DAMENG

CITIC Dameng Holdings Limited

中信大錳控股有限公司*

(incorporated in Bermuda with limited liability)

(Stock Code: 1091)

ANNOUNCEMENT OF INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2016

FINANCIAL HIGHLIGHTS

- Turnover amounted to HK$1,276.0 million for 1H 2016, representing a decrease of 5.6% from HK$1,351.6 million of 1H 2015.

- Loss attributable to owners of the parent decreased by 51.2% to HK$137.2 million for 1H 2016 (1H 2015: HK$280.9 million).

- Net cash inflows generated from operating activities increased by 189.4% to HK$551.4 million for 1H 2016 (1H 2015: HK$190.5 million).

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

Six months ended 30 June 2016

	Notes	Six months ended 30 June 2016 HK$'000 (Unaudited)	2015 HK$'000 (Unaudited)
REVENUE	*4*	**1,276,039**	1,351,568
Cost of sales		**(1,136,996)**	(1,309,870)
Gross profit		**139,043**	41,698
Other income and gains	*4*	**68,121**	43,691
Selling and distribution expenses		**(37,723)**	(46,399)
Administrative expenses		**(163,597)**	(221,863)
Finance costs	*5*	**(121,074)**	(134,263)
Other expenses		**(16,974)**	(8,224)
Share of losses of associates		**(23,613)**	(1,253)
LOSS BEFORE TAX	*6*	**(155,817)**	(326,613)
Income tax expense	*7*	**(917)**	(7,271)
LOSS FOR THE PERIOD		**(156,734)**	(333,884)
OTHER COMPREHENSIVE LOSS			
Other comprehensive loss to be reclassified to profit or loss in subsequent periods:			
– Exchange differences on translation of foreign operations		**(85,175)**	249
TOTAL COMPREHENSIVE LOSS FOR THE PERIOD		**(241,909)**	(333,635)

	Note	Six months ended 30 June 2016 HK$'000 (Unaudited)	2015 HK$'000 (Unaudited)
Loss attributable to:			
Owners of the parent		**(137,203)**	(280,913)
Non-controlling interests		**(19,531)**	(52,971)
		(156,734)	(333,884)
Total comprehensive loss attributable to:			
Owners of the parent		**(222,378)**	(280,686)
Non-controlling interests		**(19,531)**	(52,949)
		(241,909)	(333,635)
Loss per share attributable to ordinary equity holders of the parent:	*8*		
– Basic		**(HK cents 4.00)**	(HK cents 9.25)
– Diluted		**(HK cents 4.00)**	(HK cents 9.25)

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

30 June 2016

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

	Note	30 June 2016 HK$'000 (Unaudited)	31 December 2015 HK$'000 (Audited)
NON-CURRENT LIABILITIES			
Interest-bearing bank and other borrowings	*12*	**1,303,405**	1,504,989
Deferred tax liabilities		**199,502**	204,385
Other long-term liabilities		**18,188**	16,407
Deferred income		**97,536**	98,974
Total non-current liabilities		**1,618,631**	1,824,755
Net assets		**2,757,750**	2,999,643
EQUITY			
Equity attributable to owners of the parent			
Issued capital		**342,846**	342,846
Reserves		**2,325,223**	2,547,585
		2,668,069	2,890,431
Non-controlling interests		**89,681**	109,212
Total equity		**2,757,750**	2,999,643

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 June 2016

1. CORPORATE INFORMATION

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

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

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES

Basis of preparation

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

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

Significant accounting policies

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

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

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

Issued but not yet effective HKFRSs

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

HKFRS 9	*Financial Instruments*[1]
HKFRS 15	*Revenue from Contracts with Customers*[1]
HKFRS 16	*Leases*[2]

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

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

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

3. OPERATING SEGMENT INFORMATION

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

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

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

(b) Manganese downstream processing segment (PRC)

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

(c) Non-manganese processing segment (PRC)

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

(d) Others segment (PRC and HK)

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

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

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

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

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

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

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

4. REVENUE, OTHER INCOME AND GAINS

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

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

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

5. FINANCE COSTS

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

6. LOSS BEFORE TAX

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

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

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

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

7. INCOME TAX

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

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

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

Hong Kong profits tax

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

PRC corporate income tax ("CIT")

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

Gabon corporate income tax

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

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

	Six months ended 30 June	
	2016	2015
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
The calculation of basic and diluted loss per share are based on:		
Loss		
Loss attributable to ordinary equity holders of the parent, used in the basic loss per share calculation	**137,203**	280,913
	Number of shares	
Shares		
Weighted average number of ordinary shares in issue during the period used in the basic loss per share calculation	**3,428,459,000**	3,038,164,281

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

9. DIVIDEND

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

10. TRADE AND NOTES RECEIVABLES

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

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

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

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

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

Transferred financial assets that are derecognised in their entirety

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

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

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

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

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

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

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

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

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

11. TRADE AND NOTES PAYABLES

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

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

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

12. INTEREST-BEARING BANK AND OTHER BORROWINGS

	30 June 2016			31 December 2015		
	Effective interest rate (%)	**Maturity**	***HK$'000* (Unaudited)**	Effective interest rate (%)	Maturity	*HK$'000* (Audited)
Current						
Finance lease payables *(note 13)*	**5.60-7.51**	**2016-2017**	**238,494**	5.60-7.51	2016	243,211
Bank loans – secured *(note (a))*	**4.13**	**2017**	**206,879**	2.50-6.16	2016	477,261
Bank loans – unsecured	**3.48-4.83**	**2016-2017**	**1,014,828**	4.35-6.00	2016	1,045,594
Current portion of long-term bank loans – secured *(note (a))*	**LIBOR+2.15**	**2016**	**232,770**	LIBOR+2.15	2016	232,503
Current portion of long-term bank loans – unsecured	**5.51**	**2016-2017**	**494,325**	5.35-6.77	2016	514,442
Other loans – unsecured *(note (b), (c))*	**4.56-5.00**	**2016-2017**	**348,227**	5.04	2016	117,197
			2,535,523			2,630,208
Non-current						
Finance lease payables *(note 13)*	**7.51**	**2017-2020**	**211,568**	7.51	2017-2020	250,560
Bank loans – secured *(note (a))*	**4.00, LIBOR+2.15**	**2017-2018**	**564,167**	4.00, LIBOR+2.15	2017-2018	569,303
Bank loans – unsecured	**4.50-5.78**	**2017-2018**	**527,670**	4.75-6.46	2017-2018	685,126
			1,303,405			1,504,989
			3,838,928			4,135,197

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

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

	30 June 2016	31 December 2015
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Property, plant and equipment	–	85,115
Pledged deposits	**439,815**	442,574
	439,815	527,689

(b) The balance as at 31 December 2015 represents a loan borrowed by way of gold lease arrangement, with the principal of RMB98,188,000 (equivalent to HK$117,197,000) and bearing interest at a fixed rate of 5.04% per annum. The loan was repaid on 12 May 2016.

(c) The balances as at 30 June 2016 represent:

1) an entrusted loan with the principal of RMB200,000,000 (equivalent to HK$234,000,000) and bearing interest at a fixed rate of 5.00% per annum. The loan is repayable on 14 October 2016; and

2) a loan borrowed by way of gold lease arrangement, with the principal of RMB97,630,000 (equivalent to HK$114,227,000) and bearing interest at a fixed rate of 4.56% per annum. The loan is repayable on 26 May 2017.

(d) Except for bank and other borrowings of HK$463,486,000 (31 December 2015: HK$795,659,000) which were denominated in United States dollars, all borrowings were in Renminbi.

13. FINANCE LEASE PAYABLES

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

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

2) a principal of RMB142,000,000 (approximately HK$169,491,000) carrying interest at a fixed rate of 5.60% per annum. The loan is repayable on 16 December 2016.

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

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

	Minimum lease payments 30 June 2016 *HK$'000* **(Unaudited)**	**Present value of minimum lease payments 30 June 2016** *HK$'000* **(Unaudited)**	Minimum lease payments 31 December 2015 *HK$'000* (Audited)	Present value of minimum lease payments 31 December 2015 *HK$'000* (Audited)
Amounts payable:				
Within one year	**250,119**	**238,494**	259,511	243,211
In the second year	**79,761**	**70,810**	81,195	70,424
In the third to fifth years, inclusive	**149,194**	**140,758**	192,933	180,136
Total minimum finance lease payments	**479,074**	**450,062**	533,639	493,771
Future finance charge	**(29,012)**		(39,868)	
Total net finance lease payables	**450,062**		493,771	
Portion classified as current liabilities *(note 12)*	**(238,494)**		(243,211)	
Non-current portion *(note 12)*	**211,568**		250,560	

MANAGEMENT DISCUSSION AND ANALYSIS

Financial Review

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

Overview

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

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

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

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

(1) An improved gross profit margin which was mainly contributed by the decrease in unit cost of production;

(2) More stringent cost control measures were implemented and monitored, especially for administrative expenses;

(3) Inventory provision of HK$10.6 million (1H 2015: HK$45.3 million) was greatly decreased as the average selling price of manganese products became comparatively more stable in 1H 2016.

Comparison with six months ended 30 June 2016

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

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

Revenue

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

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

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

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

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

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

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

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

Cost of Sales

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

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

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

Gross Profit

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

Other income

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

Selling and Distribution Expenses

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

Administrative Expenses

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

Finance Cost

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

Other Expenses

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

Share of losses of associates

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

Income Tax

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

Loss Attributable to Owners of the Parent

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

Loss per share

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

Interim Dividend

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

Use of Proceeds from IPO

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

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

Use of Proceeds from Share Placing

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

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

Liquidity and financial resources

Cash and bank balances

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

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

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

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

Bank and other Borrowings

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

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

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

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

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

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

Credit risk

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

Interest rate risk

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

Foreign exchange risk

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

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

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

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

Charge on group assets

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

Net current liabilities

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

Key Financial Ratios of the Group

	30 June 2016	31 December 2015
Current ratio	**0.74**	0.84
Quick ratio	**0.55**	0.66
Net Gearing ratio	**107.5%**	110.9%

Current ratio	=	balance of current assets at the end of the period/balance of current liabilities at the end of the period
Quick ratio	=	(balance of current assets at the end of the period – balance of inventories at the end of the period)/balance of current liabilities at the end of the period
Net Gearing ratio	=	Calculated as net debt divided by equity attributable to owners of the parent. Net debt is defined as the sum of interest-bearing bank and other borrowings and medium-term notes less cash and cash equivalents and pledged deposits

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

Contingent liabilities

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

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

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

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

Events after the reporting period

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

Human Resources

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

Outlook

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

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

CODE ON CORPORATE GOVERNANCE PRACTICES

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

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

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

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

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

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

REVIEW OF ACCOUNTS

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

FORWARD LOOKING STATEMENTS

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

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

Hong Kong, 27 July 2016

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

* *For identification purpose only*