipment schedule in 2014. Secondly with accumulated knowledge, we had been able to identify more shipping companies as business partners and hence more competitive charter hire rates.

In 1H 2014, unit cost of EMM decreased by 5.8% to HK$11,991/tonne (1H 2013: HK$12,723/tonne). This was mainly attributable to the decrease in unit price of electricity as well as raw materials including sulphuric acid and selenium dioxide and to a certain extent, our cost control effort to contain the unit consumption of input materials.

Unit cost of EMD increased by 12.7% to HK$8,528/tonne (1H 2013: HK$7,567/tonne) as our production mix moved to higher value added product type of EMD with higher average selling price.

Gross Profit

In 1H 2014, the Group recorded a gross profit of HK$192.3 million (1H 2013: HK$160.5 million), representing an increase of HK$31.8 million or 19.8%. The Group's overall gross margin was 13.8%, representing an increase of 2.4% from 11.4% of 1H 2013. Improved overall gross margin was mainly attributable to: (1) an increase in gross margin of EMM and (2) much smaller inventory provision for 1H 2014 of HK$2.5 million (1H 2013: HK$27.1 million) following the major price drop of relevant stock items experienced in the first and second half years of 2013.

Selling and Distribution Expenses

Selling and distribution expenses in 1H 2014 have increased by 17.7% to HK$49.7 million (1H 2013: HK$42.2 million) due to the increase in transportation cost in line with the sales volume of EMM.

Administrative Expenses

Administrative expenses increased slightly by 1.5% to HK$214.5 million in 1H 2014 (1H 2013: HK211.4 million) and this was mainly attributable to inflation effect together with the enlarged scope of consolidation to include Guinan Huagong which was acquired during the period. These adverse factors were to a certain extent set off by our cost control effort to contain expenses.

Finance Cost

For 1H 2014, our Group's finance cost was HK$110.0 million (1H 2013: HK$85.7 million), representing an increase of 28.4% which was mainly due to: (1) interest expense was no longer capitalized (1H 2013: HK$12.9 million) for the bank loan relating to our Tiandeng EMM processing plant upon commencement of its production in August 2013; (2) the increase in total bank loans and other interest bearing debt to finance the capital expenditure projects and (3) an increase in effective interest rate for bank loan refinancing due to tightening credit policy in China.

Other Expenses

Other expenses increased by 207.8% to HK$28.3 million (1H 2013: HK$9.2 million). This was mainly attributable to the depreciation of RMB on our offshore fixed deposits and bills receivable denominated in RMB which resulted in an exchange loss of HK$18.9 million for the reporting period.

Income Tax

For 1H 2014, although the Group reported a loss, tax expense of HK$1.7 million (1H 2013: Tax credit of HK$2.2 million) was charged as the Gabon subsidiary is subject to a minimum Gabon corporate income tax of 1% of sales revenue.

Loss Attributable to Owners of the Parent

For 1H 2014, the Group's loss attributable to owners of the parent was HK$94.3 million (1H 2013: HK$89.8 million).

Loss per share

For 1H 2014, loss per share attributable to ordinary equity holders of the Company was 3.12 HK cents (1H 2013: 2.97 HK cents).

Interim Dividend

The Board does not recommend the payment of any interim dividend for the six months ended 30 June 2014 (six months ended 30 June 2013: Nil).

Use of Proceeds from IPO

Up to 30 June 2014, we utilized 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 utilized up to 30.06.2014** *(HK$ Million)*	**% utilized**	***Amount utilized up to 31.12.2013*** *(HK$ Million)*	***% utilized***
1	Expansion project at Daxin EMD Plant	79	73	92.4%	*72*	*91.1%*
2	Expansion project of underground mining and ore processing at Daxin Mine	278	184	66.2%	*153*	*55.0%*
3	Expansion and construction projects of our EMM production facilities	516	478	92.6%	*448*	*86.8%*
4	Construction project at Chongzuo Base	59	16	27.1%	*15*	*25.4%*
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	285	71.8%	*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%*
	Total	1,983	1,690	85.2%	*1,624*	*81.9%*

Liquidity and financial resources

As at 30 June 2014, our cash and bank balances including pledged deposits were HK$1,728.0 million (31 December 2013: HK$1,494.2 million) while the Group's aggregate borrowings (inclusive of short-term and medium-term notes) amounted to HK$4,334.1 million (31 December 2013: HK$3,869.3 million). The Group's borrowings net of cash and bank balances amounted to HK$2,606.1 million (31 December 2013: HK$2,375.1 million) and the moderate increase was mainly attributable to our capital expenditure in the PRC and loss incurred during the period.

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 2014, the Group's borrowing structure and maturity profile are as follows:

Borrowing structure	**30 June 2014** *HK$ million*	31 December 2013 *HK$ million*
Secured borrowings	**912.5**	901.6
Unsecured borrowings	**3,421.6**	2,967.7
	4,334.1	3,869.3

Maturity profile	**30 June 2014** *HK$ million*	31 December 2013 *HK$ million*
Repayable:		
On demand or within one year	**2,147.8**	1,579.3
After one year and within two years	**1,462.8**	820.7
After two years and within five years	**723.5**	1,469.3
	4,334.1	3,869.3

Currency denomination	**30 June 2014** *HK$ million*	31 December 2013 *HK$ million*
Denominated in:		
RMB	**3,567.8**	3,130.6
USD	**766.3**	738.7
	4,334.1	3,869.3

As at 30 June 2014, borrowings as to the amounts of HK$2,422.6 million (31 December 2013: HK$2,175.3 million) and HK$1,911.5 million (31 December 2013: HK$1,694.0 million), carry fixed and floating rate interest respectively. The fixed rate borrowings carry interest at rates ranging from 5.3% to 6.6%. The floating rate borrowings carry interest at a discount of 5% to 10% below (drawdown before 31 December 2013) and at a premium of 5% above (drawdown after 1 January 2014) 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 2.0% to 2.6%.

Overall, aggregate borrowings were increased to HK$4,334.1 million (31 December 2013: HK$3,869.3 million). Following the repayment of the second tranche of RMB600 million short-term notes in May 2014, the Group are now exploring various methods including further issuance of new short-term or medium-term notes and opt to improve total borrowing structure through refinancing with lower cost debts and repaid some bank loans with higher interest rates in near future.

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 bills 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 bills 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. In respect of our operations in the PRC, our products are sold to local customers in RMB and to a less extent to some other foreign countries in US 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 our sales are denominated in US dollars with the remainder in RMB. Major expenses including sea freight are also denominated in US dollars with those expenses incurred locally denominated in XAF which is pegged to Euro. In addition, Gabon operation is substantially financed by US dollar loans. Therefore, we have not entered into any foreign exchange contract or derivative transactions to hedge against foreign exchange fluctuations for our operations.

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 should opportunity arise. We constantly monitor the fluctuation of the currency rate of RMB to ensure that the risk involved is within our expectation.

Charge on group assets

As at 30 June 2014, the Group's property, plant, equipment and notes receivable with an aggregate net carrying amount of HK$219.6 million (31 December 2013: HK$206.3 million) and bank balances of HK$172.7 million (31 December 2013: HK$152.6 million) were pledged to secure certain of the Group's bank borrowings.

Contingent liabilities

As at 30 June 2014, the Group did not have any significant outstanding contingent liabilities.

Key Financial Ratios of the Group

	30 June 2014	31 December 2013
Current ratio	**1.12**	1.24
Quick ratio	**0.84**	0.92
Net Gearing ratio	**78.0%**	68.6%

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, other borrowings and short and medium-term notes less cash and cash equivalents and pledged deposits

Current ratio, quick ratio and net gearing ratio deteriorated as a result of outflow of cash resources into the construction of projects brought forward from prior years including Daxin underground mining capacity, expanded downstream EMM capacity together with our loss suffered during the period.

Human Resources

As at 30 June 2014, the Group had approximately 8,366 (30 June 2013: 8,174) full-time employees in HK and the PRC; approximately 275 (30 June 2013: 262) 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

In July 2014, rebound of Purchasing Manager Index (PMI) of Manufacturing in China to 26 month high hints probable improvement in overall market conditions for the second half of this year. The PRC Government now starts to implement mixed strategies of selective spending and credit-easing to boost economy. We cautiously believe that stronger investment and industrial output will be seen in the second half of the year and growth will regain momentum. This will include government spending on infrastructure projects consuming large amount of steel, such as railways, gas pipeline networks and petrochemical facilities. Nevertheless, overcapacity in the steel sector continues to squeeze its profit margin. Inevitably, the average selling prices of our EMM products, as an upstream of steel industry will continue to be under pressure for a certain period of time.

However, as the leading vertical integrated manganese company in the PRC with abundant manganese resources, coupled with our continuous effort to cut costs, we are confident that once the market situation improves, we shall be one of the pioneers to provide strong returns to our shareholders.

CODE ON CORPORATE GOVERNANCE PRACTICES

Throughout the six months ended 30 June 2014, 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 2014.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

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 2014.

REVIEW OF ACCOUNTS

The audit committee has reviewed the unaudited interim results for the six months ended 30 June 2014 with the management of the Company.

CHANGE OF INFORMATION OF DIRECTORS

Pursuant to Rule 13.51B of the Listing Rules, the change of information of Directors of the Company are set out below:

1. On 1 March 2014, the position of Mr. Qiu Yiyong in CITIC Resources Holdings Limited (Stock Code: 1205) ("**CITIC Resources**") was re-designated from non-executive director to executive director and was appointed as chief executive officer. On 1 July 2014, Mr. Qiu was also appointed as the vice chairman and a member of the Remuneration Committee of CITIC Resources.

2. On 1 March 2014, the position of Mr. Zeng Chen in CITIC Resources was re-designated from vice chairman, chief executive officer and executive director to non-executive director. On 14 May 2014, Mr. Zeng was appointed as the executive director and a member of Executive Committee of CITIC Pacific Limited (Stock Code: 267).

3. On 1 July 2014, Mr. Tian Yuchuan resigned as the non-executive director of CITIC Resources.

FORWARD LOOKING STATEMENTS

This announcement 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.

By Order of the Board
CITIC DAMENG HOLDINGS LIMITED
Qiu Yiyong
Chairman

Hong Kong, 20 August 2014

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

* *For identification purpose only*