CITIC Dameng Holdings Limited
中信大錳控股有限公司*
(incorporated in Bermuda with limited liability)
Stock Code: 1091

Annual Report 2010

One-Stop and Vertically Integrated Manganese Producer

*For identification purpose only

Contents

Corporate Information

Board Of Directors

Executive Directors

Mr. Qiu Yiyong (Chairman)
Mr. Li Weijian (Vice Chairman)
Mr. Tian Yuchuan (Chief Executive Officer)

Non-executive Directors

Mr. Mi Zengxin
Mr. Yin Ke
Mr. Chen Jiqiu

Independent Non-executive Directors

Mr. Yang Zhi Jie
Mr. Mo Shijian
Mr. Tan Zhuzhong

Audit Committee

Mr. Yang Zhi Jie (Chairman)
Mr. Mo Shijian
Mr. Tan Zhuzhong

Remuneration Committee

Mr. Qiu Yiyong (Chairman)
Mr. Li Weijian
Mr. Yang Zhi Jie
Mr. Mo Shijian
Mr. Tan Zhuzhong

Nomination Committee

Mr. Qiu Yiyong (Chairman)
Mr. Li Weijian
Mr. Yang Zhi Jie
Mr. Mo Shijian
Mr. Tan Zhuzhong

Company Secretary

Mr. Lau Wai Yip

Registered Office

Clarendon House, 2 Church Street
Hamilton HM 11, Bermuda

Headquarters In Hong Kong

Suites 3501-02, Bank of America Tower
No.12 Harcourt Road, Central, Hong Kong

Telephone : (852) 2179 1388
Facsimile : (852) 2537 0168
E-mail : ir@citicdameng.com.hk

Principal Place Of Business In The PRC

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

Bermuda Principal Share Registrar And Transfer Office

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

Hong Kong Branch Share Registrar And Transfer Office

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

Auditors

Ernst & Young
Certified Public Accountants
18th Floor, Two International Finance Centre,
8 Finance Street, Central, Hong Kong

Compliance Advisor

Guotai Junan Capital Limited

Authorized Representatives

Mr. Qiu Yiyong
Mr. Tian Yuchuan

Principal Bankers

The Hongkong and Shanghai Banking Corporation Limited
Standard Chartered Bank (Hong Kong) Limited
China CITIC Bank

Stock Code

1091 (Mainboard of the Hong Kong Stock Exchange)

Company Website

www.dameng.citic.com

Four Year Financial Summary

Results

	Year ended 31 December			
	2010 **HK$'000**	**2009** **HK$'000**	**2008** **HK$'000**	**2007** **HK$'000**
Revenue	**2,579,673**	2,086,364	2,862,864	1,684,457
Profit before tax	**262,789**	75,325	431,092	416,066
Income tax	**(14,339)**	(11,613)	(31,302)	(22,143)
Profit for the year	**248,450**	63,712	399,790	393,923
Attributable to:				
Owners of the parent	**229,132**	48,611	239,227	219,796
Non-controlling interests	**19,318**	15,101	160,563	174,127
	248,450	63,712	399,790	393,923

Assets, Liabilities, Non-controlling interests and Equity attributable to owners of the parent

	31 December			
	2010 **HK$'000**	**2009** **HK$'000** **(Restated)**	**2008** **HK$'000**	**2007** **HK$'000**
Non-current assets	**2,887,155**	2,232,162	1,783,797	927,983
Current assets	**3,948,524**	1,535,187	1,863,081	864,429
Total assets	**6,835,679**	3,767,349	3,646,878	1,792,412
Current liabilities	**1,863,167**	1,754,177	2,076,209	983,686
Non-current liabilities	**1,570,513**	870,736	415,468	148,996
Total liabilities	**3,433,680**	2,624,913	2,491,677	1,132,682
Net Assets	**3,401,999**	1,142,436	1,155,201	659,730
Equity attributable to owners of the parent	**3,331,955**	555,573	558,401	269,871
Non-controlling interests	**70,044**	586,863	596,800	389,859
	3,401,999	1,142,436	1,155,201	659,730

A summary of the results and of the assets, liabilities, non-controlling interests and equity attributable to owners of the parent of the Group for the past four financial years, as extracted from the published audited financial statements, is set out as above. Upon the adoption of HK Interpretation 5, the Group has retrospectively restated comparative amounts, as detailed in note 2.2 to the financial statements.

Chairman's Statement

Dear Shareholders,

I am pleased to present to the shareholders the first report of the annual results of CITIC Dameng Holdings Limited ("CITIC Dameng" or the "Company") after its listing on the Main Board of the Stock Exchange of Hong Kong Limited (the "Stock Exchange").

CITIC Dameng was successfully listed on the Stock Exchange on 18 November 2010, with the strong support of Hong Kong and overseas investors. The offering was well-received in the global capital market, showing the leading position of CITIC Dameng in the PRC manganese industry and its enterprise value are recognized by the market, and that the competitive edge of the brand of CITIC Dameng has drawn wide attention. All employees, the management, and board of directors of the Company have been greatly encouraged, and we would like to express our sincere gratitude to shareholders and the public for their support and appreciation.

During the year of 2010, global economy was full of uncertainties. Despite the fact that the prices of manganese products continued to hover at a low level in the first three quarters and rebounded only in the fourth quarter, the board of directors, the management, and all employees of CITIC Dameng worked together to overcome every challenge and achieve our targets, fulfilling the commitment of the Company to its shareholders. Profit for the year in 2010 amounted to HK$248.5 million, representing an increase of 290.0% over last year. Total profit attributable to owners of the parent reached HK$229.1 million, and earnings per share amounted to HK$0.13.

Review of 2010

Our principal business demonstrated steady growth in 2010. Taking advantage of the gradual recovery of the global economy and industry consolidation encouraged by the national and local governments, we leveraged our economies of scale and vertically integrated business model to expand our production capacity, resulting in further expansion of our production capacity, continuous increase in profits and enhance our resistance capability to the market risk. Our major products continue to maintain the leading position both in the domestic and overseas markets.

Mining operations

During 2010, we strengthened our production management, optimized our mining plan, rationalised the operation procedures of concentration plants, resulting in an increase of our mining capacity. The mining capacity of Daxin Branch reached the highest historical record. We have also fully completed the land acquisition for the new mining block of Tiandeng Branch. The ore production of the Company will increase significantly after the new mining block commences operation.

Manganese mine in Gabon

During the first visit of the President of Gabon to the PRC in May 2010, he had shown keen interest in the progress of the Bembélé Manganese Mine project in Gabon. With the support of the Gabon government, we entered into a mining convention with the relevant government authorities of Gabon. As of today, the major construction work has been completed. We have commenced operation of the mine and the concentrating plant. Highways and railways have been opened for transportation. We have been delivering ores to the Port of Libreville since mid-March 2011. It is expected that we will start the first shipment of the ore to the PRC in mid-April.

Ore processing operations

We aim at expanding the production capacity of EMM and strengthening the cost control. During the year, the sale of EMM reached 94,608 tonnes, representing an increase of 34% over last year. During the year, the production volume and market share of our EMM continued to rank the top position in the PRC.

Financial position

We have strong asset position and are in solid financial condition. As at 31 December 2010, our bank balances and cash amounted to HK$2,581 million, and the ratio of short-term borrowings to long-term borrowings was approximately 4:6. Internal cash resources are sufficient for our medium-term investment plan.

Report of the Directors
Corporate Governance Report
Directors and Senior Management Profiles
Management Discussion and Analysis
Chairman's Statement
Four Year Financial Summary
Corporate Information

Development of new products

CITIC Dameng (Chongzuo) New Materials Company Limited at Chongzuo, Guangxi commenced operation. At present, technology research and design of production procedures in respect of high-purity manganese sulphate for lithium manganese oxide have been completed, making large-scale production possible. In 2011, we will launch a pilot production line with an annual production capacity of 500 tonnes of EMD which is suitable to produce lithium manganese oxide. We have completed the preliminary pilot-scale research and experiment of the high grade lithium manganese oxide suitable for powering the electric cars. Our contribution and performance regarding high and new technology have been recognized by the relevant government authorities with certification of high and new technology enterprise issued by Guangxi Zhuang autonomous region government which enable us to enjoy the tax concessions given to high and new technology enterprises.

Future strategy and outlook

In 2011, we will further strengthen our management and improve the technology and equipment of the existing mines and concentration plants. We will strive to reduce cost and increase production volume. We will also improve the auxiliary facilities of Gabon mine, increase the transportation capacity of the railway, and reach the target production capacity as soon as possible. We will also make good use of our strengths in terms of scientific research and technology to speed up the development and application of our products and create new income streams. We will explore opportunities to acquire manganese resources and auxiliary production facilities with a view to expand our reserves and production capacity, to further increase our market share and strengthen our leading position in the industry.

The year 2011 is the first year of the 12th Five-Year Plan (2011-2015) of the PRC government. Chinese economy will grow rapidly and large-scale development of residential housing will be carried out across the nation, boosting the demand for manganese products. With the gradual recovery of the global economy, rising demand for manganese products is expected, but the global supply of manganese ore grows slowly due to a number of restrictions. As a result, the market has presented CITIC Dameng with excellent growth opportunities.

It is the management's view that we will achieve significant improvement in terms of the production volume, product quality, profitability and manganese ore reserve in 2011 and create even better returns and values to our shareholders. However, Japan has suffered from unprecedented earthquake, tsunami and nuclear pollution, such damages to our sector of business is yet to be assessed. The development of world economy still has uncertainties and these are the challenges that we have to encounter.

Corporate management and governance

To strengthen our corporate governance and improve our management, the board of directors of the Company has set up the Nomination Committee, the Remuneration Committee, and the Audit Committee, and will set up the Investment Committee to continue strengthening its management and optimizing its internal control system.

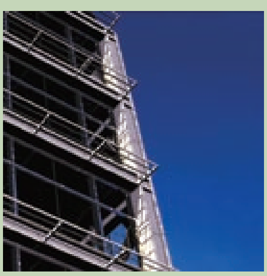
The outstanding performance of CITIC Dameng during the year is attributable to the unity and perseverance of the management and all of our employees who have worked in concert to achieve our targets. Our employees have always been the most valuable assets of the Company. For further expansion, CITIC Dameng will continue to recruit high-caliber talents who will bring new perspectives and vitality.

Qiu Yiyong
Chairman

18 March 2011

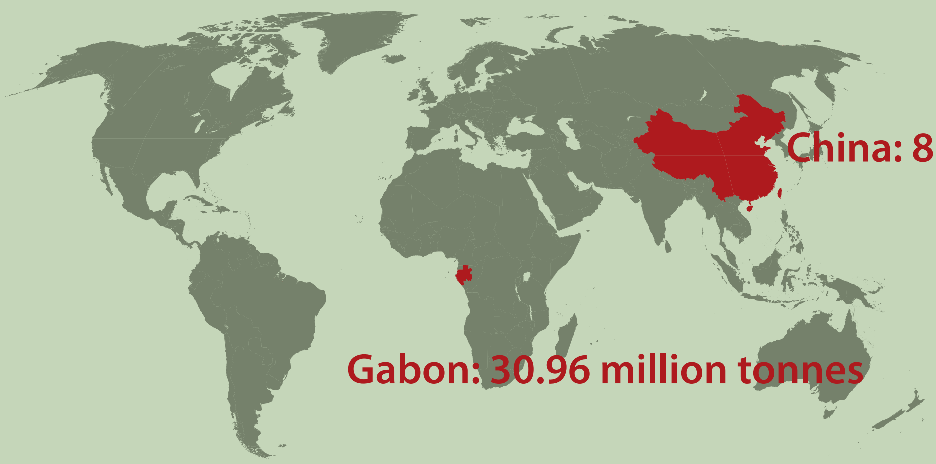
Introduction to Manganese

Manganese is an essential ingredient in the manufacturing of steel. Manganese removes impurities such as sulfur and oxygen in the steel manufacturing process and optimizes the physical properties of steel by improving its strength, hardness and abrasion resistance. Manganese also improves rolling and forging qualities and the weldability of steel. As there are no ready-made alternatives to manganese, its use in the steel industry is expected to continue.

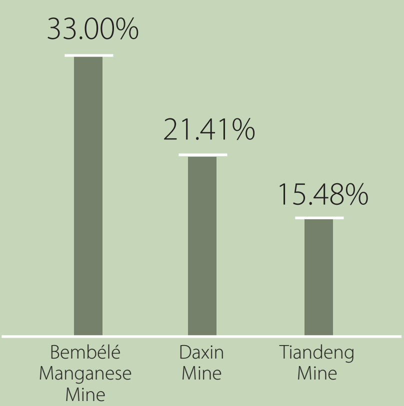


Manganese is a hard and brittle gray-white metal and is one of the most widely used and versatile chemical elements in the world. Manganese ore is the fourth most consumed element in the world, after iron, aluminum and copper.

Overview of our manganese mineral resources



Our average manganese grade



Largest Manganese Producer in PRC

2010 Sales Volume

EMM (Tonnes)

94,608

Manganese Sulfate (Tonnes)

20,920

EMD (Tonnes)

9,547

Silicomanganese Alloy (Tonnes)

39,088

High Carbon Ferrochromium (Tonnes)

23,523

Report of the Directors
Corporate Governance Report
Directors and Senior Management Profiles
Management Discussion and Analysis
Chairman's Statement
Four Year Financial Summary
Corporate Information

Management Discussion and Analysis

Financial Review

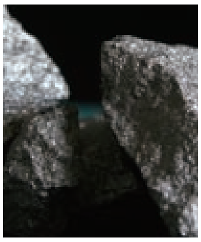
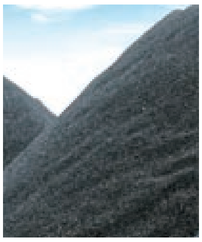
Comparison with Prospectus

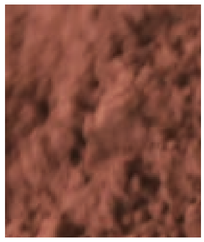
In the Prospectus, we forecasted our consolidated net profit attributable to the owners of the parent for the year 2010 to be not less than HK$200 million. The consolidated net profit attributable to the shareholders of the Company in the year is HK$229.1 million, which exceeds the forecast by HK$29.1 million or 14.6% mainly due to the better than forecasted performance of the EMM segment both in terms of price and quantity and the after tax gain on revaluation of investment property.

Comparison with the year 2009

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

	Year ended 31 December							
	2010				2009			
	Sales Volume (tonnes)	**Average Selling Price (HK$/Tonne)**	**Revenue (HK$'000)**	**% of Total Revenue (%)**	Sales Volume (tonnes)	Average Selling Price (HK$/Tonne)	Revenue (HK$'000)	% of Total Revenue (%)
Manganese mining and ore processing								
Manganese concentrate	**156,382**	**589**	**92,063**	**3.6**	153,151	675	103,391	5.0
Natural discharging manganese	**93,933**	**2,072**	**194,645**	**7.6**	33,723	3,529	119,021	5.6
Sub-Total	**250,315**	**1,145**	**286,708**	**11.2**	186,874	1,190	222,412	10.6
Manganese downstream processing								
EMM	**94,608**	**15,786**	**1,493,520**	**57.9**	70,575	12,968	915,236	43.9
Manganese sulfate	**20,920**	**3,490**	**73,019**	**2.8**	18,390	3,583	65,887	3.2
Silicomanganese alloy	**39,088**	**7,344**	**287,060**	**11.1**	60,672	6,608	400,950	19.2
EMD	**9,547**	**9,314**	**88,921**	**3.5**	8,687	8,408	73,043	3.5
Other alloys	**1,134**	**7,712**	**8,745**	**0.3**	770	6,908	5,320	0.2
Sub-Total	**165,297**	**11,805**	**1,951,265**	**75.6**	159,094	9,180	1,460,436	70.0
Non-manganese ferroalloy processing								
High carbon ferrochromium	**23,523**	**9,872**	**232,228**	**9.0**	41,674	7,638	318,295	15.3
Other business								
Trading	**15,454**	**7,084**	**109,472**	**4.2**	20,745	4,108	85,221	4.1
Total	**454,589**	**5,675**	**2,579,673**	**100.0**	408,387	5,109	2,086,364	100.0

Average EMM price rose to HK$15,786/tonne (2009: HK$12,968/tonne), representing an increase of 21.7% for the year.

Revenue

For year 2010, the Group's revenue was HK$2,580 million (2009: HK$2,086 million), representing an increase of 23.6% as compared to last year. With the domestic and international steel manufacturing industry on track for recovery, market demand boosted and the prices of many of our downstream products increased significantly, although the speed and extent of increase varied amongst the products.

Manganese mining and ore processing – Performance in manganese mining and ore processing segment remained steady in year 2010 compared with last year. Our revenue derived from this segment reached HK$286.7 million (2009: HK$222.4 million) as sales volume increased by 33.9% to 250,315 tonnes (2009: 186,874 tonnes). Nevertheless, the average selling price decreased by 3.8% to HK$1,145 (2009: HK$1,190). This was mainly due to the change of product mix between manganese concentrate (consisting of manganese concentrate lump and powder) and natural discharging manganese (consisting of powder and sand). The decrease in average selling price primarily reflected a shift in mix to concentrate powder and natural discharging manganese sand in year 2010, which generally are of lower average selling prices.

Manganese downstream processing – Due to the strong demand in steel market, EMM now accounted for 57.9% (2009: 43.9%) of our total sales. Average EMM price rose to HK$15,786/tonne (2009: HK$12,968/tonne), representing an increase of 21.7% for the year. Meanwhile, the sales volumes of EMM also increased by 34.1% to 94,608 tonnes (2009: 70,575 tonnes) in year 2010 compared to year 2009 and were primarily attributable to: (i) full year production of EMM at Tiandong EMM Plant that commenced operation in August 2009, (ii) higher production volume at Daxin EMM Plant and Start EMM Plant in response to stronger demand.

Management Discussion and Analysis

Sales volume and average selling prices of EMD reached 9,547 tonnes (2009: 8,687 tonnes) and HK$9,314/tonne (2009: HK$8,408/tonne) and increased by 9.9% and 10.8% respectively as our Daxin EMD Plant increased production volumes in 2010 to cope with the gradual rebound of battery market's demand.

Sales volume and average selling prices of EMD reached 9,547 tonnes (2009: 8,687 tonnes) and HK$9,314/tonne (2009: HK$8,408/tonne) and increased by 9.9% and 10.8% respectively as our Daxin EMD Plant increased production volumes in 2010 to cope with the gradual rebound of battery market's demand.

Although the average selling price of silicomanganese alloy increased by 11.1% to HK$7,344/tonne (2009: HK$6,608/tonne), which was in line with other commodity price increase, our sales volume for silicomanganese alloy dropped by 35.6% to 39,088 tonnes (2009: 60,672 tonnes) because (i) the market demand for silicomanganese alloy was volatile and we preferred to maximize the average selling price by adjusting the sales volume and (ii) shift of production to the higher margin EMM when electricity supply was tight in fourth quarter of 2010.

Non-manganese ferroalloy processing – For high carbon ferrochromium, the sales volume decreased by 43.6% to 23,523 tonnes (2009: 41,674 tonnes) for year 2010 compared with year 2009 despite the average selling prices increased by 29.2% to HK$9,872/tonne (2009: HK$7,638/tonne) following the general rise in commodity prices. The reasons for drop in volume are similar to that of silicomanganese alloy.

Management Discussion and Analysis

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

	Year ended 31 December							
	2010				2009			
	Cost of Sales (HK$'000)	Unit Cost of Sales (HK$/ Tonne)	Gross Profit/ (Loss) (HK$'000)	Gross Profit/ (Loss) Margin (%)	Cost of Sales (HK$'000)	Unit Cost of Sales (HK$/ Tonne)	Gross Profit/ (Loss) (HK$'000)	Gross Profit/ (Loss) Margin (%)
Manganese mining and ore processing								
Manganese concentrate	**23,713**	**152**	**68,350**	**74.2**	21,317	139	82,074	79.4
Natural discharging manganese	**65,446**	**697**	**129,199**	**66.4**	26,876	797	92,145	77.4
Sub-Total	**89,159**	**356**	**197,549**	**68.9**	48,193	258	174,219	78.3
Manganese downstream processing								
EMM	**1,143,543**	**12,087**	**349,977**	**23.4**	708,037	10,032	207,199	22.6
Manganese sulfate	**61,975**	**2,962**	**11,044**	**15.1**	51,181	2,783	14,706	22.3
Silicomanganese alloy	**263,160**	**6,733**	**23,900**	**8.3**	359,862	5,931	41,088	10.2
EMD	**74,045**	**7,756**	**14,876**	**16.7**	73,368	8,446	(325)	(0.4)
Other alloys	**12,240**	**10,794**	**(3,495)**	**(40.0)**	8,648	11,231	(3,329)	(62.6)
Sub-Total	**1,554,963**	**9,407**	**396,302**	**20.3**	1,201,096	7,550	259,339	17.8
Non-manganese ferroalloy processing								
High carbon ferrochromium	**228,686**	**9,722**	**3,542**	**1.5**	309,341	7,423	8,954	2.8
Other business								
Trading	**98,380**	**6,366**	**11,092**	**10.1**	62,786	3,027	22,436	26.3
Inventory provision	**(1,010)**		**1,010**		35,225		(35,225)	
Total	**1,970,178**		**609,495**	**23.6**	1,656,641		429,723	20.6

Cost of Sales

Cost of sales increased by HK$313 million or 18.9%, to HK$1,970 million in year 2010, as compared to HK$1,657 million in year 2009. The increase was primarily due to the increases in the cost of direct materials, labour costs, electricity and fuel consumed in our operations. This cost increase is primarily attributed to the overall increase in sales volume during 2010 as well as the increased price of direct materials and fuel which are in line with the recovery of the economy in general.

The unit cost of manganese mining and ore processing segment increased by 38.0% to HK$356/tonne (2009: HK$258/tonne). This increase was mainly attributable to (i) the depletion of ore reserves at Tuoren East and Tuoren West sub-regions of Tiandeng Mine, which led to inefficiency and higher per unit fixed cost at Tiandeng Mine (ii) composition of product mix changed as mentioned in revenue above and (iii) increase in the unit costs of fuel consumed for this segment's operation.

Unit cost of EMM increased by 20.5% to HK$12,087/tonne (2009: HK$10,032/tonne). This was mainly attributable to the increase in labour costs and unit costs of auxiliary materials such as sulfuric acid and selenium dioxide.

Unit cost of silicomanganese alloy increased by 13.5% to HK$6,733/tonne (2009: HK$5,931/tonne). This was mainly due to the rise in unit cost of high-grade manganese concentrates imported from independent suppliers and consumed as blending material for our silicomanganese alloy production. Electricity supply control by local bureau in the fourth quarter of 2010 also affected our production giving upward pressures on our unit cost.

Unit cost of high carbon ferrochromium increased by 31.0% to HK$9,722/tonne (2009: HK$7,423/tonne) because of the increase in price of chromium ores, primarily in line with the market recovery of chromium products.

Gross Profit

For year 2010, the Group recorded a gross profit of HK$609.5 million (2009: HK$429.7 million), representing an increase of HK$179.8 million or 41.8% over last year. The Group's overall gross profit margin was 23.6%, representing an increase of 3% over last year's 20.6%. The improved gross profit margin was mainly attributable to (i) gross profit for EMM increased by HK$142.8 million as gross profit margin for EMM increased from 22.6% to 23.4%. It was mainly benefited from rise in commodity prices, especially in the special steel market and gradual rebound in EMM demand. In addition, our expansion and upgrade of existing production capacity for our products also helped to meet higher market demand (ii) due to the increase in sales volume, our manganese mining and ore processing segment gross profit increased by HK$23.3 million to HK$197.5 million (2009: HK$174.2 million) and (iii) write down of inventories to net realizable values decreased from HK$35.2 million to write back of HK$1.0 million.

Selling and Distribution Expenses

The Group's selling and distribution expenses in the year 2010 have increased by 57.6% to HK$78.0 million (2009: HK$49.5 million). The significant increase was mainly attributable to the increase in transportation and freight charges resulting from the increase in sales volume of our products and upward adjustment of toll charges in Guangxi imposed by the transportation authorities since the second half of 2009.

Administrative Expenses

Administrative expenses increased by 8.0% from HK$202.9 million for year 2009 to HK$219.1 million for year 2010. The increase was mainly attributable to the increase in staff cost paid to our administrative staff as well as the increase in research and development expenses in order to maintain our products' competitive edges.

Management Discussion and Analysis

Finance Cost

For the year 2010, our Group's finance cost was HK$95.7 million (2009: HK$107.2 million), representing a decrease of 10.7% from last year. This was due to the capitalized interest of HK$14.2 million relating to the increased amount of construction in progress before they are put into operation in the PRC and Gabon.

Income Tax

Our tax expenses increased to HK$14.3 million for the year ended 31 December 2010 (2009: HK$11.6 million) primarily due to an increase in our taxable profit. However, the effective tax rate dropped to 5.5% (2009: 15.4%) as no withholding tax is provided for the Group's attributable profit of our subsidiaries in the PRC for the fourth quarter of the year following the confirmation of our Listing and the Board proposed not to distribute final dividend for the year.

Profit Attributable to Shareholders

For the year 2010, the Group's profit attributable to shareholders was HK$229.1 million (2009: HK$48.6 million), representing an increase of 371.4% over the year 2009.

Earnings per share

For the year 2010, earnings per share attributable to ordinary equity holders of the Company amounted to approximately HK$0.13 (2009: HK$0.03), representing an increase of approximately 333.3% from last year.

Dividend

Prior to the Reorganization and Listing, we declared in June 2010 dividends of HK$508.0 million to its then two founding shareholders.

As the Listing was not long before the year end and the profit attributable to the shareholders of the Company from the date of Listing to the year end does not warrant a distribution of dividend, the directors do not recommend the payment of final dividend to its existing shareholders for the year 2010 (2009: Nil).

Use of Proceeds from IPO

The net proceeds from the Company's issue of new shares in connection with its listing on the Stock Exchange, after deducting the underwriting commissions and other expenses amounted to HK$1,983 million. The proceeds received from the IPO will be applied to further our strategies to be the world's leading integrated resource company with a focus on manganese. As the IPO was close to the year end, we have not yet utilized any of the proceeds as of 31 December 2010.

Subsequent to 31 December 2010 and up to 28 February 2011, we utilized the net proceeds in the accordance with the uses set out in the Prospectus as follows:

	Description	Amount designated in accordance with the Prospectus (HK$ Million)	Amount utilized (HK$ Million)	% utilized
1	Expansion project at Daxin EMD Plant	79	3	4.3%
2	Expansion project of underground mining and ore processing at Daxin Mine	278	11	3.9%
3	Expansion and construction projects of our EMM production facilities	516	21	4.1%
4	Construction project at Chongzuo Base	59	6	10.6%
5	Development of Bembélé manganese mine and associated facilities	119	–	0.0%
6	Technological improvement and renovation projects at our production facilities	40	7	18.4%
7	Acquisition of mines and mining right	397	–	0.0%
8	Repayment on a portion of our bank borrowings	297	285	95.9%
9	Working capital & other corporate purposes	198	190	96.0%
	Total	1,983	523	26.4%

The remaining unutilized net proceeds of HK$1,460 million are and will continue to be kept as short-term deposits with licensed banks and/or financial institutions in Hong Kong and/or the PRC.

Liquidity and financial resources

During the year 2010, the Group's primary sources of funding were cash generated from operating and financing activities, including (i) the issues of new shares upon Reorganization and IPO and (ii) net increase in bank loans. Our principal liquidity requirements were the acquisition of the 34.5% shareholding interest in the major operating subsidiary, namely Citic Dameng Mining, capital expenditure and dividends declared and paid before the IPO. As at 31 December 2010, the Group's net borrowings amounted to only HK$34.6 million (2009: HK$1,173 million) because of the significant increase of cash and bank balances to HK$2,652 million (2009: HK$538.2 million) due principally to the successful IPO. The strong liquidity position is also reflected in the improvement of net current assets to HK$2,085 million (2009 (restated): net current liabilities of HK$219 million).

Management Discussion and Analysis

To manage liquidity risk, the Group will continue to monitor current and expected liquidity requirements to ensure that it maintains sufficient balance of cash in the short and long term as well as facilities from banks and financial institutions.

Equity attributable to owners of the parent surged to HK$3,332 million (2009: HK$555.6 million) mainly due to the (i) capitalization of shareholders' loans and issues of shares upon Reorganization and (ii) shares issued upon the IPO. Total assets increased to HK$6,836 million (2009: HK$3,767 million).

Bank and other borrowings

As at 31 December 2010, the Group's borrowing structure and maturity profile are as follows:

Borrowing structure	**31 December 2010 HK$ million**	31 December 2009 HK$ million
Secured borrowings	**324.7**	313.5
Unsecured borrowings	**2,362.2**	1,397.7
	2,686.9	1,711.2

Maturity profile	**31 December 2010 HK$ million**	31 December 2009 HK$ million
Repayable:		
On demand or within one year	**1,172.7**	875.3
After one year and within two years	**480.0**	335.0
After two years and within five years	**897.7**	429.3
After five years	**136.5**	71.6
	2,686.9	1,711.2

Currency denomination	**31 December 2010 HK$ million**	31 December 2009 HK$ million
Denominated in:		
RMB	**2,413.0**	1,623.3
USD	**273.9**	87.9
	2,686.9	1,711.2

As at 31 December 2010, borrowings as to the amounts of HK$375.3 million and HK$2,311.6 million, carry fixed and floating rate interest respectively. The fixed rate borrowings carry interest at rates ranging from 4.70% to 5.94%. The floating rate borrowings carry interest at a discount of 5% to 10% below the Benchmark Borrowing Rates of the People's Bank of China, except the US$ loan which carries interest at a rate of LIBOR+ 0.85%.

Interest rate risk

We are exposed to interest rate risk resulting from fluctuations in interest rates on our floating rate debt. Our loans bearing floating interest rates are subject to adjustment by our lenders in accordance with changes in relevant PBOC regulations as well as movements in LIBOR. If the PBOC increases interest rates or LIBOR moves up, our finance cost will be increased. In addition, to the extent that we may need to raise debt financing or roll over our short-term loans in the future, 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

Before the Gabon operations commence any sales transaction which is currently scheduled for the early second quarter of 2011, the Group's operations are primarily in the PRC and products are sold to customers in the PRC and various foreign countries. Our exposure to exchange rate fluctuations results partially from the sales receipts denominated in foreign currencies. We expect that the ores mined from our Gabon operations will principally be sold to customers in the PRC and such sales will be denominated in US$. In addition, a depreciation of RMB will increase the price of goods with imported content which we source from our suppliers. An appreciation of the RMB, would, however on a relative basis, adversely affect the value of the HK$ proceeds we receive from the Global Offering and any subsequent overseas equity or debt offering if they are not converted into RMB in a timely manner. Out of the net proceeds from our Listing, we have already remitted an amount equivalent to RMB960 million in the form of capital injection into a PRC subsidiary and such amount has already been converted into RMB. We did not enter into any foreign exchange contracts or derivatives transactions to hedge against foreign exchange fluctuations. However, we make rolling forecasts on our foreign currency revenue and expense and monitor the currency and the amount incurred, so as to alleviate the impact on our business due to foreign exchange rate fluctuations.

Key Financial Ratios of the Group

	2010	2009
Current ratio	2.1	0.9
Quick ratio	1.9	0.7
Net Gearing ratio	17.6%	64.2%

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 the sum of total equity (including non-controlling interests) and net debt. Net debt is defined as the sum of interest-bearing bank and other borrowings, trade payables, other payables and accruals, amounts due to related companies, amounts due to the intermediate holding company, amounts due to minority shareholders of subsidiaries and amount due to a shareholder less cash and bank balances and pledged deposits.

Management Discussion and Analysis

Business Review

Resources and reserves

Below is the information on our mineral resources and ore reserves in accordance with JORC Code as of 31 December 2010:

Summary of our manganese mineral resources

Mining Block	Ownership Percentage	Resource Category	Million tonnes 31.12.2010	Average Manganese Grade (%)	Million tonnes 30.6.2010	Average Manganese Grade (%)
Daxin Mine	100%	Measured	7.20	24.28	7.59	24.24
		Indicated	69.60	21.11	69.83	21.11
		Subtotal	76.80	21.41	77.42	21.42
		Inferred	0.43	21.23	0.43	21.23
		Total	77.23	21.41	77.85	21.41
Tiandeng Mine	100%	Measured	0.87	17.05	0.88	16.80
		Indicated	3.27	16.40	3.29	16.27
		Subtotal	4.14	16.58	4.17	16.38
		Inferred	3.65	14.27	3.65	14.27
		Total	7.79	15.48	7.82	15.40
Bembélé Manganese Mine	51%	Measured	–	–	–	–
		Indicated	18.59	33.17	18.59	33.17
		Subtotal	18.59	33.17	18.59	33.17
		Inferred	12.37	32.74	12.37	32.74
		Total	30.96	33.00	30.96	33.00
Total			115.98		116.63	

Summary of our manganese ore reserves

Mine	Ownership Percentage	Resource Category	Million tonnes 31.12.2010	Average Manganese Grade (%)	Million tonnes 30.6.2010	Average Manganese Grade (%)
Daxin Mine	100%	Proved Probable	6.98 67.07	21.86 18.87	7.37 67.30	21.95 18.88
		Total	74.05	19.15	74.67	19.18
Tiandeng Mine	100%	Proved Probable	0.83 3.15	15.99 15.40	0.85 3.17	15.78 15.28
		Total	3.98	15.52	4.02	15.38
Bembélé Manganese Mine	51%	Proved Probable	– 18.54	– 31.59	– 18.54	– 31.59
		Total	18.54	31.59	18.54	31.59
Total			96.57		97.23	

Exploration, Development, and Mining Activities

I) Exploration

Daxin Mine

During the year, the Company did not conduct any new exploration work.

Tiandeng Mine

On 18 June 2010, we entered into an exploration contract with Nanning San Die Geological Resource Development Limited (南寧三疊地質資源開發有限責任公司), and commenced field geological exploration in early August 2010. The exploration work was conducted mainly in the three mining blocks of Tuoren East, Tuoren West, and Luli. After three months of exploration, total control on the manganese carbonate ores in the said three mining blocks was achieved by way of drilling, and the first phase of the drilling work was completed.

Bembélé Manganese Mine

During the year, we did not conduct any new exploration work.

Management Discussion and Analysis

II) Development

Daxin Mine

During the year, we purchased a number of mining machines for Daxin Mine. The mining project of 600,000 tonnes of manganese carbonate ores was completed. Approximately 6,783 meters of shaft excavation and the construction of the second production line of EMD plant were also completed.

Tiandeng Mine

During the year, we purchased a number of mining machines for Tiandeng Mine, and continued to construct Tiandeng EMM Plant.

Bembélé Manganese Mine

During the year, we continued our construction work at Bembélé Manganese Mine. At the same time, the Company also negotiated with Office Du Chemin De Fertrandgabonais and Société d'Exploitation des Parcs à Bois du Gabon for the construction of a rail spur line and the use of a pier at Owendo Port.

III) Mining activities

1) Mining operations

Daxin Mine

Daxin Mine	Year ended 31 December 2010	2009	Increase/ decrease
Open pit mining			
Mine capacity (thousand tonnes)	700	700	0
Mine production (thousand tonnes)	674	493	+181
Underground mining			
Mine capacity (thousand tonnes)	300	300	0
Mine production (thousand tonnes)	354	322	+32
Average manganese oxide grade	31.3%	32.9%	-1.6%
Average manganese carbonate grade	19.5%	20.2%	-0.7%
Total mine capacity (thousand tonnes)	1,000	1,000	0
Total mine production (thousand tonnes)	1,028	815	213

Tiandeng Mine

Tiandeng Mine	Year ended 31 December 2010	2009	Increase/ decrease
Open pit mining			
Mine capacity – Open pit (thousand tonnes)	500	500	0
Mine production – Open pit (thousand tonnes)	125	294	-169
Average manganese oxide grade	15.5%	17.5%	-2

2) *Ore processing operations*

- Concentrating

Annual production (thousand tonnes)	Year ended 31 December 2010	2009	Increase/ decrease
Daxin Concentration Plant			
Processing capacity			
Crude ore (manganese carbonate)	600	600	0
Crude ore (manganese oxide)	300	300	0
Total	900	900	0
Concentrate production			
Concentrate (from manganese carbonate ore)	656	536	+120
Concentrate (from manganese oxide ore)	106	128	-22
Total	762	664	+98
Average manganese grade of concentrate (%)			
Concentrate (manganese carbonate ore)	20.0	22.5	-2.5
Concentrate (manganese oxide ore)	33.1	33.4	-0.3
Tiandeng Concentration Plant			
Processing capacity (manganese oxide ore)	500	500	0
Manganese concentrate production	65.6	161	-95.4
Average manganese grade of concentrate (%)	23.7	25.8	-2.1

Management Discussion and Analysis

- Grinding

Annual production (thousand tonnes)	Year ended 31 December 2010	2009	Increase/ decrease
Production capacity	680	680	0
Powder produced	720	604	+116

3) *Manganese downstream processing operations*

- EMM

Our existing EMM production facilities include Daxin EMM Plant, Start EMM Plant and Tiandong EMM Plant. The EMM facilities under construction include Tiandeng EMM Plant and the third production line of Tiandong EMM Plant. Details are set out below:

Annual production (thousand tonnes)	Year ended 31 December 2010	2009	Increase/ decrease
Daxin EMM Plant			
EMM capacity	65	65	0
EMM production	65	61	+4
Start EMM Plant			
EMM capacity	16	16	0
EMM production	14	10	+4
Tiandong EMM Plant			
EMM capacity	20	20	0
EMM production	14	2	+12
Tiandeng EMM Plant			
EMM capacity	–	–	–
EMM production	–	–	–
Total			
EMM capacity	101	101	0
EMM production	94	73	+21

- Manganese sulfate

Annual production (thousand tonnes)	Year ended 31 December 2010	2009	Increase/ decrease
Daxin Manganese Sulfate Plant			
Manganese sulfate capacity	25	25	0
Manganese sulfate production	20	19	+1

- EMD

Annual production (thousand tonnes)	Year ended 31 December 2010	2009	Increase/ decrease
Daxin EMD Plant			
EMD capacity	20	10	+10
EMD production	12	8	+4

- Silicomanganese alloy

Annual production (thousand tonnes)	Year ended 31 December 2010	2009	Increase/ decrease
Tiandeng Ferroalloy Plant			
Silicomanganese alloy capacity	50	50	0
Silicomanganese alloy production	32	48	-16
Dabao Ferroalloy Plant			
Silicomanganese alloy capacity	12	12	0
Silicomanganese alloy production	10.7	10	+0.7
Total			
Silicomanganese alloy capacity	62	62	0
Silicomanganese alloy production	42.6	58	-15.4

Management Discussion and Analysis

- Manganese tetroxide, lithium manganese oxide and lithium cobalt oxide

Annual production (thousand tonnes)	Year ended 31 December 2010	2009	Increase/ decrease
Manganese tetroxide			
Capacity	10	–	–
Production	0.27	–	–
Lithium manganese oxide			
Capacity	0.6	–	–
Production	0.08	–	–
Lithium cobalt oxide			
Capacity	1.0	–	–
Production	0.07	–	–

IV) Non-manganese ferroalloy processing operations

- High carbon ferrochromium

Annual production (thousand tonnes)	Year ended 31 December 2010	2009	Increase/ decrease
High carbon ferrochromium capacity	60	50	+10
High carbon ferrochromium production	26	42	-14

V) Our Gabon production processes and facilities

- Mining

Bembélé Manganese Mine	Year ended 31 December 2010	2009	Increase/ decrease
Mine capacity -open pit (thousand tonnes)	400	–	–
Mine production -open pit (thousand tonnes)	17.7	–	–
Average manganese oxide grade (%)	31.2	–	–

- Concentrating

Bembélé Concentration Plant	Year ended 31 December 2010	2009	Increase/ decrease
Production capacity (thousand tonnes)	1,150	–	–
Concentrate production (thousand tonnes)	13.7	–	–
Average manganese grade of concentrate (%)	32.5	–	–

Management Discussion and Analysis

Exploration cost of the Group

Expenses of exploration, development, and mining activities of the Group for the year ended 31 December 2010 are set out below:

(HK$'000)

	Daxin Mine	Tiandeng Mine	Bembélé Manganese Mine	Total
Exploration activities				
Purchases of assets and equipments	0.0	0.0	0.0	0.0
Civil engineering and road construction	0.0	0.0	0.0	0.0
Drilling and analysis	0.0	2,238.2	0.0	2,238.2
Consultation	0.0	0.0	0.0	0.0
Staff cost	0.0	0.0	0.0	0.0
Transportation cost	0.0	0.0	0.0	0.0
Others	0.0	0.0	0.0	0.0
	0.0	2,238.2	0.0	2,238.2
Development activities (including mine construction and mining)				
Purchases of assets and equipments	20,495.5	2,613.2	59,775.8	82,884.5
Construction of tunnels and roads	43,183.0	0.0	18,661.2	61,844.2
Hole drilling	0.0	0.0	0.0	0.0
Staff cost	26.3	0.0	3,308.4	3,334.7
Transportation cost	0.0	0.0	7,049.4	7,049.4
Others	3,741.6	0.0	34,431.4	38,173.0
	67,446.4	2,613.2	123,226.2	193,285.8
Mining activities*				
Staff cost	7,471.3	1,409.7	238.6	9,119.6
Consumables	7,719.7	1,558.1	0.3	9,278.1
Fuel, electricity, water and other services	16,473.9	1,481.8	152.7	18,108.4
On and off-site administration	27,951.9	0.0	0.0	27,951.9
Environmental protection and monitoring	0.0	0.0	0.0	0.0
Transportation	34.1	0.0	91.7	125.8
Non-income taxes, royalties and other governmental charges	1,979.8	0.0	0.0	1,979.8
Others	38,551.7	4,160.8	51.6	42,764.1
Depreciation	11,230.5	885.6	411.2	12,527.3
	111,412.9	9,496.0	946.1	121,855.0

(* Concentrating not included)

Report of the Directors
Corporate Governance Report
Directors and Senior Management Profiles
Management Discussion and Analysis
Chairman's Statement
Four Year Financial Summary
Corporate Information

Human Resources

As at 31 December 2010, the Group had approximately 3,055 (2009: 2,811) full-time employees in HK and the PRC. For the year ended 31 December 2010, the total employee costs amount to HK$237.9 million (2009: HK$212.7 million).

The Group offers a competitive remuneration and welfare package to its employees and will review its remuneration scheme annually to ensure remuneration packages are market-competitive. Other benefits offer to the employees includes comprehensive medical, life and disability insurance plans and retirement schemes.

In January 2011, share options of the Company have also been granted to Directors and selected employees of the Group for rewarding and retaining talents. The Group will also provide training programmes to its eligible employees to enhance staff quality, technical knowledge and team spirit.

Event after the Issue of the Report of Directors

On 8 April 2011, CITIC Dameng Mining, an indirect wholly-owned subsidiary of the Company entered into a capital increase agreement with Gui Zhou Pan Jiang Investment Holding (Group) Limited Company (貴州盤江投資控股(集團)有限公司) and Shou Gang Shui Cheng Steel (Group) Limited Company (首鋼水城鋼鐵(集團)有限責任公司) pursuant to which CITIC Dameng Mining has conditionally agreed to make the capital contribution in the sum of RMB162.26 million (approximately HK$191.39 million) in aggregate to Guizhou Zunyi Hui Xing Ferroalloy Limited Company (貴州遵義匯興鐵合金有限責任公司). The capital contribution constituted a discloseable transaction of the Company and the details have been set out in the announcement of the Company dated 8 April 2011.

Outlook

Global financial markets expect to continue to flood with excess liquidity as long as the implementation of US's quantitative easing monetary policy remains in force. Gradual global economic recovery will also boost demand. It can be anticipated that commodity prices will continue to rise in short to medium term.

As we are one of the world's leading and the PRC's largest manganese producer, we believe that our Group will have rapid growth in the coming years. Benefit from our close relationship with CITIC Group and Guangxi Dameng, we shall have competitive advantages to further consolidate our leading position which is also fuelled by Chinese government's policies to close down outdated, small manganese production factories. Our expansion strategy into more advanced and efficient capacity, coped with the more stringent requirements of the energy consumption under the 12th Five-Year Plan will further enhance our market leading position.

We shall also continue to strengthen our leading position in our market sector. Our Gabon operations commence in the second quarter of 2011 and will provide us an additional major source of revenue. We shall also be well-positioned to take advantage of potential acquisition opportunities in the PRC and globally should there be any attractive investment available.

Directors and Senior Management Profiles

Executive Directors

Qiu Yiyong (邱毅勇), aged 54, is the Chairman and Executive Director of the Company. He is also a director of several subsidiaries of the Group. He joined the Group in July 2005. He holds a Bachelor of Economics Degree from Xiamen University. He is currently a non executive director of CITIC Resources, a director of CITIC Group and Keentech Group Limited, and the managing director of CITIC United Asia Investments Limited. He also holds directorships in several other subsidiaries of CITIC Group. Mr. Qiu has over 29 years' experience in investment management and extensive experience in mining management.

Li Weijian (李維健), aged 48, was appointed as an Executive Director and Vice Chairman of the Company on 26 October 2010. He is also a director of several subsidiaries of the Group. He graduated from Shenyang Gold Vocational Training College (瀋陽黃金專科學校畢業) with professional qualifications in mining mechanics (礦山機械專業) in 1982. He is currently a director of Guangxi Dameng. He also holds directorships in several other subsidiaries of Guangxi Dameng. Mr. Li has 25 years of experience in manganese mining and manganese related business, at both the management and operational level and has assumed a wide spectrum of roles in different mining companies.

Tian Yuchuan (田玉川), aged 46, is the Executive Director and Chief Executive Officer of the Company. He joined the Group in January 2009. He is also a director of several subsidiaries of the Group. He holds a Bachelor of Arts Degree from the Beijing Foreign Studies University. Mr. Tian is currently a non executive director of CITIC Resources. He also held senior positions in several subsidiaries of CITIC Group between 1986 and 2004. Mr. Tian has over 25 years' experience in multi-national businesses, corporate management, international equity investments and corporate finance.

Non-Executive Directors

Mi Zengxin (秘 增 信), aged 59, was appointed as a Non-executive Director of the Company on 26 October 2010. He holds a Master's Degree in Science from Beijing University of Science and Technology. He is currently an executive director and a vice president of CITIC Group, the chairman of CITIC USA Holdings Limited, the deputy chairman and a non-executive director of Asia Satellite Telecommunications Holdings Limited (Stock Code: 1135), a non-executive director of CITIC Resources and a director of CITIC United Asia. He also holds executive management positions in several other subsidiaries of CITIC Group. Mr. Mi has many years of experience in multi-national business, corporate management and various industries.

Yin Ke (殷 可), aged 47, was appointed as a Non-executive Director of the Company on 26 October 2010. Mr. Yin obtained a bachelor's degree in electronics engineering in 1985 and a master's degree in economics in 1991 from Zhejiang University. Mr. Yin is currently the chief executive officer, the executive director and the vice chairman of CITIC Securities International Company Limited. He was a director of Zhongxing Shenyang Commercial Building Group Company Limited, a director of ACT 360 Solutions Limited and a director of CCB Principal Fund Management Limited. He is currently a non-executive director of CITIC Pacific Limited (Stock Code: 267) and Dah Chong Hong Holdings Limited (Stock Code: 1828). He is also a director of CITIC Securities Co., Ltd, a PRC Company listed on Shanghai Stock Exchange.

Chen Jiqiu (陳 基 球), aged 52, was appointed as a Non-executive director of the Company on 26 October 2010. He is also a director of several subsidiaries of the Group. Mr. Chen obtained a junior college diploma and graduation certificate in economics and management from the University of Guangxi (廣西大學) in 1988. He was granted the title of senior economist in 1999 by the committee member for the Assessment of the Qualifications of Senior Economist of the Guangxi Zhuang Autonomous Region (廣西壯族自治區高級經濟師職務資格評審委) and the Working Group for Reformation of Work Titles (廣西壯族自治區職稱改革工作領導小組). He was also issued the Advanced Professional Executive Qualification Certificate (高級職業經理資質證書) by the China Enterprise Confederation (中國企業聯合會) and China Enterprise Directors Association (中國企業家協會) in 2010. He is currently a director of Guangxi Dameng. Mr. Chen has almost 30 years of experience in the PRC mining industry and, in particular, has extensive management experience in the manganese industry. Mr. Chen's expertise in economics and management experience are integral to the development of the Group's business.

Directors and Senior Management Profiles

Independent Non-Executive Directors

Mo Shijian (莫 世 健), aged 54, was appointed as an Independent Non-executive Director of the Company on 26 October 2010. Mr. Mo is a professor of law at China University of Political Science and Law since 2003 and is the director of the Center for Trade Remedies at China University of Political Science and Law. Mr. Mo specializes in trade remedies and arbitration and has acted as an arbitrator in a number of cases involving international sales, financing, leasing, investment and franchising. He is an arbitrator of the China International Economic and Trade Arbitration Commission, an arbitrator of the China Maritime Arbitration Commission and a legal adviser to the China Center for Maritime Law Enforcement. He is currently acting as an independent director of Meng Na Textile Company Ltd.

Tan Zhuzhong (譚柱中), aged 71, was appointed as an Independent Non-executive Director of the Company on 26 October 2010. Mr. Tan has more than 40 years of experience in the field of mining and metallurgical research. He was employed by the Changsha Metallurgical Research Institute of the Metallurgical Ministry (冶金部長沙礦冶研究院) from 1963 to 1986, and was in charge of various metallurgical research studies. He also has extensive experience in the manganese industry. Mr. Tan is well recognized for his professional knowledge in the field of metallurgical technologies and has received a number of awards for various research projects that he led. He is also actively involved in several industry associations and has published articles in a number of professional journals.

Yang Zhi Jie (楊 智 傑), aged 66, was appointed as an Independent Non-executive Director of the Company on 26 October 2010. Mr. Yang obtained a Master of Business Administration degree with an emphasis on Economics from the Hong Kong University of Science and Technology in 1996. Mr. Yang is a chartered member of CFA (Chartered Financial Analysts) Institute, a full member of Hong Kong Securities Institute, a member of American Institute of Certified Public Accountants, a fellow member of The Chartered Institute of Management Accountants, United Kingdom, and a fellow member of Hong Kong Institute of Certified Public Accountants.

Senior Management

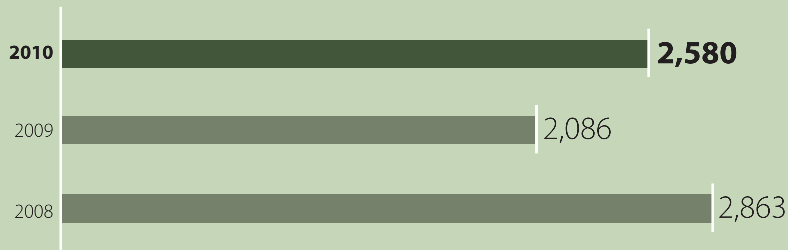
Lau Wai Yip (劉偉業), aged 48, joined the Company as the Chief Financial Officer and Company Secretary in 2010. Mr. Lau is responsible for the financial management and company secretarial matters of the Group. He holds a degree of Master of Business Administration from the Hong Kong University of Science and Technology. He is a member of the Chartered Association of Certified Accountants, a member of the Hong Kong Institute of Certified Public Accountants, and also a member of the American Institute of Certified Public Accountants. During the period from June 2006 to June 2008, he held various positions (including executive director during the period from July 2007 to May 2008) in GCL-Poly Energy Holdings Limited (Stock Code: 3800). He has over 25 years of experience in auditing, financial management and company secretarial management.

Ma Shirong (馬詩鎔), aged 58, is the Vice President of the Company. Mr. Ma holds an EMBA degree by China Europe International Business School (中歐國際工商學院). He has been the chief financial officer of CITIC Dameng Mining since 2006 and is responsible for overseeing the financial operations of CITIC Dameng Mining.

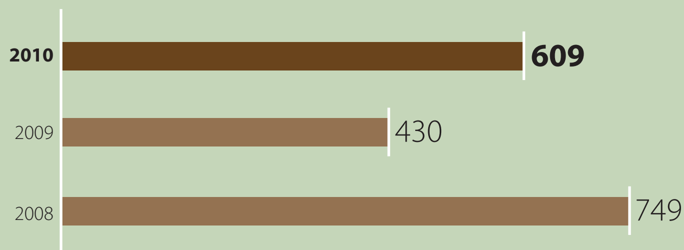
Delivering Growth

Continue to enhance our manganese mining and downstream processing operation capacity.

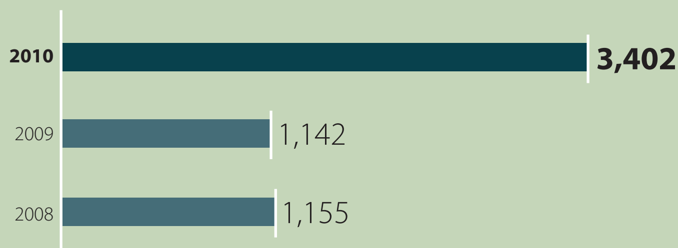
Revenue (million HK dollars)



Gross Profit (million HK dollars)



Net Asset Value (million HK dollars)



Corporate Governance Report

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.

Compliance with the Code on Corporate Governance Practices

The Board is of the view that the Company has, during the period from the Listing Date to 31 December 2010 ("**Review Period**"), 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.

Board of Directors

The Board currently comprises a total of 9 members, with three executive Directors, three non-executive Directors and three independent non-executive Directors:

Executive Directors:

Mr. Qiu Yiyong (Chairman)
(Appointed on 19 July 2005)
Mr. Li Weijian (Vice Chairman)
(Appointed on 26 October 2010)
Mr. Tian Yuchuan
(Chief Executive Officer)
(Appointed on 1 January 2009)

Non-executive Directors:

Mr. Mi Zengxin
(Appointed on 26 October 2010)
Mr. Yin Ke
(Appointed on 26 October 2010)
Mr. Chen Jiqiu
(Appointed on 26 October 2010)

Independent non-executive Directors:

Mr. Yang Zhi Jie
(Appointed on 26 October 2010)
Mr. Mo Shijian
(Appointed on 26 October 2010)
Mr. Tan Zhuzhong
(Appointed on 26 October 2010)

The Board has a balanced composition of executive, non-executive and independent non-executive Directors so that it can effectively exercise independent judgement.

The Board possesses a balance of skills and experience appropriate for the requirements of the business of the Company. Directors take decisions objectively in the interests of the Company. The Directors, individually and collectively, are aware of their responsibilities and accountability to shareholders and for the manner in which the affairs of the Company are managed and operated.

The Group has management expertise in manganese exploration, mining and development as well as ore processing and downstream processing operations. The Board has the required knowledge, experience and capabilities to operate and develop the Group's businesses and implement its business strategies.

The following changes to the Board occurred during the year.

In 26 October 2010, Mr. Li Weijian was appointed as the Vice Chairman and executive director of the Company, Messrs. Mi Zengxin, Yin Ke and Chen Jiqiu were appointed as non executive Directors of the Company and Messrs. Yang Zhi Jie, Mo Shijian and

Tang Zhuzhong were appointed as independent executive Directors of the Company.

The biographies of the Directors and senior management are set out on pages 30 to 33 of this annual report.

On appointment, each new director is briefed by senior executives on the Group's corporate goals and objectives, activities and business, strategic plans and financial situations. He is also provided with a package of orientation materials in respect of his duties and responsibilities under the Listing Rules, the Bye-Laws and corporate governance guides. The company secretary is responsible for keeping all Directors updated on the Listing Rules and other regulatory and reporting requirements.

All Directors are subject to re-election at regular intervals. The Bye-Laws provide that any director appointed by the Board to fill a casual vacancy shall hold office only until the first general meetings of the members after his appointment and be subject to re-election at such meeting and any Director appointed by the Board as an addition to the existing Board shall hold office only until the next following annual general meeting of the Company and shall then eligible for re-election.

In addition, at each annual general meeting, one-third of the Directors shall retire from office by rotation provided that every director is subject to retirement at least once every three years.

To the best of the knowledge of the Company, there is no financial, business, family or other material or relevant relationship among members of the Board or between the chairman and the chief executive officer.

Chairman and Chief Executive Officer

The role of the chairman is separate from that of the chief executive officer so as to delineate their respective areas of responsibility, power and authority. The chairman focuses on the Group's strategic planning while the chief executive officer has overall executive responsibility for the Group's development and management. They receive significant support from the Directors and the senior management team.

The chairman has a clear responsibility to ensure that the whole Board receives complete and reliable information in a timely manner. He has been continually improving the quality and timeliness of the information distributed to the Directors. The Board, led by the chairman, sets the overall direction, strategy and policies of the Company.

The chairman provides leadership for the Board to ensure that it works effectively, discharges its responsibilities and acts in the best interests of the Company. He is also responsible for overseeing effective functioning of the Board and application of good corporate governance practices and procedures. The chairman seeks to ensure that all Directors are properly briefed on issues arising at board meetings. He also encourages the Directors to make full and active contributions to the Board's affairs.

Under the leadership of the chief executive officer, management is responsible for executing the Board's strategy and implementing its policies through the day-to-day management and operations of the Group's businesses.

Corporate Governance Report

The Board determines which functions are reserved to the Board and which are delegated to management. It delegates appropriate aspects of its management and administrative functions to management. It also gives clear directions as to the powers of management; in particular, with respect to the circumstances where management must report back and obtain prior approval from the Board before making decisions or entering into any commitments on behalf of the Company. These arrangements are reviewed on a periodic basis to ensure they remain appropriate to the needs of the Company.

Important matters are reserved to the Board for its decision, including long-term objectives and strategies, extension of the Group's activities into new business areas, appointments to the Board and the board committees, annual internal controls assessment, annual budgets, material acquisitions and disposals, material connected transactions, material banking facilities, announcements of interim and final results and payment of dividends.

Non-executive Directors

The non-executive Directors (including the independent non-executive Directors) are seasoned individuals from diversified backgrounds and industries and one member has an appropriate financial management expertise as required by the Listing Rules. With their expertise and experience, they serve the relevant function of bringing independent judgement and advice on the overall management of the Company. They take the lead where potential conflicts of interests arise. Their responsibilities include maintaining a balance between the interests of minority shareholders and the Company as a whole.

All independent non-executive Directors serve on the remuneration, nomination and audit committees. They are invited to participate in board meetings so that they are able to provide at such meetings their experience and judgement on matters discussed in the meetings.

The Company has received an annual confirmation of independence from each of the independent non-executive Directors. The Company is of the view that all the independent non-executive Directors meet the guidelines for assessing independence as set out in rule 3.13 of the Listing Rules and considers them to be independent.

Board Meetings

Under code provision A.1.1 of the CG Code, the Board shall meet regularly and at least four times a year at approximately quarterly intervals. The Board has scheduled to meet at least four times a year in approximately quarterly intervals, either in person or by electronic means of communication.

As the Company was only listed on 18 November 2010, CG Code has not been applicable to the Company until 18 November 2010. During the year ended 31 December 2010, only one meeting was held.

All directors will be invited to include matters in the agenda for regular board meetings. The Company generally gives 14 days prior written notice of a regular board meeting and reasonable prior notice for all other board meetings.

If any director or his associates have any material interest in any proposed Board resolutions, such director shall not vote (nor shall be counted in the quorum) at a meeting of the Directors on any resolutions approving any contract or arrangement or concerning a matter in which he or any of his associates has directly or indirectly a material interest.

Directors have timely access to adequate information to enable them to make an informed decision and to discharge their duties and responsibilities. An agenda and the presentation material are usually sent to the Directors 3 days before the meeting. The company secretary is responsible for taking the minutes. Drafts of minutes are sent to the Directors for comment within a reasonable time after each meeting. The minutes are kept by the company secretary and they are open for inspection by the Directors and the members of the board committees. Board papers and related materials are available to the Directors whenever requested. Efforts are made to ensure that queries of the Directors are dealt with promptly.

All directors have access to the advice and services of the company secretary with a view to ensuring that board procedures and all applicable rules and regulations are followed. The Directors also have separate and independent access to the senior management of the Company to make further enquiries or to obtain more information where necessary. The Company provides an agreed procedure enabling the Directors to seek independent professional advice at the Company's expense.

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 (the "**Model Code**") as set out in Appendix 10 to the Listing Rules ("**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 Review Period.

Board Committees

The Board has established a remuneration committee, a nomination committee and an audit committee.

Remuneration Committee

The purpose of the committee is to make recommendations to the Board on the remuneration policy and structure for executive Directors and senior management of the Group and the remuneration of all Directors of each member of the Group.

The committee is responsible for making recommendations on the establishment of a formal and transparent procedure for developing policy on the remuneration of executive Directors and senior management and for determining specific remuneration packages for all Directors and senior management.

It also makes recommendations to the Board regarding the remuneration of the independent non-executive Directors.

The committee consults with the chairman and/or the chief executive officer about its proposals relating to the remuneration of other executive Directors. It is authorized by the Board to obtain such legal, remuneration or other professional advice as it shall deem appropriate in the discharge of its duties.

The Group's remuneration policy seeks to provide fair market remuneration in a form and value to attract, retain and motivate high quality staff. Remuneration packages are set at levels to ensure comparability and competitiveness with other companies in the industry and market competing for a similar talent pool.

Corporate Governance Report

Emoluments are also based on an individual's knowledge, skill, time commitment, responsibilities and performance and by reference to the Group's profits and performance.

Members of the committee are:

Mr. Qiu Yiyong (Executive Director) (Chairman)
Mr. Li Weijian (Executive Director)
Mr. Yang Zhi Jie (Independent non-executive Director)
Mr. Mo Shijian (Independent non-executive Director)
Mr. Tan Zhuzhong (Independent non-executive Director)

One meeting was held in the year. In the meeting, the committee considered and approved the remuneration package of all the Directors.

Details of the emoluments of each director, on a named basis, are set out in notes 10 to the financial statements.

Nomination Committee

The committee is responsible to the Board for leading the process for Board appointments and for identifying and nominating for the approval of the Board candidates for appointment to the Board.

The committee is responsible for reviewing the structure, size and composition (including skills, knowledge and experience) of the Board on a regular basis and making recommendations to the Board regarding any proposed changes, identifying individuals suitably qualified to become board members and selecting or making recommendations to the Board on the selection of individuals nominated for directorships. The committee is also responsible for assessing the independence of independent non-executive Directors and making recommendations to the Board on relevant matters relating to the appointment or re-appointment of Directors and plans for succession of Directors.

The committee consults with the chairman and/or the chief executive officer about its proposals relating to the process for Board appointments and for identifying and nominating candidates as members of the Board.

The criteria for the committee to select and recommend a candidate for Directorship include the candidate's skill, knowledge, experience and integrity and whether he/she can demonstrate a standard of competence commensurate with his/her position as a director of the Company.

Members of the committee are:

Mr. Qiu Yiyong (Executive Director) (Chairman)
Mr. Li Weijian (Executive Director)
Mr. Yang Zhi Jie (Independent non-executive Director)
Mr. Mo Shijian (Independent non-executive Director)
Mr. Tan Zhuzhong (Independent non-executive Director)

During the Review Period, there was no meeting held by the Nomination Committee. The Nomination Committee considers that it is not necessary to review the composition of the Board during the first year of the Listing.

Audit Committee

The purpose of the committee is to establish formal and transparent arrangements for considering how the Board applies the financial reporting and internal control principles and for maintaining an appropriate relationship with the Company's external auditors.

The committee is responsible for making recommendations to the Board on the appointment, re-appointment and removal of the external auditors, approving the remuneration and terms of engagement of the external auditors and considering any questions of resignation or dismissal of such auditors.

The committee reports to the Board any suspected fraud and irregularities, failure of internal control or suspected infringements of laws, rules and regulations which come to its attention and are of sufficient importance to warrant the attention of the Board. It is authorized by the Board to obtain outside legal or other independent professional advice and to invite the attendance of outsiders with relevant experience and expertise if it considers this necessary. The committee is provided with sufficient resources to discharge its duties.

Members of the committee are:

Mr. Yang Zhi Jie (Independent non-executive Director) (Chairman)
Mr. Mo Shijian (Independent non-executive Director)
Mr. Tan Zhuzhong (Independent non-executive Director)

At least one of the members of the committee possess appropriate professional qualifications and/or experience in financial matters. None of the committee members is or was a partner of the existing external auditors.

Since the Audit Committee was only established on 26 October 2010, the Audit Committee did not hold any meeting during the Review Period.

The Audit Committee has reviewed the consolidated financial statements of the Group for the year ended 31 December 2010, including the accounting principles and practices adopted by the Group and reappointment of the external auditors.

Corporate Governance Report

Attendance at Meetings of the Board and the Board Committees during the year

	Number of meetings held during the year Attended / Eligible to attend			
	Board	Remuneration Committee	Nomination Committee	Audit Committee
Executive Directors				
Mr. Qiu Yiyong (Chairman)	1/1	1/1	0/0	0/0
Mr. Li Weijian (Vice Chairman)	1/1	1/1	0/0	0/0
Mr. Tian Yuchuan (Chief Executive Officer)	1/1			
Non Executive Directors				
Mr. Mi Zengxin	1/1	N/A	N/A	N/A
Mr. Yin Ke	1/1	N/A	N/A	N/A
Mr. Chen Jiqiu	1/1	N/A	N/A	N/A
Independent non-executive Directors				
Mr. Yang Zhi Jie	1/1	1/1	0/0	0/0
Mr. Mo Shijian	1/1	1/1	0/0	0/0
Mr. Tan Zhuzhong	1/1	1/1	0/0	0/0

Financial Reporting

The Directors acknowledge their responsibilities for preparing the financial statements for the Group. The Directors are regularly provided with updates on the Company's businesses, potential investments, financial objectives, plans and actions.

The Board aims at presenting a balanced, clear and comprehensive assessment of the Group's performance, position and prospects. Management provides such explanation and information to the Directors to enable the Board to make informed assessments of the financial and other matters put before the Board for approval.

The statement of the external auditors of the Company regarding their responsibilities for the financial statements of the Group is set out in the independent auditors' report on page 57 of this annual report.

Internal Controls

The Board has overall responsibility for maintaining a sound and effective system of internal control and for reviewing its effectiveness, particularly in respect of the controls on financial, operational, compliance and risk management, to safeguard shareholders' investment and the Group's assets.

The internal control system is designed to provide reasonable, but not absolute, assurance. The system aims to manage, instead of eliminate, risks of failure in achieving the Company's objectives.

The chief financial officer reports to the audit committee once a year on key findings regarding internal controls. The audit committee, in turn, communicates any material issues to the Board.

Independent Auditors

The Company's independent auditor is Ernst & Young. For the year ended 31 December 2010, the remuneration payable by the Group to Ernst & Young is set out below:

Services provided by the auditors for the year ended 31 December 2010	
Audit services	
Annual audit services	HK$2,573,650
Reporting accountants in relation to the Listing	HK$5,511,921
Total	HK$8,085,571

Communications with Shareholders and Investor Relations

We adhere to the principle of good faith and strictly comply with and implement the Listing Rules to disclose discloseable information on a true, accurate, complete and timely basis and all other information that might have significant impact on the decisions of shareholders and other stakeholders in an active and timely manner. In addition, the Company takes efforts in ensuring all shareholders with equal access to information. As such, the Company has honestly performed its statutory obligation in respect of information disclosure.

Our senior management is dedicated to maintaining an open dialogue with the investment community to ensure thorough understanding of our Company and our business as well as strategies.

Since the Listing of the Company in November 2010, we have emphasized the importance of investor relations by establishing and developing a highly effective investor relations department (the "**Investor Relations Department**").

The main function of the Investor Relations Department is to make fair, consistent and transparent disclosures and maintain appropriate communications with global investors.

For future investor relations, the Company will actively organise activities relating to investor relations and emphasis on corporate responsibilities in order to ensure that our operating strategies, financial performance and development prospects are fully known to and understood by global investors.

Global Offering and Global Road shows

The Company was successfully listed on the main board of the Stock Exchange on 18 November 2010. During the process of Listing, worldwide road shows and promotional activities were held in major international financial markets, such as Hong Kong, Singapore, London, Boston and New York. Detailed presentation of the competitive advantages and development strategies of the Company were made during individual, group and luncheon meetings with various investors, fund managers and analysts. After the successful Listing of the Company, we have actively participated in an investment seminar organised by a large investment bank and provided the latest information regarding our future development prospects to investors in order to enlighten their understanding of our Company.

Corporate Governance Report

Continual Communications with Shareholders, Investors and Analysts

The Investor Relations Department has strictly followed our policies and relevant regulations in treating all shareholders, investors and research analysts in a fair and transparent manner. Up to now, we have held a number of personal and telephone conferences with institutional investors and research analysts to promote and establish effective channels for dual communications between the Company and investors. In addition, we responded promptly to investors' enquires through telephone, electronic mails and facsimiles.

Media Relations

We strive to establish more solid and closer relationship with the media through press releases, press meetings and management visits in order to promote our operating strategies and financial performance to the general public by much faster and effective means.

Looking ahead, the Company will strive to develop and maintain closer relationships with investors, analysts and media and enhance management of investor relations with the goal to maximize our corporate value.

Report of the Directors

The Directors are pleased to present their report and the audited financial statements for the year ended 31 December 2010. This is the first annual report after the Company's IPO and Listing of the Company's Shares on the Stock Exchange on 18 November 2010.

The Company was incorporated with limited liability in Bermuda on 18 July 2005. It was registered on 21 September 2010 with the Registrar of Companies in Hong Kong as a non-Hong Kong company under Part XI of the Companies Ordinance (Cap. 32).

Pursuant to a reorganization scheme to rationalize the structure of the Group in preparation for the public Listing of the Shares on the Stock Exchange, the Group underwent a Reorganization which was completed on 27 October 2010. Details of the reorganization scheme are set out in the Prospectus. In particular, pursuant to the Reorganization, CITIC Dameng Mining which immediately prior to the Reorganization was held 65.5% by the Group, has become a wholly-owned subsidiary of the Company.

Principal Activities

The principal activity of the Company is investment holding. The principal activities of the Group are manganese mining, ore processing and downstream processing operations in the PRC and developing manganese mining and ore operations in Gabon.

Results and Dividends

The Group's profit for the year ended 31 December 2010 and the state of affairs of the Company and the Group at that date are set out in the financial statements on pages 58 to 114. The Group has declared a dividend in the sum of HK$507,974,000 before the Company's IPO.

The Directors do not recommend the payment of a final dividend.

Use of Proceeds from Listing

The net proceeds from the Company's IPO pursuant to which 774,795,000 Shares at a price of HK$2.75 per Share were issued including the exercise of the over-allotment option, after deducting the underwriting commissions and other expenses, amounted to approximately HK$1,983,189,000. None of the proceeds have ever been used as at 31 December 2010. The balance of the net proceeds was deposited in short-term demand deposits as at 31 December 2010.

Report of the Directors

Summary Financial Statements

A summary of the published results and assets, liabilities and non-controlling interests of the Group for the last four financial years, as extracted from the audited financial statements and restated/reclassified as appropriate, is set out on page 3. This summary does not form part of the audited financial statements.

Property, Plant and Equipment and Investment Properties

Details of movements in the property, plant and equipment, and investment properties of the Group during the year are set out in notes 16 and 17 to the financial statements respectively.

Share Capital

Details of movements in the Company's share capital during the year are set out in note 31 to the financial statements.

Pre-emptive Rights

There are no provisions for pre-emptive rights under the Company's bye-laws or the laws of Bermuda which would oblige the Company to offer new shares on a pro rata basis to existing shareholders.

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.

Reserves

Details of movements in the reserves of the Company and the Group during the year are set out in note 32 to the financial statements and in the consolidated statement of changes in equity, respectively.

Distributable Reserves of the Company

As at 31 December 2010, the Company’s reserves available for distribution amounted to HK$3,815,000.

In addition, the Company’s share premium account of HK$2,856,583,000 as at 31 December 2010 may be distributed in the form of fully paid bonus shares.

Charitable Donations

During the year, the Group made charitable and other donations totalling HK$3,382,000.

Major Customers and Suppliers

During the year, sales to the Group's five largest customers accounted for 39% of the total sales for the year and sales to the largest customer included therein amounted to 11%. Purchases from the Group's five largest suppliers, amounted to 32% of the total purchases for the year and purchase from the largest supplier included therein amounted to 19%.

As far as the Directors are aware, none of the Directors of the Company or any of their associates or any shareholders (which, to the best knowledge of the Directors, own more than 5% of the Company's issued share capital) had any beneficial interest in the Group's five largest customers.

Report of the Directors

Directors

The Directors of the Company during the year ended 31 December 2010 and up to the date of this report are:

Executive Directors:

Mr. Qiu Yiyong (Chairman)	(Appointed on 19 July 2005)
Mr. Li Weijian (Vice Chairman)	(Appointed on 26 October 2010)
Mr. Tian Yuchuan (Chief Executive Officer)	(Appointed on 1 January 2009)

Non-executive Directors:

Mr. Mi Zengxin	(Appointed on 26 October 2010)
Mr. Yin Ke	(Appointed on 26 October 2010)
Mr. Chen Jiqiu	(Appointed on 26 October 2010)

Independent non-executive Directors:

Mr. Yang Zhi Jie	(Appointed on 26 October 2010)
Mr. Mo Shijian	(Appointed on 26 October 2010)
Mr. Tan Zhuzhong	(Appointed on 26 October 2010)

In accordance with articles 84(1) and 84(2) of the Bye-laws, Mr. Qiu Yiyong ("**Mr. Qiu**"), Mr. Tian Yuchuan ("**Mr. Tian**") and Mr. Chen Jiqiu will retire by rotation and, being eligible, will offer themselves for re-election at the forthcoming annual general meeting.

The Company has received annual confirmation of independence from each of the independent non-executive Directors, i.e. Mr. Yang Zhi Jie, Mr. Mo Shijian and Mr. Tan Zhuzhong, pursuant to Rule 3.13 of the Listing Rules. The Company considers that all the independent non-executive Directors are independent.

Directors' and Senior Management's Biographies

Biographical details of the Directors of the Company and the senior management of the Company are set out on pages 30 to 33 of this annual report.

Directors' Service Contracts

Each of our executive Directors and non executive Directors has entered into a service agreement with the Company for an initial fixed term of three years commencing from 26 October 2010.

Each of our independent non executive Directors has entered into a service agreement with the Company for an initial fixed term of two years commencing from 26 October 2010.

None of the Directors proposed for re-election at the forthcoming annual general meeting has a service contract with the Company which is not determinable by the Company within one year without payment of compensation, other than statutory compensation.

Directors' Remuneration

Directors' remuneration is determined by the Board with reference to the recommendations made by the remuneration committee. The Group's remuneration policy seeks to provide fair market remuneration in a form and value to attract, retain and motivate high quality staff. Remuneration packages are set at levels to ensure comparability and competitiveness with other companies in the industry and market competing for a similar talent pool. Emoluments are also based on an individual's knowledge, skill, time commitment, responsibilities and performance and by reference to the Group's profits and performance.

Directors' Interests in Contracts

During the year, no Director had an interest, either directly or indirectly, in any contract of significance to the business of the Group to which the Company or any of its subsidiaries was a party.

Save as disclosed herein and so far as is known to the Directors, as at 31 December 2010, none of the Directors or their respective associates was materially interested in any contract or arrangement which is significant in relation to the businesses of the Group taken as a whole.

Report of the Directors

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

As at 31 December 2010, none of the Directors or chief executive of the Company had any interests and/or short positions in the shares, underlying shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) which were notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions in which they are taken or deemed to have under such provisions of the SFO) or which were recorded in the register required to be kept pursuant to Section 352 of the SFO, to be entered in the register referred to therein or which are required, pursuant to the Model Code, to be notified to the Company and the Stock Exchange.

Directors' Rights to Acquire Interests or Debentures

At no time during the year ended 31 December 2010, the Company or any of its subsidiaries or its holding company or any of the subsidiaries of the Company's holding company a party to any arrangement to enable the Directors or their associates (as defined in the Listing Rules) to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

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

As at 31 December 2010, according to the register kept by the Company pursuant to Section 336 of the SFO and, so far as is known to the directors, the persons or entities who had an interest or a short position in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or who were, directly or indirectly, interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of the Company, or of any other company which is a member of the Group, or in any options in respect of such share capital are as follows:

Long positions:

Name	Notes	Capacity and nature of interest	Number of ordinary shares held	Percentage of the Company's issued share capital	Number of share options held
CITIC Group	(b)	Through a controlled corporation	1,473,750,000 (L)	48.72	–
CITIC Projects Managements (HK) Limited	(b)	Through a controlled corporation	1,473,750,000 (L)	48.72	–
Keentech Group Limited	(c)	Through a controlled corporation	1,179,000,000 (L)	38.98	–
CITIC Resources Holdings Limited	(c)	Through a controlled corporation	1,179,000,000 (L)	38.98	–
Group Smart Resources Limited	(c)	Through a controlled corporation	1,179,000,000 (L)	38.98	–
Starbest Venture Limited	(c)	Through a controlled corporation	1,179,000,000 (L)	38.98	–
Highkeen Resources Limited	(c)	Directly beneficially interested	1,179,000,000 (L)	38.98	–
CITIC United Asia Investments Limited	(d)	Through a controlled corporation	294,750,000 (L)	9.74	–
Apexhill Investments Limited	(d)	Directly beneficially interested	294,750,000 (L)	9.74	–
Guangxi Dameng Manganese Industrial Co., Ltd	(e)	Through a controlled corporation	776,250,000 (L)	25.66	–
Huanan Dameng Investments Limited	(e)	Through a controlled corporation	776,250,000 (L)	25.66	–
Guinan Dameng International Resources Limited	(e)	Directly beneficially interested	776,250,000 (L)	25.66	–
Deutsche Bank Aktiengesellschaft		Directly beneficially owned	230,888,071 (L)	7.63	–
			1,849,071 (S)	0.06	–
Gaoling Fund, L.P.	(f)	Through a controlled corporation	225,794,000 (L)	7.46	–
Hillhouse Capital Management, Ltd.	(f)	Directly beneficially interested	225,794,000 (L)	7.46	–

Report of the Directors

Notes:

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

(b) CITIC Projects Management (HK) Limited ("**CITIC Projects**") is wholly owned by CITIC Group. CITIC Group is a company established in the PRC.

(c) Highkeen Resources Limited is wholly owned by Starbest Venture Limited ("**Starbest Venture**"), which is in turn wholly owned by Group Smart Resources Limited ("**Group Smart**"). Group Smart is wholly owned by CITIC Resources, which is in turn is owned as to 41.61% by Keentech Group Limited. Keentech Group is wholly owned by CITIC Projects.

(d) Apexhill Investments Limited is wholly owned by CITIC United Asia Investments Limited, which is in turn wholly owned by CITIC Projects.

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

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

Save as disclosed above, as at 31 December 2010, the Company has not been notified by any persons (other than the Directors and chief executive of the Company, whose interests are set out in the section "Directors' and chief executive's interests in shares and underlying shares" above), who had interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO.

Non-compete Undertaking by a Controlling Shareholder

The Company has received an annual confirmation from CITIC Resources, a controlling shareholder of the Company, in respect of its compliance with the Non-compete Undertaking since the Listing Date.

The independent non-executive Directors have reviewed the said undertaking and are of the view that CITIC Resources has complied with the Non-compete Undertaking during the period between the Listing Date and 31 December 2010.

Continuing Connected Transactions

During the year, the Group had the following continuing connected transactions, details of which have been disclosed in compliance with the requirements of Chapter 14A of the Listing Rules.

On 28 October 2010, CITIC Dameng Mining entered into a framework outsourcing agreement with Guangxi Xishan pursuant to which Guangxi Xishan agreed to provide underground mining services and construction of underground for underground mining works to CITIC Dameng Mining while CITIC Dameng Mining agreed to provide fuels and water and electricity to Guangxi Xishan. Details of the framework outsourcing agreement were disclosed in the section headed "Connected Transactions" in the Prospectus. During the year, the provision of underground mining services and construction of infrastructure for underground mining works amounted to HK$31,961,000 and HK$32,037,000 respectively. The provision of water and electricity and sales of fuel amounted to HK$1,537,000 and HK$1,022,000 respectively.

On 28 October 2010, CITIC Dameng Mining entered into the Integrated Services Framework Agreement with Guangxi Dameng for providing basic welfare to the Company's employees at Daxin Mine by Guangxi Dameng and to provide water and electricity to Guangxi Dameng. Details of the Services Framework Agreement were disclosed in the section headed "Connected Transactions" in the Prospectus.

On 28 October 2010, CITIC Dameng Mining entered into (i) Guangxi Guilin Dameng Agreement; (ii) Guangxi Liuzhou Agreement; (iii) Nanning Battery Plant Agreement; (iv) Guangxi Hezhou Agreement and (v) Guangxi Wuzhou Agreement (collectively, the "**Guangxi Dameng Framework Agreements**") with Guangxi Dameng's subsidiaries. Pursuant to the Guangxi Dameng Framework Agreements, CITIC Dameng Mining agreed to, amongst other things, purchase raw materials, manganese products, tools and equipment from, sell manganese products and raw materials to and receive processing services from Guangxi Dameng's subsidiaries. Details of the Guangxi Dameng Framework Agreements were disclosed in the section headed "Connected Transactions" in the Prospectus.

Report of the Directors

On 31 December 2010, the Company entered into a master agreement the China CITIC Bank and CITIC Bank International Limited by maintaining bank balances and deposits with China CITIC Bank and CITIC Bank International Limited. Further details of the transactions were disclosed in the Prospectus and announcement of the Company dated 31 December 2010. Details of the Master Agreement were disclosed in the Company's announcement dated 31 December 2010.

Other than the transactions with Guangxi Xishan, the amounts of the above mentioned continuing connected transactions are disclosed in note 35 to the financial statements.

The independent non-executive Directors of the Company have reviewed the continuing connected transactions set out above and have confirmed that these continuing connected transactions were entered into (i) in the ordinary and usual course of business of the Group; (ii) on normal commercial terms or on terms no less favourable to the Group than terms available to or from independent third parties; and (iii) in accordance with the relevant agreements governing them on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole.

Ernst & Young, the Company's auditors, were engaged to report on the Group's continuing connected transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 Assurance Engagements Other Than Audits or Reviews of Historical Financial Information and with reference to Practice Note 740 Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules issued by the Hong Kong Institute of Certified Public Accountants. Ernst & Young have issued their unqualified letter containing their findings and conclusions in respect of the continuing connected transactions disclosed above by the Group in accordance with Rule 14A.38 of the Listing Rules.

Share Option Scheme

The purpose of the Share Option Scheme is to provide incentive or reward to eligible persons (including full time or part time employees, executive, non-executive Directors and independent non-executive Directors of our Group) for their contribution to, and continuing efforts to promote the interests of, our Company and to enable our Company and its subsidiaries to recruit and retain high-caliber employees.

The total number of Shares issued and which may be issued upon exercise of the options granted under the Share Option Scheme to an employee in any 12-month period shall not exceed 1% of the Shares in issue. Any further grant of options in excess of this limit shall be subject to the approval of shareholders in general meeting. The subscription price of a Share in respect of any particular option granted under the Share Option Scheme shall be at least the highest of (i) the closing price of the Shares as stated in the Stock Exchange's daily quotations sheet on the date of grant, which must be a business day; (ii) the average closing price of the Shares as stated in the Stock Exchange's daily quotations sheets for the five business days immediately preceding the date of grant and (iii) the nominal value of a Share.

Subject to earlier termination by the Company in general meeting or by the Directors, the Share Option Scheme shall be valid and effective for a period of ten years from the date of adoption, i.e. 26 October 2010. No share option has been granted under the Share Option Scheme during the year.

On 11 January 2011, the Company granted 103,000,000 share options to the Directors and certain employees of the Group under the Share Option Scheme, of which 67,000,000 share options were granted to the Directors. Details of the grant have been set out in the Company's announcement dated 11 January 2011.

Sufficiency of Public Float

As at the date of this Annual Report, based on information that is publicly available to the Company and within the knowledge of the Directors, at least 25% of the Company's total issued share capital are held by the public.

Report of the Directors

Auditors

Ernst & Young retire and a resolution for their reappointment as auditors of the Company will be proposed at the forthcoming annual general meeting.

ON BEHALF OF THE BOARD

Qiu Yiyong
Chairman

Hong Kong
18 March 2011

Independent Auditors' Report

ERNST & YOUNG
安 永

To the shareholders of CITIC Dameng Holdings Limited

(Incorporated in Bermuda with limited liability)

We have audited the consolidated financial statements of CITIC Dameng Holdings Limited (the "Company") and its subsidiaries (together, the "Group") set out on pages 58 to 114, which comprise the consolidated and company statements of financial position as at 31 December 2010, and the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Directors' responsibility for the consolidated financial statements

The directors of the Company are responsible for the preparation of these consolidated financial statements that give a true and fair view in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' responsibility

Our responsibility is to express an opinion on consolidated financial statements based on our audit. Our report is made solely to you, as a body, in accordance with Section 90 of the Bermuda Companies Act 1981, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation of consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2010, and of the Group's profit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

Ernst & Young

Certified Public Accountants

18th Floor
Two International Finance Centre
8 Finance Street, Central
Hong Kong

18 March 2011

Consolidated Statement of Comprehensive Income

Year ended 31 December 2010

	Notes	2010 HK$'000	2009 HK$'000
REVENUE	7	2,579,673	2,086,364
Cost of sales		(1,970,178)	(1,656,641)
Gross profit		609,495	429,723
Other income and gains	7	65,505	23,288
Selling and distribution costs		(77,956)	(49,491)
Administrative expenses		(219,128)	(202,877)
Other expenses		(19,411)	(18,123)
Finance costs	8	(95,716)	(107,195)
PROFIT BEFORE TAX	9	262,789	75,325
Income tax expense	12	(14,339)	(11,613)
PROFIT FOR THE YEAR		248,450	63,712
OTHER COMPREHENSIVE INCOME:			
Contribution from a minority shareholder upon waiver of loans		13,128	–
Exchange differences on translation of foreign operations		43,223	1,002
		56,351	1,002
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		304,801	64,714
Total profit attributable to:			
Owners of the parent	13	229,132	48,611
Non-controlling interests		19,318	15,101
		248,450	63,712
Total comprehensive income attributable to:			
Owners of the parent		269,949	49,541
Non-controlling interests		34,852	15,173
		304,801	64,714
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	14		
Basic		13.01 HK cents	3.30 HK cents
Diluted		13.01 HK cents	3.30 HK cents

Details of the dividends for the year are disclosed in note 15 to the financial statements.

Consolidated Statement of Financial Position

31 December 2010

	Notes	2010 HK$'000	2009 HK$'000 (Restated)
NON-CURRENT ASSETS			
Property, plant and equipment	16	2,145,238	1,625,315
Investment properties	17	62,612	–
Prepaid land lease payments	18	164,886	83,361
Intangible assets	19	300,759	296,301
Available-for-sale equity investment	20	4,369	4,218
Deferred tax assets	21	79,929	40,790
Deposits and prepayment	24	129,362	182,177
Total non-current assets		2,887,155	2,232,162
CURRENT ASSETS			
Inventories	22	449,995	354,487
Trade and notes receivables	23	603,934	433,754
Prepayments, deposits and other receivables	24	187,842	152,568
Due from related companies	35	53,739	49,804
Due from a minority shareholder of a subsidiary	35	–	5,595
Tax recoverable		730	749
Pledged deposits	25	71,543	85,226
Cash and cash equivalents	25	2,580,741	453,004
Total current assets		3,948,524	1,535,187
CURRENT LIABILITIES			
Trade payables	26	240,223	108,873
Other payables and accruals	27	446,694	302,930
Interest-bearing bank and other borrowings	28	1,172,735	875,255
Due to related companies	35	3,515	19,512
Due to the intermediate holding company	35	–	303,840
Due to minority shareholders of subsidiaries	35	–	80,363
Due to a shareholder	35	–	60,000
Tax payable		–	3,404
Total current liabilities		1,863,167	1,754,177
NET CURRENT ASSETS/(LIABILITIES)		2,085,357	(218,990)
TOTAL ASSETS LESS CURRENT LIABILITIES		4,972,512	2,013,172
NON-CURRENT LIABILITIES			
Interest-bearing bank borrowings	28	1,514,156	835,949
Deferred tax liabilities	21	16,973	27,473
Other long-term liabilities	29	3,700	2,377
Deferred income	30	35,684	4,937
Total non-current liabilities		1,570,513	870,736
Net assets		3,401,999	1,142,436

Consolidated Statement of Financial Position

31 December 2010

	Notes	2010 HK$'000	2009 HK$'000 (Restated)
EQUITY			
Equity attributable to owners of the parent			
Issued capital	31	302,480	100
Reserves	32	3,029,475	555,473
		3,331,955	555,573
Non-controlling interests		70,044	586,863
Total equity		3,401,999	1,142,436

Qiu Yiyong
Director

Tian Yuchuan
Director

Consolidated Statement of Changes in Equity

Year ended 31 December 2010

		Attributable to owners of the parent								
	Notes	Issued capital HK$'000	Share premium HK$'000	Contributed surplus HK$'000	Reserve funds HK$'000	Exchange fluctuation reserve HK$'000	Retained profits HK$'000	Total HK$'000	Non - controlling interests HK$'000	Total equity HK$'000
At 1 January 2009		100	–	–	50,481	73,576	434,244	558,401	596,800	1,155,201
Profit for the year		–	–	–	–	–	48,611	48,611	15,101	63,712
Other comprehensive income for the year:										
Exchange differences on translation of foreign operations		–	–	–	–	930	–	930	72	1,002
Total comprehensive income for the year		–	–	–	–	930	48,611	49,541	15,173	64,714
Acquisition of additional interest in a subsidiary	32(b)	–	–	(52,369)	–	–	–	(52,369)	52,369	–
Dividend paid to non-controlling shareholders		–	–	–	–	–	–	–	(77,479)	(77,479)
Transfer from retained profits	32(c)	–	–	–	11,876	–	(11,876)	–	–	–
At 31 December 2009 and 1 January 2010		100	–*	(52,369)*	62,357*	74,506*	470,979*	555,573	586,863	1,142,436
Profit for the year		–	–	–	–	–	229,132	229,132	19,318	248,450
Other comprehensive income for the year:										
Contribution from a minority shareholder upon waiver of loans		–	–	6,696	–	–	–	6,696	6,432	13,128
Exchange differences on translation of foreign operations		–	–	–	–	34,121	–	34,121	9,102	43,223
Total comprehensive income for the year		–	–	6,696	–	34,121	229,132	269,949	34,852	304,801
Issue of shares	31	302,380	2,856,583	–	–	–	–	3,158,963	–	3,158,963
Acquisition of additional interest in a subsidiary from non-controlling shareholders	32(b)	–	–	(144,556)	–	–	–	(144,556)	(394,571)	(539,127)
Provision for special reserve	32(c)	–	–	–	13,754	–	(13,754)	–	–	–
Utilization of special reserve	32(c)	–	–	–	(6,212)	–	6,212	–	–	–
Dividend declared	15	–	–	–	–	–	(507,974)	(507,974)	–	(507,974)
Dividend paid to non-controlling shareholders		–	–	–	–	–	–	–	(157,100)	(157,100)
Transfer from retained profits	32(c)	–	–	–	34,228	–	(34,228)	–	–	–
At 31 December 2010		302,480	2,856,583*	(190,229)*	104,127*	108,627*	150,367*	3,331,955	70,044	3,401,999

* These reserve accounts comprise the consolidated reserves of HK$3,029,475,000 in the consolidated statement of financial position (2009: HK$555,473,000).

Consolidated Statement of Cash Flows

Year ended 31 December 2010

	Notes	2010 HK$'000	2009 HK$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		262,789	75,325
Adjustments for:			
Finance costs	8	95,716	107,195
Interest income	7	(6,710)	(3,524)
Loss on disposal of items of property, plant and equipment	9	1,337	2,606
Government grants	30	(2,053)	–
Depreciation	9	158,744	141,428
Fair value gains on investment properties	17	(27,507)	–
Amortization of prepaid land lease payments	9	6,172	2,062
Amortization of intangible assets	9	6,252	6,004
(Write-back)/write-down of inventories to net realizable value	9	(1,010)	35,225
Impairment of trade and other receivables, net	9	3,553	1,702
Write-off of payables	7	(4,811)	(936)
		492,472	367,087
Increase in inventories		(97,353)	(31,623)
Increase in trade and notes receivables		(127,159)	(99,476)
(Increase)/decrease in prepayments, deposits and other receivables		(71,505)	44,174
Increase in amounts due from related companies		(9,818)	(16,805)
Increase in an amount due from a minority shareholder of a subsidiary		–	(5,141)
Increase/(decrease) in trade payables		133,278	(9,838)
Increase in other payables and accruals		119,802	48,098
Decrease in amounts due to related companies		(5,598)	(4,934)
Decrease in an amount due to a minority shareholder of a subsidiary		(8,432)	–
Increase/(decrease) in other long-term liabilities		1,323	(612)
Cash generated from operations		427,010	290,930
PRC tax paid		(65,261)	(10,272)
Net cashflows from operating activities		361,749	280,658

Consolidated Statement of Cash Flows

Year ended 31 December 2010

	Notes	2010 HK$'000	2009 HK$'000
Net cash flows from operating activities		361,749	280,658
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest received	7	6,710	3,524
Receipt of government grants	30	31,878	4,937
Additions of items of property, plant and equipment		(606,255)	(447,303)
Increase in deposits for the purchase of property, plant and equipment		(377)	(53,131)
Proceeds from disposal of items of property, plant and equipment		32,184	22,077
Purchase of investment properties		(8,413)	–
Additions of leasehold land	18	(52,273)	(9,426)
Additions of intangible assets	19	(836)	(550)
Increase in deposits for the purchase of parcels of leasehold land		(6,064)	(40,422)
Acquisition of additional interest in a subsidiary from a minority shareholder		(539,127)	–
Net cash flows used in investing activities		(1,142,573)	(520,294)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of shares		2,539,313	–
New bank and other borrowings		1,805,083	1,751,916
Repayment of bank and other borrowings		(910,435)	(1,958,127)
Repayment of an advance from a related company		–	(12,470)
Advance from the intermediate holding company		–	240,000
Repayment of an advance from the intermediate holding company		–	(49,880)
Repayment of an advance from a minority shareholder of a subsidiary		(29,746)	(2,700)
Advance from a shareholder		–	60,000
Interest paid	8	(109,939)	(107,195)
Dividend paid		(409,696)	(28,181)
Net cash flows from/(used in) financing activities		2,884,580	(106,637)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		2,103,756	(346,273)
Cash and bank balances at beginning of year		538,230	884,192
Effect of foreign exchange rate changes, net		10,298	311
CASH AND CASH EQUIVALENTS AT END OF YEAR		2,652,284	538,230
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and cash equivalents as stated in the statement of financial position	25	2,580,741	453,004
Pledged deposits	25	71,543	85,226
Cash and cash equivalents as stated in the statement of cash flows		2,652,284	538,230

Statement of Financial Position

31 December 2010

	Notes	2010 HK$'000	2009 HK$'000
NON-CURRENT ASSET			
Investment in a subsidiary	5	–	–
CURRENT ASSETS			
Other receivables		125	26,745
Due from subsidiaries	5	2,289,122	–
Cash and cash equivalents	25	939,065	–
		3,228,312	26,745
CURRENT LIABILITIES			
Other payables and accruals		65,434	26,990
Due to subsidiaries	5	–	17,248
		65,434	44,238
NET CURRENT ASSETS/(LIABILITIES)		3,162,878	(17,493)
NET ASSETS/(LIABILITIES)		3,162,878	(17,493)
EQUITY			
Issued capital	31	302,480	100
Reserves	32	2,860,398	(17,593)
TOTAL EQUITY/(DEFICIENCY IN ASSETS)		3,162,878	(17,493)

Qiu Yiyong
Director

Tian Yuchuan
Director

Notes to Financial Statements

31 December 2010

1. Corporate information

The Company was incorporated in Bermuda on 18 July 2005 as an exempted company with limited liability under Section 14 of the Companies Act 1981 of Bermuda (as amended). The registered office of the Company is located at Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda. The principal place of business of the Company is located at Suites 3501-3502, Bank of America Tower, 12 Harcourt Road, Hong Kong.

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

In order to rationalize the corporate structure in preparation for the listing of its shares on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"), the Company underwent a corporate reorganization (the "Reorganization"). Prior to the Reorganization, the Company was owned as to 80% and 20% by Highkeen Resources Limited ("Highkeen") and Apexhill Investments Limited ("Apexhill"). The Company has one directly held wholly-owned subsidiary, namely, CITIC Dameng Investments Limited ("CITIC Dameng Investments"), which is also an investment holding company. Substantially all business operations of the Group have been conducted by CITIC Dameng Mining Industries Co., Limited ("CITIC Dameng Mining") and its subsidiaries. CITIC Dameng Mining was owned as to 65.5% and 34.5% by CITIC Dameng Investments and Guangxi Dameng Manganese Industrial Co., Ltd. ("Guangxi Dameng"), respectively. CITIC Dameng Investments acquired from Guangxi Dameng its entire 34.5% equity interest in CITIC Dameng Mining at a cash consideration of RMB463 million. On 30 September 2010, the registration of Guangxi Dameng's 34.5% equity interest in CITIC Dameng Mining was changed under the name of CITIC Dameng Investments. On 27 October 2010, Guinan Dameng International Resources Limited ("Guangxi Dameng BVI"), a wholly-owned subsidiary of Guangxi Dameng injected HK$556 million into the Company and acquired a 34.5% equity interest in the Company. The Reorganization was completed on 27 October 2010. The Company's shares were listed on the Stock Exchange on 18 November 2010.

2.1 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, accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance.

These financial statements have been prepared under the historical cost convention, except for investment properties, which has 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.

As further explained in note 2.2 below, during the year, the Group adopted HK Interpretation 5, following which the Group's term bank loan was reclassified as a current liability. This in turn has impacted on the amount of net current assets presented in the consolidated statement of financial position. Further details about the effect on the financial statements and the directors' assessment of the impact on the Group's liquidity arising from this change are included in notes 2.2 and 39 to the financial statements, respectively.

Basis of consolidation

Basis of consolidation from 1 January 2010

The consolidated financial statements include the financial statements of the Group for the year ended 31 December 2010. 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 of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases. All intra-group balances, transactions, unrealized gains and losses resulting from intra-group transactions and dividends are eliminated on consolidation in full.

Losses within a subsidiary are attributed to the non-controlling interest even if that results in a deficit balance. 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 derecognizes (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 recognizes (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 recognized in other comprehensive income is reclassified to profit or loss or retained profits, as appropriate.

Notes to Financial Statements

31 December 2010

2.1 Basis of preparation (continued)

Basis of Consolidation (continued)

Basis of consolidation prior to 1 January 2010

Certain of the above-mentioned requirements have been applied on a prospective basis. The following differences, however, are carried forward in certain instances from the previous basis of consolidation:

- Losses incurred by the Group were attributed to the non-controlling interest until the balance was reduced to nil. Any further excess losses were attributable to the parent, unless the non-controlling interest had a binding obligation to cover these. Losses prior to 1 January 2010 were not reallocated between non-controlling interest and the parent shareholders.
- Upon loss of control, the Group accounted for the investment retained at its proportionate share of net asset value at the date control was lost. The carrying amount of such investment at 1 January 2010 has not been restated.

2.2 Changes in accounting policy and disclosures

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

HKFRS 1 (Revised)	*First-time Adoption of Hong Kong Financial Reporting Standards*
HKFRS 1 Amendments	Amendments to HKFRS 1 *First-time Adoption of Hong Kong Financial Reporting Standards – Additional Exemptions for First-time Adopters*
HKFRS 2 Amendments	Amendments to HKFRS 2 *Share-based Payment – Group Cash-settled Share-based Payment Transactions*
HKFRS 3 (Revised)	*Business Combinations*
HKAS 27 (Revised)	*Consolidated and Separate Financial Statements*
HKAS 39 Amendment	Amendment to HKAS 39 *Financial Instruments: Recognition and Measurement – Eligible Hedged Items*
HK(IFRIC)-Int 17	*Distributions of Non-cash Assets to Owners*
HKFRS 5 Amendments included in *Improvements to HKFRSs* issued in October 2008	Amendments to HKFRS 5 *Non-current Assets Held for Sale and Discontinued Operations – Plan to sell the controlling interest in a subsidiary*
Improvements to HKFRSs 2009	Amendments to a number of HKFRSs issued in May 2009
HK Interpretation 4 Amendment	Amendment to HK Interpretation 4 *Leases – Determination of the Length of Lease Term in respect of Hong Kong Land Leases*
HK Interpretation 5	*Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause*

Other than as further explained below regarding the impact of HKFRS 3 (Revised), HKAS 27 (Revised), amendments to HKAS 7 included in *Improvements to HKFRSs 2009* and HK Interpretation 5, the adoption of the new and revised HKFRSs has had no significant financial effect on these financial statements.

The principal effects of adopting these new and revised HKFRSs are as follows:

(a) HKFRS 3 (Revised) *Business Combinations* and HKAS 27 (Revised) *Consolidated and Separate Financial Statements*

HKFRS 3 (Revised) introduces a number of changes in the accounting for business combinations that affect the initial measurement of non-controlling interests, the accounting for transaction costs, the initial recognition and subsequent measurement of a contingent consideration and business combinations achieved in stages. These changes will impact the amount of goodwill recognized, the reported results in the period that an acquisition occurs, and future reported results.

HKAS 27 (Revised) requires that a change in the ownership interest of a subsidiary without loss of control is accounted for as an equity transaction. Therefore, such a change will have no impact on goodwill, nor will it give rise to a gain or loss. Furthermore, the revised standard changes the accounting for losses incurred by the subsidiary as well as the loss of control of a subsidiary. Consequential amendments were made to various standards, including, but not limited to HKAS 7 *Statement of Cash Flows*, HKAS 12 *Income Taxes*, HKAS 21 *The Effects of Changes in Foreign Exchange Rates*, HKAS 28 *Investments in Associates* and HKAS 31 *Interests in Joint Ventures*.

The changes introduced by these revised standards are applied prospectively and affect the accounting of acquisitions, loss of control and transactions with non-controlling interests after 1 January 2010.

2.2 Changes in accounting policy and disclosures (continued)

(b) *Improvements to HKFRSs 2009* issued in May 2009 sets out amendments to a number of HKFRSs. There are separate transitional provisions for each standard. While the adoption of some of the amendments results in changes in accounting policies, none of these amendments has had a significant financial impact on the Group. Details of the key amendments most applicable to the Group are as follows:

- HKAS 7 *Statement of Cash Flows*: Requires that only expenditures that result in a recognized asset in the statement of financial position can be classified as a cash flow from investing activities.

(c) HK Interpretation 5: *Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause*

HK Interpretation 5 requires that a term loan that contains a clause that gives the lender the unconditional right to call the loan at any time shall be classified in total by the borrower as current in the statement of financial position. This is irrespective of whether a default event has occurred and notwithstanding any other terms and maturity stated in the loan agreement. Prior to the adoption of this interpretation, the Group's term loan was classified in the statement of financial position separately as to the current and non-current liability portions based on the maturity dates of repayment. Upon the adoption of the interpretation, the term loan has been reclassified as a current liability. The interpretation has been applied by the Group retrospectively and comparative amounts have been restated. In addition, as a result of this change and as required by HKAS 1 *Presentation of Financial Statements*, the Group is required to present a statement of financial position as at 1 January 2009. Since the adoption of HK Interpretation 5 has had no impact on the Group's financial position as at 1 January 2009, no third statement of financial position as at 1 January 2009 was included in these financial statements.

Further details of the loan are disclosed in note 28 to the financial statements.

The above change has had no effect on the consolidated statement of comprehensive income. The effect on the consolidated statement of financial position at 31 December is summarized as follows:

	2010 HK$'000	2009 HK$'000	At 1 January 2009 HK$'000
CURRENT LIABILITIES			
Increase in interest-bearing bank and other borrowings	273,889	87,918	–
NON-CURRENT LIABILITIES			
Decrease in interest-bearing bank borrowings	(273,889)	(87,918)	–

There has been no impact on the net assets of the Group.

Notes to Financial Statements

31 December 2010

2.3 Issued but not yet effective HKFRSs

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

HKFRS 1 Amendment	Amendment to HKFRS 1 *First-time Adoption of Hong Kong Financial Reporting Standards – Limited Exemption from Comparative HKFRS 7 Disclosures for First-time Adopters*[2]
HKFRS 1 Amendments	Amendments to HKFRS 1 *First-time Adoption of HKFRSs – Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters*[4]
HKFRS 7 Amendments	Amendments to HKFRS 7 *Financial Instruments: Disclosures-Transfers of Financial Assets*[4]
HKFRS 9	*Financial Instruments*[6]
HKAS 12 Amendments	Amendments to HKAS 12 *Income Taxes – Deferred Tax: Recovery of Underlying Assets*[5]
HKAS 24 (Revised)	*Related Party Disclosures*[3]
HKAS 32 Amendment	Amendment to HKAS 32 *Financial Instruments: Presentation – Classification of Rights Issues*[1]
HK(IFRIC)-Int 14 Amendments	Amendments to HK(IFRIC)-Int 14 *Prepayments of a Minimum Funding Requirement*[3]
HK(IFRIC)-Int 19	*Extinguishing Financial Liabilities with Equity Instruments*[2]

Apart from the above, the HKICPA has issued *Improvements to HKFRSs 2010* which sets out amendments to a number of HKFRSs primarily with a view to removing inconsistencies and clarifying wording. The amendments to HKFRS 3 and HKAS 27 are effective for annual periods beginning on or after 1 July 2010, whereas the amendments to HKFRS 1, HKFRS 7, HKAS 1, HKAS 34 and HK(IFRIC)-Int 13 are effective for annual periods beginning on or after 1 January 2011 although there are separate transitional provisions for each standard.

1 Effective for annual periods beginning on or after 1 February 2010

2 Effective for annual periods beginning on or after 1 July 2010

3 Effective for annual periods beginning on or after 1 January 2011

4 Effective for annual periods beginning on or after 1 July 2011

5 Effective for annual periods beginning on or after 1 January 2012

6 Effective for annual periods beginning on or after 1 January 2013

Further information about those changes that are expected to significantly affect the Group is as follows:

HKFRS 9 issued in November 2009 is the first part of phase 1 of a comprehensive project to entirely replace HKAS 39 *Financial Instruments: Recognition and Measurement*. This phase focuses on the classification and measurement of financial assets. Instead of classifying financial assets into four categories, an entity shall classify financial assets as subsequently measured at either amortized cost or fair value, on the basis of both the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets. This aims to improve and simplify the approach for the classification and measurement of financial assets compared with the requirements of HKAS 39.

2.3 Issued but not yet effective HKFRSs (continued)

In November 2010, the HKICPA issued additions to HKFRS 9 to address financial liabilities (the "Additions") and incorporated in HKFRS 9 the current derecognition principles of financial instruments of HKAS 39. Most of the Additions were carried forward unchanged from HKAS 39, while changes were made to the measurement of financial liabilities designated at fair value through profit or loss using the fair value option ("FVO"). For these FVO liabilities, the amount of change in the fair value of a liability that is attributable to changes in credit risk must be presented in other comprehensive income ("OCI"). The remainder of the change in fair value is presented in profit or loss, unless presentation of the fair value change in respect of the liability's credit risk in OCI would create or enlarge an accounting mismatch in profit or loss. However, loan commitments and financial guarantee contracts which have been designated under the FVO are scoped out of the Additions.

HKAS 39 is aimed to be replaced by HKFRS 9 in its entirety. Before this entire replacement, the guidance in HKAS 39 on hedge accounting and impairment of financial assets continues to apply. The Group expects to adopt HKFRS 9 from 1 January 2013.

HKAS 24 (Revised) clarifies and simplifies the definition of related parties. It also provides for a partial exemption of related party disclosure to government-related entities for transactions with the same government or entities that are controlled, jointly controlled or significantly influenced by the same government. The Group expects to adopt HKAS 24 (Revised) from 1 January 2011 and the comparative related party disclosures will be amended accordingly.

While the adoption of the revised standard will result in changes in the accounting policy, the revised standard is unlikely to have any impact on the related party disclosures as the Group currently does not have any significant transactions with government-related entities.

Improvements to HKFRSs 2010 issued in May 2010 sets out amendments to a number of HKFRSs. The Group expects to adopt the amendments from 1 January 2011. There are separate transitional provisions for each standard. While the adoption of some of the amendments may result in changes in accounting policies, none of these amendments are expected to have a significant financial impact on the Group. Those amendments that are expected to have a significant impact on the Group's policies are as follows:

(a) HKFRS 3 *Business Combinations*: Clarifies that the amendments to HKFRS 7, HKAS 32 and HKAS 39 that eliminate the exemption for contingent consideration do not apply to contingent consideration that arose from business combinations whose acquisition dates precede the application of HKFRS 3 (as revised in 2008).

    In addition, the amendments limit the measurement choice of non-controlling interests at fair value or at the proportionate share of the acquiree's identifiable net assets to components of non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation. Other components of non-controlling interests are measured at their acquisition date fair value, unless another measurement basis is required by another HKFRS.

    The amendments also added explicit guidance to clarify the accounting treatment for non-replaced and voluntarily replaced share-based payment awards.

(b) HKAS 1 *Presentation of Financial Statements*: Clarifies that an analysis of other comprehensive income for each component of equity can be presented either in the statement of changes in equity or in the notes to the financial statements.

(c) HKAS 27 *Consolidated and Separate Financial Statements*: Clarifies that the consequential amendments from HKAS 27 (as revised in 2008) made to HKAS 21, HKAS 28 and HKAS 31 shall be applied prospectively for annual periods beginning on or after 1 July 2009 or earlier if HKAS 27 is applied earlier.

Notes to Financial Statements

31 December 2010

3. Summary of significant accounting policies

Subsidiaries

A subsidiary is an entity whose financial and operating policies the Company controls, directly or indirectly, so as to obtain benefits from its activities.

The results of subsidiaries are included in the Company's consolidated statement of comprehensive income to the extent of dividends received and receivable. The Company's investment in a subsidiary is stated at cost less any impairment losses.

Business combinations and goodwill

Business combinations from 1 January 2010

Business combinations are accounted for using the acquisition method. The consideration transferred is measured at the acquisition date fair value which is the sum of the acquisition date fair values of assets transferred by the Group, liabilities assumed by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. For each business combination, the acquirer measures the non-controlling interest in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition costs are expensed as incurred.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

If the business combination is achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value as at the acquisition date through profit or loss.

Any contingent consideration to be transferred by the acquirer is recognized at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration which is deemed to be an asset or liability is recognized in accordance with HKAS 39 either in profit or loss or as a change to other comprehensive income. If the contingent consideration is classified as equity, it shall not be remeasured until it is finally settled within equity.

Goodwill is initially measured at cost being the excess of the aggregate of the consideration transferred, the amount recognized for non-controlling interests and any fair value of the Group's previously held equity interests in the acquiree over the net identifiable assets acquired and liabilities assumed. If the sum of this consideration and other items is lower than the fair value of the net assets of the subsidiary acquired, the difference is, after reassessment, recognized in profit or loss as a gain on bargain purchase.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is tested for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. The Group performs its annual impairment test of goodwill as at 31 December. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units.

Impairment is determined by assessing the recoverable amount of the cash-generating unit (group of cash-generating units) to which the goodwill relates. Where the recoverable amount of the cash-generating unit (group of cash-generating units) is less than the carrying amount, an impairment loss is recognized. An impairment loss recognized for goodwill is not reversed in a subsequent period.

Where goodwill forms part of a cash-generating unit (group of cash-generating units) and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion of the cash-generating unit retained.

3. Summary of significant accounting policies (continued)

Business combinations and goodwill (continued)

Business combinations prior to 1 January 2010 but after 1 January 2005

In comparison to the above-mentioned requirements which were applied on a prospective basis, the following differences applied to business combinations prior to 1 January 2010:

Business combinations were accounted for using the purchase method. Transaction costs directly attributable to the acquisition formed part of the acquisition costs. The non-controlling interest was measured at the proportionate share of the acquiree's identifiable net assets.

Business combinations achieved in stages were accounted for as separate steps. Any additional acquired share of interest did not affect previously recognized goodwill.

When the Group acquired a business, embedded derivatives separated from the host contract by the acquiree were not reassessed on acquisition unless the business combination resulted in a change in the terms of the contract that significantly modified the cash flows that otherwise would have been required under the contract.

Contingent consideration was recognized if, and only if, the Group had a present obligation, the economic outflow was more likely than not and a reliable estimate was determinable. Subsequent adjustments to the contingent consideration were recognized as part of goodwill.

Impairment of non-financial assets

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than inventories, deferred tax assets, financial assets and investment properties), the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value in use and its fair value less costs to sell, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is recognized only if the carrying amount of an asset exceeds its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is charged to profit or loss in the period in which it arises in those expense categories consistent with the function of the impaired asset.

An assessment is made at the end of each reporting period as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognized impairment loss of an asset is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, but not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortization) had no impairment loss been recognized for the asset in prior years. A reversal of such an impairment loss is credited to profit or loss in the period in which it arises.

Related parties

A party is considered to be related to the Group if:

(a) the party, directly or indirectly through one or more intermediaries, (i) controls, is controlled by, or is under common control with, the Group; (ii) has an interest in the Group that gives it significant influence over the Group; or (iii) has joint control over the Group;

(b) the party is an associate;

(c) the party is a jointly-controlled entity;

(d) the party is a member of the key management personnel of the Group or its parent;

(e) the party is a close member of the family of any individual referred to in (a) or (d);

(f) the party is an entity that is controlled, jointly controlled or significantly influenced by or for which significant voting power in such entity resides with, directly or indirectly, any individual referred to in (d) or (e); or

(g) the party is a post-employment benefit plan for the benefit of the employees of the Group, or of any entity that is a related party of the Group.

Notes to Financial Statements

3. Summary of significant accounting policies (continued)

Property, plant and equipment and depreciation

Property, plant and equipment, other than construction in progress, are stated at cost less accumulated depreciation and any impairment losses. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to profit or loss in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalized in the carrying amount of the asset as a replacement. Where significant parts of property, plant and equipment are required to be replaced at intervals, the Group recognizes such parts as individual assets with specific useful lives and depreciation.

Depreciation of buildings, motor vehicles, plant, machinery, tools and equipment, furniture and fixtures and leasehold improvements is calculated on the straight-line basis to write off the cost of each of these items to its residual value over its estimated useful life as follows:

Buildings	10-30 years
Motor vehicles, plant, machinery, tools and equipment	5-10 years
Furniture and fixtures	5 years
Leasehold improvements	5-10 years or over the unexpired lease terms, whichever is shorter

Mining structures mainly comprise the open-pit quarries, auxiliary mine shafts and underground tunnels. Depreciation of mining structures is provided to write off the cost of the mining structures using the unit-of-production ("UOP") method based on reserves estimated to be recovered from existing facilities.

Where parts of an item of property, plant and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately. Residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at least at each financial year end.

An item of property, plant and equipment and any significant part initially recognized is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognized in profit or loss in the year the asset is derecognized is the difference between the net sales proceeds and the carrying amount of the relevant asset.

Construction in progress represents buildings and mining structures under construction, which is stated at cost less any impairment losses, and is not depreciated. Cost comprises the direct costs of construction and capitalized borrowing costs on related borrowed funds during the period of construction. Construction in progress is reclassified to the appropriate category of property, plant and equipment when completed and ready for use.

Investment properties

Investment properties are interests in land and buildings (including the leasehold interest under an operating lease for a property which would otherwise meet the definition of an investment property) held to earn rental income and for capital appreciation, rather than for use in the production or supply of goods or services or for administrative purposes; or for sale in the ordinary course of business. Such properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are stated at fair value, which reflects market conditions at the end of the reporting period.

Gains or losses arising from changes in the fair values of investment properties are included in profit or loss in the year in which they arise.

Any gains or losses on the retirement or disposal of an investment property are recognized in the profit or loss in the year of the retirement or disposal.

3. Summary of significant accounting policies (continued)

Mining rights

Mining rights are stated at cost less accumulated amortization and any impairment losses. The mining rights are amortized over the estimated useful lives of the mines in accordance with the production plan of the entities concerned and the proven and probable reserves of the mines using the UOP method.

Intangible assets (other than goodwill)

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is the fair value as at the date of acquisition. The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are subsequently amortized over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortization period and the amortization method for an intangible asset with a finite useful life are reviewed at least at each financial year end.

Computer software

Computer software is stated at cost less any impairment losses and is amortized on the straight-line basis over its estimated useful life of five years.

Research and development costs

All research costs are charged to the income statement as incurred.

Operating leases

Leases where substantially all the rewards and risks of ownership of assets remain with the lessor are accounted for as operating leases. Where the Group is the lessee, rentals payable under the operating leases are charged to profit or loss on the straight-line basis over the lease terms.

Prepaid land lease payments under operating leases are initially stated at cost and subsequently recognized on the straight-line basis over the lease terms.

Investments and other financial assets

Initial recognition and measurement

Financial assets within the scope of HKAS 39 are classified as loans and receivables and available-for-sale financial investments. The Group determines the classification of its financial assets at initial recognition. When financial assets are recognized initially, they are measured at fair value, plus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs.

All regular way purchases and sales of financial assets are recognized on the trade date, that is, the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

The Group's financial assets include cash and cash equivalents, pledged deposits, amounts due from related companies, financial assets included in prepayments, deposits and other receivables and trade and notes receivables.

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as follows:

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such assets are subsequently measured at amortized cost using the effective interest rate method less any allowance for impairment. Amortized cost is calculated by taking into account any discount or premium on acquisition and includes fees or costs that are an integral part of the effective interest rate. The effective interest rate amortization is included in finance income in profit or loss. The loss arising from impairment is recognized in other operating expenses in profit or loss.

Notes to Financial Statements

31 December 2010

3. Summary of significant accounting policies (continued)

Investments and other financial assets (continued)

Subsequent measurement (continued)

Available-for-sale financial investments

Available-for-sale financial investments are non-derivative financial assets in listed and unlisted equity securities. Equity investments classified as available for sale are those which are neither classified as held for trading nor designated at fair value through profit or loss. Debt securities in this category are those which are intended to be held for an indefinite period of time and which may be sold in response to needs for liquidity or in response to changes in market conditions.

After initial recognition, available-for-sale financial investments are subsequently measured at fair value, with unrealized gains or losses recognized as other comprehensive income in the available-for-sale investment valuation reserve until the investment is derecognized, at which time the cumulative gain or loss is recognized in profit or loss as other income, or until the investment is determined to be impaired, at which time the cumulative gain or loss is recognized in profit or loss in other operating expenses and removed from the available-for-sale investment valuation reserve. Interest and dividends earned are reported as interest income and dividend income, respectively, and are recognized in profit or loss.

When the fair value of unlisted equity securities cannot be reliably measured because (a) the variability in the range of reasonable fair value estimates is significant for that investment or (b) the probabilities of the various estimates within the range cannot be reasonably assessed and used in estimating fair value, such securities are stated at cost less any impairment losses.

The Group evaluates its available-for-sale financial assets whether the ability and intention to sell them in the near term are still appropriate. When the Group is unable to trade these financial assets due to inactive markets and management's intent to do so significantly changes in the foreseeable future, the Group may elect to reclassify these financial assets in rare circumstances. Reclassification to loans and receivables is permitted when the financial assets meet the definition of loans and receivables and the Group has the intent and ability to hold these assets for the foreseeable future or to maturity. Reclassification to the held-to-maturity category is permitted only when the entity has the ability and intent to hold until the maturity date of the financial asset.

For a financial asset reclassified out of the available-for-sale category, any previous gain or loss on that asset that has been recognized in equity is amortized to profit or loss over the remaining life of the investment using the effective interest rate. Any difference between the new amortized cost and the expected cash flows is also amortized over the remaining life of the asset using the effective interest rate. If the asset is subsequently determined to be impaired, then the amount recorded in equity is reclassified to profit or loss.

Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognized when:

- the rights to receive cash flows from the asset have expired; or
- the Group has transferred its rights to receive cash flows from the asset, or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognized to the extent of the Group's continuing involvement in the asset. In that case, the Group also recognizes an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

3. Summary of significant accounting policies (continued)

Impairment of financial assets

The Group assesses at the end of each reporting period whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred "loss event") and that loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that a debtor or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganization and observable data indicating that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Financial assets carried at amortized cost

For financial assets carried at amortized cost, the Group first assesses individually whether objective evidence of impairment exists for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognized are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred). The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate (i.e., the effective interest rate computed at initial recognition). If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate.

The carrying amount of the asset is reduced either directly or through the use of an allowance account and the amount of the loss is recognized in profit or loss. Interest income continues to be accrued on the reduced carrying amount and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. Loans and receivables together with any associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realized or has been transferred to the Group.

If, in a subsequent period, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognized, the previously recognized impairment loss is increased or reduced by adjusting the allowance account. If a future write-off is later recovered, the recovery is credited to other operating expenses in profit or loss.

Available-for-sale financial investments

For available-for-sale financial investments, the Group assesses at the end of each reporting period whether there is objective evidence that an investment or a group of investments is impaired.

If an available-for-sale asset is impaired, an amount comprising the difference between its cost (net of any principal payment and amortization) and its current fair value, less any impairment loss previously recognized in profit or loss, is removed from other comprehensive income and recognized in profit or loss.

In the case of equity investments classified as available for sale, objective evidence would include a significant or prolonged decline in the fair value of an investment below its cost. The determination of what is "significant" or ''prolonged" requires judgement. "Significant" is evaluated against the original cost of the investment and "prolonged" against the period in which the fair value has been below its original cost. Where there is evidence of impairment, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that investment previously recognized in profit or loss – is removed from other comprehensive income and recognized in profit or loss. Impairment losses on equity instruments classified as available for sale are not reversed through profit or loss. Increases in their fair value after impairment are recognized directly in other comprehensive income.

Notes to Financial Statements

31 December 2010

3. Summary of significant accounting policies (continued)

Financial liabilities

Initial recognition and measurement

Financial liabilities within the scope of HKAS 39 are classified as loans and borrowings, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Group determines the classification of its financial liabilities at initial recognition.

All financial liabilities are recognized initially at fair value and in the case of loans and borrowings, plus directly attributable transaction costs.

The Group's financial liabilities include trade payables, financial liabilities included in other payables and accruals, interest-bearing bank borrowings, amounts due to related companies and amounts due to minority shareholders of subsidiaries.

Subsequent measurement

The measurement of financial liabilities depends on their classification as follows:

Loans and borrowings

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortized cost, using the effective interest rate method unless the effect of discounting would be immaterial, in which case they are stated at cost.

Gains and losses are recognized in profit or loss when the liabilities are derecognized as well as through the effective interest rate method amortization process.

Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortization is included in finance costs in profit or loss.

Derecognition of financial liabilities

A financial liability is derecognized when the obligation under the liability is discharged or cancelled, or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognized in profit or loss.

Inventories

Inventories are stated at the lower of cost and net realizable value. Cost is determined on the weighted average basis. In the case of work in progress and finished goods, cost comprises direct materials, direct labour and an appropriate proportion of overheads. Net realizable value is based on estimated selling prices less any estimated costs to be incurred to completion and disposal.

Inventories of auxiliary materials, spare parts, fuels and small tools which are consumed in the process of mining operations are stated at cost less provision, if necessary, for obsolescence.

Cash and cash equivalents

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise cash on hand and demand deposits, and short term highly liquid investments that are readily convertible into known amounts of cash, are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

For the purpose of the statement of financial position, cash and cash equivalents comprise cash on hand and at banks, including term deposits, which are not restricted as to use.

3. Summary of significant accounting policies (continued)

Provisions

A provision is recognized when a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

When the effect of discounting is material, the amount recognized for a provision is the present value at the end of the reporting period of the future expenditures expected to be required to settle the obligation. The increase in the discounted present value amount arising from the passage of time is included in finance costs in profit or loss.

Provisions for the Group's obligations for land reclamation are based on estimates of required expenditure at the mines in accordance with the PRC rules and regulations. The Group estimates its liabilities for final reclamation and mine closure based upon detailed calculations of the amount and timing of the future cash expenditure to perform the required work. Spending estimates are escalated for inflation, then discounted at a discount rate that reflects current market assessments of the time value of money and the risks specific to the liability such that the amount of provision reflects the present value of the expenditures expected to be required to settle the obligations. The Group records a corresponding asset in the period in which the liability is incurred. The asset is depreciated using the UOP method over its expected life and the liability is accreted to the projected expenditure date. As changes in estimates occur (such as mine plan revisions, changes in estimated costs, or changes in timing of the performance of reclamation activities), the revisions to the obligations and the asset are recognized using the appropriate discount rates.

Income tax

Income tax comprises current and deferred tax. Income tax relating to items recognized outside profit or loss is recognized outside profit or loss, either in other comprehensive income or directly in equity.

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period, taking into consideration interpretations and practices prevailing in the countries in which the Group operates.

Deferred tax is provided, using the liability method, on all temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognized for all taxable temporary differences, except:

- where the deferred tax liability arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of taxable temporary differences associated with investment in a subsidiary where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognized for all deductible temporary differences, carryforward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carryforward of unused tax credits and unused tax losses can be utilized, except:

- where the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of deductible temporary differences associated with investment in a subsidiary, deferred tax assets are only recognized to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized. Unrecognized deferred tax assets are reassessed at the end of each reporting period and are recognized to the extent that it has become probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be recovered.

Notes to Financial Statements

3. Summary of significant accounting policies (continued)

Income tax (continued)

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Government grants

Government grants are recognized at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. When the grant relates to an expense item, it is recognized as income over the periods necessary to match the grant on a systematic basis to the costs that it is intended to compensate. Where the grant relates to an asset, the fair value is credited to a deferred income account and is released to profit or loss over the expected useful life of the relevant asset by equal annual instalments.

Revenue recognition

Revenue is recognized when it is probable that the economic benefits will flow to the Group and when the revenue can be measured reliably, on the following bases:

(a) from the sale of goods, when the significant risks and rewards of ownership have been transferred to the buyer, provided that the Group maintains neither managerial involvement to the degree usually associated with ownership, nor effective control over the goods sold;

(b) interest income, on an accrual basis using the effective interest method by applying the rate that exactly discounts the estimated future cash receipts through the expected life of the financial instrument or a shorter period, when appropriate, to the net carrying amount of the financial asset; and

(c) dividend income, when the shareholders' right to receive payment has been established.

Employee benefits

Pension scheme

The Group contributes on a monthly basis to various defined contribution retirement benefit plans organised by relevant municipal and provincial governments in the PRC. The municipal and provincial governments undertake to assume the retirement benefit obligations payable to all existing and future retired employees under these plans and the Group has no further obligation for post-retirement benefits beyond the contributions made. Contributions to these plans are expensed as incurred.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, i.e., assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalized as part of the cost of those assets. The capitalization of such borrowing costs ceases when the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs capitalized. All other borrowing costs are expensed in the period in which they are incurred. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

Foreign currencies

These financial statements are presented in Hong Kong dollars, which is the Company's functional and presentation currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Foreign currency transactions recorded by the entities in the Group are initially recorded using their respective functional currency rates ruling at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rates of exchange ruling at the end of the reporting period. All differences are taken to profit or loss. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

3. Summary of significant accounting policies (continued)

Foreign currencies (continued)

The functional currencies of certain overseas subsidiaries are currencies other than the Hong Kong dollar. As at the end of the reporting period, the assets and liabilities of these entities are translated into the presentation currency of the Company at the exchange rates ruling at the end of the reporting period and their statements of comprehensive income are translated into Hong Kong dollars at the weighted average exchange rates for the year. The resulting exchange differences are recognized in other comprehensive income and accumulated in the exchange fluctuation reserve. On disposal of a foreign operation entity, the deferred cumulative amount recognized in the component of other comprehensive income relating to that particular foreign operation is recognized in profit or loss.

For the purpose of the consolidated statement of cash flows, the cash flows of overseas subsidiaries are translated into Hong Kong dollars at the exchange rates ruling at the dates of the cash flows. Frequently recurring cash flows of overseas subsidiaries which arise throughout the year are translated into Hong Kong dollars at the weighted average exchange rates for the year.

4. Significant accounting judgements and estimates

The preparation of the Group's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the end of the reporting period. However, uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

Judgements

In the process of applying the Group's accounting policies, management has made the following judgements, apart from those involving estimations, which have the most significant effect on the amounts recognized in the financial statements:

Tax

Determining income tax provisions requires the Group to make judgements on the future tax treatment of certain transactions. The Group carefully evaluates tax implications of transactions in accordance with prevailing tax regulations and makes tax provisions accordingly. In addition, deferred tax assets are recognized to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences can be utilized. This requires significant judgement on the tax treatments of certain transactions and also assessment on the probability that adequate future taxable profits will be available for the deferred tax assets to be recovered.

Estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below.

Estimation of fair value of investment properties

In the absence of current prices in an active market for similar properties, the Group considers information from a variety of sources, including:

(a) current prices in an active market for properties of a different nature, condition or location, adjusted to reflect those differences;

(b) recent prices of similar properties on less active markets, with adjustments to reflect any changes in economic conditions since the date of the transactions that occurred at those prices; and

(c) discounted cash flow projections based on reliable estimates of future cash flows, supported by the terms of any existing lease and other contracts and (when possible) by external evidence such as current market rents for similar properties in the same location and condition, and using discount rates that reflect current market assessments of the uncertainty in the amount and timing of the cash flows.

The principal assumptions for the Group's estimation of the fair value include those related to current market rents for similar properties in the same location and condition, appropriate discount rates, expected future market rents and future maintenance costs. The carrying amount of investment properties at 31 December 2010 was HK$62,612,000.

Notes to Financial Statements

31 December 2010

4. Significant accounting judgements and estimates (continued)

Estimation uncertainty (continued)

Mineral reserves

Engineering estimates of the Group's mineral resources are inherently imprecise and represent only approximate amounts because of the assumptions involved in developing such information.

There are authoritative guidelines regarding the engineering criteria that have to be met before estimated mineral reserves can be designated as "proven" and "probable". Proven and probable mineral reserve estimates are updated at a regular basis and have taken into account recent production and technical information about each mine. In addition, as prices and cost level change from year to year, the estimate of proven and probable mineral reserves also changes. This change is considered a change in estimate for accounting purposes and is reflected on a prospective basis in related depreciation/amortization rates.

Despite the inherent imprecision in these engineering estimates, these estimates are used in determining depreciation/ amortization expenses and impairment losses. Depreciation/amortization rates of the mining structures and mining rights are determined based on the proven and probable mineral reserve quantity (the denominator) and capitalized costs of the mining structures or mining rights (the numerator).

Provision for rehabilitation

The provision for rehabilitation costs has been determined by the directors based on their best estimates. The directors estimated this liability for final restoration and mine closure based upon detailed calculations of the amount and timing of future cash flows to be incurred in performing the required work. Spending estimates are escalated for inflation, then discounted at a discount rate that reflects current market assessments of the time value of money and the risks specific to the liability such that the amount of provision reflects the present value of the expenditures expected to be required to settle the obligation. However, in so far as the effect on the land and environment from current mining activities becomes apparent in future periods, the estimate of the associated costs may be subject to revision in the future. The provision is reviewed at least annually to verify that it properly reflects the present value of the obligation arising from the current and past mining activities.

Useful lives and impairment of property, plant and equipment

In determining the useful lives of property, plant and equipment, the Group has to consider various factors, such as expected usage of the asset, expected physical wear and tear, the care and maintenance of the asset, and legal or similar limits on the use of the asset. The estimation of the useful life of the asset is made based on the experience of the Group with similar assets that are used in a similar way. Depreciation charge is revised if the estimated useful lives of items of property, plant and equipment are different from the previous estimation. Useful lives are reviewed, at each financial year end date, based on changes in circumstances.

Impairment of trade and other receivables

The provision policy for doubtful debts of the Group is based on the ongoing evaluation of the collectability and ageing analysis of the outstanding receivables and on the management's judgement. A considerable amount of judgement is required in assessing the ultimate realization of these receivables, including creditworthiness and the past collection history of each customer. If the financial conditions of the customers of the Group were to deteriorate, resulting in an impairment of their ability to make payments, an additional impairment may be required.

Provision for obsolete inventories

Management reviews the ageing analysis of inventories of the Group at the end of each reporting period, and makes a provision for obsolete and slow moving inventory items. Management estimates the net realizable value for such inventories based primarily on the latest invoice prices and current market conditions. As at 31 December 2010, the carrying amounts of inventories were approximately HK$449,995,000 (2009: HK$354,487,000) after netting off the allowance for inventories of approximately HK$77,052,000 (2009: HK$92,307,000).

Impairment of non-financial assets

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, the Group makes an estimate of the recoverable amount of the asset. This requires an estimation of the value in use of the cash-generating unit to which the asset is allocated. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the cash-generating unit and also to choose a suitable discount rate in order to calculate the present value of those cash flows. A change in the estimated future cash flows and/or the discount rate applied will result in an adjustment to the estimated impairment provision previously made.

5. Investment in a subsidiary

Investment in a subsidiary represents the Company's investment in CITIC Dameng Investments and is stated at cost of US$1 (equivalent to HK$8) as at 31 December 2010 (2009: HK$8).

The amounts due from and to subsidiaries included in the Company's current assets and current liabilities of HK$2,289,122,000 (2009: nil) and nil (2009: HK$17,248,000), respectively, are unsecured, interest-free and have no fixed terms of repayment.

Particulars of the principal subsidiaries are set out below:

Name of company	Place and date of incorporation/ establishment	Nominal value of issued ordinary share/ registered capital	Percentage of equity interests attributable to the Company 31 December 2010	2009	Principal activities
CITIC Dameng Investments Limited ("CITIC Dameng Investments")	BVI 18 May 2005	US$1 Direct	100.00	100.00	Investment holding
CITIC Dameng Mining Industries Co., Limited ("CITIC Dameng Mining") (中信大錳礦業有限責任公司) ^ #	PRC/Mainland China 19 August 2005	RMB1,539,710,100 (Note) Indirect	100.00*	65.50	Mining, processing and sale of manganese related products
Guangxi Start Manganese Materials Co., Ltd. ("Guangxi Start") (廣西斯達特錳材料有限公司) ^ @	PRC/Mainland China 18 April 2001	RMB24,280,000 Indirect	71.17*	46.60	Processing and sale of manganese related products
CITIC Dameng (Tiandeng) Manganese Materials Co., Ltd. ("Tiandeng Dameng") (中信大錳(天等)錳材料有限公司) ^ @	PRC/Mainland China 27 March 2003	RMB50,000,000 Indirect	60.0*	39.30	Manufacture and sale of ferroalloy products
Guangxi Daxin Dabao Ferroalloy Co., Ltd. ("Guangxi Dabao") (廣西大新縣大寶鐵合金有限公司) ^ @	PRC/Mainland China 28 April 2002	RMB2,680,000 Indirect	60.00*	39.30	Manufacture and sale of ferroalloy products
CITIC Dameng (Qinzhou) New Materials Co., Ltd. ("Qinzhou New Materials"), previously known as Guangxi Qinzhou Guixin Ferroalloy Co., Ltd. (中信大錳(欽州)新材料有限公司) ^ @	PRC/Mainland China 26 November 2003	RMB30,000,000 Indirect	70.00*	45.90	Processing and sale of high carbon ferrochromium products
CITIC Dameng (Guangxi) Mining Investment Limited (中信大錳(廣西)礦業投資有限責任公司) ^	PRC/Mainland China 1 February 2008	RMB50,000,000 Indirect	100.00*	65.50	Investment holding
CITIC Dameng (Tiandeng) New Materials Co., Ltd. ("Tiandeng New Materials") (中信大錳(天等)新材料有限公司) ^	PRC/Mainland China 27 May 2008	RMB20,000,000 Indirect	100.00*	65.50	Processing and sale of manganese related products
CITIC Dameng (Chongzuo) New Materials Co., Ltd. ("Chongzuo New Materials") (中信大錳(崇左)新材料有限公司) ^	PRC/Mainland China 21 May 2008	RMB20,000,000 Indirect	100.00*	65.50	Processing and sale of manganese related products

Notes to Financial Statements

31 December 2010

5. Investment in a subsidiary (continued)

Name of company	Place and date of incorporation/ establishment	Nominal value of issued ordinary share/ registered capital	Percentage of equity interests attributable to the Company 31 December 2010	2009	Principal activities
CITIC Dameng Beibuwan (Guangxi) New Materials Co., Ltd ("Beibuwan New Materials") (中信大錳北部灣(廣西)新材料有限公司)^	PRC/Mainland China 30 July 2008	RMB20,000,000 Indirect	100.00*	65.50	Processing and sale of manganese related products
CITIC Dameng Tiandong New Materials Co., Ltd ("Tiandong New Materials") (中信大錳田東新材料有限公司)^	PRC/Mainland China 15 April 2008	RMB20,000,000 Indirect	100.00*	65.50	Processing and sale of manganese related products
Huazhou Mining Investment Limited ("Huazhou BVI") (華州礦業投資有限公司)@	BVI 6 July 2007	USD5,820,000 Indirect	60.00*	39.30	Investment holding
Companie Industrielleet Commerciale des Mines de Huazhou (Gabon) ("CICMHZ")@	Gabon 24 August 2005	XAF10 million Indirect	51.00*	33.40	Mining and sale of manganese

The English names of the Company's PRC subsidiaries represent management's best efforts at translating the Chinese names of these companies as no English names have been registered.

The above table lists the subsidiaries of the Company which, in the opinion of the directors, principally affected the results of the Group for the reporting period or formed a substantial portion of the net assets of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

Foreign investment enterprise incorporated under the Law of the PRC on Sino-Foreign Equity Joint Venture.

^ Limited liability companies under the Company Law of the PRC.

@ These companies were subsidiaries of CITIC Dameng Mining, which was a non-wholly-owned subsidiary of the Company during the year 2009, and, accordingly, were also accounted for as subsidiaries by virtue of the Company's control over them in 2009.

* Upon the completion of the Reorganization on 27 October 2010, CITIC Dameng Mining became a wholly-owned subsidiary of the Group (note 1). Equity interests of CITIC Dameng Mining and its subsidiaries directly or indirectly held by CITIC Dameng Mining attributable to the Company changed accordingly.

Note: Pursuant to the directors' resolution dated 23 December 2010, the registered capital of CITIC Dameng Mining increased from RMB579,710,100 to RMB1,539,710,100. The increased capital was fully paid by CITIC Dameng Investments on 31 December 2010.

6. Operating segment information

For management purposes, the Group is organised into business units based on their products and services and has four reportable operating segments as follows:

(a) 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 beneficiation, concentrating, grinding and the production of manganese concentrate and natural discharging manganese;

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

(c) the non-manganese ferroalloy processing segment engages in the production and sale of non-manganese ferroalloys, including high carbon ferrochromium; and

(d) the others segment comprises, principally, the trading of various commodities such as manganese ore, EMM, chromium ore and sulphur.

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

Segment assets exclude deferred tax assets, available-for-sale equity investment 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 and other unallocated head office and corporate assets 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 HK$'000	Manganese downstream processing HK$'000	Non-manganese ferroalloy processing HK$'000	Others HK$'000 (Note)	Eliminations HK$'000	Total HK$'000
Year ended 31 December 2010						
Segment revenue:						
Sales to external customers	286,708	1,951,265	232,228	109,472	–	2,579,673
Intersegment sales	110,813	–	–	110	(110,923)	–
Other revenue	1,664	4,634	3,264	49,233	–	58,795
Total	399,185	1,955,899	235,492	158,815	(110,923)	2,638,468
Segment results	132,773	276,871	(15,145)	38,772	–	433,271
Reconciliations:						
Interest income						6,710
Corporate and other unallocated expenses						(81,476)
Finance costs						(95,716)
Profit before tax						262,789
Income tax expense						(14,339)
Profit for the year						248,450

Notes to Financial Statements

31 December 2010

6. Operating segment information (continued)

	Manganese mining and ore processing HK$'000	Manganese downstream processing HK$'000	Non-manganese ferroalloy processing HK$'000	Others HK$'000 (Note)	Eliminations HK$'000	Total HK$'000
Assets and liabilities						
Segment assets	949,095	2,689,698	209,799	360,489	–	4,209,081
Reconciliations:						
Corporate and other unallocated assets						2,626,598
Total assets						6,835,679
Segment liabilities	372,199	535,755	66,865	42,546	–	1,017,365
Reconciliations:						
Corporate and other unallocated liabilities						2,416,315
Total liabilities						3,433,680
Other segment information:						
Depreciation and amortization	33,288	112,568	7,825	15,776	–	169,457
Unallocated depreciation and amortization						1,711
Total depreciation and amortization						171,168
Capital expenditure*	140,512	487,725	2,467	202	–	630,906
Unallocated capital expenditure						136,793
Total capital expenditure						767,699
Loss on disposal of items of property, plant and equipment	515	822	–	–	–	1,337
Impairment losses recognized in profit or loss	1,910	3,903	4,203	(7,473)	–	2,543

Note: During the year, the Group disposed inventories to a third party for HK$36 million with a carrying value of HK$22 million (with an original cost of HK$36 million after impairment of HK$14 million). The related gross profit of HK$14 million was included in the segment results of others above.

6. Operating segment information (continued)

	Manganese mining and ore processing HK$'000	Manganese downstream processing HK$'000	Non-manganese ferroalloy processing HK$'000	Others HK$'000	Eliminations HK$'000	Total HK$'000
Year ended 31 December 2009						
Segment revenue:						
Sales to external customers	222,412	1,460,436	318,295	85,221	–	2,086,364
Intersegment sales	71,601	–	–	–	(71,601)	–
Other revenue	57	5,552	5,465	8,690	–	19,764
Total	294,070	1,465,988	323,760	93,911	(71,601)	2,106,128
Segment results	106,971	147,061	(3,840)	(6,498)	–	243,694
Reconciliations:						
Interest income						3,524
Corporate and other unallocated expenses						(64,698)
Finance costs						(107,195)
Profit before tax						75,325
Income tax expense						(11,613)
Profit for the year						63,712
Assets and liabilities						
Segment assets	729,997	2,004,767	202,627	271,690	–	3,209,081
Reconciliations:						
Corporate and other unallocated assets						558,268
Total assets						3,767,349
Segment liabilities	195,997	336,623	56,572	19,542	–	608,734
Reconciliations:						
Corporate and other unallocated liabilities						2,016,179
Total liabilities						2,624,913
Other segment information:						
Depreciation and amortization	31,779	100,914	6,676	7,363	–	146,732
Unallocated depreciation and amortization						2,762
Total depreciation and amortization						149,494

Notes to Financial Statements

31 December 2010

6. Operating segment information (continued)

	Manganese mining and ore processing HK$'000	Manganese downstream processing HK$'000	Non-manganese ferroalloy processing HK$'000	Others HK$'000	Eliminations HK$'000	Total HK$'000
Capital expenditure*	80,752	436,381	2,430	1,608	–	521,171
Unallocated capital expenditure						3,279
Total capital expenditure						524,450
Loss on disposal of items of property, plant and equipment	1,187	1,290	129	–	–	2,606
Impairment losses recognized in profit or loss	258	5,001	1,624	30,044	–	36,927

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

Geographical information

(a) Revenue from external customers

	2010 HK$'000	2009 HK$'000
Mainland China	2,151,371	1,841,619
Asia (excluding Mainland China)	379,181	133,397
Europe	13,354	72,038
North America	27,684	38,740
Other countries	8,083	570
	2,579,673	2,086,364

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

(b) Non-current assets

	2010 HK$'000	2009 HK$'000
Segment assets:		
Mainland China	2,440,571	1,917,146
Africa	362,286	270,008
	2,802,857	2,187,154

The non-current asset information above is based on the location of assets and excludes deferred tax assets and available-for-sale equity investment.

Information about a major customer

Revenue of approximately HK$282 million for the year ended 31 December 2010 (2009: HK$343 million) was derived from sales by the manganese downstream processing segment to a single customer.

7. Revenue, other income and gains

Revenue, which is also the Group's turnover, 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:

	Note	2010 HK$'000	2009 HK$'000
Revenue			
Sales of goods		2,579,673	2,086,364
Other income and gains			
Interest income		6,710	3,524
Gain on disposal of items of property, plant and equipment		2,836	3,710
Subsidy income		9,754	11,251
Write-off of payables		4,811	936
Sales of scrap		11,624	120
Fair value gains on investment properties	17	27,507	–
Others		2,263	3,747
		65,505	23,288

8. Finance costs

An analysis of finance costs is as follows:

	2010 HK$'000	2009 HK$'000
Interest on bank loans and other loans wholly repayable within five years	104,635	100,753
Interest on bank loans and other loans not wholly repayable within five years	4,016	5,582
Finance costs for discounted notes receivable	1,288	860
Less: Interest capitalized	(14,223)	–
	95,716	107,195

9. Profit before tax

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

	Notes	2010 HK$'000	2009 HK$'000
Cost of inventories sold		1,947,588	1,621,416
Depreciation	16	158,744	141,428
Amortization of prepaid land lease payments	18	6,172	2,062
Amortization of intangible assets	19	6,252	6,004
Auditors' remuneration		3,180	2,850
Minimum lease payments under operating leases, land and buildings		6,376	2,761
Employee benefit expense (including directors' remuneration (note 10)):			
Wages and salaries		201,389	187,094
Pension scheme contributions		36,541	25,586
		237,930	212,680
Loss on disposal of items of property, plant and equipment *		1,337	2,606
Foreign exchange differences, net *		1,158	1,824
(Write-back)/write-down of inventories to net realizable value, net #		(1,010)	35,225
Impairment of trade and other receivables, net *		3,553	1,702
Fair value gains on investment properties	17	(27,507)	–

Included in "Cost of sales" in the consolidated statement of comprehensive income.

* Included in "Other expenses" in the consolidated statement of comprehensive income.

Notes to Financial Statements

31 December 2010

10. Directors' remuneration

Directors' remuneration for the year, disclosed pursuant to the Listing Rules and Section 161 of the Hong Kong Companies Ordinance, is as follows:

	2010 HK$'000	2009 HK$'000
Fees	333	–
Other emoluments		
Salaries, allowances and benefits in kind	700	–
Performance related bonuses*	985	–
Pension scheme contributions	28	–
	1,713	–
	2,046	–

* Certain executive directors of the Company are entitled to bonus payments which are determined as a percentage of the profit after tax of the Group.

(a) Independent non-executive directors

The fees paid to independent non-executive directors during the year were as follows:

	2010 HK$'000	2009 HK$'000
Mr. Yang Zhi Jie	37	–
Mr. Mo Shijian	37	–
Mr. Tan Zhuzhong	37	–
	111	–

There were no other emoluments payable to the independent non-executive directors during the year (2009: Nil).

(b) Executive directors and non-executive directors

	Fees HK$'000	Salaries, allowances and benefits in kind HK$'000	Performance related bonuses HK$'000	Pension scheme contributions HK$'000	Total remuneration HK$'000
2010					
Executive directors:					
Mr. Qiu Yiyong	37	–	–	–	37
Mr. Li Weijian	37	158	358	13	566
Mr. Tian Yuchuan	37	428	400	2	867
	111	586	758	15	1,470
Non-executive directors:					
Mr. Mi Zengxin	37	–	–	–	37
Mr. Yin Ke	37	–	–	–	37
Mr. Chen Jiqiu	37	114	227	13	391
	111	114	227	13	465
	222	700	985	28	1,935

No remuneration was paid to executive directors and non-executive directors for the year ended 31 December 2009. There was no arrangement under which a director waived or agreed to waive any remuneration during the year.

Notes to Financial Statements

31 December 2010

11. Five highest paid employees

The five highest paid employees during the year included two (2009: nil) directors, Mr. Li Weijian and Mr. Chen Jiqiu, whose remuneration before their appointment as directors were also paid by the Group and three (2009: five) non-directors. Details of the remuneration of five highest paid employees during the year are as follows:

Group

	2010 HK$'000	2009 HK$'000
Salaries, allowances and benefits in kind	3,483	3,010
Performance related bonuses	7,089	3,650
Pension scheme contributions	292	105
	10,864	6,765

The number of non-director or director, highest paid employees whose remuneration fell within the following bands during the year is as follows:

	Number of employees	
	2010	2009
Nil to HK$1,000,000	–	1
HK$1,000,001 to HK$1,500,000	–	3
HK$1,500,001 to HK$2,000,000	4	–
HK$2,000,001 to HK$2,500,000	–	1
HK$2,500,001 to HK$3,000,000	1	1
	5	5

12. Income tax

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

	Note	2010 HK$'000	2009 HK$'000
Group:			
Current – PRC			
Charge for the year		34,004	15,795
Deferred	21	(19,665)	(4,182)
Total tax charge for the year		14,339	11,613

Hong Kong profits tax

No provision for Hong Kong profits tax has been made as the Group had no assessable profits derived from or earned in Hong Kong during the year.

Notes to Financial Statements

31 December 2010

12. Income tax (continued)

PRC corporate income tax ("CIT")

Pursuant to the PRC Income Tax Law and the respective regulations, except for certain preferential tax treatment available to certain subsidiaries operating in Mainland China, the companies of the Group which operate in Mainland China are subject to CIT at a rate of 25% on their respective taxable income for the years ended 31 December 2009 and 2010. The other major tax concessions applicable to the entities within the Group are detailed as follows:

(a) Pursuant to the various tax notices regarding the preferential tax treatment for the large-scale development of Western China issued by the State Administration of Taxation, the PRC, CITIC Dameng Mining is entitled to a preferential CIT rate of 15%. Additionally, according to the then income tax law of the PRC for foreign invested enterprises and foreign enterprises as approved by relevant PRC tax authorities, CITIC Dameng Mining, being a foreign-invested enterprise, was exempted from CIT for its first two profitable years, commencing from 1 January 2006, and was thereafter entitled to a 50% reduction in the CIT for the subsequent three years from 1 January 2008 to 31 December 2010. Since year 2006 was the first profitable year of CITIC Dameng Mining, no income tax has been provided by CITIC Dameng Mining for the two years ended 31 December 2006 and 2007 accordingly. For the three years ended 31 December 2008, 2009 and 2010, the applicable CIT rate of CITIC Dameng Mining was 7.5%.

(b) Pursuant to Dishui Han [2007] No. 841 "Approval on CIT Exemption of Guangxi Dabao" issued by the local tax authority of Chongzuo City, Guangxi, the PRC, Guangxi Dabao is entitled to a preferential tax treatment for engaging in an encouraged industry and its applicable CIT rate was 15% for the period from 1 January 2007 to 31 December 2010.

(c) Pursuant to the tax document Dishui Han [2005] No.3 "Approval on CIT Exemption of Guangxi Start" issued by the local tax authority of Jingxi County, Guangxi, the PRC, Guangxi Start was entitled to preferential tax treatment for developing Western China and its applicable CIT rate was 15% for the period from 1 January 2005 to 31 December 2010.

A reconciliation of the income tax charge applicable to profit before tax using the statutory rate for the country in which the Company and the majority of its subsidiaries are principally domiciled to the income tax charge at the effective tax rate is as follows:

Group

	2010 HK$'000	2009 HK$'000
Profit before tax	262,789	75,325
Tax at the applicable PRC corporate income tax rate	65,697	18,831
Lower tax rates/tax holidays or concessions for specific provinces	(65,991)	(19,825)
Income not subject to tax	(472)	–
Expenses not deductible for tax	3,877	1,806
Effect of withholding tax at 10% on undistributed profits of the Group's PRC subsidiaries	10,503	6,093
Tax losses utilized from previous periods	(702)	–
Tax losses not recognized	1,427	4,708
Tax charge reported in the consolidated statement of comprehensive income	14,339	11,613
The Group's effective income tax rate	5.5%	15.4%

13. Profit attributable to owners of the parent

The consolidated profit attributable to owners of the parent for the year ended 31 December 2010 includes a profit of HK$529,382,000 (2009: a loss of HK$14,645,000) which has been dealt with in the financial statements of the Company (note 32).

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

The calculation of the earnings per share is based on the consolidated profit attributable to ordinary equity holders of the parent for the year ended 31 December 2010 and the weighted average number of 1,760,973,329 shares in issue during the year, as if i) the capitalization issue as defined in the Prospectus (the "Capitalization Issue") of the Company's shares to Apexhill and Highkeen had been completed on 1 January 2010; and ii) the Capitalization Issue of the Company's shares to Guangxi Dameng BVI had been completed on 27 October 2010 when the shares issued to Guangxi Dameng BVI to acquire a 34.5% equity interest in CITIC Dameng Mining took place. The calculation of the earnings per share is based on the consolidated profit attributable to ordinary equity holders of the parent for the year ended 31 December 2009 and the weighted average number of 1,473,750,000 shares in issue during the year, as if the Capitalization Issue of the Company's shares to Apexhill and Highkeen had been completed on 1 January 2009.

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

	2010 HK$'000	2009 HK$'000
Earnings		
Profit attributable to ordinary equity holders of the parent, used in the basic earnings per share calculation	229,132	48,611

	Number of shares 2010	2009
Shares		
Weighted average number of ordinary shares in issue during the year used in the basic earnings per share calculation	1,760,973,329	1,473,750,000

The Group had no potentially dilutive ordinary shares in issue during those years.

15. Dividends

The dividends declared by the Group to the Company's shareholders before the Reorganization during the year are as follows:

	2010 HK$'000	2009 HK$'000
Dividend declared	507,974	–

As at 31 December 2010, all dividend payable had been fully settled. Pursuant to the board of directors' meeting held on 18 March 2011, no final dividend was declared for the year ended 31 December 2010.

Notes to Financial Statements

31 December 2010

16. Property, plant and equipment

Group

	Note	Buildings and mining structures HK$'000	Motor vehicles, plant, machinery, tools and equipment HK$'000	Furniture and fixtures HK$'000	Leasehold improvements HK$'000	Construction in progress HK$'000	Total HK$'000
Cost:							
At 1 January 2010		859,766	756,773	11,252	12,498	232,882	1,873,171
Additions		5,915	65,466	21,734	2,904	551,304	647,323
Disposals		(1,395)	(75,985)	(3,150)	–	–	(80,530)
Transfers		121,676	165,924	11,663	–	(299,263)	–
Exchange realignment		32,280	27,582	3,134	567	14,947	78,510
At 31 December 2010		1,018,242	939,760	44,633	15,969	499,870	2,518,474
Accumulated depreciation and impairment:							
At 1 January 2010		73,482	158,332	5,200	10,842	–	247,856
Charge for the year	9	49,069	95,951	12,356	1,368	–	158,744
Disposals		(148)	(44,182)	(2,679)	–	–	(47,009)
Exchange realignment		4,156	7,001	2,066	422	–	13,645
At 31 December 2010		126,559	217,102	16,943	12,632	–	373,236
Net book value:							
At 31 December 2010		891,683	722,658	27,690	3,337	499,870	2,145,238
Cost:							
At 1 January 2009		558,845	623,679	9,365	12,299	208,964	1,413,152
Additions		76,871	76,590	2,129	199	358,685	514,474
Disposals		(6,198)	(48,459)	(244)	–	–	(54,901)
Transfers		229,957	104,833	–	–	(334,790)	–
Exchange realignment		291	130	2	–	23	446
At 31 December 2009		859,766	756,773	11,252	12,498	232,882	1,873,171
Accumulated depreciation and impairment:							
At 1 January 2009		35,322	87,252	4,045	9,919	–	136,538
Charge for the year	9	39,029	100,174	1,303	922	–	141,428
Disposals		(906)	(29,163)	(149)	–	–	(30,218)
Exchange realignment		37	69	1	1	–	108
At 31 December 2009		73,482	158,332	5,200	10,842	–	247,856
Net book value:							
At 31 December 2009		786,284	598,441	6,052	1,656	232,882	1,625,315

16. Property, plant and equipment (continued)

The Group's buildings, included above at cost, were valued at HK$27,150,000 as at 31 August 2010 in the prospectus issued on 8 November 2010 in connection with the listing of the Company's shares on 18 November 2010 (note 31). Had the Group's buildings been included in these financial statements at such valuation amount throughout the year ended 31 December 2010, an additional depreciation charge of HK$2 million would have been recognized in the consolidated statement of comprehensive income for the year ended 31 December 2010.

Certain of the Group's interest-bearing bank borrowings were secured by certain of the Group's buildings and machinery, which had an aggregate net carrying amount of approximately HK$221,961,000 as at 31 December 2010 (2009: HK$207,614,000)(note 28(b)).

At 31 December 2010, the Group was in the process of applying for the building ownership certificates of certain of its buildings with an aggregate net carrying amount of approximately HK$138,099,000 and the Group also had buildings and construction in progress with an aggregate net carrying amount of approximately HK$48,807,000 situated on certain land parcels which the Group was in the process of applying for land use rights certificates. The directors are of the opinion that the aforesaid matter will not have any significant impact on the Group's financial position as at 31 December 2010.

17. Investment properties

Group

	Note	**2010 HK$'000**	**2009 HK$'000**
Carrying amount at beginning of year		–	–
Additions		33,576	–
Net profit from a fair value adjustment	9	27,507	–
Exchange realignment		1,529	–
Carrying amount at end of year		62,612	–

The Group's investment properties are situated in Mainland China and are held under medium term lease.

The Group's investment properties were revalued on 31 December 2010 by Guangxi Wushuang Real Estate Appraisal Company Limited, independent professionally qualified valuers, at HK$62,612,000 on an open market, existing use basis.

18. Prepaid land lease payments

Group

	Note	**2010 HK$'000**	**2009 HK$'000**
Carrying amount at beginning of year		86,497	79,125
Additions		85,964	9,426
Amortization provided during the year	9	(6,172)	(2,062)
Exchange realignment		5,094	8
Carrying amount at end of year		171,383	86,497
Current portion included in prepayments, deposits and other receivables		(6,497)	(3,136)
Non-current portion		164,886	83,361

The leasehold lands are situated in Mainland China and are held under a long-term lease.

Certain of the Group's interest-bearing bank borrowings were secured by certain of the Group's leasehold lands with a net carrying amount of approximately HK$48,155,000 as at 31 December 2010 (2009: HK$55,842,000) (note 28(b)).

Notes to Financial Statements

31 December 2010

19. Intangible assets

Group

	Note	Mining rights HK$'000	Other intangible assets HK$'000	Total HK$'000
Cost:				
At 1 January 2010		319,810	1,643	321,453
Additions		–	836	836
Exchange realignment		9,662	1,159	10,821
At 31 December 2010		329,472	3,638	333,110
Accumulated amortization:				
At 1 January 2010		24,881	271	25,152
Amortization provided during the year	9	5,790	462	6,252
Exchange realignment		217	730	947
At 31 December 2010		30,888	1,463	32,351
Net book value:				
At 31 December 2010		298,584	2,175	300,759
Cost:				
At 1 January 2009		319,636	1,216	320,852
Additions		174	376	550
Exchange realignment		–	51	51
At 31 December 2009		319,810	1,643	321,453
Accumulated amortization:				
At 1 January 2009		19,144	–	19,144
Amortization provided during the year	9	5,733	271	6,004
Exchange realignment		4	–	4
At 31 December 2009		24,881	271	25,152
Net book value:				
At 31 December 2009		294,929	1,372	296,301

20. Available-for-sale equity investment

Group

	2010 HK$'000	2009 HK$'000
Unlisted equity investment, at cost	4,369	4,218

The unlisted equity investment is stated at cost less accumulated impairment losses as the investment does not have quoted market prices in an active market, and the variability in the range of reasonable fair value estimates of such investment is so significant that the directors are of the opinion that its fair value cannot be measured reliably. The Group does not intend to dispose of the investment in the near future.

Notes to Financial Statements

31 December 2010

21. Deferred tax

The movements in deferred tax assets/(liabilities) of the Group during the year are as follows:

Deferred tax assets

Group

	Note	Losses available for offsetting against future taxable profits HK$'000	Tax credit for purchases of domestic equipment HK$'000	Deductible temporary differences HK$'000	Total HK$'000
At 1 January 2010		30,292	–	10,498	40,790
Deferred tax credited to profit or loss during the year	12	24,837	–	11,919	36,756
Exchange realignment		1,708	–	675	2,383
At 31 December 2010		56,837	–	23,092	79,929

	Note	Losses available for offsetting against future taxable profits HK$'000	Tax credit for purchases of domestic equipment HK$'000	Deductible temporary differences HK$'000	Total HK$'000
At1 January 2009		304	11,813	30,587	42,704
Deferred tax credited/(charged) to profit or loss during the year	12	29,958	–	(20,070)	9,888
Transferred to tax payable		–	(11,801)	–	(11,801)
Exchange realignment		30	(12)	(19)	(1)
At 31 December 2009		30,292	–	10,498	40,790

Deferred tax liabilities

	Note	Fair value adjustments arising from acquisition of subsidiaries HK$'000	Withholding taxes HK$'000	Fair value adjustments on investment properties HK$'000	Total HK$'000
At 1 January 2010		4,192	23,281	–	27,473
Deferred tax (credited)/charged to profit or loss during the year	12	(389)	10,503	6,977	17,091
Transferred to tax payable		–	(27,872)	–	(27,872)
Exchange realignment		106	–	175	281
At 31 December 2010		3,909	5,912	7,152	16,973

21. Deferred tax (continued)

Deferred tax liabilities (continued)

	Note	Fair value adjustments arising from acquisition of subsidiaries HK$'000	Withholding taxes HK$'000	Fair value adjustments on investment properties HK$'000	Total HK$'000
At 1 January 2009		4,579	20,592	–	25,171
Deferred tax (credited)/charged to profit or loss during the year	12	(387)	6,093	–	5,706
Transferred to tax payable		–	(3,404)	–	(3,404)
At 31 December 2009		4,192	23,281	–	27,473

The Group has tax losses arising in Mainland China of approximately HK$217 million (2009: HK$121 million) which are available for offsetting against future taxable profits in one to five years. Deferred tax assets have not been recognized in respect of losses of HK$8 million (2009: HK$13 million) as they have arisen in subsidiaries that have been loss-making for some time and it is not considered probable that taxable profits will be available against which the tax losses can be utilized.

Pursuant to the CITL, a 10% withholding tax is levied on dividends declared to foreign investors from the foreign investment enterprises established in Mainland China. The requirement is effective from 1 January 2008 and applies to earnings after 31 December 2007. A lower withholding tax rate may be applied if there is a tax treaty between Mainland China and the jurisdiction of the foreign investors. For the Group, the applicable rate is 10%. The Group is therefore liable for withholding taxes on dividends distributed by those subsidiaries established in Mainland China in respect of earnings generated from 1 January 2008.

There are no income tax consequences attaching to the payment of dividends by the Company to its shareholders.

22. Inventories

Group

	2010 HK$'000	2009 HK$'000
Raw materials	340,767	349,054
Work in progress	4,528	6,536
Finished goods	181,752	91,204
	527,047	446,794
Less: Inventory provision	(77,052)	(92,307)
	449,995	354,487

23. Trade and notes receivables

Group

	2010 HK$'000	2009 HK$'000
Trade receivables	264,044	219,698
Notes receivable	344,711	219,930
	608,755	439,628
Less: Impairment	(4,821)	(5,874)
	603,934	433,754

Notes to Financial Statements

31 December 2010

23. Trade and notes receivables (continued)

Group

The Group's trading terms with its customers are mainly on credit, except for new customers, where payment in advance is normally required. The credit period is generally one month, extending up to three months for major customers. Each customer has a maximum credit limit. The Group seeks to maintain strict control over its outstanding receivables and has a credit control department to minimise credit risk. Overdue balances are reviewed and followed up regularly by senior management. In view of the aforementioned and the fact that the Group's trade receivables relate to a large number of diversified customers, there is no significant concentration of credit risk. Trade receivables are non-interest-bearing.

Notes receivables represent bank acceptance notes issued by banks in Mainland China which are non-interest-bearing.

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

Group

	2010 HK$'000	2009 HK$'000
Within one month	386,822	129,121
One to two months	84,704	52,683
Two to three months	29,346	65,777
Over three months	103,062	186,173
	603,934	433,754

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

Group

	2010 HK$'000	2009 HK$'000
At beginning of year	5,874	6,435
Impairment losses recognized	471	–
Impairment losses reversed	–	(454)
Write-off	(1,704)	(107)
Exchange realignment	180	–
At end of year	4,821	5,874

Included in the above provision for impairment of trade and notes receivables are provisions for individually impaired trade receivables of HK$4,821,000 (2009: HK$5,874,000) with a carrying amount before provision of approximately HK$4,821,000 (2009: HK$5,874,000) as at 31 December 2010. The individually impaired trade receivables relate to customers that were in financial difficulties and only a portion of these receivables is expected to be recovered. The Group does not hold any collateral or other credit enhancements over these balances.

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

Group

	2010 HK$'000	2009 HK$'000
Neither past due nor impaired	592,404	339,438
One to three months past due	7,873	15,278
Over three months past due	3,657	79,038
	603,934	433,754

Notes to Financial Statements

31 December 2010

23. Trade and notes receivables (continued)

Group

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

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

24. Prepayments, deposits and other receivables

Non-current portion

Group

	2010 HK$'000	2009 HK$'000
Deposits	124,302	174,673
Prepayment	5,060	7,504
	129,362	182,177

Current portion

Group

	2010 HK$'000	2009 HK$'000
Prepayments	97,629	90,682
Deposits and other receivables	90,213	61,886
	187,842	152,568

25. Cash and cash equivalents and pledged deposits

		Group		Company	
	Note	2010 HK$'000	2009 HK$'000	2010 HK$'000	2009 HK$'000
Cash and bank balances		2,652,284	538,230	939,065	–
Less: Pledged deposits:					
Pledged for long term bank loans	28(b)	(61,425)	(56,790)	–	–
Pledged for bank acceptance notes		(10,118)	(28,436)	–	–
Cash and cash equivalents		2,580,741	453,004	939,065	–

As at 31 December 2010, the cash and bank balances of the Group denominated in Renminbi ("RMB") amounted to HK$532,713,000 (2009: HK$493,285,000). The RMB is not freely convertible into other currencies, however, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorized to conduct foreign exchange business.

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

26. Trade payables

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

Group

	2010 HK$'000	2009 HK$'000
Within one month	152,182	66,349
One to two months	13,086	12,234
Two to three months	17,017	12,317
Over three months	57,938	17,973
	240,223	108,873

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

27. Other payables and accruals

Group

	2010 HK$'000	2009 HK$'000
Advances from customers	98,773	34,372
Other payables	207,785	193,350
Accruals	140,136	75,208
	446,694	302,930

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

28. Interest-bearing bank and other borrowings

Group

	2010			2009		
	Effective Interest rate (%)	Maturity	HK$'000	Effective Interest rate (%)	Maturity	HK$'000 (Restated)
Current						
Bank loans-secured	4.78	2011	35,295	5.31	2010	34,074
Bank loans-unsecured	4.78-5.56	2011	516,484	3-5.31	2010	753,263
Current portion of long term bank loans – secured	6.53	2011	41,177	–	–	–
Current portion of long term bank loans – unsecured	4.86-5.40	2011	188,240	–	–	–
Long term bank loans with on demand clause – unsecured (Note (a))	LIBOR+0.85	On demand	273,889	LIBOR+0.85	On demand	87,918
Other loans – unsecured	4.70	2011	117,650			–
			1,172,735			875,255
Non-current						
Bank loans -secured	5.40-5.94	2012-2015	248,242	5.94-7.83	2011-2015	279,407
Bank loans -unsecured	4.86-5.76	2012-2016	1,265,914	4.86-7.02	2011-2015	556,542
			1,514,156			835,949
			2,686,891			1,711,204

Notes to Financial Statements

31 December 2010

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

	2010 HK$'000	2009 HK$'000 (Restated)
Analysed into:		
Bank loans repayable:		
Within one year or on demand (Note (a))	1,055,085	875,255
In the second year	480,012	335,061
In the third to fifth years, inclusive	897,670	429,333
Beyond five years	136,474	71,555
	2,569,241	1,711,204
Other loans repayable:		
Within one year or on demand	117,650	–
	2,686,891	1,711,204

Notes:

(a) As further explained in notes 2.2 and 39 to the financial statements, due to the adoption of HK Interpretation 5 in the current year, the Group's term loan in the amount of HK$273,889,000 (2009: HK$87,918,000) containing an on-demand clause has been reclassified as a current liability. For the purpose of the above analysis, the loan is included within current interest-bearing bank and other borrowings and analysed into bank loans repayable within one year or on demand.

Based on the maturity terms of the loan, the amounts repayable in respect of the loan are as follows:

	2010 HK$'000	2009 HK$'000
In the second year	273,889	–
In the third to fifth years, inclusive	–	87,918
	273,889	87,918

(b) The above secured bank loans were secured by certain of the Group's assets and their carrying values are as follows:

	Notes	2010 HK$'000	2009 HK$'000
Property, plant and equipment	16	221,961	207,614
Prepaid land lease payments	18	48,155	55,842
Pledged deposits	25	61,425	56,790
		331,541	320,246

As at 31 December 2009, certain interest-bearing bank borrowings of the Group of HK$147,654,000 were guaranteed by Guangxi Dameng, a then minority shareholder of the Group. As at 31 December 2010, all corporate guarantees from Guangxi Dameng had been released.

(c) Except for unsecured bank loan of HK$273,889,000 (2009: HK$87,918,000) which is denominated in United States dollars, all borrowings are in Renminbi as at 31 December 2010.

29. Other long-term liabilities

Group

	2010 HK$'000	2009 HK$'000
At beginning of year	2,377	2,989
Additional provision	1,291	–
Utilization of rehabilitation provision	(83)	(612)
Exchange realignment	115	–
At end of year	3,700	2,377

The provision for rehabilitation represents management's estimates of the restoration costs to be incurred on mine closure. These costs are based on current mineral reserve estimates ranging from 11 to 27 years. The estimation basis is reviewed on an ongoing basis and revised where appropriate.

30. Deferred income

Group

	2010 HK$'000	2009 HK$'000
At beginning of year	4,937	–
Addition	31,878	4,937
Amortized during the year	(2,053)	–
Exchange realignment	922	–
At end of year	35,684	4,937

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

31. Issued capital

Shares

	2010 HK$'000	2009 HK$'000
Authorized:		
10,000,000,000 (2009: 1,000,000) ordinary shares of HK$0.10 each	1,000,000	100
Issued and fully paid:		
3,024,795,000 (2009: 1,000,000) ordinary shares of HK$0.10 each	302,480	100

During the year, the movements in share capital were as follows:

	Notes	Number of ordinary shares	Nominal value of ordinary shares HK$
Authorized:			
As at 1 January 2009, 31 December 2009 and 1 January 2010	(a)	1,000,000	100,000
Increase of authorized capital	(b)	4,000,000	400,000
Increase of authorized capital	(f)	9,995,000,000	999,500,000
As at 31 December 2010		10,000,000,000	1,000,000,000

Notes to Financial Statements

31 December 2010

31. Issued capital (continued)

	Notes	Number of ordinary shares	Nominal value of ordinary shares HK$'000	Share premium HK$'000	Total HK$'000
Issued:					
As at 1 January 2009, 31 December 2009 and 1 January 2010	(a)	1,000,000	100	–	100
Issuance of new shares for capitalization of shareholders' loans	(c)	1,450,000	145	534,905	535,050
Issuance of new shares for capitalization of shareholders' loans	(d)	322,900	32	84,568	84,600
Issuance of new shares	(e)	1,460,535	146	555,978	556,124
Issuance of new shares for the Capitalization Issue	(f)	2,245,766,565	224,577	(224,577)	–
Issuance of new shares for the initial public offering	(g)	750,000,000	75,000	1,840,002	1,915,002
Issuance of new shares for the exercise of the over-allotment option	(h)	24,795,000	2,480	65,707	68,187
As at 31 December 2010		3,024,795,000	302,480	2,856,583	3,159,063

(a) Upon the incorporation of the Company, an aggregate of 1,000,000 ordinary shares of HK$0.10 each were issued at par to Highkeen and Apexhill for a total cash consideration of HK$100,000.

(b) Pursuant to an ordinary resolution passed on 30 June 2010, the authorized share capital of the Company was increased from HK$100,000 to HK$500,000 by the creation of 4,000,000 additional shares of HK$0.10 each.

(c) On 30 June 2010, the Company capitalized the amounts due to Highkeen and Apexhill of HK$428,040,000 and HK$107,010,000 by the issuance of 1,160,000 shares and 290,000 shares of the Company, respectively, of HK$0.10 each.

(d) On 2 August 2010, the Company further capitalized the amounts due to Highkeen and Apexhill of HK$67,680,000 and HK$16,920,000 by issuance of 258,320 shares and 64,580 shares of the Company, respectively, of HK$0.10 each.

(e) Pursuant to the resolution passed on 12 August 2010, an aggregate of 1,460,535 ordinary shares of HK$0.10 each were approved to be subscribed to Guangxi Dameng BVI for a total cash consideration of HK$556,124,000.

(f) Pursuant to written resolutions passed on 26 October 2010, the following changes were approved:

   (i) the authorized share capital of the Company was conditionally increased from HK$500,000 to HK$1,000,000,000 by the creation of 9,995,000,000 additional shares of HK$0.10 each; and

   (ii) an aggregate of 2,245,766,565 ordinary shares of HK$0.10 each were allotted and issued to the shareholders by capitalizing an amount of HK$224,576,657 standing to the credit of the share premium account of the Company.

(g) The Company's shares were listed on the Stock Exchange on 18 November 2010 and 750,000,000 new shares of HK$0.10 each were issued and offered at a price of HK$2.75 per share for a total cash consideration of HK$2,062,500,000 before netting of listing expenses of HK$147,498,000.

(h) On 11 December 2010, the Company issued 24,795,000 ordinary shares of HK$0.10 each pursuant to the over-allotment option as referred to the prospectus of the Company dated 8 November 2010 and offered at a price of HK$2.75 per share for a total cash consideration of HK$68,187,000.

32. Reserves

Group

The amounts of the Group's reserves and the movements therein for current and prior years are presented in the consolidated statement of changes in equity on page 61 of the financial statements.

	Notes	2010 HK$'000	2009 HK$'000
Share premium	(a)	2,856,583	–
Contributed surplus	(b)	(190,229)	(52,369)
Reserve funds	(c)	104,127	62,357
Exchange fluctuation reserve		108,627	74,506
Retained profits		150,367	470,979
		3,029,475	555,473

(a) The share premium account includes the premium arising from the subscriptions of new ordinary shares.

(b) The contributed surplus mainly represents the difference between the consideration and the book value of the share of the net assets acquired in respect of the acquisition of additional interest in CITIC Dameng Mining.

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

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

Company

	Notes	Share premium account HK$'000	(Accumulated losses)/ retained profits HK$'000	Total HK$'000
At 1 January 2009		–	(2,948)	(2,948)
Loss for the year		–	(14,645)	(14,645)
At 31 December 2009 and at 1 January 2010		–	(17,593)	(17,593)
Issuance of new shares	31	2,856,583	–	2,856,583
Profit for the year		–	529,382	529,382
Dividend declared	15	–	(507,974)	(507,974)
At 31 December 2010		2,856,583	3,815	2,860,398

Notes to Financial Statements

31 December 2010

33. Operating lease arrangements

The Group leases certain of its office properties under operating lease arrangements. Leases for such properties are negotiated for terms ranging from 2 to 23 years.

As at 31 December 2009 and 2010, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

Group

	2010 HK$'000	2009 HK$'000
Within one year	9,648	5,846
In the second to fifth years, inclusive	18,398	13,921
After five years	44,753	50,332
	72,799	70,099

Company

The Company did not have any operating lease commitments as at 31 December 2010 (2009: nil).

34. Contingent liabilities and commitments

At the end of the reporting period, neither the Group nor the Company had any significant contingent liabilities.

In addition to the operating lease arrangements detailed in note 33 above, the Group had the following capital commitments as at the end of the reporting period:

Group

	2010 HK$'000	2009 HK$'000
Authorized, but not contracted for:		
Acquisition of land and buildings	211,328	19,900
Acquisition of plant and machinery	586,942	363,758
	798,270	383,658
Contracted, but not provided for:		
Acquisition of land and buildings	184,243	135,146
Acquisition of plant and machinery	135,049	356,534
	319,292	491,680
Total	1,117,562	875,338

Company

The Company did not have any commitments as at 31 December 2010 (2009: nil).

35. Related party transactions

Guangxi Dameng, a minority shareholder of the Group before the completion of the Reorganization and the ultimate holding company of a shareholder of the Company after the Reorganization, exercises significant influence over the Group. Therefore, Guangxi Dameng and its subsidiaries are considered to be related parties of the Group.

(a) In addition to the transactions detailed elsewhere in these financial statements, the Group had the following transactions with related parties during the year:

	Notes	2010 HK$'000	2009 HK$'000
Purchase of raw materials from subsidiaries of Guangxi Dameng	(i)	27,944	43,320
Purchase of property, plant and equipment from a subsidiary of Guangxi Dameng and Guangxi Dameng	(i)	5,137	15,882
Sales of goods to subsidiaries of Guangxi Dameng	(ii)	50,471	42,190
Provision of water and electricity to Guangxi Dameng	(iii)	60	301
Provision of processing services by a subsidiary of Guangxi Dameng	(iv)	12,025	–
Provision of integrated service as defined in the Prospectus by Guangxi Dameng	(v)	2,755	2,728
Interest income on deposits placed with subsidiaries of a company that exercises significant influence over the Group	(vi)	126	152

Notes:

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

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

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

(iv) Processing fee was charged based on the mutual agreements between the parties.

(v) Service fees were charged at a monthly amount of RMB200,000 (equivalent to HK$230,000) as mutually agreed by the parties.

(vi) The interest income arose from the deposits with related companies which were in the usual and ordinary course of business of the Group.

Notes to Financial Statements

31 December 2010

35. Related party transactions (continued)

(b) Other transactions with related parties:

	Note	2010 HK$'000	2009 HK$'000
Advance from the intermediate holding company		–	240,000
Advance from a shareholder of the Company		–	60,000
		–	300,000
Guarantee charges paid to Guangxi Dameng	(i)	529	5,918

Note:

(i) Guarantee fees were charged based on 1.5% of the guaranteed amounts effective from 1 April 2008 as mutually agreed by the parties. No guarantee was provided by related companies for bank loans as at 31 December 2010 (2009: HK$147,654,000).

(c) Outstanding balances with related parties

	2010 HK$'000	2009 HK$'000
(i) Due from related companies		
Trade receivables	30,408	16,714
Other receivables	–	159
Prepayments	23,331	32,931
	53,739	49,804
(ii) Due from a minority shareholder of a subsidiary		
Trade receivables	–	51
Other receivables	–	5,544
	–	5,595
(iii) Due to related companies		
Trade payables	2,398	2,153
Other payables	1,117	17,359
	3,515	19,512
(iv) Due to the intermediate holding company	–	303,840
(v) Due to minority shareholders of subsidiaries		
Other payables	–	80,363
(vi) Due to a shareholder	–	60,000
(vii) Bank balances with related companies	192,936	9,343

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

Trade payables to the Group's related companies are non-interest-bearing and have no fixed terms of repayment. The Group's other payables to related companies and minority shareholders of subsidiaries are unsecured, non-interest-bearing and have no fixed terms of repayment.

35. Related party transactions (continued)

(d) Compensation of key management personnel of the Group

	2010 HK$'000	2009 HK$'000
Salaries, allowances and benefits in kind	2,681	3,010
Bonuses	3,752	3,650
Pension scheme contributions	75	105
Total compensation paid to key management personnel	6,508	6,765

Further details of directors' remuneration are included in note 10.

The related party transactions in respect of items (a) and (b) above also constitute connected transactions or continuing connected transactions as defined in Chapter 14A of the Listing Rules.

36. Major non-cash transactions

(a) During the year ended 31 December 2009, CITIC Dameng Mining has offset trade and other receivables due from Guangxi Dameng of HK$5,755,000 and HK$28,545,000, respectively, against an amount due to Guangxi Dameng of HK$10,348,000 and dividends payable to Guangxi Dameng of HK$23,952,000.

(b) On 30 June 2010, the Company capitalized its amounts due to Highkeen and Apexhill of HK$428,040,000 and HK$107,010,000 by issuing 1,160,000 shares and 290,000 shares of the Company, respectively, of HK$0.10 each.

(c) On 2 August 2010, the Company capitalized the amounts due to Highkeen and Apexhill of HK$67,680,000 and HK$16,920,000 by issuing 258,320 shares and 64,580 shares of the Company, respectively, of HK$0.10 each.

(d) During the year ended 31 December 2010, CITIC Dameng Mining has offset receivables due from Guangxi Dameng and a subsidiary of Guangxi Dameng, of HK$11,478,000, and HK$27,006,000, respectively, against a dividend payable to Guangxi Dameng of HK$38,484,000; trade receivable due from a customer of HK$9,773,000 was offset against prepayment from another customer.

(e) During the year ended 31 December 2010, deposits for purchase of property, plant and equipment of HK$56,472,000 have been reclassified to property, plant and equipment, and investment properties.

(f) During the year ended 31 December 2010, deposits for purchase of parcels of leasehold land of HK$33,691,000 have been reclassified to prepaid land lease payments.

Notes to Financial Statements

31 December 2010

37. Financial instruments by category

The carrying amounts of each of the categories of financial instruments as at the end of the reporting period are as follows:

Financial assets

Group

	Notes	Loans and receivables HK$'000	Available-for-sale financial asset HK$'000	Total HK$'000
31 December 2010				
Available-for-sale equity investment	20	–	4,369	4,369
Trade and notes receivables	23	603,934	–	603,934
Financial assets included in prepayments, deposits and other receivables		9,880	–	9,880
Due from related companies	35	53,739	–	53,739
Pledged deposits	25	71,543	–	71,543
Cash and cash equivalents	25	2,580,741	–	2,580,741
		3,319,837	4,369	3,324,206
31 December 2009				
Available-for-sale equity investment	20	–	4,218	4,218
Trade and notes receivables	23	433,754	–	433,754
Financial assets included in prepayments, deposits and other receivables		8,751	–	8,751
Due from related companies	35	49,804	–	49,804
Due from a minority shareholder of a subsidiary	35	5,595	–	5,595
Pledged deposits	25	85,226	–	85,226
Cash and cash equivalents	25	453,004	–	453,004
		1,036,134	4,218	1,040,352

Company

	2010 HK$'000	2009 HK$'000
Cash and cash equivalents	939,065	–
Other receivables	125	26,745
Due from subsidiaries	2,289,122	–
	3,228,312	26,745

37. Financial instruments by category (continued)

Financial liabilities

All of the Group's and the Company's financial liabilities carried at amortized cost are detailed as follows:

Group

	Notes	2010 HK$'000	2009 HK$'000
Trade payables	26	240,223	108,873
Financial liabilities included in other payables and accruals	27	347,921	268,558
Interest-bearing bank and other borrowings	28	2,686,891	1,711,204
Due to related companies	35	3,515	19,512
Due to the intermediate holding company	35	–	303,840
Due to minority shareholders of subsidiaries	35	–	80,363
Due to a shareholder	35	–	60,000
		3,278,550	2,552,350

Company

	2010 HK$'000	2009 HK$'000
Financial liabilities included in other payables and accruals	65,434	26,990
Due to subsidiaries	–	17,248
	65,434	44,238

38. Fair value

The carrying amounts and fair values of the Group's and the Company's financial instruments are as follows:

Financial assets

Group

	Carrying amounts		Fair values	
	2010 HK$'000	2009 HK$'000	2010 HK$'000	2009 HK$'000
Available-for-sale equity investment	4,369	4,218	4,369	4,218
Trade and notes receivables	603,934	433,754	603,934	433,754
Financial assets included in prepayments, deposits and other receivables	9,880	8,751	9,880	8,751
Due from related companies	53,739	49,804	53,739	49,804
Due from a minority shareholder of a subsidiary	–	5,595	–	5,595
Pledged deposits	71,543	85,226	71,543	85,226
Cash and cash equivalents	2,580,741	453,004	2,580,741	453,004
	3,324,206	1,040,352	3,324,206	1,040,352

Notes to Financial Statements

31 December 2010

38. Fair value (continued)

Financial assets (continued)

Company

	Carrying amounts		Fair values	
	2010	2009	**2010**	2009
	HK$'000	HK$'000	**HK$'000**	HK$'000
Financial assets included in other receivables	125	26,745	125	26,745
Due from subsidiaries	2,289,122	–	2,289,122	–
Cash and cash equivalents	939,065	–	939,065	–
	3,228,312	26,745	3,228,312	26,745

Financial liabilities

Group

	Carrying amounts		Fair values	
	2010	**2009**	**2010**	**2009**
	HK$'000	**HK$'000**	**HK$'000**	**HK$'000**
Trade payables	240,223	108,873	240,223	108,873
Financial liabilities included in other payables and accruals	347,921	268,558	347,921	268,558
Interest-bearing bank borrowings and other borrowings	2,686,891	1,711,204	2,686,891	1,711,204
Due to related companies	3,515	19,512	3,515	19,512
Due to the intermediate holding company	–	303,840	–	303,840
Due to minority shareholders of subsidiaries	–	80,363	–	80,363
Due to a shareholder	–	60,000	–	60,000
	3,278,550	2,552,350	3,278,550	2,552,350

Company

	Carrying amounts		Fair values	
	2010	**2009**	**2010**	**2009**
	HK$'000	**HK$'000**	**HK$'000**	**HK$'000**
Financial liabilities included in other payables and accruals	65,434	26,990	65,434	26,990
Due to subsidiaries	–	17,248	–	17,248
	65,434	44,238	65,434	44,238

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

The following methods and assumptions were used to estimate the fair values:

Cash and cash equivalents, the current portion of pledged deposits, trade receivables, trade payables, financial assets included in prepayments, deposits and other receivables, financial liabilities included in other payables and accruals, amounts due from/to related companies, amounts due from/to subsidiaries, amounts due from/to minority shareholders of subsidiaries, an amount due to the intermediate holding company and an amount due to a shareholder approximate to their carrying amounts largely due to the short term maturities of these instruments.

The fair values of interest-bearing bank and other borrowings have been calculated by discounting the expected future cash flows using rates currently available for instruments on similar terms, credit risk and remaining maturities.

39. Financial risk management objectives and policies

The Group's principal financial instruments comprise financial liabilities which are mainly interest-bearing bank and other borrowings; and financial assets which are mainly cash and short-term bank deposits. The main purpose of these financial instruments is to raise finance for the Group's operations. The Group has various other financial assets and liabilities such as trade and notes receivables and trade payables, which arise directly from its operations.

The main risks arising from the Group's financial instruments are commodity price risk, interest rate risk, foreign currency risk, credit risk and liquidity risk. The board of directors reviews and agrees policies for managing each of these risks and they are summarized below.

Commodity price risk

The Group is principally engaged in the exploration, mining, ore processing, smelting, refining and sale of manganese and high carbon ferrochromium products. The prices of the Group's products are influenced by global as well as regional supply and demand conditions. A decline in prices of manganese and other products of the Group could adversely affect the Group's financial performance.

Interest rate risk

The Group's income and operating cash flows are not substantially affected by changes in market interest rates. In addition, the Group has no significant interest-bearing assets and liabilities except for cash and cash equivalents and interest-bearing bank and other borrowings. Borrowings carried at floating rates expose the Group to cash flow interest rate risk whereas those carried at fixed rates expose the Group to fair value interest rate risk.

The effective interest rates and terms of repayment of the bank and other loans of the Group are set out in note 28.

The following table demonstrates the sensitivity to a reasonably possible change in the RMB interest rate, with all other variables held constant, of the Group's profit before tax (through the impact on floating rate borrowings).

Group

	Increase/ (decrease) in basis points	Decrease/ (increase) in profit before tax HK$'000
Year ended 31 December 2010		
RMB	100	9,719
RMB	(100)	(9,719)
Year ended 31 December 2009		
RMB	100	5,237
RMB	(100)	(5,237)

Foreign currency risk

Foreign currency risk is the risk that the value of a financial instrument fluctuates because of the changes in foreign exchange rates.

The Group's monetary assets, loans and transactions are principally denominated in RMB and HK$. The Group is exposed to foreign currency risk mainly arising from the exposure of HK$ against RMB.

The Group will constantly review the economic situation and its foreign exchange risk profile, and will consider appropriate hedging measures in future as may be necessary.

The Group has transactional currency exposures. Such exposures arise from the sales or purchases by operating units in currencies other than the units' functional currencies. The Group did not enter into any foreign exchange forward contracts to hedge against foreign exchange fluctuations. However, the Group makes rolling forecasts on its foreign currency revenue and expenses and matches the currency and the amount incurred, so as to alleviate the impact on its business due to exchange rate fluctuations.

Notes to Financial Statements

31 December 2010

39. Financial risk management objectives and policies (continued)

The following table demonstrates the sensitivity at the end of the reporting period to a reasonably determined possible change in the RMB exchange rate, with all other variables held constant, of the Group's profit before tax (due to changes in the fair value of monetary assets and liabilities).

Group

	Increase/ (decrease) in exchange rate %	Increase/ (decrease) in profit before tax HK$'000	Increase/ (decrease) in equity* HK$'000
31 December 2010			
If HK$ weakens against RMB	1	10,741	–
If HK$ strengthens against RMB	1	(10,741)	–
31 December 2009			
If HK$ weakens against RMB	1	(1,264)	–
If HK$ strengthens against RMB	1	1,264	–

* Excluding retained profits

Credit risk

The carrying amounts of the trade and notes receivables represent the Group's maximum exposure to credit risk in relation to its financial assets. The Group has a policy in place to ensure that sales are made to customers who are creditworthy and to closely monitor the collection of the trade and notes receivables on an ongoing basis.

The credit risk of the Group's other financial assets, which comprise cash and bank balances and other receivables, arises from default of the counterparty, with a maximum exposure equal to the carrying amounts of these instruments.

The Group determines concentration of credit risk by monitoring the locations of its customers. The table below shows an analysis of credit risk exposures of trade receivables which constitute approximately 18% of the Group's total financial assets as at 31 December 2010 (2009: 42%):

Group

	2010 HK$'000	2009 HK$'000
By location:		
Mainland China	566,857	420,220
Asia (excluding Mainland China)	31,724	8,037
Europe	2,612	4,968
North America	2,741	529
	603,934	433,754

In addition, 11% of the Group's trade and notes receivables were due from the Group's five largest customers as at 31 December 2010 (2009: 8%).

39. Financial risk management objectives and policies (continued)

Liquidity risk

The Group's policy is to maintain sufficient cash and cash equivalents and have available funding through bank and other borrowings to meet its working capital requirements and capital expenditure.

The maturity profile of the Group's financial liabilities at the end of the reporting period, based on the contractual undiscounted payments, was as follows:

Group

	2010					
	On demand HK$'000	Less than 3 months HK$'000	3 to less than 12 months HK$'000	1 to 5 years HK$'000	More than 5 years HK$'000	Total HK$'000
Trade payables	–	240,223	–	–	–	240,223
Financial liabilities included in other payables and accruals	7,124	340,797	–	–	–	347,921
Interest-bearing bank and other borrowings (Note)	287,039	480,998	762,476	1,334,511	174,959	3,039,983
Due to related companies	3,515	–	–	–	–	3,515
	297,678	1,062,018	762,476	1,334,511	174,959	3,631,642

	2009 (Restated)					
	On demand HK$'000	Less than 3 months HK$'000	3 to less than 12 months HK$'000	1 to 5 years HK$'000	More than 5 years HK$'000	Total HK$'000
Trade payables	–	108,873	–	–	–	108,873
Financial liabilities included in other payables and accruals	6,408	262,150	–	–	–	268,558
Interest-bearing bank and other borrowings (Note)	87,918	721,953	95,217	790,706	77,142	1,772,936
Due to related companies	19,512	–	–	–	–	19,512
Due to the intermediate holding company	303,840	–	–	–	–	303,840
Due to minority shareholders of subsidiaries	80,363	–	–	–	–	80,363
Due to a shareholder	60,000	–	–	–	–	60,000
	558,041	1,092,976	95,217	790,706	77,142	2,614,082

Note:

Included in interest-bearing bank and other borrowings is a term loan in the amount of HK$273,889,000 (2009: HK$87,918,000). The loan agreement contains a repayment on-demand clause giving the bank the unconditional right to call the loan at any time and therefore, for the purpose of the above maturity profile, the total amount is classified as "on demand".

Notwithstanding the above clause, the directors do not believe that the loan will be called, in its entirety or in part, within 12 months, except they consider that the loan will be repaid in accordance with the maturity dates as set out in the loan agreement. This evaluation was made by considering: the financial position of the Group at the date of approval of these financial statements; the Group's compliance with the loan covenants; the lack of events of default, and the fact that the Group has made all previously scheduled repayments on time. In accordance with the terms of the loan, the contractual undiscounted payments at 31 December 2010 will be HK$13,150,000 in 2011 and HK$286,282,000 in 2012.

Company

All the financial liabilities of the Company have no fixed terms of repayment.

Notes to Financial Statements

31 December 2010

39. Financial risk management objectives and policies (continued)

Capital management

The primary objectives of the Group's capital management are to safeguard the Group's ability to continue as a going concern and to maintain healthy capital ratios in order to support its business and maximise shareholders' value. The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes for managing capital during the years ended 31 December 2010 and 31 December 2009.

The Group monitors capital using a gearing ratio, which is net debt divided by equity plus net debt. Net debt is calculated as the sum of interest-bearing bank and other borrowings, trade payables, other payables and accruals, amounts due to related companies, an amount due to the intermediate holding company, amounts due to minority shareholders of subsidiaries and an amount due to a shareholder less cash and cash equivalents and pledged deposits. Capital represents equity attributable to owners of the parent. The gearing ratios at the end of the reporting periods were as follows:

Group

	2010 HK$'000	2009 HK$'000
Interest-bearing bank and other borrowings	2,686,891	1,711,204
Trade payables	240,223	108,873
Other payables and accruals	446,694	302,930
Due to related companies	3,515	19,512
Due to the intermediate holding company	–	303,840
Due to minority shareholders of subsidiaries	–	80,363
Due to a shareholder	–	60,000
Less: Cash and cash equivalents	(2,580,741)	(453,004)
Less: Pledged deposits	(71,543)	(85,226)
Net debt	725,039	2,048,492
Equity	3,401,999	1,142,436
Equity and net debt	4,127,038	3,190,928
Net gearing ratio	18%	64%

40. Event after the reporting period

On 11 January 2011, the Company granted 103,000,000 share options to the directors and other employees of the Group to subscribe for ordinary shares with a nominal value of HK$0.10 each under the share option scheme adopted by the Company on 26 October 2010. The exercise price was HK$2.81 per share and the exercise period is from 11 January 2012 to 10 January 2021 (both dates inclusive).

41. Comparative amounts

As further explained in note 2.2 to the financial statements, due to the adoption of the new and revised HKFRSs during the current year, the accounting treatment and presentation of certain items and balances in the financial statements have been revised to comply with the new requirements. Accordingly, certain prior year adjustments have been made and certain comparative amounts have been reclassified and restated to conform with the current year's presentation and accounting treatment.

42. Approval of the financial statements

The financial statements were approved and authorized for issue by the board of directors on 18 March 2011.

Glossary of Terms

Apexhill	Apexhill Investments Limited, a company incorporated in the British Virgin Islands with limited liability on 3 November 2004, which is wholly-owned by CITIC United Asia Limited. Apexhill is a shareholder of our Company
associate	has the meaning ascribed thereto in the Listing Rules
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 CICMHZ, a company in which we indirectly hold a 51% equity interest
Board or Board of Directors	our board of Directors
Bye-laws	the bye-laws of our Company, as amended from time to time
China or PRC	the People's Republic of China, but for the purpose of this annual report, excluding Hong Kong Special Administrative Region, Macau Special Administrative Region and Taiwan
CITIC Dameng Investments	CITIC Dameng Investments Limited（中信大錳投資有限公司）
CITIC Dameng Mining	CITIC Dameng Mining Industries Co., Limited (中信大錳礦業有限責任公司)
CITIC Group	CITIC Group (中國中信集團公司), a company incorporated under the laws of the PRC on 4 October 1979, and, except where the context may otherwise require, all of its subsidiaries, which is a controlling shareholder of our Company
CITIC Resources	CITIC Resources Holdings Limited, a company incorporated in Bermuda with limited liability on 18 July 1997 and listed on the Stock Exchange (HK Stock Code: 1205), which is a controlling shareholder of our Company
Companies Act	The Companies Act 1981 of Bermuda
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
Connected Person	has the meaning ascribed thereto in the Listing Rules
Controlling Shareholder	has the meaning ascribed thereto in the Listing Rules
Daxin Mine	CITIC Dameng Mining Industries Co., Limited Daxin Manganese Mine (中信大錳礦業有限責任公司大新錳礦)
Director(s)	the director(s) of our Company
EMD	electrolytic manganese dioxide
EMM	electrolytic manganese metal
Group, we or us	the Company and its subsidiaries
Guangxi	Guangxi Zhuang Autonomous Region, the PRC

Glossary of Terms

Guangxi Dameng	Guangxi Dameng Manganese Industrial Co., Ltd. (廣西大錳錳業有限公司), a state-owned limited liability company established under the laws of the PRC on 30 July 2001. Guangxi Dameng is wholly-owned by the government of Guangxi
Guangxi Dameng BVI	Guinan Dameng International Resources Limited (桂南大錳國際資源有限公司)
Highkeen	Highkeen Resources Limited, a company incorporated in the British Virgin Islands on 28 January 2005 with limited liability, which is indirect wholly-owned by CITIC Resources Holdings Limited. Highkeen is an immediate controlling shareholder of our Company
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 2004 edition, which is used to determine resources and reserves, and is published by JORC of the Australasian Institute of Mining and Metallurgy, the Australian Institute of Geoscientists and the Minerals Council of Australia
Listing	the listing of the Shares on the Main Board of the Stock Exchange
Listing Date	18 November 2010
Listing Rules	the Rules Governing the Listing of Securities on the Stock Exchange (as amended from time to time)
Non-compete Undertaking	the non-compete undertaking given by CITIC Resources Holdings Limited in favor of our Company under the deed of non-competition dated 3 November 2010
Prospectus	the prospectus of the Company dated 8 November 2010
Reorganization	the Reorganization of our Group underwent in preparation for the Listing, details of which are set out in the section headed "Corporate Structure and History – Reorganization" in the Prospectus
Securities and Futures Ordinance or SFO	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
Shares	ordinary shares in the share capital of the Company, with a nominal value of HKD0.10 each
Stock Exchange	the Stock Exchange of Hong Kong Limited
substantial shareholder	has the meaning ascribed to it under the Listing Rules
Tiandeng Mine	CITIC Dameng Mining Industries Co., Limited Tiandeng Manganese Mine (中信大錳礦業有限責任公司天等錳礦)
tonne	metric tonne