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

(incorporated in Bermuda with limited liability)

Stock Code: 1091

DAMENG

* For identification purpose only

Interim Report 2018

Contents

Corporate Information

Board of Directors

Executive Directors
Mr. Yin Bo (Chairman and Chief Executive Officer)
Mr. Li Weijian (Vice Chairman)

Non-executive Directors
Mr. Suo Zhengang
Mr. Lyu Yanzheng
Mr. Chen Jiqiu

Independent Non-executive Directors
Mr. Lin Zhijun
Mr. Tan Zhuzhong
Mr. Mo Shijian (Note)

Audit Committee

Mr. Lin Zhijun (Chairman)
Mr. Tan Zhuzhong
Mr. Mo Shijian (Note)

Remuneration Committee

Mr. Yin Bo
Mr. Li Weijian
Mr. Lin Zhijun
Mr. Tan Zhuzhong
Mr. Mo Shijian (Chairman) (Note)

Nomination Committee

Mr. Tan Zhuzhong (Chairman)
Mr. Yin Bo
Mr. Li Weijian
Mr. Lin Zhijun
Mr. Mo Shijian (Note)

Company Secretary

Mr. Lau Wai Yip

Registered Office

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

Headquarters in Hong Kong

23/F, 28 Hennessy Road,
Wanchai, Hong Kong

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Facsimile : (852) 2537 0168
E-mail : ir@citicdameng.com.hk

Principal Place of Business in the PRC

CITIC Dameng Building, No.18 Zhujin Road,
Nanning, Guangxi, PRC

Bermuda Principal Share Registrar and Transfer Office

Codan Services Limited
Clarendon House, 2 Church Street,
Hamilton HM 11, Bermuda

Hong Kong Branch Share Registrar and Transfer Office

Computershare Hong Kong Investor Services Limited
Shops 1712-1716, 17th Floor, Hopewell Centre,
183 Queen's Road East, Wanchai, Hong Kong

Auditor

Ernst & Young
Certified Public Accountants
22/F, CITIC Tower, 1 Tim Mei Avenue,
Central, Hong Kong

Authorized Representatives

Mr. Yin Bo
Mr. Lau Wai Yip

Principal Bankers

Agricultural Bank of China
Bank of China
China CITIC Bank
China Construction Bank
China Everbright Bank
China Guangfa Bank
DBS Bank
Industrial and Commercial Bank of China
Industrial Bank Co., Ltd
Shanghai Pudong Development Bank Co., Ltd

Stock Code

1091 (Mainboard of the Hong Kong Stock Exchange)

Company Website

www.dameng.citic.com

Note: Mr. Mo Shijian has resigned from his position as an independent non-executive Director of the Company with effect from 21 July 2018. Upon his resignation, he has ceased to be the Chairman of the remuneration committee and a member of the audit committee and nomination committee of the Company.

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

Six months ended 30 June 2018

	Notes	Six months ended 30 June 2018 HK$'000 (Unaudited)	 2017 HK$'000 (Unaudited)
REVENUE	4	**3,263,124**	2,746,733
Cost of sales		**(2,985,143)**	(2,356,360)
Gross profit		**277,981**	390,373
Other income and gains	4	**203,118**	80,724
Selling and distribution expenses		**(52,276)**	(44,717)
Administrative expenses		**(181,953)**	(155,269)
Finance costs	5	**(128,469)**	(105,460)
Other expenses		**(6,647)**	(2,804)
Share of losses of associates		**(1,526)**	(17,303)
Operating profit		**110,228**	145,544
Loss on deemed disposal of an associate	6	**–**	(69,365)
PROFIT BEFORE TAX	6	**110,228**	76,179
Income tax credit/(expense)	7	**3,791**	(9,231)
PROFIT FOR THE PERIOD		**114,019**	66,948
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		**(36,998)**	54,483
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		**77,021**	121,431
Profit/(loss) attributable to:			
Owners of the parent		**85,884**	70,010
Non-controlling interests		**28,135**	(3,062)
		114,019	66,948
Total comprehensive income/(loss) attributable to:			
Owners of the parent		**52,222**	125,914
Non-controlling interests		**24,799**	(4,483)
		77,021	121,431
Earnings per share attributable to ordinary equity holders of the parent:	8		
– Basic		**HK cents 2.51**	HK cents 2.04
– Diluted		**HK cents 2.51**	HK cents 2.04

Interim Condensed Consolidated Statement of Financial Position

30 June 2018

	Notes	**30 June 2018 HK$'000 (Unaudited)**	31 December 2017 HK$'000 (Audited)
NON-CURRENT ASSETS			
Property, plant and equipment	10	**2,987,296**	3,060,707
Investment properties		**100,480**	101,203
Prepaid land lease payments	11	**455,437**	467,959
Intangible assets	12	**571,925**	590,512
Investments in associates	13	**986,449**	915,379
Deferred tax assets	14	**38,363**	34,456
Prepayments and deposits	17	**242,819**	243,411
Total non-current assets		**5,382,769**	5,413,627
CURRENT ASSETS			
Inventories	15	**860,042**	909,067
Trade and notes receivables	16	**1,656,892**	1,175,599
Prepayments, deposits and other receivables	17	**482,539**	355,967
Due from related companies	29	**28,942**	9,638
Due from an associate	13	**9,475**	11,053
Tax recoverable		**516**	11,755
Financial assets at fair value through profit or loss	18	**7,964**	8,154
Pledged deposits	19	**167,828**	188,202
Cash and cash equivalents	19	**1,106,716**	669,100
Total current assets		**4,320,914**	3,338,535
CURRENT LIABILITIES			
Trade and notes payables	20	**640,418**	736,737
Other payables and accruals	21	**889,509**	871,296
Interest-bearing bank and other borrowings	22	**3,594,453**	3,003,352
Due to related companies	29	**110,201**	118,660
Tax payable		**4,198**	2,108
Total current liabilities		**5,238,779**	4,732,153
NET CURRENT LIABILITIES		**(917,865)**	(1,393,618)
TOTAL ASSETS LESS CURRENT LIABILITIES		**4,464,904**	4,020,009
NON-CURRENT LIABILITIES			
Interest-bearing bank and other borrowings	22	**1,114,262**	744,845
Deferred tax liabilities	14	**196,018**	200,421
Other long-term liabilities		**27,130**	25,342
Deferred income	24	**83,374**	82,302
Total non-current liabilities		**1,420,784**	1,052,910
Net assets		**3,044,120**	2,967,099

Interim Condensed Consolidated Statement of Financial Position

30 June 2018

	Notes	30 June 2018 HK$'000 (Unaudited)	31 December 2017 HK$'000 (Audited)
EQUITY			
Equity attributable to owners of the parent			
Issued capital	25	**342,846**	342,846
Reserves	26	**2,607,131**	2,554,909
		2,949,977	2,897,755
Non-controlling interests		**94,143**	69,344
Total equity		**3,044,120**	2,967,099

Yin Bo
Director

Li Weijian
Director

Interim Condensed Consolidated Statement of Changes in Equity

Six months ended 30 June 2018

	Attributable to owners of the parent										
	Issued capital HK$'000	Share premium HK$'000	Contributed surplus HK$'000	Share option reserve HK$'000	Reserve funds HK$'000	Exchange fluctuation reserve HK$'000	Capital redemption reserve HK$'000	Accumulated losses HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total equity HK$'000
At 31 December 2017 and 1 January 2018 (audited)	342,846	3,352,902 *	(165,554) *	53,977 *	145,237 *	141,284 *	312 *	(973,249) *	2,897,755	69,344	2,967,099
Profit for the period	–	–	–	–	–	–	–	85,884	85,884	28,135	114,019
Other comprehensive loss for the period:											
Exchange differences on translation of foreign operations	–	–	–	–	–	(33,662)	–	–	(33,662)	(3,336)	(36,998)
Total comprehensive income/(loss) for the period	–	–	–	–	–	(33,662)	–	85,884	52,222	24,799	77,021
Provision for special reserve	–	–	–	–	24,515	–	–	(24,515)	–	–	–
Utilisation of special reserve	–	–	–	–	(24,203)	–	–	24,203	–	–	–
Transfer from accumulated losses (note 26(b))	–	–	–	–	1,504	–	–	(1,504)	–	–	–
At 30 June 2018 (Unaudited)	**342,846**	**3,352,902 ***	**(165,554) ***	**53,977 ***	**147,053 ***	**107,622 ***	**312 ***	**(889,181) ***	**2,949,977**	**94,143**	**3,044,120**

Interim Condensed Consolidated Statement of Changes in Equity

Six months ended 30 June 2018

	Attributable to owners of the parent										
	Issued capital HK$'000	Share premium HK$'000	Contributed surplus HK$'000	Share option reserve HK$'000	Reserve funds HK$'000	Exchange fluctuation reserve HK$'000	Capital redemption reserve HK$'000	Accumulated losses HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total equity HK$'000
At 31 December 2016 and 1 January 2017 (audited)	342,846	3,352,902	(171,679)	53,977	141,697	(4,286)	312	(1,110,560)	2,605,209	68,663	2,673,872
Profit/(loss) for the period	–	–	–	–	–	–	–	70,010	70,010	(3,062)	66,948
Other comprehensive income/(loss) for the period:											
Exchange differences on translation of foreign operations	–	–	–	–	–	55,904	–	–	55,904	(1,421)	54,483
Total comprehensive income/(loss) for the period	–	–	–	–	–	55,904	–	70,010	125,914	(4,483)	121,431
Provision for special reserve	–	–	–	–	18,503	–	–	(18,503)	–	–	–
Utilisation of special reserve	–	–	–	–	(17,688)	–	–	17,688	–	–	–
At 30 June 2017 (Unaudited)	**342,846**	**3,352,902**	**(171,679)**	**53,977**	**142,512**	**51,618**	**312**	**(1,041,365)**	**2,731,123**	**64,180**	**2,795,303**

* These reserve accounts comprise the consolidated reserves of HK$2,607,131,000 in the interim condensed consolidated statement of financial position (31 December 2017: HK$2,554,909,000).

Interim Condensed Consolidated Statement of Cash Flows

Six months ended 30 June 2018

	Note	Six months ended 30 June 2018 HK$'000 (Unaudited)	 2017 HK$'000 (Unaudited)
Net cash flows used in operating activities		**(118,958)**	(345,748)
Net cash flows used in investing activities		**(179,896)**	(64,609)
Net cash flows generated from financing activities		**741,292**	365,643
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		**442,438**	(44,714)
Cash and cash equivalents at beginning of period		**669,100**	989,510
Effect of exchange rate changes, net		**(4,822)**	20,933
CASH AND CASH EQUIVALENTS AT END OF PERIOD		**1,106,716**	965,729
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances	19	**1,274,544**	1,483,194
Less: Pledged deposits	19	**(167,828)**	(517,465)
Cash and cash equivalents at end of period		**1,106,716**	965,729

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 ores, manganese alloys 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 2018, the Company and its subsidiaries (collectively referred to as the "**Group**") had net current liabilities of HK$917.9 million (31 December 2017: HK$1,393.6 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 continues to restructure 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 continues to 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) At 30 June 2018, 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$829.7 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 abovementioned plans and measures, coupled with the undrawn long-term loan and profitability of the Group in the first half of 2018, 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 six months ended 30 June 2018 on a going concern basis.

2. Basis of preparation and accounting policies (continued)

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 2017, except for the adoption of the revised Hong Kong Financial Reporting Standards ("**HKFRSs**") (which also include HKASs and Interpretations) as disclosed below. The Group has adopted the following revised HKFRSs for the first time for the current period's interim condensed consolidated financial statements.

Amendments to HKFRS 2	*Classification and Measurement of Share-based Payment Transactions*
Amendments to HKFRS 4	*Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts*
HKFRS 9	*Financial Instruments*
HKFRS 15	*Revenue from Contracts with Customers*
Amendments to HKFRS 15	*Clarifications to HKFRS 15 Revenue from Contracts with Customers*
Amendments to HKAS 40	*Transfers of Investment Property*
HK(IFRIC)-Int 22	*Foreign Currency Transactions and Advance Consideration*
Annual Improvements 2014-2016 Cycle	*Amendments to HKFRS 1 and HKAS 28*

HKFRS 9

In September 2014, the HKICPA issued the final version of HKFRS 9, bringing together all phases of the financial instruments project to replace HKAS 39 and all previous versions of HKFRS 9. The standard introduces new requirements for classification and measurement, impairment and hedge accounting. The Group had adopted HKFRS 9 from 1 January 2018. The Group did not restate comparative information and recognised any material transition adjustments against the opening balance of equity at 1 January 2018. The impacts relate to the classification and measurement and the impairment requirements and are summarised as follows:

(a) *Classification and measurement*

Upon adoption of HKFRS 9, the classification and measurement of financial assets depends on two assessments: the financial asset's contractual cash flow characteristics and the entity's business model for managing the financial asset. The Group's listed bond investments of HK$7,964,000 as at 30 June 2018 are managed with a business model under which listed bond investments are held for trading. Accordingly, the listed bond investments are remained as financial assets at fair value through profit or loss upon the adoption of HKFRS 9.

(b) *Impairment*

HKFRS 9 requires an impairment on debt instruments recorded at amortised cost or at fair value through other comprehensive income, lease receivables, loan commitments and financial guarantee contracts that are not accounted for at fair value through profit or loss under HKFRS 9, to be recorded based on an expected credit loss model either on a twelve-month basis or a lifetime basis. The Group applies the simplified approach and records lifetime expected losses that are estimated based on the present values of all cash shortfalls over the remaining life of all of its trade receivables. Furthermore, the Group applies the general approach and records twelve-month expected credit losses that are estimated based on the possible default events on its other receivables within the next twelve months. The Group assessed that no significant financial effect on these interim condensed consolidated financial statement upon the initial adoption of the standard.

2. Basis of preparation and accounting policies (continued)

HKFRS 15

HKFRS 15, issued in July 2014, establishes a new five-step model to account for revenue arising from contracts with customers. Under HKFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in HKFRS 15 provide a more structured approach for measuring and recognising revenue. The standard also introduces extensive qualitative and quantitative disclosure requirements, including disaggregation of total revenue, information about performance obligations, changes in contract asset and liability account balances between periods and key judgements and estimates. The standard supersedes all previous revenue recognition requirements under HKFRSs. Either a full retrospective application or a modified retrospective adoption is required on the initial application of the standard. In June 2016, the HKICPA issued amendments to HKFRS 15 to address the implementation issues on identifying performance obligations, application guidance on principal versus agent and licences of intellectual property, and transition. The amendments are also intended to help ensure a more consistent application when entities adopt HKFRS 15 and decrease the cost and complexity of applying the standard. The Group had adopted the transitional provisions in HKFRS 15 to recognise the cumulative effect of initial adoption as an adjustment to the opening balance of retained earnings at 1 January 2018. In addition, the Group applied the new requirements only to contracts that are not completed before 1 January 2018.

The principal activities of the Group consist of (a) manganese mining, ore processing, downstream processing operations and sales of manganese products; and (b) the trading of manganese ores, manganese alloys and related raw materials.

The Group is required to deliver manganese ores and other downstream processing products according to the contract terms, which is expected to be the only performance obligation in the contract. The Group enters into contracts with its customers with specified terms and each party's rights and payment terms are identifiable. Pricing for individual commodities are stated in the contracts with the customers. There is no market-based or index-based pricing, and hence no variable consideration. Generally, no transaction price should be allocated as the sale of manganese ores and other downstream processing products is the only performance obligation within a contract. The Group has concluded that revenue from sale of its products should be recognised at the point in time when control of the assets is transferred to the customer, generally on delivery of these products. Therefore, the adoption of HKFRS 15 did not have an impact on the timing of revenue recognition. The impact on the amount of revenue to be recognised was further explained below.

Advances from customers

Advance payment is required for sales to certain customers in Mainland China and Hong Kong except in circumstances for credit sales. Prior to the adoption of HKFRS 15, the amount of revenue related to the advance payment was deferred and recognised in the statement of financial position within "Other payables and accruals". Upon the adoption of HKFRS 15, the Group renamed the deferred revenue related to advance payments to "Contract liabilities" within "Other payable and accruals".

2. Basis of preparation and accounting policies (continued)

Issued but not yet effective HKFRSs

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

Amendments to HKFRS 9	*Prepayment Features with Negative Compensation*[1]
Amendments to HKFRS 10 and HKAS 28 (2011)	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[4]
HKFRS 16	*Leases*[1]
HKFRS 17	*Insurance Contracts*[3]
HKFRS 19 Amendments	*Plan Amendments, Curtailment or Settlement*[2]
Amendments to HKAS 28	*Long-term Interests in Associates and Joint Ventures*[1]
HK(IFRIC)-Int 23	*Uncertainty over Income Tax Treatments*[1]
Annual Improvements 2015-2017 Cycle	*Amendments to a number of HKFRSs*[1]

1 Effective for annual periods beginning on or after 1 January 2019
2 Apply to plan amendments, curtailment or settlement that occur on or after 1 January 2019
3 Effective for annual periods beginning on or after 1 January 2021
4 No mandatory effective date yet determined

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 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 engages mainly in producing two types of materials: (i) alloying materials including Electrolytic Manganese Metal ("**EMM**"), manganese briquette and silicomanganese alloys; and (ii) battery materials of Electrolytic Manganese Dioxide ("**EMD**"), manganese sulfate, lithium manganese oxide and lithium nickel manganese cobalt oxide ("**NMC**");

(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 ores, EMM, manganese alloys and non-manganese metals, sales of scraps, 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, fair value gain/loss from the Group's financial instruments, as well as head office and corporate expenses are excluded from such measurement.

3. Operating segment information (continued)

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		Manganese downstream processing	Non-manganese processing	Others		
	PRC	Gabon	PRC	PRC	PRC & HK	Eliminations	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Six months ended 30 June 2018 (Unaudited)							
Segment revenue:							
Sales to external customers	77,090	4,317	1,797,843	–	1,383,874	–	3,263,124
Intersegment sales	70,360	–	–	–	–	(70,360)	–
Other revenue	5,371	52,319	30,642	–	100,594	–	188,926
Total	152,821	56,636	1,828,485	–	1,484,468	(70,360)	3,452,050
Segment results	(54,379)	53,566	178,986	–	88,835	–	267,008
Reconciliations:							
Interest income							14,192
Corporate and other unallocated expenses							(42,503)
Finance costs							(128,469)
Profit before tax							110,228
Income tax credit							3,791
Profit for the period							114,019
Assets and liabilities							
Segment assets	891,149	299,201	4,788,912	–	1,524,824	–	7,504,086
Reconciliations:							
Corporate and other unallocated assets							2,199,597
Total assets							9,703,683
Segment liabilities	420,707	30,101	1,333,427	–	220,200	–	2,004,435
Reconciliations:							
Corporate and other unallocated liabilities							4,655,128
Total liabilities							6,659,563

3. Operating segment information (continued)

	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 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

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	
	2018	2017
	HK$'000	HK$'000
	(Unaudited)	(Unaudited)
Revenue		
Sale of goods	**3,263,124**	2,746,733
Other income and gains		
Interest income	**14,192**	10,855
Gain on disposal of items of property, plant and equipment	**8,361**	3,166
Subsidy income	**9,342**	11,737
Subcontracting income	**52,319**	10,493
Compensation income	**84,204**	–
Sale of scraps	**14,093**	9,882
Rental income	**14,090**	9,966
Foreign exchange gain, net	**4,787**	3,445
Reversal of impairment loss of trade and other receivables, net	**–**	12,424
Others	**1,730**	8,756
	203,118	80,724

5. Finance costs

	Six months ended 30 June	
	2018	2017
	HK$'000	HK$'000
	(Unaudited)	(Unaudited)
Interest on loans wholly repayable within five years	**107,164**	81,384
Finance costs for discounted notes receivable	**12,013**	13,992
Other finance costs	**9,292**	10,084
	128,469	105,460

6. Profit before tax

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

	Notes	Six months ended 30 June 2018 HK$'000 (Unaudited)	2017 HK$'000 (Unaudited)
Cost of inventories sold		**2,981,685**	2,348,916
Write-down of inventories to net realisable value, net#		**3,458**	7,444
Depreciation	10	**174,279**	146,722
Amortisation of prepaid land lease payments	11	**6,547**	5,790
Amortisation of intangible assets	12	**11,770**	6,555
Auditor's remuneration		**2,006**	1,637
Minimum lease payments under operating leases, land and buildings		**8,688**	5,728
Employee benefit expense		**281,176**	230,726
Compensation income*		**(84,204)**	–
Gain on disposal of items of property, plant and equipment*		**(8,361)**	(3,166)
Foreign exchange differences, net*		**(4,787)**	(3,445)
Impairment/(reversal of impairment) of trade and other receivables, net*		**5,239**	(12,424)
Fair value loss on financial assets at fair value through profit or loss*		**224**	143
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" (note 4) or "Other expenses" in the interim condensed consolidated statement of profit or loss and other comprehensive income.

Note: In May 2017, 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.

7. Income tax credit/(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 credit/(expense) for the reporting period are as follows:

	Six months ended 30 June	
	2018	2017
	HK$'000	HK$'000
	(Unaudited)	(Unaudited)
Current – PRC		
Charge for the period	**(2,605)**	(2,314)
Current – Gabon		
Charge for the period	**(45)**	(2,561)
Deferred (note 14)	**6,441**	(4,356)
Total tax credit/(charge) for the period	**3,791**	(9,231)

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. Earnings per share attributable to ordinary equity holders of the parent

	Six months ended 30 June 2018 HK$'000 (Unaudited)	2017 HK$'000 (Unaudited)
The calculation of basic and diluted earnings per share are based on:		
Profit		
Profit attributable to ordinary equity holders of the parent, used in the basic earnings per share calculation	**85,884**	70,010

	Number of shares	
Shares		
Weighted average number of ordinary shares in issue during the period used in the basic earnings 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 2018 nor the six months ended 30 June 2017. No adjustment has been made to the basic earnings per share amounts presented for the six months ended 30 June 2018 nor the six months ended 30 June 2017 in respect of dilution as the share options outstanding had an anti-dilutive effect on the basic earnings per share amounts presented.

9. Dividend

The Board does not recommend the payment of any interim dividend for the six months ended 30 June 2018 (2017: Nil).

10. Property, plant and equipment

	30 June 2018 HK$'000 (Unaudited)	31 December 2017 HK$'000 (Audited)
At 1 January 2018/1 January 2017	**3,060,707**	2,990,656
Additions	**157,757**	203,629
Depreciation (note 6)	**(174,279)**	(335,224)
Disposals	**(8,602)**	(7,423)
Exchange realignment	**(48,287)**	209,069
At 30 June 2018/31 December 2017	**2,987,296**	3,060,707

As at 30 June 2018, the net carrying amounts of the Group's property, plant and equipment included amounts of buildings and plant, and machinery held under finance leases of HK$146,000 (31 December 2017: HK$20,000) and HK$186,502,000 (31 December 2017: HK$143,418,000), respectively.

Except for the above, none of the Group's interest-bearing bank and other borrowings were secured by the Group's property, plant and equipment as at 30 June 2018 and 31 December 2017.

At 30 June 2018, the Group was in the process of applying for the building ownership certificates of certain of its buildings with an aggregate net carrying amount of approximately HK$225,418,000 (31 December 2017: HK$235,263,000) and the Group also had buildings and construction in progress with an aggregate net carrying amount of approximately HK$91,627,000 (31 December 2017: HK$92,888,000) situated on certain land parcels which the Group was in the process of applying for land use rights certificates. The Directors are of the opinion that the aforesaid matter does not have any significant impact on the Group's financial position as at 30 June 2018.

11. Prepaid land lease payments

	30 June 2018 HK$'000 (Unaudited)	31 December 2017 HK$'000 (Audited)
At 1 January 2018/1 January 2017	**480,480**	454,564
Additions	**140**	4,624
Amortisation (note 6)	**(6,547)**	(12,069)
Exchange realignment	**(6,284)**	33,361
At 30 June 2018/31 December 2017	**467,789**	480,480
Current portion included in prepayments, deposits and other receivables	**(12,352)**	(12,521)
Non-current portion	**455,437**	467,959

At 30 June 2018, the Group leases certain of its leasehold lands with a net carrying amount of HK$108,764,000 (31 December 2017: HK$110,482,000) under operating lease arrangements with leases negotiated for terms from 1 to 5 years.

12. Intangible assets

	30 June 2018 HK$'000 (Unaudited)	31 December 2017 HK$'000 (Audited)
Mining rights and other intangible assets:		
At 1 January 2018/1 January 2017	**590,512**	569,817
Additions	**828**	3,627
Amortisation (note 6)	**(11,770)**	(19,086)
Disposal	**–**	(4,718)
Exchange realignment	**(7,645)**	40,872
At 30 June 2018/31 December 2017	**571,925**	590,512

13. Investments in associates and due from associates

	30 June 2018 HK$'000 (Unaudited)	31 December 2017 HK$'000 (Audited)
Share of net assets	**986,331**	915,261
Loan to an associate	**118**	118
At 30 June 2018/31 December 2017	**986,449**	915,379
Due from an associate	**9,475**	11,053

During the six months ended 30 June 2018, the Group had contributed HK$76,939,000 (equivalent to RMB64,960,000) to a limited partnership Ningbo Dameng Management Partnership (Limited Partnership) established in the PRC, which represented 34.9% of the equity interests of this partnership. The Group retains significant influence over this investment as the equity interests obtained is more than 20%, this investment is accounted for as an associate under equity method.

14. Deferred tax assets and liabilities

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

Deferred tax assets

	Deductible temporary differences HK$'000
At 1 January 2018 (Audited)	**34,456**
Deferred tax credited to profit or loss during the period (note 7)	**4,543**
Exchange realignment	**(636)**
At 30 June 2018 (Unaudited)	**38,363**

Deferred tax liabilities

	Fair value adjustments arising from acquisition of subsidiaries HK$'000	**Withholding taxes HK$'000**	**Fair value adjustments of investment properties and others HK$'000**	**Total HK$'000**
At 1 January 2018 (Audited)	**167,507**	**12,692**	**20,222**	**200,421**
Deferred tax credited to profit or loss during the period (note 7)	**(1,586)**	**–**	**(312)**	**(1,898)**
Exchange realignment	**(2,243)**	**–**	**(262)**	**(2,505)**
At 30 June 2018 (Unaudited)	**163,678**	**12,692**	**19,648**	**196,018**

15. Inventories

	30 June 2018 HK$'000 (Unaudited)	31 December 2017 HK$'000 (Audited)
Raw materials	**545,761**	602,600
Work in progress	**9,740**	5,369
Finished goods	**385,752**	384,591
	941,253	992,560
Less: Inventory provision	**(81,211)**	(83,493)
	860,042	909,067

16. Trade and notes receivables

	30 June 2018 HK$'000 (Unaudited)	31 December 2017 HK$'000 (Audited)
Trade receivables	**983,820**	837,632
Notes receivable	**719,532**	380,776
	1,703,352	1,218,408
Less: Provision for impairment	**(46,460)**	(42,809)
	1,656,892	1,175,599

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.

At 30 June 2018, trade receivables of HK$231,970,000 (31 December 2017: HK$209,452,000) and notes receivable of HK$112,329,000 (31 December 2017: Nil) due from a single customer, Guangxi Jinmeng Manganese Limited Company ("Guangxi Jinmeng") and its subsidiaries ("Guangxi Jinmeng Group"), mainly related to sales from trading business and subcontracting income, the remaining trade and notes receivables relate to a large number of diversified customers. At 30 June 2018, the abovementioned notes receivable of HK$112,329,000 (31 December 2017: 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 less than three months and the notes are interest bearing at 9.5% per annum.

The Group does not hold any collateral or other credit enhancements over its trade receivable balances. Trade receivables are non-interest-bearing.

16. Trade and notes receivables (continued)

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 2018 HK$'000 (Unaudited)	31 December 2017 HK$'000 (Audited)
Within one month	**484,587**	385,568
One to two months	**243,808**	140,090
Two to three months	**109,428**	147,712
Over three months	**99,537**	121,453
	937,360	794,823

Notes receivable represents: (a) bank acceptance notes of HK$564,918,000 (31 December 2017: HK$358,562,000) issued by banks in Mainland China which are secured and due before 31 December 2018 and (b) commercial acceptance notes of HK$154,614,000 (31 December 2017: HK$22,214,000) which are secured and due before 31 December 2018.

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 2018 HK$'000 (Unaudited)	31 December 2017 HK$'000 (Audited)
Within one month	**628,506**	216,750
One to two months	**47,021**	71,161
Two to three months	**13,122**	36,964
Over three months and less than six months	**30,883**	55,901
	719,532	380,776

Transferred financial assets that are derecognised in their entirety

At 30 June 2018, 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 RMB1,003,546,000 (equivalent to HK$1,188,600,000) (31 December 2017: RMB559,590,000, equivalent to HK$671,899,000). 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 six months ended 30 June 2018, 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.

16. Trade and notes receivables (continued)

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

	30 June 2018 HK$'000 (Unaudited)	31 December 2017 HK$'000 (Audited)
Neither past due nor impaired	**1,525,166**	998,245
Less than three months past due	**72,635**	159,244
Over three months past due	**24,090**	17,964
	1,621,891	1,175,453

Prior to 1 January 2018, in determining the recoverability of a trade receivable, the Group considers any change in the credit quality of the trade receivable from the date credit was initially granted up to the end of the reporting period and no impairment is considered necessary for those balances which are not past due at each reporting date.

Starting from 1 January 2018, the Group applied simplified approach to provide the expected credit losses prescribed by HKFRS 9.

As part of the Group's credit risk management, the Group uses debtors' ageing to assess the impairment for its customers because these customers consists of a large number of customers which share common risk characteristics that are representative of the customers' abilities to pay all amounts due in accordance with the contractual terms.

Based on the above assessment, provision for impairment of trade and notes receivables and movements therein are as follows:

	30 June 2018 HK$'000 (Unaudited)	31 December 2017 HK$'000 (Audited)
At 1 January 2018/1 January 2017	**42,809**	53,286
Impairment losses recognised	**4,720**	3,443
Impairment losses reversed	**–**	(16,890)
Amount written off as uncollectible	**(324)**	(406)
Exchange realignment	**(745)**	3,376
At 30 June 2018/31 December 2017	**46,460**	42,809

17. Prepayments, deposits and other receivables

Non-current portion

	30 June 2018 HK$'000 (Unaudited)	31 December 2017 HK$'000 (Audited)
Prepayments	**56,137**	42,870
Deposits	**186,682**	200,541
	242,819	243,411

Current portion

	30 June 2018 HK$'000 (Unaudited)	31 December 2017 HK$'000 (Audited)
Prepayments	**193,062**	90,078
Deposits and other receivables	**289,477**	265,889
	482,539	355,967

The above assets was after the provision of HK$14,904,000 (31 December 2017: HK$14,736,000), which were past due and impaired.

18. Financial assets at fair value through profit or loss

	30 June 2018 HK$'000 (Unaudited)	31 December 2017 HK$'000 (Audited)
Listed bonds investment, at market value	**7,964**	8,154

The above bonds investment as at 30 June 2018 and 31 December 2017 are held for trading and upon initial recognition were classified by the Group as financial assets at fair value through profit or loss.

19. Cash and cash equivalents and pledged deposits

	30 June 2018 HK$'000 (Unaudited)	31 December 2017 HK$'000 (Audited)
Cash and bank balances	**1,274,544**	857,302
Less: Pledged deposits for bank acceptance notes	**(167,828)**	(188,202)
Cash and cash equivalents as stated in the consolidated statement of financial position	**1,106,716**	669,100
Less: Non-pledged time deposits with original maturity of three months or more when acquired	**–**	(72,067)
Cash and cash equivalents as stated in the consolidated statement of cash flows	**1,106,716**	597,033

As at 30 June 2018, cash and bank balances of the Group denominated in RMB amounting to HK$1,004,651,000 (31 December 2017: HK$620,417,000) were deposited with banks in Mainland China. RMB is not freely convertible in the PRC into other currencies, however, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

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

20. Trade and notes payables

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

	30 June 2018 HK$'000 (Unaudited)	31 December 2017 HK$'000 (Audited)
Within one month	**371,780**	306,243
One to two months	**125,449**	162,738
Two to three months	**40,912**	108,902
Over three months	**102,277**	158,854
	640,418	736,737

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

21. Other payables and accruals

	30 June 2018 HK$'000 (Unaudited)	31 December 2017 HK$'000 (Audited)
Contract liabilities	**52,920**	53,720
Other payables	**606,471**	589,948
Accruals	**230,118**	227,628
	889,509	871,296

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

22. Interest-bearing bank and other borrowings

	30 June 2018			31 December 2017		
	Effective interest rate (%)	**Maturity**	**HK$'000 (Unaudited)**	Effective interest rate (%)	Maturity	HK$'000 (Audited)
Current						
Finance lease payables (note 23)	**6.32-8.70**	**2018-2019**	**148,034**	6.32-7.51	2018	89,488
Bank loans – secured (note (a))	**3.37-4.09**	**2018-2019**	**385,076**	2.83-2.95	2018	238,381
Bank loans – unsecured	**4.35-5.89**	**2018-2019**	**2,740,817**	3.92-5.29	2018	2,166,180
Current portion of long-term bank loans – unsecured	**4.75, LIBOR+2.60**	**2018-2019**	**320,526**	3.83-4.99, LIBOR+2.60	2018	393,270
Other loans – unsecured (note (b))	**–**	**–**	**–**	4.73	2018	116,033
			3,594,453			3,003,352
Non-current						
Finance lease payables (note 23)	**6.32-8.70**	**2019-2021**	**188,599**	6.32-7.51	2019-2020	137,849
Bank loans – unsecured	**4.75-5.46, LIBOR+2.60**	**2019-2020**	**925,663**	3.83-5.23, LIBOR+2.60	2019	606,996
			1,114,262			744,845
			4,708,715			3,748,197

	30 June 2018 HK$'000 (Unaudited)	31 December 2017 HK$'000 (Audited)
Analysed into:		
Bank loans repayable:		
Within one year or on demand	**3,446,419**	2,797,831
In the second year	**925,663**	528,625
In the third to fifth years, inclusive	**–**	78,371
	4,372,082	3,404,827
Other loans and finance leases repayable:		
Within one year or on demand	**148,034**	205,521
In the second year	**132,070**	109,525
In the third to fifth years, inclusive	**56,529**	28,324
	336,633	343,370
	4,708,715	3,748,197

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

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

	30 June 2018 HK$'000 (Unaudited)	31 December 2017 HK$'000 (Audited)
Trade receivables	**385,076**	238,381

(b) The balance as at 31 December 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$116,033,000) and bearing interest at a fixed rate of 4.73% per annum. The loan was repaid in June 2018.

(c) At 30 June 2018, except for bank and other borrowings of HK$875,141,000 (31 December 2017: HK$728,466,000) which were denominated in United States dollars, all borrowings were in Renminbi.

23. Finance lease payables

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

1) a principal of RMB157,500,000 (equivalent to HK$186,543,000) carrying effective interest at a rate of approximately 8.70% per annum and an one-off service fee of RMB110,250 (equivalent to HK$130,580) to the lessor and being secured by a cash deposit of RMB7,875,000 (equivalent to HK$9,327,000). The loan is repayable on 15 January 2021.

2) a principal of RMB300,000,000 (equivalent to HK$355,320,000) 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$8,300,000) payable to the lessor and being secured by a cash deposit of RMB24,000,000 (equivalent to HK$28,426,000). The loan is repayable on 5 August 2020.

3) a principal of RMB50,000,000 (equivalent to HK$59,220,000) 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$1,991,000) to the lessor and being secured by a cash deposit of RMB21,500,000 (equivalent to HK$25,465,000). The loan is repayable on 14 December 2019.

As at 30 June 2018, the Group's property, plant and equipment of its manganese downstream processing segment with net carrying amount of HK$186,648,000 (31 December 2017: HK$143,438,000) were held under the above finance leases. If no default occurs during the lease periods, the ownership of the property, plant and equipment shall automatically be transferred to the Group at a price of RMB700.

23. Finance lease payables (continued)

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

	Minimum lease payments 30 June 2018 HK$'000 (Unaudited)	Present value of minimum lease payments 30 June 2018 HK$'000 (Unaudited)	Minimum lease payments 31 December 2017 HK$'000 (Audited)	Present value of minimum lease payments 31 December 2017 HK$'000 (Audited)
Amounts payable:				
Within one year	**153,363**	**148,034**	94,114	89,488
In the second year	**138,417**	**132,070**	114,265	109,525
In the third to fifth years, inclusive	**62,383**	**56,529**	29,635	28,324
Total minimum finance lease payments	**354,163**	**336,633**	238,014	227,337
Future finance charge	**(17,530)**		(10,677)	
Total net finance lease payables	**336,633**		227,337	
Portion classified as current liabilities (note 22)	**(148,034)**		(89,488)	
Non-current portion (note 22)	**188,599**		137,849	

24. Deferred income

	30 June 2018 HK$'000 (Unaudited)	31 December 2017 HK$'000 (Audited)
At 1 January 2018/1 January 2017	**82,302**	80,851
Additions	**6,528**	4,106
Amortisation	**(4,253)**	(8,464)
Exchange realignment	**(1,203)**	5,809
At 30 June 2018/31 December 2017	**83,374**	82,302

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

25. Share capital

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

	30 June 2018 HK$'000 (Unaudited)	31 December 2017 HK$'000 (Audited)
Issued and fully paid: 3,428,459,000 (31 December 2017: 3,428,459,000) ordinary shares of HK$0.10 each	**342,846**	342,846

26. Reserves

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

	Notes	**30 June 2018 HK$'000 (Unaudited)**	31 December 2017 HK$'000 (Audited)
Share premium	(a)	**3,352,902**	3,352,902
Contributed surplus		**(165,554)**	(165,554)
Reserve funds	(b)	**147,053**	145,237
Share option reserve		**53,977**	53,977
Exchange fluctuation reserve		**107,622**	141,284
Capital redemption reserve		**312**	312
Accumulated losses		**(889,181)**	(973,249)
		2,607,131	2,554,909

(a) Share premium account represents the premium arising from the subscription of new ordinary shares.

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

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

27. Share option scheme

The Company operates a share option scheme (the "**Scheme**") for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. On 11 January 2011, the Company granted 103,000,000 share options to the directors and other employees of the Group under the Scheme upon payment of a nominal consideration of HK$1 by each of the grantees. The share options became effective on 11 January 2011 and, unless otherwise cancelled or amended, will remain in force for 10 years from that date.

Share options do not confer rights on the holders to dividends or to vote at shareholders' meetings.

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

	Six months ended 30 June 2018		Year ended 31 December 2017	
	Weighted average exercise price HK$ per share	**Number of options '000**	Weighted average exercise price HK$ per share	Number of options '000
At 1 January 2017, 31 December 2017, 1 January 2018 and 30 June 2018	**2.81**	**45,500**	2.81	45,500

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

At 30 June 2018:

Number of share options outstanding '000	**Exercise price HK$ per share**	**Exercise period**
11,375	**2.81**	**11 January 2012 to 10 January 2021**
11,375	**2.81**	**11 January 2013 to 10 January 2021**
22,750	**2.81**	**11 January 2014 to 10 January 2021**
45,500		

27. Share option scheme (continued)

At 31 December 2017:

Number of share options outstanding '000	Exercise price HK$ per share	Exercise period
11,375	2.81	11 January 2012 to 10 January 2021
11,375	2.81	11 January 2013 to 10 January 2021
22,750	2.81	11 January 2014 to 10 January 2021
45,500		

The fair value of the outstanding share options at the time of grant was estimated, using a binomial model, as HK$54,145,000 (31 December 2017: HK$54,145,000) (weighted average fair value of HK$1.19 each). No share option expense has been recognised by the Group during the six months ended 30 June 2018 and 2017 as all share options have been vested in 2014.

28. Commitments and contingencies

a) Operating lease commitments

i) As Lessor

The Group leases its investment properties and leasehold lands (note 11) under operating lease arrangements, with lease negotiated for terms ranging from 1 to 10 years (31 December 2017: 1 to 10 years).

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

	30 June 2018 HK$'000 (Unaudited)	31 December 2017 HK$'000 (Audited)
Within one year	**25,661**	25,329
In the second to fifth years, inclusive	**41,686**	55,222
After the fifth year	**128**	145
	67,475	80,696

During the six months ended 30 June 2018 and 2017, the Group has not recognised any contingent rentals receivable.

28. Commitments and contingencies (continued)

a) Operating lease commitments (continued)

ii) As Lessee

The Group leases certain of its offices and housing properties under operating lease arrangements. Leases for properties are negotiated for terms ranging from 1 to 12 years (31 December 2017: 1 to 12 years).

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

	30 June 2018 HK$'000 (Unaudited)	31 December 2017 HK$'000 (Audited)
Within one year	**7,167**	9,570
In the second to third years, inclusive	**6,410**	8,950
	13,577	18,520

b) Capital commitments

	30 June 2018 HK$'000 (Unaudited)	31 December 2017 HK$'000 (Audited)
Contracted, but not provided for:		
Acquisition of land and buildings	**169,299**	160,637
Acquisition of plant and machinery	**5,985**	13,081
Share of capital injection into a limited partnership	**130,331**	–
Total	**305,615**	173,718

28. Commitments and contingencies (continued)

c) Contingent liabilities

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

	Notes	**30 June 2018 HK$'000 (Unaudited)**	31 December 2017 HK$'000 (Audited)
Guarantees given to banks in connection with facilities granted to an associate	(i)	**312,682**	316,985
Guarantees given to Guangxi Dameng Manganese Industry Group Co., Ltd. ("Guangxi Dameng") in connection with loans provided to an investee	(ii)	**23,688**	24,014

(i) As at 30 June 2018, the outstanding bank loan of an associate, in which the Group has a 33% equity interest, was secured by the associate's lands and property, plant and equipment and guaranteed by the Group and the holding company of the associate, Guangxi Jinmeng, according to the shareholding percentage on a several basis.

As at 30 June 2018, the associate's banking facilities guaranteed by the Group and Guangxi Jinmeng amounted to RMB800,000,000 (equivalent to HK$947,520,000) and were utilised to the extent of RMB695,000,000 (equivalent to HK$823,158,000) (31 December 2017: RMB715,000,000, equivalent to HK$858,501,000) by the associate.

(ii) As at 30 June 2018, loans amounting to RMB20,000,000 (equivalent to HK$23,688,000) (31 December 2017: RMB20,000,000, equivalent to HK$24,014,000) provided by Guangxi Dameng to a company which the Group owns 10% equity interest is guaranteed by the Group in proportion to the equity interest held by the Group.

(b) A subsidiary of the Group is currently a defendant in a lawsuit brought by a party claiming that the subsidiary is liable for the losses owing to the termination of a subcontracting arrangement. Details are set out in the announcement issued by the Group on 11 December 2015. In 2017, the first trial was concluded and the subsidiary had successfully defended against the claim. The lawsuit is currently under appeal by the claimant. The directors, based on the advice from the Group's PRC legal counsel, believe that the subsidiary has a valid defence against the claim under appeal and, accordingly, have not provided for any claim arising from the litigation, other than legal and other costs.

29. Related party balances and transactions

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

	Notes	**Six months ended 30 June 2018 HK$'000 (Unaudited)**	2017 HK$'000 (Unaudited)
Sale of finished goods to a related company	(i)	**55,674**	39,516
Sale of finished goods to an associate	(i)	**153,757**	115,803
Purchase of raw materials from Guangxi Dameng and its subsidiaries	(i)	**3,768**	2,814
Purchase of raw materials from a related company	(i)	**6,412**	–
Purchase of finished goods from an associate	(i)	**2,332**	–
Mining drawing service provided by Guangxi Dameng	(ii)	**348**	320
Provision of water and electricity to Guangxi Dameng	(iii)	**34**	21
Provision of integrated service by Guangxi Dameng	(iv)	**2,067**	1,833
Rental income received from Guangxi Dameng	(v)	**483**	430
Maximum balance of bank deposits with related companies during the period	(vi)	**426**	1,393
Interest income on deposits placed with related companies	(vi)	**–**	5
Maximum balance of loans from Guangxi Dameng	(vii)	**–**	35,681
Interest expense on the borrowings provided by Guangxi Dameng	(vii)	**–**	6
Maximum balance of loans to an associate	(viii)	**–**	16,004
Interest income on loan provided to an associate	(viii)	**–**	809
Maximum balance of loans from a fellow subsidiary of Guangxi Dameng	(ix)	**100,286**	95,079
Interest expense on the borrowings provided by a fellow subsidiary of Guangxi Dameng	(x)	**4,381**	1,364

Notes:

(i) These sales and purchases were made at prices based on the mutual agreements between the parties.

(ii) These services were provided at prices based on the mutual agreements between the parties.

(iii) Reimbursement of electricity and water was based on the actual costs incurred.

(iv) Service fees were charged at a monthly amount of HK$344,000 (2017: HK$306,000) as mutually agreed by the parties.

(v) The rental income was made at rent based on the mutual agreement between the parties.

(vi) Maximum bank deposits with related companies during the period and related interest income were transacted in the usual and ordinary course of business of the Group.

(vii) For the six months ended 30 June 2017, a loan provided by Guangxi Dameng was unsecured and carried interest at 6.36% per annum.

(viii) For the six months ended 30 June 2017, a loan to an associate carried interest at 10% per annum.

(ix) For the six months ended 30 June 2018 and 2017, a loan provided by a fellow subsidiary of Guangxi Dameng carries interest at a rate of 7% per annum and is repayable on demand.

(x) The amount represents interest charged by a fellow subsidiary of Guangxi Dameng with regards to a loan detailed in (ix).

29. Related party balances and transactions (continued)

(b) Other transactions with related parties

The Group has provided a guarantee to a bank in connection with facilities granted to the associate, Dushan Jinmeng Manganese Limited Company ("Dushan Jinmeng"), according to the shareholding structure on a several basis. At 30 June 2018, the banking facilities utilised by Dushan Jinmeng amounted to HK$823,158,000 (31 December 2017: HK$858,501,000), as detailed in note 28(c)(a)(i) to the financial statements.

(c) Outstanding balances with related parties

		30 June 2018 HK$'000 (Unaudited)	31 December 2017 HK$'000 (Audited)
i)	Due from related companies		
	Trade receivables	**24,717**	9,512
	Prepayments and other receivables	**4,225**	126
		28,942	9,638
ii)	Due to related companies		
	Trade payables	**–**	2,132
	Other payables	**110,201**	116,528
		110,201	118,660
iii)	Bank balances with related companies	**406**	412
iv)	Due from associates		
	Trade receivables (note)	**20,058**	149,614
	Other receivables	**9,475**	11,053
		29,533	160,667

Trade receivables from the Group's related companies are unsecured, non-interest-bearing and repayable on similar credit terms to those offered to the customers of the Group. The Group's prepayments and other receivables from related companies and associates are unsecured, non-interest-bearing and have no fixed terms of repayment.

Trade payables to the Group's related companies are non-interest-bearing and have no fixed terms of repayment. An unsecured amount in other payables to related companies carries interest at 7% per annum and is repayable on demand. The remaining balances of other payables to related companies are unsecured, non-interest-bearing and have no fixed terms of repayment.

Note: At 30 June 2018, included in trade receivables of HK$983,820,000 (31 December 2017: HK$837,632,000) (see note 16), there is a trade receivable due from an associate, Dushan Jinmeng, of HK$20,058,000 (31 December 2017: 149,614,000).

(d) Compensation of key management personnel of the Group

	Six months ended 30 June 2018 HK$'000 (Unaudited)	2017 HK$'000 (Unaudited)
Salaries, director fees, allowances and benefits in kind	**8,204**	8,358
Pension scheme contributions	**128**	110
Total compensation paid to key management personnel	**8,332**	8,468

30. Fair value of financial instruments

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

Financial assets

	Carrying amount		Fair value	
	30 June 2018 HK$'000 (Unaudited)	31 December 2017 HK$'000 (Audited)	**30 June 2018 HK$'000 (Unaudited)**	31 December 2017 HK$'000 (Audited)
Financial assets at fair value through profit or loss	**7,964**	8,154	**7,964**	8,154

Financial liabilities

	Carrying amounts		Fair values	
	30 June 2018 HK$'000 (Unaudited)	31 December 2017 HK$'000 (Audited)	**30 June 2018 HK$'000 (Unaudited)**	31 December 2017 HK$'000 (Audited)
Interest-bearing bank and other borrowings	**4,708,715**	3,748,197	**4,708,715**	3,748,197

Management has assessed that the fair values of cash and cash equivalents, pledged deposits, trade and notes receivables, trade and notes payables, financial assets included in prepayments, deposits and other receivables, financial liabilities included in other payables and accruals, amounts due from associates and amounts due from/ to related companies approximate to their carrying amounts largely due to the short-term maturities of these instruments. The fair value of financial assets at fair value through profit or loss is based on quoted market prices.

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

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

The fair values of interest-bearing bank and other borrowings have been calculated by discounting the expected future cash flows using rates currently available for instruments with similar terms, credit risk and remaining maturities. The Group's own non-performance risk for interest-bearing bank and other borrowings as at 30 June 2018 was assessed to be insignificant.

31. Events after the reporting period

Upon the passing of a special resolution on 25 July 2018 and with effect thereon, an amount of HK$3,352,902,000 standing to the credit of the share premium account of the Company was cancelled, and HK$700,000,000 of the credit arising from such cancellation was applied towards offsetting the accumulated losses of the Company and the remaining balance of HK$2,652,902,000 of the credit arising from such cancellation was transferred to the contributed surplus account of the Company.

32. Approval of the interim condensed consolidated financial statements

These interim condensed consolidated financial statements were approved and authorised for issue by the Board of Directors on 25 July 2018.

Financial Review

	1H 2018 HK$'000	1H 2017 HK$'000	Increase/(decrease) HK$'000	%
Revenue	**3,263,124**	2,746,733	516,391	18.8
Gross profit	**277,981**	390,373	(112,392)	(28.8)
Gross profit margin	**8.5%**	14.2%	–	(5.7)
Operating profit	**110,228**	145,544	(35,316)	(24.3)
Loss on deemed disposal of an associate	**–**	(69,365)	69,365	100.0
Profit before tax	**110,228**	76,179	34,049	44.7
Income tax credit/(expense)	**3,791**	(9,231)	13,022	141.1
Profit for the period	**114,019**	66,948	47,071	70.3
Profit attributable to owners of the parent	**85,884**	70,010	15,874	22.7
Profit/(loss) attributable to non-controlling interests	**28,135**	(3,062)	31,197	1,018.8
	114,019	66,948	47,071	70.3

Financial Highlights

- Revenue amounted to HK$3,263.1 million for 1H 2018, representing an increase of 18.8% from HK$2,746.7 million of 1H 2017.
- Gross profit amounted to HK$278.0 million for 1H 2018, representing a decrease of 28.8% from HK$390.4 million of 1H 2017. Gross profit margin was 8.5% for 1H 2018, representing a decrease of 5.7% from 14.2% for 1H 2017.
- Operating profit amounted to HK$110.2 million for 1H 2018, representing a decrease of 24.3% from HK$145.5 million in 1H 2017.
- The one-off non-cash loss of HK$69.4 million in 1H 2017, which represented a deemed disposal of interest in an associate upon its placing of new shares was not incurred in 1H 2018.
- Profit attributable to owners of the parent amounted to HK$85.9 million for 1H 2018 (1H 2017: HK$70.0 million).

Overview

In 1H 2018, the strong momentum of global economy experienced in 2017 is carried into the year 2018 and global economic growth keeps rising in 2018. However, the global economy will be affected by the following factors in the short-term. In the US, the tax policy changes are expected to stimulate investing activities of corporates in the short-term, in response to the corporate income tax cuts. The faster-than-expected inflation speeds up the normalisation of the interest rate in the US, which increases the price of financing for corporates and raising the possibiltiy of market corrections for rich valued assets. In China, since the year 2017, the economy has been stabilised and showed signs of improvement, however, the economy in the short-to-medium term is deeply shadowed by the recent outbreak of the US-China trade war, which is dampening global trade. The global economy in the year 2018 is full of ongoing uncertainties.

Management Discussion and Analysis

For the steel sector, the impact of successful implmentation of supply side reform brought forward from the year 2017 merits the whole industry in 1H 2018. On the other hand, the cooling down of the property investments constrained the upsurge of the steel price and demand in 1H 2018. In the short-to-medium term, the growth of demand for steel would come from government-led infrastructures and manufacturing sector upgrades, while it is expected that the growth will be relatively moderate because: (a) the magitude of de-leverage activities of the finance market in China will be increased; and (b) the Chinese economy matures gradually and begins to shift focus from manufacturing to consumption and services sectors. It is expected that the steel demand only remains steady in 2018 and the steel sector is still facing challenges ahead.

On the other hand, with the fast growing demand for portable electronics, hybrid and electric vehicles and other energy storage products in recent years, the market demand of battery materials grows rapidly. In response to the strong demand of battery materials, we had been cautiously expanding our battery material products (including EMD, manganese sulfate, lithium manganese oxide and NMC) in terms of production capacity and product type starting from 2016: (a) We had begun investing in production of NMC since 2016 and in 2H 2017, the production line of NMC commenced commercial production and therefore contributed to an increase in revenue in 1H 2018; (b) we had transformed our production line of lithium cobalt oxide to produce lithium manganese oxide from 2H 2017; (c) we had started building two production plants of lithium manganese oxide in our high-tech Chongzuo Base since 2H 2017 and the first plant commenced production in late June 2018 and the second plant will commence commercial production in around mid-2019. As a result, the revenue of battery material products recorded an increase of 58.3% to HK$316.4 million in 1H 2018 (1H2017: HK$199.9 million) and the gross profit contribution recorded an increase of 39.9% to HK$59.8 million in 1H 2018 (1H2017: HK$42.7 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. The unit production cost of our major products in 1H 2018 remains steady compared with 1H 2017. We will continue to seek various means to improve our production efficiency and control our costs.

All in all, as a result of decrease in selling price of manganese products in 1H 2018, the gross profit ratio and gross profit contribution of the Group's major products EMM and manganese briquette as compared with corresponding period, decreased.

Nevertheless, during 1H 2018, our 64%-owned subsidiary Hui Xing Group received a relocation compensation in cash amounting to HK$84.2 million (equivalent to RMB68.4 million) from the government for demolishment of properties and structures on a leasehold land expropriated by the government in prior years. The amount received was recognised as compensation income under "Other income and gains" in 1H 2018 (1H 2017: Nil).

In addition, the gross profit contribution of our battery material products increased by 39.9% to HK$59.8 million in 1H 2018. (1H 2017: HK$42.7 million).

In summary, the operating profit decreased by 24.3% to HK$110.2 million in 1H 2018 (1H 2017: HK$145.5 million).

In 1H 2017, 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 this item was one-off in 1H 2017, consolidated net profit attributable to owners of the parent in 1H 2018 improved to HK$85.9 million (1H 2017: HK$70.0 million).

Comparison with six months ended 30 June 2018

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

	Six months ended 30 June							
	2018				2017			
	Sales Volume (tonnes)	Average Selling Price (HK$/ Tonne)	Revenue (HK$'000)	% of Total Revenue (%)	Sales Volume (tonnes)	Average Selling Price (HK$/ Tonne)	Revenue (HK$'000)	% of Total Revenue (%)
Manganese mining and ore processing								
Gabon ore (note a)	9,101	474	4,317	0.1	515,922	578	298,024	10.9
Manganese concentrate	210,530	292	61,572	1.9	159,623	341	54,408	2.0
Natural discharging manganese powder and sand	5,623	2,760	15,518	0.5	8,138	2,393	19,472	0.7
Sub-Total	225,254	361	81,407	2.5	683,683	544	371,904	13.6
Manganese downstream processing								
Alloying materials								
EMM	71,341	12,896	919,989	28.2	73,212	13,012	952,649	34.7
Manganese briquette	22,401	13,129	294,111	9.0	20,129	13,594	273,642	10.0
	93,742	12,952	1,214,100	37.2	93,341	13,138	1,226,291	44.7
Silicomanganese alloy	28,738	8,627	247,937	7.6	16,439	7,209	118,512	4.3
Others	5,872	3,302	19,389	0.6	704	15,797	11,121	0.4
Sub-total of alloying materials	128,352	11,542	1,481,426	45.4	110,484	12,273	1,355,924	49.4
Battery materials								
EMD	14,563	9,668	140,788	4.3	11,704	8,222	96,232	3.5
Manganese sulfate	10,066	3,846	38,709	1.2	10,432	3,634	37,909	1.4
Lithium manganese oxide	1,145	63,929	73,199	2.2	356	49,660	17,679	0.6
NMC	291	218,973	63,721	2.0	–	–	–	–
Sub-total of battery materials	26,065	12,140	316,417	9.7	22,492	6,750	151,820	5.5
Sub-Total	154,417	11,643	1,797,843	55.1	132,976	11,338	1,507,744	54.9
Non-manganese processing								
Lithium cobalt oxide (note b)	–	–	–	–	208	231,240	48,098	1.7
Sub-Total, before other business	379,671	4,950	1,879,250	57.6	816,867	2,360	1,927,746	70.2
Other business								
Trading (note c)			1,383,874	42.4			818,987	29.8
Total			3,263,124	100.0			2,746,733	100.0

Note a: The Group entered into a subcontracting agreement with Guangxi Jinmeng, a shareholder of an associate of the Group, entrusting Guangxi Jinmeng with certain rights to operate the Group's Bembélé Manganese Mine in Gabon under the supervision of the Group and subject to certain conditions for a period of five years commencing from 1 March 2017. During the subcontracting period, the Group continues to control the strategy and significant matters of the mine's operation and the Group will receive a fixed income of RMB26,000,000 (equivalent to HK$31,985,000) per annum plus a variable income upon sale of ore mined by the subcontractor and determined with reference to the ore's selling price. The revenue and cost of sales from the ores of Bembélé Manganese Mine mined by Guangxi Jinmeng were not recognised in the Group's consolidated statement of profit or loss. Instead, the aggregate of fixed income and variable income abovementioned are recognised as subcontracting income under "Other income and gains" in the consolidated statement of profit or loss.

Note b: As lithium cobalt oxide price soared with that of cobalt since the start of 2017, some digital battery makers strengthened substitution of other materials for lithium cobalt oxide to reduce costs. Accordingly, in 1H 2018, we had transformed the production line of lithium cobalt oxide to produce lithium manganese oxide, therefore, there was no sale of lithium cobalt oxide during the period (1H 2017: 208 tonnes).

Note c: We had enlarged our scale of operations in trading business by commencing trading of non-manganese metals in China in April 2017, therefore, the revenue of trading business increased by 69.0% to HK$1,383.8 million in 1H 2018 (1H 2017: HK$819.0 million).

Appreciation of RMB in the Period

In 1H 2018, the average rate of exchange of RMB against Hong Kong Dollars strengthened by 8.7% compared with 1H 2017. The operations of the Group to a large extent are based in the PRC, major revenue and expenses are denominated in RMB which is also the functional currency of our PRC operations. As a result, the revenue and expenses items of the Group presented in Hong Kong Dollars in general increased due to RMB appreciation. The below analysis refer to factors in addition to change in exchange rate.

Revenue

In 1H 2018, the Group's revenue was HK$3,263.1 million (1H 2017: HK$2,746.7 million), representing an increase of 18.8% as compared with 1H 2017. The revenue increase was mainly due to: (a) increase in scale of operations in trading business which we commenced trading of non-manganese metals in China in April 2017; and (b) substantial increase in sales volume of silicomanganese alloy as our Qinzhou Ferroalloy Plant increased its production since 2H 2017. The above impact is partially offset by the decrease in sales volume of Gabon ores from Bembélé Manganese Mine in 1H 2018.

Manganese mining and ore processing – Revenue of manganese mining and ore processing segment decreased by 78.1% to HK$81.4 million (1H 2017: HK$371.9 million) was mainly due to the decrease in sales volume of Gabon ores in 1H 2018. In 1H 2017, we recommenced the sales of our Gabon ores from Bembélé Manganese Mine, and such sale represented the remaining inventories mined by the Group before our Gabon Bembélé Manganese Mine resumed operation in early 2017. The revenue of Gabon ores decreased in 1H 2018 as starting from early 2017 we recommenced our operation of Gabon Bembélé Manganese Mine under a subcontracting arrangement, details of which have been set out in page 39.

Manganese downstream processing – Alloying Materials – Revenue increased by 9.3% to HK$1,481.4 million in 1H 2018 (1H 2017: HK$1,355.9 milliion) and was mainly attributable to the followings:

(a) EMM and briquette together continues to be our major products in terms of revenue. However, as the market remains stagnant with the overall steel production in the PRC, our EMM production capacity and volume remained saturated in 1H 2018 with modest changes in revenue therefrom.

(b) The revenue of silicomanganese alloy increased by 109.2% to HK$247.9 million in 1H 2018 (1H 2017: HK$118.5 million), mainly attributable to the followings: (i) since 2H 2017, we increased our production of silicomanganese alloy amidst recovery of the alloy market and therefore the sales volume increased by 74.8% to 28,738 tonnes in 1H 2018 (1H 2017: 16,439 tonnes); and (ii) the average selling price of silicomanganese alloy increased by 19.7% to HK$8,627/tonne in 1H 2018 (1H 2017: HK$7,209/tonne).

Manganese downstream processing – Battery Materials – Revenue increased by 108.4% to HK$316.4 million (1H 2017: HK$151.8 million) and was mainly attributable to the followings:

The Group had been cautiously expanding our battery material products in terms of production capacity and product type starting from 2016 as follow: (a) we had begun investing in production of NMC since 2016 and in 2H 2017, the production line of NMC commenced commercial production and therefore contributed to an increase in revenue in 1H 2018; (b) we had transformed our production line of lithium cobalt oxide to produce lithium manganese oxide from 2H 2017 and this contributed to an increased sales volume of lithium manganese oxide by 221.6% to 1,145 tonnes in 1H 2018 (1H 2017: 356 tonnes).

As a result, the combined revenue of EMM and manganese briquette accounted for 37.2% (1H 2017: 44.7%) of our total sales.

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

	Six months ended 30 June							
	2018				2017			
	Cost of Sales (HK$'000)	Unit Cost of Sales (HK$/ Tonne)	Gross Profit/ (Loss) (HK$'000)	Gross Profit/ (Loss) Margin (%)	Cost of Sales (HK$'000)	Unit Cost of Sales (HK$/ Tonne)	Gross Profit/ (Loss) (HK$'000)	Gross Profit/ (Loss) Margin (%)
Manganese mining and ore processing								
Gabon ore	6,408	704	(2,091)	(48.4)	257,128	498	40,896	13.7
Manganese concentrate	68,928	327	(7,356)	(11.9)	44,299	278	10,109	18.6
Natural discharging manganese powder and sand	3,215	572	12,303	79.3	7,888	969	11,584	59.5
Sub-Total	78,551	349	2,856	3.5	309,315	452	62,589	16.8
Manganese downstream processing								
Alloying materials								
EMM	783,038	10,976	136,951	14.9	753,527	10,292	199,122	20.9
Manganese briquette	261,504	11,674	32,607	11.1	208,463	10,356	65,179	23.8
	1,044,542	11,143	169,558	14.0	961,990	10,306	264,301	21.6
Silicomanganese alloy	230,128	8,008	17,809	7.2	114,677	6,976	3,835	3.2
Others	17,232	2,935	2,157	11.1	9,655	13,714	1,466	13.2
Sub-total of alloying materials	1,291,902	10,065	189,524	12.8	1,086,322	9,832	269,602	19.9
Battery materials								
EMD	106,893	7,340	33,895	24.1	80,388	6,868	15,844	16.5
Manganese sulfate	29,658	2,946	9,051	23.4	27,076	2,595	10,833	28.6
Lithium manganese oxide	61,554	53,759	11,645	15.9	14,531	40,817	3,148	17.8
NMC	58,534	201,148	5,187	8.1	–	–	–	–
Sub-total of battery materials	256,639	9,846	59,778	18.9	121,995	5,424	29,825	19.6
Sub-Total	1,548,541	10,028	249,302	13.9	1,208,317	9,087	299,427	19.9
Non-manganese processing								
Lithium cobalt oxide	–	–	–	–	35,180	169,135	12,918	26.9
Sub-Total, before other business	1,627,092	4,286	252,158	13.4	1,552,812	1,901	374,934	19.4
Other business								
Trading	1,358,051		25,823	1.9	803,548		15,439	1.9
Total	2,985,143		277,981	8.5	2,356,360		390,373	14.2

Cost of Sales

Total cost of sales increased by HK$628.7 million or 26.7%, to HK$2,985.1 million in 1H 2018 (1H 2017: HK$2,356.4 million). The cost increase was primarily due to: (a) the increase in the cost of sale for trading business due to increase in scale of operations; (b) the increase in the production costs for silicomanganese alloy as production volume increased; and being partially offset by (c) the decrease in sales volume of Gabon ores.

The unit cost of manganese mining and ore processing decreased by 22.8% to HK$349/tonne (1H 2017: HK$452/tonne) and was mainly attributable to the decrease in sales volume of Gabon ores.

In 1H 2018, unit cost of EMM and manganese briquette increased by 8.1% to HK$11,143/tonne (1H 2017: HK$10,306/tonne).

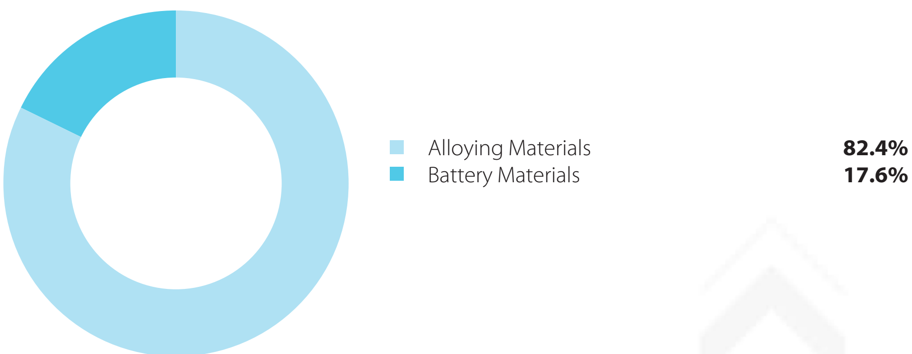
Gross Profit

In 1H 2018, the Group recorded a gross profit of HK$278.0 million (1H 2017: HK$390.4 million), representing a decrease of HK$112.4 million or 28.8%. The Group's overall gross profit margin was 8.5%, representing a decrease of 5.7% from 1H 2017 (1H 2017: 14.2%). The decreased in overall gross profit margin was mainly attributable to the decrease in selling price of our major products EMM and manganese briquette.

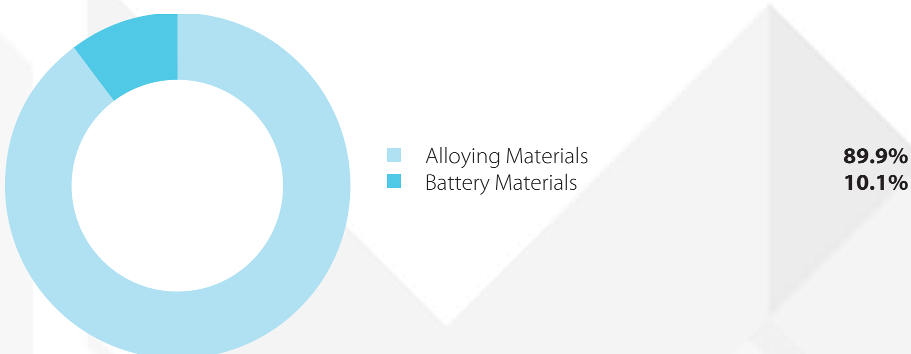
Growing Significance of Battery Materials

Revenue from Manganese Downstream Processing

For the six months ended 30 June 2018:

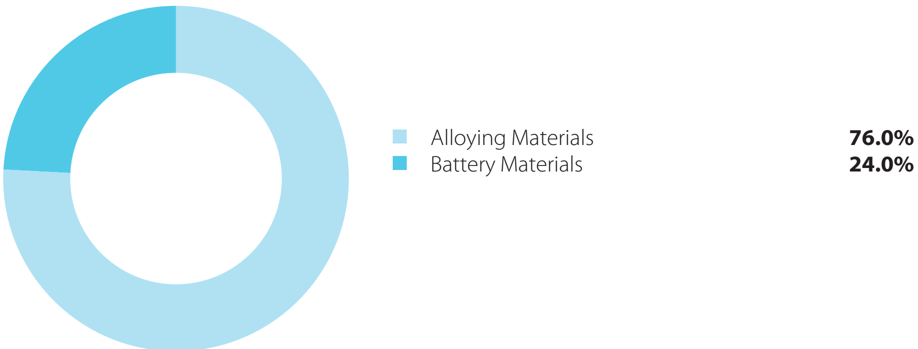


For the six months ended 30 June 2017:

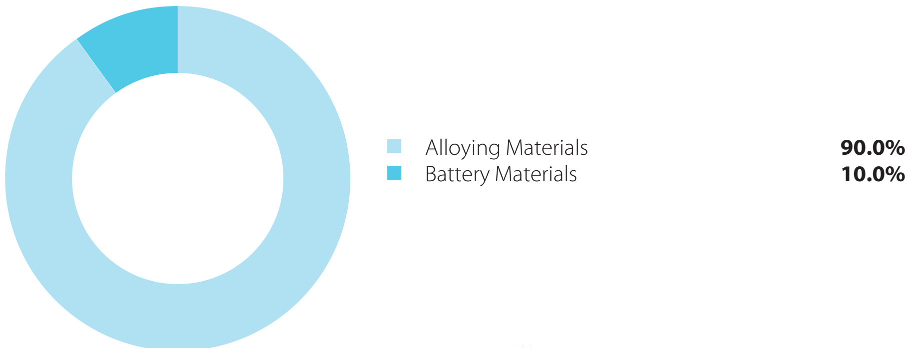


Gross profit from Manganese Downstream Processing

For the six months ended 30 June 2018:



For the six months ended 30 June 2017:



Other Income and Gains
Other income and gains increased by 151.6% to HK$203.1 million (1H 2017: HK$80.7 million). This was primarily due: (a) compensation income of HK$84.2 million in respect of relocation recognised during the period (1H 2017: Nil); and (b) subcontracting income from Bembélé Manganese Mine increased by 398.6% to HK$52.3 million in 1H 2018 (1H 2017: HK$10.5 million) due to increase in sales volume of ores mined by the subcontractor and accordingly, the profits shared therefrom.

Selling and Distribution Expenses
Selling and distribution expenses in 1H 2018 have increased by 16.9% to HK$52.3 million (1H 2017: HK$44.7 million) which was in line with our increase in sales volume of manganese downstream processing products.

Administrative Expenses
Administrative expenses have increased by 17.2% to HK$182.0 million (1H 2017: HK$155.3 million) which was mainly attributable to the upward adjustments of staff costs.

Finance Costs
In 1H 2018, our Group's finance costs increased by 21.8% to HK$128.5 million (1H 2017: HK$105.5 million) was mainly attributable to increase in the outstanding balances of interest-bearing borrowings and upward movements in interest rates.

Other Expenses
Other expenses amounted to HK$6.6 million (1H 2017: HK$2.8 million) which included impairment of trade and other receivables.

Share of Losses of Associates
Share of losses of associates of HK$1.5 million (1H 2017: HK$17.3 million) represents the net effect of:

(a) the share of profit of Dushan Jinmeng, a 33% associate of the Group, of HK$3.1 million (1H 2017: HK$2.7 million); and

(b) the share of loss of CPM, an associate we held 29.99% as at 30 June 2018, of HK$4.6 million (1H 2017: HK$20.0 million).

The loss reduction of CPM was mainly due to the improved mining operations.

Loss on Deemed Disposal of an Associate
In 1H2017, a non-cash 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 in May 2017.

In August and September 2017, the Group re-increased the equity interest in CPM from 24.84% to 29.99%, effectively reinstating our percentage holding in CPM to the level similar to just before the above dilution.

Income Tax Credit/(Expense)
In 1H 2018, the effective tax rate is -3.4% (1H 2017: 12.1%). The effective tax rate for 1H 2018 differs from the statutory tax rate of our major operations in the PRC mainly because there were tax losses not recognised and brought forward to set off against current period's taxable profits of our PRC operations.

Profit Attributable to Owners of the Parent
For 1H 2018, the Group's profit attributable to owners of the parent was HK$85.9 million (1H 2017: HK$70.0 million).

Earnings per Share
For 1H 2018, earnings per share attributable to ordinary equity holders of the Company was 2.51 HK cents (1H 2017: 2.04 HK cents).

Interim Dividend
The Board does not recommend the payment of any interim dividend for the six months ended 30 June 2018 (1H 2017: Nil).

Use of Proceeds from IPO

Up to 30 June 2018, we utilised the net proceeds raised from 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 30.06.2018 (HK$ Million)	% utilised	Amount utilised up to 31.12.2017 (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%	59	100.0%
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%	1,868	94.2%

Liquidity and Financial Resources

Cash and Bank Balances

As at 30 June 2018, the currency denomination of the Group's cash and bank balances including pledged deposits are as follows:

Currency denomination	30 June 2018 HK$ million	31 December 2017 HK$ million
Denominated in:		
RMB	**1,004.8**	620.4
HKD	**7.9**	13.2
USD	**223.4**	216.3
XAF	**38.4**	7.4
	1,274.5	857.3

As at 30 June 2018, our cash and bank balances including pledged deposits were HK$1,274.5 million (31 December 2017: HK$857.3 million) while the Group's borrowings amounted to HK$4,708.7 million (31 December 2017: HK$3,748.2 million). The Group's borrowings net of cash and bank balances amounted to HK$3,434.2 million (31 December 2017: HK$2,890.9 million).

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

Management Discussion and Analysis

Net Current Liabilities

As at 30 June 2018, the Group had net current liabilities of HK$917.9 million (31 December 2017: HK$1,393.6 million). The decrease in net current liabilities was mainly attributable to the drawdown of certain long-term borrowings, including a finance lease of HK$186.5 million (equivalent to RMB157.5 million) during the six months perioded ended 30 June 2018.

Bank and Other Borrowings

As at 30 June 2018, the Group's borrowing structure and maturity profile are as follows:

Borrowing structure	**30 June 2018 HK$ million**	31 December 2017 HK$ million
Secured borrowings (including finance lease payables)	**721.7**	465.7
Unsecured borrowings	**3,987.0**	3,282.5
	4,708.7	3,748.2

Maturity profile	**30 June 2018 HK$ million**	31 December 2017 HK$ million
Repayable:		
On demand or within one year	**3,594.5**	3,003.4
After one year and within two years	**1,057.7**	638.1
After two years and within five years	**56.5**	106.7
	4,708.7	3,748.2

Currency denomination	**30 June 2018 HK$ million**	31 December 2017 HK$ million
Denominated in:		
RMB	**3,833.6**	3,019.7
USD	**875.1**	728.5
	4,708.7	3,748.2

As at 30 June 2018, borrowings as to the amounts of HK$2,677.3 million (31 December 2017: HK$2,147.6 million) and HK$2,031.4 million (31 December 2017: HK$1,600.6 million), carry fixed and floating rate interest respectively. The fixed rate borrowings carry interest at rates ranging from 3.37% to 8.70%. 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 LIBOR plus a margin of 2.60%.

Overall, aggregate borrowings increased to HK$4,708.7 million (31 December 2017: HK$3,748.2 million). The Group are now exploring various means including short-term or medium-term notes and more long-term bank loans to improve borrowing structure in terms of interest rate level and repayment terms.

Charge on Group Assets

As at 30 June 2018, (a) property, plant and equipment of HK$186.6 million (31 December 2017: HK$143.4 million) were held under finance lease; (b) none else of the Group's property, plant and equipment (31 December 2017: Nil) were pledged to secure the Group's interest-bearing bank borrowings (except for finance lease payables mentioned in (a)); (c) bank balances of HK$167.8 million (31 December 2017: HK$188.2 million) were pledged to secure certain of the Group's bank acceptance notes; and (d) trade receivables of HK$385.1 million (31 December 2017: HK$238.4 million) were pledged to secure certain of the Group's bank borrowings.

Contingent Liabilities

(a) As at 30 June 2018, the outstanding bank loan of an associate, in which the Group has a 33% equity interest, was secured by the associate's lands and property, plant and equipment and guaranteed by the Group and the holding company of the associate, Guangxi Jinmeng, according to the shareholding percentage on a several basis.

As at 30 June 2018, the associate's banking facilities guaranteed by the Group and Guangxi Jinmeng amounted to RMB800,000,000 (equivalent to HK$947,520,000) and were utilised to the extent of RMB695,000,000 (equivalent to HK$823,158,000) (31 December 2017: RMB715,000,000, equivalent to HK$858,501,000) by the associate.

(b) At 30 June 2018, loans amounting to RMB20,000,000 (equivalent to HK$23,688,000) (31 December 2017: RMB20,000,000, equivalent to HK$24,014,000) provided by Guangxi Dameng to a company in which the Group owns 10% equity interest is guaranteed by the Group in proportion to equity interest held by the Group.

(c) A subsidiary of the Group is currently a defendant in a lawsuit brought by a party claiming that the subsidiary is liable for the losses owing to the termination of a subcontracting arrangement. Details are set out to in the announcement of the Group on 11 December 2015. In 2017, the first trial was concluded and the subsidiary had successfully defended against the claim. The lawsuit is currently under appeal by the claimant. The directors, based on the advice from the Group's PRC legal counsel, believe that the subsidiary has a valid defence against the claim under appeal and, accordingly, have not provided for any claim arising from the litigation, other than legal and other costs.

Key Financial Ratios of the Group

	30 June 2018	31 December 2017
Current ratio	**0.82**	0.71
Quick ratio	**0.66**	0.51
Net Gearing ratio	**116.4%**	99.8%

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 2018, current ratio and quick ratio improved mainly attributable to the drawdown of certain Long-term borrowings. Net gearing ratio increased as we continue to cautiously develop our trading business which was mainly financed by banks' trade loans.

Liquidity risk and going concern basis

The Group monitors its risk to a shortage of funds on an on-going basis by closely monitoring the maturity of both its financial instruments and financial assets and projected cash flows from operations. The Group's objective is to maintain sufficient working capital to finance its operations and meet its financial obligation as and when they fall due. At the same time, the Group will strive a balance between continuity of funding and flexibility through the use of short-term and long-term bank loans, finance leases, other interest-bearing borrowings and short-term and medium-term notes, taking also into account of the different pricing of various financing for each alternatives. Due consideration will also be given to equity financing alternatives.

Management Discussion and Analysis

In view of the Group's net current liabilities of HK$917.9 million at 30 June 2018 (31 December 2017: HK$1,393.6 million), 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 continues to restructure the mix of manganese products processing 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 continues to 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) At 30 June 2018, 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$829.7 million upon repayment when due, subject to the condition that the Group will be able to repay the total interest due on 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 a further 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 speeding up collection.

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 abovementioned plans and measures, coupled with the undrawn long-term loan and profitability of the Group, 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 six months ended 30 June 2018 on a going concern basis.

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, Guangxi Jinmeng, described below. The Group did not hold any collateral or other credit enhancements over its trade and notes receivable balances.

In 1H 2018, the largest customer of the Group by revenue is Guangxi Jinmeng which is principally engaged in manganese ferroalloy production, manganese ore trading and manganese mining in Gabon and the PRC. It maintains close business relationship with major steel plants in the PRC. The Group supplies manganese ores to Guangxi Jinmeng which is also our subcontractor in Gabon Bembélé Manganese Mine.

In 1H 2018, revenue of HK$461.6 million (1H 2017: HK$256.1 million) was derived from trading of manganese ores and revenue of HK$4.3 million (1H 2017: HK$216.7 million) was derived from sales of Gabon ores to Guangxi Jinmeng. In 1H 2018, total sales to Guangxi Jinmeng amounted to HK$465.9 million (1H 2017: HK$472.8 million), which accounted for 14.3% (1H 2017: 17.2%) of the Group's total sales. As at 30 June 2018, trade receivable from Guangxi Jinmeng was HK$232.0 million (31 December 2017: HK$209.5 million) and represents 23.6% (31 December 2017: 25.0%) of the Group's trade receivables, and notes receivable from Guangxi Jinmeng was HK$112.3 million (31 December 2017: Nil) and represents 15.6% of the Group's notes receivables.

Sales to Guangxi Jinmeng are on open account with a credit period ranging from about 75 days to 100 days from the date of receipt of goods, which can be extended for a further period of 90 days to 180 days subject to the Company's approval. Up to the date of this report, an aggregate amount of HK$23.5 million has been subsequently settled and the remaining unsettled balances 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, all our sales are denominated in United States dollars. 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.

Business Model and Strategy

The Group strives to be the global leading one stop and vertical integrated manganese producer while maintaining the Group's long term profitability and assets growth with adoption of flexible business model and strategy and prudent risk and capital management framework. We intend to adopt and implement the following strategies to achieve our objective:

(1) expand and upgrade our manganese resources and reserves through exploration and enhance our strategic control of manganese resources and reserves through mergers and acquisitions;

(2) enhance our operational efficiency and profitability; and

(3) establish and consolidate our strategic relationships with selected major customers and industry leading partners.

Future Development and Outlook

- On 15 June 2018, the Group entered into an agreement to establish a limited partnership, Ningbo Dameng Management Partnership (Limited Partnership) ("寧波大錳管理合夥企業(有限合夥)") in China and subscribe the interest therein as detailed in our announcement dated 15 June 2018. Pursuant to the agreement, the registered capital of the limited partnership is HK$593,384,000 (equivalent to RMB501,000,000), among which HK$207,270,000 (equivalent to RMB175,000,000) or 34.9% of the registered capital is to be contributed by the Group as a limited partner. The establishment of this partnership is for the purpose of merger and acquisition as well as integration of upstream and downstream companies in manganese industry, including manganese resources, manganese products, and ferroalloy manufacturing. Riding on our expertise in manganese industry, it is expected that the partnership can explore high potential investment opportunities and enhance the profitability of the Group.

- In recent years, the market for battery materials grows rapidly. Accordingly, we continue to cautiously expand our business of battery material products, including expanding our production capacity for one of our major battery material products lithium manganese oxide as follows: (a) we had transformed our production line of lithium cobalt oxide to produce lithium manganese oxide from 2H 2017; and (b) we had started building two production plants of lithium manganese oxide in our high-tech Chongzuo Base since 2H 2017 and the first plant commenced commercial production in late June 2018 and the second plant will commence commercial production in around mid-2019 respectively. The Group can speed up participating in this fast growing market upon completion of the above project.

Management Discussion and Analysis

- Since late May this year, the supply of EMM in the PRC was highly tightened due to (a) the partial suspension of a major producer in the North Western China; and (b) a month long follow up investigation and inspection of, amongst others, manganese ore and downstream producers in major manganese producing regions by the Ministry of Ecology and Environment of the PRC. Therefore, market price of EMM has recorded rocket price increase since late June 2018. Current market price of EMM is higher than the average price in the first half of year 2018 by more than 50%. Since mid-June, our Group has been able to reap from the above two factors as we have always been emphasizing the importance of environmental protection and work safety and therefore our production chain from ore mining to EMM downstream processing has not been affected by the recent environmental investigation and inspection initiated by the central government. But some EMM producers have been forced to close down their operations to do certain remedial actions before they can recommence production while some others have run out of ore feed upon mine closure of their suppliers again due to environmental issues. We cautiously expect that our Group will be able to realize substantial benefits in the second half of this year from our past investment in environmental protection.

- The 33% owned associate of the Group, Dushan Jinmeng, is a manganese ferroalloy producer in Guizhou, the PRC. Since 2013, Dushan Jinmeng, engaged 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. Ferromanganese alloy production of the first two furnaces commenced in December 2017. It is expected that by the beginning of 2019, half of the ferromanganese production furnaces and one self-use power plant will have been put into production, and the remaining half of the capacity will be put into production in mid-2019. Upon full production in 2019, Dushan Jinmeng will be 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. In addition, Dushan Jinmeng has commenced trading business in 2017.

- Riding on our expertise in manganese from mining to downstream processing and with the growing production capacity of ferroalloy of our Qinzhou Ferroalloy Plant and Dushan Jinmeng, we continue to cautiously develop our trading business of manganese ore, manganese ferroalloy and its related raw materials.

- Upon the recommencement of the mining operation of our Bembélé Manganese Mine in Gabon in 2017, we continue to explore China and overseas markets regarding our ores produced in Gabon. It is expected that Bembélé Manganese Mine will continue to contribute to our operating cash flow and profit.

- In terms of financing, we will continue our efforts to improve our liquidity and capital structure by exploring various alternatives from debt to equity and to raise necessary funds to finance our operations. In particular, we will put more weight on longer term financing than short term, taking into account of different pricing of various financing alternatives and due consideration will also be given to equity financing which can reduce our gearing ratio and have the possible advantage of expanding our shareholder base.

- The recent escalation of the US-China trade war is threatening the growth of China and global economies and exaggerating volatility to the currency markets. In addition, the trend of upward adjustment of US interest rate increases the financing costs of corporates. These factors increase the risks and costs of our business operations which to a large extent is currently situated in the upstream of the steel industry. The Group will continue to closely monitor the market conditions and may adjust the paces of our development and business strategy from time to time to overcome these challenges.

Employees are the root of our enterprise and underpinning our success. We treasure our employees as well as encourage and foster the development of talented and motivated individuals on an ongoing basis in order to support the development and growth of our diverse operations. It is one of our aims as an organization to strive to build a sense of responsibilities and achievement amongst all of our people in a positive working environment. We have comprehensive human resources policy, to provide employees with generous benefits and to protect their rights and interests.

Our Employees

As at 30 June 2018, we have a total of 7,671 employees (30 June 2017: 7,820), which is mainly located in Mainland China, representing 99.70% (30 June 2017: 99.74%). Over 37.64% 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 2018, our overall turnover rate was 2.50% (30 June 2017: 2.21%). In 2017, the Group's Bembélé Manganese Mine in Gabon resumed production, the headcount in Gabon As at 30 June 2018 set out below exclude the 277 (at 30 June 2017: 181) employees who worked for a subcontractor.

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

	As at 30 June					
	2018			2017		
Headcount by Location	**Male**	**Female**	**Total**	Male	Female	Total
Hong Kong	**9**	**7**	**16**	8	7	15
Mainland China	**5,229**	**2,419**	**7,648**	5,325	2,475	7,800
Gabon	**6**	**1**	**7**	5	0	5
Total:	**5,244**	**2,427**	**7,671**	5,338	2,482	7,820

Headcount by Age	**Hong Kong**		**Mainland China**		**Gabon**		**Group**	
	As at 30 June							
	2018	2017	**2018**	2017	**2018**	2017	**2018**	2017
60 and above	**1**	1	**31**	16	**0**	0	**32**	17
51-59	**4**	4	**1,208**	1,132	**0**	1	**1,212**	1,137
41-50	**3**	3	**3,533**	3,479	**1**	1	**3,537**	3,483
31-40	**6**	5	**1,957**	2,014	**5**	3	**1,968**	2,022
30 and below	**2**	2	**919**	1,159	**1**	0	**922**	1,161
Total:	**16**	15	**7,648**	7,800	**7**	5	**7,671**	7,820

Headcount by Employment Category	**Hong Kong**		**Mainland China**		**Gabon**		**Group**	
	As at 30 June							
	2018	2017	**2018**	2017	**2018**	2017	**2018**	2017
Senior	**3**	3	**6**	6	**2**	4	**11**	13
Middle	**3**	3	**87**	327	**3**	0	**93**	330
Professional	**4**	2	**809**	492	**0**	0	**813**	494
General	**6**	7	**6,746**	6,975	**2**	1	**6,754**	6,983
Total:	**16**	15	**7,648**	7,800	**7**	5	**7,671**	7,820

Human Resources Report

Our Employees (continued)

Employee Turnover

	Hong Kong		Mainland China		Gabon		Group	
	For the six months ended 30 June							
	2018	2017	**2018**	2017	**2018**	2017	**2018**	2017
Employee Turnover Number	**0**	5	**192**	168	**2**	0	**193**	173
Employee Turnover Rate	**0.00%**	33.33%	**2.50%**	2.10%	**28.57%**	0.00%	**2.50%**	2.21%

Employee Turnover Number by Location	For the six months ended 30 June **2018**	2017
Hong Kong	**0**	5
Mainland China	**192**	168
Gabon	**2**	0
Total:	**194**	173

Employee Turnover Number by Age	Hong Kong		Mainland China		Gabon		Group	
	For the six months ended 30 June							
	2018	2017	**2018**	2017	**2018**	2017	**2018**	2017
60 and above	**0**	0	**2**	0	**0**	0	**2**	0
51-59	**0**	0	**5**	15	**0**	0	**5**	15
41-50	**0**	1	**48**	31	**1**	0	**49**	32
31-40	**0**	4	**82**	58	**1**	0	**83**	62
30 and below	**0**	0	**55**	64	**0**	0	**55**	64
Total:	**0**	5	**192**	168	**2**	0	**194**	173

Development and Training

We place high importance on the training and development of our employees, so as to elevate their performance in their existing positions and to better prepare for their promotion in the future. All our employees are encouraged to participate sufficient degree of professional training in order to help to maximise their performance and realize their full potential. The importance we place on employee development and training is demonstrated by the significant amount of training our employees undertook during the six months ended 30 June 2018.

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

Percentage of Employees Trained by Employment Category	**Hong Kong**		**Mainland China**		**Gabon**		**Group**	
	For the six months ended 30 June							
	2018	2017	**2018**	2017	**2018**	2017	**2018**	2017
Senior	**67**	85	**100**	100	**100**	75	**91**	94
Middle	**67**	100	**65**	58	**100**	0	**66**	59
Professional	**75**	100	**70**	77	**0**	0	**70**	78
General	**100**	85	**87**	85	**50**	100	**87**	85

Average Training Hours per Employee by Employment Category	**Hong Kong**		**Mainland China**		**Gabon**		**Group**	
	For the six months ended 30 June							
	2018	2017	**2018**	2017	**2018**	2017	**2018**	2017
Senior	**16**	20	**16**	20	**16**	12	**16**	20
Middle	**8**	6	**17**	15	**8**	0	**17**	15
Professional	**10**	9	**25**	24	**0**	0	**25**	23
General	**1**	5	**23**	22	**5**	12	**23**	22
Total:	**35**	40	**81**	81	**29**	24	**81**	80

We held the 4th meeting of the first employee representative conference and the 2017 outstanding staff conference in March 2018.

Social Responsibilities Report

We are committed to ensuring the long-term sustainability of our businesses. Now we have over 7,600 employees in Hong Kong, Guangxi, Guizhou, China and Gabon, Africa. In addition to continue our long term goal to provide quality products to our valuable clients in an environmentally friendly manner, we are also keen to establish a quality operation system, to protect the safety and health of our employees and also to make a contribution to the surrounding community in which we have businesses.

Materiality

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

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

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

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

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

Basis of preparation

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

Basis of preparation (continued)

A summary of our key performance indicators in the aforesaid four critical areas for the six months ended 30 June 2018 is set out in the following table:

Critical Areas	Key performance indicators	For the six months ended 30 June 2018	2017
Safety Production and Labour Protection	Number of Fatalities (Note 1)	**0**	0
	Number of Injuries	**11**	20
	Number of Lost Days Caused by Injuries (Note 2)	**619**	922
Energy Savings and Environmental Protection	Electricity Consumption (kWh) (Note 3)	**819,071,682**	684,688,415
	Electricity Intensity (kWh per EMM (Tonnes)) (Note 4)	**6,710**	6,868
	Water Consumption (Tonnes) (Note 5)	**1,727,067**	928,731
	Greenhouse Gas Emission (Tonnes) (Note 6)	**18**	12
	Waste Slag Volume (Tonnes)	**545,382**	519,276
	Non-hazardous Waste produced (Tonnes) (Note 7)	**278,458**	218,148
	Total Packaging Material used for finished products	**573,841**	232,392
Quality Operation System Establishment, Employment Training and Growth	Number of Suppliers	**214**	205
	Number of Complaint against our Products	**3**	10
	Number of Complaints and/or Legal Cases regarding Corrupt Practices	**0**	0
	Number of Employees	**7,671**	8,001
	Female Ratio (percentage)	**31.7**	30.3
Social Contribution, Living Environment and Culture Development	Donation (HKD)	**190,074**	194,323

Notes:

1. Fatality is the death of an employee as a result of an occupational illness/injury/disease incident in the course of employment.

2. An occupational illness/injury/disease sustained by an employee causing him/her to miss one scheduled workday/shift or more after the day of the injury.

3. The figures include the total electricity consumption for our EMM, EMD and ferroalloy processing plants.

4. The figures include the consolidated average electricity usage (kWh) per EMM (tonnes) for our EMM production by Daxin EMM Plant, Daxin Manganese EMM Plant, Tiandeng EMM Plant and Guangxi Start EMM Plant.

5. The figures include the total water consumption for all subsidiaries and branches of the Group for the six months ended 30 June 2018, but for the six months ended 30 June 2017 we only include the figures for the total water consumption for the EMM, EMD and ferroalloy processing plants.

6. The figures include the greenhouse gas emission by Qinzhou Ferroalloy Plant.

7. The figures include the tailings produced by Daxin Mine, Tiandeng Mine, Changgou Manganese Mine and Bembélé Manganese Mine. Since Waifu Manganese Mine has not come into formal mining production, therefore no tailings were produced in Waifu Manganese Mine for the six months ended 30 June 2018.

Social Responsibilities Report

1. Safety Production and Labour Protection

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

During the six months ended 30 June 2018, our major measures are as follows:

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

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

(2) Strict Implementation of Safety Production Responsibility System:

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

(3) Establishment of Safety Production Standardization System:

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

(i) Daxin Branch maintained the qualification for second level safety standardization enterprise in respect of EMM plants and EMD plants;

(ii) Chongzuo Branch maintained the qualification for second level safety standardization enterprise; and

(iii) Qinzhou Ferroalloy Plant maintained the qualification for the second level safety standardization enterprise.

(4) Reinforcement of Production Safety Concept to Our Employees:

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

(i) We continued to carry out the "Everyday Check" safety activities (i.e. safety, facilities and 6s "three in one" consolidated supervision activities); and

(ii) We commenced "Safety Production Month" activities in June 2018 and carried out safety knowledge trainings, safety knowledge competition and first aid rescue etc. series of trainings regarding safety production during the activities.

(5) Strict Compliance with Labour Standards:

We prohibited the employment of child, forced or compulsory labour in any of our operations. During the six months ended 30 June 2018, we did not identify any operation or supplier as having significant risk of child labour, young workers exposed to hazardous work, or forced or compulsory labour.

1. Safety Production and Labour Protection (continued)

(6) Continuous Investment to the Safety Measures:

We committed to invest in our safety measures for labor protection, including protection accessories, dust prevention and noise removal facilities. During the six months ended 30 June 2018, we have conducted a review in respect of our workplaces regarding the existing adverse effect of occupational diseases and occupational diseases testing and enhanced the protection equipment with those dangerous positions so as to protect the health of our employees.

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

As a result of our continuous stringent control in respect of the production safety, we continued to keep zero fatalities and the number of injuries in respect of our employees continued to remain at a relatively low level. Set out below is a summary of the fatalities, number of injuries and loss of days caused by injuries during the six months ended 30 June 2018:

	For the six months ended 30 June	
Number of Fatalities (by Location)	**2018**	**2017**
Hong Kong	**0**	0
Mainland China	**0**	0
Gabon	**0**	0
Total:	**0**	0

	For the six months ended 30 June	
Number of Injuries (by Location)	**2018**	**2017**
Hong Kong	**0**	0
Mainland China	**11**	20
Gabon	**0**	0
Total:	**11**	20

	For the six months ended 30 June	
Number of Lost Days Caused by injuries (by Location)	**2018**	**2017**
Hong Kong	**0**	0
Mainland China	**619**	922
Gabon	**0**	0
Total:	**619**	922

1. Safety Production and Labour Protection (continued)

There was a substantial decrease in the number of injuries during the six months ended 30 June 2018, we continued to enhance the training towards such workers and actively implemented and reinforced our production safety measures, in order to protect the safety and health of our employees.

Compliance with Safety Production Rules and Regulations and Labour Standards

During the six months ended 30 June 2018, we continued to strictly follow all the prevailing laws and regulations regarding safety production and labour standards in Hong Kong, Mainland China and Gabon. To the best of our information and knowledge, there are no material non-compliance with the prevailing laws and regulations regarding safety production and labour standards by the Group during the six months ended 30 June 2018.

We held a safety training seminar titled "Life first, safe development" in June 2018.

Our female employees participated in the industrial knowledge training activities in March 2018.

2. Energy Savings and Environmental Protection

Strict Supervision of Resource Consumption

We continued to strictly monitor our resources consumption on an ongoing basis and electricity consumption (including intensity) and water consumption are our top priorities. Details are set out in the following table:

	For the six months ended 30 June	
	2018	**2017**
Electricity Consumption (kWh)	**819,071,682**	684,688,415
Electricity Intensity (kWh per EMM (Tonnes))	**6,710**	6,868
Water Consumption (Tonnes)	**1,727,067**	928,731

Reduction of Waste Production

Waste is a by-product of the construction, demolition and operation of our facilities. Due to the different nature of assets in our mining and downstream production process, different types of waste are generated. Throughout the whole production process from our upstream mining up to downstream operations, the biggest volume of hazardous wastes generated are greenhouse gas, waste water, and waste slag while the biggest volume of non-hazardous wastes generated are tailings. Beyond that, the volume of solid and liquid waste we generate is small and the risk of significant environmental spills or leakages is low.

(1) Greenhouse Gas Emissions

The greenhouse gas emissions is mainly caused during the ferroalloy production by Qinzhou Ferroalloy Plant. Beyond that, the greenhouse gas emissions by our other segment of business is relatively not significant and therefore we have not taken into account. Details are shown as below:

	For the six months ended 30 June	
	2018	**2017**
Greenhouse Gas Emission (Tonnes)	**18**	**12**

(2) Waste Water

Water is mainly used for our upstream mining operation and downstream EMM and EMD production. The largest volume of water we withdraw from water bodies is used for grinding of our manganese ores and electrolysis process of our EMM and EMD. However, the majority of the water is discharged back to their sources after appropriate treatment in accordance with local environmental laws and regulations to ensure no adverse environmental impact is introduced. Depending on site-specific conditions, operational situations and age, some of these were introduced in the design stage, and some were initiated after production.

(3) Waste Slag

Waste slags are by products of our various downstream productions. Such waste slags are processed with proper treatments before disposal. Details of our waste slags are shown as below:

	For the six months ended 30 June	
	2018	**2017**
Waste Slags Volumes (Tonnes)	**545,382**	519,276

2. Energy Savings and Environmental Protection (continued)

Reduction of Waste Production (continued)

(4) Non-hazardous Wastes-Tailings

Tailings are produced during the ore processing process of our upstream mining operation. All these tailings are non hazardous and are directed into our designated tailings dams and tailings storage facilities and when full, replantation will be carried out thereof in order to restore their original ecological structure. Details of tailings produced are as follows:

	For the six months ended 30 June 2018	2017
Tailings Production (Tonnes)	**278,458**	218,148

(5) Packaging Materials used for our finished products

Packaging bags are used to contain our finished products in accordance with the need of our customers. Details of our packaging bags used are as follows:

	During the six months ended 30 June 2018	2017
Packaging bags	**573,841**	232,392

The increase of our packaging bags used during the six months ended 30 June 2018 was mainly due to the increase in our product sales resulting in larger number of the packaging bags needed correspondingly.

We will continue to monitor the environmental effect in respect of our production, continuing to reduce our waste production, so as to minimize the impact on the surrounding ecosystem.

Energy Savings and Reduction: Continuous Research and Implementation

By strengthening our management method, improving our production facilities and streamlining our production process, we continued our research upon and implement various energy savings and reduction measures. During the six months ended 30 June 2018, we have implemented the following measures:

(1) Our upstream mining business:

(i) we progressively increased the mining scale and optimized the mining methods for the underground mining in Daxin Mine and open pit mining in Tiandeng Mine, thereby reducing mining costs;

(ii) we continued to strengthen the safety management of our mining operation, thereby improving production efficiency.

(2) Our downstream business:

(i) EMM business:

(a) we improved the metal recovery rate during our EMM production process, thereby reducing the unit consumption rate;

(b) we carried out safety rectification works in respect of safety and environmental risks for our EMM plants, thereby preventing the leakage of chemical liquids and the happening of safety and environmental accidents;

2. Energy Savings and Environmental Protection (continued)

Energy Savings and Reduction: Continuous Research and Implementation (continued)

(2) Our downstream business: (continued)

(i) EMM business: (continued)

(c) we carried out the construction of automatic feeding system for manganese powder, thereby achieving precise feeding and reducing production costs.

(ii) EMD business:

(a) we effectively reduced the rinsing times during our EMD production process, and used the recycled rinse water in a systematic manner, thereby reducing the energy consumption;

(b) we closely coordinated with Guinan sulfuric acid plant to ensure the stable supply of steam needed for EMD plant;

(c) we increased the chemical leaching efficiency to ensure our quality of electrolysis.

(iii) Manganese sulfate business:

(a) we increased our productivity by purchasing more dryers and adjusted the production formulas according to actual production need, thereby increasing the production efficiency;

(b) our new recovery furnaces continued to come into operation, which provided stable supply of raw materials to our manganese sulfate production, thereby improving the metal recovery rate.

Environmental Regulation: Compliance and Beyond

During the six months ended 30 June 2018, we have not breached any environmental rules or regulations which resulted in fines or prosecutions. We believe that rule compliance is only the minimum standard – we treat it as the floor to our environmental performance. We are committed to the responsible management of both the short and long-term impacts of our business on the environment. This commitment goes beyond compliance and applies to all stages of our business – from planning, building, operation, maintenance to the decommissioning of our facilities and equipment.

We keep to strengthen our investment in the mining safety management, thereby improving our production efficiency.

Our newly constructed high-purity manganese sulfate production line, which is equipped with advanced facilities and comply with environmental regulations

3. Quality Operation System Establishment, Employment Training and Growth

(1) Quality Operation System Establishment

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

(i) Supply Chain Management

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

During the six months ended 30 June 2018, the number of our suppliers are set out as follows:

Number of our suppliers	**For the six months ended 30 June 2018**	**2017**
Hong Kong	**1**	1
Mainland China	**208**	196
Gabon	**5**	8
Total	**214**	205

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

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

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

(ii) Product Quality Supervision

The whole production process, commencing from procurement, production up to after sales services, are strictly complied with ISO9001:2008 quality management requirement.

We continuously continued our improvements and researches on our production technique and have applied and were granted various patents licenses thereof. All our products strictly meet the national and our sector standards and our client's requirements. Among which, our major products, EMM, EMD and manganese sulfate are rewarded with recognition of "Quality products of Guangxi" since 2015 and have passed the inspection by the relevant PRC quality assessment bureau.

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

3. Quality Operation System Establishment, Employment Training and Growth (continued)

(1) Quality Operation System Establishment (continued)

(ii) Product Quality Supervision (continued)

As a result of our continuous stringent control in respect of the quality of our products, the complaints we received in respect of our products and/or recalled continued to remain at a low level. During the six months ended 30 June 2018, the complaints we received in respect of our products and/or recalled are as follows:

	For the six months ended 30 June 2018	2017
Number of products related complaints received and/or recalled	**3**	10

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

(iii) Probity Operating System Establishment

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

During the six months ended 30 June 2018, we have not received any complaints or any legal cases regarding corruption, details are as follows:

	For the six months ended 30 June 2018	2017
Number of Complaints and/or Legal Cases regarding Corrupt Practices	**0**	0

(iv) Our Code of Conduct and Personal Privacy Protection

All our management and staff are subject to our code(s) of conduct which we implement and review from time to time and such code(s) places them under specific obligations as to the ethics and principles by which our business is conducted. Non-compliance with the code(s) of conduct results in disciplinary action. Disciplinary measures are decided by the relevant line management. These measures are then subject to review and endorsement by the board of directors, in order to ensure the consistency and fairness of treatment.

We monitor and periodically document any complaints related to breaches of customer privacy and loss of customer data. No customer privacy and data loss cases have been reported or noted during the six months ended 30 June 2018.

3. Quality Operation System Establishment, Employment Training and Growth (continued)

(2) Employment Training and Growth

We continued to arrange trainings at all levels of our employees through multi-channels, multi-formats and multi-levels. The key statistics in respect of our training for our employees are set out in the Human Resources Report. In summary, various different training courses were held during the six months ended 30 June 2018, effectively improving the quality of staff, and promoting development of our employees.

For the six months ended 30 June 2018, our major training activities and projects are as follows:

(i) "2018 On-the-Job Training Course";

(ii) "Organization effectiveness diagnosis and human resources effectiveness improvement strategy training";

(iii) "Basic knowledge training in respect of the future of manganese products";

(iv) "The First CITIC Dameng Youth Development Forum"; and

(v) 2018 Safety Month Employee Safety Knowledge Training.

We held "The China's large-scale manganese mining technology and economic exchange" meeting in Daxin Mine in May 2018.

We held the "CITIC Dameng 13th Five-Year Development Plan forum" in January 2018.

4. Social Contribution, Living Environment and Culture Development

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

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

(i) We continued to carry out various charitable activities and offer series of poverty alleviation works through employment, education, training, etc. and to the villages or associations surrounding our mines and production plants.

(ii) We continued to offer our help and assistance to our employees particularly those in need, including the followings:

(a) Tiandeng Branch organised attendance visits, and gave condolences to our employees and old party members;

(b) Chongzuo Branch implemented school attendance for the children of our employees;

(c) Qinzhou New Materials Co., Ltd. offered our care to the disabled employees, and actively carried out the "28th National Day for assisting the Disabled", encouraging the disabled employees to build up the determined objectives for success.

In addition, we provided cooking oil, rice and other welfare materials as well as red banners to our employees during Chinese New Year festival and we offered our condolence to the patients, employees in need and elderly.

(iii) We continued to host or organize various cultural or sports activities to our employees or the surrounding villagers, including the followings:

(a) We organized voluntary plantation activities during the plantation day;

(b) We organized football and volleyball tournaments with the local government in Xialei Township, Daxin County, Guangxi, the PRC;

(c) We hosted, "Women's Day" game activities and free clinic services, "Labour Day" tag-of-war competitions and other activities.

We continue to care for the elderly and assist Dongping community nursing home located at Tiandeng County, Chongzuo City, Guangxi, the PRC to carry out the maintenance works.

Our employees participated in the 7th "Dameng Cup" football competition and donated the reward of the competition to the students of Xinfu Primary School in Xialei Township, Daxin County, Chongzuo City, Guangxi, the PRC in January 2018.

4. Social Contribution, Living Environment and Culture Development (continued)

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

We treasure serving our community and therefore, we spent money into the community where our businesses are situated. During the six months ended 30 June 2018, our cash donations to charities reached HK$190,074. Details are as follows:

	For the six months ended 30 June 2018	2017
Donation (HKD)	**190,074**	194,323

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

We set up school, canteen and hospital in the Bembélé Manganese Mine for the local employees as well as their families.

Summary of Our Manganese Mineral Resources and Our Manganese Ore Reserves

Below is the information on our mineral resources and ore reserves as of 30 June 2018:

Summary of our manganese mineral resources

Mining Block	Ownership Percentage	JORC Resource Category	Million Tonnes	Average Manganese Grade (%)	Million Tonnes	Average Manganese Grade (%)
			As of 30.6.2018		As of 31.12.2017	
Daxin Mine	**100%**	**Measured**	**3.86**	**25.24**	4.16	24.96
		Indicated	**61.79**	**21.43**	62.31	21.39
		Subtotal	**65.65**	**21.66**	66.47	21.62
		Inferred	**0.43**	**21.23**	0.43	21.23
		Total	**66.08**	**21.65**	66.90	21.62
Tiandeng Mine	**100%**	**Measured**	**0.56**	**18.26**	0.56	18.26
		Indicated	**2.76**	**16.76**	2.76	16.76
		Subtotal	**3.32**	**17.01**	3.32	17.01
		Inferred	**3.51**	**14.24**	3.51	14.24
		Total	**6.83**	**15.59**	6.83	15.59
Waifu Manganese Mine	**100%**	**Measured**	**–**	**–**	–	–
		Indicated	**–**	**–**	–	–
		Subtotal	**–**	**–**	–	–
		Inferred	**1.54**	**17.52**	1.54	17.52
		Total	**1.54**	**17.52**	1.54	17.52
Changgou Manganese Mine	**64%**	**Measured**	**2.55**	**20.45**	2.65	20.45
		Indicated	**14.67**	**20.32**	14.67	20.32
		Subtotal	**17.22**	**20.34**	17.32	20.34
		Inferred	**4.22**	**20.50**	4.22	20.50
		Total	**21.44**	**20.37**	21.54	20.37
Bembélé Manganese Mine	**51%**	**Measured**	**–**	**–**	–	–
		Indicated	**14.49**	**32.10**	14.99	31.99
		Subtotal	**14.49**	**32.10**	14.99	31.99
		Inferred	**12.37**	**32.74**	12.37	32.74
		Total	**26.86**	**32.40**	27.36	32.32
Total			**122.75**		124.17	

Summary of Our Manganese Mineral Resources and Our Manganese Ore Reserves

Summary of our manganese ore reserves

Mine	Ownership Percentage	JORC Resource Category	Million tonnes	Average Manganese Grade (%)	Million tonnes	Average Manganese Grade (%)
			As of 30.6.2018		As of 31.12.2017	
Daxin Mine	**100%**	**Proved**	**3.64**	**20.65**	3.94	20.71
		Probable	**59.26**	**18.90**	59.78	18.89
		Total	**62.90**	**19.01**	63.72	19.00
Tiandeng Mine	**100%**	**Proved**	**0.52**	**15.74**	0.52	15.74
		Probable	**2.64**	**15.61**	2.64	15.61
		Total	**3.16**	**15.64**	3.16	15.64
Waifu Manganese Mine	**100%**	**Proved**	**–**	**–**	–	–
		Probable	**–**	**–**	–	–
		Total	**–**	**–**	–	–
Changgou Manganese Mine	**64%**	**Proved**	**2.55**	**20.45**	2.65	20.45
		Probable	**14.67**	**20.32**	14.67	20.32
		Total	**17.22**	**20.34**	17.32	20.34
Bembélé Manganese Mine	**51%**	**Proved**	**–**	**–**	–	–
		Probable	**14.48**	**31.33**	14.98	31.36
		Total	**14.48**	**31.33**	14.98	31.36
Total			**97.76**		99.18	

Note: The figures of the aforesaid manganese resources and manganese ore resources are rounded to two decimal and those figures may show apparent addition errors.

Assumptions:

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

(1) (a) The manganese resources and manganese ore reserves for Daxin Mine, Tiandeng Mine and Bembélé Manganese Mine were based on the estimates per the independent technical review report as shown in the Company's Prospectus. The decreases of the amounts of manganese resources and manganese ore reserves during the period were largely due to mining activity. The period end amounts have been confirmed by internal experts.

(b) The manganese resources and manganese ore reserves for Changgou Manganese Mine are based on the estimate in accordance with《錳礦礦產資源儲量核實報告》(Manganese Resources Verification Report) dated November 2009 prepared by 中國冶金地質總局中南局南寧地質調查所 (ChinaYe Jin Di Zhi Zong Ju Zhong Nan Ju Nanning Di Zhi Diao Cha Suo). The period end amounts have been confirmed by our internal experts.

(c) The manganese resources and manganese ore reserves for Waifu Manganese Mine are based on the estimate in accordance with《靖西縣湖潤外伏錳礦礦產資源量核實地質報告評審意見書》(Accreditation Opinion of the Verified Geographical Resources Report of Waifu Manganese Mine, Jinxi)dated 17th July 2004 prepared by 南寧儲偉資源有限責任公司 (Nanning Qu Wei Resources Limited Company). The period end amounts have been confirmed by our internal experts.

(2) All material assumptions and technical parameters underpinning the estimates in the aforesaid independent technical reports continue to apply and have not materially changed.

Exploration, Development, and Mining Activities

I) Exploration

Overview

During the six months ended 30 June 2018, there were no significant progress in respect of our exploration works and we have not conducted any exploration drilling works which are largely due to: (1) the completion of the exploration works in Daxin Mine and Changgou Mine; (2) Waifu Manganese Mine still has not come into formal production; and (3) the exploration works in respect of the Bembélé Manganese Mine are still under preparation. During the period, our main focus was to continue the subsequent recordal for accreditation follow up in respect of the exploration works at Tiandeng Mine.

Daxin Mine

During the six months ended 30 June 2018, we have not entered into any contracts or commitments in respect of exploration work or conducted any exploration work at Daxin Mine.

Tiandeng Mine

During the six months ended 30 June 2018, the experts have completed the review of the detailed exploration report in respect of the exploration area located at 440 meters depth below the mining block of Tiandeng Mine which we submitted to the Department of Land and Resources of Guangxi Zhuang Autonomous Region, the PRC and we are now making the relevant amendments to the detailed exploration report according to the expert opinions in order to continue the recordal of the accreditation process in the next step.

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

Waifu Manganese Mine

During the six months ended 30 June 2018, we have not entered into any contracts or commitments in respect of exploration work or conducted any exploration work at Waifu Manganese Mine.

Changgou Manganese Mine

During the six months ended 30 June 2018, we have not entered into any contracts or commitments in respect of exploration work or conducted any exploration work at Changgou Manganese Mine.

Bembélé Manganese Mine

During the six months ended 30 June 2018, we have not entered into any contracts or commitments in respect of exploration work or conducted any exploration work at Bembélé Manganese Mine.

Exploration, Development, and Mining Activities (continued)

II) Development

Daxin Mine

During the six months ended 30 June 2018, our out sourced contractor, 廣西錫山礦業有限公司(Guangxi Xishan Mining Limited Company) continued the phase B 600,000 tonnes/year expansion project for the underground mining at Daxin Mine. As at 30 June 2018, the tunnel construction works in phase B amounted to 45,683 metres in length and the construction works in phase B amounted to 391,326 m^3.

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

Tiandeng Mine

During the six months ended 30 June 2018, we have not entered into any contracts or commitments in respect of the infrastructure development (including infrastructure construction, subcontracting arrangements or purchases of equipment) or conducted any infrastructure or development work at Tiandeng Mine.

Waifu Manganese Mine

During the six months ended 30 June 2018, we have not entered into any contracts or commitments in respect of the infrastructure development (including infrastructure constructions, subcontracting arrangements or purchases of equipment) or conducted any infrastructure or development work at Waifu Manganese Mine.

Changgou Manganese Mine

During the six months ended 30 June 2018, we have not entered into any contracts or commitments in respect of the infrastructure development (including infrastructure constructions, subcontracting arrangements or purchases of equipment) or conducted any infrastructure or development work at Changgou Manganese Mine.

Bembélé Manganese Mine

During the six months ended 30 June 2018, we have not entered into any contracts or commitments in respect of the infrastructure development (including infrastructure constructions, subcontracting arrangements or purchases of equipment) or conducted any infrastructure or development work at Bembélé Manganese Mine.

Exploration, Development, and Mining Activities (continued)

III) Mining activities

(1) Mining Operations

Daxin Mine

	1.1.2018-30.6.2018	1.1.2017-30.6.2017
Open pit mining		
Mine production (thousand tonnes)	**229**	392
Underground mining		
Mine production (thousand tonnes)	**645**	431
Total mine production (thousand tonnes)	**874**	823
Average manganese grade		
Manganese carbonate ore	**15.1%**	15.7%
Manganese oxide ore	**29.0%**	28.4%

Tiandeng Mine

	1.1.2018-30.6.2018	1.1.2017-30.6.2017
Open pit mining		
Mine production (thousand tonnes)	**100**	112
Average manganese grade		
Manganese carbonate ore	**11.2%**	11.4%
Manganese oxide	**–**	0

Waifu Manganese Mine

During the six months ended 30 June 2018, there was no mining production.

Changgou Manganese Mine

	1.1.2018-30.6.2018	1.1.2017-30.6.2017
Underground mining		
Mine production (thousand tonnes)	**97**	83
Average manganese carbonate grade	**16.7%**	16.3%

Bembélé Manganese Mine

	1.1.2018-30.6.2018	1.1.2017-30.6.2017
Open pit mining		
Mine production (thousand tonnes)	**505**	418
Average manganese oxide grade	**28.8%**	30.5%

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

Exploration, Development, and Mining Activities (continued)

III) Mining activities (continued)

(2) Ore processing operations

- Concentrating

Production (thousand tonnes)	1.1.2018-30.6.2018	1.1.2017-30.6.2017
Daxin Concentration Plant		
Concentrate production		
Manganese carbonate ore	**559**	498
Manganese oxide ore	**6**	50
Total	**565**	548
Average manganese grade of concentrate		
Manganese carbonate ore	**20.0%**	18.4%
Manganese oxide ore	**25.1%**	28.9%
Tiandeng Concentration Plant		
Manganese carbonate of concentrate	**0**	170
Average manganese grade of concentrate	**–**	11.4%
Bembélé Concentration Plant		
Concentrate production	**326**	251
Average manganese grade of concentrate	**34.7%**	37.4%

- Grinding

Production (thousand tonnes)	1.1.2018-30.6.2018	1.1.2017-30.6.2017
Daxin Grinding Plant		
Powder produced	**546**	569

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

IV) Downstream processing operations

(1) Manganese downstream processing operations

- EMM

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

Production (thousand tonnes)	1.1.2018-30.6.2018	1.1.2017-30.6.2017
Daxin EMM Plant	**49.9**	48.4
Daxin Manganese EMM Plant	**10.5**	12.8
Tiandeng EMM Plant	**19.0**	15.0
Start EMM Plant	**9.8**	10.1
Total	**89.2**	86.3

Exploration, Development, and Mining Activities (continued)

IV) Downstream processing operations (continued)

(1) Manganese downstream processing operations (continued)

- Manganese briquette

Production (thousand tonnes)	1.1.2018-30.6.2018	1.1.2017-30.6.2017
Chongzuo Branch	**22.1**	19.9

- Manganese sulfate

Production (thousand tonnes)	1.1.2018-30.6.2018	1.1.2017-30.6.2017
Daxin Manganese Sulfate Plant	**12.0**	13.4

- EMD

Production (thousand tonnes)	1.1.2018-30.6.2018	1.1.2017-30.6.2017
Daxin EMD Plant	**15.7**	13.7

- Silicomanganese alloy

Production (thousand tonnes)	1.1.2018-30.6.2018	1.1.2017-30.6.2017
Qinzhou Ferroalloy Plant	**28.9**	16.8

- Lithium manganese oxide

Production (thousand tonnes)	1.1.2018-30.6.2018	1.1.2017-30.6.2017
Chongzuo Branch	**1.20**	0.45

- Lithium cobalt nickel manganese oxide

Production (thousand tonnes)	1.1.2018-30.6.2018	1.1.2017-30.6.2017
Chongzuo Branch	**0.36**	0

(2) Non-manganese processing operations

- Lithium cobalt oxide

Production (thousand tonnes)	1.1.2018-30.6.2018	1.1.2017-30.6.2017
Chongzuo Branch	**0**	0.16

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

Exploration, Development, and Mining Activities (continued)

V) Exploration, development and mining cost of the Group

Expenses of exploration, development, and mining activities of the Group for the six months ended 30 June 2018 are set out below:

(HK$'000)

	Daxin Mine	Tiandeng Mine	Waifu Manganese Mine	Changgou Manganese Mine	Bembélé Manganese Mine	Total
Exploration activities						
Drilling and analysis	–	–	–	–	–	–
Transportation	–	–	–	–	–	–
Others	–	–	–	–	–	–
	–	–	–	–	–	–
Development activities (including mine construction)						
Purchases of assets and equipment	–	–	–	–	–	–
Construction of mines, tunnels and roads	–	–	–	–	–	–
Staff cost	–	–	–	–	–	–
Sub-contracting fee	–	–	–	–	–	–
Others	291	–	–	–	–	291
	291	–	–	–	–	291
Mining activities*						
Staff cost	1,617	3,626	–	8,392	–	13,635
Consumables	307	6,009	–	5,829	–	12,145
Fuel, electricity, water and other services	3,655	3,619	–	5,237	–	12,511
Transportation	3,632	1	–	–	–	3,633
Sub-contracting fee	178,501	1,484	–	38,642	–	218,627
Depreciation	16,395	1,467	–	3,286	–	21,148
Others	–	2,895	–	10,740	–	13,635
	204,107	19,101	–	72,126	–	295,334

(*Concentrating not included)

Code on Corporate Governance Practices

Throughout the six months ended 30 June 2018, 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

Since 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 2018, 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 2018.

Directors' and Chief Executive's Interests in Shares and Underlying Shares

As at 30 June 2018, the interests and short positions of the Directors and chief executive of the Company in the shares, underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) which are required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are deemed or taken to have under such provisions of the SFO) or which are required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein or pursuant to the Model Code and which have been notified to the Company and the Stock Exchange are as follows:

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

Note:

Mr. Mo Shijian has resigned to act as an independent non-executive Director of the Company with effect from 21 July 2018.

Share Option Scheme

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

	Number of share options								
Name and category of participant	At 1 January 2018	Granted during the period	Exercised during the period	Cancelled during the period	Lapsed during the period	At 30 June 2018	Date of grant	Exercise period (Note)	Exercise price per share HK$
Directors of the Company									
Mr. Li Weijian	15,000,000	–	–	–	–	15,000,000	11.1.2011	11.1.2012 to 10.1.2021	2.81
Mr. Chen Jiqiu	9,000,000	–	–	–	–	9,000,000	11.1.2011	11.1.2012 to 10.1.2021	2.81
Mr. Mo Shijian	1,000,000	–	–	–	–	1,000,000	11.1.2011	11.1.2012 to 10.1.2021	2.81
Mr. Tan Zhuzhong	1,000,000	–	–	–	–	1,000,000	11.1.2011	11.1.2012 to 10.1.2021	2.81
	26,000,000	–	–	–	–	26,000,000			
Non-directors	19,500,000	–	–	–	–	19,500,000	11.1.2011	11.1.2012 to 10.1.2021	2.81
	45,500,000	–	–	–	–	45,500,000			

Note:

(1) The vesting period of the share options is from the date of grant until the respective dates of commencement of the exercise periods. The exercise period is divided into three tranches, i.e. 25% after 10 January 2012, an additional 25% after 10 January 2013 and the remaining 50% after 10 January 2014.

(2) Mr. Mo Shijian has resigned to act as an independent non-executive Director of the Company with effect from 21 July 2018.

Substantial Shareholders' and Other Persons' Interests in Shares and Underlying Shares

As at 30 June 2018, according to the register kept by the Company pursuant to Section 336 of the SFO and, so far as is known to the Directors, the persons or entities who had an interest or a short position in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or who were, directly or indirectly, interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of the Company, or of any other company which is a member of the Group, or in any options in respect of such share capital are as follows:

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

Notes:

(a) The letter "L" denotes the long position in such Shares and the letter "S" denotes the short position in such Shares.

(b) CITIC Projects Management (HK) Limited ("**CITIC Projects**") is wholly owned by CITIC Corporation Limited ("**CITIC Corporation**"). CITIC Corporation is wholly owned by CITIC Limited (Stock Code: 267), which is owned as to 25.60% by CITIC Glory Limited and as to 32.53% by CITIC Polaris Limited. CITIC Glory Limited and CITIC Polaris Limited are wholly owned by CITIC Group Corporation. CITIC Group Corporation is a company established in the PRC.

(c) Highkeen Resources Limited is wholly owned by Group Smart Resources Limited ("**Group Smart**"), which is in turn wholly owned by Starbest Venture Limited ("**Starbest Venture**"). Starbest Venture is wholly owned by CITIC Resources, which is in turn owned as to 49.57% by Keentech Group Limited ("**Keentech**"). Keentech is wholly owned by CITIC Projects.

(d) Apexhill Investments Limited ("**Apexhill**") is wholly owned by CITIC Metal Group Limited ("**CITIC Metal**"), which is in turn wholly owned by Metal and Mining Link Limited ("**MML**"). MML is wholly owned by CITIC Corporation.

(e) Guinan Dameng International Resources Limited is wholly owned by Huanan Dameng Investments Limited ("**Huanan Dameng**"), which is in turn wholly owned by Guangxi Dameng.

(f) Hillhouse Capital Management, Ltd. is wholly owned by Gaoling Fund, L.P. Gaoling Fund, L.P. is a company incorporated under the laws of Cayman Islands.

Save as disclosed above, as at 30 June 2018, the Company has not been notified by any persons (other than the Directors and chief executive of the Company, whose interests are set out in the section "Directors' and chief executive's interests in shares and underlying shares" above), who had interests or short positions in the shares or underlying shares of the Company which would fall to be disclosable to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO.

Purchase, Redemption or Sale of Listed Securities of The Company

During the six months ended 30 June 2018, 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 2018.

Review of Accounts

The audit committee has reviewed the unaudited interim results for the six months ended 30 June 2018 with the management of the Company.

Events After the Reporting Period

Resignation of Independent non-executive Director

Mr. Mo Shijian has resigned to act as an independent non-executive Director of the Company with effect from 21 July 2018.

Share Premium Reduction

Upon the passing of a special resolution on 25 July 2018 and with effect thereon, an amount of HK$3,352,902,000 standing to the credit of the share premium account of the Company was cancelled, and HK$700,000,000 of the credit arising from such cancellation was applied towards offsetting the accumulated losses of the Company and the remaining balance of HK$2,652,902,000 of the credit arising from such cancellation was transferred to the contributed surplus account of the Company.

Forward Looking Statements

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

On behalf of the Board

Yin Bo
Chairman

Hong Kong, 25 July 2018

Glossary of Terms

Bembélé Concentration Plant	the concentration plant associated with Bembélé Manganese Mine
Bembélé Manganese Mine	a manganese mine located in Bembélé, Moyen-Ogooue Province, Gabon, the exploration rights and mining rights of which are owned by La Compagnie Industrielle et Commerciale des Mines de Huazhou (Gabon) (華州礦業(加蓬)工貿有限公司), a company in which we indirectly hold 51% equity interest
Board or Board of Directors	our board of Directors
Changgou Manganese Mine	貴州遵義匯興鐵合金有限責任公司長溝錳礦(Guizhou Zunyi Hui Xing Ferroalloy Limited Company Changgou Manganese Mine)
China or PRC	the People's Republic of China, but for the purpose of this interim report, excluding Hong Kong Special Administrative Region, Macau Special Administrative Region and Taiwan
Chongzuo Branch	中信大錳礦業有限責任公司崇左分公司(CITIC Dameng Mining Industries Co., Limited Chongzuo Branch)
CITIC Dameng Mining	中信大錳礦業有限責任公司(CITIC Dameng Mining Industries Co., Limited)
CITIC Group	中國中信集團有限公司(CITIC Group Corporation), a company incorporated under the laws of the PRC on 4 October 1979, and, except where the context may otherwise require, all of its subsidiaries, which is a Controlling Shareholder of our Company
CITIC Resources	CITIC Resources Holdings Limited, a company incorporated in Bermuda with limited liability on 18 July 1997 and listed on the Stock Exchange (Stock Code: 1205), which is a Controlling Shareholder of our Company
Company or our Company	CITIC Dameng Holdings Limited
Controlling Shareholder	has the meaning ascribed to it in the Listing Rules
CPM	China Polymetallic Mining Limited, a company incorporated in Cayman Islands with limited liability on 30 November 2009 and listed on the Stock Exchange (Stock Code: 2133)
Daxin Manganese	中信大錳大新錳業有限公司(CITIC Dameng Daxin Manganese Limited Company), formerly known as 廣西三錳龍礦業有限公司(Guangxi Sanmenglong Mining Limited Company)
Daxin Mine	中信大錳礦業有限責任公司大新錳礦(CITIC Dameng Mining Industries Co., Limited Daxin Manganese Mine)
Director(s)	the director(s) of our Company
Dushan Jinmeng	獨山金孟錳業有限公司(Dushan Jinmeng Manganese Limited Company)
EMD	electrolytic manganese dioxide
EMM	electrolytic manganese metal
Gabon	the Gabonese Republic
Group, we or us	the Company and its subsidiaries
Guangxi	Guangxi Zhuang Autonomous Region, the PRC
Guangxi Dameng	廣西大錳錳業有限公司(Guangxi Dameng Manganese Industrial Co., Ltd.), a state-owned limited liability company established under the laws of the PRC on 30 July 2001. Guangxi Dameng is wholly-owned by the government of Guangxi, PRC

Glossary of Terms

Guangxi Jinmeng	廣西金孟錳業有限公司(Guangxi Jinmeng Manganese Limited Company), a company established under the laws of the PRC, which holds approximately 67.0% equity interest in Dushan Jinmeng
Guangxi Start	廣西斯達特錳材料有限公司(Guangxi Start Manganese Materials Co., Ltd.)
Hong Kong or HK	the Hong Kong Special Administrative Region of the PRC
Hui Xing Company	貴州遵義匯興鐵合金有限責任公司 (Guizhou Zunyi Hui Xing Ferroalloy Limited Company)
Hui Xing Group	Hui Xing Company together with its subsidiaries (including 遵義中信大錳設備製造安裝有限公司 (Zunyi CITIC Dameng Equipment Manufacture and Installation Co., Ltd.))
IPO	the initial public offering and listing of Shares of the Company on the main board of the Stock Exchange on 18 November 2010
JORC	the Joint Ore Reserves Committee of the Australian Institute of Mining and Metallurgy
JORC Code	the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves 2012 edition, which is used to determine resources and reserves, and is published by JORC of the Australasian Institute of Mining and Metallurgy, the Australian Institute of Geoscientists and the Minerals Council of Australia
Listing	the listing of the Shares on the Main Board of the Stock Exchange
Listing Rules	the Rules Governing the Listing of Securities on the Stock Exchange (as amended from time to time)
NMC	Lithium Nickel Manganese Cobalt Oxide
Prospectus	the prospectus of the Company dated 8 November 2010
Qinzhou Ferroalloy Plant	the ferroalloy production plant located near Qinzhou Harbour and owned and operated by 中信大錳(欽州)新材料有限公司(CITIC Dameng (Qinzhou) New Materials Co., Ltd.), a company in which we indirectly hold 70% equity interest
Securities and Futures Ordinance or SFO	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
Shares	ordinary shares in the share capital of the Company, with a nominal value of HK$0.10 each
Stock Exchange	the Stock Exchange of Hong Kong Limited
substantial shareholder	has the meaning ascribed to it under the Listing Rules
Tiandeng Mine	中信大錳礦業有限責任公司天等錳礦(CITIC Dameng Mining Industries Co., Limited Tiandeng Manganese Mine)
tonne	metric tonne
Waifu Manganese Mine	中信大錳大新錳業有限公司靖西縣湖潤外伏錳礦(CITIC Dameng Daxin Manganese Limited Company Jingxi Hu Run Waifu Manganese Mine)
XAF	Central African CFA franc

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


DAMENG