Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.

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 2017

FINANCIAL HIGHLIGHTS

- Turnover amounted to HK$2,746.7 million for 1H 2017, representing an increase of 115.3% from HK$1,276.0 million of 1H 2016.
- Gross profit amounted to HK$390.4 million for 1H 2017, representing an increase of 180.8% from HK$139.0 million of 1H 2016. Gross profit margin was 14.2% for 1H 2017, representing an increase of 3.3% from 10.9% for 1H 2016.
- Operating profit amounted to HK$145.5 million for 1H2017, representing a turnaround from a loss of HK$155.8 million in 1H2016.
- The loss of HK$69.4 million in 1H2017 (1H2016: Nil) due to a deemed disposal of interest in an associate upon its placing of new shares is a non-cash item.
- Profit attributable to owners of the parent amounted to HK$70.0 million for 1H 2017 (1H 2016: loss of HK$137.2 million).

INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

Six months ended 30 June 2017

		Six months ended 30 June	
		2017	2016
	Notes	***HK$'000***	*HK$'000*
		(Unaudited)	(Unaudited)
REVENUE	*4*	**2,746,733**	1,276,039
Cost of sales		**(2,356,360)**	(1,136,996)
Gross profit		**390,373**	139,043
Other income and gains	*4*	**80,724**	68,121
Selling and distribution expenses		**(44,717)**	(37,723)
Administrative expenses		**(155,269)**	(163,597)
Finance costs	*5*	**(105,460)**	(121,074)
Other expenses		**(2,804)**	(16,974)
Share of losses of associates		**(17,303)**	(23,613)
Operating profit/(loss)		**145,544**	(155,817)
Loss on deemed disposal of an associate	*6*	**(69,365)**	–
PROFIT/(LOSS) BEFORE TAX	*6*	**76,179**	(155,817)
Income tax expense	*7*	**(9,231)**	(917)
PROFIT/(LOSS) FOR THE PERIOD		**66,948**	(156,734)
OTHER COMPREHENSIVE INCOME/(LOSS)			
Other comprehensive income/(loss) to be reclassified to profit or loss in subsequent periods:			
– Exchange differences on translation of foreign operations		**54,483**	(85,175)
TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE PERIOD		**121,431**	(241,909)

	Note	Six months ended 30 June	
		2017	2016
		HK$'000	*HK$'000*
		(Unaudited)	(Unaudited)
Profit/(loss) attributable to:			
Owners of the parent		**70,010**	(137,203)
Non-controlling interests		**(3,062)**	(19,531)
		66,948	(156,734)
Total comprehensive profit/(loss) attributable to:			
Owners of the parent		**125,914**	(222,378)
Non-controlling interests		**(4,483)**	(19,531)
		121,431	(241,909)
Profit/(loss) per share attributable to ordinary equity holders of the parent:	*8*		
– Basic		**HK cents 2.04**	(HK cents 4.00)
– Diluted		**HK cents 2.04**	(HK cents 4.00)

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

30 June 2017

	Notes	**30 June 2017 HK$'000 (Unaudited)**	31 December 2016 HK$'000 (Audited)
NON-CURRENT ASSETS			
Property, plant and equipment		**2,980,315**	2,990,656
Investment properties		**84,353**	81,927
Prepaid land lease payments		**452,452**	443,023
Intangible assets		**579,952**	569,817
Investment in associates		**749,491**	826,466
Deferred tax assets		**32,056**	32,933
Prepayments and deposits		**250,707**	223,603
Total non-current assets		**5,129,326**	5,168,425
CURRENT ASSETS			
Inventories		**845,063**	792,837
Trade and notes receivables	*10*	**1,072,750**	837,592
Prepayments, deposits and other receivables		**511,290**	518,776
Due from related companies		**15,982**	10,272
Due from associates		**26,599**	26,187
Tax recoverable		**13,265**	13,060
Financial assets at fair value through profit or loss		**24,316**	24,295
Pledged deposits		**517,465**	545,349
Cash and cash equivalents		**965,729**	989,510
Total current assets		**3,992,459**	3,757,878
CURRENT LIABILITIES			
Trade and notes payables	*11*	**640,053**	950,036
Other payables and accruals		**834,348**	1,009,600
Interest-bearing bank and other borrowings	*12*	**3,601,822**	2,607,033
Due to related companies		**116,997**	114,327
Tax payable		**10,110**	12
Total current liabilities		**5,203,330**	4,681,008
NET CURRENT LIABILITIES		**(1,210,871)**	(923,130)
TOTAL ASSETS LESS CURRENT LIABILITIES		**3,918,455**	4,245,295

	Note	**30 June 2017**	31 December 2016
		HK$'000	*HK$'000*
		(Unaudited)	(Audited)
NON-CURRENT LIABILITIES			
Interest-bearing bank and other borrowings	*12*	**820,292**	1,279,868
Deferred tax liabilities		**198,941**	191,134
Other long-term liabilities		**22,221**	19,570
Deferred income		**81,698**	80,851
Total non-current liabilities		**1,123,152**	1,571,423
Net assets		**2,795,303**	2,673,872
EQUITY			
Equity attributable to owners of the parent			
Issued capital		**342,846**	342,846
Reserves		**2,388,277**	2,262,363
		2,731,123	2,605,209
Non-controlling interests		**64,180**	68,663
Total equity		**2,795,303**	2,673,872

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 June 2017

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, manganese mining and ore processing operations in Gabon, as well as trading of manganese ore, manganese alloy and related raw materials.

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 2017, the Group had net current liabilities of HK$1,210.9 million (31 December 2016: HK$923.1 million). In view of these circumstances, the directors of the Company have given consideration to the future liquidity and performance of the Group and its available sources of finance in assessing whether the Group will have sufficient financial resources to continue as a going concern. In order to improve the Group's liquidity and cash flows to sustain the Group as a going concern, the Group implemented or is in the process of implementing the following measures:

(a) The Group is restructuring the mix of manganese products with the aim to increase the portion of products with higher margin so as to attain profitable and positive cash flow operations. In particular, the Group will ramp up mining and processing capacity of existing mines. In addition, the Group from time to time reviews its investment projects and may adjust its investment strategies in order to enhance the cash flow position of the Group whenever it is necessary.

(b) The Group is taking measures to tighten cost controls over administrative and other operating expenses aiming at improving the working capital and cash flow position of the Group including closely monitoring the daily operating expenses.

(c) In February 2017, certain PRC banks had confirmed to the Group in writing regarding their agreements to renew their short-term bank loans granted to the Group totalling HK$1,610 million upon repayment when due, subject to the condition that the Group will be able to repay the total interest due upon the respective repayment dates. Based on the abovementioned agreements and past experience, the directors consider it is highly probable that the Group can extend adequate amount of short-term bank loans for another year when fall due to maintain sufficient working capital of the Group.

(d) The Group is actively following up with its debtors on outstanding receivables with an aim of agreeing a repayment schedule with each of them.

The directors of the Company have prepared a cash flow forecast for the Group which covers a period of twelve months from the end of the reporting period. They are of the opinion that, taking into account the above-mentioned plans and measures, coupled with the improved profitability of the Group in the first half of 2017 and the Group will have sufficient working capital to finance its operations and meet its financial obligations as and when they fall due in the foreseeable future. Accordingly, the directors are of the opinion that it is appropriate to prepare the consolidated financial statements of the Group for the period ended 30 June 2017 on a going concern basis.

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 2016, 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 HKAS 7	*Disclosure Initiative*
Amendments to HKAS 12	*Recognition of Deferred Tax Assets Under Unrealised Losses*

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.

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:

Amendments to HKFRS 2	*Classification and Measurement of Share-based Payment Transactions*[1]
Amendments to HKFRS 4	*Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts*[1]
HKFRS 9	*Financial Instruments*[1]
Amendments to HKFRS 10 and HKAS 28	*Sale or Contribution of Assets between an Investor and its Associate and Joint Venture*[3]
HKFRS 15	*Revenue from Contracts with Customers*[1]
Amendments to HKFRS 15	*Clarifications to HKFRS 15 Revenue from contracts with Customers*[1]
HKFRS 16	*Leases*[2]

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

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

3 No mandatory effective date yet determined but available for adoption

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, silicomanganese alloys and lithium manganese oxide;

(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 and manganese alloy, 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 interest income, finance costs, loss on deemed disposal of an associate, 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 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, deferred tax liabilities, tax payable 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 PRC	Manganese mining and ore processing Gabon	Manganese downstream processing PRC	Non-manganese processing PRC	Others PRC & HK	Eliminations	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Six months ended 30 June 2017 (Unaudited)							
Segment revenue:							
Sales to external customers	**73,880**	**298,024**	**1,507,744**	**48,098**	**818,987**	**–**	**2,746,733**
Intersegment sales	**126,730**	**–**	**–**	**–**	**–**	**(126,730)**	**–**
Other revenue	**3,124**	**11,419**	**23,441**	**45**	**31,840**	**–**	**69,869**
Total	**203,734**	**309,443**	**1,531,185**	**48,143**	**850,827**	**(126,730)**	**2,816,602**
Segment results	**(19,328)**	**43,293**	**210,670**	**11,751**	**40,844**	**–**	**287,230**
Reconciliations:							
Interest income							**10,855**
Corporate and other unallocated expenses							**(29,778)**
Finance costs							**(105,460)**
Loss on deemed disposal of an associate							**(69,365)**
Share of losses of associates							**(17,303)**
Profit before tax							**76,179**
Income tax expense							**(9,231)**
Profit for the period							**66,948**
Assets and liabilities							
Segment assets	**1,153,520**	**377,518**	**4,572,611**	**45,113**	**1,058,705**	**–**	**7,207,467**
Reconciliations:							
Corporate and other unallocated assets							**1,914,318**
Total assets							**9,121,785**
Segment liabilities	**387,781**	**24,029**	**908,544**	**7,604**	**98,193**	**–**	**1,426,151**
Reconciliations:							
Corporate and other unallocated liabilities							**4,900,331**
Total liabilities							**6,326,482**

	Manganese mining and ore processing PRC HK$'000	Manganese mining and ore processing Gabon HK$'000	Manganese downstream processing PRC HK$'000	Non-manganese processing PRC HK$'000	Others PRC & HK HK$'000	Eliminations HK$'000	Total HK$'000
Six months ended 30 June 2016 (Unaudited)							
Segment revenue:							
Sales to external customers	40,162	5,906	1,024,270	60,565	145,136	–	1,276,039
Intersegment sales	155,782	–	–	–	–	(155,782)	–
Other revenue	1,355	389	35,310	711	19,843	–	57,608
Total	197,299	6,295	1,059,580	61,276	164,979	(155,782)	1,333,647
Segment results	(39,412)	(18,740)	51,568	7,156	22,551	–	23,123
Reconciliations:							
Interest income							10,513
Corporate and other unallocated expenses							(44,766)
Finance costs							(121,074)
Share of losses of associates							(23,613)
Loss before tax							(155,817)
Income tax expense							(917)
Loss for the period							(156,734)
Assets and liabilities							
Segment assets	864,738	416,524	4,726,705	104,567	323,093	–	6,435,627
Reconciliations:							
Corporate and other unallocated assets							2,056,726
Total assets							8,492,353
Segment liabilities	355,293	487,213	467,500	34,241	1,652	–	1,345,899
Reconciliations:							
Corporate and other unallocated liabilities							4,388,704
Total liabilities							5,734,603

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	
	2017	2016
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Revenue		
Sale of goods	**2,746,733**	1,276,039
Other income and gains		
Interest income	**10,855**	10,513
Gain on disposal of items of property, plant and equipment	**3,166**	5,869
Subsidy income	**11,737**	31,645
Sale of scraps	**9,882**	4,814
Rental income	**9,966**	8,587
Fair value gain on financial assets at fair value through profit or loss	**–**	801
Foreign exchange gain, net	**3,445**	–
Reversal of impairment loss of trade and other receivables, net	**12,424**	–
Others	**19,249**	5,892
Total	**80,724**	68,121

5. FINANCE COSTS

	Six months ended 30 June	
	2017	2016
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Interest on loans wholly repayable within five years	**81,384**	102,229
Finance costs for discounted notes receivable	**13,992**	5,296
Other finance costs	**10,084**	13,549
	105,460	121,074

6. PROFIT/(LOSS) BEFORE TAX

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

	Six months ended 30 June	
	2017	2016
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Cost of inventories sold	**2,348,916**	1,129,960
Write-down of inventories to net realisable value, net#	**7,444**	10,613
Depreciation	**146,722**	161,918
Amortisation of prepaid land lease payments	**5,790**	6,147
Amortisation of intangible assets	**6,555**	6,151
Auditors' remuneration	**1,637**	2,196
Minimum lease payments under operating leases, land and buildings	**5,728**	4,991
Employee benefit expense	**230,726**	211,622
Gain on disposal of items of property, plant and equipment*	**(3,166)**	(5,869)
Loss on disposal of non-current assets held for sale*	**–**	3,714
Foreign exchange differences, net*	**(3,445)**	2,876
(Reversal of impairment)/impairment of trade and other receivables, net*	**(12,424)**	3,937
Fair value loss/(gain) on financial assets at fair value through profit or loss	**143**	(801)
Loss on deemed disposal of an associate *(note)*	**69,365**	–

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

Note: During the reporting period, the Group recorded a non-cash loss of HK$69,365,000 resulting from the dilution in our shareholding in an associate, China Polymetallic Mining Limited ("**CPM**") from 29.81% to 24.84% upon completion of the issue of new shares of an additional 20% by CPM on 26 May 2017.

7. INCOME TAX EXPENSE

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	
	2017	2016
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Current – PRC		
Charge for the period	**2,314**	580
Current – Gabon		
Charge for the period	**2,561**	–
Deferred	**4,356**	337
Total tax charge for the period	**9,231**	917

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 Industries Co., Limited which is recognised as a High and New Technology Enterprise and is entitled to a preferential CIT rate of 15% to 2018, and Guangxi Start Manganese Materials Co., Ltd. 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 the higher of 35% of its taxable income or 1% of its revenue.

8. PROFIT/(LOSS) PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

	Six months ended 30 June	
	2017	2016
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
The calculation of basic and diluted profit/(loss) per share are based on:		
Profit/(loss)		
Profit/(loss) attributable to ordinary equity holders of the parent, used in the basic profit/(loss) per share calculation	**70,010**	(137,203)
	Number of shares	
Shares		
Weighted average number of ordinary shares in issue during the period used in the basic profit/(loss) per share calculation	**3,428,459,000**	3,428,459,000

The Group had no potentially dilutive ordinary shares in issue during the six months ended 30 June 2017 nor the six months ended 30 June 2016. No adjustment has been made to the basic profit/(loss) per share amounts presented for the six months ended 30 June 2017 nor the six months ended 30 June 2016 in respect of dilution as the share options outstanding had an anti-dilutive effect on the basic profit/(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 2017 (2016: Nil).

10. TRADE AND NOTES RECEIVABLES

	30 June 2017 HK$'000 (Unaudited)	31 December 2016 HK$'000 (Audited)
Trade receivables	**707,348**	738,934
Notes receivable	**407,629**	151,944
	1,114,977	890,878
Less: Provision for impairment	**(42,227)**	(53,286)
	1,072,750	837,592

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 three to six 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. Trade and notes receivables relate to a large number of diversified customers, including a major customer set out below.

At 30 June 2017, trade receivables of HK$94,601,000 (31 December 2016: HK$317,953,000) and notes receivables of HK$130,766,000 (31 December 2016: Nil) from a customer are guaranteed by Dushan Jinmeng Manganese Limited Company ("**Dushan Jinmeng**"); and trade receivables of HK$93,772,000 (31 December 2016: Nil) from it are secured against the pledged equity interests in Dushan Jinmeng owned by it. At 30 June 2017, the abovementioned notes receivable of HK$130,766,000 (31 December 2016: Nil) are commercial acceptance notes issued by the customer to settle the trade receivables from it when becoming due. The credit period for the notes is three months and the notes are interest bearing at 7% per annum.

Except for the customer mentioned above, the Group does not hold any collateral or other credit enhancements over its trade receivable balances. Trade receivables are non-interest-bearing.

An ageing analysis of the trade 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 2017 *HK$'000* **(Unaudited)**	31 December 2016 *HK$'000* (Audited)
Within one month	**243,655**	210,994
One to two months	**122,257**	182,779
Two to three months	**98,432**	161,725
Over three months	**200,777**	130,150
	665,121	685,648

Notes receivable represents: 1) bank acceptance notes of HK$253,359,000 (31 December 2016: HK$113,796,000) issued by banks in Mainland China which are secured and payable when due by the banks and 2) commercial acceptance notes of HK$154,270,000 (31 December 2016: HK$38,148,000) which are secured and due before 31 December 2017.

An ageing analysis of the notes receivable of the Group as at the end of the reporting period, based on the issue date of the notes, is as follows:

	30 June 2017 *HK$'000* **(Unaudited)**	31 December 2016 *HK$'000* (Audited)
Within one month	**135,940**	81,781
One to two months	**121,700**	27,177
Two to three months	**69,939**	11,433
Over three months	**80,050**	31,553
	407,629	151,944

Transferred financial assets that are derecognised in their entirety

At 30 June 2017, 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 RMB747,580,000 (equivalent to HK$860,465,000) (31 December 2016: RMB400,558,000, equivalent to HK$447,784,000). 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 2017, 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 2017	31 December 2016
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
At 1 January 2017/1 January 2016	**53,286**	48,972
Impairment losses recognised	**963**	13,502
Impairment losses reversed	**(13,387)**	(5,483)
Amount written off as uncollectible	**–**	(71)
Exchange realignment	**1,365**	(3,634)
At 30 June 2017/31 December 2016	**42,227**	53,286

The above provision for impairment of trade and notes receivables of HK$42,227,000 (31 December 2016: HK$53,286,000) are provisions for individually impaired trade receivables with a carrying amount before provision of approximately HK$42,731,000 (31 December 2016: HK$62,004,000) as at 30 June 2017. 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 2017	31 December 2016
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Neither past due nor impaired	**859,830**	675,890
Less than three months past due	**188,659**	146,371
Over three months past due	**24,261**	15,331
Total	**1,072,750**	837,592

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.

11. 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 2017	31 December 2016
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Within one month	**244,909**	295,936
One to two months	**70,102**	274,327
Two to three months	**49,426**	72,802
Over three months	**275,616**	306,971
	640,053	950,036

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

12. INTEREST-BEARING BANK AND OTHER BORROWINGS

	30 June 2017			31 December 2016		
	Effective interest rate (%)	**Maturity**	***HK$'000*** **(Unaudited)**	Effective interest rate (%)	Maturity	*HK$'000* (Audited)
Current						
Finance lease payables *(note 13)*	**6.32-7.51**	**2017-2018**	**84,618**	6.32-7.51	2017	86,752
Bank loans – secured *(note (a))*	**1.65-4.35**	**2017-2018**	**74,012**	4.35	2017	63,225
Bank loans – unsecured	**2.61-5.29**	**2017-2018**	**2,288,379**	2.13-4.83	2017	1,773,490
Current portion of long-term bank loans – secured *(note (a))*	**3.45-5.51, LIBOR+2.15**	**2017-2018**	**594,167**	LIBOR+2.15	2017	231,968
Current portion of long-term bank loans – unsecured	**3.83-5.78, LIBOR+2.60**	**2017-2018**	**449,416**	4.75-6.46, LIBOR+2.60	2017	342,458
Other loans – unsecured *(note (b), (c))*	**4.73**	**2018**	**111,230**	4.56	2017	109,140
			3,601,822			2,607,033
Non-current						
Finance lease payables *(note 13)*	**6.32-7.51**	**2018-2020**	**173,805**	6.32-7.51	2018-2020	208,389
Bank loans – secured *(note (a))*	**–**	**–**	**–**	4.00, LIBOR+2.15	2018	318,602
Bank loans – unsecured	**3.83-4.75, LIBOR+2.60**	**2018-2019**	**646,487**	4.75-4.99, LIBOR+2.60	2018-2019	752,877
			820,292			1,279,868
			4,422,114			3,886,901

	30 June 2017 ***HK$'000*** **(Unaudited)**	31 December 2016 *HK$'000* (Audited)
Analysed into:		
Bank loans repayable:		
Within one year or on demand	**3,405,974**	2,411,141
In the second year	**257,149**	683,064
In the third to fifth years, inclusive	**389,338**	388,415
	4,052,461	3,482,620
Other loans and finance leases repayable:		
Within one year or on demand	**195,848**	195,892
In the second year	**78,735**	80,046
In the third to fifth years, inclusive	**95,070**	128,343
	369,653	404,281
	4,422,114	3,886,901

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

	30 June 2017	31 December 2016
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Pledged deposits	**277,048**	242,889
Account receivables	**17,790**	–
	294,838	242,889

(b) The balance as at 31 December 2016 represented a loan borrowed by way of gold lease arrangement from Industrial Bank Co., Ltd, with the principal of RMB97,630,000 (equivalent to HK$109,140,000) and bearing interest at a fixed rate of 4.56% per annum. The loan was repaid on 26 May 2017.

(c) The balance as at 30 June 2017 represents a loan borrowed by way of gold lease arrangement from Industrial Bank Co., Ltd, with the principal of RMB96,638,000 (equivalent to HK$111,230,000) and bearing interest at a fixed rate of 4.73% per annum. The loan is repayable on 8 June 2018.

(d) Except for bank and other borrowings of HK$791,740,000 (31 December 2016: HK$844,536,000) which were denominated in United States dollars, all borrowings were in Renminbi.

13. FINANCE LEASE PAYABLES

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

1) a principal of RMB300,000,000 (equivalent to HK$345,300,000) carrying effective interest at a fixed rate of 7.51% per annum and an one-off service fee of RMB7,008,000 (equivalent to HK$8,066,000) payable to the lessor and being secured by a cash deposit of RMB24,000,000 (equivalent to HK$27,624,000). The loan is repayable on 5 August 2020; and

2) a principal of RMB50,000,000 (equivalent to HK$57,550,000) carrying effective interest at a fixed rate of 6.32% per annum and an one-off service fee of RMB1,681,000 (equivalent to HK$1,935,000) to the lessor and being secured by a cash deposit of RMB21,500,000 (equivalent to HK$24,747,000). The loan is repayable on 14 December 2019.

As at 30 June 2017, the Group's plant and machinery of its manganese downstream processing segment with net carrying amount of HK$159,900,000 (31 December 2016: HK$177,669,000)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.

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

	Minimum lease payments 30 June 2017	**Present value of minimum lease payments 30 June 2017**	Minimum lease payments 31 December 2016	Present value of minimum lease payments 31 December 2016
	HK$'000	***HK$'000***	*HK$'000*	*HK$'000*
	(Unaudited)	**(Unaudited)**	(Audited)	(Audited)
Amounts payable:				
Within one year	**90,045**	**84,618**	92,915	86,752
In the second year	**84,607**	**78,735**	87,624	80,046
In the third to fifth years, inclusive	**98,491**	**95,070**	133,978	128,343
Total minimum finance lease payments	**273,143**	**258,423**	314,517	295,141
Future finance charge	**(14,720)**		(19,376)	
Total net finance lease payables	**258,423**		295,141	
Portion classified as current liabilities *(note 12)*	**(84,618)**		(86,752)	
Non-current portion *(note 12)*	**173,805**		208,389	

MANAGEMENT DISCUSSION AND ANALYSIS

Financial Review

	1H 2017	1H 2016	Increase/(decrease)	
	HK$'000	*HK$'000*	*HK$'000*	*%*
Revenue	**2,746,733**	1,276,039	1,470,694	115.3
Gross profit	**390,373**	139,043	251,330	180.8
Gross profit margin	**14.2%**	10.9%	–	3.3
Operating profit/(loss)	**145,544**	(155,817)	301,361	193.4
Loss on deemed disposal of an associate	**(69,365)**	–	(69,365)	–
Profit/(loss) before tax	**76,179**	(155,817)	231,996	148.9
Income tax expense	**(9,231)**	(917)	(8,314)	(906.7)
Profit/(loss) for the period	**66,948**	(156,734)	223,682	142.7
Profit/(loss) attributable to owners of the parent	**70,010**	(137,203)	207,213	151.0
Loss attributable to non-controlling interests	**(3,062)**	(19,531)	16,469	84.3
	66,948	(156,734)	223,682	142.7

Overview

In 1H 2017, the global economy gained increasing momentum and showed signs of recovery; the market sentiment strengthened. This is evidenced by the improved GDP growth in the US and the record high of Dow Jones Index in 1H 2017; also, the China economy has showed signs of reaching the L-shaped forecast bottom as the economy has been stabilized and profit for industrial enterprises recorded a year-on-year increase in 1H 2017. Despite these positive factors, we are fully aware of the ongoing uncertainties: (1) resurgence of economic protectionism puts the world's largest US-China trade route under pressure; (2) US monetary policy is moving back towards normal; (3) there are political uncertainties around other part of the world.

The steel sector benefited from increasing demand for industrial products and steel price rebound since 2H 2016 partly due to the implementation of supply side reform and the government-led infrastructure investments. This upstream improvement led to the increase in the average selling price and sales volume of our manganese products in 1H 2017. At the same time, upon the rebound of the manganese market since the fourth quarter of year 2016, we seized the opportunity to resume the sales and production of our Gabon mine from early 2017. As a result, we recorded a substantial increase of gross profit to HK$390.4 million in 1H 2017 (1H2016: HK$139.0 million).

On the cost side, we strive to reduce our unit production cost and to maintain our competitiveness in the manganese sector through improvement of our production process and non-stop negotiations with our upstream suppliers for raw materials and power consumptions. Despite these efforts, the unit production cost in 1H 2017 increased mainly due to the increase in the price of raw materials and auxiliary materials. We continue to seek various means to improve our production efficiency in order to mitigate this impact.

In summary, we recorded an operating profit of HK$145.5 million for the six months ended 30 June 2017, representing a turnaround from 1H 2016: loss of HK$155.8 million. The major reasons for the substantial improvement compared with 1H 2016 are as follow:

(1) As a result of increase in selling price of manganese products together with the increase in sales volume, in 1H 2017, the gross profit ratio and gross profit contribution of the Group's major products, EMM and manganese briquette, as compared with corresponding period, recorded a substantial increase.

(2) Our Gabon mine resumed production and sales from early 2017 and the Gabon mine provided operating profit contribution for in 1H 2017 as opposed to an operation loss in 1H 2016.

Nevertheless, a loss of non-cash item in the sum of HK$69.4 million was incurred, resulting from the dilution in our shareholding in an associate, CPM from 29.81% to 24.84% following the 20% placing exercise by CPM in May 2017 as detailed in its announcements of 17 May 2017 and 26 May 2017.

Therefore, consolidated net profit attributable to owners of the parent was HK$70.0 million (1H 2016: loss of HK$137.2 million).

Comparison with six months ended 30 June 2017

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

	Six months ended 30 June							
	2017				2016			
	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	**515,922**	**578**	**298,024**	**10.9**	10,068	587	5,906	0.5
Manganese concentrate	**159,623**	**341**	**54,408**	**2.0**	73,753	256	18,864	1.5
Natural discharging manganese powder and sand	**8,138**	**2,393**	**19,472**	**0.7**	8,472	2,514	21,298	1.7
Sub-Total	**683,683**	**544**	**371,904**	**13.6**	92,293	499	46,068	3.7
Manganese downstream processing								
EMM	**73,212**	**13,012**	**952,649**	**34.7**	62,710	10,371	650,350	51.0
Manganese briquette	**20,129**	**13,594**	**273,642**	**10.0**	14,600	10,796	157,624	12.3
	93,341	**13,138**	**1,226,291**	**44.7**	77,310	10,451	807,974	63.3
Silicomanganese alloy	**16,439**	**7,209**	**118,512**	**4.3**	8,767	5,182	45,430	3.6
EMD	**11,704**	**8,222**	**96,232**	**3.5**	13,475	8,390	113,050	8.9
Manganese sulfate	**10,432**	**3,634**	**37,909**	**1.4**	9,233	3,455	31,900	2.5
Others	**1,060**	**27,170**	**28,800**	**1.0**	7,567	3,425	25,916	1.9
Sub-Total	**132,976**	**11,338**	**1,507,744**	**54.9**	116,352	8,803	1,024,270	80.2
Non-manganese processing								
Lithium cobalt oxide	**208**	**231,240**	**48,098**	**1.7**	301	201,213	60,565	4.7
Other business								
Trading	**257,771**	**3,177**	**818,987**	**29.8**	165,421	877	145,136	11.4
Total	**1,074,638**	**2,556**	**2,746,733**	**100.0**	374,367	3,409	1,276,039	100.0

Revenue

In 1H 2017, the Group's revenue was HK$2,746.7 million (1H 2016: HK$1,276.0 million), representing an increase of 115.3% as compared with 1H 2016. The revenue increase was mainly due to: (1) the increase in average selling prices and sales volume of our core products EMM and manganese briquette; (2) substantial increase in the sales volume of Gabon ores upon the recommencement of Gabon mines from early 2017; and (3) increase in revenue from our trading business which we operate in Hong Kong and commenced in May 2016.

Manganese mining and ore processing – Revenue of manganese mining and ore processing segment increased by 706.7% to HK$371.9 million (1H 2016: HK$46.1 million) mainly due to the increase in sales volume of Gabon ores upon the recommencement of Gabon mine from early 2017.

Manganese downstream processing – Revenue from manganese downstream processing increased by 47.2% from HK$1,024.3 million to HK$1,507.7 million and was principally attributable to the increase in the average selling price of our core products EMM and manganese briquette and a 20.7% increase in the combined sales volume of these two products. Combined revenue of EMM and manganese briquette accounted for 44.7% (1H 2016: 63.3%) of our total sales.

Non-manganese processing – For 1H 2017, sales volume of lithium cobalt oxide decreased by 30.9% to 208 tonnes (1H 2016: 301 tonnes) while its average selling price increased by 14.9% to HK$231,240/tonne (1H 2016: HK$201,213/tonne) during the period.

Trading – In 1H 2017, we have enlarged our scale in trading business by increasing the volume of manganese ores imported from overseas miners. In addition, we commenced trading of manganese alloy and related raw materials in 1H 2017.

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							
	2017				2016			
	Cost of Sales *(HK$'000)*	**Unit Cost of Sales** *(HK$/ Tonne)*	**Gross Profit** *(HK$'000)*	**Gross Profit Margin** *(%)*	Cost of Sales *(HK$'000)*	Unit Cost of Sales *(HK$/ Tonne)*	Gross Profit/ (Loss) *(HK$'000)*	Gross Profit/ (Loss) Margin *(%)*
Manganese mining and ore processing								
Gabon ore	**257,128**	**498**	**40,896**	**13.7**	7,874	782	(1,968)	(33.3)
Manganese concentrate	**44,299**	**278**	**10,109**	**18.6**	25,073	340	(6,209)	(32.9)
Natural discharging manganese powder and sand	**7,888**	**969**	**11,584**	**59.5**	4,813	568	16,485	77.4
Sub-Total	**309,315**	**452**	**62,589**	**16.8**	37,760	409	8,308	18.0
Manganese downstream processing								
EMM	**753,527**	**10,292**	**199,122**	**20.9**	587,440	9,368	62,910	9.7
Manganese briquette	**208,463**	**10,356**	**65,179**	**23.8**	143,017	9,796	14,607	9.3
	961,990	**10,306**	**264,301**	**21.6**	730,457	9,448	77,517	9.6
Silicomanganese alloy	**114,677**	**6,976**	**3,835**	**3.2**	39,435	4,498	5,995	13.2
EMD	**80,388**	**6,868**	**15,844**	**16.5**	90,945	6,749	22,105	19.6
Manganese sulfate	**27,076**	**2,595**	**10,833**	**28.6**	21,679	2,348	10,221	32.0
Others	**24,186**	**22,817**	**4,614**	**16.0**	23,941	3,164	1,975	7.6
Sub-Total	**1,208,317**	**9,087**	**299,427**	**19.9**	906,457	7,791	117,813	11.5
Non-manganese processing								
Lithium cobalt oxide	**35,180**	**169,135**	**12,918**	**26.9**	51,460	170,963	9,105	15.0
Other business								
Trading	**803,548**	**3,117**	**15,439**	**1.9**	141,319	854	3,817	2.6
Total	**2,356,360**	**2,193**	**390,373**	**14.2**	1,136,996	3,037	139,043	10.9

Cost of Sales

Total cost of sales increased by HK$1,219.4 million or 107.2%, to HK$2,356.4 million in 1H 2017, as compared to HK$1,137.0 million in 1H 2016. The cost increase was primarily due to: (1) the increase in the unit price and the volume consumed of raw materials and auxiliary materials for our major products EMM and manganese briquette; and (2) the increase in sales volume of Gabon ores; and (3) the increase in the cost of sale for trading business due to increase in scale of operations.

The unit cost of manganese mining and ore processing increased by 10.5% to HK$452/tonne (1H 2016: HK$409/tonne) and was mainly attributable to the increase in sales volume of Gabon ores which are the highest grade ores of the Group.

In 1H 2017, unit cost of EMM and manganese briquette increased by 9.1% to HK$10,306/tonne (1H 2016: HK$9,448/tonne). This was mainly attributable to the increase in the unit price of raw materials and auxiliary materials.

Gross Profit

In 1H 2017, the Group recorded a gross profit of HK$390.4 million (1H 2016: HK$139.0 million), representing an increase of HK$251.4 million or 180.8%. The Group's overall gross profit margin was 14.2%, representing an increase of 3.3% from 10.9% of 1H 2016. Improved overall gross profit margin was mainly attributable to: (1) the increase in selling price of EMM and manganese briquette; and (2) our Gabon mine resumed production and sales from early 2017 which contributed positive profit contribution in 1H 2017 as opposed to a negative in 1H 2016.

Other Income and Gains

Other income and gains increased by 18.5% to HK$80.7 million (1H 2016: HK$68.1 million) was primarily due to reversal of impairment of trade and other receivables during the reporting period.

Selling and Distribution Expenses

Selling and distribution expenses in 1H 2017 have increased by 18.5% to HK$44.7 million (1H 2016: HK$37.7 million) which was in line with our increase in sales volume.

Administrative Expenses

Administrative expenses have decreased by 5.1% to HK$155.3 million (1H 2016: HK$163.6 million) which was mainly attributable to the decrease in expenses in relation to temporary production halt of Gabon mines. The Gabon mine resumed production from early 2017.

Finance Costs

For 1H 2017, our Group's finance costs have decreased by 12.9% to HK$105.5 million (1H 2016: HK$121.1 million), which was mainly due to our effort to lower our cost of financing through negotiations with banks and various financing arrangement.

Other Expenses

Other expenses decreased by 83.5% to HK$2.8 million (1H 2016: HK$17.0 million) which was mainly due to impairment loss recognised for trade and other receivables and loss on disposal of non-current assets held for sale recognised in 1H 2016 while in 1H 2017, no such expense items were recorded.

Loss on Deemed Disposal of an Associate

A loss on deemed disposal of an associate of HK$69.4 million is recorded as our percentage equity interest held in CPM was diluted from 29.81% to 24.84% upon its placing of new shares on 26 May 2017.

Share of Losses of Associates

Share of losses of associates of HK$17.3 million (1H 2016: HK$23.6 million) mainly related to CPM. The decrease was mainly due to decrease of impairment for trade and other receivables.

Income Tax Expense

In 1H 2017, the effective tax rate is 12.1% (1H 2016: -0.6%). The effective tax rate for 1H 2017 was lower than the statutory tax rate of our major operations in the PRC, as there were tax losses not recognised and brought forward to set off against taxable profit of our PRC operations.

Profit/(loss) Attributable to Owners of the Parent

For 1H 2017, the Group's profit attributable to owners of the parent was HK$70.0 million (1H 2016: loss of HK$137.2 million).

Profit/(loss) per Share

For 1H 2017, profit per share attributable to ordinary equity holders of the Company was 2.04 HK cents (1H 2016: loss per share of 4.00 HK cents).

Interim Dividend

The Board does not recommend the payment of any interim dividend for the six months ended 30 June 2017 (1H 2016: Nil).

Use of Proceeds from IPO

Up to 30 June 2017, 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 30.06.2017 *(HK$ Million)*	% utilised	*Amount utilised up to 31.12.2016 (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%	*278*	*100.0%*
3	Expansion and construction projects of our EMM production facilities	516	516	100.0%	*516*	*100.0%*
4	Construction project at Chongzuo Base	59	59	100.0%	*42*	*71.2%*
5	Development of Bembélé 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%*
	Total	1,983	1,868	94.2%	*1,851*	*93.3%*

Liquidity and Financial Resources

Cash and Bank Balances

As at 30 June 2017, the currency denomination of the Group's cash and bank balances including pledged deposits are as follows:

Currency denomination	**30 June 2017** *HK$ million*	31 December 2016 *HK$ million*
Denominated in:		
RMB	**1,164.2**	856.5
HKD	**8.7**	24.9
USD	**308.1**	653.4
XAF	**2.2**	0.1
	1,483.2	1,534.9

As at 30 June 2017, our cash and bank balances including pledged deposits were HK$1,483.2 million (31 December 2016: HK$1,534.9 million) while the Group's borrowings amounted to HK$4,422.1 million (31 December 2016: HK$3,886.9 million). The Group's borrowings net of cash and bank balances amounted to HK$2,938.9 million (31 December 2016: HK$2,352.0 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 2017, the Group's borrowing structure and maturity profile are as follows:

Borrowing structure	30 June 2017 HK$ million	31 December 2016 HK$ million
Secured borrowings (including finance lease payables)	**926.6**	908.9
Unsecured borrowings	**3,495.5**	2,978.0
	4,422.1	3,886.9

Maturity profile	30 June 2017 HK$ million	31 December 2016 HK$ million
Repayable:		
On demand or within one year	**3,601.8**	2,607.0
After one year and within two years	**335.9**	763.1
After two years and within five years	**484.4**	516.8
	4,422.1	3,886.9

Currency denomination	30 June 2017 HK$ million	31 December 2016 HK$ million
Denominated in:		
RMB	**3,630.4**	3,042.4
USD	**791.7**	844.5
	4,422.1	3,886.9

As at 30 June 2017, borrowings as to the amounts of HK$2,806.9 million (31 December 2016: HK$2,241.0 million) and HK$1,615.2 million (31 December 2016: HK$1,645.9 million), carry fixed and floating rate interest respectively. The fixed rate borrowings carry interest at rates ranging from 1.65% to 7.51%. The floating rate borrowings carry interest up to a premium of 10% 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 2.15-2.60%.

Overall, aggregate borrowings were increased to HK$4,422.1 million (31 December 2016: HK$3,886.9 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 save for a customer described below. The Group did not hold any collateral or other credit enhancements over its trade and notes receivable balances except for the following.

In 1H2017, the largest customer of the Group by revenue is Guangxi Jinmeng Manganese Limited Company ("**Guangxi Jinmeng**") which is principally engaged in manganese ferroalloy production, manganese ore trading and manganese mining in Guizhou, the PRC. It maintains close business relationship with major steel plants in the PRC. The Group supplies manganese ores to Guangxi Jinmeng.

In 1H2017, revenue of HK$256.1 million (1H2016: HK$140.6 million) was derived from trading of manganese ores and revenue of HK$216.7 million (1H2016: Nil) was derived from sales of Gabon ores to Guangxi Jinmeng. In 1H2017, total sales to Guangxi Jinmeng amounted to HK$472.8 million (1H 2016:HK$140.6 million), which accounted for 17.2% (1H2016: 11.0%) of the Group's total sales. As at 30 June 2017, trade receivable from Guangxi Jinmeng was HK$191.0 million (31 December 2016: HK$318.0 million) and represents 27.0% (31 December 2016: 43.0%) of the Group's trade receivables, and notes receivable from Guangxi Jinmeng was HK$130.8 million (31 December 2016: Nil) and represents 32.1% (31 December 2016: Nil) of the Group's notes receivables.

In relation to trading of manganese ores, payment by Guangxi Jinmeng is secured by: (1) a corporate guarantee by Dushan Jinmeng; and (2) a personal guarantee by a shareholder of Guangxi Jinmeng. In relation to sales of Gabon ores, payment by Guangxi Jinmeng is secured by: (1) pledge of equity interests in Dushan Jinmeng held by Guangxi Jinmeng; and (2) a personal guarantee by a shareholder of Guangxi Jinmeng. Sales to Guangxi Jinmeng are on open account with a credit period ranging from about 75 days to 100 days from the invoice date, which can be extended for a further period of 90 days to 180 days subject to the Company's approval. As at 30 June 2017, balances due from Guangxi Jinmeng are within their credit period. The directors of the Company consider that the related credit risk is acceptable to the Group.

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 Hong Kong, 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 trading operations in Hong Kong, our sales and purchases are both denominated in United States dollars.

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. Expenses (including sea freight for those sales on CIF basis) are also denominated in United States dollars with those expenses incurred locally denominated in EURO or Euro-pegged XAF. Gabon operation is partially financed by United States dollar loans which are expected to be repaid in the long term out of the project's operating cash inflow which is mainly denominated in United States dollars.

Net Current Liabilities

As at 30 June 2017, the Group had net current liabilities of HK$1,210.9 million (31 December 2016: HK$923.1 million). In view of these circumstances, the directors of the Company have given consideration to the future liquidity and performance of the Group and its available sources of finance in assessing whether the Group will have sufficient financial resources to continue as a going concern. In order to improve the Group's liquidity and cash flows to sustain the Group as a going concern, the Group implemented or is in the process of implementing the following measures:

(a) The Group is restructuring the mix of manganese products with the aim to increase the portion of products with higher margin so as to attain profitable and positive cash flow operations. In particular, the Group will ramp up mining and processing capacity of existing mines. In addition, the Group from time to time reviews its investment projects and may adjust its investment strategies in order to enhance the cash flow position of the Group whenever it is necessary.

(b) The Group is taking measures to tighten cost controls over administrative and other operating expenses aiming at improving the working capital and cash flow position of the Group including closely monitoring the daily operating expenses.

(c) In February 2017, certain PRC banks had confirmed to the Group in writing regarding their agreements to renew their short-term bank loans granted to the Group totalling HK$1,610 million upon repayment when due, subject to the condition that the Group will be able to repay the total interest due upon the respective repayment dates. Based on the abovementioned agreements and past experience, the directors consider it is highly probable that the Group can extend adequate amount of short-term bank loans for another year when fall due to maintain sufficient working capital of the Group.

(d) The Group is actively following up with its debtors on outstanding receivables with an aim of agreeing a repayment schedule with each of them.

The directors of the Company have prepared a cash flow forecast for the Group which covers a period of twelve months from the end of the reporting period. They are of the opinion that, taking into account the above-mentioned plans and measures, coupled with the improved profitability of the Group in the first half of 2017 and, the Group will have sufficient working capital to finance its operations and meet its financial obligations as and when they fall due in the foreseeable future. Accordingly, the directors are of the opinion that it is appropriate to prepare the consolidated financial statements of the Group for the period ended 30 June 2017 on a going concern basis.

Charge on Group Assets

As at 30 June 2017, (1) none of the Group's property, plant and equipment (31 December 2016: Nil) were pledged to secure the Group's interest-bearing bank borrowings (except for finance lease payables); (2) property, plant and equipment of HK$159.9 million (31 December 2016: HK$177.7 million) were held under finance lease; (3) bank balances of HK$277.0 million (31 December 2016: HK$242.9 million) and trade receivables of HK$17.8 million (31 December 2016: Nil) were pledged to secure certain of the Group's bank borrowings; and (4) bank balances of HK$240.4 million (31 December 2016: HK$302.5 million) were pledged to secure certain of the Group's bank acceptance notes and letters of credit.

Contingent Liabilities

(a) As at 30 June 2017, the outstanding bank loan of an associate, in which the Group has a 33% equity interest, was guaranteed by the Group and the holding company of the associate, Guangxi Jinmeng, according to the shareholding structure on a several basis.

As at 30 June 2017, the banking facilities guaranteed by the Group and Guangxi Jinmeng to the associate amounted to RMB800,000,000 (equivalent to HK$920,800,000) and were utilised to the extent of RMB715,000,000 (equivalent to HK$822,965,000) (31 December 2016: RMB715,000,000, equivalent to HK$799,299,000).

(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 the termination of a subcontracting contract. Details can be referred to in the announcement of the Company on 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 the claim arising from the litigation, other than the related legal and other costs.

Key Financial Ratios of the Group

	30 June 2017	31 December 2016
Current ratio	**0.77**	0.80
Quick ratio	**0.60**	0.63
Net Gearing ratio	**107.6%**	90.3%

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 less cash and cash equivalents and pledged deposits

At 30 June 2017, current ratio and quick ratio deteriorated as a result of certain non-current interest-bearing bank and other borrowings become due within the next twelve months and therefore, were classified as current liabilities. Net gearing ratio increased as we have further developed our trading business which was partially financed by bank borrowings during the reporting period.

Human Resources

As at 30 June 2017, we have a total of 8,001 employees (30 June 2016: 7,934), which is mainly located in Mainland China, representing 97.49% (30 June 2016: 99.31%). Over 41.42% 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 2017, our overall turnover rate was 2.42% (30 June 2016: 6.92%).

At the beginning of 2017, the Group resumed the mining and sales of the Gabon ore and achieved impressive sales results, resulting in a significant increase in the number of employees in Gabon, which were mainly general staff and professionals.

Events After the Reporting Period

No subsequent event has occurred after 30 June 2017 which may have a significant effect on the assets and liabilities or future operations of the Group.

Future Development and Outlook

- The 33% owned associate of the Group, Dushan Jinmeng, currently engages in the building of a ferromanganese alloy plant with an annual capacity of 500,000 tonnes and two self-use 150 MW power plants in Dushan County, Guizhou, the PRC. It is expected that Dushan Jinmeng will launch production in October 2017. Upon full production by the end of the year 2017, Dushan Jinmeng will become one of the largest integrated power to manganese ferroalloy plant in the PRC, and therefore a key manganese ferroalloy supplier to steel plants in the southern market of the PRC.

- Riding on our expertise in manganese from mining to downward processing and with the upcoming ferroalloy production of Dushan Jinmeng scheduled for 2H 2017, we continue to cautiously develop our trading business of manganese ore, manganese ferroalloy and its related raw materials.

- In 1H 2017, manganese ores totaling 471,000 tonnes were loaded on board and departed from Gabon for ports in the PRC and India. The recommencement of Gabon mine production in 1H 2017 will continue to contribute to our cash flow on a marginal basis.

- China economy is expected to continue its "L-shaped" growth in the coming years and challenges ahead are expected. In the short term, manganese market will continue to face substantial challenges subject to China's supply-side structural reforms both in the steel and manganese sectors and the magnitude of the economic growth.

- We shall continue to follow China's "One Belt One Road" initiative, trying to explore new overseas market opportunities amidst the challenging manganese market.

- In terms of financing, we will continue our efforts 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.

CODE ON CORPORATE GOVERNANCE PRACTICES

Throughout the six months ended 30 June 2017, save for the deviation from the code provision A.2.1, 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.

Code provision A.2.1

Chairman and Chief Executive Officer

With the departure of Mr. Tian Yuchuan as the Chief Executive Officer on 30 September 2016, the posts of Chairman and Chief Executive Officer were combined and Mr. Yin Bo, the Chairman of the Board has also assumed the role of the Chief Executive Officer. This arrangement is in contravention of code provision A.2.1 of the CG Code. Mr. Yin has considerable knowledge of the Company's assets and his experience is very highly valued by the Board. At a challenging time for the Company, the Board decided that Mr. Yin was the best person to lead and oversee the implementation of the Company's long and short term plans in accordance with its strategy which is determined by the Board. All major decisions are made in consultation with the Board members, appropriate Board committees or senior management of the Group. Mr. Yin promotes a culture of openness and encourages the Directors to make a full and active contribution to the Board's affairs. During the six months ended 30 June 2017, the three Independent non-executive Directors of the Company offered strong and independent advice. All decisions have reflected the consensus of the Board. The Board is keeping this situation under review and will separate the role of Chairman and Chief Executive Officer when it is in the Company's best interests to do so.

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 2017.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

During the six months ended 30 June 2017, 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 2017.

REVIEW OF ACCOUNTS

The audit committee has reviewed the unaudited interim results for the six months ended 30 June 2017 with the management of the Company.

FORWARD LOOKING STATEMENTS

This interim 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 by such statements.

By Order of the Board
CITIC DAMENG HOLDINGS LIMITED
Yin Bo
Chairman

Hong Kong, 26 July 2017

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

** For identification purpose only*