DAMENG

CITIC Dameng Holdings Limited

中信大錳控股有限公司 *

(incorporated in Bermuda with limited liability)

(Stock Code: 1091)

ANNOUNCEMENT OF ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2017

FINANCIAL HIGHLIGHTS

- Revenue amounted to HK$5,991.4 million for 2017, representing an increase of 84.5% from HK$3,248.1 million of 2016.
- Gross profit amounted to HK$559.8 million in 2017, representing an increase of 31.9% from HK$424.2 million in 2016. Gross profit margin was 9.3% in 2017, representing a decrease of 3.8% from 13.1% in 2016.
- Profit attributable to owners of the parent was HK$140.9 million for 2017 (2016: loss of HK$87.9 million).
- As at 31 December 2017, net gearing ratio increased to 99.8% (2016: 90.3%).

CHAIRMAN'S STATEMENT

Dear Valued Shareholders,

In 2017, China continued to maintain its steady growth in economic development with major breakthroughs in comprehensively deepening reform. Benefiting from the resurgence in the manganese market as supported by favourable opportunities brought by the national supply-side reform, "the Belt and Road" Initiative and ongoing recovery in steel industry, the Group successfully recorded a turnaround with significant improvement in operating results as compared with previous years. Nevertheless, both the instability in the global political situation and the uncertainty over the global economic prospects have created new challenges for the Group.

Amidst such macro market conditions, the Group, by adhering to the strategies of *"Deepening Reform; Innovation and Development; Cost Reduction and Efficiency Enhancement; Stable Development"*, took a proactive approach to respond to the ever-changing market conditions and adjusted its development strategy, endeavouring to further strengthen risk control, seize opportunities and overcome the obstacles and difficulties. Furthermore, it insisted on innovation and technology development and increased its investment in scientific research, production efficiency improvement, cost and energy consumption reduction so as to achieve business optimization and upgrading as well as sustainable development, with a view of creating new values for shareholders.

ENHANCING COMPREHENSIVE MANAGEMENT AND PURSUING SUSTAINABLE DEVELOPMENT

During the year, by adopting the management philosophy of "Expanding Income Sources and Reducing Expenditures", the management of the Group has further strengthened its overall internal control by improving budget management system, the informationization of the financial system and implementation of strict cost control measures, resulting in more rational cost control and enhanced operational efficiency of the Group. Meanwhile, the Group also increased its investment in scientific research to improve production technologies, enhance productivity and promote energy conservation and emission reduction so as to proactively perform its social responsibility, maintain its competitiveness in the industry and ensure our growth in a sustainable, steady and healthy way.

STICK TO MARKET ORIENTATION AND GRASP OPPORTUNITIES

The management of the Group, keeping the development trend of the market in mind, has prudently structured and adjusted its future development strategy through rationally allocating capital and resources with market orientation strategy and flexibly adjusting its investment policies in accordance with market demands. During the year, the Gabon project of the Group resumed production, achieving manganese ore sales of 840,000 tonnes (including the sales under subcontracting arrangements). The subcontracting and profit sharing income from the Gabon project under the subcontracting arrangement contributed an important portion of income to the Group during the year. In terms of production adjustment, the Group, by adjusting its existing manganese product mix in a flexible manner in line with the market demands, increased the proportion of its products with higher margin so as to enhance its profitability. At the same time, the Group also reviewed and adjusted its investment strategies in a timely manner in response to the market condition, in order to adopt the appropriate measures in a changing market, proactively seize development opportunities and create reasonable returns for shareholders.

EXPLORING DIVERSIFIED BUSINESS AREAS AND FOCUS ON LONG-TERM DEVELOPMENT

During the year, with a view to achieving a prosperous development of the Group, we actively explored diversified business areas, continued to assess potential investment opportunities and explored quality investment projects, so as to further expand our business scale and assets portfolio and continue the development and optimization of our existing business. During the year, the Group proactively commenced international manganese ores trading. Benefiting from the solid platform for financing trading in Hong Kong, the Group has built and consolidated close and prosperous strategic partnerships with cautiously selected major customers and the industry-leading partners based in Shenzhen and Hong Kong and proactively conducted international manganese ores trading business which has achieved satisfactory development and provided considerable revenue to the Group. In addition, the Group also expanded its business to polymetallic segment. As China Polymetallic Mining Limited, an associate of the Group, actively developed the market in Myanmar, its polymetallic reserve has increased accordingly.

Looking forward, the Group will continue to response to the "the Belt and Road" initiative, improve operational efficiency, control its costs properly and maintain its competitive edges on an on-going basis in order to capture future opportunities and strive to explore new profit point in the challenging manganese products market, achieving long-term profitability and asset growth.

SINCERE GRATITUDE AND COMPOSE A NEW CHAPTER WITH UNITED EFFORTS

I would like take this opportunity to express my gratefulness to the Directors, management team and all staff for their hard work and contribution. I, on behalf of the Board, also hereby deliver my greatest sincere appreciation for the long-term understanding and support of our shareholders, clients, suppliers, banks and business partners. We treasure and look forward to your continuous reliance and support in a bid to compose a promising new chapter together.

Yin Bo
Chairman

27 February 2018

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

Year ended 31 December 2017

	Notes	**2017**	2016
		HK$'000	*HK$'000*
REVENUE	*3*	**5,991,436**	3,248,108
Cost of sales		**(5,431,683)**	(2,823,887)
Gross profit		**559,753**	424,221
Other income and gains	*3*	**225,103**	216,970
Selling and distribution expenses		**(97,990)**	(86,052)
Administrative expenses		**(319,813)**	(382,945)
Finance costs	*4*	**(220,659)**	(235,892)
Other expenses		**(9,960)**	(21,049)
Share of profits and losses of associates		**860**	(46,562)
Net gain from change in equity interest in an associate	*5*	**9,328**	–
PROFIT/(LOSS) BEFORE TAX	*6*	**146,622**	(131,309)
Income tax (expense)/credit	*7*	**(5,240)**	2,888
PROFIT/(LOSS) FOR THE YEAR		**141,382**	(128,421)
OTHER COMPREHENSIVE INCOME/(LOSS):			
Other comprehensive income/(loss) to be reclassified to profit or loss in subsequent periods:			
– Exchange differences on translation of foreign operations		**142,275**	(197,366)
TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR		**283,657**	(325,787)

	Note	2017 HK$'000	2016 HK$'000
Total profit/(loss) attributable to:			
Owners of the parent		**140,851**	(87,913)
Non-controlling interests		**531**	(40,508)
		141,382	(128,421)
Total comprehensive income/(loss) attributable to:			
Owners of the parent		**286,421**	(285,238)
Non-controlling interests		**(2,764)**	(40,549)
		283,657	(325,787)
EARNINGS/(LOSS) PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	*8*		
Basic		**HK cents 4.11**	(HK cents 2.56)
Diluted		**HK cents 4.11**	(HK cents 2.56)

The Board does not recommend the payment of any dividend for the year (2016: Nil).

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2017

	Notes	2017 HK$'000	2016 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment		**3,060,707**	2,990,656
Investment properties		**101,203**	81,927
Prepaid land lease payments		**467,959**	443,023
Intangible assets		**590,512**	569,817
Investments in associates		**915,379**	826,466
Deferred tax assets		**34,456**	32,933
Prepayments and deposits		**243,411**	223,603
Total non-current assets		**5,413,627**	5,168,425
CURRENT ASSETS			
Inventories		**909,067**	792,837
Trade and notes receivables	*10*	**1,175,599**	837,592
Prepayments, deposits and other receivables		**355,967**	518,776
Due from related companies		**9,638**	10,272
Due from associates		**11,053**	26,187
Tax recoverable		**11,755**	13,060
Financial assets at fair value through profit or loss		**8,154**	24,295
Pledged deposits		**188,202**	545,349
Cash and cash equivalents		**669,100**	989,510
Total current assets		**3,338,535**	3,757,878
CURRENT LIABILITIES			
Trade and notes payables	*11*	**736,737**	950,036
Other payables and accruals		**871,296**	1,009,600
Interest-bearing bank and other borrowings	*12*	**3,003,352**	2,607,033
Due to related companies		**118,660**	114,327
Tax payable		**2,108**	12
Total current liabilities		**4,732,153**	4,681,008

	Note	2017 HK$'000	2016 HK$'000
NET CURRENT LIABILITIES		**(1,393,618)**	(923,130)
TOTAL ASSETS LESS CURRENT LIABILITIES		**4,020,009**	4,245,295
NON-CURRENT LIABILITIES			
Interest-bearing bank and other borrowings	*12*	**744,845**	1,279,868
Deferred tax liabilities		**200,421**	191,134
Other long-term liabilities		**25,342**	19,570
Deferred income		**82,302**	80,851
Total non-current liabilities		**1,052,910**	1,571,423
Net assets		**2,967,099**	2,673,872
EQUITY			
Equity attributable to owners of the parent			
Issued capital		**342,846**	342,846
Reserves		**2,554,909**	2,262,363
		2,897,755	2,605,209
Non-controlling interests		**69,344**	68,663
Total equity		**2,967,099**	2,673,872

NOTES TO FINANCIAL STATEMENTS

31 December 2017

1.1 BASIS OF PREPARATION

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

During the year ended 31 December 2017, the Company and its subsidiaries (collectively referred to as the "**Group**") recorded a consolidated net profit of HK$141,382,000 (2016: net loss of HK$128,421,000) and had net cash inflows from operating activities of HK$157,090,000 (2016: HK$1,126,471,000). As at 31 December 2017, the Group had net current liabilities of HK$1,393,618,000 (2016: HK$923,130,000).

In view of these circumstances, the directors of the Company have given consideration to the future liquidity and performance of the Group and its available sources of finance in assessing whether the Group will have sufficient financial resources to continue as a going concern. In order to improve the Group's liquidity and cash flows to sustain the Group as a going concern, the Group implemented or is in the process of implementing the following measures:

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

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

(c) At 31 December 2017, certain PRC banks had confirmed to the Group in writing regarding their agreements to renew their short-term bank loans granted to the Group totalling HK$1,810.2 million on repayment when due, subject to the condition that the Group will be able to repay the total interest due upon the respective repayment dates. Based on the abovementioned agreements and past experience, the directors consider it is highly probable that the Group can extend adequate amount of short-term bank loans for a further year when fall due to maintain sufficient working capital of the Group.

(d) The Group is actively following up with its debtors on outstanding receivables with an aim of speeding up collection.

The directors of the Company have prepared a cash flow forecast for the Group which covers a period of twelve months from the end of the reporting period. They are of the opinion that, taking into account the above-mentioned plans and measures, coupled with the undrawn long-term loan and improving profitability of the Group, the Group will have sufficient working capital to finance its operations and meet its financial obligations as and when they fall due in the foreseeable future. Accordingly, the directors are of the opinion that it is appropriate to prepare the consolidated financial statements of the Group for the year ended 31 December 2017 on a going concern basis.

Basis of consolidation

The consolidated financial statements include the financial statements of the Group for the year ended 31 December 2017. A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e. existing rights that give the Group the current ability to direct the relevant activities of the investee).

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

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

(b) rights arising from other contractual arrangements; and

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

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

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

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

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

1.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The Group has adopted the following revised HKFRSs for the first time for the current year's financial statements.

Amendments to HKAS 7	*Disclosure Initiative*
Amendments to HKAS 12	*Recognition of Deferred Tax Assets for Unrealised Losses*
Amendments to HKFRS 12 included in *Annual Improvements to HKFRSs 2014-2016 Cycle*	*Disclosure of Interests in Other Entities: Clarification of the Scope of HKFRS 12*

None of the above amendments to HKFRSs has had a significant financial effect on these financial statements.

2. OPERATING SEGMENT INFORMATION

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

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

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

(b) Manganese downstream processing segment (PRC)

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

(c) Non-manganese processing segment (PRC)

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

(d) Others segment (PRC &HK)

The others segment comprises, principally, the trading of various commodities such as manganese ore, EMM, silicomanganese alloy, non-manganese metals, sales of scraps, and rental of investment properties and leasehold lands.

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

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

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

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

	Manganese mining and ore processing PRC HK$'000	Manganese mining and ore processing Gabon HK$'000	Manganese downstream processing PRC HK$'000	Non-manganese processing PRC HK$'000	Others PRC & HK HK$'000	Total HK$'000
Year ended 31 December 2017						
Segment revenue:						
Sales to external customers	228,670	317,400	3,008,862	82,496	2,354,008	5,991,436
Intersegment sales	101,151	–	–	–	–	101,151
Other revenue	21,445	40,180	50,963	736	78,817	192,141
	351,266	357,580	3,059,825	83,232	2,432,825	6,284,728
Reconciliation:						
Elimination of intersegment sales						(101,151)
Revenue from operations						6,183,577
Segment results	3,349	82,141	216,622	23,958	54,605	380,675
Reconciliation:						
Interest income						32,962
Corporate and other unallocated expenses						(46,356)
Finance costs						(220,659)
Profit before tax						146,622
Income tax expense						(5,240)
Profit for the year						141,382
Assets and liabilities						
Segment assets	972,737	315,596	4,211,821	54,235	2,032,823	7,587,212
Reconciliation:						
Corporate and other unallocated assets						1,164,950
Total assets						8,752,162
Segment liabilities	428,748	16,402	1,029,607	11,825	189,865	1,676,447
Reconciliation:						
Corporate and other unallocated liabilities						4,108,616
Total liabilities						5,785,063
Other segment information:						
Depreciation and amortisation	41,632	10,775	307,953	1,297	467	362,124
Unallocated depreciation and amortisation						4,255
Total depreciation and amortisation						366,379
Capital expenditure*	18,712	999	188,191	1,440	126	209,468
Unallocated capital expenditure						2,412
Total capital expenditure						211,880
Impairment losses recognised/(reversed) in profit or loss	(949)	15,252	(6,877)	7	(278)	7,155
Gain/(loss) on disposal of items of property, plant and equipment	989	–	15,476	–	(33)	16,432
Fair value gains on investment properties	–	–	–	–	3,113	3,113
Investments in associates	–	–	310,672	–	604,707	915,379
Share of profits and losses of associates	–	–	12,456	–	(11,596)	860

	Manganese mining and ore processing PRC HK$'000	Manganese mining and ore processing Gabon HK$'000	Manganese downstream processing PRC HK$'000	Non-manganese processing PRC HK$'000	Others PRC & HK HK$'000	Total HK$'000
Year ended 31 December 2016						
Segment revenue:						
Sales to external customers	114,975	5,817	2,245,527	121,302	760,487	3,248,108
Intersegment sales	223,055	–	–	–	–	223,055
Other revenue	34,684	2,192	70,352	1,545	88,945	197,718
	372,714	8,009	2,315,879	122,847	849,432	3,668,881
Reconciliation:						
Elimination of intersegment sales						(223,055)
Revenue from operations						3,445,826
Segment results	(25,041)	(37,742)	199,954	9,534	50,343	197,048
Reconciliation:						
Interest income						19,252
Corporate and other unallocated expenses						(65,155)
Finance costs						(235,892)
Share of losses of associates						(46,562)
Loss before tax						(131,309)
Income tax credit						2,888
Loss for the year						(128,421)
Assets and liabilities						
Segment assets	860,099	402,818	4,615,370	75,925	1,111,067	7,065,279
Reconciliation:						
Corporate and other unallocated assets						1,861,024
Total assets						8,926,303
Segment liabilities	353,143	250,633	1,259,755	15,421	737,398	2,616,350
Reconciliation:						
Corporate and other unallocated liabilities						3,636,081
Total liabilities						6,252,431
Other segment information:						
Depreciation and amortisation	37,604	11,977	298,971	2,036	630	351,218
Unallocated depreciation and amortisation						5,745
Total depreciation and amortisation						356,963
Capital expenditure*	8,535	33,484	212,941	1,434	95	256,489
Unallocated capital expenditure						798
Total capital expenditure						257,287
Impairment losses recognised in profit or loss	12,467	8,431	391	597	562	22,448
Gain/(loss) on disposal of items of property, plant and equipment and non-current assets classified as held for sale	14,888	1,903	10,757	(73)	4,774	32,249
Gain on disposal of prepaid land lease payments	–	–	–	–	32,452	32,452
Investments in associates	–	–	277,173	–	549,293	826,466

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

Geographical information

(a) Revenue from external customers

	2017	2016
	HK$'000	*HK$'000*
Mainland China	**5,353,290**	2,822,296
Asia (excluding Mainland China)	**469,495**	331,720
Europe	**79,651**	51,678
North America	**54,130**	26,228
Other countries	**34,870**	16,186
	5,991,436	3,248,108

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

(b) Non-current assets

	2017	2016
	HK$'000	*HK$'000*
Segment assets:		
Mainland China	**5,287,825**	5,030,475
Africa	**91,346**	105,017
	5,379,171	5,135,492

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

Information about a major customer

Revenue of approximately HK$887,600,000 for the year ended 31 December 2017 was derived from sales by the manganese mining and ore processing segment and trading sales (2016: approximately HK$536,000,000) to a single customer, including sales to a group of entities which were under its common control.

3. REVENUE, OTHER INCOME AND GAINS

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

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

	2017	2016
	HK$'000	*HK$'000*
Revenue		
Sale of goods	**5,991,436**	3,248,108
Other income and gains		
Bank and other interest income	**32,962**	19,252
Gain on disposal of items of property, plant and equipment	**16,432**	30,346
Gain on disposal of prepaid land lease payments	**–**	32,452
Gain on disposal of non-current assets classified as held for sale	**–**	1,903
Gain on disposal of financial assets at fair value through profit or loss	**–**	572
Subsidy income*	**61,161**	82,764
Subcontracting income#	**38,244**	–
Sale of scraps	**25,097**	24,250
Rental income	**22,763**	15,973
Foreign exchange gains, net	**2,299**	–
Fair value gains on investment properties	**3,113**	129
Fair value gain on financial assets at fair value through profit or loss	**–**	13
Reversal of impairment loss on trade and other receivables, net	**12,917**	–
Others	**10,115**	9,316
	225,103	216,970

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

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

4. FINANCE COSTS

An analysis of finance costs is as follows:

	2017	2016
	HK$'000	*HK$'000*
Interest on loans wholly repayable within five years	**177,629**	183,011
Finance costs for discounted notes receivable	**31,433**	25,296
Other finance costs	**11,597**	27,585
	220,659	235,892

5. NET GAIN FROM CHANGE IN EQUITY INTEREST IN AN ASSOCIATE

	2017	2016
	HK$'000	*HK$'000*
Loss on deemed disposal of partial interest in an associate *(note(i))*	**(70,750)**	–
Gain on bargain purchase from the acquisition of shares of an associate *(note(iii))*	**80,078**	–
	9,328	–

Note (i): In May 2017, the Group recorded a non-cash loss of HK$70,750,000 resulting from the dilution in the Group's shareholding in CPM from 29.81% to 24.84% after CPM's placing of new shares by additional 20% to independent third parties.

Note (ii): In August 2017, the Group subscribed shares in CPM for a total cash consideration of HK$35,558,000 pursuant to its proportional entitlement under a rights issue scheme of CPM.

Note (iii): In August and September 2017, through a number of acquisitions in the market and subscription of excess rights shares, the Group acquired additional 5.15% equity interest of CPM at a total cash consideration of HK$22,124,000. After completion of the above series of acquisitions on 29 September 2017, the percentage of equity interest held in CPM by the Group increased from 24.84% to 29.99%. The Group recognised a gain on bargain purchase of HK$80,078,000 in profit or loss for the year ended 31 December 2017, which represented the portion of excess of fair value of the identifiable assets and liabilities of CPM from the acquired equity interest of 5.15% as at the date of acquisition of shares over the cash consideration paid by the Group.

6. PROFIT/(LOSS) BEFORE TAX

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

	2017	2016
	HK$'000	*HK$'000*
Cost of inventories sold #	**5,411,611**	2,803,362
Depreciation	**335,224**	328,433
Amortisation of prepaid land lease payments	**12,069**	12,091
Amortisation of intangible assets	**19,086**	16,439
Auditor's remuneration	**3,383**	3,294
Minimum lease payments under operating leases, land and buildings	**13,992**	6,427
Employee benefit expense (excluding directors' and chief executive's remuneration):		
Wages and salaries	**356,833**	404,159
Pension scheme contributions	**52,965**	55,476
Other employee welfare	**36,120**	37,192
	445,918	496,827
Gain on disposal of items of property, plant and equipment*	**(16,432)**	(30,346)
Gain on disposal of non-current assets classified as held for sale*	–	(1,903)
Loss/(gain) on disposal of financial assets at fair value through profit or loss*	**208**	(572)
Gain on disposal of prepaid land lease payments*	–	(32,452)
Foreign exchange differences, net*	**(2,299)**	8,088
Write-down of inventories to net realisable value, net#	**20,072**	13,462
(Reversal of)/impairment of trade and other receivables, net*	**(12,917)**	8,986
Fair value gains on investment properties*	**(3,113)**	(129)
Fair value loss/(gain) on financial assets at fair value through profit or loss*	**255**	(13)
Net gain from change in equity interest in an associate	**(9,328)**	–
Loss on disposal of other intangible assets*	**4,718**	–

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

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

7. INCOME TAX EXPENSE/(CREDIT)

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.

	2017	2016
	HK$'000	*HK$'000*
Current – PRC		
Charge for the year	**5,619**	145
Current – Gabon		
Charge for the year	**2,613**	12
Deferred	**(2,992)**	(3,045)
Total tax expense/(credit) for the year	**5,240**	(2,888)

Hong Kong profits tax

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

PRC corporate income tax ("CIT")

Pursuant to the PRC Income Tax Law and the respective regulations, except for the preferential tax treatment available to CITIC Dameng Mining which is recognised as a High and New Technology Enterprise and is entitled to a preferential CIT rate of 15% to 2018, and Guangxi Start, which is entitled to a preferential CIT rate of 15% for Developing Western China for which the policy will end in 2020 and related benefit will be subject to review by tax authorities each year, other companies of the Group which operate in Mainland China are subject to CIT at a rate of 25% on their respective taxable income.

Gabon corporate income tax

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

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

The calculation of the basic earnings/(loss) per share amounts is based on the profit/(loss) for the year attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares of 3,428,459,000 (2016: 3,428,459,000) in issue during the year.

No adjustment has been made to the basic earnings/(loss) per share amounts presented for the years ended 31 December 2017 and 2016 in respect of a dilution as the impact of the share options outstanding had an anti-dilutive effect on the basic earnings/(loss) per share amounts presented.

The calculations of basic and diluted earnings/(loss) per share are based on:

	2017	2016
	HK$'000	*HK$'000*
Profit/(loss)		
Profit/(loss) attributable to ordinary equity holders of the parent, used in the basic earnings/(loss) per share calculations	**140,851**	(87,913)
	Number of shares	
Shares		
Weighted average number of ordinary shares in issue during the year used in the basic earnings/(loss) per share calculations	**3,428,459,000**	3,428,459,000

9. DIVIDENDS

The Board does not recommend the payment of any dividend for the years ended 31 December 2017 and 2016.

10. TRADE AND NOTES RECEIVABLES

	2017	2016
	HK$'000	*HK$'000*
Trade receivables	**837,632**	738,934
Notes receivable	**380,776**	151,944
	1,218,408	890,878
Less: Impairment	**(42,809)**	(53,286)
	1,175,599	837,592

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

	2017	2016
	HK$'000	*HK$'000*
Within one month	**385,568**	210,994
One to two months	**140,090**	182,779
Two to three months	**147,712**	161,725
Over three months	**121,453**	130,150
	794,823	685,648

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

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

	2017	2016
	HK$'000	*HK$'000*
Within one month	**216,750**	81,781
One to two months	**71,161**	27,177
Two to three months	**36,964**	11,433
Over three months	**55,901**	31,553
	380,776	151,944

11. TRADE AND NOTES PAYABLES

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

	2017	2016
	HK$'000	*HK$'000*
Within one month	**306,243**	295,936
One to two months	**162,738**	274,327
Two to three months	**108,902**	72,802
Over three months	**158,854**	306,971
	736,737	950,036

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

12. INTEREST-BEARING BANK AND OTHER BORROWINGS

	2017			2016		
	Effective interest rate (%)	**Maturity**	***HK$'000***	Effective interest rate (%)	Maturity	*HK$'000*
Current						
Finance lease payables	**6.32-7.51**	**2018**	**89,488**	6.32-7.51	2017	86,752
Bank loans – secured *(note (a))*	–	–	–	4.35	2017	63,225
Bank loans – unsecured	**2.83-5.29**	**2018**	**2,404,561**	2.15-4.83	2017	1,773,490
Current portion of long-term bank loans – secured *(note (a))*	–	–	–	LIBOR+2.15	2017	231,968
Current portion of long-term bank loans – unsecured	**3.83-4.99, LIBOR+2.60**	**2018**	**393,270**	4.75-6.46, LIBOR+2.60	2017	342,458
Other loans – unsecured *(note (b))*	**4.73**	**2018**	**116,033**	4.56	2017	109,140
			3,003,352			2,607,033
Non-current						
Finance lease payables	**6.32-7.51**	**2019-2020**	**137,849**	6.32-7.51	2018-2020	208,389
Bank loans – secured *(note (a))*	–	–	–	4.00	2018	318,602
Bank loans – unsecured	**3.83-5.23, LIBOR+2.60**	**2019**	**606,996**	4.75-4.99, LIBOR+2.60	2018-2019	752,877
			744,845			1,279,868
			3,748,197			3,886,901

	2017	2016
	HK$'000	*HK$'000*
Analysed into:		
Bank loans repayable:		
Within one year or on demand	**2,797,831**	2,411,141
In the second year	**528,625**	683,064
In the third to fifth years, inclusive	**78,371**	388,415
	3,404,827	3,482,620
Other loans and finance leases repayable:		
Within one year or on demand	**205,521**	195,892
In the second year	**109,525**	80,046
In the third to fifth years, inclusive	**28,324**	128,343
	343,370	404,281
	3,748,197	3,886,901

Notes:

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

	2017	2016
	HK$'000	*HK$'000*
Pledged deposits	**–**	242,889

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

The balance as at 31 December 2017 represents a loan borrowed by way of gold lease arrangement from Industrial Bank Co., Ltd, with the principal of RMB96,638,000 (equivalent to HK$116,033,000) and bearing interest at a fixed rate of 4.73% per annum. The loan is repayable on 8 June 2018.

(c) At 31 December 2017, except for bank and other borrowings of HK$728,466,000 (2016: HK$844,536,000) which were denominated in United States dollars, all borrowings were denominated in Renminbi.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

	2017	2016	**Increase/(decrease)**	
	HK$'000	*HK$'000*	*HK$'000*	*%*
Revenue	**5,991,436**	3,248,108	2,743,328	84.5
Gross profit	**559,753**	424,221	135,532	31.9
Gross profit margin	**9.3%**	13.1%	–	(3.8)
Operating profit/(loss)	**137,294**	(131,309)	268,603	204.6
Net gain from change in equity interest in an associate	**9,328**	–	9,328	–
Profit/(loss) before tax	**146,622**	(131,309)	277,931	211.7
Income tax (expense)/credit	**(5,240)**	2,888	(8,128)	(281.4)
Profit/(loss) for the year	**141,382**	(128,421)	269,803	210.1
Profit/(loss) attributable to owners of the parent	**140,851**	(87,913)	228,764	260.2
Profit/(loss) attributable to non-controlling interests	**531**	(40,508)	41,039	101.3
	141,382	(128,421)	269,803	210.1

Overview

In 2017, the global economy gained increasing momentum and showed signs of recovery; the market sentiment strengthened. This is evidenced by the improved GDP growth in the US and the record high of Dow Jones Index in 2017. In China, the economy has been stabilised and profit for industrial enterprises recorded a year-on-year increase in 2017. Despite these positive factors, we are fully aware of the ongoing uncertainties: (1) resurgence of economic protectionism which could dampen global trade; (2) US monetary policy is moving back towards normal; and (3) the possible escalation of geopolitical tensions around the world.

In 2017, the steel sector benefited from increasing demand for industrial products and steel price rebound since 2H 2016, partly due to the implementation of supply side reform and the government-led infrastructure investments. This upstream improvement led to the year-on-year increase in the average selling price and sales volume of our major manganese products, EMM and manganese briquette, by 12.5% and 14.8% respectively, in 2017. At the same time, upon the rebound of the manganese market since the fourth quarter of year 2016, we seized the opportunity to resume the sales and production of our Bembélé Manganese Mine in Gabon from early 2017. As a result, we recorded a substantial increase of gross profit to HK$559.8 million in 2017 (2016: HK$424.2 million). It is expected that the steel demand is steady in 2018 as the Chinese economy matures gradually and begins to shift focus from manufacturing to consumption and services sectors. The steel sector is still facing challenges ahead.

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

In summary, we recorded an operating profit of HK$137.3 million for the year ended 31 December 2017, representing a turnaround from 2016 with loss of HK$131.3 million; and the earnings before interest, taxes, depreciation and amortisation ("**EBITDA**") for the year ended 31 December 2017 increased by 58.4% to HK$700.7 million (2016: HK$442.3 million). The major reasons for the substantial improvement compared with 2016 are as follow:

(1) As a result of increase in both selling price and sales volume of manganese products in 2017, the gross profit contribution of the Group's major products, EMM and manganese briquette, recorded a substantial increase.

(2) Our Bembélé Manganese Mine in Gabon resumed production and sales from early 2017 and the mine provided operating profit contribution in 2017 as opposed to an operating loss in 2016.

(3) The substantial increase in the operating profit contribution from trading business as we have expanded our scale of this business in 2017.

As a result, the consolidated net profit attributable to owners of the parent was HK$140.9 million in 2017 (2016: loss of HK$87.9 million).

Comparison with 2016

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

	Year ended 31 December, 2017				2016			
	Sales Volume	**Average Selling Price**	**Revenue**	**% of Total Revenue**	Sales Volume	Average Selling Price	Revenue	% of Total Revenue
	(tonnes)	***(HK$/ Tonne)***	***(HK$'000)***	***(%)***	*(tonnes)*	*(HK$/ Tonne)*	*(HK$'000)*	*(%)*
Manganese mining and ore processing								
Gabon ore *(note)*	**525,223**	**604**	**317,400**	**5.3**	10,068	578	5,817	0.2
Manganese concentrate	**517,211**	**351**	**181,554**	**3.0**	213,995	301	64,331	2.0
Natural discharging manganese powder and sand	**19,614**	**2,402**	**47,116**	**0.8**	21,384	2,368	50,644	1.6
Sub-Total	**1,062,048**	**514**	**546,070**	**9.1**	245,447	492	120,792	3.8
Manganese downstream processing								
EMM	**141,629**	**12,040**	**1,705,273**	**28.4**	128,109	10,763	1,378,889	42.5
Manganese briquette	**38,911**	**12,622**	**491,151**	**8.2**	29,207	11,055	322,896	9.9
	180,540	**12,166**	**2,196,424**	**36.6**	157,316	10,818	1,701,785	52.4
Silicomanganese alloy	**49,392**	**7,229**	**357,070**	**5.9**	32,508	6,212	201,952	6.2
EMD	**27,490**	**8,458**	**232,503**	**3.9**	26,290	8,220	216,105	6.7
Manganese sulfate	**27,652**	**3,653**	**101,011**	**1.7**	21,163	3,433	72,654	2.2
Lithium manganese oxide	**1,272**	**55,439**	**70,519**	**1.2**	399	55,496	22,143	0.7
Others	**1,957**	**26,231**	**51,335**	**0.9**	13,642	2,264	30,888	0.9
Sub-Total	**288,303**	**10,436**	**3,008,862**	**50.2**	251,318	8,935	2,245,527	69.1
Non-manganese processing								
Lithium cobalt oxide	**306**	**269,595**	**82,496**	**1.4**	612	198,206	121,302	3.7
Sub-Total, before other business	**1,350,657**	**2,693**	**3,637,428**	**60.7**	497,377	5,001	2,487,621	76.6
Other business								
Trading	–	–	**2,354,008**	**39.3**	–	–	760,487	23.4
Total	–	–	**5,991,436**	**100.0**	–	–	3,248,108	100.0

Note: The Group entered into a subcontracting agreement with Guangxi Jinmeng, a shareholder of an associate of the Group, entrusting Guangxi Jinmeng with certain rights to operate the Group's Bembélé Manganese Mine in Gabon under the supervision of the Group and subject to certain conditions for a period of five years commencing from 1 March 2017. During the subcontracting period, the Group continues to control the strategy and significant matters of the mine's operation and the Group will receive a fixed income of RMB26,000,000 (equivalent to HK$29,981,000) per annum plus a variable income upon sale of ore mined by the subcontractor and determined with reference to the ore's selling price. The revenue and cost of sales from the ores of Bembélé Manganese Mine sold by Guangxi Jinmeng were not recognised in the Group's consolidated statement of profit or loss. Instead, the aggregate of fixed income and variable income abovementioned are recognised as subcontracting income under "other income and gains" in the consolidated statement of profit or loss.

Revenue and Segment Results

In 2017, the Group's revenue was HK$5,991.4 million (2016: HK$3,248.1 million), representing an increase of 84.5% as compared with 2016. This substantial increase was mainly due to: (1) the increase in average selling prices and sales volume of our core products, EMM and manganese briquette; (2) substantial increase in the sales volume of Gabon ores upon the recommencement of operation and sales of Bembélé Manganese Mine in Gabon from early 2017; and (3) increase in revenue from our trading business.

Manganese mining and ore processing – Revenue of manganese mining and ore processing segment increased by 352.1% to HK$546.1 million (2016: HK$120.8 million) mainly due to the increase in sales volume of Gabon ores upon the recommencement of operation and sales of Bembélé Manganese Mine in Gabon from early 2017. The results of manganese mining and ore processing segment were profit of HK$85.5 million, representing a turnaround from 2016 with loss of HK$62.8 million.

Manganese downstream processing – Revenue from manganese downstream processing increased by 34.0% from HK$2,245.5 million to HK$3,008.9 million mainly attributable to the increase in average selling price of our major products, EMM and manganese briquette, and a 14.8% increase in combined sales volume of these two products. Combined revenue of EMM and manganese briquette accounted for 36.6% (2016: 52.4%) of our total sales. The results of manganese downstream segment were profit of HK$216.6 million, increased by 8.3% compared with 2016 of HK$200.0 million.

Non-manganese processing – Revenue from non-manganese processing decreased by 32.0% from HK$121.3 million to HK$82.5 million mainly attributable to the decrease in sales volume of lithium cobalt oxide. The results of non-manganese segment were profit of HK$24.0 million increased by 151.3% compared with 2016 of HK$9.5 million.

Others – In 2017, we have expanded our scale in trading business by increasing the volume of manganese ore import from overseas miners to the PRC. In addition, we commenced local trading in the PRC of manganese alloy and certain raw materials in 2017. The results of other business segment were profit of HK$54.6 million, increased by 8.5% compared with 2016 of HK$50.3 million.

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

	Year ended 31 December,							
	2017				2016			
	Cost of Sales	**Unit Cost of Sales**	**Gross Profit/ (Loss)**	**Gross Profit/ (Loss) Margin**	Cost of Sales	Unit Cost of Sales	Gross Profit/ (Loss)	Gross Profit/ (Loss) Margin
	(HK$'000)	***(HK$/ Tonne)***	***(HK$'000)***	***(%)***	*(HK$'000)*	*(HK$/ Tonne)*	*(HK$'000)*	*(%)*
Manganese mining and ore processing								
Gabon ore	**265,227**	**505**	**52,173**	**16.4**	17,383	1,727	(11,566)	(198.8)
Manganese concentrate	**138,991**	**269**	**42,563**	**23.4**	64,855	303	(524)	(0.8)
Natural discharging manganese powder and sand	**14,622**	**745**	**32,494**	**69.0**	14,727	689	35,917	70.9
Sub-Total	**418,840**	**394**	**127,230**	**23.3**	96,965	395	23,827	19.7
Manganese downstream processing								
EMM	**1,479,013**	**10,443**	**226,260**	**13.3**	1,181,215	9,220	197,674	14.3
Manganese briquette	**423,963**	**10,896**	**67,188**	**13.7**	243,467	8,336	79,429	24.6
	1,902,976	**10,540**	**293,448**	**13.3**	1,424,682	9,056	277,103	16.3
Silicomanganese alloy	**342,687**	**6,938**	**14,383**	**4.0**	174,807	5,377	27,145	13.4
EMD	**196,585**	**7,151**	**35,918**	**15.5**	173,958	6,617	42,147	19.5
Manganese sulfate	**70,079**	**2,534**	**30,932**	**30.6**	50,123	2,368	22,531	31.0
Lithium manganese oxide	**60,673**	**47,699**	**9,846**	**14.0**	19,039	47,717	3,104	14.0
Others	**46,792**	**23,910**	**4,543**	**8.8**	31,928	2,340	(1,040)	(3.4)
Sub-Total	**2,619,792**	**9,087**	**389,070**	**12.9**	1,874,537	7,459	370,990	16.5
Non-manganese processing								
Lithium cobalt oxide	**57,151**	**186,768**	**25,345**	**30.7**	107,825	176,185	13,477	11.1
Sub-Total, before other business	**3,095,783**	**2,292**	**541,645**	**14.9**	2,079,327	4,180	408,294	16.4
Other business								
Trading	**2,335,900**	**–**	**18,108**	**0.8**	744,560	–	15,927	2.1
Total	**5,431,683**	**–**	**559,753**	**9.3**	2,823,887	–	424,221	13.1

Cost of Sales

Total cost of sales increased by HK$2,607.8 million or 92.3%, to HK$5,431.7 million in 2017, as compared to HK$2,823.9 million in 2016. The cost increase was primarily due to: (1) the increase in the cost of sales for trading business as a result of increase in scales of operations; and (2) the increase in the unit price and the volume consumed of raw materials and auxiliary materials for our major products, EMM and manganese briquette.

In 2017, the unit cost of manganese mining and ore processing remained stable at HK$394/tonne (2016: HK$395/tonne).

In 2017, unit cost of EMM and manganese briquette increased by 16.4% to HK$10,540/tonne (2016: HK$9,056/tonne). This was mainly attributable to the increase in the unit price of raw materials and auxiliary materials.

Gross Profit

In 2017, the Group recorded a gross profit of HK$559.8 million (2016: HK$424.2 million), which represented an increase of HK$135.6 million from 2016, or 31.9%. Improved overall gross profit was mainly attributable to: (1) the increase in selling price of EMM and manganese briquette; (2) our Bembélé Manganese Mine resumed production and sales from early 2017 which contributed positive profit contribution in 2017 as opposed to a negative margin in 2016; and (3) the Group had ramped up the production and sales volume of manganese concentrate for our mines in the PRC; and together with the increase in the average selling price of manganese concentrate in the year 2017, which contributed positive profit contribution in 2017 as opposed to a negative margin in 2016. Despite the above positive factors in 2017, the Group's overall gross profit margin was 9.3%, representing a decrease of 3.8% from 13.1% of 2016 due to the shift of sales mix to trading business which carries a lower margin than the other business lines.

Other Income and Gains

Other income and gains increased by 3.7% to HK$225.1 million (2016: HK$217.0 million) mainly attributable to subcontracting income from Bembélé Manganese Mine of HK$38.2 million (2016: Nil).

Selling and Distribution Expenses

The Group's selling and distribution expenses in 2017 have increased by 13.8% to HK$98.0 million (2016: HK$86.1 million) which was in line with the increase in sales volume.

Administrative Expenses

Administrative expenses decreased by 16.5% to HK$319.8 million for 2017 (2016: HK$382.9 million) mainly attributable to the resumed production of Bembélé Manganese Mine in Gabon from early 2017 and therefore less production halt related expenses charged to administrative expenses.

Finance Cost

For 2017, our Group's finance cost was HK$220.7 million (2016: HK$235.9 million), representing a decrease of 6.5% which was mainly due to our effort to: (i) lower our cost of financing through negotiations with banks and various financing arrangement; and (ii) contain loan level.

Net Gain from Change in Equity Interest in an Associate

The amount represents the net effect of:

(i) a non-cash loss on deemed disposal of partial interest in an associate, CPM, of HK$70.8 million upon dilution as our equity interest held in CPM from 29.81% to 24.84% after its placing of new shares to independent third parties in May 2017; and

(ii) gain on bargain purchase from acquisition of shares of an associate, CPM, in August and September 2017 amounting to HK$80.1 million. This acquisition increased the equity interest held by the Group in CPM from 24.84% to 29.99%, effectively reinstating our equity interest in CPM to the level similar to just before the dilution set out in (i) above.

Other Expenses

Other expenses decreased by 52.7% to HK$10.0 million (2016: HK$21.0 million) mainly attributable to the decrease in impairment of trade and other receivables.

Share of Profits and Losses of Associates

Share of profits of associates of HK$0.9 million (2016: losses of HK$46.6 million) represents the net effect of:

(i) the share of profit of Dushan Jinmeng, a 33% associate of the Group, of HK$12.5 million (2016: loss of HK$0.6 million); and

(ii) the share of loss of CPM, an associate we held 29.99% as at 31 December 2017, of HK$11.6 million (2016: HK$46.0 million).

The turnround from a loss to a profit of associates was mainly due to:

(i) increase in profit contribution from Dushan Jinmeng as Dushan Jinmeng commenced its import of ore and trading business in 2017 in preparation for alloy production; and

(ii) the decrease of loss incurred by CPM which was mainly due to:

  (a) CPM recorded a gain on bargain purchase from acquisition of a subsidiary in the year 2017. This subsidiary operates a lead-zinc mine in Myanmar; and

  (b) overall gross profit contribution of products improved from last year's gross loss mainly due to: (i) the increase in selling price in lead and zinc concentrates; (ii) ramped up production; and (iii) gross profit contributions from the abovementioned subsidiary CPM acquired in the year 2017.

Dushan Jinmeng is a manganese ferroalloy producer in Guizhou, the PRC. Since 2013, Dushan Jinmeng, engaged in the building of a ferromanganese alloy plant with an annual capacity of 500,000 tonnes and two self-use 150 MW power plants in Dushan County, Guizhou, the PRC. During 2017, Dushan Jinmeng had commenced its trading business and in December 2017, the first two furnaces commenced alloy production. Upon full production around the end of year 2018, Dushan Jinmeng will become one of the largest integrated power to manganese ferroalloy plants in the PRC, and therefore a key manganese ferroalloy supplier to steel plants in the southern market of the PRC.

CPM is one of the largest lead and zinc pure mining companies in Yunnan Province, the PRC, which also owns and operates lead-zinc-silver polymetallic mines in Myanmar. According to the announcement of CPM dated 12 February 2018, its independent auditor emphasised without modifying its audit opinion, that the financial statements of CPM for the year ended 31 December 2017 indicates the existence of a material uncertainty which may cast significant doubt about CPM's ability to continue as a going concern. The directors of the Company have assessed the impact on the impairment of investment in CPM and considered that no impairment provision was needed as at 31 December 2017. Further details of CPM can be found in its latest annual report and results announcement.

Income Tax (Expense)/Credit

In 2017, the effective tax rate is 3.6% (2016: 2.2%). The effective tax rate for 2017 was lower than the statutory tax rate of our major subsidiaries in the PRC, as there were brought forward tax losses not recognised in prior years but available to set off against taxable profits of our PRC operations during the year.

Profit Attributable to Owners of the Parent

For 2017, the Group's profit attributable to owners of the parent was HK$140.9 million (2016: loss of HK$87.9 million).

Earnings per Share

For 2017, earnings per share attributable to ordinary equity holders of the Company was 4.11 HK cents (2016: loss per share 2.56 HK cents).

Dividend

The Board does not recommend the payment of any dividend for the year ended 31 December 2017 (2016: Nil).

Use of Proceeds from IPO

Up to 31 December 2017, we utilised the net proceeds raised from the IPO in accordance with the designated uses set out in the Prospectus as follows:

	Description	**Amount designated in Prospectus** *(HK$ Million)*	**Amount utilised up to 31.12.2017** *(HK$ Million)*	**% utilised**	**Amount utilised up to 31.12.2016** *(HK$ Million)*	**% utilised**
1	Expansion project at Daxin EMD Plant	79	79	100.0%	79	100.0%
2	Expansion project of underground mining and ore processing at Daxin Mine	278	278	100.0%	278	100.0%
3	Expansion and construction projects of our EMM production facilities	516	516	100.0%	516	100.0%
4	Construction project at Chongzuo Base	59	59	100.0%	42	71.2%
5	Development of Bembélé manganese mine and associated facilities	119	119	100.0%	119	100.0%
6	Technological improvement and renovation projects at our production facilities	40	40	100.0%	40	100.0%
7	Acquisition of mines and mining right	397	282	71.0%	282	71.0%
8	Repayment on a portion of our bank borrowings	297	297	100.0%	297	100.0%
9	Working capital and other corporate purposes	198	198	100.0%	198	100.0%
	Total	1,983	1,868	94.2%	1,851	93.3%

Liquidity and Financial Resources

Cash and bank balances

As at 31 December 2017, the currency denomination of the Group's cash and bank balances including pledged deposits are as follows:

Currency Denomination	**2017**	2016
	HK$ million	*HK$ million*
Denominated in:		
RMB	**620.4**	856.5
HKD	**13.2**	24.9
USD	**216.3**	653.4
XAF	**7.4**	0.1
	857.3	1,534.9

As at 31 December 2017, our cash and bank balances including pledged deposits were HK$857.3 million (2016: HK$1,534.9 million) while the Group's borrowings amounted to HK$3,748.2 million (2016: HK$3,886.9 million). The Group's borrowings net of cash and bank balances amounted to HK$2,890.9 million (2016: HK$2,352.0 million). The significant drop in bank balances represents net repayment of certain bank loans denominated in RMB and payments of capital expenditure.

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.

Net current liabilities

Although the Group recorded a net profit of HK$141.4 million in 2017, certain non-current portion of bank and other borrowings become due in the year 2018 and were re-classified as current liabilities. As at 31 December 2017, the Group had net current liabilities of HK$1,393.6 million (2016: HK$923.1 million).

Bank and other Borrowings

As at 31 December 2017, the Group's borrowing structure and maturity profile are as follows:

Borrowing structure	**2017**	2016
	HK$ million	*HK$ million*
Secured borrowings (including finance lease payables)	**227.3**	908.9
Unsecured borrowings	**3,520.9**	2,978.0
	3,748.2	3,886.9

Maturity profile	**2017**	2016
	HK$ million	*HK$ million*
Repayable:		
On demand or within one year	**3,003.4**	2,607.0
After one year and within two years	**638.1**	763.1
After two years and within five years	**106.7**	516.8
	3,748.2	3,886.9

Currency denomination	**2017**	2016
	HK$ million	*HK$ million*
Denominated in:		
RMB	**3,019.7**	3,042.4
USD	**728.5**	844.5
	3,748.2	3,886.9

As at 31 December 2017, borrowings as to the amounts of HK$2,147.6 million (2016: HK$2,241.0 million) and HK$1,600.6 million (2016: HK$1,645.9 million), carry fixed and floating rate interest respectively. The fixed rate borrowings carry interest at rates ranging from 2.83% to 7.51%. The floating rate borrowings carry interest up to a premium of 5% above the Benchmark Borrowing Rates of the People's Bank of China ("**PBOC**"), except the USD loans which carry interest at rates of LIBOR plus a margin of 2.60%.

Overall, aggregate borrowings decreased to HK$3,748.2 million (2016: HK$3,886.9 million). The Group are now exploring various means including short-term or medium- term notes to improve borrowing structure in terms of interest rate level and repayment terms.

Charge on group assets

As at 31 December 2017, (i) property, plant and equipment of HK$143.4 million (2016: HK$177.7 million) were held under finance lease; (ii) none else of the Group's property, plant and equipment (2016: Nil) were pledged to secure the Group's interest-bearing bank borrowings (except for finance lease payables mentioned in (i)); (iii) bank balances of HK$188.2 million (2016: HK$302.5 million) were pledged to secure certain of the Group's bank acceptance notes; and (iv) except for (iii) mentioned above, none else of the Group's bank balances (2016: HK$242.9 million) were pledged to secure the Group's bank borrowings.

Contingent liabilities

(a) As at 31 December 2017, 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 an associate, Guangxi Jinmeng, according to the shareholding percentage on a several basis.

    As at 31 December 2017, the associate's banking facilities guaranteed by the Group and Guangxi Jinmeng amounted to RMB800,000,000 (equivalent to HK$960,560,000) and were utilised to the extent of RMB715,000,000 (equivalent to HK$858,501,000) (2016: RMB715,000,000, equivalent to HK$799,299,000)).

(b) At 31 December 2017, loans amounting to RMB20,000,000 (equivalent to HK$24,014,000) (2016:Nil) provided by Guangxi Dameng to a company in which the Group owns 10% equity interest is guaranteed by the Group in proportion to equity interest held by the Group.

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

Key Financial Ratios of the Group

	2017	2016
Current ratio	**0.71**	0.80
Quick ratio	**0.51**	0.63
Net Gearing ratio	**99.8%**	90.3%

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

At 31 December 2017, current ratio and quick ratio deteriorated because portions of long-term outstanding bank loans and other borrowings would be due in 2018 and became current as at 31 December 2017. Net gearing ratio increased as we have further developed our trading business which was mainly financed by banks' trade loans.

Liquidity risk and going concern basis

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

In view of the Group's net current liabilities of HK$1,393.6 million at 31 December 2017 (2016: HK$923.1 million), the directors of the Company have given consideration to the future liquidity and performance of the Group and its available sources of finance in assessing whether the Group will have sufficient financial resources to continue as a going concern. In order to improve the Group's liquidity and cash flows to sustain the Group as a going concern, the Group implemented or is in the process of implementing the following measures:

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

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

(c) At 31 December 2017, certain PRC banks had confirmed to the Group in writing regarding their agreements to renew their short-term bank loans granted to the Group totalling HK$1,810.2 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 highly probable that the Group can extend adequate amount of short-term bank loans for a further year when fall due to maintain sufficient working capital of the Group.

(d) The Group is actively following up with its debtors on outstanding receivables with an aim of speeding up collection.

The directors of the Company have prepared a cash flow forecast for the Group which covers a period of twelve months from the end of the reporting period. They are of the opinion that, taking into account the abovementioned plans and measures, coupled with the undrawn long-term loan, including but not limited to the finance lease amounting to RMB157.5 million (equivalent to HK$189.1 million) as detailed in our announcement dated 22 December 2017; and improving profitability of the Group, the Group will have sufficient working capital to finance its operations and meet its financial obligations as and when they fall due in the foreseeable future. Accordingly, the directors are of the opinion that it is appropriate to prepare the consolidated financial statements of the Group for the year ended 31 December 2017 on a going concern basis.

Credit risk

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

In 2017, the largest customer of the Group by revenue is Guangxi Jinmeng which is principally engaged in manganese ferroalloy production and manganese ore trading in the PRC and manganese mining in Gabon and the PRC. It maintains close business relationship with major steel plants in the PRC. The Group supplies manganese ores to Guangxi Jinmeng, which is also our subcontractor of Gabon Bembélé Manganese Mine.

In 2017, revenue from sales of manganese ores to Guangxi Jinmeng Group is HK$666.5 million (2016: HK$536.0 million) and revenue from sales of Gabon ores to Guangxi Jinmeng Group is HK$221.1 million (2016: Nil). In 2017, total sales to Guangxi Jinmeng Group amounted to HK$887.6 million (2016: HK$536.0 million), which accounted for 14.8% (2016: 16.5%) of the Group's total sales. As at 31 December 2017, trade receivable from Guangxi Jinmeng Group was HK$209.5 million (2016: HK$318.0 million) and represents 25.0% (2016: 43.0%) of the Group's trade receivables.

Sales to Guangxi Jinmeng Group are on open account with a normal credit period ranging from about 75 days to 100 days from the date of receipt of goods, which can be extended for a further period of 90 days to 180 days subject to the Company's approval. Subsequent to the year end of 2017 and up to the date of this announcement, an aggregate amount of HK$124.1 million has been received and the remaining unsettled balances due from Guangxi Jinmeng Group are within the contract credit period. The directors of the Company consider that the related credit risk is acceptable to the Group.

Interest rate risk

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

Foreign exchange risk

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

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

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

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

Business Model and Strategy

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

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

(2) enhance our operational efficiency and profitability; and

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

Future Development and Outlook

- In December 2017, the first two furnaces of the 33% owned associate, Dushan Jinmeng, commenced alloy production. Upon full production around the end of year 2018, Dushan Jinmeng will become one of the largest integrated power to manganese ferroalloy plant in the PRC, and therefore a key manganese ferroalloy supplier to steel plants in the southern market of the PRC.

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

- In 2017, we recommenced the mining operating of our Bembélé Manganese Mine in Gabon and manganese ores totaling 840,000 tonnes (including the sales under subcontracting arrangement) were loaded on board and departed from Gabon for ports in the PRC and India. In December 2017, the Group had successfully renewed the mining license of Bembélé Manganese Mine in Gabon for another five years commencing from December 2017. It is expected that Bembélé Manganese Mine will increase its contribution to our operating cash flow and profit.

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

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

- In terms of financing, we will continue our efforts to improve our liquidity and capital structure by exploring various alternatives from debt to equity 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.

MINERAL AND MINING REPORT

Resources and Reserves

Below is the information on our mineral resources and ore reserves in accordance with JORC Code as of 31 December 2017:

Summary of our manganese mineral resources

Mines	Ownership Percentage	JORC Resource Category	Million tonnes 31.12.2017	Average Manganese Grade (%) 31.12.2017	Million tonnes 31.12.2016	Average Manganese Grade (%) 31.12.2016
Daxin Mine	100%	Measured	**4.16**	**24.96**	4.58	24.71
		Indicated	**62.31**	**21.39**	63.71	21.31
		Subtotal	**66.47**	**21.62**	68.29	21.54
		Inferred	**0.43**	**21.23**	0.43	21.23
		Total	**66.90**	**21.62**	68.72	21.53
Tiandeng Mine	100%	Measured	**0.56**	**18.26**	0.56	18.26
		Indicated	**2.76**	**16.76**	2.76	16.76
		Subtotal	**3.32**	**17.01**	3.32	17.01
		Inferred	**3.51**	**14.24**	3.51	14.24
		Total	**6.83**	**15.59**	6.83	15.59

Mines	Ownership Percentage	JORC Resource Category	Million tonnes	Average Manganese Grade (%)	Million tonnes	Average Manganese Grade (%)
			31.12.2017		31.12.2016	
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	**2.65**	**20.45**	2.96	20.45
		Indicated	**14.67**	**20.32**	14.67	20.32
		Subtotal	**17.32**	**20.34**	17.63	20.34
		Inferred	**4.22**	**20.50**	4.22	20.50
		Total	**21.54**	**20.37**	21.85	20.37
Bembélé Manganese Mine	51%	Measured	–	–	–	–
		Indicated	**14.99**	**31.99**	15.97	31.99
		Subtotal	**14.99**	**31.99**	15.97	31.99
		Inferred	**12.37**	**32.74**	12.37	32.74
		Total	**27.36**	**32.32**	28.34	32.32
Total			**124.17**		127.28	

Summary of our manganese ore reserves

Mines	Ownership Percentage	JORC Resource Category	Million tonnes	Average Manganese Grade (%)	Million tonnes	Average Manganese Grade (%)
			31.12.2017		31.12.2016	
Daxin Mine	100%	Proved	**3.94**	**20.71**	4.36	20.86
		Probable	**59.78**	**18.89**	61.18	18.85
		Total	**63.72**	**19.00**	65.54	18.99
Tiandeng Mine	100%	Proved	**0.52**	**15.74**	0.52	15.74
		Probable	**2.64**	**15.61**	2.64	15.61
		Total	**3.16**	**15.64**	3.16	15.64
Waifu Manganese Mine	100%	Proved	**–**	**–**	–	–
		Probable	**–**	**–**	–	–
		Total	**–**	**–**	–	–
Changgou Manganese Mine	64%	Proved	**2.65**	**20.45**	2.96	20.45
		Probable	**14.67**	**20.32**	14.67	20.32
		Total	**17.32**	**20.34**	17.63	20.34
Bembélé Manganese Mine	51%	Proved	**–**	**–**	–	–
		Probable	**14.98**	**31.36**	15.96	31.36
		Total	**14.98**	**31.36**	15.96	31.36
Total			**99.18**		102.29	

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

Assumptions:

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

(1) (a) The manganese resources and manganese ore reserves for Daxin Mine, Tiandeng Mine and Bembélé Manganese Mine are based on the estimate as per the independent technical review report as shown in the Prospectus. The decreases of the manganese resources and manganese ore reserves in the aforesaid mines during the year were largely due to mining depletion. The year end amounts have been confirmed by our internal experts.

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

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

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

Exploration, Development, and Mining Activities

I) Exploration

Overview

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

Daxin Mine

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

Tiandeng Mine

During the year, we continued the preparation of the detailed exploration report in respect of the exploration area located at 440 meters depth below the mining block of Tiandeng Mine.

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

Waifu Manganese Mine

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

Changgou Manganese Mine

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

Bembélé Manganese Mine

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

II) Development

Daxin Mine

During the year, our outsourced contractor, 廣西錫山礦業有限公司 (Guangxi Xishan Mining Limited Company) continued the phase B 600,000 tonnes/year expansion project for the underground mining at Daxin Mine. As at 31 December 2017, the tunnel construction works in phase B amounted to 45,352 metres (2016: 45,166 metres) in length and the construction works in phase B amounted to 388,718 m^3 (2016:385,449 m^3).

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

Tiandeng Mine

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

Waifu Manganese Mine

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

Changgou Manganese Mine

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

Bembélé Manganese Mine

During the year, we have successfully renewed the mining licence for conducting mining activities at Bembélé Manganese Mine for another 5 years up to 4 December 2022.

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

III) Mining activities

(1) Mining operations

Daxin Mine

	2017	2016
Open pit mining		
Mining production volume (thousand tonnes)	**779**	846
Underground mining		
Mining production volume (thousand tonnes)	**1,021**	659
Total mining production (thousand tonnes)	**1,800**	1,505
Average manganese grade		
Manganese carbonate ore	**14.9%**	15.3%
Manganese oxide ore	**27.7%**	28.1%

Tiandeng Mine

	2017	2016
Open pit mining		
Mining production volume (thousand tonnes)	**131**	366
Average manganese grade		
Manganese carbonate ore	**11.3%**	11.7%
Manganese oxide ore	**–**	15.9%

Waifu Manganese Mine

During the year, there were no mining production.

Changgou Manganese Mine

	2017	2016
Underground mining		
Mining production volume (thousand tonnes)	**213**	95
Average manganese carbonate grade	**16.7%**	17.3%

Bembélé Manganese Mine

	2017	2016
Open pit mining		
Mining production volume (thousand tonnes)	**982**	–
Average manganese oxide grade	**28.7%**	N/A

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

(2) Ore processing operations

- Concentrating

Production volume (thousand tonnes)	**2017**	2016
Daxin Concentration Plant		
Manganese carbonate concentrate	**938**	1,002
Manganese oxide concentrate	**131**	125
Total	**1,069**	1,127
Average manganese grade of concentrate		
Manganese carbonate concentrate	**17.7%**	18.5%
Manganese oxide concentrate	**28.3%**	28.9%
Tiandeng Concentration Plant		
Manganese carbonate concentrate	**320**	–
Average manganese grade of concentrate	**11.4%**	N/A
Bembélé Concentration Plant		
Manganese oxide concentrate	**616**	–
Average manganese grade of concentrate	**36.5%**	N/A

- Grinding

Production volume (thousand tonnes)	**2017**	2016
Daxin Grinding Plant		
Powder produced	**1,045**	1,013

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

IV) Downstream processing operations

(1) Manganese downstream processing operations

- EMM

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

Production (thousand tonnes)	**2017**	2016
Daxin EMM Plant	**113.6**	114.0
DXML EMM Plant	**25.3**	20.7
Tiandeng EMM Plant	**25.1**	24.9
Guangxi Start EMM Plant	**20.0**	18.6
Total	**184.0**	178.2

- Manganese briquette

Production (thousand tonnes)	**2017**	2016
Chongzuo Branch	**40.4**	29.4

- Manganese sulfate

Production (thousand tonnes)	**2017**	2016
Daxin Sulfate Plant	**24.0**	21.3

- EMD

Production (thousand tonnes)	2017	2016
Daxin EMD Plant	**29.6**	27.8

- Silicomanganese alloy

Production (thousand tonnes)	2017	2016
Qinzhou Ferroalloy plant	**51.6**	31.1

- Lithium manganese oxide

Production (thousand tonnes)	2017	2016
Chongzuo Branch	**1.30**	0.49

(2) Non-manganese processing operations

- Lithium cobalt oxide

Production (thousand tonnes)	2017	2016
Chongzuo Branch	**0.21**	0.71

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

V) Exploration, Development and Mining Cost of the Group

Expenses of exploration, development and mining activities of the Group for the year ended 31 December 2017 are set out below:

(HK$'000)

	Daxin Mine	Tiandeng Mine	Waifu Manganese Mine	Changgou Manganese Mine	Bembélé Manganese Mine	Total
Exploration activities						
Drilling and analysis	–	–	–	–	–	–
Transportation	–	–	–	–	–	–
Others	–	–	–	–	–	–
	–	–	–	–	–	–
Development activities (including mine construction)						
Purchases of assets and equipment	–	19,125	–	–	–	19,125
Construction of mines, tunnels and roads	–	–	–	–	–	–
Staff cost	–	–	–	–	–	–
Others	5	–	–	–	–	5
	5	19,125	–	–	–	19,130
Mining activities*						
Staff cost	2,926	4,775	–	7,866	–	15,567
Consumables	201	6,190	–	5,463	–	11,854
Fuel, electricity, water and other services	9,329	3,894	–	4,909	–	18,132
Transportation	5,407	2	–	–	630	6,039
Sub-contracting fee	269,963	–	–	36,220	–	306,183
Depreciation	15,962	1,797	–	3,080	590	21,429
Others	–	3,592	–	10,067	–	13,659
	303,788	20,250	–	67,605	1,220	392,863

(* Concentrating not included)

Expenses of exploration, development, and mining activities of the Group for the year ended 31 December 2016 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	–	216	–	–	–	216
Transportation	–	–	–	–	–	–
Others	–	–	–	–	–	–
	–	216	–	–	–	216
Development activities (including mine construction)						
Purchases of assets and equipment	–	1,092	–	–	–	1,092
Construction of mines, tunnels and roads	–	–	–	–	–	–
Staff cost	–	–	–	–	–	–
Others	10	–	–	–	–	10
	10	1,092	–	–	–	1,102
Mining activities*						
Staff cost	2,283	4,796	–	5,077	–	12,156
Consumables	878	7,971	–	4,433	–	13,282
Fuel, electricity, water and other services	10,834	3,337	–	3,996	–	18,167
Transportation	1,517	4	–	–	–	1,521
Sub-contracting fee	176,395	–	–	–	–	176,395
Depreciation	10,918	1,874	–	2,889	–	15,681
Others	–	6,144	–	30,504	–	36,648
	202,825	24,126	–	46,899	–	273,850

(* Concentrating not included)

OTHER INFORMATION

Annual General Meeting

The annual general meeting of the Company is tentatively scheduled to be held on Friday, 25 May 2018. Notice of the annual general meeting will be published and issued to shareholders in due course.

Book Closure

The transfer books and register of members of the Company will be closed from Monday, 21 May 2018 to Friday, 25 May 2018, both days inclusive, during which period no transfer of shares will be effected. In order to qualify for attending the annual general meeting, all transfers accompanied by the relevant share certificates must be lodged with the Company's share registrars and transfer office, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not later than 4:30 p.m. on Friday, 18 May 2018.

Purchase, Redemption or Sale of Listed Securities of the Company

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

Audit Committee

In compliance with the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**"), the Company has an audit committee comprising three Independent Non-executive Directors. The Audit Committee has reviewed the accounting policies adopted by the Group and discussed auditing, risk management, internal controls and financial reporting matters including a review of the consolidated results of the Group for the year ended 31 December 2017.

Financial Information

The financial information set out in this announcement does not constitute the Group's audited accounts for the year ended 31 December 2017, but represents an extract from those accounts. The financial information has been reviewed by the Audit Committee, approved by the Board and agreed by the Group's external auditors, Ernst & Young.

Corporate Governance

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

The Board is of the view that the Company has, for the year ended 31 December 2017, save for the deviation from the code provision A.2.1 applied the principles and complied with the applicable code provisions, and also complied with certain recommended best practices, of the Code on Corporate Governance Practices (the "**CG Code**") as set out in Appendix 14 to the Listing Rules.

Code Provision A.2.1

Chairman and Chief Executive Officer

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

Model Code for Securities Transactions by Directors

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

All Directors confirmed, following specific enquiry by the Company, that they have complied with the required standards set out in the Securities Dealings Code throughout the year.

Publication of Final Results and Annual Report on the Stock Exchange

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

Our Appreciation

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

PAST PERFORMANCE AND FORWARD LOOKING STATEMENTS

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

GLOSSARY OF TERMS

"Bembélé Concentration Plant"	the concentration plant associated with Bembélé Manganese Mine
"Bembélé Manganese Mine"	a manganese mine located in Bembélé, Moyen-Ogooue Province, Gabon, the exploration rights and mining rights of which are owned by La Compagnie Industrielle et Commerciale des Mines de Huazhou (Gabon) (華州礦業(加蓬)工貿有限公司), a company in which we indirectly hold 51% equity interest
"Board or Board of Directors"	our board of directors

"Changgou Manganese Mine"	貴州遵義匯興鐵合金有限責任公司長溝錳礦 (Guizhou Zunyi Hui Xing Ferroalloy Limited Company Changgou Manganese Mine)
"China or PRC"	the People's Republic of China, but for the purpose of this announcement, excluding the Hong Kong Special Administrative Region, Macau Special Administrative Region and Taiwan
"Chongzuo Branch"	中信大錳礦業有限責任公司崇左分公司 (CITIC Dameng Mining Industries Co., Limited Chongzuo Branch)
"CITIC Dameng Mining or CDM"	中信大錳礦業有限責任公司 (CITIC Dameng Mining Industries Co., Limited)
"Companies Ordinance"	the Companies Ordinance of Hong Kong (Chapter 32 of the Laws of Hong Kong) as amended, supplemented or otherwise modified from time to time
"Company or our Company"	CITIC Dameng Holdings Limited
"CPM"	China Polymetallic Mining Limited, a company incorporated in Cayman Islands with limited liability on 30 November 2009 and listed on the Stock Exchange (Stock Code: 2133)
"Daxin Mine"	中信大錳礦業有限責任公司大新錳礦 (CITIC Dameng Mining Industries Co., Limited Daxin Manganese Mine)
"Director(s)"	the director(s) of our Company
"Dushan Jinmeng"	獨山金孟錳業有限公司 (Dushan Jinmeng Manganese Limited Company)
"DXML"	中信大錳大新錳業有限公司 (CITIC Dameng Daxin Manganese Limited Company), formerly known as 廣西三錳龍礦業有限公司 (Guangxi Sanmenglong Mining Limited Company)

"EMD"	electrolytic manganese dioxide
"EMM"	electrolytic manganese metal
"Gabon"	the Gabonese Republic
"Group, we or us"	the Company and its subsidiaries
"Guangxi"	Guangxi Zhuang Autonomous Region, the PRC
"Guangxi Jinmeng"	廣西金孟錳業有限公司 (Guangxi Jinmeng Manganese Limited Company), a company established under the laws of the PRC, which holds approximately 67.0% equity interest in Dushan Jinmeng
"Guangxi Jinmeng Group"	Guangxi Jinmeng together with its subsidiaries (including Dushan Jinmeng)
"Guangxi Start"	廣西斯達特錳材料有限公司 (Guangxi Start Manganese Materials Co., Ltd.)
"Hong Kong or HK"	the Hong Kong Special Administrative Region of the PRC
"IPO"	the initial public offering and listing of Shares of the Company on the main board of the Stock Exchange on 18 November 2010
"JORC"	the Joint Ore Reserves Committee of the Australian Institute of Mining and Metallurgy
"JORC Code"	the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves 2012 edition, which is used to determine resources and reserves, and is published by JORC of the Australasian Institute of Mining and Metallurgy, the Australian Institute of Geoscientists and the Minerals Council of Australia
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange (as amended from time to time)

"Prospectus"	the prospectus of the Company dated 8 November 2010
"Qinzhou Ferroalloy Plant"	the ferroalloy production plant located near Qinzhou Harbour and owned and operated by 中信大錳(欽州)新材料有限公司 (CITIC Dameng (Qinzhou) New Materials Co., Ltd.), a company in which we indirectly hold 70% equity interest
"Shares"	ordinary shares in the share capital of the Company, with a nominal value of HK$0.10 each
"Stock Exchange"	the Stock Exchange of Hong Kong Limited
"Tiandeng Mine"	中信大錳礦業有限責任公司天等錳礦 (CITIC Dameng Mining Industries Co., Limited Tiandeng Manganese Mine)
"tonne"	metric tonne
"Waifu Manganese Mine"	中信大錳大新錳業有限公司靖西縣湖潤外伏錳礦 (CITIC Dameng Daxin Manganese Limited Company Jingxi Hu Run Waifu Manganese Mine)
"XAF"	Central African CFA franc

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

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

Hong Kong, 27 February 2018

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

** For identification purpose only*