



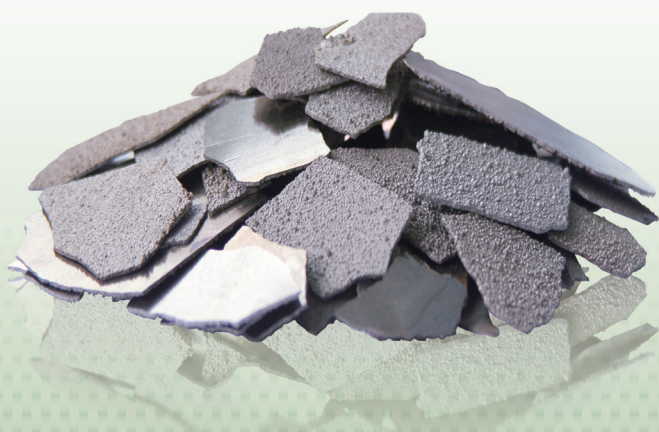
# CITIC Dameng Holdings Limited 中信大錳控股有限公司\*

(incorporated in Bermuda with limited liability)

Stock Code: 1091



**The Leading** Vertically Integrated  
**Manganese** Company



## Interim Report 2011

\*For identification purpose only

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## 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 (resigned on 25 August 2011)

Mr. Zeng Chen (appointed on 25 August 2011)

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](mailto: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 Ltd

### AUTHORIZED REPRESENTATIVES

Mr. Qiu Yiyong

Mr. Tian Yuchuan

### PRINCIPAL BANKERS

China CITIC Bank

China Construction Bank

China Merchants Bank

Standard Chartered Bank (Hong Kong) Limited

### STOCK CODE

1091 (Mainboard of the Hong Kong Stock Exchange)

### COMPANY WEBSITE

[www.dameng.citic.com](http://www.dameng.citic.com)

## Interim Condensed Consolidated Statement of Comprehensive Income

Six months ended 30 June 2011

		<b>Six months ended 30 June</b>	
	Notes	<b>2011</b>	2010
		<b>HK\$'000</b>	HK\$'000
		<b>(Unaudited)</b>	(Audited)
<b>REVENUE</b>	5	<b>1,693,797</b>	1,287,350
Cost of sales		<b>(1,300,704)</b>	(1,030,692)
Gross profit		<b>393,093</b>	256,658
Other income and gains	5	<b>62,447</b>	9,364
Gain on bargain purchase from the acquisition of a subsidiary	3	<b>259,244</b>	–
Selling and distribution costs		<b>(41,129)</b>	(36,168)
Administrative expenses		<b>(120,460)</b>	(92,701)
Share option expenses	25	<b>(29,768)</b>	–
Other expenses		<b>(25,445)</b>	(10,616)
Finance costs	6	<b>(61,064)</b>	(42,531)
<b>PROFIT BEFORE TAX</b>	7	<b>436,918</b>	84,006
Income tax expense	8	<b>(63,917)</b>	(13,567)
<b>PROFIT FOR THE PERIOD</b>		<b>373,001</b>	70,439
OTHER COMPREHENSIVE INCOME/(LOSS)		<b>69,909</b>	(3,659)
<b>TOTAL COMPREHENSIVE INCOME FOR THE PERIOD</b>		<b>442,910</b>	66,780
<b>Total profit/(loss) attributable to:</b>			
Owners of the parent		<b>380,001</b>	50,693
Non-controlling interests		<b>(7,000)</b>	19,746
		<b>373,001</b>	70,439
<b>Total comprehensive income/(loss) attributable to:</b>			
Owners of the parent		<b>448,828</b>	51,735
Non-controlling interests		<b>(5,918)</b>	15,045
		<b>442,910</b>	66,780
<b>Earnings per share attributable to ordinary equity shareholders of the parent:</b>	9		
– Basic		<b>12.56 HK cents</b>	3.44 HK cents
– Diluted		<b>12.56 HK cents</b>	3.44 HK cents

## Interim Condensed Consolidated Statement of Financial Position

30 June 2011

	Notes	30 June 2011 HK\$'000 (Unaudited)	31 December 2010 HK\$'000 (Audited)
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	11	2,429,319	2,145,238
Investment properties		64,058	62,612
Prepaid land lease payments	12	479,727	164,886
Intangible assets	13	816,076	300,759
Available-for-sale equity investment		4,470	4,369
Deferred tax assets	14	84,293	79,929
Deposits and prepayment	17	303,318	129,362
Total non-current assets		4,181,261	2,887,155
<b>CURRENT ASSETS</b>			
Inventories	15	698,943	449,995
Trade and notes receivables	16	745,544	603,934
Prepayments, deposits and other receivables	17	418,937	187,842
Due from related companies	27	73,538	53,739
Tax recoverable		–	730
Pledged deposits	18	118,928	71,543
Cash and cash equivalents	18	2,332,031	2,580,741
Total current assets		4,387,921	3,948,524
<b>CURRENT LIABILITIES</b>			
Trade payables	19	415,911	240,223
Other payables and accruals	20	541,279	446,694
Interest-bearing bank and other borrowings	21	1,281,601	1,172,735
Due to related companies	27	1,815	3,515
Tax payable		21,056	–
Total current liabilities		2,261,662	1,863,167
<b>NET CURRENT ASSETS</b>		2,126,259	2,085,357
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		6,307,520	4,972,512
<b>NON-CURRENT LIABILITIES</b>			
Interest-bearing bank and other borrowings	21	1,862,124	1,514,156
Deferred tax liabilities	14	198,054	16,973
Other long-term liabilities		3,785	3,700
Deferred income	22	67,189	35,684
Total non-current liabilities		2,131,152	1,570,513
<b>Net assets</b>		4,176,368	3,401,999

## Interim Condensed Consolidated Statement of Financial Position

30 June 2011

	Notes	30 June 2011 HK\$'000 (Unaudited)	31 December 2010 HK\$'000 (Audited)
<b>EQUITY</b>			
<b>Equity attributable to owners of the parent</b>			
Issued capital	23	302,480	302,480
Reserves	24	3,508,071	3,029,475
		<b>3,810,551</b>	3,331,955
<b>Non-controlling interests</b>		<b>365,817</b>	70,044
<b>Total equity</b>		<b>4,176,368</b>	3,401,999

**Qiu Yiyong**  
Director

**Tian Yuchuan**  
Director

## Interim Condensed Consolidated Statement of Changes in Equity

Six months ended 30 June 2011

	Attributable to owners of the parent								Non - controlling interests HK\$'000	Total equity HK\$'000
	Issued capital HK\$'000	Share premium HK\$'000	Contributed surplus HK\$'000	Reserve funds HK\$'000	Exchange fluctuation reserve HK\$'000	Share option reserve HK\$'000	Retained profits HK\$'000	Total HK\$'000		
<b>At 31 December 2010 and 1 January 2011 (audited)</b>	<b>302,480</b>	<b>2,856,583*</b>	<b>(190,229)*</b>	<b>104,127*</b>	<b>108,627*</b>	<b>-</b>	<b>150,367*</b>	<b>3,331,955</b>	<b>70,044</b>	<b>3,401,999</b>
Profit for the period	-	-	-	-	-	-	380,001	380,001	(7,000)	373,001
Other comprehensive income for the period: Exchange differences on translation of foreign operations	-	-	-	-	68,827	-	-	68,827	1,082	69,909
Total comprehensive income	-	-	-	-	68,827	-	380,001	448,828	(5,918)	442,910
Acquisition of a subsidiary (note 3)	-	-	-	-	-	-	-	-	301,543	301,543
Provision for special reserve	-	-	-	4,027	-	-	(4,027)	-	148	148
Utilization of special reserve	-	-	-	(2,378)	-	-	2,378	-	-	-
Equity-settled share option arrangements (note 25)	-	-	-	-	-	29,768	-	29,768	-	29,768
<b>At 30 June 2011 (unaudited)</b>	<b>302,480</b>	<b>2,856,583*</b>	<b>(190,229)*</b>	<b>105,776*</b>	<b>177,454*</b>	<b>29,768*</b>	<b>528,719*</b>	<b>3,810,551</b>	<b>365,817</b>	<b>4,176,368</b>
<b>At 31 December 2009 and 1 January 2010 (audited)</b>	<b>100</b>	<b>-</b>	<b>(52,369)</b>	<b>62,357</b>	<b>74,506</b>	<b>-</b>	<b>470,979</b>	<b>555,573</b>	<b>586,863</b>	<b>1,142,436</b>
Profit for the period	-	-	-	-	-	-	50,693	50,693	19,746	70,439
Other comprehensive income for the period: Exchange differences on translation of foreign operations	-	-	-	-	1,042	-	-	1,042	(4,701)	(3,659)
Total comprehensive income	-	-	-	-	1,042	-	50,693	51,735	15,045	66,780
Issue of shares	145	534,905	-	-	-	-	-	535,050	-	535,050
Dividend declared (note 10)	-	-	-	-	-	-	(507,974)	(507,974)	-	(507,974)
Dividend paid to non-controlling shareholders	-	-	-	-	-	-	-	-	(157,100)	(157,100)
<b>At 30 June 2010 (audited)</b>	<b>245</b>	<b>534,905</b>	<b>(52,369)</b>	<b>62,357</b>	<b>75,548</b>	<b>-</b>	<b>13,698</b>	<b>634,384</b>	<b>444,808</b>	<b>1,079,192</b>

\* These reserve accounts comprise the consolidated reserves of HK\$3,508,071,000 in the interim condensed consolidated statement of financial position (31 December 2010 (audited): HK\$3,029,475,000).

## Interim Condensed Consolidated Statement of Cash Flows

Six months ended 30 June 2011

	Notes	Six months ended 30 June	
		2011 HK\$'000 (Unaudited)	2010 HK\$'000 (Audited)
Net cash flows generated from operating activities		2,729	171,111
Net cash flows used in investing activities		(595,879)	(243,785)
Net cash flows generated from financing activities		331,526	320,927
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS		(261,624)	248,253
Cash and cash equivalents at beginning of period		2,652,284	538,230
Effect of exchange rate changes, net		60,299	(15,092)
CASH AND CASH EQUIVALENTS AT END OF PERIOD		2,450,959	771,391
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances as stated in the statement of financial position	18	2,332,031	711,387
Pledged deposits	18	118,928	60,004
Cash and cash equivalents as stated in the statement of cash flows		2,450,959	771,391

## Notes to Interim Condensed Consolidated Financial Statements

30 June 2011

### 1. Corporate information

CITIC Dameng Holdings Limited (the “**Company**”) was incorporated in Bermuda on 18 July 2005 as an exempted company with limited liability under Section 14 of the Companies Act 1981 of Bermuda (as amended). The registered office of the Company is located at Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda. The principal place of business of the Company is located at Suites 3501-3502, Bank of America Tower, 12 Harcourt Road, Central, Hong Kong. The Company’s shares were listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) on 18 November 2010.

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 PRC, and developing manganese mining and ore operations in Gabon.

### 2. Basis of preparation and accounting policies

#### Basis of preparation

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

#### Significant accounting policies

Except as described below, the accounting policies adopted in the preparation of the interim condensed consolidated financial statements are the same as these used in annual financial statements for the year ended 31 December 2010, except for the adoption of the new and revised Hong Kong Financial Reporting Standards (“**HKFRSs**”) (which also include HKASs and Interpretations) as disclosed below. The Company and its subsidiaries (together, the “**Group**”) has adopted the following new and revised HKFRSs for the first time for the current period’s unaudited interim condensed consolidated financial statements.

HKFRS 1 Amendment	Amendment to HKFRS 1 <i>First-time Adoption of Hong Kong Financial Reporting Standards – Limited Exemption from Comparative HKFRS 7 Disclosures for First-time Adopters</i>
HKAS 24 (Revised)	<i>Related Party Disclosures</i>
HKAS 32 Amendment	Amendment to HKAS 32 <i>Financial Instruments: Presentation – Classification of Rights Issues</i>
HK(IFRIC)-Int 14 Amendments	Amendments to HK(IFRIC)-Int 14 <i>Prepayments of a Minimum Funding Requirement</i>
HK(IFRIC)-Int 19	<i>Extinguishing Financial Liabilities with Equity Instruments</i>
HKFRSs (Amendments)	Improvements to HKFRSs 2010

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

#### Issued but not yet effective HKFRSs

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

HKFRS 1 Amendments	Amendments to HKFRS 1 <i>First-time Adoption of Hong Kong Financial Reporting Standards – Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters</i> <sup>1</sup>
HKFRS 7 Amendments	Amendments to HKFRS 7 <i>Financial Instruments: Disclosures – Transfers of Financial Assets</i> <sup>1</sup>
HKFRS 9	<i>Financial Instruments</i> <sup>3</sup>
HKFRS 10	<i>Consolidated Financial Statements</i> <sup>3</sup>
HKFRS 11	<i>Joint Arrangements</i> <sup>3</sup>
HKFRS 12	<i>Disclosure of Interests in Other Entities</i> <sup>3</sup>
HKFRS 13	<i>Fair Value Measurement</i> <sup>3</sup>
HKAS 19	<i>Employee Benefits</i> <sup>3</sup>
HKAS 12 Amendments	Amendments to HKAS 12 <i>Income Taxes – Deferred Tax: Recovery of Underlying Assets</i> <sup>2</sup>
HKAS 27 (Revised)	<i>Separate Financial Statements</i> <sup>3</sup>
HKAS 28 (Revised)	<i>Investments in Associates and Joint Ventures</i> <sup>3</sup>
HKAS 1 (Revised)	<i>Presentation of Financial Statements</i> <sup>4</sup>

<sup>1</sup> Effective for annual periods beginning on or after 1 July 2011

<sup>2</sup> Effective for annual periods beginning on or after 1 January 2012

<sup>3</sup> Effective for annual periods beginning on or after 1 January 2013

<sup>4</sup> Effective for annual periods beginning on or after 1 July 2012

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

## Notes to Interim Condensed Consolidated Financial Statements

30 June 2011

### 3. Business combination

On 31 May 2011, the Group acquired a 60% equity interest in Guizhou Zunyi Hui Xing Ferroalloy Company Limited (“**Hui Xing Company**”) at a consideration of RMB162,260,000 (equivalent to HK\$193,070,000), details of which are set out in the announcement of the Company dated 8 April 2011 and 31 May 2011. The principal activities of Hui Xing Company included manganese ore mining, ferroalloy production and logistics services in the PRC. The acquisition has been accounted for using the acquisition method. The interim condensed consolidated financial statements include the results of Hui Xing Company for the one month from the acquisition date.

The Group has elected to measure the non-controlling interest in Hui Xing Company at the non-controlling interests’ proportionate share of the fair value of Hui Xing Company’s identifiable net assets.

The fair values of the identifiable assets and liabilities of Hui Xing Company as at the date of acquisition were as follows:

	Notes	Fair value recognized on acquisition HK\$’000
Property, plant and equipment	11	92,194
Prepaid land lease payment	12	314,174
Mining rights	13	506,100
Inventories		169,994
Prepayments, deposits and other receivables		55,530
Trade and notes receivables		101,848
Cash and bank balances		22,946
Trade and notes payables		(78,306)
Accrued liabilities and other payables		(249,218)
Deferred income	22	(14,564)
Deferred tax liabilities	14	(166,841)
Non-controlling interests		(301,543)
		452,314
Satisfied by:		
Capital injection		193,070
Gain on bargain purchase recognized in the interim condensed consolidated income statement		259,244

The fair values of the trade and notes receivables and other receivables as at the date of acquisition amounted to HK\$101,848,000 and HK\$7,955,000, respectively. The gross contractual amounts of trade receivables and other receivables were HK\$102,522,000 and HK\$8,122,000, respectively, of which trade receivables of HK\$674,000 and other receivables of HK\$167,000 are expected to be uncollectible.

The Group recognized a gain on bargain purchase of HK\$259,244,000 in the interim condensed consolidated statement of comprehensive income for the six months ended 30 June 2011, which was primarily attributable to the consideration determined based on the carrying amount of the net assets of Hui Xing Company that was mutually agreed between the parties.

The Group incurred transaction costs of HK\$12,434,000 for this acquisition. These transaction costs have been expensed and are included in other expenses in the interim condensed consolidated statement of comprehensive income.

## Notes to Interim Condensed Consolidated Financial Statements

30 June 2011

### 3. Business combination (continued)

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

	HK\$'000
Cash consideration	(193,070)
Cash and bank balances acquired	22,946
Net outflow of cash and cash equivalents included in cash flows from investing activities	(170,124)
Transaction costs of the acquisition included in cash flows from operating activities	(12,434)
	(182,558)

Since its acquisition, Hui Xing Company contributed HK\$67,906,000 to the Group's revenue and a loss of HK\$3,319,000 to the consolidated profit for the period ended 30 June 2011.

Had the combination taken place at the beginning of the period, the revenue from continuing operations of the Group and the profit of the Group for the period would have been HK\$1,946,760,000 and HK\$356,818,000, respectively.

The purchase price allocation of Hui Xing Company is still preliminary, pending the finalization of the valuation of land use rights and mining rights, and the determination of the tax basis of the assets and liabilities acquired.

### 4. Operating segment information

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

- 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 powder and sand;
- the manganese downstream processing segment comprises hydrometallurgical processing and pyrometallurgical processing, and the resulting products of which includes Electrolytic Manganese Metal ("**EMM**"), Electrolytic Manganese Dioxide ("**EMD**"), manganese sulfate, silicomanganese alloys, ferromanganese and manganese tetroxide;
- the non-manganese ferroalloy processing segment engaged in the production and sale of non-manganese ferroalloys, including high carbon ferrochromium; and
- the others segment comprises, principally, the trading of various commodities such as manganese ore, EMM, chromium ore and sulphur.

Management monitors the results of its 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 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 liabilities as these liabilities are managed on a group basis.

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

## Notes to Interim Condensed Consolidated Financial Statements

30 June 2011

## 4. 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
<b>Six months ended 30 June 2011 (Unaudited)</b>						
<b>Segment revenue:</b>						
Sales to external customers	109,946	1,373,988	81,713	128,150	–	1,693,797
Intersegment sales	42,310	–	–	–	(42,310)	–
Other revenue	18,622	1,222	128	30,184	–	50,156
<b>Total</b>	<b>170,878</b>	<b>1,375,210</b>	<b>81,841</b>	<b>158,334</b>	<b>(42,310)</b>	<b>1,743,953</b>
<b>Segment results</b>	<b>53,952</b>	<b>250,352</b>	<b>(12,182)</b>	<b>16,224</b>	<b>–</b>	<b>308,346</b>
<i>Reconciliations:</i>						
Interest income						12,291
Gain on bargain purchase						259,244
Corporate and other unallocated expenses						(81,899)
Finance costs						(61,064)
Profit before tax						436,918
Income tax expense						(63,917)
Profit for the period						373,001
<b>Assets and liabilities</b>						
<b>Segment assets</b>	<b>1,095,909</b>	<b>4,893,870</b>	<b>195,847</b>	<b>567,683</b>	<b>–</b>	<b>6,753,309</b>
<i>Reconciliations:</i>						
Corporate and other unallocated assets						1,815,873
<b>Total assets</b>						<b>8,569,182</b>
<b>Segment liabilities</b>	<b>460,568</b>	<b>1,118,497</b>	<b>45,565</b>	<b>75,188</b>	<b>–</b>	<b>1,699,818</b>
<i>Reconciliations:</i>						
Corporate and other unallocated liabilities						2,692,996
<b>Total liabilities</b>						<b>4,392,814</b>

## Notes to Interim Condensed Consolidated Financial Statements

30 June 2011

### 4. 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
<b>Six months ended 30 June 2010</b>						
<b>(Audited)</b>						
<b>Segment revenue:</b>						
Sales to external customers	95,630	980,981	188,908	21,831	–	1,287,350
Intersegment sales	50,140	–	–	–	(50,140)	–
Other revenue	–	4,243	114	1,579	–	5,936
Total	145,770	985,224	189,022	23,410	(50,140)	1,293,286
<b>Segment results</b>	38,249	121,337	(6,910)	(379)	–	152,297
<i>Reconciliations:</i>						
Interest income						3,428
Corporate and other unallocated expenses						(29,188)
Finance costs						(42,531)
Profit before tax						84,006
Income tax expense						(13,567)
Profit for the period						70,439
<b>Assets and liabilities</b>						
<b>Segment assets</b>	746,684	2,276,639	238,627	404,734	–	3,666,684
<i>Reconciliations:</i>						
Corporate and other unallocated assets						612,244
Total assets						4,278,928
<b>Segment liabilities</b>	266,102	393,050	99,629	25,859	–	784,640
<i>Reconciliations:</i>						
Corporate and other unallocated liabilities						2,415,096
Total liabilities						3,199,736

## Notes to Interim Condensed Consolidated Financial Statements

30 June 2011

### 5. 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 reporting period.

An analysis of the Group's revenue, other income and gains is as follows:

	Six months ended 30 June	
	2011 HK\$'000 (Unaudited)	2010 HK\$'000 (Audited)
<b>Revenue</b>		
Sales of goods	1,693,797	1,287,350
<b>Other income and gains</b>		
Interest income	12,291	3,428
Gain on disposal of items of property, plant and equipment	206	665
Subsidy income	1,521	4,361
Foreign exchange differences, net	30,082	–
Sales of scrap and raw materials	8,724	–
Others	9,623	910
	62,447	9,364

### 6. Finance costs

	Six months ended 30 June	
	2011 HK\$'000 (Unaudited)	2010 HK\$'000 (Audited)
Interest on bank loans and other loans wholly repayable within five years	62,729	46,487
Interest on bank loans and other loans wholly repayable for more than five years	–	1,821
Finance costs for discounted notes receivable	2,344	805
Less: Interest capitalized	(4,009)	(6,582)
	61,064	42,531

## Notes to Interim Condensed Consolidated Financial Statements

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### 7. Profit before tax

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

	Notes	Six months ended 30 June	
		2011 HK\$'000 (Unaudited)	2010 HK\$'000 (Audited)
Cost of inventories sold		<b>1,284,697</b>	1,024,851
Depreciation	11	<b>89,193</b>	77,420
Amortization of prepaid land lease payments	12	<b>3,069</b>	3,769
Amortization of intangible assets	13	<b>3,523</b>	3,116
Auditors' remuneration		<b>1,497</b>	1,457
Minimum lease payments under operating leases, land and buildings		<b>5,349</b>	3,761
Equity-settled share option expenses		<b>29,768</b>	–
Employee benefit expense		<b>120,859</b>	114,539
(Gain)/loss on disposal of items of property, plant and equipment*		<b>(206)</b>	252
Foreign exchange differences, net		<b>(30,082)</b>	417
Write-down of inventories to net realizable value, net†		<b>16,007</b>	5,841
Impairment of trade and other receivables, net*		<b>6,827</b>	2,709

\* Included in "Cost of sales" in the interim condensed consolidated statement of comprehensive income.

\* Included in "Other income and gains/other expenses" in the interim condensed consolidated statement of comprehensive income.

### 8. Income tax

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

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

	Six months ended 30 June	
	2011 HK\$'000 (Unaudited)	2010 HK\$'000 (Audited)
Current – PRC		
Charge for the period	<b>54,336</b>	16,932
Deferred (note 14)	<b>9,581</b>	(3,365)
Total tax charge for the period	<b>63,917</b>	13,567

#### Hong Kong profits tax

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

#### PRC corporate income tax

The income tax provision of the Group in respect of its operations in Mainland China has been calculated at the applicable tax rates on the taxable profits for the current period, based on the existing legislation, interpretations and practices in respect thereof.

## Notes to Interim Condensed Consolidated Financial Statements

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

The calculation of basic earnings per share amounts for the period ended 30 June 2011 is based on the consolidated profit attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares of 3,024,795,000 in issue during the period. The calculation of basic earnings per share amounts for the period ended 30 June 2010 is based on the consolidated profit attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares of 1,473,750,000 in issue during the period, as if the capitalization issue of the Company's shares owned by the shareholders as at 30 June 2010 as defined in the prospectus of the Company dated 8 November 2010 (the "Prospectus") had been completed on 1 January 2010.

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

	Six months ended 30 June	
	2011 HK\$'000 (Unaudited)	2010 HK\$'000 (Audited)
<b>Earnings</b>		
Profit attributable to ordinary equity holders of the parent, used in the basic earnings per share calculation	380,001	50,693
	Number of shares	
	30 June 2011	30 June 2010
<b>Shares</b>		
Weighted average number of ordinary shares in issue during the period used in the basic earnings per share calculation	3,024,795,000	1,473,750,000

The Group had no potentially dilutive ordinary shares in issue during the six months ended 30 June 2010. No adjustment has been made to the basic earnings per share amounts presented for the six months ended 30 June 2011 in respect of a dilution as the impact of the share options outstanding had an anti-dilutive effect on the basic earnings per share amounts presented.

### 10. Dividend

The Board does not recommend the payment of any interim dividend for the six months ended 30 June 2011. The dividends for the six months ended 30 June 2010 was declared by the Company to its shareholders before the reorganization as detailed in the Prospectus.

## Notes to Interim Condensed Consolidated Financial Statements

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### 11. Property, plant and equipment

	<b>30 June 2011 HK\$'000 (Unaudited)</b>	31 December 2010 HK\$'000 (Audited)
At 1 January 2011/1 January 2010	<b>2,145,238</b>	1,625,315
Additions	<b>249,244</b>	647,323
Acquisition of a subsidiary (note 3)	<b>92,194</b>	–
Disposals	<b>(20,402)</b>	(33,521)
Depreciation (note 7)	<b>(89,193)</b>	(158,744)
Exchange realignment	<b>52,238</b>	64,865
At 30 June 2011/31 December 2010	<b>2,429,319</b>	2,145,238

Certain of the Group's interest-bearing bank borrowings were secured by certain of the Group's buildings and machinery, which had aggregate net carrying amounts of approximately HK\$226,275,000 as at 30 June 2011 (31 December 2010: HK\$221,961,000).

At 30 June 2011, 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\$132,685,000 and the Group also had buildings and construction in progress with an aggregate net carrying amount of approximately HK\$49,935,000 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 30 June 2011.

### 12. Prepaid land lease payments

	<b>30 June 2011 HK\$'000 (Unaudited)</b>	31 December 2010 HK\$'000 (Audited)
At 1 January 2011/1 January 2010	<b>171,383</b>	86,497
Additions	<b>1,236</b>	85,964
Acquisition of a subsidiary (note 3)	<b>314,174*</b>	–
Amortization (note 7)	<b>(3,069)</b>	(6,172)
Exchange realignment	<b>7,590</b>	5,094
At 30 June 2011/31 December 2010	<b>491,314</b>	171,383
Current portion included in prepayments, deposits and other receivables	<b>(11,587)</b>	(6,497)
Non-current portion	<b>479,727</b>	164,886

The leasehold lands are situated in the PRC 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\$45,398,000 as at 30 June 2011 (31 December 2010: HK\$48,155,000).

\* These leasehold lands are allocated industrial land use rights situated in the PRC.

## Notes to Interim Condensed Consolidated Financial Statements

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### 13. Intangible assets

	30 June 2011 HK\$'000 (Unaudited)	31 December 2010 HK\$'000 (Audited)
At 1 January 2011/1 January 2010	300,759	296,301
Additions	328	836
Acquisition of a subsidiary (note 3)	506,100	–
Depreciation (note 7)	(3,523)	(6,252)
Exchange realignment	12,412	9,874
At 30 June 2011/31 December 2010	816,076	300,759

At 30 June 2011, the Group was in the process of applying for the mining right certificate of Hui Xing Company with an aggregate net carrying amount of approximately HK\$506,100,000. The Directors are of the opinion that the aforesaid matter will not have any significant impact on the Group's financial position as at 30 June 2011.

### 14. Deferred tax assets and liabilities

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

#### Deferred tax assets

	Losses available for offsetting against future taxable profits HK\$'000	Deductible temporary differences HK\$'000	Total HK\$'000
At 1 January 2011 (Audited)	56,837	23,092	79,929
(Charged)/credited to the interim condensed consolidated statement of comprehensive income during the period (note 8)	(1,069)	3,556	2,487
Exchange realignment	1,301	576	1,877
At 30 June 2011 (Unaudited)	57,069	27,224	84,293

#### Deferred tax liabilities

	Fair value adjustments arising from acquisition of subsidiaries HK\$'000	Withholding taxes HK\$'000	Taxable temporary differences HK\$'000	Fair value adjustments of investment properties HK\$'000	Total HK\$'000
At 1 January 2011 (Audited)	3,909	5,912	2,922	4,230	16,973
(Credited)/charged to the interim condensed consolidated statements of comprehensive income during the period (note 8)	(397)	12,160	305	–	12,068
Acquisition of a subsidiary (note 3)	166,841	–	–	–	166,841
Exchange realignment	2,002	–	72	98	2,172
At 30 June 2011 (Unaudited)	172,355	18,072	3,299	4,328	198,054

## Notes to Interim Condensed Consolidated Financial Statements

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### 15. Inventories

	<b>30 June 2011 HK\$'000 (Unaudited)</b>	<b>31 December 2010 HK\$'000 (Audited)</b>
Raw materials	<b>466,199</b>	340,767
Work in progress	<b>9,528</b>	4,528
Finished goods	<b>307,372</b>	181,752
	<b>783,099</b>	527,047
Less: Inventory provision	<b>(84,156)</b>	(77,052)
	<b>698,943</b>	449,995

### 16. Trade and notes receivables

	<b>30 June 2011 HK\$'000 (Unaudited)</b>	<b>31 December 2010 HK\$'000 (Audited)</b>
Trade receivables	<b>554,136</b>	264,044
Notes receivable	<b>203,952</b>	344,711
	<b>758,088</b>	608,755
Less: Impairment	<b>(12,544)</b>	(4,821)
	<b>745,544</b>	603,934

Notes receivable represent bank acceptance notes of the Company's subsidiaries which are issued by major banks in the PRC.

The Group normally offers credit terms of 30 to 90 days to its established customers.

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

	<b>30 June 2011 HK\$'000 (Unaudited)</b>	<b>31 December 2010 HK\$'000 (Audited)</b>
Within one month	<b>403,772</b>	386,822
One to two months	<b>161,396</b>	84,704
Two to three months	<b>66,064</b>	29,346
Over three months	<b>114,312</b>	103,062
	<b>745,544</b>	603,934

## Notes to Interim Condensed Consolidated Financial Statements

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### 16. Trade and notes receivables (continued)

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

	30 June 2011 HK\$'000 (Unaudited)	31 December 2010 HK\$'000 (Audited)
At 1 January 2011/1 January 2010	4,821	5,874
Impairment losses recognized	6,851	471
Acquisition of a subsidiary (note 3)	674	–
Write-off	–	(1,704)
Exchange realignment	198	180
At 30 June 2011/31 December 2010	12,544	4,821

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

	30 June 2011 HK\$'000 (Unaudited)	31 December 2010 HK\$'000 (Audited)
Neither past due nor impaired	631,232	592,404
One to three months past due	95,854	7,873
Over three months past due	18,458	3,657
Total	745,544	603,934

Trade and notes receivables are unsecured and interest-free. The carrying amounts of trade and notes receivables approximate to their fair values.

### 17. Prepayments, deposits and other receivables

#### Non-current portion

	30 June 2011 HK\$'000 (Unaudited)	31 December 2010 HK\$'000 (Audited)
Deposits	289,933	124,302
Prepayment	13,385	5,060
	303,318	129,362

#### Current portion

	30 June 2011 HK\$'000 (Unaudited)	31 December 2010 HK\$'000 (Audited)
Prepayments	273,913	97,629
Deposits and other receivables	145,024	90,213
	418,937	187,842

## Notes to Interim Condensed Consolidated Financial Statements

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### 18. Cash and cash equivalents and pledged deposits

	<b>30 June 2011 HK\$'000 (Unaudited)</b>	31 December 2010 HK\$'000 (Audited)
Cash and bank balances	<b>2,450,959</b>	2,652,284
Less: Pledged deposits	<b>(118,928)</b>	(71,543)
Cash and cash equivalents	<b>2,332,031</b>	2,580,741

As at 30 June 2011, the cash and bank balances of the Group denominated in RMB amounted to HK\$2,139,717,000 (31 December 2010: HK\$532,713,000). 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.

### 19. 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:

	<b>30 June 2011 HK\$'000 (Unaudited)</b>	31 December 2010 HK\$'000 (Audited)
Within one month	<b>241,958</b>	152,182
One to two months	<b>77,013</b>	13,086
Two to three months	<b>35,417</b>	17,017
Over three months	<b>61,523</b>	57,938
	<b>415,911</b>	240,223

### 20. Other payables and accruals

	<b>30 June 2011 HK\$'000 (Unaudited)</b>	31 December 2010 HK\$'000 (Audited)
Advances from customers	<b>91,110</b>	98,773
Other payables	<b>310,390</b>	207,785
Accruals	<b>139,779</b>	140,136
	<b>541,279</b>	446,694

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

## Notes to Interim Condensed Consolidated Financial Statements

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### 21. Interest-bearing bank and other borrowings

	30 June 2011			31 December 2010		
	Effective Interest rate (%)	Maturity	HK\$'000 (Unaudited)	Effective Interest rate (%)	Maturity	HK\$'000 (Audited)
<b>Current</b>						
Bank loans – secured	5.81-6.06	2012	36,111	4.78	2011	35,295
Bank loans – unsecured	5.23-6.31	2011-2012	648,794	4.78-5.56	2011	516,484
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	2012	84,259	4.86-5.40	2011	188,240
Long term bank loans with on demand clause – unsecured	LIBOR+0.85	On demand	381,234	LIBOR+0.85	On demand	273,889
Other loans – unsecured	6.0	2011	131,203	4.70	2011	117,650
			<b>1,281,601</b>			<b>1,172,735</b>
<b>Non-current</b>						
Bank loans – secured	5.27-6.65	2013-2015	494,721	5.40-5.94	2012-2015	248,242
Bank loans – unsecured	4.86-5.80	2012-2016	1,367,403	4.86-5.76	2012-2016	1,265,914
			<b>1,862,124</b>			<b>1,514,156</b>
			<b>3,143,725</b>			<b>2,686,891</b>
				<b>30 June 2011</b>	31 December 2010	
				<b>HK\$'000 (Unaudited)</b>	<b>HK\$'000 (Audited)</b>	
<b>Analysed into:</b>						
Bank loans repayable:						
Within one year or on demand				<b>1,150,398</b>		1,055,085
In the second year				<b>1,117,034</b>		480,012
In the third to fifth years, inclusive				<b>745,090</b>		897,670
Beyond five years				–		136,474
				<b>3,012,522</b>		2,569,241
Other loans repayable:						
Within one year or on demand				<b>131,203</b>		117,650
				<b>3,143,725</b>		2,686,891

Certain of the Group's bank loans are secured by certain of the Group's assets, details of which are set out in notes 11 and 12.

## Notes to Interim Condensed Consolidated Financial Statements

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### 22. Deferred income

	<b>30 June 2011 HK\$'000 (Unaudited)</b>	<b>31 December 2010 HK\$'000 (Audited)</b>
At 1 January 2011/1 January 2010	<b>35,684</b>	4,937
Addition	<b>16,373</b>	31,878
Acquisition of a subsidiary (note 3)	<b>14,564</b>	–
Amortized	<b>(610)</b>	(2,053)
Exchange realignment	<b>1,178</b>	922
At 30 June 2011/31 December 2010	<b>67,189</b>	35,684

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 interim condensed 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.

### 23. Share capital

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

	<b>30 June 2011 HK\$'000 (Unaudited)</b>	<b>31 December 2010 HK\$'000 (Audited)</b>
Authorized:		
10,000,000,000 (31 December 2010: 10,000,000,000) ordinary shares of HK\$0.10 each	<b>1,000,000</b>	1,000,000
Issued and fully paid:		
3,024,795,000 (31 December 2010: 3,024,795,000) ordinary shares of HK\$0.10 each	<b>302,480</b>	302,480

## Notes to Interim Condensed Consolidated Financial Statements

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## 24. Reserves

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

	Notes	30 June 2011 HK\$'000 (Unaudited)	31 December 2010 HK\$'000 (Audited)
Share premium	(a)	2,856,583	2,856,583
Contributed surplus	(b)	(190,229)	(190,229)
Reserve funds	(c)	105,776	104,127
Exchange fluctuation reserve		177,454	108,627
Share option reserve		29,768	–
Retained profits		528,719	150,367
		<b>3,508,071</b>	3,029,475

- (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 Industries Co., Limited ("CITIC Dameng Mining") in prior years.
- (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 the generally accepted accounting principles in the PRC, 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.

## 25. Share option scheme

The Company operates a share option scheme (the "Scheme") for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. On 11 January 2011, the Company granted 103,000,000 share options to the directors and other employees of the Group under the Scheme, of which 67,000,000 share options were granted to the directors. The Scheme became effective on 11 January 2011 and, unless otherwise cancelled or amended, will remain in force for 10 years from that date.

The offer of a grant of share options may be accepted within 48 days from the date of offer, upon payment of a nominal consideration of HK\$1 in total by the grantee. The exercise period of the share options granted begins after a vesting period of one to three years and ends on the expiry date of the Scheme as detailed below:

- (a) The first tranche (25% of the share options) shall be exercisable after the first anniversary day of the grant of the Share Options;
- (b) The second tranche (25% of the share options) shall be exercisable after the second anniversary day of the grant of the share options; and
- (c) The remaining 50% of the share options shall be exercisable after the third anniversary day of the grant of the share options.

The exercise price of share options is HK\$2.81 each, which was determined by the higher of (i) the closing price of HK\$2.810 per share as stated in the Stock Exchange's daily quotation sheets on the date of grant; (ii) the average closing price of HK\$2.778 per share as stated in the Stock Exchange's daily quotation sheets for the five business days immediately preceding the Date of Grant; and (iii) the nominal value of the shares.

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

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### 25. Share option scheme (continued)

Other than 103,000,000 share options granted on 11 January 2011 with an exercise price of HK\$2.81 each, there was no movement of the share options for the six months ended 30 June 2011 (2010: No share options were granted or exercised).

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

30 June 2011 Number of options	Exercise price HK\$ per share	Exercise period
25,750,000	2.81	11-1-2012 to 10-1-2021
25,750,000	2.81	11-1-2013 to 10-1-2021
51,500,000	2.81	11-1-2014 to 10-1-2021
103,000,000		

The fair value of the share options granted for the six months ended 30 June 2011 was HK\$122,780,000 (weighted average fair value of HK\$1.19 each) (31 December 2010: Nil) of which the Group recognized a share option expense of HK\$29,768,000 (31 December 2010: Nil) during the six months ended 30 June 2011.

The fair value of equity-settled share options granted during the period was estimated as at the date of grant, using a binomial model, taking into account the terms and conditions upon which the options were granted. The following table lists the inputs to the model used:

Dividend yield (%)	–
Expected volatility (%)	46.75
Historical volatility (%)	N/A
Risk-free interest rate (%)	2.46
Weighted average share price (HK\$ per share)	2.81

The expected volatility was determined using the historical volatilities of comparable companies since there was no historical record of the Company, and may also not necessarily be the actual outcome. Early exercise assumption for option holders to exercise their option when the share price is at least 164% and 150% of the exercise price for the directors and other employees, respectively.

No other feature of the options granted was incorporated into the measurement of fair value.

At the end of the reporting period, the Company had 103,000,000 share options outstanding under the Scheme. As all of the share options are still within the vesting period in year 2011, they would have no impact to the shares of the Company nor the share capital or share premium.

At the date of approval of these interim condensed financial statements, the Company had 103,000,000 share options outstanding under the Scheme, which represented approximately 3.41% of the Company's shares in issue as at that date.

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### 26. Commitments and contingencies

#### (a) Operating lease commitments

The Group leases certain of its office properties under operating lease arrangements. Leases for such properties are negotiated for terms ranging from 2 to 25 years.

At the end of the reporting period, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	30 June 2011 HK\$'000 (Unaudited)	31 December 2010 HK\$'000 (Audited)
Within one year	10,066	9,648
In the second to fifth years, inclusive	19,079	18,398
After five years	36,539	44,753
	65,684	72,799

#### (b) Capital commitments

	30 June 2011 HK\$'000 (Unaudited)	31 December 2010 HK\$'000 (Audited)
Authorized, but not contracted for:		
Acquisition of land and buildings	162,895	211,328
Acquisition of plant and machinery	588,974	586,942
	751,869	798,270
Contracted, but not provided for:		
Acquisition of land and buildings	367,788	184,243
Acquisition of plant and machinery	212,379	135,049
	580,167	319,292
Total	1,332,036	1,117,562

#### (c) Further capital contribution to Hui Xing Company

On 31 May 2011, the Group entered into a Supplemental Agreement to further contribute capital in the sum of RMB170,000,000 (equivalent to HK\$202,280,000) to Hui Xing Company. Upon completion of the further capital contribution, the Group will increase its interest in Hui Xing Company to 64%, details of which are set out in the announcement dated 31 May 2011.

#### (d) Contingent liabilities

The Group did not have any significant contingent liabilities at the end of the reporting period (31 December 2010: Nil).

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### 27. Related party balances and transactions

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

	Notes	Six months ended 30 June	
		2011 HK\$'000 (Unaudited)	2010 HK\$'000 (Audited)
Purchase of raw materials from subsidiaries of Guangxi Dameng Manganese Industrial Co., Ltd. (" <b>Guangxi Dameng</b> ")	(i)	6,475	22,328
Purchase of property, plant and equipment from a subsidiary of Guangxi Dameng	(i)	187	–
Sales of goods to subsidiaries of Guangxi Dameng	(ii)	23,526	16,758
Provision of electricity and water to Guangxi Dameng	(iii)	20	–
Provision of integrated service as defined in the Prospectus by Guangxi Dameng	(iv)	2,856	1,366
Interest income on deposits placed with subsidiaries of a company that exercises significant influence over the Group	(v)	1,344	–
Tax indemnity charged to Highkeen Resources Limited (" <b>Highkeen</b> ")	(vi)	3,987	–
Tax indemnity charged to Apexhill Investments Limited (" <b>Apexhill</b> ")	(vi)	997	–
Tax indemnity charged to Guangxi Dameng	(vi)	2,625	–
Guarantee charges paid to Guangxi Dameng	(vii)	–	529

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) Service fees were charged at a monthly amount of RMB200,000 (equivalent to HK\$238,000) as mutually agreed by the parties.
- (v) The interest income arose from the deposits with related companies which were in the usual and ordinary course of business of the Group.
- (vi) Pursuant to the deed of tax indemnity dated 3 November 2010, Highkeen, Apexhill and Guangxi Dameng agreed to indemnify against taxation falling on any of the companies of the Group resulting from any income, profits and gains earned, accrued or received (or deemed to be so) on or before 30 June 2010. During the period, the Company charged the tax indemnity according to the income tax clearance of subsidiaries for the year ended 31 December 2010 to Highkeen, Apexhill and Guangxi Dameng, respectively.
- (vii) 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 during the six months ended 30 June 2011.

## Notes to Interim Condensed Consolidated Financial Statements

30 June 2011

## 27. Related party balances and transactions (continued)

## (b) Outstanding balances with related parties

	30 June 2011 HK\$'000 (Unaudited)	31 December 2010 HK\$'000 (Audited)
Due from related companies		
Trade receivables	33,041	30,408
Other receivables	8,414	–
Prepayments	32,083	23,331
	73,538	53,739
Due to related companies		
Trade payables	1,815	2,398
Other payables	–	1,117
	1,815	3,515
Bank deposits with related companies	191,207	192,936

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

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

## (c) Compensation of key management personnel of the Group

	Six months ended 30 June 2011 HK\$'000 (Unaudited)	2010 HK\$'000 (Audited)
Salaries, allowances and benefits in kind	3,929	1,453
Bonuses	59	2,754
Equity-settled share option expenses	22,045	–
Pension scheme contributions	85	122
Total compensation paid to key management personnel	26,118	4,329

## 28. Event after the reporting period

On 26 July 2011, CITIC Dameng Mining entered into the agreements with two individuals, Huang Jian Ying and Zheng Yuan Wei, respectively, to acquire 100% equity interest in Guangxi Sanmenglong Mining Co., Ltd. ("Sanmenglong"), a company which is principally engaged in manganese mine exploration, excavation and further processing in Guangxi, the PRC. The total purchase consideration for the acquisition of Sanmenglong was approximately RMB26,800,000 (equivalent to HK\$31,888,800). No significant goodwill or negative goodwill was generated from the acquisition of Sanmenglong as the purchase consideration approximated to the fair value of the identifiable net assets of Sanmenglong as at the acquisition date.

## 29. Approval of the interim condensed consolidated financial statements

These interim condensed consolidated financial statements were approved and authorized for issue by the board of directors on 25 August 2011.

## Management Discussion and Analysis

### Financial Review

	<b>1H 2011 HK\$'000</b>	1H 2010 HK\$'000	Increase/(decrease) HK\$'000	%
Revenue	<b>1,693,797</b>	1,287,350	406,447	32%
Operating profit (excluding share options expenses)	<b>207,442</b>	84,006	123,436	147%
Share options expenses	<b>(29,768)</b>	–	(29,768)	N/A
Operating profit	<b>177,674</b>	84,006	93,668	112%
Gain on bargain purchase	<b>259,244</b>	–	259,244	N/A
Profit before tax	<b>436,918</b>	84,006	352,912	420%
Income tax expenses	<b>(63,917)</b>	(13,567)	(50,350)	371%
Profit after tax	<b>373,001</b>	70,439	302,562	430%
Profit attributable to owners of the parent	<b>380,001</b>	50,693	329,308	650%
(Loss)/profit attributable to non-controlling interests	<b>(7,000)</b>	19,746	(26,746)	(135%)
	<b>373,001</b>	70,439	302,562	430%

### Financial Highlights

- Turnover amounted to HK\$1,693.8 million for 1H 2011, representing an increase of 31.6% from HK\$1,287.4 million of 1H 2010.
- Operating profit (excluding share option expenses) before gain on bargain purchase for 1H 2011 reached HK\$207.4 million, representing an increase of 147% over HK\$84.0 million of 1H 2010.
- The Group recorded an one-off gain HK\$259.2 million on bargain purchase upon acquisition of Hui Xing Company.
- The Group's profit after tax amounted to HK\$373.0 million for 1H 2011, representing an increase of 430% over HK\$70.4 million of 1H 2010.
- Profit attributable to owners of the parent amounted to HK\$380.0 million for 1H 2011, representing an increase of 650% over HK\$50.7 million of 1H 2010.

## Management Discussion and Analysis

### Overview

In 1H 2011, the consolidated net profit attributable to the shareholders of the Company is HK\$380.0 million (1H 2010: HK\$50.7 million), or a 650% increase as compared with 1H 2010. This was mainly due to: (1) the strong performance of EMM segment both in terms of selling price and volume of sales, (2) the acquisition of an additional 34.5% equity interest in a then 65.5% owned major operating subsidiary, CITIC Dameng Mining Industries Co., Limited, pursuant to a corporate reorganization which was completed on 27 October 2010 and (3) gain on bargain purchase arising from the acquisition of Hui Xing Company.

### Segmental information and comparison with six months ended 30 June 2010

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

	Six months ended 30 June							
	2011				2010			
	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 (%)
<b>Manganese mining and ore processing</b>								
Manganese concentrate	92,532	617	57,122	3.4	71,743	553	39,671	3.0
Natural discharging manganese powder and sand	17,833	2,962	52,824	3.1	23,701	2,361	55,959	4.3
<b>Sub-Total</b>	<b>110,365</b>	<b>996</b>	<b>109,946</b>	<b>6.5</b>	<b>95,444</b>	<b>1,002</b>	<b>95,630</b>	<b>7.3</b>
<b>Manganese downstream processing</b>								
EMM	49,932	19,572	977,267	57.7	46,212	14,903	688,737	53.5
Silicomanganese alloy	27,097	7,763	210,342	12.4	26,611	7,397	196,864	15.3
EMD	8,573	10,072	86,350	5.1	5,191	8,864	46,017	3.6
Manganese sulfate	11,095	3,902	43,291	2.6	11,893	3,446	40,992	3.2
Ferromanganese	4,699	8,168	38,383	2.3	1,134	7,381	8,371	0.7
Manganese tetroxide	1,072	17,123	18,355	1.1	–	–	–	–
<b>Sub-Total</b>	<b>102,468</b>	<b>13,409</b>	<b>1,373,988</b>	<b>81.2</b>	<b>91,041</b>	<b>10,775</b>	<b>980,981</b>	<b>76.3</b>
<b>Non-manganese ferroalloy processing</b>								
High carbon ferrochromium	7,647	10,288	78,673	4.6	19,446	9,714	188,908	14.7
Lithium cobalt oxide	13	233,846	3,040	0.2	–	–	–	–
<b>Sub-Total</b>	<b>7,660</b>	<b>10,667</b>	<b>81,713</b>	<b>4.8</b>	<b>19,446</b>	<b>9,714</b>	<b>188,908</b>	<b>14.7</b>
<b>Other business</b>								
Trading	24,943	5,138	128,150	7.5	3,294	6,628	21,831	1.7
<b>Total</b>	<b>245,436</b>	<b>6,901</b>	<b>1,693,797</b>	<b>100.0</b>	<b>209,225</b>	<b>6,153</b>	<b>1,287,350</b>	<b>100.0</b>

## Management Discussion and Analysis

### Revenue

In 1H 2011, the Group's revenue reached HK\$1,693.8 million (1H 2010: HK\$1,287.4 million), representing an increase of 31.6% as compared with 1H 2010. During the period, the upbeat environment in PRC continued to boost demand and led to increase in both selling prices and sales volume for most of our downstream products, especially our major product, EMM.

*Manganese mining and ore processing* – As most of the ore we mined were consumed internally, performance of manganese mining and ore processing segment, representing only those sales to third parties, remained satisfactory in 1H 2011 compared with 1H 2010. Revenue derived from this segment surged 15.0% to HK\$109.9 million (1H 2010: HK\$95.6 million) as sales volume increased by 15.6% to 110,365 tonnes (1H 2010: 95,444 tonnes). Average selling price was also stable at HK\$996/tonne (1H 2010: HK\$1,002/tonne). Cost of extracting manganese ores in the early stage of the two new sub-regions, namely Luli and Dongmeng areas of Tiandeng mining operations are similar to the two sub-regions of Tiandeng Mine which were depleted in February 2011.

*Manganese downstream processing* – Benefited from overwhelming demand in steel market, EMM now accounted for 57.7% (1H 2010: 53.5%) of our total sales. Average EMM price rose to HK\$19,572/tonne (1H 2010: HK\$14,903/tonne), representing an increase of 31.3%. The sales volume of EMM increased by 8.0% to 49,932 tonnes (1H 2010: 46,212 tonnes) simultaneously as we strived to further increase production volume at Daxin EMM Plant and Start EMM Plant in response to stronger market demand.

Sales volume of EMD for 1H 2011 soared by 65.2% to 8,573 tonnes (1H 2010: 5,191 tonnes). Average selling price increased by 13.6% to HK\$10,072/tonne (1H 2010: HK\$8,864/tonne). This increase was primarily due to a comparatively higher production volume as our second Daxin EMD production line commenced production in September 2010.

In 1H 2011, market demand for silicomanganese alloy remained weak due to fierce competition. We adopted a price optimization strategy by controlling the sales volume. As a result, average selling price of silicomanganese alloy increased by 4.9% to HK\$7,763/tonne (1H 2010: HK\$7,397/tonne), which was in line with other commodity price increase. Besides, sales volume moderately increased by 1.8% to 27,097 tonnes (1H 2010: 26,611 tonnes).

*Non-manganese ferroalloy processing* – Sluggish demand of high carbon ferrochromium led to the significant drop in sales volume by 60.7% to 7,647 tonnes (1H 2010: 19,446 tonnes) despite an increase in the average selling prices of 5.9% to HK\$10,288/tonne (1H 2010: HK\$9,714/tonne) following the general rise in commodity prices.

## 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.

	Six months ended 30 June							
	2011				2010			
	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 (%)
<b>Manganese mining and ore processing</b>								
Manganese concentrate	20,682	224	36,440	63.8	10,137	141	29,534	74.4
Natural discharging manganese powder and sand	13,074	733	39,750	75.2	16,742	706	39,217	70.1
<b>Sub-Total</b>	<b>33,756</b>	<b>306</b>	<b>76,190</b>	<b>69.3</b>	<b>26,879</b>	<b>282</b>	<b>68,751</b>	<b>71.9</b>
<b>Manganese downstream processing</b>								
EMM	699,440	14,008	277,827	28.4	524,628	11,353	164,109	23.8
Silicomanganese alloy	191,516	7,068	18,826	9.0	181,717	6,829	15,147	7.7
EMD	60,765	7,088	25,585	29.6	40,666	7,834	5,351	11.6
Manganese sulfate	34,575	3,116	8,716	20.1	32,612	2,742	8,380	20.4
Ferromanganese	40,475	8,614	(2,092)	(5.5)	11,692	10,310	(3,321)	(39.7)
Manganese tetroxide	17,674	16,487	681	3.7	–	–	–	–
<b>Sub-Total</b>	<b>1,044,445</b>	<b>10,193</b>	<b>329,543</b>	<b>24.0</b>	<b>791,315</b>	<b>8,692</b>	<b>189,666</b>	<b>19.3</b>
<b>Non-manganese ferroalloy processing</b>								
High carbon ferrochromium	77,472	10,131	1,201	1.5	182,653	9,393	6,255	3.3
Lithium cobalt oxide	3,080	236,923	(40)	(1.3)	–	–	–	–
<b>Sub-Total</b>	<b>80,552</b>	<b>10,516</b>	<b>1,161</b>	<b>1.4</b>	<b>182,653</b>	<b>9,393</b>	<b>6,255</b>	<b>3.3</b>
<b>Other business</b>								
Trading	125,944	5,049	2,206	1.7	24,004	7,287	(2,173)	(10.0)
<b>Inventory provision</b>	<b>16,007</b>		<b>(16,007)</b>		<b>5,841</b>		<b>(5,841)</b>	
<b>Total</b>	<b>1,300,704</b>		<b>393,093</b>	<b>23.2</b>	<b>1,030,692</b>		<b>256,658</b>	<b>19.9</b>

### Cost of Sales

Cost of sales increased by HK\$270.0 million or 26.2%, to HK\$1,300.7 million in 1H 2011, as compared to HK\$1,030.7 million in 1H 2010. The increase was primarily due to the increases in the cost of direct materials and purchase directly for trading. This cost increase was primarily attributed to the overall increase in sales volume during 2011 as well as the increased price of raw and auxiliary material costs which are highly correlated with the economic growth and the recent inflationary environment in PRC.

## Management Discussion and Analysis

The unit cost of manganese mining and ore processing segment during 1H 2011 increased by 8.5% to HK\$306/tonne (1H 2010: HK\$282/tonne). This increase was mainly attributable to (i) lower production efficiency in Luli and Dongmeng sub-regions of Tiandeng Mine mining operations which were in commencement stage of production in early 2011; (ii) higher transportation cost as the location is more remote from the production line compared with the old sub-region mines and (iii) continuous increase in the unit costs of fuel consumed.

In 1H 2011, unit cost of EMM increased by 23.4% to HK\$14,008/tonne (1H 2010: HK\$11,353/tonne). This was mainly attributable to the increase in labour costs, electricity and unit costs of auxiliary materials including sulfuric acid and selenium dioxide.

Unit cost of silicomanganese alloy increased by 3.5% to HK\$7,068/tonne (1H 2010: HK\$6,829/tonne) mainly due to the rise in price of high-grade manganese concentrates and was consistent with the market conditions of other commodity products.

Unit cost of high carbon ferrochromium increased by 7.9% to HK\$10,131/tonne (1H 2010: HK\$9,393/tonne) which was in line with the increase in price of chromium and chromium products.

### **Gross Profit**

In 1H 2011, the Group recorded a gross profit of HK\$393.1 million (1H 2010: HK\$256.7 million), representing an increase of HK\$136.4 million or 53.2%. The Group's overall gross profit margin was 23.2%, representing an increase of 3.3% over 1H 2010's 19.9%. The improved gross profit margin was mainly attributable to an increase in gross profit by HK\$113.7 million for EMM as gross profit margin for EMM increased from 23.8% to 28.4%. In addition, our expansion and upgrade of existing production capacity for our products also helped to meet higher market demand through economies of scale achieved.

### **Selling and Distribution Costs**

The Group's selling and distribution costs in 1H 2011 have increased by 13.7% to HK\$41.1 million (1H 2010: HK\$36.2 million). The increase was in line with the increase in sales for 1H 2011.

### **Administrative Expenses**

Administrative expenses increased by 30.0% to HK\$120.5 million for 1H 2011 (1H 2010: HK\$92.7 million). The increase was mainly attributable to increase in scale of operations.

### **Finance Cost**

For 1H 2011, our Group's finance cost was HK\$61.1 million (1H 2010: HK\$42.5 million), representing an increase of 43.6%. This was the combined effect of (1) the increase in average bank loan balance to further finance the projects in PRC and Gabon and (2) increase in average interest rate as compared with 1H 2010.

### **Income Tax**

Our tax expenses increased to HK\$63.9 million for the period ended 30 June 2011 (1H 2010: HK\$13.6 million) primarily due to: (1) a major PRC subsidiary provided corporate income tax at a rate of 7.5% in 1H2010, but was subsequently confirmed in 1H2011 by the tax bureau as 12.5%. In addition, the corporate income tax rate has been increased to 15% in 1H2011; and (2) provision of withholding tax in relation to the one-off bargain purchase of Hui Xing Company.

### **Profit Attributable to Owners of the Parent**

For 1H 2011, the Group's profit attributable to owners of the parent was HK\$380.0 million (1H 2010: HK\$50.7 million), representing an increase of 650% over 1H 2010.

### **Earnings per share**

For 1H 2011, earnings per share attributable to ordinary equity holders of the parent amounted to 12.56 HK cents (1H 2010: 3.44 HK cents), representing an increase of approximately 265.1% from 1H 2010.

### **Interim Dividend**

The Board does not recommend the payment of interim dividend for the six months ended 30 June 2011.

## Management Discussion and Analysis

### **Use of Proceeds from initial public offering ("IPO")**

As at 30 June 2011, we utilized the net proceeds raised from the IPO in accordance with the uses set out in the prospectus as follows:

Description		Amount designated in prospectus (HK\$ Million)	Amount utilized in 1H 2011 (HK\$ Million)	% utilized
1	Expansion project at Daxin EMD Plant	79	21	26.6%
2	Expansion project of underground mining and ore processing at Daxin Mine	278	26	9.4%
3	Expansion and construction projects of our EMM production facilities	516	138	26.7%
4	Construction project at Chongzuo Base	59	7	11.9%
5	Development of Bembélé manganese mine and associated facilities	119	99	83.2%
6	Technological improvement and renovation projects at our production facilities	40	14	35.0%
7	Acquisition of mines and mining right	397	153	38.5%
8	Repayment on a portion of our bank borrowings	297	297	100.0%
9	Working capital & other corporate purposes	198	198	100.0%
<b>Total</b>		<b>1,983</b>	<b>953</b>	<b>48.1%</b>

Note: No proceeds have been utilized before 31 December 2010.

### **Liquidity, financial resources and capital structure**

In 1H 2011, the Group's primary sources of funding were cash generated from operating and financing activities. As at 30 June 2011, our cash position remained strong. The cash and cash equivalent was HK\$2,332.0 million (31 December 2010: HK\$2,580.7 million). The Group's aggregate borrowings amounted to HK\$3,143.7 million (31 December 2010: HK\$2,686.9 million). This was mainly attributable to our further investment in PRC and Gabon in order to expand our production capacity through acquisition of Hui Xing Company, improvements of our existing production facilities and new EMM plants. To the extent of HK\$2,762.5 million (31 December 2010: HK\$2,413.0 million) and HK\$381.2 million (31 December 2010: HK\$273.9 million), these borrowings are denominated in RMB and USD respectively. Other details of the borrowings have been set out in note 21 of the interim condensed financial statements.

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.

### **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**

In 1H 2011, the Group's operations are primarily in the PRC and products are sold to customers in PRC and various foreign countries. Our exposures to exchange rate fluctuations are currently limited to overseas sales receipts denominated in foreign currencies. We expect that our Gabon operations will commence sales transaction in third quarter 2011 and will be denominated in US\$. In the meantime, 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.

## Management Discussion and Analysis

### Material acquisition

Details of material acquisition for the period ended 30 June 2011 have been set out in note 3 to the interim condensed financial statements.

### Contingent liabilities

As at 30 June 2011, the Group did not have any significant outstanding contingent liabilities.

### Charge on group assets

As at 30 June 2011, the Group's property, plant, equipment and prepaid land lease payments with an aggregate net book value of HK\$271,673,000 (31 December 2010: HK\$270,116,000) were pledged to secure certain of the Group's interest-bearing bank borrowings.

### Key financial ratios of the Group

		30 June 2011	31 December 2010
Current ratio		1.9	2.1
Quick ratio		1.6	1.9
Net Gearing ratio		28.39%	17.64%
Current ratio	=	balance of current assets at the end of the period/balance of current liabilities at the end of the period	
Quick ratio	=	(balance of current assets at the end of the period – balance of inventories at the end of the period)/balance of current liabilities at the end of the period	
Net Gearing ratio	=	Calculated as net debt divided by 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, amount due to a shareholder and other long-term liabilities less cash and bank balances and pledged deposits.	

### Human Resources

As at 30 June 2011, the Group had approximately 6,267 (2010: 3,111) full-time employees in HK and the PRC following the acquisition of Hui Xing Company in May 2011. The Group offers a competitive remuneration and welfare package to its employees and will regularly review its remuneration scheme to ensure remuneration packages are market-competitive. Other benefits include comprehensive medical, life and disability insurance plans and retirement schemes are offered to the employees.

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.

### Outlook

Global economy prospects remain unclear as the US economy recovery is slow and the debt troubles in Europe remain unresolved. Although the prices of manganese and manganese products will fluctuate, we believe that the overall demand for manganese ore and manganese products will maintain at a steady level due to the continuing growth of Chinese economy, the massive development of the low income housing projects and water conservancy and irrigation projects.

As we are one of the world's leading and PRC's largest manganese producers, we believe that our Group will have rapid growth in the coming years. Benefited 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 desire to close down outdated, small manganese production or high pollution factories. Our expansion strategy into more advanced, environmental friendly and efficient capacity, coped with the more stringent requirements of 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 will commence sales from third 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 China and overseas should there be any attractive investment available.

## Report on Social Responsibility

We strive to establish ourselves to be a leading manganese company in PRC and the world, upholding the philosophy of “utilising resource to establish mines and enhancing downstream processing operations”, and we commit to build a harmonious society. In the first half of 2011, we fulfilled our social responsibility in the following ways:

### 1. Provision of safe production environment

We insisted on safe production policy with our mission that “safety is our utmost concern with particular stress on prevention and comprehensive management”. We strictly complied with national laws, regulations and standards on safe production, leading to “five zero” achievements, namely no major fatalities, no fatal incidents at our facilities, no major contaminations, no fires or no transportation accident. We have realized an overall smooth operation rate of 95% for type A equipment, an utilization rate of 100% for environmental protection equipment, a 100% industrial exhaust gas processing rate and a 100% recycled water use rate.

Our ISO quality management system was further advanced and improved through our efforts on enhancing the quality control in compliance with ISO9001: 2000 quality control system. In order to enhance the foundation for safe production, we have already been certified with level 3 Mine Safety Standard of PRC, and we are in the progress of striving to attain level 2 Mine Safety Standard of PRC.

### 2. Reinforcement in environmental regulations, and environment protection

As a natural resources enterprise, we invested more than RMB16 million in aggregate in the area of energy-saving and environment protection, for the purpose of reinforcing the sustainability and providing environment-friendly products to the society. Among our environment protection programmes, our treatment technique for electrolytic manganese metal has received recognition and acclaims from Guangxi Environment Protection Bureau. The introduction of electrolytic manganese cathodic stripper and straightener has effectively reduced noise pollution and largely lessen the manpower, providing a safe working environment for our front-line workers.

### 3. “People-oriented” and harmonious labor relations

Insofar as our employees’ development and relationship is concerned, we encourage our employees to grow with our enterprise. We always emphasis on the training and development needs of our employees. Our training courses mainly cover areas such as enhancement courses for front-line head leaders, advanced training courses on economic management for our middle tier management officers and work skills courses for employees in charge of special operations. We were concerned about the occupational health of our employees, and provided various cultural and sports facilities and organized various amusing and exciting leisure and sports events, so as to cultivate a healthy and positive corporate culture. During the period, we have invested a total of RMB2 million in the above measures, which created harmonious labor relations and enhanced employees’ sense of belonging and solidarity, and as a result, ensured stability in its workplace.

## Report on Social Responsibility

### 4. Participate in community with all efforts

We committed to continue to expand our social activities while generating economic returns.

We donated money and goods in the aggregate sum of RMB1 million, including setting up the "CITIC Dameng Scholarship" in Guangxi University, financing poverty relief and education grants, construction of schools attached to Guangxi Normal University for Nationalities and establishment of culture and sports facilities in the community. The "CITIC Dameng Scholarship" has already supported 407 college students who with excellent character and academic performance.

We donated money and goods in the aggregate sum of RMB2.5 million, including building roads of surrounding communities, the project for safe drinking water for human and animals and agricultural irrigation project etc. These included assistance offered to Daliu, Daren and Liuli villages which located around Dongping mining area in Tiandeng county to enhance the safety of drinking water, paving the road and setting up public entertainment facilities, so as to build up a more harmonious relationship between the mining area and the community.

As for disaster relief, we organized activities to deliver free drinking and domestic water for people in drought-stricken Xinfeng village, Xialie town, Daxin county. Our continuous efforts have largely relieved the water shortage problem in those area.

With the construction projects and corporate development gathering speed, we have created 205 jobs in Guangxi area in the first half of this year.

### 5. Our awards and honors

During the period, we received the following awards and honors:

- Mr. Li Weijian, our Vice Chairman, was elected to be the Chairman of International Manganese Institute Electrolytic Products Division (IMnI EPD Division) on the 37th Annual Meeting of International Manganese Institute;
- In 27 January 2011, we received a High-tech Enterprise Certification jointly issued by four departments, including science and technology department, of Zhuangzu Autonomous Region of Guangxi, in recognition of its high-tech enterprise status in Guangxi among other enterprises in the first held selection in 2010;
- The Group was honored as an "Enterprise with Harmonious Labor Relationships in Guangxi" by Guangxi Human Resource and Social Security department, Guangxi General Labor Union and Guangxi Enterprise and Entrepreneur Union;
- The Group was elected as an outstanding enterprise of Guangxi, and our Vice Chairman, Mr. Li Weijian was awarded with the title of "Guangxi Top Ten Entrepreneur"; and
- Our two research projects, namely "Research and Application of New Surface Alloying of Titanium for Electrolytic Manganese Dioxide" and "Technology Development in Cold Pressed Pellets of Chrome Ore Fines", have been shortlisted for election of Guangxi Science and Technology Advancement Prize.

## Summary of Our Manganese Mineral Resources and Our Manganese Ore Reserves

Below is the information on our mineral resources and ore reserves as of 30 June 2011:

### Summary of our manganese mineral resources

Mining Block	Ownership Percentage	JORC Resource Category	Average Manganese		Average Manganese	
			Million Tonnes	Grade (%)	Million Tonnes	Grade (%)
			As of 30.6.2011		As of 31.12.2010	
Daxin Mine	100%	Measured	6.8	24.29	7.20	24.28
			69.34	21.12	69.60	21.11
		Subtotal	76.14	21.40	76.80	21.41
			0.43	21.23	0.43	21.23
		Total	76.57	21.23	77.23	21.41
Tiandeng Mine	100%	Measured	0.86	17.05	0.87	17.05
			3.22	16.43	3.27	16.40
		Subtotal	4.08	16.56	4.14	16.58
			3.63	14.27	3.65	14.27
		Total	7.71	15.48	7.79	15.48
Changgou Manganese Mine	64%	Measured	3.35	20.45	N/A	N/A
			14.73	20.32	N/A	N/A
		Subtotal	18.08	20.34	N/A	N/A
			4.22	20.5	N/A	N/A
		Total	22.3	20.37	N/A	N/A
Bembélé Manganese Mine	51%	Measured	–	–	–	–
			18.49	33.17	18.59	33.17
		Subtotal	18.49	33.17	18.59	33.17
			12.37	32.74	12.37	32.74
Total	30.86	33.00	30.96	33.00		

## Summary of Our Manganese Mineral Resources and Our Manganese Ore Reserves

### Summary of our manganese ore reserves

Mine	Ownership Percentage	JORC Resource Category	Average Manganese Grade (%)		Average Manganese Grade (%)	
			Million tonnes	As of 30.6.2011	Million tonnes	As of 31.12.2010
Daxin Mine	100%	Proved Probable	6.58	21.73	6.98	21.86
			66.81	18.87	67.07	18.87
		Total	73.39	19.12	74.05	19.15
Tiandeng Mine	100%	Proved Probable	0.82	15.44	0.83	15.99
			3.10	15.42	3.15	15.40
		Total	3.92	15.42	3.98	15.52
Changgou Manganese Mine	64%	Proved Probable	3.33	20.45	N/A	N/A
			14.72	20.30	N/A	N/A
		Total	18.05	20.33	N/A	N/A
Bembélé Manganese Mine	51%	Proved Probable	–	–	–	–
			18.44	31.58	18.54	31.59
		Total	18.44	31.58	18.54	31.59

### Exploration, Development, and Mining Activities

#### I) Exploration

##### *Daxin Mine*

During the six months ended 30 June 2011, we have done the preparation work for the exploration at the northern and central mining blocks within the mining area of the Daxin Mine, so that we can ascertain the shape, size, attitude, thickness and variation of the ore bodies. We are now selecting an exploration company at this early stage.

##### *Tiandeng Mine*

Since March 2011, we conducted exploration work in the mining blocks of Dongmeng, Tiandeng Mine. As at 30 June 2011, 38 drilling works totaling 5101 meters and costean survey totaling 1434 meters at the mining blocks of Tuoren East, Tuoren West, Luli and Dongmeng of Tiandeng Mine were completed. After the completion of the drilling works, Nanning San Die Geological Resource Development Limited will analyse the results and design the next phase of the exploration work.

Furthermore, the in-depth exploration of manganese carbonate carried out at the Tiandeng Mine had proved that there are ore bodies extending to 440 meters underground, which is beyond the height limits of the mining rights. We intend to apply for the exploration right for depth below 440 meters. We also intend to apply for complete exploration of Dongping, Tiandeng to Longhuai Manganese Mine, Tiandong with exploration area of about 600km<sup>2</sup>, and expect to explore 100 million tonnes of manganese mineral resources. Pursuant to the Notice Regarding the Reporting of Large-scale Geology Exploration Projects of Ore Resources in Guangxi in 2011(Gui Guo Tu Zi Fa[2011] No.46) issued jointly by the Department of Land and Resources of Guangxi and the Department of Finance of Guangxi, we had submitted applications for two projects to the relevant Guangxi government authorities at the end of June 2011 and made preparation for the next phase at the same time.

## Summary of Our Manganese Mineral Resources and Our Manganese Ore Reserves

### Exploration, Development, and Mining Activities (continued)

#### I) Exploration (continued)

##### *Changgou Manganese Mine*

During the six months ended 30 June 2011, we did not conduct any new exploration work.

##### *Bembélé Manganese Mine*

In June 2011, we entered into a contract with No. 1 Institute of China Metallurgical Geology Bureau regarding Geology Survey of Manganese Mine Line 57-63 at Bembélé, Ndjole, the Republic of Gabon and valuation of geology exploration of the peripheral mining blocks. At the same time, the working staff have arrived at the exploration site and commenced the preparation work.

#### II) Development

##### *Daxin Mine*

During the six months ended 30 June 2011, we purchased a number of mining machines for Daxin Mine.

##### *Tiandeng Mine*

During the six months ended 30 June 2011, we purchased a number of mining machines for Tiandeng Mine.

##### *Changgou Manganese Mine*

During the six months ended 30 June 2011, there were no significant development at Changgou Manganese Mine.

##### *Bembélé Manganese Mine*

On 28 February 2011, we entered into a handling and logistics service agreement with SDV Gabon in respect of the logistics services at Société d'Exploitation des Parcs à Bois du Gabon of Owendo Port. The trial production of mining operation of Bembélé Manganese Mine commenced in March 2011 and as of 31 July 2011, we had 30,500 tonnes of manganese ore concentrates stockpiled in Owendo Port of Gabon.

#### III) Mining activities

##### (1) Mining Operations

###### *Daxin Mine*

	1.1.2011-30.6.2011	1.1.2010-31.12.2010
<i>Open pit mining</i>		
Mine production (thousand tonnes)	338	674
<i>Underground mining</i>		
Mine production (thousand tonnes)	160	354
<b>Total mine production (thousand tonnes)</b>	<b>498</b>	<b>1,028</b>
<b>Average manganese grade</b>		
Manganese carbonate ore	18.3%	19.5%
Manganese oxide ore	32.5%	31.3%

## Summary of Our Manganese Mineral Resources and Our Manganese Ore Reserves

### Exploration, Development, and Mining Activities (continued)

#### III) Mining activities (continued)

##### (1) Mining Operations (continued)

###### *Tiandeng Mine*

	1.1.2011-30.6.2011	1.1.2010-31.12.2010
<i>Open pit mining</i>		
<b>Mine production (thousand tonnes)</b>	84.6	125
<b>Average manganese oxide grade</b>	14.7%	15.5%

###### *Changgou Manganese Mine*

	1.1.2011-30.6.2011	1.1.2010-31.12.2010
<i>Underground mining</i>		
<b>Mine production (thousand tonnes)</b>	69	N/A
<b>Average manganese carbonate grade</b>	18%	N/A

\* (Acquired with effect from 31 May 2011)

###### *Bembélé Manganese Mine*

	1.1.2011-30.6.2011	1.1.2010-31.12.2010
<i>Open pit mining</i>		
<b>Mine production (thousand tonnes)</b>	120	17.7
<b>Average manganese oxide grade</b>	30%	31.2%

##### (2) Ore processing operations

###### • *Concentrating*

<b>Production (thousand tonnes)</b>	1.1.2011-30.6.2011	1.1.2010-31.12.2010
<i>Daxin Concentration Plant</i>		
<b>Concentrate production</b>		
<b>Manganese carbonate ore</b>	307	656
<b>Manganese oxide ore</b>	60	106
<b>Total</b>	367	762

<b>Average manganese grade of concentrate</b>		
<b>Manganese carbonate ore</b>	19.2%	20.0%
<b>Manganese oxide ore</b>	33.2%	33.1%

###### *Tiandeng Concentration Plant*

<b>Manganese concentrate production</b>	50.6	65.6
<b>Average manganese grade of concentrate</b>	22.4%	23.7%

###### *Bembélé Concentration Plant*

<b>Concentrate production</b>	80.1	13.7
<b>Average manganese grade of concentrate</b>	31.2%	32.5%

## Summary of Our Manganese Mineral Resources and Our Manganese Ore Reserves

### Exploration, Development, and Mining Activities (continued)

#### III) Mining activities (continued)

##### (2) Ore processing operations (continued)

###### • Grinding

Production (thousand tonnes)	1.1.2011-30.6.2011	1.1.2010-31.12.2010
Daxin Grinding Plant Powder produced	372	720

#### IV) Downstream processing operations

##### (1) Manganese downstream processing operations

###### • EMM

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

Production (thousand tonnes)	1.1.2011-30.6.2011	1.1.2010-31.12.2010
Daxin EMM Plant EMM production	35	65
Start EMM Plant EMM production	8	14
Tiandong EMM Plant EMM production	8	14
<b>Total EMM production</b>	<b>51</b>	<b>94</b>

###### • Manganese sulfate

Production (thousand tonnes)	1.1.2011-30.6.2011	1.1.2010-31.12.2010
Daxin Manganese Sulfate Plant Manganese sulfate production	13	20

## Summary of Our Manganese Mineral Resources and Our Manganese Ore Reserves

### Exploration, Development, and Mining Activities (continued)

#### IV) Downstream processing operations (continued)

##### (1) Manganese downstream processing operations (continued)

- *EMD*

Production (thousand tonnes)	1.1.2011-30.6.2011	1.1.2010-31.12.2010
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Daxin EMD Plant EMD production	9	12
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- *Silicomanganese alloy*

Production (thousand tonnes)	1.1.2011-30.6.2011	1.1.2010-31.12.2010
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Tiandeng Ferroalloy Plant Silicomanganese alloy	14	32
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Dabao Ferroalloy Plant Silicomanganese alloy	5.6	10.7
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Hui Xing Ferroalloy Plant* Silicomanganese alloy	12	N/A
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<b>Total</b> <b>Silicomanganese alloy production</b>	31.6	42.6
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\* Acquired with effect from 31 May 2011

- *Ferromanganese*

Production (thousand tonnes)	1.1.2011-30.6.2011	1.1.2010-31.12.2010
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Hui Xing Ferroalloy Plant* High carbon ferromanganese	20	N/A
Low and medium carbon ferromanganese	2	N/A

<b>Total</b> <b>Ferromanganese</b>	22	N/A
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\* Acquired with effect from 31 May 2011

- *Manganese tetroxide and lithium manganese oxide*

Production (thousand tonnes)	1.1.2011-30.6.2011	1.1.2010-31.12.2010
------------------------------	--------------------	---------------------

Manganese tetroxide	2.2	0.27
Lithium manganese oxide	0.18	0.08

##### (2) Non-manganese ferroalloy processing operations

- *High carbon ferrochromium*

Production (thousand tonnes)	1.1.2011-30.6.2011	1.1.2010-31.12.2010
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High carbon ferrochromium	10	26
Lithium cobalt oxide	0.07	0.07

## Summary of Our Manganese Mineral Resources and Our Manganese Ore Reserves

### Exploration, Development, and Mining Activities (continued)

#### V) Exploration, development and mining cost of the Group

Expenses of exploration, development, and mining activities of the Group for the six months ended 30 June 2011 are set out below:

	(HK\$'000)				
	Daxin Mine	Tiandeng Mine	Changgou Manganese Mine (Note)	Bembélé Manganese Mine	Total
<b>Exploration activities</b>					
Construction of projects and roads	–	–	–	409.9	409.9
Drilling and analysis	–	1,612.0	–	–	1,612.0
	–	1,612.0	–	409.9	2,021.9
<b>Development activities</b>					
Purchases of assets and equipment	1,058.6	1,924.4	–	78,615.0	81,598.0
Construction of tunnels and roads	40,665.4	–	–	26,388.0	67,053.4
Staff cost	140.1	–	–	144.3	284.4
Others	3,339.2	–	–	2,577.9	5,917.1
	45,203.3	1,924.4	–	107,725.2	154,852.9
<b>Mining activities*</b>					
Staff cost	4,082.8	946.0	2,834.5	799.8	8,663.1
Consumables	3,398.4	556.5	724.5	–	4,679.4
Fuel, electricity, water and other services	7,894.0	1,828.9	222.2	4,013.1	13,958.2
On and off-site administration	11,297.4	–	–	–	11,297.4
Transportation	797.1	–	–	–	797.1
Non-income taxes, royalties and other governmental charges	30.2	–	–	–	30.2
Others	20,383.5	2,687.0	791.0	3.7	23,865.2
Depreciation	6,281.3	871.4	116.2	3,088.1	10,357.0
	54,164.7	6,889.8	4,688.4	7,904.7	73,647.6

(\*Concentrating not included)

Note: Acquired with effect from 31 May 2011

## CODE ON CORPORATE GOVERNANCE PRACTICES

The Company has applied the principles and complied with the applicable code provisions, and also complied with recommended best practices, of the Code on Corporate Governance Practices (the “**CG Code**”) as set out in Appendix 14 to the Listing Rules.

## MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

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

All directors confirmed, following specific enquiry by the Company, that they have complied with the required standards set out in the Securities Dealings Code throughout the six months ended 30 June 2011.

## DIRECTORS’ AND CHIEF EXECUTIVE’S INTERESTS IN SHARES AND UNDERLYING SHARES

As at 30 June 2011, the interests and short positions of the directors and chief executive of the Company in the shares, underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) which are required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interest and short positions which they are deemed or taken to have under such provisions of the SFO) or which are required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein or pursuant to the Model Code and which have been notified to the Company and the Stock Exchange are as follows:

Name of director	Nature of interest	Number of ordinary shares	Number of underlying shares pursuant to share options	Percentage of the total issued share capital of the Company
Mr. Qiu Yiyong	Directly beneficially owned	–	15,000,000	0.50%
Mr. Li Weijian	Directly beneficially owned	–	15,000,000	0.50%
Mr. Tian Yuchuan	Directly beneficially owned	–	12,000,000	0.40%
Mr. Mi Zengxin	Directly beneficially owned	–	10,000,000	0.33%
Mr. Yin Ke	Directly beneficially owned	–	3,000,000	0.10%
Mr. Chen Jiqui	Directly beneficially owned	–	9,000,000	0.30%
Mr. Yang Zhi Jie	Directly beneficially owned	–	1,000,000	0.03%
Mr. Mo Shijian	Directly beneficially owned	–	1,000,000	0.03%
Mr. Tan Zhuzhong	Directly beneficially owned	–	1,000,000	0.03%

## SHARE OPTION SCHEME

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

Name and category of participant	Number of share options				Date of grant <sup>(2)</sup>	Exercise period <sup>(3)</sup>	Exercise price per share HK\$
	At 1 January 2011	Granted during the period	Exercised during the period <sup>(1)</sup>	At 30 June 2011			
<b>Directors of the Company</b>							
Mr. Qiu Yiyong	–	15,000,000	–	15,000,000	11.1.2011	11.1.2012 to 10.1.2021	2.81
Mr. Li Weijian	–	15,000,000	–	15,000,000	11.1.2011	11.1.2012 to 10.1.2021	2.81
Mr. Tian Yuchuan	–	12,000,000	–	12,000,000	11.1.2011	11.1.2012 to 10.1.2021	2.81
Mr. Mi Zengxin	–	10,000,000	–	10,000,000	11.1.2011	11.1.2012 to 10.1.2021	2.81
Mr. Yin Ke	–	3,000,000	–	3,000,000	11.1.2011	11.1.2012 to 10.1.2021	2.81
Mr. Chen Jiqu	–	9,000,000	–	9,000,000	11.1.2011	11.1.2012 to 10.1.2021	2.81
Mr. Yang Zhi Jie	–	1,000,000	–	1,000,000	11.1.2011	11.1.2012 to 10.1.2021	2.81
Mr. Mo Shijian	–	1,000,000	–	1,000,000	11.1.2011	11.1.2012 to 10.1.2021	2.81
Mr. Tan Zhuzhong	–	1,000,000	–	1,000,000	11.1.2011	11.1.2012 to 10.1.2021	2.81
	–	67,000,000	–	67,000,000			
<b>Non-directors</b>	–	36,000,000	–	36,000,000	11.1.2011	11.1.2012 to 10.1.2021	2.81
	–	103,000,000	–	103,000,000			

Note:

- (1) No share option was lapsed or cancelled during the six months ended 30 June 2011.
- (2) The vesting period of the share options is from the date of grant until the respective dates of commencement of the exercise periods.
- (3) The exercise period is divided into three tranches, i.e. 25% after first year of grant, 25% after two years of grant and 50% after three years of grant.

## SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS IN SHARES AND UNDERLYING SHARES

As at 30 June 2011, according to the register kept by the Company pursuant to Section 336 of the SFO and, so far as is known to the Directors, the persons or entities who had an interest or a short position in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or who were, directly or indirectly, interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of the Company, or of any other company which is a member of the Group, or in any options in respect of such share capital are as follows:

Name	Notes	Capacity and nature of interest	Number of ordinary shares held (a)	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	–
Starbest Venture 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	–
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	–

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 Group Smart Resources Limited ("**Group Smart**"), which is in turn wholly owned by Starbest Venture Limited ("**Starbest Venture**"). Starbest Venture is wholly owned by CITIC Resources Holdings Limited, which is in turn owned as to 47% 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, L.P. is a company incorporated under the laws of Cayman Islands.

Save as disclosed above, as at 30 June 2011, 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.

## **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 six months ended 30 June 2011.

## **CONTINUING CONNECTED TRANSACTIONS**

On 28 October 2010, CITIC Dameng Mining Industries Co., Limited ("**CITIC Dameng Mining**") entered into a framework outsourcing agreement with Guangxi Xishan Mining Limited Company ("**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 fuel and water and electricity to Guangxi Xishan. Details of the framework outsourcing agreement were disclosed in the section headed "Connected Transactions" in the prospectus of the Company. During the six months ended 30 June 2011, the provision of underground mining services and construction of infrastructure for underground mining works amounted to HK\$12,449,000 and HK\$21,837,000, respectively. The provision of water and electricity and sales of fuel amounted to HK\$575,000 and HK\$560,000, respectively.

Save for the related party transactions disclosed in note 27 to the financial statements and the transaction with Guangxi Xishan above, there are no other significant continuing connected transactions requiring disclosure in this interim report.

## **REVIEW OF ACCOUNTS**

The audit committee has reviewed the unaudited interim results for the six months ended 30 June 2011 with the management of the Company.

Our external auditor has reviewed our interim condensed consolidated financial statements for the six months ended 30 June 2011 in accordance with Hong Kong Standard on Review Engagements 2410, Review of Interim Financial Information performed by the Independent Auditor of the Entity.

## **CHANGE OF DIRECTORS**

On 25 August 2011, the Board approved the resignation of Mr. Yin Ke as a Non-executive Director of the Company and the appointment of Mr. Zeng Chen as a Non-executive Director of the Company immediately after the resignation of Mr. Yin Ke.

On behalf of the Board

**Qiu Yiyong**

*Chairman*

Hong Kong, 25 August 2011

## Glossary of Terms

Bembélé Concentration Plant	the concentration plant associated with Bembélé Manganese Mine
Bembélé Manganese Mine	a manganese mine located in Bembélé, Moyen-Ogooue Province, Gabon, the exploration rights and mining rights of which are owned by La Compagnie Industrielle et Commerciale des Mines de Huazhou (Gabon), (華州礦業(加蓬)工貿有限公司) a company in which we indirectly hold 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
Changgou Manganese Mine	Guizhou Zunyi Hui Xing Ferroalloy Limited Company Changgou Manganese Mine (貴州遵義匯興鐵合金有限責任公司長溝錳礦)
China or PRC	the People's Republic of China, but for the purpose of this interim report, excluding Hong Kong, Macau Special Administrative Region and Taiwan
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
Company or our Company	CITIC Dameng Holdings Limited
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 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
Hong Kong or HK	the Hong Kong Special Administrative Region of the PRC
Hui Xing Company	Guizhou Zunyi Hui Xing Ferroalloy Company Limited (貴州遵義匯興鐵合金有限責任公司)
Hui Xing Ferroalloy Plant	the ferroalloy plant associated with Changgou Manganese Mine
JORC	the Joint Ore Reserves Committee of the Australasian Institute of Mining and Metallurgy
Listing Rules	the Rules Governing the Listing of Securities on the Stock Exchange (as amended from time to time)
Securities and Futures Ordinance or SFO	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
Stock Exchange	the Stock Exchange of Hong Kong Limited
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

