



中信大錳控股有限公司*

CITIC Dameng Holdings Limited

(incorporated in Bermuda with limited liability)

Stock Code: 1091



Interim Report **2020**

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Corporate Information

Board of Directors

Executive Directors

Mr. Guo Aimin (Chairman and Chief Executive Officer)

Mr. Li Weijian (Vice Chairman)

Non-executive Directors

Mr. Suo Zhengang

Mr. Lyu Yanzheng

Mr. Cheng Zhiwei

Ms. Cui Ling

Independent Non-executive Directors

Mr. Lin Zhijun

Mr. Tan Zhuzhong

Mr. Wang Zhihong

Audit Committee

Mr. Lin Zhijun (Chairman)

Mr. Tan Zhuzhong

Mr. Wang Zhihong

Ms. Cui Ling

Remuneration Committee

Mr. Wang Zhihong (Chairman)

Mr. Guo Aimin

Mr. Li Weijian

Mr. Lin Zhijun

Mr. Tan Zhuzhong

Nomination Committee

Mr. Tan Zhuzhong (Chairman)

Mr. Guo Aimin

Mr. Li Weijian

Mr. Lin Zhijun

Mr. Wang Zhihong

Company Secretary

Mr. Lau Wai Yip

Registered Office

Clarendon House, 2 Church Street,

Hamilton HM 11, Bermuda

Headquarters in Hong Kong

23/F, 28 Hennessy Road,

Wanchai, Hong Kong

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Principal Place of Business in the PRC

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Nanning, Guangxi, PRC

Bermuda Principal Share Registrar and Transfer Office

Codan Services Limited

Clarendon House, 2 Church Street,

Hamilton HM 11, Bermuda

Hong Kong Branch Share Registrar and Transfer Office

Computershare Hong Kong Investor Services Limited

Shops 1712-1716, 17th Floor, Hopewell Centre,

183 Queen's Road East, Wanchai, Hong Kong

Auditor

Ernst & Young

Certified Public Accountants

22/F, CITIC Tower, 1 Tim Mei Avenue,

Central, Hong Kong

Authorised Representatives

Mr. Guo Aimin

Mr. Lau Wai Yip

Principal Bankers

Agricultural Bank of China

Bank of China

China CITIC Bank

China Construction Bank

China Everbright Bank

China Guangfa Bank

DBS Bank

Industrial Bank Co., Ltd

Stock Code

1091 (Mainboard of the Hong Kong Stock Exchange)

Company Website

www.dameng.citic.com



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

Six months ended 30 June 2020

	Notes	Six months ended 30 June	
		2020 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited)
REVENUE	4	2,123,141	3,140,900
Cost of sales		(1,852,976)	(2,777,780)
Gross profit		270,165	363,120
Other income and gains	4	93,574	95,459
Selling and distribution expenses		(46,671)	(44,905)
Administrative expenses		(157,234)	(200,209)
Impairment losses on financial assets, net		(10,874)	511
Finance costs	5	(108,426)	(111,681)
Other expenses		(5,424)	(3,522)
Share of profits and losses of:			
– Associates		(20,962)	(10,573)
– A joint venture		1,757	2,721
Operating profit		15,905	90,921
Gain on bargain purchase from further acquisition of equity interest in a joint venture	28	69,411	–
Loss on deemed disposal of partial interest in an associate	6	(92,375)	–
(LOSS)/PROFIT BEFORE TAX	6	(7,059)	90,921
Income tax expense	7	(10,266)	(24,501)
(LOSS)/PROFIT FOR THE PERIOD		(17,325)	66,420
OTHER COMPREHENSIVE INCOME/(LOSS)			
<i>Other comprehensive income/(loss) that may be reclassified to profit or loss in subsequent periods:</i>			
– Changes in fair value of financial assets at fair value through other comprehensive income, net of tax		1,304	–
– Exchange differences on translation of foreign operations		(42,308)	1,126
– Cash flow hedges, net of tax		(2,219)	(3,002)
TOTAL COMPREHENSIVE (LOSS)/INCOME FOR THE PERIOD		(60,548)	64,544
(Loss)/profit attributable to:			
Owners of the parent		(8,107)	86,261
Non-controlling interests		(9,218)	(19,841)
		(17,325)	66,420
Total comprehensive (loss)/income attributable to:			
Owners of the parent		(63,977)	84,610
Non-controlling interests		3,429	(20,066)
		(60,548)	64,544
(Loss)/earnings per share attributable to ordinary equity holders of the parent:	8		
– Basic		HK\$(0.0024)	HK\$0.0252
– Diluted		HK\$(0.0024)	HK\$0.0252



Interim Condensed Consolidated Statement of Financial Position

30 June 2020

	Notes	30 June 2020 HK\$'000 (Unaudited)	31 December 2019 HK\$'000 (Audited)
NON-CURRENT ASSETS			
Property, plant and equipment	10	3,073,453	2,670,964
Investment properties		93,014	94,931
Right-of-use assets	11	623,337	612,486
Intangible assets	12	445,658	464,093
Investments in associates	13	693,163	812,456
Investment in a joint venture	14	–	122,919
Due from an associate	13	–	34,766
Deferred tax assets	15	36,956	30,251
Prepayments and other assets	18	108,175	107,927
Total non-current assets		5,073,756	4,950,793
CURRENT ASSETS			
Inventories	16	572,175	518,396
Trade and notes receivables	17	1,377,758	1,697,341
Prepayments, other receivables and other assets	18	445,805	386,304
Due from related companies	31	22,495	17,356
Due from an associate	13	31,987	–
Due from a joint venture	14	–	43,779
Tax recoverable		452	488
Derivative financial instruments	22	–	13,726
Pledged deposits	19	15,278	35,616
Cash and cash equivalents	19	1,534,914	1,103,606
Total current assets		4,000,864	3,816,612
CURRENT LIABILITIES			
Trade and notes payables	20	588,821	690,498
Other payables and accruals	21	817,194	771,767
Derivative financial instruments	22	5,493	4,835
Interest-bearing bank and other borrowings	23	2,872,569	3,511,908
Due to related companies	31	2,503	3,971
Tax payable		1,041	6,830
Total current liabilities		4,287,621	4,989,809
NET CURRENT LIABILITIES		(286,757)	(1,173,197)
TOTAL ASSETS LESS CURRENT LIABILITIES		4,786,999	3,777,596
NON-CURRENT LIABILITIES			
Interest-bearing bank and other borrowings	23	1,702,113	646,199
Derivative financial instruments	22	703	1,580
Deferred tax liabilities	15	215,424	191,741
Other long-term liabilities		41,712	42,572
Deferred income	25	49,169	57,078
Total non-current liabilities		2,009,121	939,170
Net assets		2,777,878	2,838,426



Interim Condensed Consolidated Statement of Financial Position

30 June 2020

	Notes	30 June 2020 HK\$'000 (Unaudited)	31 December 2019 HK\$'000 (Audited)
EQUITY			
Equity attributable to owners of the parent			
Issued capital	26	342,846	342,846
Reserves	27	2,396,916	2,460,893
		2,739,762	2,803,739
Non-controlling interests			
		38,116	34,687
Total equity		2,777,878	2,838,426

Guo Aimin
Director

Li Weijian
Director



Interim Condensed Consolidated Statement of Changes in Equity

Six months ended 30 June 2020

	Attributable to owners of the parent												Non-controlling interests	Total equity
	Issued capital	Contributed surplus	Hedging reserve	Share option reserve	Fair value reserve of financial assets at fair value through other comprehensive income	Reserve funds	Exchange fluctuation reserve	Capital redemption reserve	Investment related reserve	Accumulated losses	Total			
	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000
At 31 December 2019 and 1 January 2020 (audited)	342,846	2,453,063	(3,977)	41,804	(5,332)	169,342	(39,333)	312	1,602	(156,588)	2,803,739	34,687	2,838,426	
Loss for the period	-	-	-	-	-	-	-	-	-	(8,107)	(8,107)	(9,218)	(17,325)	
Other comprehensive income/(loss) for the period:														
Charge in fair value of financial assets at fair value through other comprehensive income net of tax	-	-	-	-	1,304	-	-	-	-	-	1,304	-	1,304	
Exchange differences on translation of foreign operations	-	-	-	-	-	-	(54,955)	-	-	-	(54,955)	12,647	(42,308)	
Cash flow hedges, net of tax	-	-	(2,219)	-	-	-	-	-	-	-	(2,219)	-	(2,219)	
Total comprehensive income/(loss) for the period	-	-	(2,219)	-	1,304	-	(54,955)	-	-	(8,107)	(63,977)	3,429	(60,548)	
Provision for special reserve	-	-	-	-	-	15,113	-	-	-	(15,113)	-	-	-	
Utilisation of special reserve	-	-	-	-	-	(10,504)	-	-	-	10,504	-	-	-	
Transfer from accumulated losses (note 27(a))	-	-	-	-	-	4,024	-	-	-	(4,024)	-	-	-	
At 30 June 2020 (Unaudited)	342,846	2,453,063*	(6,196)*	41,804*	(4,028)*	177,975*	(94,288)*	312*	1,602*	(173,328)*	2,739,762	38,116	2,777,878	



Interim Condensed Consolidated Statement of Changes in Equity

Six months ended 30 June 2020

	Attributable to owners of the parent										Total equity HK\$'000
	Issued capital	Contributed surplus	Hedging reserve	Share option reserve	Reserve funds	Exchange fluctuation reserve	Capital redemption reserve	Retained profits	Total	Non-controlling interests	
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	
At 31 December 2018 and 1 January 2019 (audited)	342,846	2,487,348	(1,777)	52,760	144,025	14,285	312	60,111	3,099,910	66,573	3,166,483
Profit/(loss) for the period	-	-	-	-	-	-	-	86,261	86,261	(19,841)	66,420
Other comprehensive income/(loss) for the period:											
Exchange differences on translation of foreign operations	-	-	-	-	-	1,351	-	-	1,351	(225)	1,126
Cash flow hedges, net of tax	-	-	(3,002)	-	-	-	-	-	(3,002)	-	(3,002)
Total comprehensive income/(loss) for the period	-	-	(3,002)	-	-	1,351	-	86,261	84,610	(20,066)	64,544
Provision for special reserve	-	-	-	-	24,128	-	-	(24,128)	-	-	-
Utilisation of special reserve	-	-	-	-	(28,252)	-	-	28,252	-	-	-
Transfer from retained profits	-	-	-	-	22,081	-	-	(22,081)	-	-	-
Final dividend declared and paid	-	(34,285)	-	-	-	-	-	-	(34,285)	-	(34,285)
At 30 June 2019 (Unaudited)	342,846	2,453,063	(4,779)	52,760	161,982	15,636	312	128,415	3,150,235	46,507	3,196,742

* These reserve accounts comprise the consolidated reserves of HK\$2,396,916,000 in the interim condensed consolidated statement of financial position (31 December 2019: HK\$2,460,893,000).



Interim Condensed Consolidated Statement of Cash Flows

Six months ended 30 June 2020

	Note	Six months ended 30 June	
		2020	2019
		HK\$'000	HK\$'000
		(Unaudited)	(Unaudited)
Net cash flows generated from operating activities		391,488	203,782
Net cash flows used in investing activities		(238,486)	(140,589)
Net cash flows generated from financing activities		299,623	188,489
NET INCREASE IN CASH AND CASH EQUIVALENTS		452,625	251,682
Cash and cash equivalents at beginning of period		1,103,606	1,269,668
Effect of exchange rate changes, net		(21,317)	(647)
CASH AND CASH EQUIVALENTS AT END OF PERIOD		1,534,914	1,520,703
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances	19	1,550,192	1,585,930
Less: Pledged deposits	19	(15,278)	(65,227)
Cash and cash equivalents at end of period		1,534,914	1,520,703



Notes to Interim Condensed Consolidated Financial Statements

30 June 2020

1. Corporate information

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

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

2. Basis of preparation and changes to accounting policies

2.1 Basis of preparation

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

As at 30 June 2020, the Company and its subsidiaries (collectively referred to as the “**Group**”) had net current liabilities of HK\$286.8 million (31 December 2019: HK\$1,173.2 million). In view of these circumstances, the directors of the Company have given consideration to the future liquidity and performance of the Group and its available sources of finance in assessing whether the Group will have sufficient financial resources to continue as a going concern. In order to improve the Group’s liquidity and cash flows to sustain the Group as a going concern, the Group implemented or is in the process of implementing the following measures:

- (a) The Group continues to restructure the mix of manganese products with the aim to increase the portion of products with higher margin so as to attain profitable and positive cash flow operations. In particular, the Group continues to ramp up mining and processing capacity of existing mines. In addition, the Group from time to time reviews its investment projects and may adjust its investment strategies in order to enhance the cash flow position of the Group whenever it is necessary.
- (b) The Group is taking measures to tighten cost controls over administrative and other operating expenses aiming at improving the working capital and cash flow position of the Group including closely monitoring the daily operating expenses.
- (c) At 30 June 2020, 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\$844.0 million upon repayment when due, subject to the condition that the Group will be able to repay the total interest due upon the respective repayment dates. Based on the abovementioned agreements and past experience, the directors consider it is highly probable that the Group can extend adequate amount of short-term bank loans for another year when fall due to maintain sufficient working capital of the Group.
- (d) The Group is actively following up with its debtors on outstanding receivables with an aim of agreeing a repayment schedule with each of them.

The directors of the Company have prepared a cash flow forecast for the Group which covers a period of twelve months from the end of the reporting period. They are of the opinion that, taking into account the abovementioned plans and measures of the Group in the first half of the year 2020, the Group will have sufficient working capital to finance its operations and meet its financial obligations as and when they fall due in the foreseeable future. Accordingly, the directors are of the opinion that it is appropriate to prepare the consolidated financial statements of the Group for the six months ended 30 June 2020 on a going concern basis.



Notes to Interim Condensed Consolidated Financial Statements

30 June 2020

2. Basis of preparation and changes to accounting policies (continued)

2.2 New standards, interpretations and amendments adopted by the Group

The accounting policies adopted in the preparation of the interim condensed consolidated financial information are consistent with those applied in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2019, except for the adoption of the new and revised Hong Kong Financial Reporting Standards ("HKFRSs") effective as of 1 January 2020. The Group has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective.

Several amendments and interpretations apply for the first time in 2020, but do not have an impact on the interim condensed consolidated financial statements of the Group.

Amendments to HKFRS 3: Definition of a Business

The amendment to HKFRS 3 clarifies that to be considered a business, an integrated set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create output. Furthermore, it clarified that a business can exist without including all of the inputs and processes needed to create outputs. These amendments had no impact on the interim condensed consolidated financial statements of the Group, but may impact future periods should the Group enter into any business combinations.

Amendments to HKFRS 7, HKFRS 9 and HKAS 39: Interest Rate Benchmark Reform

The amendments to HKFRS 9 and HKAS 39 *Financial Instruments: Recognition and Measurement* provide a number of reliefs, which apply to all hedging relationships that are directly affected by interest rate benchmark reform. A hedging relationship is affected if the reform gives rise to uncertainties about the timing and or amount of benchmark-based cash flows of the hedged item or the hedging instrument. These amendments had no impact on the interim condensed consolidated financial statements of the Group as it did not have any interest rate hedge relationships that was affected by the interest rate benchmark reform.

Amendments to HKAS 1 and HKAS 8: Definition of Material

The amendments provide a new definition of material that states "information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity."

The amendments clarify that materiality will depend on the nature or magnitude of information, either individually or in combination with other information, in the context of the financial statements. A misstatement of information is material if it could reasonably be expected to influence decisions made by the primary users. These amendments had no impact on the interim condensed consolidated financial statements of, nor is there expected to be any future impact to the Group.

Conceptual Framework for Financial Reporting issued on 28 June 2018

The Conceptual Framework is not a standard, and none of the concepts contained therein override the concepts or requirements in any standard. The purpose of the Conceptual Framework is to assist the HKICPA in developing standards, to help preparers to develop consistent accounting policies where there is no applicable standard in place and to assist all parties to understand and interpret the standards.

The revised Conceptual Framework includes some new concepts, provides updated definitions and recognition criteria for assets and liabilities and clarifies some important concepts.

These amendments had no impact on the interim condensed consolidated financial statements of the Group.



Notes to Interim Condensed Consolidated Financial Statements

30 June 2020

3. Operating segment information

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

(a) Manganese mining 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 and lithium nickel cobalt manganese 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, rental of investment properties and leasehold lands and investments in companies engaged in mining and production of non-manganese metals.

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, non-lease-related finance costs, fair value gain/loss from the Group's financial instruments, production halt expenses as well as head office and corporate expenses are excluded from such measurement.

Segment assets exclude derivative financial instruments, deferred tax assets, tax recoverable, pledged deposits, cash and cash equivalents and other unallocated head office and corporate assets as these assets are managed on a group basis.

Segment liabilities exclude 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.

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



Notes to Interim Condensed Consolidated Financial Statements

30 June 2020

3. Operating segment information (continued)

	Manganese mining		EMM and alloying materials production	Battery materials production	Other business	Total
	PRC	Gabon	PRC	PRC	PRC & HK	
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Six months ended 30 June 2020 (Unaudited)						
Segment revenue:						
Sales to external customers	46,903	–	1,518,711	323,335	234,192	2,123,141
Intersegment sales	–	–	–	–	21,096	21,096
Other revenue	1,909	29,947	19,688	6,457	17,575	75,576
	48,812	29,947	1,538,399	329,792	272,863	2,219,813
Reconciliation:						
Elimination of inter segment sales						(21,096)
Revenue from operations						2,198,717
Segment results	1,892	24,579	97,028	115,902	(97,344)*	142,057
<i>Reconciliations:</i>						
Interest income						17,998
Corporate and other unallocated expenses						(61,558)
Finance costs (other than interest on lease liabilities)						(105,556)
Profit before tax						(7,059)
Income tax expense						(10,266)
Profit for the period						(17,325)
Assets and liabilities						
Segment assets	771,801	124,933	3,912,533	1,369,311	1,183,005	7,361,583
<i>Reconciliations:</i>						
Corporate and other unallocated assets						1,713,037
Total assets						9,074,620
Segment liabilities	300,830	17,713	690,124	300,536	121,221	1,430,424
<i>Reconciliations:</i>						
Corporate and other unallocated liabilities						4,866,318
Total liabilities						6,296,742

* The amount includes the loss on deemed disposal of partial interest in an associate of HK\$92,375,000 (note 6).



Notes to Interim Condensed Consolidated Financial Statements

30 June 2020

3. Operating segment information (continued)

	Manganese mining		EMM and alloying materials production	Battery materials production	Other business	Total
	PRC	Gabon	PRC	PRC	PRC & HK	
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Six months ended 30 June 2019 (Unaudited)						
Segment revenue:						
Sales to external customers	61,254	–	1,566,290	331,093	1,182,263	3,140,900
Intersegment sales	–	–	–	–	328,663	328,663
Other revenue	14	49,037	24,463	1,532	13,114	88,160
	61,268	49,037	1,590,753	332,625	1,524,040	3,557,723
Reconciliation:						
Elimination of inter segment sales						(328,663)
Revenue from operations						3,229,060
Segment results	(8,393)	45,705	166,640	55,659	5,503	265,114
<i>Reconciliations:</i>						
Interest income						7,810
Corporate and other unallocated expenses						(70,322)
Finance costs						(111,681)
Profit before tax						90,921
Income tax expense						(24,501)
Profit for the period						66,420
Assets and liabilities						
Segment assets	922,238	255,036	4,454,671	1,056,156	1,403,752	8,091,853
<i>Reconciliations:</i>						
Corporate and other unallocated assets						1,771,235
Total assets						9,863,088
Segment liabilities	337,928	24,882	972,080	137,817	289,074	1,761,781
<i>Reconciliations:</i>						
Corporate and other unallocated liabilities						4,904,565
Total liabilities						6,666,346

4. Revenue, other income and gains

An analysis of revenue is as follows:

	Six months ended 30 June	
	2020	2019
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Revenue from contracts with customers		
Sale of goods:		
Manganese mining	46,903	61,254
EMM and alloying materials production	1,518,711	1,566,290
Battery materials production	323,335	331,093
Other business	234,192	1,182,263
	2,123,141	3,140,900



Notes to Interim Condensed Consolidated Financial Statements

30 June 2020

4. Revenue, other income and gains (continued)

Revenue from contracts with customers

(a) Disaggregated revenue information

For the six months ended 30 June 2020 (Unaudited)

Segments	Manganese mining	EMM and alloying materials production	Battery materials production	Other business	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Sale of goods	46,903	1,518,711	323,335	234,192	2,123,141
Geographical markets					
Mainland China	46,903	1,469,538	300,476	234,192	2,051,109
Asia (excluding Mainland China)	–	41,786	12,155	–	53,941
Europe	–	4,110	2,698	–	6,808
North America	–	3,277	8,006	–	11,283
Total revenue from contracts with customers	46,903	1,518,711	323,335	234,192	2,123,141
Timing of revenue recognition					
Goods transferred at a point in time with customers	46,903	1,518,711	323,335	234,192	2,123,141

For the six months ended 30 June 2019 (Unaudited)

Segments	Manganese mining	EMM and alloying materials production	Battery materials production	Other business	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Sale of goods	61,254	1,566,290	331,093	1,182,263	3,140,900
Geographical markets					
Mainland China	59,338	1,379,360	317,207	1,182,263	2,938,168
Asia (excluding Mainland China)	1,916	147,733	11,990	–	161,639
Europe	–	28,997	1,896	–	30,893
North America	–	10,200	–	–	10,200
Total revenue from contracts with customers	61,254	1,566,290	331,093	1,182,263	3,140,900
Timing of revenue recognition					
Goods transferred at a point in time with customers	61,254	1,566,290	331,093	1,182,263	3,140,900



Notes to Interim Condensed Consolidated Financial Statements

30 June 2020

4. Revenue, other income and gains (continued)

An analysis of other income and gains is as follows:

	Six months ended 30 June	
	2020	2019
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Other income and gains		
Interest income	17,998	7,810
Gain on disposal of items of property, plant and equipment	2,690	5,092
Gain on disposal of items of right-of-use assets	123	–
Subsidy income	17,521	4,958
Net subcontracting income	29,662	48,487
Sale of scraps	4,916	11,155
Rental income	11,038	13,003
Fair value gain on financial asset at fair value through profit or loss	–	12
Others	9,626	4,942
	93,574	95,459

5. Finance costs

	Note	Six months ended 30 June	
		2020	2019
		HK\$'000	HK\$'000
		(Unaudited)	(Unaudited)
Interest on loans wholly repayable within five years		96,968	102,267
Finance costs for discounted notes receivable		5,051	3,153
Interest expenses on lease liabilities	24	2,870	4,259
Other finance costs		3,537	2,002
		108,426	111,681



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6. (Loss)/profit before tax

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

	Notes	Six months ended 30 June	
		2020	2019
		HK\$'000	HK\$'000
		(Unaudited)	(Unaudited)
Cost of inventories sold [#]		1,852,344	2,777,458
Write-down of inventories to net realisable value, net [#]		632	322
Depreciation of property, plant and equipment	10	168,008	160,391
Depreciation of right-of-use assets	11	30,293	14,247
Amortisation of intangible assets	12	9,200	8,488
Research and development costs		10,597	11,760
Auditor's remuneration		1,805	1,843
Employee benefit expense		271,841	284,709
Gain on disposal of items of property, plant and equipment*		(2,690)	(5,092)
Gain on disposal of right-of-use assets*		(123)	–
Foreign exchange differences, net*		6,078	585
Impairment of financial assets included in trade and notes receivables, net	17	10,874	(511)
Impairment of non-financial assets included in prepayments, other receivables and other assets, net*		(1,296)	–
Variable lease payments not included in the measurement of lease liabilities [†]		3,131	4,946
Expenses relating to leases of low-value assets [^]		430	249
Gain on bargain purchase from further acquisition of equity interest in a joint venture	28	(69,411)	–
Loss on deemed disposal of partial interest in an associate (note)		92,375	–
Fair value gain on financial assets at fair value through profit or loss*		–	(12)

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

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

[^] Included in "Selling and distribution expenses" or "Administrative expenses" in the interim condensed consolidated statement of profit or loss and other comprehensive income.

Note: In February 2020, the Group recorded a non-cash extraordinary loss of HK\$92,375,000 resulting from the dilution in the Group's shareholding in GMG from 29.99% to 23.99% as the Group did not participate in GMG's rights issue.



Notes to Interim Condensed Consolidated Financial Statements

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7. Income tax expense

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

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

	Six months ended 30 June	
	2020	2019
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Current – PRC		
Charge for the period	3,426	25,617
Current – Gabon		
Charge for the period	–	64
Deferred (note 15)	6,840	(1,180)
Total tax charge for the period	10,266	24,501

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 the current period'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 Industries Co., Limited which is recognised as a High and New Technology Enterprise and is entitled to a preferential CIT rate of 15% up to 2022, and Guangxi Start Manganese Materials Co., Ltd., which is entitled to a preferential CIT rate of 15% for Developing Western China for which the policy will end in 2020 and related benefit will subject to review by tax authorities each year, other companies of the Group which operate in Mainland China are subject to CIT at a rate of 25% on their respective taxable income.

Gabon corporate income tax

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



Notes to Interim Condensed Consolidated Financial Statements

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8. (Loss)/earnings per share attributable to ordinary equity holders of the parent

	Six months ended 30 June	
	2020	2019
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
The calculation of basic and diluted (loss)/earnings per share are based on:		
(Loss)/Profit		
(Loss)/Profit attributable to ordinary equity holders of the parent, used in the basic (loss)/earnings per share calculation	(8,107)	86,261
Number of shares		
Shares		
Weighted average number of ordinary shares in issue during the period used in the basic (loss)/earnings per share calculation	3,428,459,000	3,428,459,000

The Group had no potentially dilutive ordinary shares in issue during the six months ended 30 June 2020 nor the six months ended 30 June 2019. No adjustment has been made to the basic earnings per share amounts presented for the six months ended 30 June 2020 nor the six months ended 30 June 2019 in respect of dilution as the share options outstanding had an anti-dilutive effect on the basic earnings per share amounts presented.

9. Dividend

The Board does not recommend the payment of any interim dividend for the six months ended 30 June 2020 (2019: Nil).

10. Property, plant and equipment

	30 June 2020	31 December 2019
	HK\$'000	HK\$'000
	(Unaudited)	(Audited)
At 1 January 2020/1 January 2019	2,670,964	2,571,199
Additions	203,481	539,912
Acquisition of a subsidiary	436,852	–
Depreciation (note 6)	(168,008)	(309,997)
Impairment	–	(53,559)
Disposals	(12,699)	(32,313)
Exchange realignment	(57,137)	(44,278)
At 30 June 2020/31 December 2019	3,073,453	2,670,964

At 30 June 2020, the Group was in the process of applying for the building ownership certificates of certain of its buildings with an aggregate net carrying amount of approximately HK\$167,062,000 (31 December 2019: HK\$175,328,000). The Directors are of the opinion that the aforesaid matter does not have any significant impact on the Group's financial position as at 30 June 2020.



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11. Right-of-use assets

	Prepaid land lease payments HK\$'000	Motor vehicles, plant machinery, tools and equipment HK\$'000	Total HK\$'000
As at 1 January 2020 (Audited)	441,730	170,756	612,486
Additions	–	–	–
Acquisition of a subsidiary	64,667	–	64,667
Depreciation (note 6)	(7,295)	(22,998)	(30,293)
Disposals	–	(8,697)	(8,697)
Exchange realignment	(11,600)	(3,226)	(14,826)
30 June 2020 (Unaudited)	487,502	135,835	623,337
As at 1 January 2019 (Audited)	452,680	196,620	649,300
Additions	9,354	23,637	32,991
Depreciation	(12,749)	(46,558)	(59,307)
Exchange realignment	(7,555)	(2,943)	(10,498)
As 31 December 2019 (Audited)	441,730	170,756	612,486

12. Intangible assets

	30 June 2020 HK\$'000 (Unaudited)	31 December 2019 HK\$'000 (Audited)
Mining rights and other intangible assets:		
At 1 January 2020/1 January 2019	464,093	529,358
Additions	47	2,382
Amortisation (note 6)	(9,200)	(17,715)
Impairment	–	(41,822)
Exchange realignment	(9,282)	(8,110)
At 30 June 2020/31 December 2019	445,658	464,093

13. Investments in associates and due from associates

	30 June 2020 HK\$'000 (Unaudited)	31 December 2019 HK\$'000 (Audited)
Share of net assets	693,046	812,339
Loan to an associate	117	117
At 30 June 2020/31 December 2019	693,163	812,456
Amount due from an associate		
– Repayable within one year	31,987	–
– Repayable after one year	–	34,766
	31,987	34,766



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14. Investment in a joint venture and amount due from a joint venture

	30 June 2020 HK\$'000 (Unaudited)	31 December 2019 HK\$'000 (Audited)
Share of net assets	–	122,919
Amount due from a joint venture	–	43,779

15. Deferred tax assets and liabilities

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

Deferred tax assets

	Deductible temporary differences HK\$'000
At 1 January 2020 (Audited)	30,251
Deferred tax credited to profit or loss during the period (note 7)	7,353
Exchange realignment	(648)
At 30 June 2020 (Unaudited)	36,956

Deferred tax liabilities

	Fair value adjustments arising from acquisition of subsidiaries HK\$'000	Withholding taxes HK\$'000	Fair value adjustments on investment properties HK\$'000	Depreciation allowances in excess of related depreciation and others HK\$'000	Total HK\$'000
At 1 January 2020 (Audited)	136,153	12,692	7,192	35,704	191,741
Acquisition of a subsidiary	13,275	–	–	–	13,275
Deferred tax charged to profit or loss during the period (note 7)	683	–	–	13,510	14,193
Exchange realignment	(2,853)	–	(167)	(765)	(3,785)
At 30 June 2020 (Unaudited)	147,258	12,692	7,025	48,449	215,424

16. Inventories

	30 June 2020 HK\$'000 (Unaudited)	31 December 2019 HK\$'000 (Audited)
Raw materials	318,730	343,083
Work in progress	4,414	7,000
Finished goods	323,701	243,982
	646,845	594,065
Less: Inventory provision	(74,670)	(75,669)
	572,175	518,396



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17. Trade and notes receivables

	30 June 2020 HK\$'000 (Unaudited)	31 December 2019 HK\$'000 (Audited)
Trade receivables	973,034	1,059,624
Notes receivable	545,056	763,936
	1,518,090	1,823,560
Less: Impairment	(140,332)	(126,219)
	1,377,758	1,697,341

The Group's trading terms with its customers are mainly on credit, except for new customers, where payment is required either in advance or upon delivery. Credit periods allowed are determined according to relevant business practice and the relevant type of goods and generally are in the range of one month 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. Each customer has a maximum credit limit. The Group seeks to maintain strict control over its outstanding receivables and has a credit control department to minimise credit risk. Overdue balances are reviewed and followed up regularly by senior management.

Included in trade and notes receivables, balance of HK\$282,912,000 (31 December 2019: HK\$280,355,000) was due from an associate (note 31).

At 30 June 2020, except for trade receivables of HK\$347,421,000 (31 December 2019: HK\$362,884,000) and notes receivable of HK\$48,943,000 (31 December 2019: HK\$66,627,000) with an impairment provision of HK\$77,211,000 (31 December 2019: HK\$77,211,000) due from a single customer and its subsidiaries ("**Customer A**"), mainly relating to sales from the trading business and gross subcontracting income, the remaining trade and notes receivables relate to a large number of diversified customers.

As at 30 June 2020, the Group has obtained credit enhancements from Customer A including an undertaking to pledge its certain assets, including inventories, property, plant and equipment and other assets with a carrying amount of HK\$282,451,000, to the Group as the security for payments of the outstanding receivables. Except for the above, the Group does not hold any collateral or other credit enhancements over its trade receivable balances. Trade receivables are non-interest-bearing except overdue trade receivables balances due from Customer A are interest-bearing at 9.5% per annum.

As at 30 June 2020, trade receivables of approximately HK\$25,250,000 (31 December 2019: HK\$62,855,000) were pledged to secure bank loans of HK\$25,250,000 (31 December 2019: HK\$62,855,000) granted by banks to the Group and notes receivables of approximately HK\$99,126,000 (31 December 2019: HK\$62,105,000) were pledged to issue certain bank acceptance notes of HK\$99,126,000 (31 December 2019: HK\$62,105,000).

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:

	30 June 2020 HK\$'000 (Unaudited)	31 December 2019 HK\$'000 (Audited)
Within one month	274,137	487,130
One to two months	105,888	95,661
Two to three months	103,084	36,888
Over three months	349,593	317,057
	832,702	936,736



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30 June 2020

17. Trade and notes receivables (continued)

Notes receivable represents: (a) bank acceptance notes of HK\$477,626,000 (31 December 2019: HK\$697,309,000) issued by banks in Mainland China maturing within six months from the end of the reporting period and (b) commercial acceptance notes of HK\$67,430,000 (31 December 2019: HK\$66,627,000) maturing within six months from the end of the reporting period.

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 and net of loss allowance, is as follows:

	30 June 2020 HK\$'000 (Unaudited)	31 December 2019 HK\$'000 (Audited)
Within one month	226,838	255,102
One to two months	109,416	199,675
Two to three months	85,752	153,468
Over three months and less than six months	123,050	152,360
	545,056	760,605

Transferred financial assets that are derecognised in their entirety

At 30 June 2020, the Group endorsed certain notes receivable accepted by banks in Mainland China (the "Derecognised Notes") to certain of its suppliers in order to settle the trade payables due to such suppliers with a carrying amount in aggregate of RMB460,390,000 (equivalent to HK\$504,772,000) (31 December 2019: RMB606,599,000, equivalent to HK\$678,784,000). The Derecognised Notes had a maturity of one to six months at the end of the reporting period. In accordance with the Law of Negotiable Instruments in the PRC, the holders of the Derecognised Notes have a right of recourse against the Group if the PRC banks default (the "Continuing Involvement"). In the opinion of the Directors, the Group has transferred substantially all risks and rewards relating to the Derecognised Notes. Accordingly, it has derecognised the full carrying amounts of the Derecognised Notes and the associated trade payables. The maximum exposure to loss from the Group's Continuing Involvement in the Derecognised Notes and the undiscounted cash flows to repurchase these Derecognised Notes equal to their carrying amounts. In the opinion of the Directors, the fair values of the Group's Continuing Involvement in the Derecognised Notes are not significant.

During the six months ended 30 June 2020 and 30 June 2019, the Group has not recognised any gain or loss on the date of transfer of the Derecognised Notes. No gains or losses were recognised from the Continuing Involvement, both during the period or cumulatively. The endorsement has been made evenly throughout the period.

The movements in the loss allowances for impairment of trade and notes receivables are as follows:

	Note	30 June 2020 HK\$'000 (Unaudited)	31 December 2019 HK\$'000 (Audited)
At 1 January 2020/1 January 2019		126,219	46,685
Impairment losses, net	6	10,874	80,358
Acquisition of a subsidiary		4,303	–
Exchange realignment		(1,064)	(824)
At 30 June 2020/31 December 2019		140,332	126,219



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17. Trade and notes receivables (continued)

Impairment under HKFRS 9

An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses. The provision rates are based on ageing information for groupings of various customer segments with similar loss patterns (i.e., by geographical region, product type, customer type and rating, and coverage by letters of credit or other forms of credit insurance). The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions. Generally, trade receivables are written off if past due for more than one year and are not subject to enforcement activity.

Set out below is the information about the credit risk exposure on the Group's trade and notes receivables using a provision matrix:

As at 30 June 2020

	Ageing				Total
	Less than 1 year	1 to 2 years	2 to 3 years	Over 3 years	
Expected credit loss rate	5.7%	71.7%	77.1%	100.0%	9.2%
Gross carrying amount (HK\$'000)	1,453,066	21,421	4,134	39,469	1,518,090
Expected credit losses (HK\$'000)	82,321	15,356	3,186	39,469	140,332

As at 31 December 2019

	Ageing				Total
	Less than 1 year	1 to 2 years	2 to 3 years	Over 3 years	
Expected credit loss rate	4.7%	73.4%	77.1%	100.0%	6.9%
Gross carrying amount (HK\$'000)	1,778,985	6,748	205	37,622	1,823,560
Expected credit losses (HK\$'000)	83,489	4,950	158	37,622	126,219

18. Prepayments, other receivables and other assets

Non-current portion

	30 June 2020 HK\$'000 (Unaudited)	31 December 2019 HK\$'000 (Audited)
Prepayments	328	52
Deposits	107,847	107,875
	108,175	107,927



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18. Prepayments, other receivables and other assets (continued)

Current portion

	30 June 2020 HK\$'000 (Unaudited)	31 December 2019 HK\$'000 (Audited)
Prepayments	235,260	217,016
Deposits and other receivables	289,376	242,926
	524,636	459,942
Impairment allowance	(78,831)	(73,638)
	445,805	386,304

19. Cash and cash equivalents and pledged deposits

	30 June 2020 HK\$'000 (Unaudited)	31 December 2019 HK\$'000 (Audited)
Cash and bank balances	1,550,192	1,139,222
Less: Pledged deposits for bank acceptance notes	(15,278)	(35,616)
Cash and cash equivalents as stated in the consolidated statements of financial position and cash flows	1,534,914	1,103,606

As at 30 June 2020, cash and bank balances of the Group denominated in RMB amounting to HK\$1,477,700,000 (31 December 2019: HK\$1,064,600,000) were deposited with banks in Mainland China. RMB is not freely convertible in the PRC into other currencies, however, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

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

20. Trade and notes payables

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

	30 June 2020 HK\$'000 (Unaudited)	31 December 2019 HK\$'000 (Audited)
Within one month	285,171	456,254
One to two months	82,031	74,051
Two to three months	45,176	55,885
Over three months	176,443	104,308
	588,821	690,498

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



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21. Other payables and accruals

	30 June 2020 HK\$'000 (Unaudited)	31 December 2019 HK\$'000 (Audited)
Contract liabilities	22,405	44,305
Other payables	450,643	385,635
Accruals	322,718	319,957
Financial guarantee contracts	21,428	21,870
	817,194	771,767

Contract liabilities represent short-term advances received to deliver products.

Other payables are non-interest-bearing and have an average term of three months.

22. Derivative financial instruments

	30 June 2020 Liabilities HK\$'000 (Unaudited)	31 December 2019	
		Assets HK\$'000 (Audited)	Liabilities HK\$'000 (Audited)
Interest rate swaps	6,196	–	3,977
Cross currency interest rate swaps	–	13,090	371
Forward currency contracts	–	636	2,067
	6,196	13,726	6,415
Portion classified as non-current:			
Interest rate swaps	(703)	–	(1,580)
Current portion	5,493	13,726	4,835

Certain subsidiaries of the Group enter into derivative financial instruments in the normal course of business in order to hedge their exposure to fluctuations in interest rate and foreign exchange rate.



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23. Interest-bearing bank and other borrowings

	30 June 2020			31 December 2019		
	Effective interest rate (%)	Maturity	HK\$'000 (Unaudited)	Effective interest rate (%)	Maturity	HK\$'000 (Audited)
Current						
Lease liabilities (note 24)	5.20-8.70	2020-2021	61,649	5.20-8.70	2020	74,097
Bank loans – secured (note (a))	1.40	2020	25,250	3.09-3.19	2020	62,855
Bank loans – unsecured	2.35-4.35	2020-2021	2,455,408	4.35-5.22, LIBOR+1.0, LIBOR+1.2	2020	2,685,565
Current portion of long-term bank loans – unsecured	4.75, LIBOR+2.30	2020-2021	330,262	4.75-5.46, LIBOR+2.30	2020	689,391
			2,872,569			3,511,908
Non-current						
Lease liabilities (note 24)	–	–	–	5.20-8.70	2021	27,265
Bank loans – unsecured	4.50-5.46, LIBOR+2.30	2021-2023	1,702,113	4.75-5.46, LIBOR+2.30	2021-2023	618,934
			1,702,113			646,199
			4,574,682			4,158,107

	30 June 2020 HK\$'000 (Unaudited)	31 December 2019 HK\$'000 (Audited)
Analysed into:		
Bank loans repayable:		
Within one year or on demand	2,810,920	3,437,811
In the second year	1,276,710	519,902
In the third to fifth years, inclusive	425,403	99,032
	4,513,033	4,056,745
Other loans and finance leases repayable:		
Within one year or on demand	61,649	74,097
In the second year	–	27,265
	61,649	101,362
	4,574,682	4,158,107



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

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

	30 June 2020 HK\$'000 (Unaudited)	31 December 2019 HK\$'000 (Audited)
Trade receivables	25,250	62,855

- (b) At 30 June 2020, except for bank and other borrowings of HK\$456,300,000 (31 December 2019: HK\$877,666,000) and HK\$25,250,000 (31 December 2019: Nil) which were denominated in United States dollars and Euro respectively, all borrowings were in Renminbi.

24. Lease liabilities

The carrying amount of lease liabilities (included under interest-bearing bank and other borrowings) and the movements during the period are as follows:

	30 June 2020 HK\$'000 (Unaudited)	31 December 2019 HK\$'000 (Audited)
Carrying amount at 1 January 2020/ 1 January 2019	101,362	293,573
New leases	–	4,848
Accretion of interest recognised (Note 5)	2,870	7,963
Payments	(35,815)	(202,511)
Disposals	(4,958)	–
Exchange realignment	(1,810)	(2,511)
Carrying amount at 30 June 2020/31 December 2019	61,649	101,362
Analysed into:		
Current portion	61,649	74,097
Non-current portion	–	27,265

25. Deferred income

	30 June 2020 HK\$'000 (Unaudited)	31 December 2019 HK\$'000 (Audited)
At 1 January 2020/1 January 2019	57,078	76,988
Additions	187	403
Acquisition of a subsidiary	1,161	–
Amortisation	(8,138)	(19,260)
Exchange realignment	(1,119)	(1,053)
At 30 June 2020/31 December 2019	49,169	57,078

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



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26. Share capital

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

	30 June 2020 HK\$'000 (Unaudited)	31 December 2019 HK\$'000 (Audited)
Issued and fully paid: 3,428,459,000 (31 December 2019: 3,428,459,000) ordinary shares of HK\$0.10 each	342,846	342,846

27. Reserves

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

	Note	30 June 2020 HK\$'000 (Unaudited)	31 December 2019 HK\$'000 (Audited)
Contributed surplus		2,453,063	2,453,063
Hedging reserve		(6,196)	(3,977)
Reserve funds	(a)	177,975	169,342
Fair value reserve of financial assets at fair value through other comprehensive income		(4,028)	(5,332)
Share option reserve		41,804	41,804
Investment related reserve		1,602	1,602
Exchange fluctuation reserve		(94,288)	(39,333)
Capital redemption reserve		312	312
Accumulated losses		(173,328)	(156,588)
		2,396,916	2,460,893

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

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



Notes to Interim Condensed Consolidated Financial Statements

30 June 2020

28. Business Combination

On 31 March 2020, the Group further acquired 65.17% partnership interest in Ningbo Dameng at a consideration of RMB124,046,000 (equivalent to HK\$136,674,000). After the further acquisition, Ningbo Dameng Group ceased to be a joint venture and became a wholly owned subsidiary of the Group and therefore, the Group ceased to account for the results of Ningbo Dameng Group by equity method, and consolidated its financial statements in full after the acquisition date instead. The principal activity of Ningbo Dameng is investment holding. Ningbo Dameng wholly owns a subsidiary Huiyuan Manganese in the PRC, principally engaging in manufacturing and sale of EMD.

The further acquisition has been accounted for by using the acquisition method.

The fair values of the identifiable assets and liabilities of Ningbo Dameng Group as at the date of further acquisition were as follows:

	Notes	HK\$'000
Property, plant and equipment	10	436,852
Right-of-use assets	11	64,667
Cash and bank balances		5,626
Trade and notes receivables		118,827
Other receivables and prepayments		47,112
Inventories		79,981
Trade and notes payables		(175,027)
Other payables and accruals		(124,551)
Bank loans		(110,180)
Deferred income	25	(1,161)
Deferred tax liabilities	15	(13,275)
		328,871
Satisfied by:		
Cash		136,674
Net carrying amount of previously held interest in Ningbo Dameng Group		122,786
		259,460
Gain on bargain purchase recognised in profit or loss		69,411

The fair values of the trade and notes receivables and other receivables and prepayments as at the date of acquisition amounted to HK\$118,827,000 and HK\$47,112,000, respectively. The gross contractual amounts of trade and notes receivables and other receivables and prepayments were HK\$123,130,000 and HK\$48,114,000 respectively, of which trade and notes receivables of HK\$4,303,000 and other receivables and prepayments of HK\$1,002,000 are expected to be uncollectible.

The Group recognised a gain on bargain purchase of HK\$69,411,000 in the consolidated statement of profit or loss for the six months ended 30 June 2020, which was primarily attributable to the consideration determined based on the carrying amount of the net assets of Ningbo Dameng Group that was mutually agreed between the parties.

The Group incurred transaction costs of HK\$50,000 for this acquisition. These transaction costs have been expensed and are included in other expenses in the consolidated statement of profit or loss.



Notes to Interim Condensed Consolidated Financial Statements

30 June 2020

28. Business Combination (continued)

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

	HK\$'000
Cash consideration	136,674
Cash and bank balances acquired	(5,626)
Net outflow of cash and cash equivalents included	
in cash flows from investing activities	131,048
Transaction costs of the acquisition included	
in cash flows from operating activities	50
	131,098

Since the acquisition, Ningbo Dameng Group contributed HK\$140,414,000 to the Group's revenue and a profit after tax of HK\$25,812,000 to the consolidated loss for the six months ended 30 June 2020.

Had the acquisition taken place at the beginning of the year, the revenue of the Group and the loss after tax of the Group for the year would have been HK\$2,201,365,000 and HK\$14,051,000 respectively.

29. Share option scheme

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

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

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

	Six months ended 30 June 2020		Year ended 31 December 2019	
	Weighted average exercise price HK\$ per share	Number of options '000	Weighted average exercise price HK\$ per share	Number of options '000
At 1 January 2020/1 January 2019	2.81	35,500	2.81	44,500
Forfeited during the period/year	-	-	2.81	(9,000)
At 30 June 2020/31 December 2019	2.81	35,500	2.81	35,500

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



Notes to Interim Condensed Consolidated Financial Statements

30 June 2020

29. Share option scheme (continued)

At 30 June 2020:

Number of share options outstanding '000	Exercise price HK\$ per share	Exercise period
8,875	2.81	11 January 2012 to 10 January 2021
8,875	2.81	11 January 2013 to 10 January 2021
17,750	2.81	11 January 2014 to 10 January 2021
35,500		

At 31 December 2019:

Number of share options outstanding '000	Exercise price HK\$ per share	Exercise period
8,875	2.81	11 January 2012 to 10 January 2021
8,875	2.81	11 January 2013 to 10 January 2021
17,750	2.81	11 January 2014 to 10 January 2021
35,500		

The fair value of the outstanding share options at the time of grant was estimated, using a binomial model, as HK\$42,245,000 (31 December 2019: HK\$42,245,000) (weighted average fair value of HK\$1.19 each). No share option expense has been recognised by the Group during the six months ended 30 June 2020 and 2019 as all share options have been vested in 2014.



Notes to Interim Condensed Consolidated Financial Statements

30 June 2020

30. Commitments and contingencies

(a) The Group as a lessor

The Group leases its investment properties under operating lease arrangements. The terms of the leases generally require the tenants to pay security deposits and provide for periodic rent adjustments according to the then prevailing market conditions. Rental income recognised by the Group during the period was HK\$11,038,000 (2019: HK\$13,003,000), details of which are included in note 4 to the financial statements.

At 30 June 2020, the total undiscounted minimum lease payments receivables by the Group in future periods under non-cancellable operating leases with its tenants are as follows:

	30 June 2020 HK\$'000 (Unaudited)	31 December 2019 HK\$'000 (Audited)
Within one year	14,628	21,950
After one year but within two years	4,234	9,726
After two years but within three years	456	5,084
After three years but within four years	–	113
After four years but within five years	–	476
After five years	–	–
	19,318	37,349

b) Capital commitments of the Group

	30 June 2020 HK\$'000 (Unaudited)	31 December 2019 HK\$'000 (Audited)
Capital expenditure in respect of acquisition of items of property, plant and equipment	467,169	368,491

c) The Group's share of capital commitments of the joint venture

	30 June 2020 HK\$'000 (Unaudited)	31 December 2019 HK\$'000 (Audited)
Contracted, but not provided for: Plant and machinery	–	2,482



Notes to Interim Condensed Consolidated Financial Statements

30 June 2020

30. Commitments and contingencies (continued)

d) Contingent liabilities

At the end of reporting period, contingent liabilities were as follows:

	Notes	30 June 2020 HK\$'000 (Unaudited)	31 December 2019 HK\$'000 (Audited)
Guarantees given to banks in connection with facilities granted to an associate	(i)	289,450	295,416
Guarantees given to Guangxi Dameng Manganese Industry Group Co., Ltd. ("Guangxi Dameng") in connection with loans provided to an investee	(ii)	10,964	11,190
Guarantee given to a bank in connection with loans provided to a joint venture	(iii)	–	167,850

- (i) As at 30 June 2020, the outstanding bank loan of an associate, in which the Group has a 33% equity interest, was secured by the associate's lands and property, plant and equipment and guaranteed by the Group and the holding company of the associate according to the shareholding percentage on a several basis.

As at 30 June 2020, the associate's banking facilities guaranteed by the Group and the holding company of the associate amounted to RMB800,000,000 (equivalent to HK\$877,120,000) and were utilised to the extent of RMB589,900,000 (equivalent to HK\$646,766,000) (31 December 2019: RMB615,000,000, equivalent to HK\$688,125,000) by the associate.

- (ii) As at 30 June 2020, the loan facilities provided by Guangxi Dameng to a company (the "borrower"), in which the Group has a 10% equity interest, was guaranteed by the Group and the major shareholder of the borrower according to the shareholding percentage on a several basis.

As at 30 June 2020, the loan facilities guaranteed by the Group and the holding company of the borrower amounted to RMB100,000,000 (equivalent to HK\$109,640,000) and were utilised to the extent of RMB95,000,000 (equivalent to HK\$104,158,000) (31 December 2019: RMB95,000,000, equivalent to HK\$106,305,000) by the borrower.

- (iii) As at 31 December 2019, the Group has provided a guarantee to a bank in respect of an outstanding bank loan of RMB150,000,000 (equivalent to HK\$167,850,000) borrowed by a joint venture of the Group.

As at 30 June 2020 and 31 December 2019, the above contingent liabilities have been accounted for in the financial statements.



Notes to Interim Condensed Consolidated Financial Statements

30 June 2020

31. Related party balances and transactions

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

	Notes	Six months ended 30 June	
		2020 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited)
Sale of finished goods to related companies	(i)	59,941	67,012
Sale of finished goods to an associate	(i)	–	396,957
Sale of finished goods to a joint venture	(i)	24,029	43,312
Sale of raw materials to subsidiaries of Guangxi Dameng	(i)	–	2,823
Purchase of finished goods from Guangxi Dameng	(i)	15,561	–
Purchase of raw materials from subsidiaries of Guangxi Dameng	(i)	1,613	2,557
Purchase of equipment from subsidiaries of Guangxi Dameng	(i)	–	7,158
Purchase of raw materials from a related company	(i)	–	1,761
Purchase of finished goods from an associate	(i)	–	1,162
Purchase of raw materials from a joint venture	(i)	826	15,555
Provision of water and electricity to Guangxi Dameng	(ii)	1	6
Rental income received from Guangxi Dameng	(iii)	–	78
Rental income received from a related company	(iii)	689	723
Maximum balance of bank deposits with related companies during the period	(iv)	385	397
Interest income on deposits placed with related companies	(iv)	–	1
Maximum balance of loans to an associate	(v)	33,498	9,244
Interest income on loan provided to an associate	(v)	1,294	465
Receipt of guarantee fee income from a joint venture	(vi)	790	–

Notes:

- (i) These sales and purchases were made at prices based on the mutual agreements between the parties.
- (ii) Reimbursement of electricity and water was based on the actual costs incurred.
- (iii) The rental income was made at rent based on the mutual agreement between the parties.
- (iv) Maximum bank deposits with related companies during the period and related interest income were transacted in the usual and ordinary course of business of the Group.
- (v) A loan to an associate carried interest at 8% per annum (2019: 10% per annum) and is repayable on 21 April 2021.
- (vi) The Group is entitled to a guarantee fee income from a joint venture for a guarantee provided to a bank in connection with loans provided to the joint venture (note 30(d)(iii)).



Notes to Interim Condensed Consolidated Financial Statements

30 June 2020

31. Related party balances and transactions (continued)

(b) Other transactions with related parties

- (i) The Group has guaranteed banking facilities granted to an associate amounting to HK\$289,450,000 (31 December 2019: HK\$295,416,000) as at the end of the reporting period, as further detailed in note 30(d)(i) to the financial statements.

(c) Outstanding balances with related parties

	30 June 2020 HK\$'000 (Unaudited)	31 December 2019 HK\$'000 (Audited)
i) Due from related companies		
Trade receivables	22,276	17,126
Prepayments and other receivables	219	230
	22,495	17,356
ii) Due to related companies		
Trade payables	1,295	578
Other payables	1,208	3,393
	2,503	3,971
iii) Bank balances with related companies	315	384
iv) Due from associates		
Trade receivables (note 17)	282,912	280,355
Loan to an associate	31,987	34,766
	314,899	315,121
v) Due from a joint venture		
Trade receivables	-	42,391
Other receivables	-	1,388
	-	43,779

Trade receivables from the Group's related companies and a joint venture are unsecured, non-interest-bearing and repayable on similar credit terms to those offered to independent third party customers of the Group. Trade receivables from an associate within the credit period are non-interest-bearing while overdue trade receivables balances are interest-bearing at 9.5% per annum. The Group's prepayments and other receivables from related companies and a joint venture at 30 June 2020 and 31 December 2019 are unsecured, non-interest-bearing and have no fixed terms of repayment.

Trade payables and other payables to the Group's related companies are non-interest-bearing and have no fixed terms of repayment.

(d) Compensation of key management personnel of the Group

	Six months ended 30 June 2020 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited)
Salaries, director fees, allowances and benefits in kind	4,993	7,290
Pension scheme contributions	168	182
Total compensation paid to key management personnel	5,161	7,472



Notes to Interim Condensed Consolidated Financial Statements

30 June 2020

32. Fair value and fair value hierarchy of financial instruments

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

Financial assets

	Carrying amounts		Fair values	
	30 June 2020 HK\$'000 (Unaudited)	31 December 2019 HK\$'000 (Audited)	30 June 2020 HK\$'000 (Unaudited)	31 December 2019 HK\$'000 (Audited)
Notes receivable	545,056	760,605	545,056	760,605
Derivative financial instruments	–	13,726	–	13,726

Financial liabilities

	Carrying amounts		Fair values	
	30 June 2020 HK\$'000 (Unaudited)	31 December 2019 HK\$'000 (Audited)	30 June 2020 HK\$'000 (Unaudited)	31 December 2019 HK\$'000 (Audited)
Interest-bearing bank and other borrowings (other than lease liabilities)	4,513,033	4,056,745	4,513,033	4,056,745
Derivative financial instruments	6,196	6,415	6,196	6,415

Management has assessed that the fair values of cash and cash equivalents, pledged deposits, trade receivables, trade and notes payables, financial assets included in prepayments, other receivables and other assets, financial liabilities included in other payables and accruals, amounts due from associates, an amount due from a joint venture and amounts due from/ to related companies approximate to their carrying amounts largely due to the short-term maturities of these instruments.

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

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

The fair values of notes receivables measured at fair value through other comprehensive income and interest-bearing bank and other borrowings have been calculated by discounting the expected future cash flows using rates currently available for instruments with similar terms, credit risk and remaining maturities. The changes in fair value as a result of the Group's own non-performance risk for notes receivable and interest-bearing bank and other borrowings as at 30 June 2020 were assessed to be insignificant.

The Group enters into derivative financial instruments with various counterparties, principally financial institutions with Aa1 credit rating. Derivative financial instruments, including forward currency contracts and interest rate swaps, are measured using valuation techniques similar to forward pricing and swap models, using present value calculations. The models incorporate various market observable inputs including the credit quality of counterparties, foreign exchange spot and forward rates and interest rate curves. The carrying amounts of forward currency contracts and interest rate swaps are the same as their fair values.



Notes to Interim Condensed Consolidated Financial Statements

30 June 2020

32. Fair value and fair value hierarchy of financial instruments (continued)

Fair value hierarchy

The following tables illustrate the fair value measurement hierarchy of the Group's financial instruments.

Assets and liabilities measured at fair value:

	Fair value measurement using			Total HK\$'000
	quoted prices in active markets (Level 1) HK\$'000	significant observable inputs (Level 2) HK\$'000	significant unobservable inputs (Level 3) HK\$'000	
30 June 2020				
Assets:				
Notes receivable	-	545,056	-	545,056
Liabilities:				
Derivative financial instruments	-	6,196	-	6,196
31 December 2019				
Assets:				
Notes receivable	-	760,605	-	760,605
Derivative financial instruments	-	13,726	-	13,726
Liabilities:				
Derivative financial instruments	-	6,415	-	6,415

During the six months ended 30 June 2020 and 2019, there were no transfers of fair value measurement between Level 1 and Level 2 and no transfers into or out of Level 3 for both financial assets and financial liabilities.

Liabilities for which fair values are disclosed:

	Fair value measurement using			Total HK\$'000
	quoted prices in active markets (Level 1) HK\$'000	significant observable inputs (Level 2) HK\$'000	significant unobservable inputs (Level 3) HK\$'000	
30 June 2020				
Interest-bearing bank and other borrowings (other than lease liabilities)	-	4,513,033	-	4,513,033
31 December 2019				
Interest-bearing bank and other borrowings (other than lease liabilities)	-	4,056,745	-	4,056,745

33. Approval of the interim condensed consolidated financial statements

These interim condensed consolidated financial statements were approved and authorised for issue by the Board of Directors on 22 July 2020.



Management Discussion and Analysis

Financial Review

	1H 2020 HK\$'000	1H2019 HK\$'000	Increase/(decrease) HK\$'000	%
Revenue	2,123,141	3,140,900	(1,017,759)	(32.4)
Gross profit	270,165	363,120	(92,955)	(25.6)
Gross profit margin	12.7%	11.6%	N/A	1.1
Operating profit	15,905	90,921	(75,016)	(82.5)
Gain on bargain purchase from further acquisition of equity interest in a joint venture	69,411	–	69,411	100.0
Loss on deemed disposal of partial interest in an associate	(92,375)	–	(92,375)	(100.0)
(Loss)/profit before tax	(7,059)	90,921	(97,980)	(107.8)
Income tax expense	(10,266)	(24,501)	14,235	58.1
(Loss)/profit for the period	(17,325)	66,420	(83,745)	(126.1)
(Loss)/profit attributable to owners of the parent	(8,107)	86,261	(94,368)	(109.4)
Loss attributable to non-controlling interests	(9,218)	(19,841)	10,623	53.5
	(17,325)	66,420	(83,745)	(126.1)

Financial Highlights

- Revenue amounted to HK\$2,123.1 million for 1H 2020, representing a decrease of 32.4% from HK\$3,140.9 million of 1H 2019.
- Gross profit amounted to HK\$270.2 million for 1H 2020, representing a decrease of 25.6% from HK\$363.1 million of 1H 2019. Gross profit margin was 12.7% for 1H 2020, representing an increase of 1.1% from 11.6% for 1H 2019.
- Operating profit amounted to HK\$15.9 million for 1H 2020, representing a decrease of 82.5% from HK\$90.9 million for 1H 2019.
- Loss attributable to owners of the parent amounted to HK\$8.1 million for 1H 2020 (1H 2019: profit of HK\$86.3 million).

Overview

In 1H 2020, the global economy was deeply dampened by the outbreak of the coronavirus disease (the “COVID-19”) starting from the end of January 2020. Different levels of lockdown and quarantine measures around the world due to the outbreak of the COVID-19 has significantly reduced the human flows, social activities, transportation and trading activities worldwide and directly led to cliff-edge fall in economies, upsurge of unemployment and ruptures in the capital chain of corporations unprecedentedly. In response, different countries implement various measures assisting people and corporations to relieve the situation and alleviate the impact. Nevertheless, the spread of the COVID-19 has not yet been under control and we expect that in the short term say one to two years ahead it will continue to be very challenging and difficult.



Management Discussion and Analysis

The steel sector is our major downstream industry and its demand for our products was largely arising from consumptions within China. The outbreak of the COVID-19 has further constrained the growth of market demand significantly amidst the already adverse condition of the EMM markets which prevailed in the fourth quarter of the year 2019. As a result, the average selling price of our EMM products for 2020 decreased by 21.0% to HK\$10,700 per tonne (1H 2019: HK\$13,550 per tonne). Although the above negative impact on our profitability was partially offset, but to a lesser extent, by decrease in the unit cost of production of EMM as a result of price decrease of EMM's major raw materials including manganese ores, sulfuric acid and selenium dioxide, the gross profit ratio of EMM products decreased by 5.3% to 15.4% in 1H 2020 (1H 2019: 20.7%) and the gross profit contribution decreased by 40.4% to HK\$139.7 million (1H 2019: HK\$234.5 million).

In 1H 2020, the Group continues our strategy to cautiously expand our battery materials production business. The further acquisition of 65.17% equity interest of Ningbo Dameng in March 2020 signaled a remarkable development. Ningbo Dameng owns an EMD manufacturing plant, Huiyuan Manganese Plant, in Laibin, Guangxi. After the technological upgrade of Huiyuan Manganese Plant in the year 2019, its annual capacity increased to 90,000 tonnes per annum by the end of the year 2019. It is now one of the largest EMD manufacturing plant in China with cost advantages including internal supply of manganese ores stably from our Gabon mine. After the acquisition, Ningbo Dameng Group became a wholly owned subsidiary of the Group, with the additional equity interest in Huiyuan Manganese Plant and release of its new production capacity in the current year, our overall product mix is shifting to more profitable battery material products i.e. EMD with more profit contribution to the Group.

In 1H 2020, due to temporary production halt of downstream EMD customers in China during the lockdown period and the increasing marketing competition in the battery materials sector, the average selling price of EMD for 1H 2020 decreased by 15.5% to HK\$8,645 per tonne (1H 2019: HK\$10,226 per tonne). The gross profit ratio decreased by 5.9% to 27.0% in 1H 2020 (1H 2019: 32.9%). However, with the consolidation of and hence further contribution from Huiyuan Manganese Plant, the gross profit of EMD recorded an increase of 26.5% to HK\$66.0 million (1H 2019: HK\$52.2 million).

As the current business environment is full of uncertainties, in response to the current challenging situations, the Group implements the following measures:

- (a) we strictly contain our capital expenditure and slow down certain of the projects including the remaining phase of Chongzuo lithium manganese oxide production plant which was originally scheduled to be completed by April 2020 and is now rescheduled to the year 2021.
- (b) we have increased our effort to improve the loan structure by significantly increasing the portion of long term loans in order to contain the liquidity risk.
- (c) we continue to implement cost reduction programme in our production including (i) upgrading machine automation to improve cost efficiency and reduce headcount, including a new grinding plant in our Daxin mine which is scheduled to be completed by December 2020; and (ii) strengthening our negotiating team of Daxin and Tiandeng EMM plants in bargaining with local governments for more subsidies in power purchase.
- (d) we continue to carry out technical research and development to upgrade the quality of our battery material products including EMD and lithium manganese oxide to increase their added value in the applications in electric vehicles and other electric tools and equipment to maintain our competitiveness and get prepared for future economic recovery.

In summary, as a result of decrease in average selling price of EMM products, operating profit for 1H 2020 decreased by 82.5% to HK\$15.9 million (1H 2019: HK\$90.9 million).



Management Discussion and Analysis

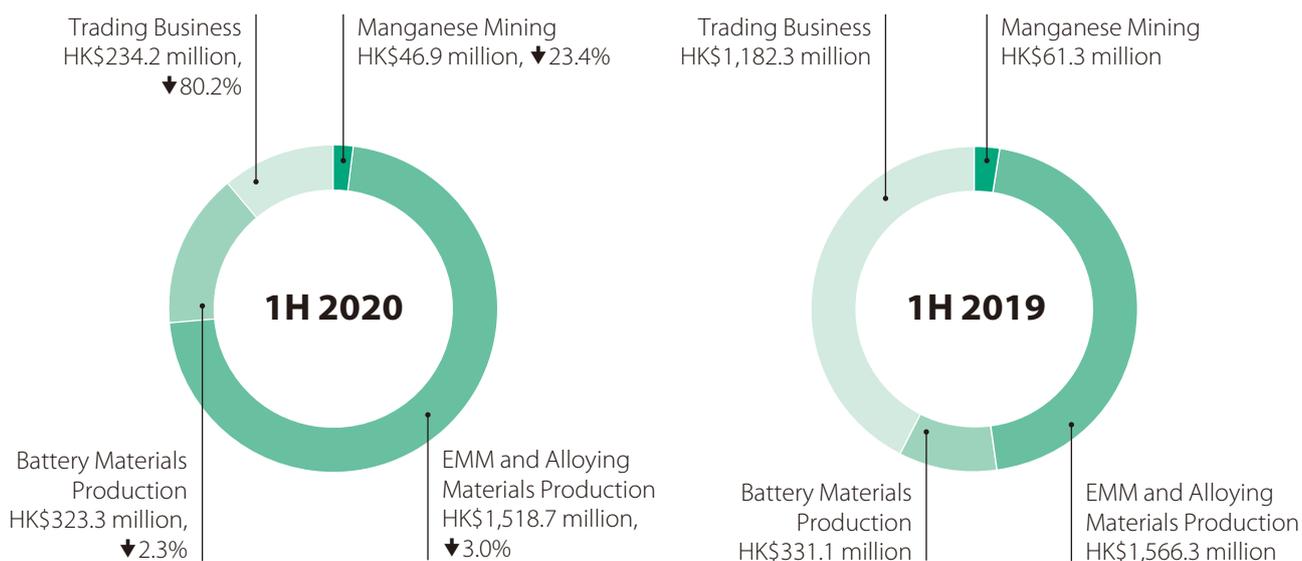
In 1H 2020, the Group had the following major non-cash one-off items:

- As detailed in our announcement of 20 February 2020, as the Group did not participate in the rights issue of GMG, the Group's shareholdings in Greenway Mining was diluted from 29.99% to 23.99% immediately after the completion of the rights issue. The Group recorded a one-off extraordinary non-cash loss of HK\$92.4 million arising from the deemed disposal of partial interest in GMG.
- As detailed in our announcement of 30 March 2020, the Group further acquired 65.17% equity interest of Ningbo Dameng, at an aggregate consideration of RMB124.0 million (equivalent to HK\$136.7 million). Upon completion of the further acquisition on 31 March 2020, Ningbo Dameng became a wholly owned subsidiary of the Group. Based on an independent third party valuer's valuation, a gain on bargain purchase of HK\$69.4 million was recognised in the consolidated statement of profit or loss of the Group upon completion of the acquisition.

After taking into account for the above, the loss attributable to the parent of the Group was HK\$8.1 million in 1H 2020 (1H 2019: profit of HK\$86.3 million). The earnings before interest, taxes, depreciation and amortisation ("EBITDA") for 1H2020 decreased by 23.0% to HK\$290.9 million (1H 2019: HK\$377.9 million).

Comparison with six months ended 30 June 2019

Revenue by segment



In 1H 2020, the Group's revenue was HK\$2,123.1 million (1H 2019: HK\$3,140.9 million), representing a decrease of 32.4% as compared with 1H 2019. The decrease was mainly due to the net effect of (a) decrease in average selling prices of EMM products and EMD; (b) substantial increase in sales volume of silicomanganese alloy; (c) substantial increase in sales volume of EMD upon consolidation of Huiyuan Manganese Plant; and (d) substantial decrease in sales revenue from trading business.

In 1H 2020, the revenue of our major products EMM products accounted for 42.7% (1H 2019: 36.1%) of our total revenue.



Management Discussion and Analysis

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 (%)
Six months ended 30 June 2020							
Manganese concentrate	118,292	334	39,493	291	34,419	5,074	12.8
Natural discharging manganese powder and sand	2,603	2,847	7,410	280	729	6,681	90.2
Total	120,895	388	46,903	291	35,148	11,755	25.1
Six months ended 30 June 2019							
Manganese concentrate	124,117	432	53,559	376	46,608	6,951	13.0
Natural discharging manganese powder and sand	2,646	2,908	7,695	385	1,019	6,676	86.8
Total	126,763	483	61,254	375	47,627	13,627	22.2

Results of Gabon Mine

	Six months ended 30 June		Increase/(Decrease)	
	2020 HK\$'000	2019 HK\$'000	HK\$'000	%
Net subcontracting income (note)	29,662	48,487	(18,825)	(38.8)

Note: The Group entered into a subcontracting agreement with a subcontractor, the major shareholder of an associate of the Group, entrusting it with certain rights to operate the Group's Bembélé Manganese Mine in Gabon and use the Group's equipment therein 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\$28,647,000) per annum plus a variable income upon sales of ores mined and determined with reference to the ore's selling price (the "Gross subcontracting income"). 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, i.e. the gross subcontracting income, after deducting the depreciation expenses of the Group's equipment utilised by the subcontractor above-mentioned is recognised as "Net subcontracting income" under "Other income and gains" in the consolidated statement of profit or loss.

In 1H 2020, revenue of manganese mining segment decreased by 23.4% to HK\$46.9 million (1H 2019: HK\$61.3 million) mainly due to decrease in selling price of manganese ores because of the pandemic. As a result, the gross profit of manganese mining segment decreased by 13.7% to HK\$11.8 million (1H 2019: HK\$13.6 million).

The net subcontracting income from Gabon Mine decreased by 38.8% to HK\$29.7 million (1H 2019: HK\$48.5 million) mainly attributable to the decrease in selling price of manganese ores.

Therefore, the manganese mining segment recorded a profit of HK\$26.5 million (1H 2019: HK\$37.3 million), a decrease of 29.1%.



Management Discussion and Analysis

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 (%)
Six months ended 30 June 2020							
EMM	68,206	10,666	727,516	9,010	614,568	112,948	15.5
Manganese briquette	16,435	10,840	178,160	9,214	151,426	26,734	15.0
	84,641	10,700	905,676	9,050	765,994	139,682	15.4
Silicomanganese alloy	91,482	6,588	602,679	6,264	573,070	29,609	4.9
Others	1,499	6,909	10,356	5,444	8,160	2,196	21.2
Total	177,622	8,550	1,518,711	7,585	1,347,224	171,487	11.3
Six months ended 30 June 2019							
EMM	62,831	13,508	848,736	10,639	668,468	180,268	21.2
Manganese briquette	20,832	13,678	284,939	11,076	230,739	54,200	19.0
	83,663	13,550	1,133,675	10,748	899,207	234,468	20.7
Silicomanganese alloy	51,584	7,697	397,042	7,628	393,457	3,585	0.9
Others	5,486	6,484	35,573	5,923	32,495	3,078	8.7
Total	140,733	11,130	1,566,290	9,416	1,325,159	241,131	15.4

Revenue of EMM and alloying materials production segment slightly decreased by 3.0% to HK\$1,518.7 million in 1H 2020 (1H 2019: HK\$1,566.3 million) mainly attributable to the followings:

- EMM products continued to be our major products in terms of revenue and the average selling price of EMM products recorded a decrease of 21.0% to HK\$10,700 per tonne (1H 2019: HK\$13,550 per tonne).
- The revenue of silicomanganese alloy increased by 51.8% to HK\$602.7 million in 1H 2020 (1H 2019: HK\$397.0 million) mainly attributable to the net effect of (i) sales volume increased by 77.3% to 91,482 tonnes in 1H 2020 (1H 2019: 51,584 tonnes) attributable to full period effect of production from the leased alloy production furnaces in Xingyi, Guizhou which commenced production gradually in 1H 2019; and (ii) the decrease in average selling price of silicomanganese alloy by 14.4% to HK\$6,588 per tonne in 1H 2020 (1H 2019: HK\$7,697 per tonne).

As a result of decrease in average selling prices of EMM products, the gross profit contribution of EMM and alloying materials production segment decreased by 28.9% to HK\$171.5 million (1H 2019: HK\$241.1 million) and the segment recorded a profit of HK\$97.0 million (1H 2019: HK\$166.6 million), a decrease of 41.8%.



Management Discussion and Analysis

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 (HK\$'000)	Gross Profit Margin (%)
Six months ended 30 June 2020							
EMD	28,282	8,645	244,487	6,309	178,443	66,044	27.0
Manganese sulfate	15,959	3,250	51,866	2,429	38,764	13,102	25.3
Lithium manganese oxide	1,010	25,296	25,549	24,655	24,902	647	2.5
NCM	14	102,357	1,433	95,857	1,342	91	6.4
Total	45,265	7,143	323,335	5,378	243,451	79,884	24.7
Six months ended 30 June 2019							
EMD	15,501	10,226	158,514	6,857	106,288	52,226	32.9
Manganese sulfate	12,620	3,544	44,728	2,776	35,039	9,689	21.7
Lithium manganese oxide	1,611	40,109	64,616	36,453	58,725	5,891	9.1
NCM	467	135,407	63,235	125,319	58,524	4,711	7.4
Total	30,199	10,964	331,093	8,562	258,576	72,517	21.9

Revenue of battery materials production segment slightly decreased by 2.3% to HK\$323.3 million (1H 2019: HK\$331.1 million) and gross profit of this segment increased by 10.2% to HK\$79.9 million (1H 2019: HK\$72.5 million) mainly attributable to the net effect of the followings:

- EMD continued to be our major battery material product and upon the completion of the acquisition of Huiyuan Manganese Plant in 1H 2020, the sales volume of EMD substantially increased by 82.5% to 28,282 tonnes (1H 2019: 15,501 tonnes), contributing to an increase in revenue and gross profit in 1H 2020.
- Due to the pandemic in 1H 2020, certain downstream customers shut down the production temporarily, both the sales volume and the average selling price of lithium manganese oxide recorded a decrease.
- In 1H 2020, the Group has significantly scaled down the production of NCM mainly because the production of NCM relied heavily on the stable supplies of lithium carbonate from third parties which was also subject to fluctuation of market price. To contain the risk, the Group shifted its focus to the more popular and core products EMD and lithium manganese oxide. Therefore, the revenue of NCM decreased.

As a result of increasing contribution from Ningho Dameng Group including Huiyuan Manganese Plant and the gain on bargain purchase of HK\$69.4 million from further acquisition of equity interest therein, the results of battery materials production segment recorded a profit of HK\$115.9 million (1H 2019: HK\$55.7 million), an increase of 108.2%.



Management Discussion and Analysis

Other business segment

	Revenue (HK\$'000)	Cost of Sales (HK\$'000)	Gross Profit (HK\$'000)	Gross Profit Margin (%)
Six months ended 30 June 2020				
Trading	234,192	227,153	7,039	3.0
Six months ended 30 June 2019				
Trading	1,182,263	1,146,418	35,845	3.0

Revenue of other business segment decreased by 80.2% to HK\$234.2 million (1H 2019: HK\$1,182.3 million) mainly because the Group became more cautious in monitoring customers' credit risk and therefore has significantly scaled down trading business.

As a result of extraordinary loss on deemed disposal of partial interest in an associate GMG of HK\$92.4 million upon its rights issue in 1H 2020, this business segment recorded a loss of HK\$97.3 million (1H 2019: profit of HK\$5.5 million).

Cost of Sales

Total cost of sales decreased by 33.3% to HK\$1,853.0 million in 1H 2020 (1H 2019: HK\$2,777.8 million) in line with the decrease of the revenue and also the cost of sales from trading business as a result of the Group's effort to contain the scale of trading business and its credit risk.

Gross Profit

In 1H 2020, the Group recorded a gross profit of HK\$270.2 million (1H 2019: HK\$363.1 million), which represented a decrease of HK\$92.9 million from 1H 2019, or 25.6%. The Group's overall gross profit margin was 12.7%, representing an increase of 1.1% from 11.6% in 1H 2019. Improved overall gross profit margin was mainly attributable to the shift of product mix to more profitable EMM products and EMD as the revenue from the much lower profit margin trading business decreased.

Other Income and Gains

Other income and gains slightly decreased by 2.0% to HK\$93.6 million (1H 2019: HK\$95.5 million) mainly due to the net effect of (a) decrease in net subcontracting income from Gabon Mine in line with drop in its ore price; and (b) increase in subsidy income.

Selling and Distribution Expenses

The Group's selling and distribution expenses in 1H 2020 slightly increased by 4.0% to HK\$46.7 million (1H 2019: HK\$44.9 million) mainly attributable to increase in sales volume and the transportation costs of silicomanganese alloy.

Administrative Expenses

Administrative expenses decreased by 21.5% to HK\$157.2 million in 1H 2020 (1H 2019: HK\$200.2 million) mainly attributable to (a) decrease in staff costs including social insurance contributions and performance related bonuses; and (b) decrease in production halt expenses in China.

Impairment Losses on Financial Assets, Net

Impairment losses on financial assets of HK\$10.9 million were recognised mainly due to increase in expected credit loss on certain customers adversely affected by the pandemic.

Finance Costs

For 1H 2020, the Group's finance costs were HK\$108.4 million (1H 2019: HK\$111.7 million), representing a decrease of 2.9% which was mainly due to the net effect of (a) the Group's effort to control finance costs and (b) interest rate reduction of certain bank loans as part of the PRC governments measures to alleviate the impact of pandemic on enterprises.



Management Discussion and Analysis

Other Expenses

Other expenses of HK\$5.4 million (1H 2019: HK\$3.5 million) mainly include foreign exchange losses, donations and other non-operating expenses.

Share of Profits and Losses of Associates

Share of losses of associates of HK\$21.0 million (1H 2019: HK\$10.6 million) represents:

- (a) share of loss of Dushan Jimeng, a 33.0% associate of the Group, of HK\$12.7 million (1H 2019: HK\$2.3 million) mainly due to decrease selling price of its products during the period.
- (b) share of loss of Greenway Mining, a 23.99% associate of the Group at 30 June 2020 of HK\$8.3 million (1H 2019: HK\$8.3 million) mainly due to temporary suspension of operations of operating mines because of the pandemic in 1H 2020. In February 2020, GMG completed the issue of new shares by way of rights issue to raise RMB43.2 million (equivalent to HK\$47.6 million). As detailed in GMG's announcement of 13 December 2019, the proceeds from the rights issue were mainly designated for acquisition of non-controlling interests of its subsidiary and capital expenditure on exploration of mines.

Share of Profit of a Joint Venture

The amount represents share of profit of HK\$1.8 million (1H 2019: HK\$2.7 million) of Ningbo Dameng Group when it was a joint venture through 31 March 2020 but before it became a wholly owned subsidiary of the Group.

Gain on Bargain Purchase from the Further Acquisition of Equity Interest in a Joint Venture

On 31 March 2020, the Group acquired 65.17% partnership interest in Ningbo Dameng at a consideration of RMB124.0 million (equivalent to HK\$136.7 million). The principal activity of Ningbo Dameng is investment holding. Ningbo Dameng wholly owns a subsidiary Huiyuan Manganese in China, principally engaging in manufacturing and sale of EMD. After the acquisition, Ningbo Dameng Group ceased to be a joint venture and became a wholly owned subsidiary of the Group and therefore, the Group ceased to account for the results of Ningbo Dameng Group using equity method but consolidated its financial statements in full after the acquisition date instead.

The Group recognised a gain on bargain purchase from this further acquisition of HK\$69.4 million in 1H 2020, which was primarily attributable to the consideration determined based on the carrying amount of the net assets of Ningbo Dameng Group that was mutually agreed between the parties.

Loss on Deemed Disposal of Partial Interest in an Associate

In February 2020, the Group recorded a non-cash extraordinary loss of HK\$92.4 million resulting from the dilution in the Group's shareholding in GMG from 29.99% to 23.99% as the Group did not participate in GMG's rights issue.

Income Tax Expense

In 1H 2020, the effective tax rate is negative 145.4% (1H 2019: positive 26.9%) because certain subsidiaries recording losses in the period did not recognise deferred tax arising from such losses for prudence.

Loss Attributable to Owners of the Parent

For 1H 2020, the Group's loss attributable to owners of the parent was HK\$8.1 million (1H 2019: profit of HK\$86.3 million).

Loss per Share

For 1H 2020, loss per share attributable to ordinary equity holders of the Company was HK\$0.0024 (1H 2019: earnings per share of HK\$0.0252).

Interim Dividend

The Board does not recommend the payment of any interim dividend for the six months ended 30 June 2020 (1H 2019: Nil).



Management Discussion and Analysis

Use of Proceeds from IPO

Up to 30 June 2020, we utilised the net proceeds raised from IPO in accordance with the designated uses set out in the Prospectus as follows:

Description	Amount designated in Prospectus (HK\$ Million)	Amount utilised up to 30.06.2020 (HK\$ Million)	% utilised	Amount utilised up to 31.12.2019 (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 30 June 2020, 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. 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 30 June 2020, the currency denomination of the Group's cash and bank balances including pledged deposits are as follows:

Currency denomination	30 June 2020 HK\$ million	31 December 2019 HK\$ million
Denominated in:		
RMB	1,477.7	1,064.7
HKD	10.9	13.9
USD	60.5	42.5
XAF	1.1	18.1
	1,550.2	1,139.2



Management Discussion and Analysis

As at 30 June 2020, our cash and bank balances including pledged deposits were HK\$1,550.2 million (31 December 2019: HK\$1,139.2 million) while the Group's borrowings amounted to HK\$4,574.7 million (31 December 2019: HK\$4,158.1 million). The Group's borrowings net of cash and bank balances amounted to HK\$3,024.5 million (31 December 2019: HK\$3,018.9 million).

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

Other major changes in working capital

Trade and notes receivables of the Group as at 30 June 2020 decreased by HK\$319.5 million to HK\$1,377.8 million from HK\$1,697.3 million as at 31 December 2019 mainly attributable to increase in discounting of notes receivable to contain cash level.

Net Current Liabilities

As at 30 June 2020, the Group had net current liabilities of HK\$286.8 million (31 December 2019: HK\$1,173.2 million). The significant decrease in net current liabilities was mainly due to the Group's effort to improve the borrowing structure with more long-term bank loans.

Bank and Other Borrowings

As at 30 June 2020, the Group's borrowing structure and maturity profile are as follows:

Borrowing structure	30 June 2020 HK\$ million	31 December 2019 HK\$ million
Secured borrowings (including lease liabilities)	86.9	164.2
Unsecured borrowings	4,487.8	3,993.9
	4,574.7	4,158.1

Maturity profile	30 June 2020 HK\$ million	31 December 2019 HK\$ million
Repayable:		
On demand or within one year	2,872.6	3,511.9
After one year and within two years	1,276.7	547.2
After two years and within five years	425.4	99.0
	4,574.7	4,158.1

Currency denomination	30 June 2020 HK\$ million	31 December 2019 HK\$ million
Denominated in:		
RMB	4,093.1	3,280.4
USD	456.3	877.7
EUR	25.3	—
	4,574.7	4,158.1



Management Discussion and Analysis

As at 30 June 2020, borrowings as to the amounts of HK\$2,245.7 million (31 December 2019: HK\$2,287.0 million) and HK\$2,329.0 million (31 December 2019: HK\$1,871.1 million), carry fixed and floating rate interest respectively. The fixed rate borrowings carry interest at rates ranging from 1.40% to 8.70%. The floating rate borrowings carry interest up to a premium up to 10% above the China Loan Prime Rate, except the USD loans which carry interest at LIBOR plus a margin of 2.30%.

Overall, aggregate borrowings increased to HK\$4,574.7 million (31 December 2019: HK\$4,158.1 million). The Group is now exploring various means including short-term or medium-term notes and more long-term bank loans to improve borrowing structure in terms of interest rate level and repayment terms.

Charge on Group Assets

As at 30 June 2020, (a) right-of-use assets of HK\$135.8 million (31 December 2019: HK\$170.8 million) related to property, plant and equipment were held under leases; (b) bank balances of HK\$15.3 million (31 December 2019: HK\$35.6 million) and notes receivables of HK\$99.1 million (31 December 2019: HK\$62.1 million) were pledged to secure certain of the Group's bank acceptance notes payable; and (c) trade receivables of HK\$25.3 million (31 December 2019: HK\$62.9 million) were pledged to secure certain of the Group's bank borrowings.

Guarantees

(a) As at 30 June 2020, 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 holding company of the associate according to their respective shareholding percentage on a several basis.

As at 30 June 2020, the associate's banking facilities guaranteed by the Group and the holding company of the associate amounted to RMB800.0 million (equivalent to HK\$877.1 million) and were utilised to the extent of RMB589.9 million (equivalent to HK\$646.8 million) (31 December 2019: RMB615.0 million, equivalent to HK\$688.1 million) by the associate.

(b) As at 30 June 2020, the loan facilities provided by Guangxi Dameng to a company (the "borrower"), in which the Group has a 10% equity interests, were guaranteed by the Group and the major shareholder of the borrower according to the shareholding percentage on a several basis.

As at 30 June 2020, the loan facilities guaranteed by the Group and the major shareholder of the borrower amounted to RMB100.0 million (equivalent to HK\$109.6 million) (2019: RMB100.0 million, equivalent to HK\$111.9 million) and were utilised to the extent of RMB95.0 million (equivalent to HK\$104.2 million) (31 December 2019: RMB95.0 million, equivalent to HK\$106.3 million) by the borrower.

Key Financial Ratios of the Group

	30 June 2020	31 December 2019
Current ratio	0.93	0.76
Quick ratio	0.80	0.66
Net Gearing ratio	110.4%	107.7%



Management Discussion and Analysis

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

At 30 June 2020, current ratio and quick ratio improved because of the Group's effort to improve the loan structure with more long-term bank loans. Net gearing ratio slightly increased mainly due to the cash outflow for further acquisition of equity interest in Ningbo Dameng.

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\$286.8 million at 30 June 2020 (31 December 2019: HK\$1,173.2 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:

- 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.
- 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.
- At 30 June 2020, 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\$844.0 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.
- 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, the Group will have sufficient working capital to finance its operations and meet its financial obligations as and when they fall due in the foreseeable future. Accordingly, the directors are of the opinion that it is appropriate to prepare the consolidated financial statements of the Group for the six months ended 30 June 2020 on a going concern basis.



Management Discussion and Analysis

Credit Risk

The Group endeavoured to maintain strict control over its outstanding receivables to minimise credit risk. 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 described below. The Group did not hold any collateral or other credit enhancements over its trade and notes receivable balances except for those detailed in this section of credit risk.

As at 30 June 2020, the customer with the largest balance of trade and notes receivables of the Group was a customer together with its subsidiaries ("**Customer A**") which is principally engaged in manganese ferroalloy production and manganese ore trading in China and manganese mining in Gabon. Customer A maintains close business relationship with major steel plants in China. The Group supplies manganese ores to Customer A which is also our subcontractor in Gabon Bembélé Manganese Mine.

Sales to Customer A were 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.

To contain the credit risk with Customer A, the Group suspended its trading business with Customer A since 2H 2019, therefore, sales revenue from trading business to Customer A was nil in 1H 2020 (1H 2019: HK\$500.7 million). As at 30 June 2020, trade receivables and notes receivable from Customer A was HK\$347.4 million (31 December 2019: HK\$362.9 million) and HK\$48.9 million (31 December 2019: HK\$66.6 million) and represented 35.7% (31 December 2019: 34.2%) and 9.0% (31 December 2019: 8.7%) of the Group's total trade receivables and notes receivable respectively. At 30 June 2020, an impairment provision of HK\$77.2 million (31 December 2019: HK\$77.2 million) was recognised on trade and notes receivables due from it.

Due to rapidly cooling down in market demand of manganese ores and significant decrease in market ore price since the fourth quarter of the year 2019, liquidity risk for a large number of alloy and manganese ore suppliers in China including Customer A significantly increased. The market was further dampened by the outbreak of the COVID-19 in 1H 2020, as a result, the overdue trade receivable balances of Customer A increased to HK\$312.7 million at 30 June 2020 (31 December 2019: HK\$266.0 million). In order to contain the increasing credit risk with this customer, the Group had implemented the following measures to safeguard the repayment of the outstanding receivables:

- (i) suspended the trading business with it since 2H 2019;
- (ii) renegotiated and implemented a repayment schedule with it;
- (iii) obtained credit enhancements from it including its undertaking to pledge its certain assets to the Group as the security for repayment of the outstanding balances.

Interest rate risk

We are exposed to interest rate risk resulting from fluctuations in interest rates on our floating rate debt. Floating interest rates are subject to interest rate changes in the China Loan Prime Rate as well as movements in LIBOR. If the China Loan Prime Rate increases 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. 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.



Management Discussion and Analysis

Foreign exchange risk

The Group's operations are primarily in Hong Kong, China and Gabon. Foreign exchange risks for operations in each location are set out below. Except for certain China 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. Our PRC operations face minimal foreign exchange risks except for the followings:

The Group imported manganese ores for self-use from overseas suppliers which are denominated in United States dollars to cope with its production of alloy materials. In order to contain the foreign currency risk in association with such purchases, 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 which is under the subcontracting arrangement, our gross subcontracting income is substantially denominated in RMB and United States 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 from the gross subcontracting income.

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

- After the acquisition of 65.17% partnership interest in Ninbo Dameng Group in March 2020, the Group becomes one of the largest EMD manufacturers in China. We had strengthened our leading position in battery materials production segment and we will continue to carry out technical research and development to upgrade the quality of our battery material products including EMD and lithium manganese oxide to increase their added value in further applications in electric vehicles and other electric tools and equipment. At the same time, we will strictly control our production costs so as to maximise our profitability amidst the fierce competition in the market.
- Due to the current market situation, the completion of remaining phase of lithium manganese oxide plant in Chongzuo Base has been rescheduled to the year 2021. The Group will continue to put more effort on marketing of its products in this competitive market.



Management Discussion and Analysis

- Our efforts spent on marketing of the Gabon ore in the past several years provide an encouraging result. We will continue to cautiously ramp up our production of Gabon ores. The lockdown of certain countries with major manganese ore supplies has led to temporary closures of some manganese ore mines and/or ore ports and therefore reduction in manganese ores supply in the international market in recent months. Nevertheless, the Group has been strictly implementing precautionary measures at our mining site in Gabon since the beginning of the outbreak and at the same time Gabon government has only implemented lockdown around major city areas. Therefore, our mining operations in Gabon and its ore export remained largely unaffected by the COVID-19 so far. We will continue to implement our existing precautionary measures to ensure our staff's safety while securing the stable production and export of our ores in Gabon to seize the recent market opportunities. To sustain and further increase the ore production in Gabon, we continue to carry out research and study on the methodology and planning for the next phase of our mining operation of Bembélé Manganese Mine.
- Amidst the downturn of alloy market, the production of Dushan Jinmeng became more stable. We expect with the gradual commencement of steel plants in the nearby region of Dushan Jinmeng, its alloy products will be more competitive in terms of production cost. It is expected that by the year 2021, 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 the year 2022. Upon full production, Dushan Jinmeng will be one of the largest integrated power to manganese ferroalloy plants in China, and therefore a key manganese ferroalloy supplier to steel plants in the southern market of China.
- Riding on our expertise and experience in manganese from mining to downstream processing, we continue to strictly control our costs of production of our manganese ferroalloy furnaces to strengthen our profitability amidst of current market condition.
- 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 outbreak of the COVID-19 in 1H 2020 significantly dampened global economies. The Group will continue to closely monitor the situations and implement all necessary precautionary measures to ensure our staff's safety. In terms of business operations, we anticipate that at least in the short term say one to two years it will continue to be very challenging to us. The Group highly emphasizes the importance of liquidity and will continue to take measures to secure adequate working capital for our business operations.



Human Resources Report

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

Our Employees

As at 30 June 2020, we have a total of 7,090 employees (30 June 2019: 7,407), mainly in Mainland China, representing 99.66% (30 June 2019: 99.69%). Over 33% of our employees are below 40, of which the majority of them are general workers. Therefore, we have a relatively young and equal workforce structure. It is contemplated in the coming years, our workforce composition will remain relatively the same. We have also maintained a workforce with stable turnover for a number of years. For the six months ended 30 June 2020, our overall turnover rate was 3.16% (30 June 2019: 2.85%). The headcount in Gabon as at 30 June 2020 set out below excludes the 231 (at 30 June 2019: 273) employees who worked for a subcontractor.

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

Headcount by Location	2020			As at 30 June 2019		
	Male	Female	Total	Male	Female	Total
Hong Kong	10	7	17	8	8	16
Mainland China	4,845	2,221	7,066	5,051	2,333	7,384
Gabon	7	0	7	6	1	7
Total:	4,862	2,228	7,090	5,065	2,342	7,407

Headcount by Age	Hong Kong		Mainland China		Gabon		Group	
	2020	2019	2020	2019	2020	2019	2020	2019
60 and above	1	1	21	26	0	0	22	27
51-59	5	4	1,433	1,276	1	1	1,439	1,281
41-50	3	3	3,284	3,456	2	0	3,289	3,459
31-40	5	5	1,739	1,878	4	5	1,748	1,888
30 and below	3	3	589	748	0	1	592	752
Total:	17	16	7,066	7,384	7	7	7,090	7,407

Headcount by Employment Category	Hong Kong		Mainland China		Gabon		Group	
	2020	2019	2020	2019	2020	2019	2020	2019
Senior	3	2	8	7	3	2	14	11
Middle	4	4	93	99	2	3	99	106
Professional	3	4	779	900	2	0	784	904
General	7	6	6,186	6,378	0	2	6,193	6,386
Total:	17	16	7,066	7,384	7	7	7,090	7,407



Human Resources Report

Our Employees (continued)

Employee Turnover

	Hong Kong		Mainland China		Gabon		Group	
	2020	2019	2020	2019	2020	2019	2020	2019
Employee Turnover Number	2	2	222	208	0	1	224	211
Employee Turnover Rate	11.76%	12.50%	3.14%	2.82%	0%	14.29%	3.16%	2.85%

Employee Turnover Number by Location	For the six months ended 30 June	
	2020	2019
Hong Kong	2	2
Mainland China	222	208
Gabon	0	1
Total:	224	211

Employee Turnover Number by Age	Hong Kong		Mainland China		Gabon		Group	
	2020	2019	2020	2019	2020	2019	2020	2019
60 and above	0	0	4	2	0	0	4	2
51-59	0	0	25	20	0	0	25	20
41-50	0	0	42	44	0	0	42	44
31-40	1	1	91	86	0	0	92	87
30 and below	1	1	60	56	0	1	61	58
Total:	2	2	222	208	0	1	224	211



Human Resources Report

Development and Training

We place high importance on the training and development of our employees, so as to elevate their performance in their existing positions and to better prepare for their promotion in the future. All our employees are encouraged to participate sufficient degree of professional training in order to help to maximise their performance and realize their full potential. The importance we place on employee development and training is demonstrated by the significant amount of training our employees undertook during the six months ended 30 June 2020.

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

Percentage of Employees Trained by Employment Category	Hong Kong		Mainland China For the six months ended 30 June		Gabon		Group	
	2020	2019	2020	2019	2020	2019	2020	2019
Senior	100	100	70	86	100	100	85	91
Middle	75	50	35	42	100	100	37	44
Professional	33	75	37	45	50	0	37	45
General	43	33	61	73	0	50	61	73

Average Training Hours per Employee by Employment Category	Hong Kong		Mainland China For the six months ended 30 June		Gabon		Group	
	2020	2019	2020	2019	2020	2019	2020	2019
Senior	35	74	5	14	12	12	17	33
Middle	6	8	6	12	12	12	8	11
Professional	6	5	11	19	12	0	10	8
General	27	6	8	20	0	12	12	13
Total:	74	93	30	65	36	36	47	65



Environmental, Social and Governance Report

We always adhere to the concept of sustainable development including using scientific design and taking advanced, reasonable and effective measures to exploit mine resources scientifically, orderly, and reasonably. While becoming bigger and stronger in the industry, we always maintain the harmony between man and nature, demonstrate a new image of a good and responsible mining company.

Now we have over 7,000 employees in Hong Kong, Guangxi, Guizhou, China and Gabon, Africa. In addition to continue our long-term goal to provide quality products to our valuable clients in an environmental friendly manner, we are also keen to establish a quality operation system, to protect the safety and health of our employees and also to provide contribution to the surrounding community in which we have businesses.

Materiality

The Group has been publishing the Environmental, Social and Governance (“**ESG**”) report in its interim report and annual report. This report has been approved by the Board and set out in the Company’s interim report. As part of the preparation for compiling this report, we undertake a preliminary review of the material topics that have affected and continue to affect our business, and our actions to address them. This report concentrated on the sustainability topics which we consider of interest to our key stakeholders, which include national and regional government, community members, our workforce and business partners.

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

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

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

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

The Group attaches great importance to ESG management and incorporates it into the Company’s management process. The Board assumes full responsibility for the Group’s ESG strategy and reporting and is responsible for assessing and determining the Group’s ESG-related risks and ensuring appropriate and effective ESG risk management and proper implementation of the internal monitoring system.

The Group attaches great importance to the communication with stakeholders, by disseminating the Company’s ESG concepts and practices through raises channels, understanding the concerns of stakeholders and taking action to meet their reasonable expectations and demands.

Basis of preparation

Unless otherwise stated, the basis for preparation of this report is same as the past years. The data in this report, covers companies (including but not limited to CITIC Dameng Mining, Daxin Branch, Tiandeng Branch, Chongzuo Branch, Daxin Manganese, Guangxi Start, Qinzhou New Materials, Hui Xing Company and Huiyuan Manganese, etc), assets and projects in which we have operational control (where we have full authority to implement our operating policies), but does not cover our associated companies nor joint venture.



Environmental, Social and Governance Report

Basis of preparation (continued)

A summary of our key performance indicators in the aforesaid four critical areas during the six months ended 30 June 2020 is set out in the following table:

Critical Areas	Key performance indicators	Six months ended 30 June		
		2020	2019	2018
Safety Production and Labour Protection	Number of Fatalities (Note 1)	0	1	0
	Number of Injuries	6	4	11
	Number of Lost Days Caused by Injuries (Note 2)	240	241	619
Energy Savings and Environmental Protection	Total Electricity Consumption (MWh) (Note 3)	1,132,671	891,935	819,072
	(i) Electricity Intensity of EMM (kWh per tonne) (Note 4)	6,569	6,636	6,710
	(ii) Electricity Intensity of EMD (kWh per tonne) (Note 5)	1,887	N/A	N/A
	(iii) Electricity Intensity of silicon-manganese alloy (kWh per tonne) (Note 6)	3,762	N/A	N/A
	Total Water Consumption (Tonnes) (Note 7)	2,479,022	2,222,289	1,727,067
	(i) Water Intensity of EMM (m ³ per tonne) (Note 8)	1.50	2.87	N/A
	(ii) Water Intensity of EMD (m ³ per tonne) (Note 9)	2.61	N/A	N/A
	(iii) Water Intensity of silicon-manganese alloy (m ³ per tonne) (Note 10)	0.72	N/A	N/A
	Total Greenhouse Gas Emission (Tonnes) (Note 11)	25	16	18
	Waste Slag Volume (Tonnes)	1,037,855	632,106	545,382
	Non-hazardous Waste Produced (Tonnes) (Note 12)	540,285	439,078	278,458
	Total Packaging Material Used for Finished Products Number	941,707	699,608	573,841
Quality Operation System Establishment, Employment Training and Growth	Number of Suppliers	286	377	214
	Number of Complaint against our Products	0	4	3
	Number of Complaints and/or Legal Cases regarding Corrupt Practices	0	0	0
	Number of Employees	7,090	7,407	7,671
	Female Ratio (percentage)	31.4	31.6	31.7
Social Contribution, Living Environment and Culture Development	Donation (HKD)	513,000	523,355	190,074



Environmental, Social and Governance Report

Basis of preparation (continued)

Notes:

1. Fatality is the death of an employee as a result of an occupational illness/injury/disease incident in the course of employment.
2. An occupational illness/injury/disease sustained by an employee causing him/her to miss one scheduled workday/shift or more after the day of the injury.
3. The figures include the total electricity consumption for all the EMM, EMD and silicon-manganese alloy processing plants during the six months ended 30 June 2020. Because we acquired 65.17% equity interest of Huiyuan Manganese during the Period, so that it became our wholly owned subsidiary and therefore its electricity consumption are included as the electricity consumption of the Group.
4. The figures include the consolidated average electricity usage (kWh) per EMM (tonne) for our EMM production by Daxin EMM Plant, Daxin Manganese EMM Plant, Tiandeng EMM Plant and Guangxi Start EMM Plant.
5. The figures include the average electricity usage (kWh) per EMD (tonne) for EMD production by Daxin EMD plant and Huiyuan Manganese during the six months ended 30 June 2020. But no such figures were collected during the six months ended 30 June 2018 and the six months ended 30 June 2019.
6. The figures include the average electricity usage (kWh) per silicon-manganese alloy (tonne) for our silicon-manganese alloy production by Qinzhou Ferroalloy Plant during the six months ended 30 June 2020. But no such figures were collected during the six months ended 30 June 2018 and the six months ended 30 June 2019.
7. The figures include the total water consumption for all the EMM, EMD and ferroalloy processing plants during the six months ended 30 June 2020. Because we acquired 65.17% equity interest of Huiyuan Manganese during the Period, so that it became our wholly owned subsidiary and therefore its water consumption are included as the water consumption of the Group.
8. The figures include the consolidated average electricity usage (m³) per EMM (tonne) for our EMM production by Daxin EMM Plant, Daxin Manganese EMM Plant, Tiandeng EMM Plant and Guangxi Start EMM Plant during the six months ended 30 June 2020 and the six months ended 30 June 2019. But no such figures were collected for the six months ended 30 June 2018.
9. The figures include the average water usage (m³) per EMD (tonne) for our EMD production by Daxin EMD plant and Huiyuan Manganese during the six months ended 30 June 2020. But no such figures were collected during the six months ended 30 June 2018 and the six months ended 30 June 2019.
10. The figures include the average water usage (m³) per silicon-manganese alloy (tonne) for our silicon-manganese alloy production by Qinzhou Ferroalloy Plant during the six months ended 30 June 2020. But no such figures were collected during the six months ended 30 June 2018 and the six months ended 30 June 2019.
11. The figures include the greenhouse gas emission for Qinzhou Ferroalloy Plant.
12. The figures include the tailings produced by Daxin Mine, Tiandeng Mine, Changgou Manganese Mine and Bembélé Manganese Mine. Since Waifu Manganese Mine has not come into formal mining production, therefore no tailings were produced in Waifu Manganese Mine.



Environmental, Social and Governance Report

1. Safety Production and Labour Protection

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

During the six months ended 30 June 2020, our major measures are as follows:

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

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

(2) Strict Implementation of Safety Production Responsibility System:

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

(3) Establishment of Safety Production Standardisation System:

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

- (i) Daxin Branch maintained the qualification for second level safety standardization enterprise in respect of EMM plants and EMD plants;
- (ii) Chongzuo Branch maintained the qualification for second level safety standardization enterprise; and
- (iii) Qinzhou Ferroalloy Plant maintained the qualification for the second level safety standardization enterprise.

(4) Reinforcement of Production Safety Concept to our employees:

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

- (i) We continued to carry out the “Everyday Check” safety activities (i.e. safety, facilities and 6s “three in one” consolidated supervision activities); and
- (ii) We commenced 2020 “Safety Production Month” activities, safety knowledge trainings, safety knowledge competition and first aid rescue etc. series of activities regarding safety production.
- (iii) Since the outbreak of the novel coronavirus, we have established a staff health monitoring system and ensure the safety of working environments by strictly cleaning and disinfecting workplaces in accordance with national and regional public health authorities’ hygiene management requirements for periods of major infectious diseases.



Environmental, Social and Governance Report

1. Safety Production and Labor Protection (continued)

(5) Strict Compliance with Labour Standards:

Our employment policies strictly followed the prevailing laws and regulations regarding the compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare.

We prohibited the employment of child, forced or compulsory labour in any of our operations. During the six months ended 30 June 2020, we did not identify any operation or supplier as having significant risk of child labour, young workers exposed to hazardous work, or forced or compulsory labour.

(6) Continuous Investment to the Safety Measures:

We committed to invest in our safety measures for labor protection, including protection accessories, dust prevention and noise removal facilities. During the six months ended 30 June 2020, we have conducted a review in respect of our workplaces regarding the existing adverse effect of occupational diseases and occupational diseases testing and enhanced the protection equipments with those dangerous positions so as to protect the health of our employees.

Since the outbreak of COVID-19 pandemic, we have set up monitors in mining areas, office areas, and living areas, strictly implement regular disinfection in public areas, especially twice a day in public areas such as canteens, offices, elevators, toilets, etc., and four times a day in high-risk areas, in order to create safe and hygienic working environment for the employees. In the meantime, we actively purchased anti-epidemic materials to provide protection for employees' health.

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

As a result of our continuous stringent control in respect of the production safety, we continued to keep relatively low fatalities and the number of injuries in respect of our employees continued to remain at a relatively low level.

Set out below is a summary of the fatalities, number of injuries, fatality rate and loss of days caused by injuries during the six months ended 30 June 2020:

Number of Fatalities (by Location)	Six months ended 30 June		
	2020	2019	2018
Hong Kong	0	0	0
Mainland China	0	1	0
Gabon	0	0	0
Total	0	1	0

Number of Injuries (by Location)	Six months ended 30 June		
	2020	2019	2018
Hong Kong	0	0	0
Mainland China	6	4	11
Gabon	0	0	0
Total	6	4	11



Environmental, Social and Governance Report

1. Safety Production and Labor Protection (continued)

Fatality Rate (%) (by Location)	Six months ended 30 June		
	2020	2019	2018
Hong Kong	0	0	0
Mainland China	0	0.01	0
Gabon	0	0	0
Total	0	0.01	0

Number of Lost Days Caused by Injuries (by Location)	Six months ended 30 June		
	2020	2019	2018
Hong Kong	0	0	0
Mainland China	240	241	619
Gabon	0	0	0
Total	240	241	619

The number of lost days caused by injuries during the six months ended 30 June 2020 maintained at low level due to our efforts in the enhancement of safety production measures.

We will continue to the training towards our workers and actively implemented and reinforced our production safety measures, in order to protect the safety and health of our employees.

Compliance with Safety Production Rules and Regulations and Labour Standards

During the six months ended 30 June 2020, we continued to strictly follow all the prevailing laws and regulations regarding safety production and labour standards in Hong Kong, Mainland China and Gabon. To the best of our information and knowledge, there are no material non-compliance with the prevailing laws and regulations regarding safety production and labour standards by the Group during the six months ended 30 June 2020.

2. Energy Savings and Environmental Protection

Strict Supervision of Resource Consumption

Our electricity are provided by the local electricity companies or generated by our electricity generators. Our water are either extracted from the rivers or provided by the water supplies authority of the local regions which we operate. The supply of electricity and water are fit for our operation or production purposes and are provided in a stable and effective manner.

We continued to strictly monitor our resources consumption on an ongoing basis and take effective measures to increase energy efficiency. The electricity consumption and water consumption (including electricity and water intensity) are our top priorities. During the six months ended 30 June 2020, we collected the figures for total electricity consumption and water consumption for all the EMM, EMD and silicon-manganese alloy processing plants. Details are set out in the following table:



Environmental, Social and Governance Report

2. Energy Savings and Environmental Protection (continued)

Strict Supervision of Resource Consumption (continued)

	Six months ended 30 June		
	2020	2019	2018
Electricity Consumption (MWh)	1,132,671	891,935	819,072
(i) Electricity Intensity of EMM (kWh per tonne)	6,569	6,636	6,710
(ii) Electricity Intensity of EMD (kWh per tonne)	1,887	N/A	N/A
(iii) Electricity Intensity of silicon-manganese alloy (kWh per tonne)	3,762	N/A	N/A
Water Consumption (Tonnes)	2,479,022	2,222,289	1,727,067
(i) Water Intensity of EMM (m ³ per tonne)	1.50	2.87	N/A
(ii) Water Intensity of EMD (m ³ per tonne)	2.61	N/A	N/A
(iii) Water Intensity of silicon-manganese alloy (m ³ per tonne)	0.72	N/A	N/A

As compared with the corresponding period of 2019, during the six months ended 30 June 2020, the increase in our electricity and water consumption for our EMM was mainly due to that we acquired 65.17% equity interest of Huiyuan Manganese during the Period, so that it became our wholly owned subsidiary and therefore its electricity and water consumption are included as the electricity and water consumption of the Group.

Reduction of Waste Production

Waste is a by-product during the process of our production operation. Due to the different operation processes in our mining and downstream production, different types of waste are generated. Throughout the whole production process from our upstream mining up to downstream operations, the biggest volume of hazardous wastes generated are greenhouse gas, waste water, and waste slag while the biggest volume of non-hazardous wastes generated are tailings. Beyond that, the volume of solid and liquid waste we generate is small and the risk of significant environmental spills or leakages is low. We are committed to reducing our various kinds of waste production through technical innovation, so as to reduce their impact on the natural environment.

(1) Greenhouse Gas Emissions

The greenhouse gas (mainly including carbon dioxide, methane, nitrous oxide, hydrofluorocarbons, perfluorocarbons and sulphur hexafluoride) emissions are mainly caused during the silicon-manganese alloy production by Qinzhou Ferroalloy Plant. Beyond that, the greenhouse gas emissions by our other segment of business is relatively not significant and therefore we have not taken into account. We improved the production technology, reduced energy consumption and continuously and regularly detected greenhouse gas emissions, so as to reduce the total amount of greenhouse gas emissions and its impact on the natural environment, and meet the environmental impact assessment implementation standards. Details of our greenhouse gas emissions are set out as follows:

	Six months ended 30 June		
	2020	2019	2018
Greenhouse Gas Emission (Tonnes)	25	16	18

(2) Waste Water

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



Environmental, Social and Governance Report

2. Energy Savings and Environmental Protection (continued)

Reduction of Waste Production (continued)

(3) Waste Slag

Waste slags are by products of our various downstream productions. We are committed to reducing our waste slag emissions by strict monitoring and management to ensure such waste slags are processed with proper treatments before disposal. Details of our waste slags are set out as follows:

	Six months ended 30 June		
	2020	2019	2018
Waste Slags Volumes (Tonnes)	1,037,855	632,106	545,382

The increase in waste slag during the six months ended 30 June 2020 was mainly due to the increase in our production of silicon-manganese alloy as compared with the corresponding period of 2019 and that we acquired 65.17% equity interest of Huiyuan Manganese during the Period, so that it became our wholly owned subsidiary and therefore its waste slags volumes are included as the waste slags volumes of the Group.

(4) Non-hazardous Wastes-Tailings

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

	Six months ended 30 June		
	2020	2019	2018
Tailings Production (Tonnes)	540,285	439,078	278,458

The increase in tailings production during the six months ended 30 June 2020 was mainly due to the diminishing ore grade of Daxin Mine as compared with the corresponding period of 2019 and the increase in production of the Bembélé Manganese Mine during the six months ended 30 June 2020.

(5) Packaging Materials used for our finished products

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

	Six months ended 30 June		
	2020	2019	2018
Packaging bags	941,707	699,608	573,841

The increase in our packaging bags consumption during the six months ended 30 June 2020 was mainly due to that we acquired 65.17% equity interest of Huiyuan Manganese during the Period, so that it became our wholly owned subsidiary and therefore its packaging bags consumption is included as the packaging bags consumption of the Group.

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

Environmental Regulation: Compliance and Beyond

In China, the implementation of rules and regulations such as 2008-2015 National Mineral Resources Plan, Guangxi Zhuang Autonomous Region Green and Harmonious Mines Construction Management Rules (Trial Version), Guangxi Zhuang Autonomous Region Green and Harmonious Mines Construction Implementation Program and National Land Remediation Plan (2016-2020), have enhanced the green mine constructions regulations and requirements regarding the legal operation, comprehensive utilization, environmental protection, land reclamation, etc. for the mining companies including the Group.

In Gabon, the local government also enhanced the rules and requirements regarding the environmental protection matters.



Environmental, Social and Governance Report

2. Energy Savings and Environmental Protection (continued)

Environmental Regulation: Compliance and Beyond (continued)

Notwithstanding that, during the six months ended 30 June 2020, we continued our investment in environmental protection measures in compliance with the relevant rules and regulations. We have not breached any environmental rules or regulations which resulted in material fines or prosecutions. We believe that rule compliance is only the minimum standard – we treat it as the floor to our environmental performance. We are committed to the responsible management of both the short and long-term impacts of our business on the environment. This commitment goes beyond compliance and applies to all stages of our business – from planning, building, operation, maintenance to the decommissioning of our facilities and equipment.

Energy Savings and Reduction: Continuous Research and Implementation

By strengthening our management method, improving our production facilities and streamlining our production process, we continued our research upon and implement various energy savings and reduction measures. During the six months ended 30 June 2020, we have implemented the following measures:

- (1) Our upstream mining business:
 - (i) we continued to optimize production layout, ensure raw material supply and improve the mining methods, thereby reducing the mining costs;
 - (ii) Through technical improvement, we fully tap the potential of equipment, improve production efficiency and achieve energy saving; and
 - (iii) we continued to strengthened the safety management of underground mining, thereby preventing and reducing production safety accidents and ensuring production efficiency.
- (2) Our downstream business:
 - (i) EMM business:
 - (a) we improved the metal recovery rate during our EMM production process, thereby reducing the unit consumption rate;
 - (b) we carried out safety rectification works in respect of safety and environmental risks for our EMM plants, thereby preventing the happening of safety and environmental accidents; and
 - (c) Our technical center and the production management department jointly held an electrolytic metal manganese technology exchange meeting at Tiandeng Mine, so as to strengthen communication and improve the technical level.
 - (ii) EMD business:
 - (a) we effectively reduced the rinsing times during our EMD production process, and used the recycled rinse water in a systematic manner, thereby reducing the energy consumption; and
 - (b) we increased the chemical leaching efficiency to ensure our quality of electrolysis.



Environmental, Social and Governance Report

2. Energy Savings and Environmental Protection (continued)

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

(2) Our downstream business: (continued)

(iii) Silicon-manganese alloy business:

- (a) We studied the government's policies on electricity and mastered the rules of electricity trading; and
- (b) We continued to reform and innovate, optimize the current production process, and actively explore new process technologies to reduce electricity consumption.

3. Quality Operation System Establishment, Employment Training and Growth

(1) Quality Operation System Establishment

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

(i) Supply Chain Management

Our suppliers and contractors provide us a wide range of products and services, including fuel and equipment for our upstream mining operations; electricity and other raw materials for our downstream operations; packaging bags and other related accessories for the sales of our final products as well as underground technology innovation construction service and subcontracting processing services, etc. When selecting suppliers, we will encourage them to use as many environmentally friendly products and services as possible, and we have made relevant green procurement policies.

Details of the number of our suppliers are set out as follows:

Number of our suppliers	Six months ended 30 June		
	2020	2019	2018
Hong Kong	1	1	1
Mainland China	280	371	208
Gabon	5	5	5
Total	286	377	214

During the six months ended 30 June 2020, the number of our suppliers increase mainly was due to that we have integrated some suppliers to reduce procurement and logistics costs.

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

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

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



Environmental, Social and Governance Report

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

(1) Quality Operation System Establishment (continued)

(ii) Product Quality Supervision

The whole production process, commencing from procurement, production up to after sales services, are strictly complied with ISO9001:2015 quality management requirement.

We continued our improvements and researches on our production technique and have applied and were granted various patents licenses thereof. All our products (including but not limited to our product advertisements and labels) strictly meet the national and our sector standards and our client's requirements. Among which, our major products, EMM, EMD and manganese sulfate are rewarded with recognition of "Quality products of Guangxi" since 2015 and have passed the inspection by the relevant PRC quality assessment bureau.

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

As a result of our continuous stringent control in respect of the quality of our products, the complaints and/or recalls we received in respect of our products continued to remain at a low level. During the six months ended 30 June 2020, the complaints and/or recalls we received in respect of our products are as follows:

	Six months ended 30 June		
	2020	2019	2018
Number of products related complaints and/or recalls received	0	4	3

(iii) Probity Operating System Establishment

We continued to establish probity operating system, including, inter alia, establishment of anti bribery regulation, inclusion of probity system as annual object responsibility audit and execution of probity agreement with our suppliers, etc. We enhanced the responsibility assessment of the department heads and established rational and effective management mechanism to prevent our employees from being engaged in illegal activities such as bribery, extortion, fraud and money laundering, etc.

During the six months ended 30 June 2020, we have not received any complaints or any legal cases regarding corruption, details are as follows:

	Six months ended 30 June		
	2020	2019	2018
Number of Complaints and/or Legal Cases regarding Corrupt Practices	0	0	0



Environmental, Social and Governance Report

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

(1) Quality Operation System Establishment (continued)

(iv) Our Code of Conduct and Personal Privacy Protection

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

We monitor and periodically document any complaints related to breaches of customer privacy and loss of customer data. No customer privacy and data loss cases have been reported or noted during the six months ended 30 June 2020.

(2) Employment Training and Growth

We arranged trainings at all levels of our employees through multi-channels, multi-formats and multi-levels. The key statistics in respect of our training for our employees are set out in the Human Resources Report. In summary, various different training courses were held during the six months ended 30 June 2020, effectively improving the quality of staff, and promoting development of our employees.

During the six months ended 30 June 2020, our major training activities and projects are as follows:

- (i) "Knowledge training for emergency management";
- (ii) "Cost reduction and efficiency-lean production improvement training course";
- (iii) "Symposium on summary and award application of technical results of Niobium and Vanadium composite microalloying";
- (iv) "Manganese, aluminum, and rare-earth new material industry development exchange meeting";
- (v) "Keep youth and don't live up to the good times - party committee secretary and young staffs exchange meeting";
- (vi) 2020 "Safety Production Month" and safety production, environmental protection management knowledge training;
- (vii) "Special conference on anti-corruption and integrity"; and
- (viii) "Five cleaning actions" for anti-epidemic and health care.



Environmental, Social and Governance Report

4. Social Contribution, Living Environment and Culture Development

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

- (1) In China, we treasured our social contribution in particular the surrounding community of our mines and the improvement of the living environment of our employees as well as the cultural development, including the followings:
 - (i) We continued to carry out various charitable activities and offer series of poverty alleviation works through employment, education, training, etc. and to the villages or associations surrounding our mines and production plants, including:
 - (a) We actively purchased agricultural and sideline products from poverty-stricken counties as employee benefits to help poverty-stricken areas get rid of Poverty;
 - (b) Our subsidiaries organized our employees to actively visit nursing centres and orphanages and carry out various charity poverty alleviation activities; and
 - (c) We supported the local government in laying gravel roads, thereby enhancing the travel convenience of the local residents.
 - (ii) We continued to offer our help and assistance to our employees particularly those in need, including the followings:
 - (a) We have established a file of employees with difficulties and carried out "one-on-one" precision poverty alleviation, that is, each company's management personnel corresponded to a poor employee of the company, and visited it regularly to help;
 - (b) We are determined to carry out "send warmth" event and we always understand and pay attention to the employees in difficulty, so as assist them to solve their problems;
 - (c) We carry out the service activities of "delivering health to the grassroots" to provide free health consultations, blood pressure measurement and Chinese medicine intermediate frequency pulse therapy for our employees; and
 - (d) We provided cooking oil, rice and other welfare materials as well as red banners to our employees during Chinese New Year festival and we offered our condolence to the patients, employees in need and elderly.
 - (e) Since the outbreak of COVID-19, we have continued to actively implement various epidemic prevention measures and provide anti-epidemic materials for all employees.
 - (iii) We continued to host or organise various cultural or sports activities to our employees or the surrounding villagers, including the followings:
 - (a) We held a Spring Festival Tea Party on the eve of the Spring Festival;
 - (b) We held the "Dameng Good Book Recommendation" book club activity; and
 - (c) We built cinema, soccer field and purchased treadmills for our employees, so as to enrich the life of the employees.



Environmental, Social and Governance Report

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

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

We treasure serving our community and therefore, we spent money into the community where our businesses are situated. During the six months ended 30 June 2020, our cash donations to charities reached HK\$513,000. Details are as follows:

	Six months ended 30 June		
	2020	2019	2018
Donation (HKD)	513,000	523,355	190,074

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



Summary of Our Manganese Mineral Resources and Our Manganese Ore Reserves

Below is the information on our mineral resources and ore reserves as of 30 June 2020:

Summary of our manganese mineral resources

Mining Block	Ownership Percentage	JORC Resource Category	Average Manganese		Average Manganese	
			Million Tonnes	Grade (%)	Million Tonnes	Grade (%)
			As of 30.6.2020		As of 31.12.2019	
Daxin Mine	100%	Measured	3.35	26.03	3.35	26.03
		Indicated	58.60	21.76	59.52	21.67
		Subtotal	61.95	21.99	62.87	21.90
		Inferred	0.43	21.23	0.43	21.23
		Total	62.38	21.99	63.30	21.89
Tiandeng Mine	100%	Measured	0.55	18.26	0.55	18.26
		Indicated	2.76	16.76	2.76	16.76
		Subtotal	3.31	17.01	3.31	17.01
		Inferred	3.48	14.27	3.51	14.28
		Total	6.79	15.60	6.82	15.63
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	2.33	20.45	2.33	20.45
		Indicated	14.57	20.32	14.67	20.32
		Subtotal	16.90	20.34	17.00	20.34
		Inferred	4.22	20.50	4.22	20.50
		Total	21.12	20.37	21.22	20.37
Bembélé Manganese Mine	51%	Measured	-	-	-	-
		Indicated	11.29	32.70	12.14	32.49
		Subtotal	11.29	32.70	12.14	32.49
		Inferred	12.37	32.74	12.37	32.74
		Total	23.66	32.72	24.51	32.61
Total			115.49		117.39	



Summary of Our Manganese Mineral Resources and Our Manganese Ore Reserves

Summary of our manganese ore reserves

Mine	Ownership Percentage	JORC Resource Category	Average Manganese		Average Manganese	
			Million tonnes	Grade (%)	Million tonnes	Grade (%)
			As of 30.6.2020		As of 31.12.2019	
Daxin Mine	100%	Proved	3.13	20.75	3.13	20.75
		Probable	56.07	19.11	56.99	19.05
		Total	59.20	19.19	60.12	19.14
Tiandeng Mine	100%	Proved	0.51	15.78	0.51	15.78
		Probable	2.64	15.61	2.64	15.61
		Total	3.15	15.64	3.15	15.64
Waifu Manganese Mine	100%	Proved	–	–	–	–
		Probable	–	–	–	–
		Total	–	–	–	–
Changgou Manganese Mine	64%	Proved	2.33	20.45	2.33	20.45
		Probable	14.57	20.32	14.67	20.32
		Total	16.90	20.34	17.00	20.34
Bembélé Manganese Mine	51%	Proved	–	–	–	–
		Probable	11.28	31.10	12.13	31.21
		Total	11.28	31.10	12.13	31.21
Total			90.53		92.40	

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

Assumptions:

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

- (1) (a) The manganese resources and manganese ore reserves for Daxin Mine, Tiandeng Mine and Bembélé Manganese Mine were based on the estimates per the independent technical review report as shown in the Company's Prospectus. The decreases of the amounts of manganese resources and manganese ore reserves during the period were largely due to mining activity. The period end amounts have been confirmed by internal experts.
 - (b) The manganese resources and manganese ore reserves for Changgou Manganese Mine are based on the estimate in accordance with 《錳礦礦產資源儲量核實報告》(Manganese Resources Verification Report) dated November 2009 prepared by 中國冶金地質總局中南局南寧地質調查所 (ChinaYe Jin Di Zhi Zong Ju Zhong Nan Ju Nanning Di Zhi Diao Cha Suo). The decreases of the amounts of manganese resources and manganese ore reserves during the period were largely due to mining activity. The period end amounts have been confirmed by our internal experts.
 - (c) The manganese resources and manganese ore reserves for Waifu Manganese Mine are based on the estimate in accordance with 《靖西縣湖潤外伏錳礦礦產資源量核實地質報告評審意見書》(Accreditation Opinion of the Verified Geographical Resources Report of Waifu Manganese Mine, Jinxi) dated 17th July 2004 prepared by 南寧儲偉資源有限責任公司 (Nanning Qu Wei Resources Limited Company). The period end amounts have been confirmed by our internal experts.
- (2) All material assumptions and technical parameters underpinning the estimates in the aforesaid independent technical reports continue to apply and have not materially changed.



Summary of Our Manganese Mineral Resources and Our Manganese Ore Reserves

Exploration, Development, and Mining Activities

I) Exploration

Overview

During the six months ended 30 June 2020, there were no significant progress in respect of our exploration works and we have not conducted any exploration drilling works which are largely due to: (1) the completion of the exploration works in Daxin Mine and Changgou Mine; (2) Waifu Manganese Mine still has not come into formal production; and (3) the exploration works in respect of the Bembélé Manganese Mine are still under preparation. During the period, our main focus was to continue the subsequent recordal for accreditation follow up in respect of the exploration works at Tiandeng Mine.

Daxin Mine

During the six months ended 30 June 2020, we have not entered into any contracts or commitments in respect of exploration work or conducted any exploration work at Daxin Mine.

Tiandeng Mine

During the six months ended 30 June 2020, 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 herein above, we have not entered into any contracts or commitments in respect of exploration work or conducted any exploration work at Tiandeng Mine.

Waifu Manganese Mine

During the six months ended 30 June 2020, we have not entered into any contracts or commitments in respect of exploration work or conducted any exploration work at Waifu Manganese Mine.

Changgou Manganese Mine

During the six months ended 30 June 2020, we have not entered into any contracts or commitments in respect of exploration work or conducted any exploration work at Changgou Manganese Mine.

Bembélé Manganese Mine

During the six months ended 30 June 2020, we have not entered into any contracts or commitments in respect of exploration work or conducted any exploration work at Bembélé Manganese Mine.



Summary of Our Manganese Mineral Resources and Our Manganese Ore Reserves

Exploration, Development, and Mining Activities (continued)

II) Development

Daxin Mine

During the six months ended 30 June 2020, we have not entered into any contracts or commitments in respect of the infrastructure development (including infrastructure construction, subcontracting arrangements or purchases of equipment) or conducted any infrastructure or development work at Daxin Mine.

Tiandeng Mine

During the six months ended 30 June 2020, we have not entered into any contracts or commitments in respect of the infrastructure development (including infrastructure construction, subcontracting arrangements or purchases of equipment) or conducted any infrastructure or development work at Tiandeng Mine.

Waifu Manganese Mine

During the six months ended 30 June 2020, we have not entered into any contracts or commitments in respect of the infrastructure development (including infrastructure constructions, subcontracting arrangements or purchases of equipment) or conducted any infrastructure or development work at Waifu Manganese Mine.

Changgou Manganese Mine

During the six months ended 30 June 2020, we have not entered into any contracts or commitments in respect of the infrastructure development (including infrastructure constructions, subcontracting arrangements or purchases of equipment) or conducted any infrastructure or development work at Changgou Manganese Mine.

Bembélé Manganese Mine

During the six months ended 30 June 2020, under the subcontracting arrangement, our contractor continued to carry out the construction of No. 3 production line of the processing plant, second phase tailings pond and the staff housing expansion construction works.

Save and except for the above, we have not entered into any contracts or commitments in respect of the infrastructure development (including infrastructure constructions, subcontracting arrangements or purchases of equipment) or conducted any infrastructure or development work at Bembélé Manganese Mine.



Summary of Our Manganese Mineral Resources and Our Manganese Ore Reserves

Exploration, Development, and Mining Activities (continued)

III) Mining activities

(1) Mining Operations

Daxin Mine

	1.1.2020-30.6.2020	1.1.2019-30.6.2019
Open pit mining		
Mine production (thousand tonnes)	89	146
Underground mining		
Mine production (thousand tonnes)	839	708
Total mine production (thousand tonnes)	928	854
Average manganese grade		
Manganese carbonate ore	13.3%	14.3%
Manganese oxide ore	25.2%	27.7%

Tiandeng Mine

	1.1.2020-30.6.2020	1.1.2019-30.6.2019
Open pit mining		
Mine production (thousand tonnes)	227	60
Average manganese grade		
Manganese carbonate ore	12.7%	11.6%
Manganese oxide	14.9%	13.4%

Waifu Manganese Mine

During the six months ended 30 June 2020, there was no mining production.

Changgou Manganese Mine

	1.1.2020-30.6.2020	1.1.2019-30.6.2019
Underground mining		
Mine production (thousand tonnes)	97	84
Average manganese carbonate grade	16.0%	16.7%

Bembélé Manganese Mine

	1.1.2020-30.6.2020	1.1.2019-30.6.2019
Open pit mining		
Mine production (thousand tonnes)	845	795
Average manganese oxide grade	29.6%	30.6%

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.



Summary of Our Manganese Mineral Resources and Our Manganese Ore Reserves

Exploration, Development, and Mining Activities (continued)

III) Mining activities (continued)

(2) Ore processing operations

• Concentrating

Production (thousand tonnes)	1.1.2020-30.6.2020	1.1.2019-30.6.2019
Daxin Concentration Plant		
Concentrate production		
Manganese carbonate ore	580	555
Manganese oxide ore	61	61
Total	641	616
Average manganese grade of concentrate		
Manganese carbonate ore	20.0%	20.3%
Manganese oxide ore	24.9%	27.5%
Tiandeng Concentration Plant		
Concentrate production		
Manganese carbonate ore	235.6	–
Manganese oxide ore	33.7	14
Total	269.3	14
Average manganese grade of concentration		
Manganese carbonate ore	11.4%	–
Manganese oxide ore	22.4%	19.6%
Bembélé Concentration Plant		
Concentrate production	501	206
Average manganese grade of concentrate	36.2%	35.0%

• Grinding

Production (thousand tonnes)	1.1.2020-30.6.2020	1.1.2019-30.6.2019
Daxin Grinding Plant		
Powder produced	555	533

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) EMM and alloying materials

• EMM

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

Production (thousand tonnes)	1.1.2020-30.6.2020	1.1.2019-30.6.2019
Daxin EMM Plant	54.5	49.9
Daxin Manganese EMM Plant	12.8	13.2
Tiandeng EMM Plant	17.1	16.1
Start EMM Plant	9.8	9.6
Total	94.2	88.8



Summary of Our Manganese Mineral Resources and Our Manganese Ore Reserves

Exploration, Development, and Mining Activities (continued)

IV) Downstream processing operations (continued)

(1) EMM and alloying materials (continued)

- Manganese briquette

Production (thousand tonnes)	1.1.2020-30.6.2020	1.1.2019-30.6.2019
Daxin Branch	14.3	6.0
Chongzuo Branch	3.3	15.4
Total	17.6	21.4

- Silicon-manganese alloy

Production (thousand tonnes)	1.1.2020-30.6.2020	1.1.2019-30.6.2019
Qinzhou Ferroalloy Plant	38.0	26.9
Xingyi Ferroalloy Plant	52.2	25.0
Total	90.2	51.9

(2) Battery materials

- EMD

Production (thousand tonnes)	1.1.2020-30.6.2020	1.1.2019-30.6.2019
Daxin EMD Plant	12.0	16.8
Huiyuan Manganese	31.0	24.0
Total	43.0	40.8

- Lithium manganese oxide

Production (thousand tonnes)	1.1.2020-30.6.2020	1.1.2019-30.6.2019
Chongzuo Branch	0.98	1.56

- Lithium cobalt nickel manganese oxide

Production (thousand tonnes)	1.1.2020-30.6.2020	1.1.2019-30.6.2019
Chongzuo Branch	0	0.50

- Manganese sulfate

Production (thousand tonnes)	1.1.2020-30.6.2020	1.1.2019-30.6.2019
Daxin Manganese Sulfate Plant	15.3	10.1

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



Summary of Our Manganese Mineral Resources and Our Manganese Ore Reserves

Exploration, Development, and Mining Activities (continued)

V) Exploration, development and mining cost of the Group

Expenses of exploration, development, and mining activities of the Group for the six months ended 30 June 2020 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	-	-	-	7,117	-	7,117
Construction of mines, tunnels and roads	-	-	-	-	-	-
Staff cost	-	-	-	-	-	-
Sub-contracting fee	-	-	-	-	-	-
Others	-	-	-	-	-	-
	-	-	-	7,117	-	7,117
Mining activities*						
Staff cost	1,316	3,359	-	3,723	-	8,398
Consumables	197	3,080	-	1,327	-	4,604
Fuel, electricity, water and other services	1,940	2,763	-	2,002	-	6,705
Transportation	5,363	-	-	-	-	5,363
Sub-contracting fee	139,513	6,545	-	17,007	-	163,065
Depreciation	21,953	2,022	-	1,429	-	25,404
Others	4,260	3,151	-	2,998	-	10,409
	174,542	20,920	-	28,486	-	223,948

(*Concentrating not included)



Code on Corporate Governance Practices

Throughout the six months ended 30 June 2020, save for the deviation from the code provision A.2.1, the Company has applied the principles, complied with the applicable code provisions, and also complied with certain recommended best practices, of the Code on Corporate Governance Practices (the “**CG Code**”) as set out in Appendix 14 to the Listing Rules.

Code provision A.2.1

Chairman and Chief Executive Officer

During the six months ended 30 June 2020, the posts of Chairman and Chief Executive Officer were combined and Mr. Guo Aimin, the Chairman of the Board has also assumed the role of the Chief Executive Officer. This arrangement is in contravention of code provision A.2.1 of the CG Code. Mr. Guo 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. Guo 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. Guo promotes a culture of openness and encourages the Directors to make a full and active contribution to the Board’s affairs. During the six months ended 30 June 2020, the three Independent non-executive Directors of the Company offered strong and independent advice. All decisions have reflected the consensus of the Board. The Board is keeping this situation under review and will separate the role of Chairman and Chief Executive Officer when it is in the Company’s best interests to do so.

Model Code for Securities Transactions by Directors

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

All Directors confirmed, following specific enquiry by the Company, that they have complied with the required standards set out in the Securities Dealings Code throughout the six months ended 30 June 2020.

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

As at 30 June 2020, the interests and short positions of the Directors and chief executive of the Company in the shares, underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) which are required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are deemed or taken to have under such provisions of the SFO) or which are required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein or pursuant to the Model Code and which have been notified to the Company and the Stock Exchange are as follows:

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



Share Option Scheme

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

Name and category of participant	Number of share options					At 30 June 2020	Date of grant	Exercise period ^(Note)	Exercise price per share HK\$
	At 1 January 2020	Granted during the period	Exercised during the period	Cancelled during the period	Lapsed during the period				
Directors of the Company									
Mr. Li Weijian	15,000,000	-	-	-	-	15,000,000	11.1.2011	11.1.2012 to 10.1.2021	2.81
Mr. Tan Zhuzhong	1,000,000	-	-	-	-	1,000,000	11.1.2011	11.1.2012 to 10.1.2021	2.81
	16,000,000	-	-	-	-	16,000,000			
Non-directors	19,500,000	-	-	-	-	19,500,000	11.1.2011	11.1.2012 to 10.1.2021	2.81
	35,500,000	-	-	-	-	35,500,000			

Note:

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

Change in Personal Information of Director

The Company was notified by the relevant director of the following change in information during the six months ended 30 June 2020:

Dr. Lin Zhijun has resigned from his position as an independent non-executive director of Springland International Holdings Limited (previous stock code 1700.HK) which was delisted from the Hong Kong Stock Exchange in March 2020.



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

As at 30 June 2020, according to the register kept by the Company pursuant to Section 336 of the SFO and, so far as is known to the Directors, the persons or entities who had an interest or a short position in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or who were, directly or indirectly, interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of the Company, or of any other company which is a member of the Group, or in any options in respect of such share capital are as follows:

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

Notes:

- The letter "L" denotes the long position in such Shares and the letter "S" denotes the short position in such Shares.
- CITIC Projects Management (HK) Limited ("**CITIC Projects**") is wholly owned by CITIC Corporation Limited ("**CITIC Corporation**"). CITIC Corporation is wholly owned by CITIC Limited (Stock Code: 267), which is owned as to 25.60% by CITIC Glory Limited and as to 32.53% by CITIC Polaris Limited. CITIC Glory Limited and CITIC Polaris Limited are wholly owned by CITIC Group Corporation. CITIC Group Corporation is a company established in the PRC.
- Highkeen Resources Limited is wholly owned by Group Smart Resources Limited ("**Group Smart**"), which is in turn wholly owned by Starbest Venture Limited ("**Starbest Venture**"). Starbest Venture is wholly owned by CITIC Resources, which is in turn owned as to 49.57% by Keentech Group Limited ("**Keentech**"). Keentech is wholly owned by CITIC Projects.
- Apexhill Investments Limited ("**Apexhill**") is wholly owned by CITIC Metal Group Limited ("**CITIC Metal**"), which is in turn wholly owned by Metal and Mining Link Limited ("**MML**"). MML is wholly owned by CITIC Limited.
- Guinan Dameng International Resources Limited is wholly owned by Huanan Dameng Investments Limited ("**Huanan Dameng**"), which is in turn wholly owned by Guangxi Dameng Manganese Industry Group Co., Limited.
- Hillhouse Capital Advisors, Ltd. is wholly owned by Gaoling Fund, L.P. Gaoling Fund, L.P. is a company incorporated under the laws of Cayman Islands.



Save as disclosed above, as at 30 June 2020, the Company has not been notified by any persons (other than the Directors and chief executive of the Company, whose interests are set out in the section “Directors’ and chief executive’s interests in shares and underlying shares” above), who had interests or short positions in the shares or underlying shares of the Company which would fall to be discloseable to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO.

Purchase, Redemption or Sale of Listed Securities of The Company

During the six months ended 30 June 2020, neither the Company nor any of its subsidiaries purchased, redeemed or sold any of the Company’s listed securities during the six months ended 30 June 2020.

Review of Accounts

The audit committee has reviewed, with no disagreement, the unaudited interim results for the six months ended 30 June 2020 with the management of the Company.

Forward Looking Statements

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

On behalf of the Board

Guo Aimin

Chairman

Hong Kong, 22 July 2020



Glossary of Terms

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



Glossary of Terms

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 Industrial Co., Ltd.), a state-owned limited liability company established under the laws of the PRC on 30 July 2001. Guangxi Dameng is wholly-owned by the government of Guangxi, PRC
Guangxi Start	廣西斯達特錳材料有限公司 (Guangxi Start Manganese Materials Co., Ltd.)
Hong Kong or HK	the Hong Kong Special Administrative Region of the PRC
Hui Xing Company	貴州遵義匯興鐵合金有限責任公司 (Guizhou Zunyi Hui Xing Ferroalloy Limited Company)
Huiyuan Manganese	廣西匯元錳業有限公司 (Guangxi Huiyuan Manganese Industry Co., Ltd.)
Huiyuan Manganese Plant	An EMD manufacturing plant in Laibin, Guangxi owned by Huiyuan Manganese
IPO	the initial public offering and listing of Shares of the Company on the main board of the Stock Exchange on 18 November 2010
JORC	the Joint Ore Reserves Committee of the Australian Institute of Mining and Metallurgy
JORC Code	the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves 2012 edition, which is used to determine resources and reserves, and is published by JORC of the Australasian Institute of Mining and Metallurgy, the Australian Institute of Geoscientists and the Minerals Council of Australia
Listing	the listing of the Shares on the Main Board of the Stock Exchange
Listing Rules	the Rules Governing the Listing of Securities on the Stock Exchange (as amended from time to time)
NCM	Lithium Nickel Cobalt Manganese Oxide
Ningbo Dameng	寧波大錳投資管理合夥企業(有限合夥) (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
Qinzhou New Materials	中信大錳(欽州)新材料有限公司 (CITIC Dameng (Qinzhou) New Materials Co., Ltd.)
Securities and Futures	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) Ordinance or SFO



Glossary of Terms

Shares	ordinary shares in the share capital of the Company, with a nominal value of HK\$0.10 each
Stock Exchange	the Stock Exchange of Hong Kong Limited
substantial shareholder	has the meaning ascribed to it under the Listing Rules
Tiandeng Mine	中信大錳礦業有限責任公司天等錳礦 (CITIC Dameng Mining Industries Co., Limited Tiandeng Manganese Mine)
tonne	metric tonne
Waifu Manganese Mine	中信大錳大新錳業有限公司靖西縣湖潤外伏錳礦 (CITIC Dameng Daxin Manganese Limited Company Jingxi Hu Run Waifu Manganese Mine)
XAF	Central African CFA franc
Xingyi Ferroalloy Plant	ferroalloy production plants 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.



