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 ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2018

FINANCIAL HIGHLIGHTS

- Revenue amounted to HK$6,736.2 million in 2018, representing an increase of 12.4% from HK$5,991.4 million in 2017.
- Gross profit amounted to HK$852.4 million in 2018, representing an increase of 52.3% from HK$559.8 million in 2017. Gross profit margin was 12.7% in 2018, representing an increase of 3.4% from 9.3% in 2017.
- Profit attributable to owners of the parent was HK$330.9 million in 2018, representing an increase of 135.0% from HK$140.9 million in 2017.
- As at 31 December 2018, net gearing ratio decreased to 96.0% (2017: 99.8%).

CHAIRMAN'S STATEMENT

Dear Valued Shareholders,

In 2018, while the global economy recorded a mild recovery, the international political and economy instability and uncertainty increased. The overall domestic economy of the PRC continued to undergo structural restructuring and reform. In respect of the domestic market, the key business of the Group, EMM sector, continued to undergo restructuring and the environmental preservation policies requirements continued to strengthen. On the other hand, with the fast growing demand for portable electronics, hybrid and electric vehicles and other energy storage products, the market consumption of battery materials grew rapidly. During the year, the manganese business sector recorded a structural change and the keen competition continued, thereby furthering the concentration level.

To cope with the complicated and volatile environment globally and in the PRC, the Group upheld the development principle while maintaining stability, optimised resource allocation and product mix, deepened the reform-and-innovation driven development strategy and strengthened its underlying quality and efficiency, so as to maintain smooth and stable growth, improve its market competitiveness and value on an ongoing manner, thereby facilitating the healthy and high quality development of the Group.

EXPANDING INCOME SOURCES AND REDUCING EXPENDITURES, LOWERING COSTS AND INCREASING EFFICIENCIES

During the year, the Group continued to adopt the strategy of expanding income sources and cost reduction into our various business segments and by gathering experience and deepening reform and innovation, expanded the income sources in a comprehensive manner and strictly implemented cost saving measures, which effectively strengthened the Group's management base and its overall competitiveness. In addition, the Group also continuously strived to its upgrade manufacturing techniques and knowhow for unit consumption reduction, thereby increasing its efficiency and kept close communication with raw material suppliers, in order to manage the unit production costs, maintaining the Group's market share in the manganese industry and strengthening the Group's leading industrial position. In 2018, the production costs of the Group's major products remained stable as compared to last year.

JUDGING THE SITUATION AND ADJUSTING THE STRATEGY

Capturing the growth of the global manganese market, the Group, keeping the development trend of the market in mind, has prudently structured and adjusted its production strategy through rationally allocating capital and resources with market orientation strategy and flexibly adjusting its operation strategy in accordance with market demands. During the year, the Gabon project of the Group increased its production, achieving manganese ore sales of 740,000 tonnes (including the sales under subcontracting arrangements). The subcontracting and profit sharing income from the Gabon project under the subcontracting arrangement together with the international ore trading driven thereby contributed an important portion of income to the Group during the year.

INNOVATION AND DIVERSIFIED DEVELOPMENT

The Group also constantly explored new development opportunities by actively reviewing various development areas, so as to expand diversified business development. Due to growing importance of the battery materials (including new energy products), the Group has prudently enhanced the battery materials product production and its product mix since 2016 and achieved remarkable results. During 2018, the revenue of battery materials product recorded a substantial growth and we have become the leading enterprise in the sector. Moreover, the Group also proactively entered into the international ores trading and continued to develop the ores, manganese alloy and related raw materials trading, which has obtained good development and generated substantial income to the Group.

FACING THE MARKET AND CAPTURING OPPORTUNITIES

The Group adhered to market-oriented policy and cautiously assessed the opportunities and challenges brought by new situations, closely monitored the market information and trends in order to capture the full advantage of market changes. The Group also adjusted its production, sales and trading strategies and improved its marketability and optimised the market competition strategies on a continuing basis and timely manner, thereby enhancing the Group's vitality, competitiveness, influence and anti-risk capabilities.

Encountered with the new opportunities and challenges, the management followed the market trend by capturing opportunities and overcoming challenges, made appropriate strategic decisions in line with market conditions and development trends and implemented various work tasks properly to achieve high quality development. In June 2018, the Group entered into an agreement with Cinda Asset Management Co., Ltd. to establish a limited partnership in the PRC, which engages in the merger and acquisition of the upstream and downstream enterprises of the manganese industry, covering manganese ore resources, manganese products and ferroalloy manufacturing as well as joint production. It successfully controlled 100% equity interest in Huiyuan Manganese which engages in production of EMD. This acquisition significantly strengthened our production capacity and subcategories of EMD, a niche product and also provided profit contribution in the year 2018 instantly, producing encouraging results during the year. In addition, Dushan Jinmeng, an associate of the Group, is expected to come into full operation in 2020, and then it will become a major integrated ferromanganese alloy plant in the PRC.

Looking forward, the Group will continue to expand its income sources by exploring new source of income, actively looking for and prudently assess quality investment projects which are fit with its development strategies and further expand the Group's business scale and asset base.

SINCERE GRATITUDE AND JOINTLY COMPOSING A NEW CHAPTER

On behalf of the Board, I would like to take this opportunity to express my gratefulness to Directors, the management and all staff for their hard work and cooperation. I also hereby deliver my greatest sincere appreciation for the long-term understanding and support of our shareholders, clients and business partners.

Yin Bo
Chairman

20 February 2019

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

Year ended 31 December 2018

	Notes	2018 HK$'000	2017 HK$'000
REVENUE	3	**6,736,228**	5,991,436
Cost of sales		**(5,883,855)**	(5,431,683)
Gross profit		**852,373**	559,753
Other income and gains	3	**322,351**	225,103
Selling and distribution expenses		**(111,069)**	(97,990)
Administrative expenses		**(449,085)**	(319,813)
Finance costs	4	**(237,654)**	(220,659)
Other expenses		**(68,272)**	(9,960)
Share of profits and losses of:			
– Associates		**(18,439)**	860
– A joint venture		**53,780**	–
Net gain from change in equity interest in an associate		**–**	9,328
PROFIT BEFORE TAX	5	**343,985**	146,622
Income tax expense	6	**(7,130)**	(5,240)
PROFIT FOR THE YEAR		**336,855**	141,382
OTHER COMPREHENSIVE INCOME/(LOSS):			
Other comprehensive income/(loss) that may be reclassified to profit or loss in subsequent periods:			
– Exchange differences on translation of foreign operations		**(135,694)**	142,275
– Cash flow hedges, net of tax		**(1,777)**	–
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**199,384**	283,657

	Notes	2018 HK$'000	2017 HK$'000
Profit attributable to:			
Owners of the parent		**330,931**	140,851
Non-controlling interests		**5,924**	531
		336,855	141,382
Total comprehensive income/(loss) attributable to:			
Owners of the parent		**202,155**	286,421
Non-controlling interests		**(2,771)**	(2,764)
		199,384	283,657
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	*7*		
Basic		**HK cents 9.65**	HK cents 4.11
Diluted		**HK cents 9.65**	HK cents 4.11

Details of the dividends proposed for the year are disclosed in note 8.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2018

	Notes	2018 HK$'000	2017 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment		**2,726,320**	3,060,707
Investment properties		**96,552**	101,203
Prepaid land lease payments		**440,975**	467,959
Intangible assets		**529,358**	590,512
Investments in associates		**886,382**	915,379
Investment in a joint venture		**125,534**	–
Deferred tax assets		**34,037**	34,456
Prepayments and other assets		**183,999**	243,411
Total non-current assets		**5,023,157**	5,413,627
CURRENT ASSETS			
Inventories		**685,029**	909,067
Trade and notes receivables	9	**1,923,819**	1,175,599
Prepayments, other receivables and other assets		**534,875**	355,967
Due from related companies		**35,064**	9,638
Due from associates		**17,854**	11,053
Due from a joint venture		**1,412**	–
Tax recoverable		**496**	11,755
Financial assets at fair value through profit or loss		**7,931**	8,154
Pledged deposits		**119,074**	188,202
Cash and cash equivalents		**1,269,668**	669,100
Total current assets		**4,595,222**	3,338,535

	Notes	2018 HK$'000	2017 HK$'000
CURRENT LIABILITIES			
Trade and notes payables	*10*	**778,706**	736,737
Other payables and accruals		**993,005**	871,296
Derivative financial instruments		**699**	–
Interest-bearing bank and other borrowings	*11*	**3,171,060**	3,003,352
Due to related companies		**8,575**	118,660
Tax payable		**14,815**	2,108
Total current liabilities		**4,966,860**	4,732,153
NET CURRENT LIABILITIES		**(371,638)**	(1,393,618)
TOTAL ASSETS LESS CURRENT LIABILITIES		**4,651,519**	4,020,009
NON-CURRENT LIABILITIES			
Interest-bearing bank and other borrowings	*11*	**1,192,235**	744,845
Derivative financial instruments		**1,232**	–
Deferred tax liabilities		**186,463**	200,421
Other long-term liabilities		**28,118**	25,342
Deferred income		**76,988**	82,302
Total non-current liabilities		**1,485,036**	1,052,910
Net assets		**3,166,483**	2,967,099
EQUITY			
Equity attributable to owners of the parent			
Issued capital		**342,846**	342,846
Reserves		**2,757,064**	2,554,909
		3,099,910	2,897,755
Non-controlling interests		**66,573**	69,344
Total equity		**3,166,483**	2,967,099

NOTES TO FINANCIAL STATEMENTS

31 December 2018

1.1 BASIS OF PREPARATION

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("**HKFRSs**") (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("**HKASs**") and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**"), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for investment properties, financial assets at fair value through profit or loss and derivative financial statements which have been measured at fair value. These financial statements are presented in Hong Kong dollars ("**HK$**") and all values are rounded to the nearest thousand except when otherwise indicated.

During the year ended 31 December 2018, the Company and its subsidiaries (collectively referred to as the "**Group**") recorded a consolidated net profit of HK$336,855,000 (2017: HK$141,382,000) and had net cash inflows from operating activities of HK$450,046,000 (2017: HK$157,090,000). As at 31 December 2018, the Group had net current liabilities of HK$371,638,000 (2017: HK$1,393,618,000).

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 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 31 December 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$2,902.4 million on 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 above-mentioned agreements and past experience, the directors consider it is highly probable that the Group can extend an 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 above-mentioned plans and measures and improving 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 year ended 31 December 2018 on a going concern basis.

Basis of consolidation

The consolidated financial statements include the financial statements of the Group for the year ended 31 December 2018. A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e. existing rights that give the Group the current ability to direct the relevant activities of the investee).

When the Company has, directly or indirectly, less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

(a) the contractual arrangement with the other vote holders of the investee;

(b) rights arising from other contractual arrangements; and

(c) the Group's voting rights and potential voting rights.

The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. The results of subsidiaries are consolidated from the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

Profit or loss and each component of other comprehensive income are attributed to the owners of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control described above. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises (i) the assets (including goodwill) and liabilities of the subsidiary, (ii) the carrying amount of any non-controlling interest and (iii) the cumulative translation differences recorded in equity; and recognises (i) the fair value of the consideration received, (ii) the fair value of any investment retained and (iii) any resulting surplus or deficit in profit or loss. The Group's share of components previously recognised in other comprehensive income is reclassified to profit or loss or retained profits, as appropriate, on the same basis as would be required if the Group had directly disposed of the related assets or liabilities.

1.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The Group has adopted the following new and revised HKFRSs for the first time for the current year's 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

Other than as explained below, the adoption of the above new and revised standards has had no significant financial effect on these financial statements.

HKFRS 9

HKFRS 9 *Financial Instruments* replaces HKAS 39 *Financial Instruments: Recognition and Measurement* for annual periods beginning on or after 1 January 2018, bringing together all three aspects of the accounting for financial instruments: classification and measurement, impairment and hedge accounting.

With the exception of hedge accounting, which the Group has applied prospectively, the Group has applied the transitional provisions set out in HKFRS 9 without restating comparative information. It applied the classification and measurement requirements (including impairment) to financial instruments that were not derecognised as at 1 January 2018. Therefore, the comparative information was not restated and continues to be reported under HKAS 39.

(a) Classification and measurement

Under HKFRS 9, debt instruments are subsequently measured at fair value through profit or loss, amortised cost, or fair value through other comprehensive income. The classification is based on two criteria: the Group's business model for managing the assets; and whether the instruments' contractual cash flows represent 'solely payments of principal and interest' on the principal amount outstanding.

The assessment of the Group's business model was made as at 1 January 2018. The assessment of whether contractual cash flows on debt instruments are solely comprised of principal and interest was made based on the facts and circumstances as at the initial recognition of the assets.

The classification and measurement requirements of HKFRS 9 did not have a significant impact on the Group. The Group continued measuring at fair value all financial assets previously held at fair value under HKAS 39. The Group has not designated any financial liabilities as at fair value through profit or loss. There are no changes in classification and measurement for the Group's financial liabilities.

(b) Impairment

The adoption of HKFRS 9 has changed the Group's accounting for impairment losses for financial assets by replacing HKAS 39's incurred loss approach with a forward-looking expected credit loss (ECL) approach.

HKFRS 9 requires the Group to record a loss allowance for the expected credit loss of its financial assets not held at fair value through profit or loss. In that respect, the Group measured the expected credit losses of (i) its other receivables on a 12-month basis as permitted by the general approach; and (ii) its trade receivables on a lifetime basis as permitted by the simplified approach.

The adoption of HKFRS 9 has had no material impact on the impairment provisions on the Group's financial assets.

Hedge accounting

The Group has applied hedge accounting under HKFRS 9 prospectively. At the date of initial application of HKFRS 9, all of the Group's existing hedging relationships were eligible to be treated as continuing hedging relationships. Before the adoption of HKFRS 9, the Group has not entered into any hedge relationship. Upon adoption of HKFRS 9, the Group designated the entire forward currency contracts and interest rate swaps entered during the year 2018 in the fair value hedge and cash flow hedge relationships, respectively. The adoption of the hedge accounting requirements of HKFRS 9 has had no impact on the Group's financial statements.

HKFRS 15

HKFRS 15 and its amendments replace HKAS 11 *Construction Contracts*, HKAS 18 *Revenue* and related interpretations and it applies, with limited exceptions, to all revenue arising from contracts with customers. HKFRS 15, 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 disclosures are included in note 3. As a result of the application of HKFRS 15, the Group has changed the accounting policy with respect to revenue recognition.

The Group has adopted HKFRS 15 using the modified retrospective method of adoption. Under this method, the standard can be applied either to all contracts at the date of initial application or only to contracts that are not completed at this date. The Group has elected to apply the standard to contracts that are not completed as at 1 January 2018.

The cumulative effect of the initial application of HKFRS 15, if any, was recognised as an adjustment to the opening balance of retained profits as at 1 January 2018. Therefore, the comparative information was not restated and continues to be reported under HKAS 11, HKAS 18 and related interpretations.

The principal activities of the Group consist of (a) manganese mining, ore processing, downstream processing operations; 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 the 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 presentation and disclosure requirements in HKFRS 15 are more detailed than those under HKAS 18. As required by HKFRS 15, the Group disaggregates revenue recognised from contracts with customers into categories that depict how the nature, amount, timing and uncertainty of revenue and cash flows are affected by economic factors and also discloses information about the relationship between the disclosure of disaggregated revenue and revenue information disclosed for each reportable segment. Additional disclosure has been made in note 3 upon the adoption of HKFRS 15.

2. 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 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 concentrates and natural discharging manganese powder and sand;

(b) EMM and alloying materials production segment (PRC)

The EMM and alloying materials production segment comprises mining and processing ores used in hydrometallurgical processing for/and production of Electrolytic Manganese Metal ("**EMM**") and manganese briquette, and pyrometallurgical processing for production of silicomanganese alloys;

(c) Battery materials production segment (PRC)

The battery materials production segment engages in the manufacture and sale of battery materials products, including Electrolytic Manganese Dioxide ("**EMD**"), manganese sulfate, lithium manganese oxide, lithium nickel cobalt manganese oxide and lithium cobalt oxide; and

(d) Other business segment (PRC and HK)

The other business 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 resource 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, fair value gain/loss from the Group's financial instruments as well as head office and corporate expenses are excluded from such measurement.

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

Segment liabilities exclude derivative financial instruments, 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.

	Manganese mining PRC HK$'000	Gabon HK$'000	EMM and alloying materials production PRC HK$'000	Battery materials production PRC HK$'000	Other business PRC and HK HK$'000	Total HK$'000
Year ended 31 December 2018						
Segment revenue:						
Sales to external customers	159,666	53,631	3,429,181	682,059	2,411,691	6,736,228
Other revenue	94,058	118,302	25,068	2,542	51,763	291,733
Revenue from operations	253,724	171,933	3,454,249	684,601	2,463,454	7,027,961
Segment results	8,426	111,445	405,914	104,904	18,953	649,642
Reconciliation:						
Interest income						30,618
Corporate and other unallocated expenses						(98,621)
Finance costs						(237,654)
Profit before tax						343,985
Income tax expense						(7,130)
Profit for the year						336,855
Assets and liabilities						
Segment assets	1,033,507	280,483	4,186,026	942,199	1,654,869	8,097,084
Reconciliation:						
Corporate and other unallocated assets						1,521,295
Total assets						9,618,379
Segment liabilities	434,286	61,088	900,925	171,691	234,909	1,802,899
Reconciliation:						
Corporate and other unallocated liabilities						4,648,997
Total liabilities						6,451,896
Other segment information:						
Depreciation and amortisation	33,771	10,387	279,700	35,181	499	359,538
Unallocated depreciation and amortisation						4,369
Total depreciation and amortisation						363,907
Capital expenditure*	14,989	–	227,630	73,533	1,094	317,246
Unallocated capital expenditure						4,007
Total capital expenditure						321,253
Impairment losses recognised in profit or loss	18,450	–	27,615	12,077	1,359	59,501
Loss on disposal of items of property, plant and equipment	100	–	5,081	728	10	5,919
Investments in associates	–	–	304,719	–	581,663	886,382
Investment in a joint venture	–	–	–	125,534	–	125,534
Share of profits/(losses) of associates	–	–	4,603	–	(23,042)	(18,439)
Share of profit of a joint venture	–	–	–	53,780	–	53,780

	Manganese mining PRC HK$'000	Manganese mining Gabon HK$'000	EMM and alloying materials production PRC HK$'000	Battery materials production PRC HK$'000	Other business PRC and HK HK$'000	Total HK$'000
Year ended 31 December 2017						
Segment revenue:						
Sales to external customers	228,670	317,400	2,575,041	516,317	2,354,008	5,991,436
Other revenue	21,445	40,180	59,197	7,498	63,821	192,141
Revenue from operations	250,115	357,580	2,634,238	523,815	2,417,829	6,183,577
Segment results	3,349	82,141	165,420	75,160	54,605	380,675
Reconciliation:						
Interest income						32,962
Corporate and other unallocated expenses						(46,356)
Finance costs						(220,659)
Profit before tax						146,622
Income tax expense						(5,240)
Profit for the year						141,382
Assets and liabilities						
Segment assets	972,737	315,596	3,612,223	653,833	2,032,823	7,587,212
Reconciliation:						
Corporate and other unallocated assets						1,164,950
Total assets						8,752,162
Segment liabilities	428,748	16,402	934,395	107,037	189,865	1,676,447
Reconciliation:						
Corporate and other unallocated liabilities						4,108,616
Total liabilities						5,785,063
Other segment information:						
Depreciation and amortisation	41,632	10,775	266,678	42,572	467	362,124
Unallocated depreciation and amortisation						4,255
Total depreciation and amortisation						366,379
Capital expenditure*	18,712	999	139,953	49,678	126	209,468
Unallocated capital expenditure						2,412
Total capital expenditure						211,880
Impairment losses recognised/(reversed) in profit or loss	(949)	15,252	(6,930)	60	(278)	7,155
Gain/(loss) on disposal of items of property, plant and equipment	989	–	15,476	–	(33)	16,432
Fair value gains on investment properties	–	–	–	–	3,113	3,113
Investments in associates	–	–	310,672	–	604,707	915,379
Share of profits/(losses) of associates	–	–	12,456	–	(11,596)	860

* Capital expenditure consists of additions to property, plant and equipment, investment properties, prepaid land lease payments and intangible assets, exclusive of additions by way of contributions from shareholders.

Geographical information

(a) ***Revenue from external customers***

	2018	2017
	HK$'000	*HK$'000*
Mainland China	**5,969,451**	5,353,290
Asia (excluding Mainland China)	**543,289**	469,495
Europe	**118,463**	79,651
North America	**77,301**	54,130
Other countries	**27,724**	34,870
	6,736,228	5,991,436

The revenue information above is based on the locations of the customers.

(b) ***Non-current assets***

	2018	2017
	HK$'000	*HK$'000*
Segment assets:		
Mainland China	**4,894,306**	5,287,825
Africa	**94,814**	91,346
	4,989,120	5,379,171

The non-current assets information above is based on the locations of assets and excludes deferred tax assets.

Information about a major customer

Revenue of approximately HK$782,565,000 for the year ended 31 December 2018 was derived from sales by the EMM and alloying materials production segment and trading sales to a single customer (2017: approximately HK$887,600,000 derived from sales by the manganese mining segment and trading sales to a single customer, including sales to a group of entities which were under its common control).

3. REVENUE, OTHER INCOME AND GAINS

An analysis of revenue is as follows:

	2018	2017
	HK$'000	*HK$'000*
Revenue from contracts with customers		
Sale of goods:		
Manganese mining	**213,297**	546,070
EMM and alloying materials production	**3,429,181**	2,575,041
Battery materials production	**682,059**	516,317
Other business	**2,411,691**	2,354,008
	6,736,228	5,991,436

(a) Revenue from contracts with customers

(i) Disaggregated revenue information

For the year ended 31 December 2018

Segments

	Manganese mining	**EMM and alloying material production**	**Battery materials production**	**Other business**	**Total**
	HK$'000	***HK$'000***	***HK$'000***	***HK$'000***	***HK$'000***
Sale of goods	213,297	3,429,181	682,059	2,411,691	6,736,228
Geographical markets					
Mainland China	191,698	2,711,020	664,422	2,402,311	5,969,451
Asia (excluding Mainland China)	21,599	506,765	5,545	9,380	543,289
Europe	–	113,768	4,695	–	118,463
North America	–	70,100	7,201	–	77,301
Other countries	–	27,528	196	–	27,724
Total revenue from contracts with customers	213,297	3,429,181	682,059	2,411,691	6,736,228
Timing of revenue recognition					
Goods transferred at a point in time with customers	213,297	3,429,181	682,059	2,411,691	6,736,228

For the year ended 31 December 2018

Set out below is the reconciliation of the revenue from contracts with customers with the amounts disclosed in the segment information:

Segment	Manganese mining *HK$'000*	EMM and alloying material production *HK$'000*	Battery materials production *HK$'000*	Other business *HK$'000*	Total *HK$'000*
Revenue from contracts with customers					
Sales to external customers	213,297	3,429,181	682,059	2,411,691	6,736,228

The following table shows the amounts of revenue recognised in the current reporting period that were included in the contract liabilities at the beginning of the reporting period and recognised from performance obligations satisfied in previous periods:

	2018 ***HK$'000***
Revenue recognised that was included in contract liabilities at the beginning of the reporting period:	
Sale of goods	**53,720**

(ii) Performance obligations

Information about the Group's performance obligations is summarised below:

Sale of goods

The performance obligation is satisfied upon delivery of the commodities and payment is generally due within one to three months from the invoice date, except for new customers, where payment in advance is normally required.

The transaction prices allocated to the remaining performance obligations (unsatisfied or partially unsatisfied) as at 31 December 2018 are as follows:

	HK$'000
Within one year	**52,841**

All the performance obligations are expected to be recognised within one year.

	2018	2017
	HK$'000	*HK$'000*
Other income and gains		
Bank and other interest income	**30,618**	32,962
Gain on disposal of items of property, plant and equipment	–	16,432
Subsidy income*	**122,355**	61,161
Subcontracting income#	**116,000**	38,244
Sale of scraps	**12,844**	25,097
Rental income	**28,391**	22,763
Foreign exchange gains, net	–	2,299
Fair value gains on investment properties	–	3,113
Reversal of impairment loss on trade and other receivables, net	–	12,917
Others	**12,143**	10,115
	322,351	225,103

* The amount mainly represented government grants of subsidy and compensation for expropriation of properties, electricity costs and research and development costs in Mainland China. Conditions or contingencies relating to these grants are fulfilled and they are not deducted from related costs which they are intended to compensate, but recorded in other income.

Pursuant to the subcontracting agreement entered into between the Group and a third party, the Group subcontracted the operation on a mine located in Gabon and is entitled to the subcontracting income which included a fixed income per annum and a variable income dependent on the sales of ores produced by the subcontractor.

4. FINANCE COSTS

An analysis of finance costs is as follows:

	2018	2017
	HK$'000	*HK$'000*
Interest on loans wholly repayable within five years	**212,534**	177,629
Finance costs for discounted notes receivable	**21,835**	31,433
Other finance costs	**3,285**	11,597
	237,654	220,659

5. PROFIT BEFORE TAX

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

	2018	2017
	HK$'000	*HK$'000*
Cost of inventories sold#	**5,873,085**	5,411,611
Depreciation	**329,603**	335,224
Amortisation of prepaid land lease payments	**15,454**	12,069
Amortisation of intangible assets	**18,850**	19,086
Auditor's remuneration	**3,309**	3,383
Minimum lease payments under operating leases, land and buildings	**18,724**	13,992
Employee benefit expense (excluding directors' and chief executive's remuneration):		
Wages and salaries	**500,238**	356,833
Pension scheme contributions	**75,544**	52,965
Other employee welfare	**44,433**	36,120
	620,215	445,918
Loss/(gain) on disposal of items of property, plant and equipment*	**5,919**	(16,432)
Loss on disposal of financial assets at fair value through profit or loss*	**–**	208
Foreign exchange differences, net*	**4,869**	(2,299)
Write-down of inventories to net realisable value, net#	**10,770**	20,072
Impairment/(reversal of impairment) of trade receivables, net*	**6,652**	(13,447)
Impairment of financial assets included in prepayments, other receivables and other assets*	**8,010**	530
Impairment loss on property, plant and equipment*	**17,114**	–
Impairment loss on mining rights*	**16,955**	–
Fair value gains on investment properties*	**–**	(3,113)
Fair value loss on financial assets at fair value through profit or loss*	**256**	255
Net gain from change in equity interest in an associate	**–**	(9,328)
Loss on disposal of other intangible assets*	**–**	4,718

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

* Included in "Other income and gains" (note 3) or "Other expenses" in the consolidated statement of profit or loss and other comprehensive income

6. INCOME TAX EXPENSE

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

	2018	2017
	HK$'000	*HK$'000*
Current – PRC		
Charge for the year	**12,212**	5,619
Current – Gabon		
Charge for the year	**598**	2,613
Deferred	**(5,680)**	(2,992)
Total tax expense for the year	**7,130**	5,240

Hong Kong profits tax

No provision for Hong Kong profits tax has been made as the Group had utilised unrecognised tax losses brought forward from prior years to set off against current year's taxable profits.

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% in 2018, 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 be 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 engages in mining operations in Gabon is subject to CIT at the higher of 35% of its taxable income or 1% of its revenue.

7. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

The calculation of the basic earnings per share amounts is based on the profit for the year attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares of 3,428,459,000 (2017: 3,428,459,000) in issue during the year.

No adjustment has been made to the basic earnings per share amounts presented for the years ended 31 December 2018 and 2017 in respect of a dilution as the impact of the share options outstanding had an anti-dilutive effect on the basic earnings per share amounts presented.

The calculations of basic and diluted earnings per share are based on:

	2018	2017
	HK$'000	*HK$'000*
Profit		
Profit attributable to ordinary equity holders of the parent, used in the basic earnings per share calculation	**330,931**	140,851

	Number of shares	
Shares		
Weighted average number of ordinary shares in issue during the year used in the basic earnings per share calculation	**3,428,459,000**	3,428,459,000

8. DIVIDENDS

	2018	2017
	HK$'000	*HK$'000*
Proposed final dividend — HK 1.0 cent per ordinary share	**34,285**	—

Pursuant to the board of directors' meeting held on 20 February 2019, the directors recommended a final dividend of HK 1.0 cent per ordinary share. The proposed dividends are not reflected as a dividend payable in these financial statements. The proposed final dividend for the year is subject to the approval of the Company's shareholders at the forthcoming annual general meeting.

9. TRADE AND NOTES RECEIVABLES

	2018	2017
	HK$'000	*HK$'000*
Trade receivables	**1,122,374**	837,632
Notes receivable	**848,130**	380,776
	1,970,504	1,218,408
Less: Impairment	**(46,685)**	(42,809)
	1,923,819	1,175,599

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 loss allowance, is as follows:

	2018	2017
	HK$'000	*HK$'000*
Within one month	**557,161**	385,568
One to two months	**162,234**	140,090
Two to three months	**241,536**	147,712
Over three months	**114,758**	121,453
	1,075,689	794,823

The Group normally offers credit terms of one month to three months to its established customers.

Notes receivable represents: (a) bank acceptance notes of HK$769,119,000 (31 December 2017: HK$358,562,000) issued by banks in Mainland China maturing before 30 June 2019 and (b) commercial acceptance notes of HK$79,011,000 (31 December 2017: HK$22,214,000) maturing before 30 June 2019. An ageing analysis of the notes receivable of the Group as at the end of the reporting period, based on the receipt date of the notes, is as follows:

	2018	2017
	HK$'000	*HK$'000*
Within one month	**369,460**	216,750
One to two months	**113,710**	71,161
Two to three months	**132,673**	36,964
Over three months	**232,287**	55,901
	848,130	380,776

10. 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:

	2018	2017
	HK$'000	*HK$'000*
Within one month	**375,830**	306,243
One to two months	**138,883**	162,738
Two to three months	**73,557**	108,902
Over three months	**190,436**	158,854
	778,706	736,737

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

11. INTEREST-BEARING BANK AND OTHER BORROWINGS

	2018			2017		
	Effective interest rate (%)	**Maturity**	***HK$'000***	Effective interest rate (%)	Maturity	*HK$'000*
Current						
Finance lease payables	**6.32-8.70**	**2019**	**167,559**	6.32-7.51	2018	89,488
Bank loans – secured *(note (a))*	**3.80-3.92**	**2019**	**45,793**	2.83-2.95	2018	238,381
Bank loans – unsecured	**4.57-5.89**	**2019**	**2,644,944**	3.92-5.29	2018	2,166,180
Current portion of long-term bank loans – unsecured	**4.75-5.23, LIBOR+2.30**	**2019**	**312,764**	3.83-4.99, LIBOR+2.60	2018	393,270
Other loans – unsecured *(note (b))*	**–**	**–**	**–**	4.73	2018	116,033
			3,171,060			3,003,352
Non-current						
Finance lease payables	**6.32-8.70**	**2020-2021**	**84,515**	6.32-7.51	2019-2020	137,849
Bank loans – unsecured	**4.75-5.46, LIBOR+2.30**	**2020-2021**	**1,107,720**	3.83-5.23, LIBOR+2.60	2019	606,996
			1,192,235			744,845
			4,363,295			3,748,197

	2018	2017
	HK$'000	*HK$'000*
Analysed into:		
Bank loans repayable:		
Within one year or on demand	**3,003,501**	2,797,831
In the second year	**618,842**	528,625
In the third to fifth years, inclusive	**488,878**	78,371
	4,111,221	3,404,827
Other loans and finance leases repayable:		
Within one year or on demand	**167,559**	205,521
In the second year	**56,723**	109,525
In the third to fifth years, inclusive	**27,792**	28,324
	252,074	343,370
	4,363,295	3,748,197

Notes:

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

	2018	2017
	HK$'000	*HK$'000*
Trade receivables	**45,793**	238,381

(b) The balance as at 31 December 2017 represented a loan borrowed by way of gold lease arrangement from Industrial Bank Co., Ltd, with a 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 31 December 2018, except for bank and other borrowings of HK$555,796,000 (2017: HK$728,466,000) which were denominated in United States dollars, all borrowings were denominated in Renminbi.

FINANCIAL REVIEW

	2018	2017	**Increase/(decrease)**	
	HK$'000	*HK$'000*	*HK$'000*	*%*
Revenue	**6,736,228**	5,991,436	744,792	12.4
Gross profit	**852,373**	559,753	292,620	52.3
Gross profit margin	**12.7%**	9.3%	–	3.4
Operating profit	**308,644**	136,434	172,210	126.2
Share of profits and losses of				
– Associates	**(18,439)**	860	(19,299)	(2,244.1)
– A joint venture	**53,780**	–	53,780	100.0
Net gain from change in equity interest in an associate	**–**	9,328	(9,328)	(100.0)
Profit before tax	**343,985**	146,622	197,363	134.6
Income tax expense	**(7,130)**	(5,240)	(1,890)	(36.1)
Profit for the year	**336,855**	141,382	195,473	138.3
Profit attributable to owners of the parent	**330,931**	140,851	190,080	135.0
Profit attributable to non-controlling interests	**5,924**	531	5,393	1,015.6
	336,855	141,382	195,473	138.3

Overview

From early 2018, the strong momentum of global economy experienced in 2017 carried into the year 2018 and the economic growth kept strong. On the other hand, the impact of the normalisation of the interest rate in the U.S. gradually appeared during the year 2018, the resultant outflows of funds and depreciation of currencies against United States dollars in some newly developing countries adversely affected the market sentiments and investment intention of corporates. At the same time, the U.S. has launched the trade war in global scale against various countries. This had a tremendous impact on China, which recorded a significant amount of trade surplus from the U.S. in the past ten years. The escalation of the trade war is dampening the economies in China and the U.S. and these impacts will be gradually reflected in the upcoming year. In short-to-medium term, it is expected that global and China economic environments will continue to be affected by the U.S.-China trade conflicts.

In 2018, the impact of successful implementation of supply side reform of the steel sector brought forward from the year 2017 merited the whole industry. On the other hand, the rapid cooling down of investments from property industry constrained the upsurge of steel price and demand in 2018; and expected decrease in export from China due to the trade war becomes a downturn factor to the industry. In the short-to-medium term, growth of demand for steel may probably come only from government-led infrastructures and the growth of demand from private corporates is expected to be stagnant because the investment intention drops significantly due to the recent trade conflicts. It is expected that the steel industry is full of challenges ahead.

The profit contribution from our EMM and alloying materials production segment recorded a significant increase in 2018 compared with 2017 because the supply of EMM in China was significantly tightened since June 2018 due to (a) the partial production suspension of a major producer for a few months in the North Western China; and (b) months long follow up investigation and inspection of manganese ore and downstream EMM producers in major manganese producing regions by the Ministry of Ecology and Environment of China. The above investigation and inspection forced some manganese ore and EMM producers to close down their operations until remedial actions were completed. Therefore, the market price of EMM has recorded rocket price increase due to squeezed supply since late June 2018 and remains at a high level up to November 2018. Our Group have always been emphasising the importance of environmental protection and work safety and therefore our production chain from ore mining to EMM downstream processing was largely unaffected by these investigation and inspection and was able to realise substantial benefits in the second half of the year 2018 amidst constrained market supply. As a result, the average selling price of our EMM products for the year 2018 increased by 20.1% to HK$14,613 per tonne (2017: HK$12,166 per tonne) and the gross profit contribution of EMM products recorded a remarkable increase of 103.8% to HK$598.0 million (2017: HK$293.4 million).

This extreme advantageous condition with the above encouraging results from our EMM and alloying materials production business had been restored to normal upon resumption of production by those manganese ore and downstream EMM producers from November 2018 onwards after their completion of remedial action.

On the other hand, we continue to implement our strategic plan to focus on developing our battery materials production business cautiously.

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 this strong demand, we cautiously expand our battery material product line (including EMD, manganese sulfate, lithium manganese oxide and NCM) in terms of production capacity and product types starting from 2016. We had begun investing in production of NCM since 2016 and in the second half of the year 2017, the production line of NCM commenced commercial production and therefore a full year production in the year 2018. We had transformed our production line of lithium cobalt oxide to produce lithium manganese oxide from the second half of the year 2017. We started building a production plant of lithium manganese oxide in our high-tech Chongzuo Base since the second half of the year 2017 and the first phase commenced production in late June 2018 and the second phase commence commercial production in around mid-2019. As a result of the above developments, the revenue of battery material products recorded an increase of 32.1% to HK$682.1 million in 2018 (2017: HK$516.3 million).

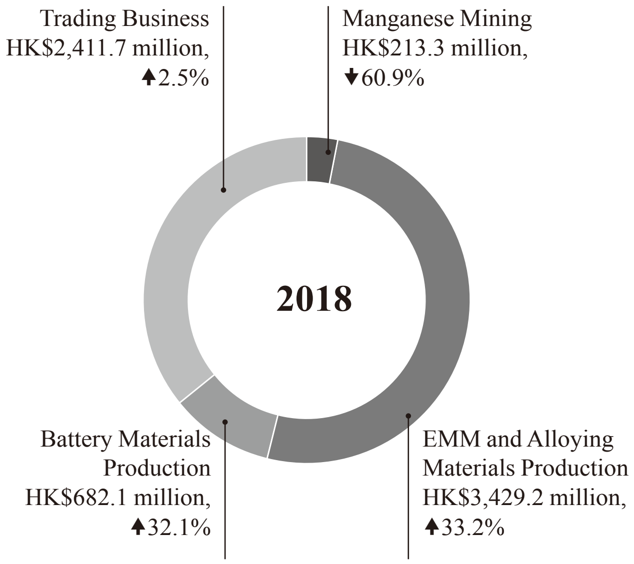
In addition to the above, our newly established 34.9% owned limited partnership Ningbo Dameng completed the acquisition in August 2018 of 100% equity interest in Huiyuan Manganese which engages in production of EMD in Laibin, Guangxi. This acquisition significantly strengthened our production capacity and sub-categories of EMD, a niche product and also provided profit contribution in the year 2018 instantly. During the year 2018, Ningbo Dameng Group, which is accounted for under equity method since its establishment, has contributed to the Group its share of operating net profit of HK$11.7 million and an one-off gain on bargain purchase of HK$42.1 million upon its acquisition of Huiyuan Manganese.

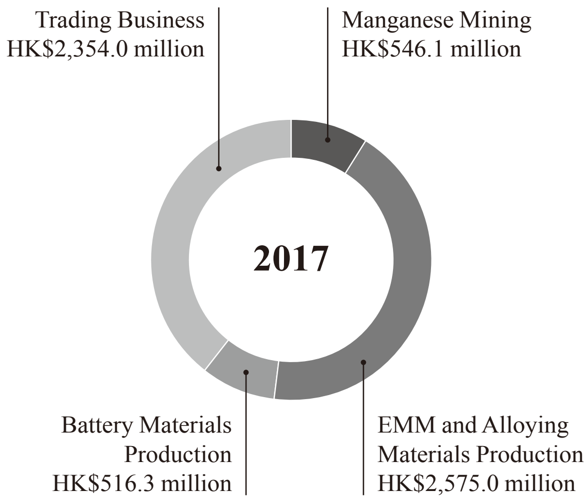
On the cost side, we strive to reduce our unit production cost and to maintain our competitiveness in the manganese sector through improvement of our production process and non-stop negotiations with our upstream suppliers for raw materials and power.

In summary, earnings before interest, taxes, depreciation and amortisation ("**EBITDA**") for the year ended 31 December 2018 increased by 30.6% to HK$914.9 million (2017: HK$700.7 million) and the profit attributable to owners of the parent increased by 135.0% to HK$330.9 million in 2018 (2017: HK$140.9 million).

Comparison with 2017

Revenue by segment





In 2018, the Group's revenue was HK$6,736.2 million (2017: HK$5,991.4 million), representing an increase of 12.4% as compared with 2017. This substantial increase was mainly due to: (a) increase in average selling prices of EMM products; (b) substantial increase in sales volume of silicomanganese alloy; and (c) increase in sales revenue of battery material products. The above impact is partially offset by decrease in sales revenue of Gabon ores from Bembélé Manganese Mine in 2018.

In 2018, the revenue of our major products EMM products accounted for 40.1% (2017: 36.7%) of our total revenue.

Manganese mining segment

	Sales Volume *(tonnes)*	Average Selling Price *(HK$/tonne)*	Revenue *(HK$'000)*	Unit Cost of Sales *(HK$/tonne)*	Cost of Sales *(HK$'000)*	Gross Profit *(HK$'000)*	Gross Profit Margin *(%)*
Year 2018							
Gabon ore *(note)*	**98,767**	**543**	**53,631**	**384**	**37,907**	**15,724**	**29.3**
Manganese concentrate	**414,177**	**312**	**129,420**	**308**	**127,382**	**2,038**	**1.6**
Natural discharging manganese powder and sand	**11,363**	**2,662**	**30,246**	**893**	**10,144**	**20,102**	**66.5**
Total	**524,307**	**407**	**213,297**	**335**	**175,433**	**37,864**	**17.8**
Year 2017							
Gabon ore *(note)*	525,223	604	317,400	505	265,227	52,173	16.4
Manganese concentrate	517,211	351	181,554	269	138,991	42,563	23.4
Natural discharging manganese powder and sand	19,614	2,402	47,116	745	14,622	32,494	69.0
Total	1,062,048	514	546,070	394	418,840	127,230	23.3

Results of Gabon Mine

	Year 2018	Year 2017	**Increase/(Decrease)**	
	HK$'000	*HK$'000*	*HK$'000*	*%*
Gross profit from sales of Gabon ore	**15,724**	52,173	(36,449)	(69.9%)
Subcontracting income *(note)*	**116,000**	38,244	77,756	203.3%
Total	**131,724**	90,417	41,307	45.7%

Note: The Group entered into a subcontracting agreement with Guangxi Jinmeng, the major 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 receives a fixed income of RMB26,000,000 (equivalent to HK$30,839,000) per annum plus a variable income upon sales of ores 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 the subcontractor were not recognised in the Group's consolidated statement of profit or loss. Instead, the aggregate of fixed income and variable income above-mentioned is recognised as subcontracting income under "Other income and gains" in the consolidated statement of profit or loss.

In 2017, sales of our Gabon ores from Bembélé Manganese Mine represented the remaining inventories already mined by the Group before the subcontracting arrangement came into effect in March 2017. Starting from April 2017, revenue from subcontracting arrangement was recognised under "Other income and gains" in the consolidated statement of profit or loss, details of which have been set out above. Largely due to this change in accounting classification, revenue of manganese mining segment decreased by 60.9% to HK$213.3 million (2017: HK$546.1 million).

The gross profit of manganese mining segment decreased by 70.2% to HK$37.9 million (2017: HK$127.2 million) mainly due to (a) decrease in sales revenue and hence gross profit from sales of Gabon ores upon adoption of different accounting classification for subcontracting arrangement; and (b) in the PRC shift of product mix to manganese carbonate ores produced by Changgou Manganese Mine from the higher grade and hence higher selling price and profit margin manganese oxide ores produced by Daxin Mine which in 2018 moved further from open pit mining into almost all underground mining therefore with dropping production of manganese oxide ores.

With the increase of manganese ore price in general and a full year under subcontracting arrangement in the year 2018, Gabon Bembélé Manganese Mine recorded significant increase in subcontracting income by 203.3% to HK$116.0 million (2017: HK$38.2 million).

Therefore, the results of manganese mining segment were profit of HK$119.9 million (2017: HK$85.5 million) recorded an increase of 40.2%.

EMM and alloying materials production segment

	Sales Volume *(tonnes)*	Average Selling Price *(HK$/tonne)*	Revenue *(HK$'000)*	Unit Cost of Sales *(HK$/tonne)*	Cost of Sales *(HK$'000)*	Gross Profit *(HK$'000)*	Gross Profit Margin *(%)*
Year 2018							
EMM	**140,531**	**14,461**	**2,032,149**	**11,115**	**1,561,942**	**470,207**	**23.1**
Manganese briquette	**44,434**	**15,095**	**670,745**	**12,219**	**542,942**	**127,803**	**19.1**
	184,965	**14,613**	**2,702,894**	**11,380**	**2,104,884**	**598,010**	**22.1**
Silicomanganese alloy	**78,158**	**8,755**	**684,296**	**8,082**	**631,649**	**52,647**	**7.7**
Others	**9,600**	**4,374**	**41,991**	**3,851**	**36,974**	**5,017**	**12.0**
Total	**272,723**	**12,574**	**3,429,181**	**10,170**	**2,773,507**	**655,674**	**19.1**
Year 2017							
EMM	141,629	12,040	1,705,273	10,443	1,479,013	226,260	13.3
Manganese briquette	38,911	12,622	491,151	10,896	423,963	67,188	13.7
	180,540	12,166	2,196,424	10,540	1,902,976	293,448	13.4
Silicomanganese alloy	49,392	7,229	357,070	6,938	342,687	14,383	4.0
Others	1,774	12,146	21,547	10,610	18,823	2,724	12.6
Total	231,706	11,113	2,575,041	9,773	2,264,486	310,555	12.1

Revenue of EMM and alloying materials production segment increased by 33.2% to HK$3,429.2 million in 2018 (2017: HK$2,575.0 million) mainly attributable to the followings:

(a) EMM products continued to be our major products in terms of revenue and the average selling price of EMM products recorded an increase of 20.1% to HK$14,613 per tonne (2017: HK$12,166 per tonne).

(b) The revenue of silicomanganese alloy increased by 91.6% to HK$684.3 million in 2018 (2017: HK$357.1 million), mainly attributable to the followings: (a) sales volume increased by 58.2% to 78,158 tonnes in 2018 (2017: 49,392 tonnes): (i) since the second half of the year 2017, our Qinzhou Ferroalloy Plant increased production of silicomanganese alloy amidst recovery of the alloy market; (ii) production from a newly leased alloy production furnace in Xingyi, Guizhou for a term of three years commencing from August 2018; and (b) the average selling price of silicomanganese alloy increased by 21.1% to HK$8,755 per tonne in 2018 (2017: HK$7,229 per tonne).

The unit cost of EMM products increased by 8.0% to HK$11,380/tonne (2017: HK$10,540/tonne) during the year 2018 mainly attributable to increase in unit prices of raw materials and auxiliary materials, partly because our Daxin Mine further shifted to underground mining operations and its unit cost of manganese carbonate ores used for EMM production increased.

The unit cost of silicomanganese alloy increased by 16.5% to HK$8,082/tonne (2017: HK$6,938/tonne) mainly attributable to the increase in unit prices of manganese ores during the year 2018.

As a result of increase in average selling prices, the gross profit contribution of EMM and alloying materials production segment increased by 111.1% to HK$655.7 million (2017: HK$310.6 million). Accordingly, EMM and alloying materials production segment recorded a profit of HK$405.9 million (2017: HK$165.4 million), an increase of 145.4%.

Battery materials production segment

	Sales Volume *(tonnes)*	Average Selling Price *(HK$/Tonne)*	Revenue *(HK$'000)*	Unit Cost of Sales *(HK$/Tonne)*	Cost of Sales *(HK$'000)*	Gross Profit/(Loss) *(HK$'000)*	Gross Profit/(Loss) Margin *(%)*
Year 2018							
EMD	**26,814**	**9,778**	**262,189**	**7,372**	**197,666**	**64,523**	**24.6**
Manganese sulfate	**22,843**	**3,748**	**85,618**	**2,949**	**67,359**	**18,259**	**21.3**
Lithium manganese oxide	**2,772**	**53,009**	**146,941**	**46,955**	**130,158**	**16,783**	**11.4**
NCM	**1,036**	**180,802**	**187,311**	**188,828**	**195,626**	**(8,315)**	**(4.4)**
Lithium cobalt oxide	–	–	–	–	–	–	–
Total	**53,465**	**12,757**	**682,059**	**11,050**	**590,809**	**91,250**	**13.4**
Year 2017							
EMD	27,490	8,458	232,503	7,151	196,585	35,918	15.4
Manganese sulfate	27,652	3,653	101,011	2,534	70,079	30,932	30.6
Lithium manganese oxide	1,272	55,439	70,519	47,699	60,673	9,846	14.0
NCM	183	162,776	29,788	152,836	27,969	1,819	6.1
Lithium cobalt oxide	306	269,595	82,496	186,768	57,151	25,345	30.7
Total	56,903	9,074	516,317	7,248	412,457	103,860	20.1

Revenue of battery materials production segment increased by 32.1% to HK$682.1 million (2017: HK$516.3 million) and gross profit of this segment decreased by 12.1% to HK$91.3 million (2017: HK$103.9 million) mainly attributable to net effects of the followings:

(a) EMD continues to be our major battery material product and its market demand kept growing in the year 2018. Therefore, the average selling price of EMD increased by 15.6% to HK$9,778/tonne (2017: HK$8,458/tonne), contributing to an increase in revenue and gross profit contribution in 2018;

(b) the Group transformed the production line of lithium cobalt oxide to produce lithium manganese oxide in the second half of the year 2017; and the first phase of a new lithium manganese oxide plant in our high-tech Chongzuo Base commenced production in June 2018, which contributed to a significant increase in sales volume and also revenue in the year 2018. We ceased the small scale production of lithium cobalt oxide in the year 2018 as its production cost was highly hinged to the prices of cobalt and lithium carbonate, which was so volatile that we were unable to add much value in a controllable manner. Instead, lithium manganese oxide is a downstream product of EMD and extends our manganese product chain further;

(c) the revenue of NCM increased by 528.8% to HK$187.3 million (2017: HK$29.8 million) as the production line of NCM commenced commercial production in the second half of the year 2017 and therefore a full year production in the year 2018. A gross loss was incurred for sales of NCM mainly due to (i) the price of lithium carbonate, NCM's major raw material, dropped substantially since April 2018 and therefore the selling prices of NCM were dragged down; (ii) the consumption of brought forward stock of the raw materials purchased at higher price in 2018 increased the unit cost of NCM by 23.5% to HK$188,828 per tonne (2017: HK$152,836 per tonne); and (iii) an inventory provision of NCM was recognised during the year.

(d) In the first half of the year 2017, the prices of cobalt and lithium carbonate recorded a significant increase and drove up the price of lithium cobalt oxide, and therefore higher profit margin in 2017.

During the year 2018, our newly established Ningbo Dameng Group contributed to our share of profit of HK$53.8 million, therefore, the results of battery materials production segment were profits of HK$104.9 million (2017: HK$75.2 million), an increase of 39.5%.

Other business segment

	Revenue (HK$'000)	Cost of Sales (HK$'000)	Gross Profit (HK$'000)	Gross Profit Margin (%)
Year 2018				
Trading	**2,411,691**	**2,344,106**	**67,585**	**2.8**
Year 2017				
Trading	2,354,008	2,335,900	18,108	0.8

Revenue of other business segment slightly increased by 2.5% to HK$2,411.7 million (2017: HK$2,354.0 million). The gross profit contribution and gross profit margin from trading business improved as the Group underwent a selection process and shifted its focus to manganese related products which is more profitable and the Group has more experience in.

Mainly due to increase in our share of loss of CPM and also in 2018 the Group did not recognise a net gain from change in equity interest in it as opposed to 2017, the results of this business segment were profits of HK$19.0 million (2017: HK$54.6 million).

Cost of Sales

Total cost of sales increased by 8.3%, to HK$5,883.9 million in 2018 (2017: HK$5,431.7 million). The cost increase was primarily due to (a) increase in sales volume of silicomanganese alloy during the year; and (b) unit cost of EMM products increased.

Gross Profit

In 2018, the Group recorded a gross profit of HK$852.4 million (2017: HK$559.8 million), which represented an increase of HK$292.6 million from 2017, or 52.3%. The Group's overall gross profit margin was 12.7%, representing an increase of 3.4% from 9.3% of 2017. Improved overall gross profit and gross profit margin was mainly attributable to increase in average selling price of EMM products.

Other Income and Gains

Other income and gains increased by 43.2% to HK$322.4 million (2017: HK$225.1 million) mainly attributable to increase in subcontracting income from Bembélé Manganese Mine by 203.3% to HK$116.0 million (2017: HK$38.2 million). Sales of ores under the subcontracting arrangement started from about May 2017 and therefore a full year subcontracting income in 2018 with higher sales volume and selling price of Gabon ores mined by the subcontractor.

Selling and Distribution Expenses

The Group's selling and distribution expenses in 2018 have increased by 13.3% to HK$111.1 million (2017: HK$98.0 million) mainly attributable to increase in sales volume of lithium manganese oxide and NCM.

Administrative Expenses

Administrative expenses increased by 40.4% to HK$449.1 million in 2018 (2017: HK$319.8 million) mainly attributable to (a) increase in production halt expenses as Daxin EMD Plant, Changgou Manganese Mine and Guinan sulfuric acid plant carried out major maintenance and technological upgrades during the year; and (b) increase in staff costs including annual adjustments, increase in social insurance contributions in the PRC and increased performance related compensations.

Finance Costs

For 2018, the Group's finance costs were HK$237.7 million (2017: HK$220.7 million), representing an increase of 7.7% which was mainly due to (a) increase in loan level during our course to restructure our loan portfolio to longer maturity; and (b) our interest-bearing bank and other borrowings were mainly denominated in RMB, therefore, the finance costs presented in Hong Kong dollars increased as the average rate of exchange of RMB against Hong Kong dollars was 2.9% higher in 2018 compared with 2017.

Net Gain from Change in Equity Interest in an Associate

The 2017 amount represented the net effect of: (a) a non-cash loss on deemed disposal of partial interest in an associate, CPM; and (b) gain on bargain purchase from acquisitions of shares of the same associate.

Other Expenses

Other expenses of HK$68.3 million (2017: HK$10.0 million) mainly include the following major items in addition to foreign exchange losses and impairment of trade receivables and certain financial assets:

(a) impairment loss and loss on disposal of property, plant and equipment of HK$17.1 million and HK$5.9 million respectively arising in the course of our major modifications and in some cases scraping existing production facilities in accordance with our overall strategy to restructure product mix shifting to more battery materials production. The impairment was recognised to write down to the recoverable amount of the cash-generating unit of this business operation amounting to HK$147.7 million which is determined by discounting its future cash flows generated from continuous use at a pre-tax discount rate of 10.7%.

(b) impairment loss of HK$17.0 million recognised on mining right in respect of Changgou Manganese Mine to write down to its recoverable amount of HK$513.4 million. Amidst recent local initiatives to relocate some processing plants including our potential ore users to areas further away from Changgou Manganese Mine, the Group became hesitant about the expansion plan of Changgou Manganese Mine originally intended to cope with increase in future demand for its ores. Temporary suspension of our expansion plan of Changgou Manganese Mine led to a minor adjustment to its value-in-use and therefore a corresponding impairment in value of the mining right.

    The recoverable amount is determined by discounting the future cash flows generated from continuous use of the mine and its related infrastructure and plant and machinery ("**the CGU**"). The future cash flows of the CGU is estimated mainly based on an average ore selling price of HK$451 per tonne (equivalent to RMB380 per tonne) (2017: HK$439 per tonne, equivalent to RMB381 per tonne) over the remaining useful life of the mining rights discounting at a pre-tax discount rate of 8.8% (2017: 9.2%).

Share of Profits and Losses of Associates

Share of losses of associates of HK$18.4 million (2017: profits of HK$0.9 million) represents the net effect of:

(a) share of loss of CPM, an associate we held 29.99% as at 31 December 2018 and 2017, of HK$23.0 million (2017: HK$11.6 million), due to its impairment on non-current assets during the year 2018; and

(b) share of profit of Dushan Jinmeng, a 33.0% associate of the Group, of HK$4.6 million (2017: HK$12.5 million).

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 generators in Dushan County, Guizhou, the PRC. In December 2017 and September 2018, the first two and the third furnaces commenced alloy production respectively and the production volume was ramping up in the year 2018. Dushan Jinmeng also engages in manganese ore trading business.

CPM is one of the largest lead-sliver polymetallic mining companies in Myanmar and owns and operates lead-zinc-silver polymetallic mines in Yunnan Province, the PRC. According to the announcement of CPM dated 19 February 2019, its independent auditor emphasised without modifying its audit opinion, that the financial statements of CPM for the year ended 31 December 2018 indicates the existence of a material uncertainty which may cast significant doubt about CPM's ability to continue as a going concern. The directors of the Company have assessed the impact on the impairment of investment in CPM and considered that no impairment provision was needed as at 31 December 2018. Further details of CPM can be found in its latest annual report and results announcement published on 19 February 2019.

Share of Profit of a Joint Venture

The amount represents share of profit of HK$53.8 million of our 34.9% owned Ningbo Dameng Group established during the year. It includes our share of (a) operating profit of HK$11.7 million of Ningbo Dameng Group and (b) an one-off gain on bargain purchase recorded by Ningbo Dameng of HK$42.1 million arising from its acquisition of Huiyuan Manganese.

As detailed in our announcement dated 15 June 2018, the registered capital of Ningbo Dameng is HK$616.2 million (equivalent to RMB501.0 million). The establishment of this limited 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.

In August 2018, Ningbo Dameng completed the acquisition of 100% equity interest in Huiyuan Manganese. Huiyuan Manganese engages in EMD production in Laibin, Guangxi with a capacity of 35,000 tonnes per annum at the time of our acquisition and through technological innovation increased to 45,000 tonnes per annum at the end of the year 2018. This acquisition significantly strengthened our production capacity and sub-categories of EMD in this niche market and further integrated our production chain for battery materials production as EMD is an important raw material to produce lithium manganese oxide.

Income Tax Expense

In 2018, the effective tax rate is 2.1% (2017: 3.6%). As for the year 2017, it was lower than the statutory tax rate of our major subsidiaries in the PRC, mainly because there were brought forward tax losses not recognised in prior years but available to set off against taxable profits of our PRC operations during the year.

Profit Attributable to Owners of the Parent

For 2018, the Group's profit attributable to owners of the parent was HK$330.9 million (2017: HK$140.9 million).

Earnings per Share

For 2018, earnings per share attributable to ordinary equity holders of the Company was HK 9.65 cents (2017: HK 4.11 cents).

Final Dividend

The Board proposed payment of a final dividend of HK 1.0 cent per share (2017: Nil) for the year ended 31 December 2018 which is subject to the approval of the Company's shareholders at the forthcoming annual general meeting.

Use of Proceeds from IPO

Up to 31 December 2018, 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 31.12.2018 *(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%

As at 31 December 2018, proceeds from IPO designated for acquisition of mines and mining right to the extent of HK$115.0 million was not yet utilised. According to the Prospectus, the proceeds shall be used for the acquisition of mines, mining rights in relation to mines with identified mining resources or related production facilities. Since IPO, the Group has been continuously studying potential acquisition opportunities of various mining projects introduced by investment banks, mine owners and other sources from time to time. However, the Group has not yet identified new projects which meet our investment strategy including risk return requirements. Currently the Group does not have a timetable for the utilisation of the remaining proceeds. Such timetable will only be available when the Group can identify project targets with a reasonable chance of acquisition completion. In the meantime, the unutilised portion of IPO proceeds continues to be maintained in deposits with licensed banks.

Liquidity and Financial Resources

Cash and bank balances

As at 31 December 2018, the currency denomination of the Group's cash and bank balances including pledged deposits were as follows:

Currency Denomination	**2018**	2017
	HK$ million	*HK$ million*
Denominated in:		
RMB	**1,175.6**	620.4
HKD	**5.0**	13.2
USD	**192.7**	216.3
XAF	**15.4**	7.4
	1,388.7	857.3

As at 31 December 2018, our cash and bank balances including pledged deposits were HK$1,388.7 million (2017: HK$857.3 million) while the Group's borrowings amounted to HK$4,363.3 million (2017: HK$3,748.2 million). The Group's borrowings net of cash and bank balances amounted to HK$2,974.6 million (2017: HK$2,890.9 million).

As 31 December 2018, the cash and bank balances increased by 62.0% to HK$1,388.7 million (2017: HK$857.3 million) mainly attributable to (a) improved cash flows from operations; and (b) higher level of cash reserve accumulated during our course of restructuring our loan portfolio to longer maturity. 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.

Other major changes in working capital

(a) Trade and notes receivable of the Group as at 31 December 2018 increased by 63.6% to HK$1,923.8 million from HK$1,175.6 million as at 31 December 2017 mainly attributable to (i) average selling price and hence revenue from EMM products and silicomanganese alloy increased significantly in the second half of the year 2018; and (ii) in the second half of the year 2018 as compared with the first half, the revenue mix shifted to longer credit period EMM and alloying material products from trading business.

(b) Current prepayments, other receivables and other assets increased by HK$178.9 million to HK$534.9 million (2017: HK$356.0 million) at 31 December 2018 mainly due to the following reason. During the year 2018, due to the change of industrial plan led by the local government in Beihai, Guangxi, the local government intended to cease the cooperation with the Group in a project development which has been being in progress. As the Group is actively negotiating with the local government to recover all the costs incurred together with financial costs and loss of profits, the Group has reclassified the non-current prepayment for the use of land of HK$45.5 million together with related land reclamation costs previously classified as construction in progress of HK$88.0 million to current assets.

The above impacts were net off by the followings:

(c) At 31 December 2018, inventories decreased by HK$224.0 million to HK$685.0 million (2017: HK$909.1 million) mainly attributable to (i) the Group's effort to improve cash flows by containing inventories level; and (ii) certain aged stock of manganese ores were sold when their market price were soaring in the second half of the year 2018.

Net current liabilities

During the year 2018, due to (a) the Group's effort to improve our borrowings' maturity structure and (b) significant improvement in profits from operations, the Group's net current liabilities were significantly reduced to HK$371.6 million (2017: HK$1,393.6 million) as at 31 December 2018.

Bank and other Borrowings

As at 31 December 2018, the Group's borrowing structure and maturity profile were as follows:

Borrowing structure	**2018**	2017
	HK$ million	*HK$ million*
Secured borrowings (including finance lease payables)	**297.9**	465.7
Unsecured borrowings	**4,065.4**	3,282.5
	4,363.3	3,748.2

Maturity profile	**2018**	2017
	HK$ million	*HK$ million*
Repayable:		
On demand or within one year	**3,171.0**	3,003.4
After one year and within two years	**675.6**	638.1
After two years and within five years	**516.7**	106.7
	4,363.3	3,748.2

Currency denomination	**2018**	2017
	HK$ million	*HK$ million*
Denominated in:		
RMB	**3,807.5**	3,019.7
USD	**555.8**	728.5
	4,363.3	3,748.2

As at 31 December 2018, borrowings as to the amounts of HK$2,415.9 million (2017: HK$2,147.6 million) and HK$1,947.4 million (2017: HK$1,600.6 million), carry fixed and floating rate interest respectively. The fixed rate borrowings carry interest at rates ranging from 3.80% to 8.70%. The floating rate borrowings carry interest at a premium of 5% to 10% above the Benchmark Borrowing Rates of the People's Bank of China ("**PBOC**"), except the USD loans which carry interest at rates of LIBOR plus a margin of 2.30%.

Overall, aggregate borrowings increased to HK$4,363.3 million (2017: HK$3,748.2 million). The Group is continuing to explore various means including short-term or medium-term notes to improve borrowing structure in terms of interest rate level and repayment terms.

Charge on group assets

As at 31 December 2018, (a) property, plant and equipment of HK$220.4 million (2017: HK$143.4 million) were held under finance lease; (b) none else of the Group's property, plant and equipment (2017: Nil) were pledged to secure the Group's interest-bearing bank borrowings; (c) bank balances of HK$119.1 million (2017: HK$188.2 million) were pledged to secure certain of the Group's bank acceptance notes payable; and (d) trade receivables of HK$45.8 million (2017: HK$238.4 million) were pledged to secure certain of the Group's bank borrowings.

Guarantees

(a) As at 31 December 2018, the outstanding bank loan of an associate, in which the Group has a 33.0% equity interest, was secured by the associate's lands and property, plant and equipment and guaranteed by the Group and the associate's holding company, Guangxi Jinmeng, according to their respective shareholding percentage on a several basis.

    As at 31 December 2018, the associate's banking facilities guaranteed by the Group and Guangxi Jinmeng amounted to RMB800.0 million (equivalent to HK$910.5 million) and were utilised to the extent of RMB665.0 million (equivalent to HK$756.8 million) as at 31 December 2018 (2017: RMB715.0 million, equivalent to HK$858.5 million).

(b) At 31 December 2018, loans amounting to RMB80.0 million (equivalent to HK$91.0 million) (2017: RMB50.0 million equivalent to HK$60.0 million) provided by Guangxi Dameng to a company (the "**borrower**") in which the Group owns 10% equity interest is guaranteed by the Group and the major shareholder of the borrower according to the shareholding percentage on a several basis.

Contingent Liabilities

A subsidiary of the Group was 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 were set out in the announcement of the Group on 11 December 2015. In August 2018, upon the conclusion of the second trial in the PRC, which is the final appeal by the plaintiff, our subsidiary successfully defended against the claim and there was no financial loss incurred by the Group.

Key Financial Ratios of the Group

	2018	2017
Current ratio	**0.93**	0.71
Quick ratio	**0.79**	0.51
Net gearing ratio	**96.0%**	99.8%

Current ratio	=	balance of current assets at the end of the year/balance of current liabilities at the end of the year
Quick ratio	=	(balance of current assets at the end of the year – balance of inventories at the end of the year)/balance of current liabilities at the end of the year
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 31 December 2018, current ratio, quick ratio and net gearing ratio improved because of significant improvement in profits from operations and our continuous effort to restructure our loan portfolio to longer maturity.

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.

In view of the Group's net current liabilities of HK$371.6 million at 31 December 2018 (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 31 December 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$2,902.4 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 and improving 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 year ended 31 December 2018 on a going concern basis.

Credit risk

The Group endeavoured to maintain strict control over its outstanding receivables to minimise credit risk. 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 to three months from the invoice date and cash realisation may be further extended by three to six months for those customers paying by bank acceptance notes. 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.

As at 31 December 2018, the customer with the largest balance of trade and notes receivables of the Group was Guangxi Jinmeng which is principally engaged in manganese ferroalloy production and manganese ore trading in the PRC 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 of Gabon Bembélé Manganese Mine.

In 2018, revenue from sales of manganese ores to Guangxi Jinmeng Group is HK$671.3 million (2017: HK$666.5 million) and revenue from sales of Gabon ores to Guangxi Jinmeng Group is HK$13.3 million (2017: 221.1 million). In 2018, total sales to Guangxi Jinmeng Group amounted to HK$684.6 million (2017: HK$887.6 million), which accounted for 10.2% (2017: 14.8%) of the Group's total revenue. As at 31 December 2018, trade receivables and notes receivables from Guangxi Jinmeng Group was HK$297.3 million (2017: HK$209.5 million) and HK$54.2 million (2017: Nil) and represented 26.4% (2017: 25.0%) and 6.4% (2017: Nil) respectively of the Group's total.

Sales to Guangxi Jinmeng Group are on open account with a normal 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 60 days subject to the Company's approval of conversion of the relevant trade receivables to commercial acceptance notes. Subsequent to the year end of 2018 and up to the date of this announcement, an aggregate amount of HK$123.7 million has been received and as at the date of this announcement the remaining unsettled balances due from Guangxi Jinmeng Group are within the above 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 costs 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 costs of new debt obligations. In the year 2018, United States Federal Reserve rate increased four times of 0.25% each and market expects this increasing trend may extends to the year 2019. Accordingly, the Group secures interest rate swap contracts to effectively lock up certain United States dollars floating rate loan to fixed rate loan to contain interest rate risk.

Foreign exchange risk

The Group's operations are primarily in Hong Kong, the PRC and Gabon. Foreign exchange risks for operations in each location are set out below. Except for our PRC operation mentioned in (b) below, we have not entered into any foreign exchange contracts or derivative transactions to hedge against foreign exchange risks.

(a) In respect of our trading operations in Hong Kong, our sales and purchases are both denominated in United States dollars. In addition, Hong Kong dollars is pegged to United States dollars and hence foreign exchange risk is minimal.

(b) In respect of our mining and downstream 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 denominated in RMB except for the followings.

During the year 2018, the Group increased its import of manganese ores from oversea suppliers which are denominated in United States dollars to cope with its increased production of alloy materials. In order to contain the foreign currency risk in association with such overseas purchase of manganese ores, the Group entered into forward currency contracts for selected major purchases at the time of entering into the relevant purchase contracts, to secure against exchange rate movements.

(c) In respect of our Gabon operation and prior to the subcontracting arrangement, 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 except for expenses incurred locally being denominated in Euro or Euro-pegged XAF. Under the subcontracting arrangement, our subcontracting income is substantially denominated in US dollars and all major expenses are borne by the subcontractor.

Investment in 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 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:

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

(b) enhance our operational efficiency and profitability; and

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

Future Development and Outlook

- From November 2018 onwards, the impact of environmental protection investigation and inspection initiated by the PRC central government on manganese ore and EMM producers had gradually been removed. Therefore, the market price of EMM dropped back to a more reasonable level at around the year end through now after having stayed at the exceptionally high level for a few months not long before the year end of 2018. Nevertheless, we will continue to emphasise on environmental protection and work safety and get prepared to seize the opportunity to enlarge our market share and any price hike as authorities are getting more stringent on environmental protection requirements.

  While we maintain our optimistic view that a certain minimum level of demand for manganese in the form of EMM and alloy in steel production continues to surge in the PRC, excess supply of processing capacity in the PRC will continue to suppress market price of our major products. Therefore, the market will continue to be highly competitive. Being backed by our strong advantage of abundant manganese resources and more efforts in implementing cost reduction initiatives, we are confident in remaining as a leader in these products.

- In the year 2018, two more furnaces of Dushan Jinmeng have been put into commercial production. It is expected that by the end of the year 2019, half of the ferromanganese production and power generating capacity will have been put into production, and the remaining half of the project capacity will be put into production around mid-2020. Upon full production, Dushan Jinmeng will be one of the largest integrated power to manganese ferroalloy plants in the PRC, and therefore a key manganese ferroalloy supplier to steel plants in the southern market of the PRC.

- The Group will continue to adopt asset-light strategy to cautiously expand our capacity of manganese ferroalloy including leasing of additional ferroalloy furnaces. Riding on our expertise in manganese from mining to downstream processing and with the growing production of ferroalloy of our Qinzhou Ferroalloy Plant, newly leased ferroalloy furnaces and Dushan Jinmeng, we continue to cautiously develop our trading business of manganese ore, manganese ferroalloy and its related raw materials.

- With stabilised mining operation in our Bembélé Manganese Mine in Gabon by our subcontractor, we will focus on marketing of the Gabon ore. In terms of geographical region, more effort will be spent on India and neighbouring countries in addition to the traditional PRC market. Our technical team will focus on marketing Gabon ore to customers to extend the use in hydrometallurgical method.

- The establishment of Ningbo Dameng and acquisition of Huiyuan Manganese as a strategic step to emphasise more on battery materials is encouraging in the year 2018. Riding on our existing expertise in manganese industry and additional talents from Huiyuan Manganese, we will continue to carry out technological innovations and upgrades in Huiyuan Manganese so as to enlarge its production capacity of EMD in a cost efficient manner and at the same time strictly control our costs of investment so as to maximise our profitability. In addition, we will continue to monitor its financial performance and consider investment alternatives including increases in equity interests in Ningbo Dameng and/or Huiyuan Manganese.

- The second phase of lithium manganese oxide plant in Chongzuo Base will commence commercial production in around mid-2019. The Group will be able to speed up participating in this fast growing battery materials market upon completion of the project.

- 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 U.S.-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 the U.S. 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 used certain derivative financial instruments to hedge the interest rate and currency risks in the year 2018 and will continue to closely monitor the market conditions and may adjust the paces of our development and business strategy from time to time to balance these risks.

MINERAL AND MINING REPORT

Resources and Reserves

Below is the information on our mineral resources and ore reserves in accordance with JORC Code as of 31 December 2018:

Summary of our manganese mineral resources

Mines	Ownership Percentage	JORC Resource Category	Million tonnes	Average Manganese Grade (%)	Million tonnes	Average Manganese Grade (%)
			31.12.2018		31.12.2017	
Daxin Mine	100%	Measured	**3.53**	**25.82**	4.16	24.96
		Indicated	**60.98**	**21.52**	62.31	21.39
		Subtotal	**64.51**	**21.76**	66.47	21.62
		Inferred	**0.43**	**21.23**	0.43	21.23
		Total	**64.94**	**21.76**	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

Mines	**Ownership Percentage**	**JORC Resource Category**	**Million tonnes**	**Average Manganese Grade** *(%)*	Million tonnes	Average Manganese Grade *(%)*
			31.12.2018		31.12.2017	
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	**2.53**	**20.45**	2.65	20.45
		Indicated	**14.67**	**20.32**	14.67	20.32
		Subtotal	**17.20**	**20.34**	17.32	20.34
		Inferred	**4.22**	**20.50**	4.22	20.50
		Total	**21.42**	**20.37**	21.54	20.37
Bembélé Manganese Mine	51%	Measured	–	–	–	–
		Indicated	**13.72**	**31.70**	14.99	31.99
		Subtotal	**13.72**	**31.70**	14.99	31.99
		Inferred	**12.37**	**32.74**	12.37	32.74
		Total	**26.09**	**32.19**	27.36	32.32
Total			**120.82**		124.17	

Summary of our manganese ore reserves

Mines	Ownership Percentage	JORC Resource Category	Million tonnes	Average Manganese Grade (%)	Million tonnes	Average Manganese Grade (%)
			31.12.2018		31.12.2017	
Daxin Mine	100%	Proved	**3.31**	**20.81**	3.94	20.71
		Probable	**58.45**	**18.96**	59.78	18.89
		Total	**61.76**	**19.06**	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	**2.53**	**20.45**	2.65	20.45
		Probable	**14.67**	**20.32**	14.67	20.32
		Total	**17.20**	**20.34**	17.32	20.34
Bembélé Manganese Mine	51%	Proved	**–**	**–**	–	–
		Probable	**13.71**	**31.36**	14.98	31.36
		Total	**13.71**	**31.36**	14.98	31.36
Total			**95.83**		99.18	

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

Assumptions:

The figures of the aforesaid manganese resources and manganese ore 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 are based on the estimate as per the independent technical review report as shown in the Prospectus. The decreases of the manganese resources and manganese ore reserves in the aforesaid mines during the year were largely due to mining depletion. The year end amounts have been confirmed by our 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 (China Ye Jin Di Zhi Zong Ju Zhong Nan Ju Nanning Di Zhi Diao Cha Suo). The decrease of manganese resources and manganese ore reserves of the mine during the year were largely due to mining depletion. The year 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, Jingxi County) dated 17th July 2004 prepared by 南寧儲偉資源有限責任公司 (Nanning Chu Wei Resources Limited Company). The year end amounts have been confirmed by our internal experts.

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

Exploration, Development and Mining Activities

I) Exploration

Overview

During the year, there were no significant progress in respect of our exploration works and we have not conducted any exploration drilling works which are largely due to: (1) completion of the exploration works at Daxin Mine and Changgou Manganese Mine; (2) Waifu Manganese Mine has not entered into formal operation; and (3) the data regarding the composition of the ore bodies and geological structure obtained through the previous exploration works conducted at Bembélé Manganese Mine can basically satisfy its existing mining production's need. During the year, our main focus was to continue the subsequent follow up work in respect of the exploration works at Tiandeng Mine.

Daxin Mine

During the year, 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 year, the mining geological 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 hereinabove, we have not entered into any contracts or commitments in respect of exploration work or conducted any exploration work at Tiandeng Mine during the year.

Waifu Manganese Mine

During the year, 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 year, 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 year, we have not entered into any contracts or commitments in respect of exploration work or conducted any exploration work at Bembélé Manganese Mine.

II) Development

Daxin Mine

During the year, our outsourced contractor, 廣西錫山礦業有限公司 (Guangxi Xishan Mining Limited Company) has completed the phase B 600,000 tonnes/year expansion project for the underground mining at Daxin Mine. As at 31 December 2018, the tunnel construction works in phase B amounted to 45,683 metres (2017: 45,352 metres) in length and the construction works in phase B amounted to 432,049 m^3 (2017: 388,718 m^3).

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

Tiandeng Mine

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

Waifu Manganese Mine

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

Changgou Manganese Mine

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

Bembélé Manganese Mine

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

III) Mining activities

(1) Mining operations

Daxin Mine

	2018	2017
Open pit mining		
Mining production volume (thousand tonnes)	**407**	779
Underground mining		
Mining production volume (thousand tonnes)	**1,468**	1,021
Total mining production (thousand tonnes)	**1,875**	1,800
Average manganese grade		
Manganese carbonate ore	**14.8%**	14.9%
Manganese oxide ore	**28.6%**	27.7%

Tiandeng Mine

	2018	2017
Open pit mining		
Mining production volume (thousand tonnes)	**233**	131
Average manganese grade		
Manganese carbonate ore	**11.1%**	11.3%

Waifu Manganese Mine

During the year, there were no mining production.

Changgou Manganese Mine

	2018	2017
Underground mining		
Mining production volume (thousand tonnes)	**153**	213
Average manganese carbonate grade	**16.6%**	16.7%

Bembélé Manganese Mine

	2018	2017
Open pit mining		
Mining production volume (thousand tonnes)	**1,276**	982
Average manganese oxide grade	**29.2%**	28.7%

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

(2) Ore processing operations

- Concentrating

Production volume (thousand tonnes)	**2018**	2017
Daxin Concentration Plant		
Manganese carbonate concentrate	**1,024**	938
Manganese oxide concentrate	**26**	131
Total	**1,050**	1,069
Average manganese grade of concentrate		
Manganese carbonate concentrate	**20.1%**	17.7%
Manganese oxide concentrate	**25.1%**	28.3%
Tiandeng Concentration Plant		
Manganese carbonate concentrate	**352**	320
Average manganese grade of concentrate	**10.5%**	11.4%
Bembélé Concentration Plant		
Manganese oxide concentrate	**812**	616
Average manganese grade of concentrate	**36.3%**	36.5%

- Grinding

Production volume (thousand tonnes)	**2018**	2017
Daxin Grinding Plant		
Powder produced	**1,075**	1,045

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, DXML EMM Plant, Tiandeng EMM Plant and Guangxi Start EMM Plant. Details of EMM production are set out below:

Production (thousand tonnes)	**2018**	2017
Daxin EMM Plant	**103.6**	113.6
DXML EMM Plant	**22.7**	25.3
Tiandeng EMM Plant	**37.6**	25.1
Guangxi Start EMM Plant	**20.1**	20.0
Total	**184.0**	184.0

- Manganese briquette

Production (thousand tonnes)	**2018**	2017
Chongzuo Branch	**43.8**	40.4
Daxin Branch	**2.6**	–
Total	**46.4**	40.4

- Manganese sulfate

Production (thousand tonnes)	**2018**	2017
Daxin Manganese Sulfate Plant	**25.1**	24.0

- EMD

Production (thousand tonnes)	**2018**	2017
Daxin EMD Plant	**30.0**	29.6

- Silicomanganese alloy

Production (thousand tonnes)	**2018**	2017
Qinzhou Ferroalloy Plant	**64.7**	51.6
Xingyi Ferroalloy Plant	**17.8**	–
Total	**82.5**	51.6

- Lithium manganese oxide

Production (thousand tonnes)	**2018**	2017
Chongzuo Branch	**3.2**	1.3

- NCM

Production (thousand tonnes)	**2018**	2017
Chongzuo Branch	**0.90**	0.51

(2) Non-manganese processing operations

- Lithium cobalt oxide

Production (thousand tonnes)	**2018**	2017
Chongzuo Branch	**0**	0.21

Note: Except figures for NCM 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.

V) *Exploration, Development and Mining Cost of the Group*

Expenses of exploration, development and mining activities of the Group for the year ended 31 December 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	–	–	–	9,599	11	9,610
Construction of mines, tunnels and roads	–	–	–	–	–	–
Staff cost	–	–	–	–	–	–
Others	–	–	–	–	–	–
	–	–	–	9,599	11	9,610
Mining activities*						
Staff cost	5,960	9,310	–	10,080	–	25,350
Consumables	922	11,312	–	4,177	–	16,411
Fuel, electricity, water and other services	12,238	7,562	–	3,282	–	23,082
Transportation	5,222	4	–	–	–	5,226
Sub-contracting fee	362,225	5,817	–	26,734	–	394,776
Depreciation	41,010	3,439	–	2,506	–	46,955
Others	–	6,326	–	2,113	–	8,439
	427,577	43,770	–	48,892	–	520,239

(* Concentrating not included)

Expenses of exploration, development, and mining activities of the Group for the year ended 31 December 2017 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	–	19,125	–	–	–	19,125
Construction of mines, tunnels and roads	–	–	–	–	–	–
Staff cost	–	–	–	–	–	–
Others	5	–	–	–	–	5
	5	19,125	–	–	–	19,130
Mining activities*						
Staff cost	2,926	4,775	–	7,866	–	15,567
Consumables	201	6,190	–	5,463	–	11,854
Fuel, electricity, water and other services	9,329	3,894	–	4,909	–	18,132
Transportation	5,407	2	–	–	630	6,039
Sub-contracting fee	269,963	–	–	36,220	–	306,183
Depreciation	15,962	1,797	–	3,080	590	21,429
Others	–	3,592	–	10,067	–	13,659
	303,788	20,250	–	67,605	1,220	392,863

(* Concentrating not included)

OTHER INFORMATION

Proposed Final Dividend

The Board has recommended the payment of a final dividend of HK1.0 cent per share for the year ended 31 December 2018, subject to the approval of the shareholders at the 2019 AGM (defined hereinbelow). Such proposed dividend will be payable on 24 June 2019 to the shareholders whose names appear on the register of members of the Company on 3 June 2019.

Annual General Meeting

The annual general meeting of the Company is tentatively scheduled to be held on Friday, 24 May 2019 ("**2019 AGM**"). Notice of the 2019 AGM will be published and issued to shareholders in due course.

Closure of Register of Members

a. Entitlement to Attend and Vote at the 2019 AGM

The register of members will be closed from Monday, 20 May 2019 to Friday, 24 May 2019, both days inclusive, during which period no transfer of shares will be registered. In order to be entitled to attend and vote at the 2019 AGM, all duly completed transfer forms accompanied by the relevant share certificates must be lodged with the Company's branch share registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong for registration not later than 4:30 p.m. on Friday, 17 May 2019.

b. Entitlement to the Proposed Final Dividend

The register of members will be closed from Thursday, 30 May 2019 to Monday, 3 June 2019, both days inclusive, during which period no transfer of shares will be registered. In order to qualify for the proposed final dividend, all duly completed transfer forms accompanied by the relevant share certificates must be lodged with the Company's branch share registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong for registration not later than 4:30 p.m. on Wednesday, 29 May 2019.

Purchase, Redemption or Sale of Listed Securities of the Company

Neither the Company, nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities during the year.

Audit Committee

In compliance with the Listing Rules, the Audit Committee comprising three Independent Non-executive Directors has reviewed the accounting policies adopted by the Group and discussed auditing, risk management, internal controls and financial reporting matters including a review of the consolidated results of the Group for the year ended 31 December 2018.

Financial Information

The financial information set out in this announcement does not constitute the Group's audited accounts for the year ended 31 December 2018, but represents an extract from those accounts. The financial information has been reviewed by the Audit Committee, approved by the Board and agreed by the Group's external auditors, Ernst & Young.

Corporate Governance

The Company is committed to maintaining a good and sensible framework of corporate governance and to complying with applicable statutory and regulatory requirements with a view to assuring the conduct of the management of the Company as well as protecting the interests of all shareholders. The Board assumes responsibility for leadership and control of the Company and is collectively responsible for promoting the success of the Company.

The Board is of the view that the Company has, for the year ended 31 December 2018, save for the deviation from the code provision A.2.1 applied the principles and 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 deviates from the 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 year, the three Independent non-executive Directors of the Company offered strong and independent advice. All major 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 the rules of no less stringent than the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules (the "**Securities Dealings Code**") as its code of conduct for dealings in securities of the Company by the Directors.

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 year.

Publication of Final Results and Annual Report on the Stock Exchange

The final results announcement is published on the websites of the Stock Exchange (http://www.hkexnews.hk) and the Company (http://www.dameng.citic.com). The annual report will be despatched to the shareholders and will be available on the websites of the Stock Exchange and the Company in due course.

Our Appreciation

Finally, we would like to express our gratitude to the Shareholders, business partners, suppliers and customers for their unfaltering support. We would also like to thank our dedicated staff for their contributions to the success of the Group.

PAST PERFORMANCE AND FORWARD LOOKING STATEMENTS

Performance and results of the operations of the Company for previous years described within this announcement are historical in nature. Past performance is no guarantee of the future results of the Company. This announcement may contain forward-looking statements and opinions, and therefore risks and uncertainties are involved. Actual results may differ materially from expectations discussed in such forward-looking statements and opinions. None of the Company, the Directors, employees or agents assumes (a) any obligation to correct or update any forward looking statements or opinions contained in this announcement; and (b) any liability arising from any forward looking statements or opinions that do not materialise or prove to be incorrect.

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 announcement, excluding the 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 or CDM"	中信大錳礦業有限責任公司 (CITIC Dameng Mining Industries Co., Limited)
"Companies Ordinance"	the Companies Ordinance of Hong Kong (Chapter 32 of the Laws of Hong Kong) as amended, supplemented or otherwise modified from time to time
"Company or our Company"	CITIC Dameng Holdings Limited
"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 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)
"DXML"	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)
"EMD"	electrolytic manganese dioxide
"EMM"	electrolytic manganese metal
"EMM products"	EMM and manganese briquette
"Gabon"	the Gabonese Republic
"Group, we or us"	the Company and its subsidiaries

"Guangxi"	Guangxi Zhuang Autonomous Region, the PRC
"Guangxi Dameng"	廣西大錳錳業集團有限公司 (Guangxi Dameng Manganese Industry Group Co., Ltd.)), a state-owned limited liability company established under the laws of the PRC on 30 July 2001. Guangxi Dameng is wholly-owned by the government of Guangxi, PRC
"Guangxi 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 Jinmeng Group"	Guangxi Jinmeng together with its subsidiaries (including 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
"Huiyuan Manganese"	廣西滙元錳業有限公司 (Guangxi Huiyuan Manganese Industry 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 Rules"	the Rules Governing the Listing of Securities on the Stock Exchange (as amended from time to time)
"NCM"	Lithium Nickel Cobalt Manganese Oxide
"Ningbo Dameng"	寧波大錳投資管理合伙企業(有限合伙) (Ningbo Dameng Management Partnership (Limited Partnership))
"Ningbo Dameng Group"	Ningbo Dameng together with its subsidiary Huiyuan Manganese
"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
"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
"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

"Xingyi Ferroalloy Plant"	a ferroalloy production plant located in Xingyi, Guizhou, leased and operated by a wholly owned subsidiary of the Group

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.

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

Hong Kong, 20 February 2019

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

* *For identification purpose only*