



**DAMENG**

**CITIC Dameng Holdings Limited**  
**中信大鋳控股有限公司\***

(incorporated in Bermuda with limited liability)

Stock Code: 1091

**Interim Report 2012**

\*For identification purpose only

Page

**2 Corporate Information**

**Financial Results**

3 Interim Condensed Consolidated Statement of Comprehensive Income

4-5 Interim Condensed Consolidated Statement of Financial Position

6 Interim Condensed Consolidated Statement of Changes in Equity

7 Interim Condensed Consolidated Statement of Cash Flows

8-26 Notes to Interim Condensed Consolidated Financial Statements

**Other Information**

27-34 Management Discussion and Analysis

35-41 Summary of Our Manganese Mineral Resources and Our Manganese Ore Reserves

42 Code on Corporate Governance Practices

42 Model Code for Securities Transactions by Directors

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

43 Share Option Scheme

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

45 Purchase, Redemption or Sale of Listed Securities of the Company

45 Continuing Connected Transactions

45 Update on Directors' Information

46 Review of Accounts

47-48 Glossary of Terms

## 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. Zeng Chen

Mr. Chen Jiqu

#### 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. Mo Shijian (Chairman)

Mr. Qiu Yiyong

Mr. Li Weijian

Mr. Yang Zhi Jie

Mr. Tan Zhuzhong

### NOMINATION COMMITTEE

Mr. Tan Zhuzhong (Chairman)

Mr. Qiu Yiyong

Mr. Li Weijian

Mr. Yang Zhi Jie

Mr. Mo Shijian

### 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 1310

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*

22th Floor, CITIC Tower, 1 Tim Mei Avenue,

Central, Hong Kong

### COMPLIANCE ADVISOR

GUOTAI Junan Capital Limited

### AUTHORIZED REPRESENTATIVES

Mr. Qiu Yiyong

Mr. Tian Yuchuan

### PRINCIPAL BANKERS

China CITIC Bank

China Guangfa Bank

China Construction 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 2012

|   | Notes | Six months ended 30 June        |                                 |
|---|-------|---------------------------------|---------------------------------|
|   |       | 2012<br>HK\$'000<br>(Unaudited) | 2011<br>HK\$'000<br>(Unaudited) |
| <b>REVENUE</b>  | 4     | <b>1,538,780</b>                | 1,693,797                       |
| Cost of sales   |       | <b>(1,344,352)</b>              | (1,300,704)                     |
| Gross profit  |       | <b>194,428</b>                  | 393,093                         |
| Other income and gains  | 4     | <b>48,184</b>                   | 62,447                          |
| Gain on bargain purchase from the acquisition of a subsidiary                           | 24    | –                               | 259,244                         |
| Selling and distribution costs  |       | <b>(39,244)</b>                 | (41,129)                        |
| Administrative expenses   |       | <b>(204,078)</b>                | (120,460)                       |
| Share option expenses   | 25    | <b>(19,214)</b>                 | (29,768)                        |
| Other expenses  |       | <b>(33,880)</b>                 | (25,445)                        |
| Finance costs   | 5     | <b>(74,873)</b>                 | (61,064)                        |
| <b>(LOSS)/PROFIT BEFORE TAX</b>   | 6     | <b>(128,677)</b>                | 436,918                         |
| Income tax expense  | 7     | <b>(26,068)</b>                 | (63,917)                        |
| <b>(LOSS)/PROFIT FOR THE PERIOD</b>   |       | <b>(154,745)</b>                | 373,001                         |
| OTHER COMPREHENSIVE (LOSS)/INCOME   |       | <b>(36,449)</b>                 | 69,909                          |
| <b>TOTAL COMPREHENSIVE (LOSS)/INCOME FOR THE PERIOD</b>                                 |       | <b>(191,194)</b>                | 442,910                         |
| <b>(Loss)/profit attributable to:</b>   |       |                                 |                                 |
| Owners of the parent  |       | <b>(107,342)</b>                | 380,001                         |
| Non-controlling interests   |       | <b>(47,403)</b>                 | (7,000)                         |
|   |       | <b>(154,745)</b>                | 373,001                         |
| <b>Total comprehensive (loss)/income attributable to:</b>                               |       |                                 |                                 |
| Owners of the parent  |       | <b>(151,201)</b>                | 448,828                         |
| Non-controlling interests   |       | <b>(39,993)</b>                 | (5,918)                         |
|   |       | <b>(191,194)</b>                | 442,910                         |
| <b>(Loss)/earnings per share attributable to ordinary equity holders of the parent:</b> | 8     |                                 |                                 |
| – Basic   |       | <b>(3.55 HK cents)</b>          | 12.56 HK cents                  |
| – Diluted   |       | <b>(3.55 HK cents)</b>          | 12.56 HK cents                  |

## Interim Condensed Consolidated Statement of Financial Position

30 June 2012

|  | Notes | 30 June<br>2012<br>HK\$'000<br>(Unaudited) | 31 December<br>2011<br>HK\$'000<br>(Audited) |
|--|-------|--|--|
| <b>NON-CURRENT ASSETS</b>                    |       |  |  |
| Property, plant and equipment                | 10    | 3,109,894                                  | 2,958,709                                    |
| Investment properties                        |       | 84,206                                     | 85,116                                       |
| Prepaid land lease payments                  | 11    | 479,802                                    | 491,104                                      |
| Intangible assets                            | 12    | 861,464                                    | 878,732                                      |
| Available-for-sale equity investment         |       | 4,533                                      | 4,582  |
| Deferred tax assets                          | 13    | 110,647                                    | 131,545                                      |
| Deposits and prepayments                     | 16    | 218,694                                    | 203,985                                      |
| Total non-current assets                     |       | 4,869,240                                  | 4,753,773                                    |
| <b>CURRENT ASSETS</b>                        |       |  |  |
| Inventories                                  | 14    | 809,145                                    | 810,509                                      |
| Trade and notes receivables                  | 15    | 804,086                                    | 948,573                                      |
| Prepayments, deposits and other receivables  | 16    | 411,860                                    | 370,809                                      |
| Due from related companies                   | 27(b) | 3,155                                      | 16,701                                       |
| Tax recoverable                              |       | 7,411                                      | –  |
| Pledged deposits                             | 17    | 109,433                                    | 97,932                                       |
| Cash and cash equivalents                    | 17    | 1,642,422                                  | 1,898,434                                    |
| Total current assets                         |       | 3,787,512                                  | 4,142,958                                    |
| <b>CURRENT LIABILITIES</b>                   |       |  |  |
| Trade payables                               | 18    | 425,906                                    | 318,101                                      |
| Other payables and accruals                  | 19    | 625,827                                    | 564,839                                      |
| Final dividend payable                       | 9(b)  | 30,248                                     | –  |
| Interest-bearing bank borrowings             | 20    | 2,242,761                                  | 1,791,153                                    |
| Due to related companies                     | 27(b) | 24,735                                     | 14,350                                       |
| Tax payable                                  |       | –  | 5,979  |
| Total current liabilities                    |       | 3,349,477                                  | 2,694,422                                    |
| <b>NET CURRENT ASSETS</b>                    |       | <b>438,035</b>                             | 1,448,536                                    |
| <b>TOTAL ASSETS LESS CURRENT LIABILITIES</b> |       | <b>5,307,275</b>                           | 6,202,309                                    |
| <b>NON-CURRENT LIABILITIES</b>               |       |  |  |
| Interest-bearing bank borrowings             | 20    | 816,648                                    | 1,499,189                                    |
| Deferred tax liabilities                     | 13    | 207,518                                    | 211,220                                      |
| Other long-term liabilities                  |       | 3,907                                      | 3,954  |
| Deferred income                              | 21    | 103,583                                    | 110,099                                      |
| Total non-current liabilities                |       | 1,131,656                                  | 1,824,462                                    |
| <b>Net assets</b>                            |       | <b>4,175,619</b>                           | 4,377,847                                    |

## Interim Condensed Consolidated Statement of Financial Position

30 June 2012

|  | Notes | <b>30 June<br/>2012<br/>HK\$'000<br/>(Unaudited)</b> | 31 December<br>2011<br>HK\$'000<br>(Audited) |
|--|-------|--|--|
| <b>EQUITY</b>                                      |       |  |  |
| <b>Equity attributable to owners of the parent</b> |       |  |  |
| Issued capital                                     | 22    | <b>302,480</b>                                       | 302,480                                      |
| Reserves   | 23    | <b>3,517,893</b>                                     | 3,649,880                                    |
| Proposed final dividend                            |       | -  | 30,248                                       |
|  |       | <b>3,820,373</b>                                     | 3,982,608                                    |
| <b>Non-controlling interests</b>                   |       | <b>355,246</b>                                       | 395,239                                      |
| <b>Total equity</b>                                |       | <b>4,175,619</b>                                     | 4,377,847                                    |

**Qiu Yiyong**  
Director

**Tian Yuchuan**  
Director

## Interim Condensed Consolidated Statement of Changes in Equity

Six months ended 30 June 2012

|   | Attributable to owners of the parent |                   |                     |                      |                 |                              |                         |                  |                  |                           |                  |
|---|--------------------------------------|-------------------|---------------------|----------------------|-----------------|------------------------------|-------------------------|------------------|------------------|---------------------------|------------------|
|   | Issued capital                       | Share premium     | Contributed surplus | Share option reserve | Reserve funds   | Exchange fluctuation reserve | Proposed final dividend | Retained profits | Total            | Non-controlling interests | Total equity     |
|   | HK\$'000                             | HK\$'000          | HK\$'000            | HK\$'000             | HK\$'000        | HK\$'000                     | HK\$'000                | HK\$'000         | HK\$'000         | HK\$'000                  | HK\$'000         |
| <b>At 31 December 2011 and 1 January 2012 (audited)</b>   | <b>302,480</b>                       | <b>2,872,076*</b> | <b>(171,859)*</b>   | <b>61,987*</b>       | <b>134,634*</b> | <b>254,858*</b>              | <b>30,248</b>           | <b>498,184*</b>  | <b>3,982,608</b> | <b>395,239</b>            | <b>4,377,847</b> |
| Loss for the period                                       | -                                    | -                 | -                   | -                    | -               | -                            | -                       | (107,342)        | (107,342)        | (47,403)                  | (154,745)        |
| Other comprehensive (loss)/income for the period:         |                                      |                   |                     |                      |                 |                              |                         |                  |                  |                           |                  |
| Exchange differences on translation of foreign operations | -                                    | -                 | -                   | -                    | -               | (43,859)                     | -                       | -                | (43,859)         | 7,410                     | (36,449)         |
| <b>Total comprehensive loss for the period</b>            | <b>-</b>                             | <b>-</b>          | <b>-</b>            | <b>-</b>             | <b>-</b>        | <b>(43,859)</b>              | <b>-</b>                | <b>(107,342)</b> | <b>(151,201)</b> | <b>(39,993)</b>           | <b>(191,194)</b> |
| Provision for special reserve                             | -                                    | -                 | -                   | -                    | 6,959           | -                            | -                       | (6,959)          | -                | -                         | -                |
| Utilisation of special reserve                            | -                                    | -                 | -                   | -                    | (2,222)         | -                            | -                       | 2,222            | -                | -                         | -                |
| Equity-settled share option arrangements (note 25)        | -                                    | -                 | -                   | 19,214               | -               | -                            | -                       | -                | 19,214           | -                         | 19,214           |
| Final dividend payable (note 9(b))                        | -                                    | -                 | -                   | -                    | -               | -                            | (30,248)                | -                | (30,248)         | -                         | (30,248)         |
| <b>At 30 June 2012 (Unaudited)</b>                        | <b>302,480</b>                       | <b>2,872,076*</b> | <b>(171,859)*</b>   | <b>81,201*</b>       | <b>139,371*</b> | <b>210,999*</b>              | <b>-</b>                | <b>386,105*</b>  | <b>3,820,373</b> | <b>355,246</b>            | <b>4,175,619</b> |
| <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>-</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/(loss) 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           |
| <b>Total comprehensive income/(loss) for the period</b>   | <b>-</b>                             | <b>-</b>          | <b>-</b>            | <b>-</b>             | <b>-</b>        | <b>68,827</b>                | <b>-</b>                | <b>380,001</b>   | <b>448,828</b>   | <b>(5,918)</b>            | <b>442,910</b>   |
| Acquisition of a subsidiary                               | -                                    | -                 | -                   | -                    | -               | -                            | -                       | -                | -                | 301,543                   | 301,543          |
| Provision for special reserve                             | -                                    | -                 | -                   | -                    | 4,027           | -                            | -                       | (4,027)          | -                | 148                       | 148              |
| Utilisation 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>29,768</b>        | <b>105,776</b>  | <b>177,454</b>               | <b>-</b>                | <b>528,719</b>   | <b>3,810,551</b> | <b>365,817</b>            | <b>4,176,368</b> |

\* These reserve accounts comprise the consolidated reserves of HK\$3,517,893,000 in the interim condensed consolidated statement of financial position (31 December 2011: HK\$3,649,880,000).

## Interim Condensed Consolidated Statement of Cash Flows

Six months ended 30 June 2012

|  | Note | Six months ended 30 June        |                                 |
|--|------|---------------------------------|---------------------------------|
|  |      | 2012<br>HK\$'000<br>(Unaudited) | 2011<br>HK\$'000<br>(Unaudited) |
| Net cash flows generated from operating activities           |      | 270,432                         | 2,729                           |
| Net cash flows used in investing activities                  |      | (201,230)                       | (595,879)                       |
| Net cash flows (used in)/generated from financing activities |      | (307,245)                       | 284,141                         |
| <b>NET DECREASE IN CASH AND CASH EQUIVALENTS</b>             |      | <b>(238,043)</b>                | <b>(309,009)</b>                |
| Cash and cash equivalents at beginning of period             |      | 1,898,434                       | 2,580,741                       |
| Effect of exchange rate changes, net                         |      | (17,969)                        | 60,299                          |
| <b>CASH AND CASH EQUIVALENTS AT END OF PERIOD</b>            |      | <b>1,642,422</b>                | <b>2,332,031</b>                |
| <b>ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS</b>     |      |                                 |                                 |
| Cash and bank balances                                       | 17   | 1,642,422                       | 2,332,031                       |
| Cash and cash equivalents at end of period                   |      | 1,642,422                       | 2,332,031                       |



## Notes to Interim Condensed Consolidated Financial Statements

30 June 2012

### 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, Hong Kong. The Company’s shares are listed on the Main Board of the Stock Exchange.

The principal activity of the Company is investment holding. The principal activities of the subsidiaries comprise of manganese mining, ore processing and downstream processing operations in Mainland China, as well as manganese mining and ore processing 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 those used in the annual financial statements for the year ended 31 December 2011, 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 Group has adopted the following new and revised HKFRSs for the first time for the current period’s 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> |
| HKFRS 7 Amendments | Amendments to HKFRS 7 <i>Financial Instruments: Disclosures – Transfers of Financial Assets</i>  |
| HKAS 12 Amendments | Amendments to HKAS 12 <i>Income Taxes – Deferred Tax: Recovery of Underlying Assets</i>  |

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

## Notes to Interim Condensed Consolidated Financial Statements

30 June 2012

### 2. Basis of preparation and accounting policies (continued)

#### 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 interim condensed consolidated financial statements:

|  |   |
|--|---|
| HKFRS 1 Amendments                     | Amendments to HKFRS 1 <i>First Time Adoption of Hong Kong Financial Reporting Standards – Government Loans</i> <sup>2</sup>           |
| HKFRS 7 Amendments                     | Amendments to HKFRS 7 <i>Financial Instruments: Disclosures – Offsetting Financial Assets and Financing Liabilities</i> <sup>2</sup>  |
| HKFRS 9                                | <i>Financial Instruments</i> <sup>4</sup>   |
| HKFRS 10                               | <i>Consolidated Financial Statements</i> <sup>2</sup>   |
| HKFRS 11                               | <i>Joint Arrangements</i> <sup>2</sup>  |
| HKFRS 12                               | <i>Disclosure of Interests in Other Entities</i> <sup>2</sup>   |
| HKFRS 13                               | <i>Fair Value Measurement</i> <sup>2</sup>  |
| HKAS 1 Amendments                      | Amendments to HKAS 1 <i>Presentation of Financial Statements – Presentation of Items of Other Comprehensive Income</i> <sup>1</sup>   |
| HKAS 19 (as revised in 2011)           | <i>Employee Benefits</i> <sup>2</sup>   |
| HKAS 27 (as revised in 2011)           | <i>Separate Financial Statements</i> <sup>2</sup>   |
| HKAS 28 (as revised in 2011)           | <i>Investments in Associates and Joint Ventures</i> <sup>2</sup>  |
| HKAS 32 Amendments                     | Amendments to HKAS 32 <i>Financial Instruments: Presentation – Offsetting Financial Assets and Financial Liabilities</i> <sup>3</sup> |
| HK(IFRIC)-Int 20                       | <i>Stripping Costs in the Production Phase of a Surface Mine</i> <sup>2</sup>   |
| Annual Improvements<br>2009-2011 Cycle | Amendments to a Number of HKFRSs Issued in June 2012 <sup>2</sup>   |

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

<sup>2</sup> Effective for annual periods beginning on or after 1 January 2013

<sup>3</sup> Effective for annual periods beginning on or after 1 January 2014

<sup>4</sup> Effective for annual periods beginning on or after 1 January 2015

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.

### 3. Operating segment information

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

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

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

(b) Manganese downstream processing segment (PRC)

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

(c) Non-manganese processing segment (PRC)

The non-manganese processing segment engaged in the production and sale of non-manganese products, including high carbon ferrochromium and lithium cobalt oxide; and

(d) Others segment (PRC)

The others segment comprises, principally, the trading of various commodities such as manganese ore, EMM and silicomanganese alloys, and sales of scraps.

## Notes to Interim Condensed Consolidated Financial Statements

30 June 2012

### 3. Operating segment information (continued)

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/(loss) 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, an available-for-sale equity investment and other unallocated head office and corporate assets as these assets are managed on a group basis.

Segment liabilities exclude interest-bearing bank 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 prevailing market prices.

|  | Manganese mining and ore processing |                   | Manganese downstream processing | Non-manganese processing | Others          | Eliminations    | Total            |
|--|-------------------------------------|-------------------|---------------------------------|--------------------------|-----------------|-----------------|------------------|
|  | PRC<br>HK\$'000                     | Gabon<br>HK\$'000 | PRC<br>HK\$'000                 | PRC<br>HK\$'000          | PRC<br>HK\$'000 |                 |                  |
| <b>Six months ended 30 June 2012 (Unaudited)</b> |                                     |                   |                                 |                          |                 |                 |                  |
| <b>Segment revenue:</b>                          |                                     |                   |                                 |                          |                 |                 |                  |
| Sales to external customers                      | 77,340                              | 27,586            | 1,182,963                       | 93,330                   | 157,561         | -               | 1,538,780        |
| Intersegment sales                               | 58,885                              | 8,037             | -                               | -                        | -               | (66,922)        | -                |
| Other revenue/(loss)                             | 1,563                               | -                 | 9,480                           | (83)                     | 18,230          | -               | 29,190           |
| <b>Total</b>                                     | <b>137,788</b>                      | <b>35,623</b>     | <b>1,192,443</b>                | <b>93,247</b>            | <b>175,791</b>  | <b>(66,922)</b> | <b>1,567,970</b> |
| <b>Segment results</b>                           | <b>9,537</b>                        | <b>(44,937)</b>   | <b>38,118</b>                   | <b>(8,546)</b>           | <b>11,577</b>   | <b>-</b>        | <b>5,749</b>     |
| <i>Reconciliations:</i>                          |                                     |                   |                                 |                          |                 |                 |                  |
| Interest income                                  |                                     |                   |                                 |                          |                 |                 | 18,994           |
| Corporate and other unallocated expenses         |                                     |                   |                                 |                          |                 |                 | (78,547)         |
| Finance costs                                    |                                     |                   |                                 |                          |                 |                 | (74,873)         |
| Loss before tax                                  |                                     |                   |                                 |                          |                 |                 | (128,677)        |
| Income tax expense                               |                                     |                   |                                 |                          |                 |                 | (26,068)         |
| Loss for the period                              |                                     |                   |                                 |                          |                 |                 | (154,745)        |
| <b>Assets and liabilities</b>                    |                                     |                   |                                 |                          |                 |                 |                  |
| <b>Segment assets</b>                            | <b>1,215,739</b>                    | <b>663,422</b>    | <b>4,338,914</b>                | <b>413,732</b>           | <b>181,467</b>  | <b>-</b>        | <b>6,813,274</b> |
| <i>Reconciliations:</i>                          |                                     |                   |                                 |                          |                 |                 |                  |
| Corporate and other unallocated assets           |                                     |                   |                                 |                          |                 |                 | 1,843,478        |
| <b>Total assets</b>                              |                                     |                   |                                 |                          |                 |                 | <b>8,656,752</b> |
| <b>Segment liabilities</b>                       | <b>142,532</b>                      | <b>560,626</b>    | <b>1,024,187</b>                | <b>101,016</b>           | <b>38,493</b>   | <b>-</b>        | <b>1,866,854</b> |
| <i>Reconciliations:</i>                          |                                     |                   |                                 |                          |                 |                 |                  |
| Corporate and other unallocated liabilities      |                                     |                   |                                 |                          |                 |                 | 2,614,279        |
| <b>Total liabilities</b>                         |                                     |                   |                                 |                          |                 |                 | <b>4,481,133</b> |

## Notes to Interim Condensed Consolidated Financial Statements

30 June 2012

### 3. Operating segment information (continued)

|  | Manganese mining and ore processing |                   | Manganese downstream processing | Non-manganese processing | Others          | Eliminations    | Total            |
|--|-------------------------------------|-------------------|---------------------------------|--------------------------|-----------------|-----------------|------------------|
|  | PRC<br>HK\$'000                     | Gabon<br>HK\$'000 | PRC<br>HK\$'000                 | PRC<br>HK\$'000          | PRC<br>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                                    | 414                                 | 18,208            | 1,222                           | 128                      | 30,184          | –               | 50,156           |
| <b>Total</b>                                     | <b>152,670</b>                      | <b>18,208</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>55,701</b>                       | <b>(1,749)</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>533,011</b>                      | <b>562,898</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>39,775</b>                       | <b>420,793</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 2012

### 4. Revenue, other income and gains

Revenue, which is 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        |                                 |
|--|---------------------------------|---------------------------------|
|  | 2012<br>HK\$'000<br>(Unaudited) | 2011<br>HK\$'000<br>(Unaudited) |
| <b>Revenue</b>   |                                 |                                 |
| Sales of goods   | <b>1,538,780</b>                | 1,693,797                       |
| <b>Other income and gains</b>                              |                                 |                                 |
| Interest income  | <b>18,994</b>                   | 12,291                          |
| Gain on disposal of items of property, plant and equipment | <b>4,133</b>                    | 206                             |
| Subsidy income   | <b>7,300</b>                    | 1,521                           |
| Foreign exchange differences, net                          | <b>-</b>                        | 30,082                          |
| Sales of scraps  | <b>13,621</b>                   | 8,724                           |
| Others   | <b>4,136</b>                    | 9,623                           |
|  | <b>48,184</b>                   | 62,447                          |

### 5. Finance costs

|   | Six months ended 30 June        |                                 |
|---|---------------------------------|---------------------------------|
|   | 2012<br>HK\$'000<br>(Unaudited) | 2011<br>HK\$'000<br>(Unaudited) |
| Interest on bank loans wholly repayable within five years | <b>83,029</b>                   | 62,729                          |
| Finance costs for discounted notes receivable             | <b>370</b>                      | 2,344                           |
| Less: Interest capitalised                                | <b>(8,526)</b>                  | (4,009)                         |
|   | <b>74,873</b>                   | 61,064                          |

### 6. (Loss)/profit before tax

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

|   | Notes | Six months ended 30 June        |                                 |
|---|-------|---------------------------------|---------------------------------|
|   |       | 2012<br>HK\$'000<br>(Unaudited) | 2011<br>HK\$'000<br>(Unaudited) |
| Cost of inventories sold  |       | <b>1,328,699</b>                | 1,284,697                       |
| Depreciation  | 10    | <b>132,074</b>                  | 89,193                          |
| Amortisation of prepaid land lease payments                         | 11    | <b>6,199</b>                    | 3,069                           |
| Amortisation of intangible assets                                   | 12    | <b>8,469</b>                    | 3,523                           |
| Auditors' remuneration  |       | <b>1,484</b>                    | 1,497                           |
| Minimum lease payments under operating leases, land and buildings   |       | <b>3,762</b>                    | 5,349                           |
| Equity-settled share option expenses                                |       | <b>19,214</b>                   | 29,768                          |
| Employee benefit expense  |       | <b>166,296</b>                  | 120,859                         |
| Gain on disposal of items of property, plant and equipment*         |       | <b>(4,133)</b>                  | (206)                           |
| Foreign exchange differences, net                                   |       | <b>25,539</b>                   | (30,082)                        |
| Write-down of inventories to net realisable value, net <sup>#</sup> |       | <b>15,653</b>                   | 16,007                          |
| Impairment of trade and other receivables, net*                     |       | <b>5,683</b>                    | 6,827                           |

<sup>#</sup> 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.

## Notes to Interim Condensed Consolidated Financial Statements

30 June 2012

### 7. 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 operate.

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

|                                 | Six months ended 30 June        |                                 |
|---------------------------------|---------------------------------|---------------------------------|
|                                 | 2012<br>HK\$'000<br>(Unaudited) | 2011<br>HK\$'000<br>(Unaudited) |
| Current – PRC                   |                                 |                                 |
| Charge for the period           | 8,008                           | 54,336                          |
| Deferred (note 13)              | 18,060                          | 9,581                           |
| Total tax charge for the period | 26,068                          | 63,917                          |

#### 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.

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

|   | Six months ended 30 June |                     |
|---|--------------------------|---------------------|
|   | 2012<br>(Unaudited)      | 2011<br>(Unaudited) |
|   | HK\$'000                 | HK\$'000            |
| The calculation of basic and diluted (loss)/earnings per share are based on:  |                          |                     |
| <b>(Loss)/earnings</b>  |                          |                     |
| (Loss)/profit attributable to ordinary equity holders of the parent, used in the basic (loss)/earnings per share calculation  | (107,342)                | 380,001             |
|   |                          |                     |
|   | Number of shares         |                     |
| <b>Shares</b>   |                          |                     |
| Weighted average number of ordinary shares in issue during the period used in the basic (loss)/earnings per share calculation | 3,024,795,000            | 3,024,795,000       |

The Group had no potentially dilutive ordinary shares in issue during the six months ended 30 June 2012 nor the six months ended 30 June 2011. No adjustment has been made to the basic (loss)/earnings per share amounts presented for the six months ended 30 June 2012 nor 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 (loss)/earnings per share amounts presented.

### 9. Dividend

- The Board does not recommend the payment of any interim dividend for the six months ended 30 June 2012 (2011: Nil).
- The proposed final dividend for the year 2011 was approved by the annual general meeting of the Company on 21 June 2012 and was payable on 20 July 2012:

|   | 30 June<br>2012<br>HK\$'000<br>(Unaudited) | 31 December<br>2011<br>HK\$'000<br>(Audited) |
|---|--|--|
| 2011 final dividend of HK1.0 cent per share on 3,024,795,000 shares | 30,248                                     | –  |

## Notes to Interim Condensed Consolidated Financial Statements

30 June 2012

### 10. Property, plant and equipment

|                                  | <b>30 June<br/>2012<br/>HK\$'000<br/>(Unaudited)</b> | 31 December<br>2011<br>HK\$'000<br>(Audited) |
|----------------------------------|--|--|
| At 1 January 2012/1 January 2011 | <b>2,958,709</b>                                     | 2,145,238                                    |
| Additions                        | <b>335,192</b>                                       | 807,154                                      |
| Acquisition of subsidiaries      | –  | 154,294                                      |
| Disposals                        | <b>(18,164)</b>                                      | (25,777)                                     |
| Depreciation (note 6)            | <b>(132,074)</b>                                     | (227,183)                                    |
| Impairment                       | –  | (3,985)                                      |
| Reversal of impairment           | <b>3,593</b>   | –  |
| Exchange realignment             | <b>(37,362)</b>                                      | 108,968                                      |
| At 30 June 2012/31 December 2011 | <b>3,109,894</b>                                     | 2,958,709                                    |

Certain of the Group's interest-bearing bank borrowings were secured by certain of the Group's buildings and machinery, which had an aggregate net carrying amounts of approximately HK\$194,104,000 as at 30 June 2012 (31 December 2011: HK\$239,514,000).

At 30 June 2012, 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\$135,016,000 (31 December 2011: HK\$141,932,000) and the Group also had buildings and construction in progress with an aggregate net carrying amount of approximately HK\$78,977,000 (31 December 2011: HK\$66,644,000) 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 2012.

### 11. Prepaid land lease payments

|   | <b>30 June<br/>2012<br/>HK\$'000<br/>(Unaudited)</b> | 31 December<br>2011<br>HK\$'000<br>(Audited) |
|---|--|--|
| At 1 January 2012/1 January 2011  | <b>503,145</b>                                       | 171,383                                      |
| Additions   | <b>116</b>   | 2,677  |
| Acquisition of subsidiaries   | –  | 321,943*                                     |
| Amortisation (note 6)   | <b>(6,199)</b>                                       | (8,979)                                      |
| Exchange realignment  | <b>(5,348)</b>                                       | 16,121                                       |
| At 30 June 2012/31 December 2011  | <b>491,714</b>                                       | 503,145                                      |
| Current portion included in prepayments, deposits and other receivables | <b>(11,912)</b>                                      | (12,041)                                     |
| Non-current portion   | <b>479,802</b>                                       | 491,104                                      |

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

Certain of the Group's interest-bearing bank borrowings were secured by certain of the Group's leasehold lands with a net carrying amount of approximately HK\$44,966,000 as at 30 June 2012 (31 December 2011: HK\$45,994,000).

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

## Notes to Interim Condensed Consolidated Financial Statements

30 June 2012

### 12. Intangible assets

|  | <b>30 June<br/>2012<br/>HK\$'000<br/>(Unaudited)</b> | 31 December<br>2011<br>HK\$'000<br>(Audited) |
|--|--|--|
| Mining rights and other intangible assets: |  |  |
| At 1 January 2012/1 January 2011           | <b>878,732</b>                                       | 300,759                                      |
| Additions                                  | <b>388</b>   | 638  |
| Acquisition of subsidiaries                | –  | 566,835                                      |
| Amortisation (note 6)                      | <b>(8,469)</b>                                       | (16,911)                                     |
| Exchange realignment                       | <b>(9,187)</b>                                       | 27,411                                       |
| At 30 June 2012/31 December 2011           | <b>861,464</b>                                       | 878,732                                      |

At 30 June 2012, the Group was in the process of applying for mining right certificate of certain mining rights with an aggregate net carrying amount of approximately HK\$513,313,000 (31 December 2011: HK\$525,069,000). 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 2012.

### 13. 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

|  | <b>Losses available<br/>for offsetting<br/>against future<br/>taxable profits<br/>HK\$'000</b> | <b>Deductible<br/>temporary<br/>differences<br/>HK\$'000</b> | <b>Total<br/>HK\$'000</b> |
|--|--|--|---------------------------|
| At 1 January 2012 (Audited)  | <b>88,219</b>  | <b>43,326</b>  | <b>131,545</b>            |
| Charged to the interim condensed consolidated statement of comprehensive income during the period (note 7) | <b>(13,558)</b>  | <b>(6,043)</b>   | <b>(19,601)</b>           |
| Exchange realignment   | <b>(867)</b>   | <b>(430)</b>   | <b>(1,297)</b>            |
| At 30 June 2012 (Unaudited)  | <b>73,794</b>  | <b>36,853</b>  | <b>110,647</b>            |

#### Deferred tax liabilities

|  | <b>Fair value<br/>adjustments<br/>arising from<br/>acquisition of<br/>subsidiaries<br/>HK\$'000</b> | <b>Withholding<br/>taxes<br/>HK\$'000</b> | <b>Fair value<br/>adjustments<br/>of investment<br/>properties<br/>and others<br/>HK\$'000</b> | <b>Total<br/>HK\$'000</b> |
|--|---|---|--|---------------------------|
| At 1 January 2012 (Audited)  | <b>192,106</b>  | <b>7,684</b>                              | <b>11,430</b>  | <b>211,220</b>            |
| (Credited)/charged to the interim condensed consolidated statements of comprehensive income during the period (note 7) | <b>(2,282)</b>  | –   | <b>741</b>   | <b>(1,541)</b>            |
| Exchange realignment   | <b>(2,035)</b>  | –   | <b>(126)</b>   | <b>(2,161)</b>            |
| At 30 June 2012 (Unaudited)  | <b>187,789</b>  | <b>7,684</b>                              | <b>12,045</b>  | <b>207,518</b>            |



## Notes to Interim Condensed Consolidated Financial Statements

30 June 2012

### 14. Inventories

|                           | <b>30 June<br/>2012<br/>HK\$'000<br/>(Unaudited)</b> | 31 December<br>2011<br>HK\$'000<br>(Audited) |
|---------------------------|--|--|
| Raw materials             | 596,586  | 571,264                                      |
| Work in progress          | 3,702  | 8,410  |
| Finished goods            | 318,320  | 340,562                                      |
|                           | <b>918,608</b>                                       | 920,236                                      |
| Less: Inventory provision | <b>(109,463)</b>                                     | (109,727)                                    |
|                           | <b>809,145</b>                                       | 810,509                                      |

### 15. Trade and notes receivables

|                                | <b>30 June<br/>2012<br/>HK\$'000<br/>(Unaudited)</b> | 31 December<br>2011<br>HK\$'000<br>(Audited) |
|--------------------------------|--|--|
| Trade receivables              | 599,735  | 429,275                                      |
| Notes receivables              | 224,664  | 534,304                                      |
|                                | <b>824,399</b>                                       | 963,579                                      |
| Less: Provision for impairment | <b>(20,313)</b>                                      | (15,006)                                     |
|                                | <b>804,086</b>                                       | 948,573                                      |

The Group's trading terms with its customers are mainly on credit, except for new customers, where payment in advance is normally required. The credit period is generally one month, extending up to three months for major customers. Each customer has a maximum credit limit. The Group seeks to maintain strict control over its outstanding receivables and has a credit control department to minimise credit risk. Overdue balances are reviewed and followed up regularly by senior management. In view of the aforementioned and the fact that the Group's trade receivables relate to a large number of diversified customers, there is no significant concentration of credit risk. The Group does not hold any collateral or other credit enhancements over its trade receivable balances. Trade receivables are non-interest bearing.

Notes receivable represent bank acceptance notes issued by banks in Mainland China which are secured and will be paid by the banks when due.

An ageing 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<br/>2012<br/>HK\$'000<br/>(Unaudited)</b> | 31 December<br>2011<br>HK\$'000<br>(Audited) |
|---------------------|--|--|
| Within one month    | 337,886  | 399,975                                      |
| One to two months   | 232,339  | 252,942                                      |
| Two to three months | 59,843   | 114,816                                      |
| Over three months   | 174,018  | 180,840                                      |
|                     | <b>804,086</b>                                       | 948,573                                      |

## Notes to Interim Condensed Consolidated Financial Statements

30 June 2012

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

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

|                                  | <b>30 June<br/>2012<br/>HK\$'000<br/>(Unaudited)</b> | 31 December<br>2011<br>HK\$'000<br>(Audited) |
|----------------------------------|--|--|
| At 1 January 2012/1 January 2011 | <b>15,006</b>  | 4,821  |
| Impairment losses recognised     | <b>6,307</b>   | 9,171  |
| Acquisition of subsidiaries      | –  | 682  |
| Write-off                        | <b>(776)</b>   | (142)  |
| Exchange realignment             | <b>(224)</b>   | 474  |
| At 30 June 2012/31 December 2011 | <b>20,313</b>  | 15,006                                       |

Included in the above provision for impairment of trade and notes receivables are provisions for individually impaired trade receivables of HK\$20,313,000 (2011: HK\$15,006,000) with a carrying amount before provision of approximately HK\$20,313,000 (2011: HK\$15,006,000) as at 30 June 2012. The individually impaired trade receivables relate to customers that were in financial difficulties and only a portion of these receivables is expected to be recovered.

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

|                                 | <b>30 June<br/>2012<br/>HK\$'000<br/>(Unaudited)</b> | 31 December<br>2011<br>HK\$'000<br>(Audited) |
|---------------------------------|--|--|
| Neither past due nor impaired   | <b>630,068</b>                                       | 767,733                                      |
| Less than three months past due | <b>134,403</b>                                       | 154,802                                      |
| Over three months past due      | <b>39,615</b>  | 26,038                                       |
| Total                           | <b>804,086</b>                                       | 948,573                                      |

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

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

## Notes to Interim Condensed Consolidated Financial Statements

30 June 2012

### 16. Prepayments, deposits and other receivables

#### Non-current portion

|             | <b>30 June<br/>2012<br/>HK\$'000<br/>(Unaudited)</b> | 31 December<br>2011<br>HK\$'000<br>(Audited) |
|-------------|--|--|
| Deposits    | <b>176,768</b>                                       | 154,930                                      |
| Prepayments | <b>41,926</b>  | 49,055                                       |
|             | <b>218,694</b>                                       | 203,985                                      |

#### Current portion

|                                | <b>30 June<br/>2012<br/>HK\$'000<br/>(Unaudited)</b> | 31 December<br>2011<br>HK\$'000<br>(Audited) |
|--------------------------------|--|--|
| Prepayments                    | <b>110,625</b>                                       | 83,373                                       |
| Deposits and other receivables | <b>179,165</b>                                       | 164,046                                      |
| Loan to a third party          | <b>122,070</b>                                       | 123,390                                      |
|                                | <b>411,860</b>                                       | 370,809                                      |

Loan to a third party bears interest at 6.56% per annum and are due on 12 October 2012 (2011: interest at 7.15% per annum and are due on 12 April 2012).

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

|                           | <b>30 June<br/>2012<br/>HK\$'000<br/>(Unaudited)</b> | 31 December<br>2011<br>HK\$'000<br>(Audited) |
|---------------------------|--|--|
| Cash and bank balances    | <b>1,751,855</b>                                     | 1,996,366                                    |
| Less: Pledged deposits    | <b>(109,433)</b>                                     | (97,932)                                     |
| Cash and cash equivalents | <b>1,642,422</b>                                     | 1,898,434                                    |

As at 30 June 2012, cash and bank balances of the Group denominated in RMB and amounting to HK\$941,242,000 (31 December 2011: HK\$1,141,165,000) were deposited in Mainland China. 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 authorised 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.

## Notes to Interim Condensed Consolidated Financial Statements

30 June 2012

### 18. Trade payables

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

|                     | <b>30 June<br/>2012<br/>HK\$'000<br/>(Unaudited)</b> | 31 December<br>2011<br>HK\$'000<br>(Audited) |
|---------------------|--|--|
| Within one month    | <b>201,885</b>                                       | 192,842                                      |
| One to two months   | <b>79,382</b>  | 41,816                                       |
| Two to three months | <b>36,325</b>  | 33,337                                       |
| Over three months   | <b>108,314</b>                                       | 50,106                                       |
|                     | <b>425,906</b>                                       | 318,101                                      |

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

### 19. Other payables and accruals

|                         | <b>30 June<br/>2012<br/>HK\$'000<br/>(Unaudited)</b> | 31 December<br>2011<br>HK\$'000<br>(Audited) |
|-------------------------|--|--|
| Advances from customers | <b>60,738</b>  | 66,221                                       |
| Other payables          | <b>438,377</b>                                       | 378,156                                      |
| Accruals                | <b>126,712</b>                                       | 120,462                                      |
|                         | <b>625,827</b>                                       | 564,839                                      |

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

## Notes to Interim Condensed Consolidated Financial Statements

30 June 2012

### 20. Interest-bearing bank borrowings

|  | 30 June 2012                              |           |                      | 31 December 2011            |           |                    |
|--|---|-----------|----------------------|-----------------------------|-----------|--------------------|
|  | Effective Interest rate (%)               | Maturity  | HK\$'000 (Unaudited) | Effective Interest rate (%) | Maturity  | HK\$'000 (Audited) |
| <b>Current</b>   |   |           |                      |                             |           |                    |
| Bank loans – secured <sup>(a)</sup>                              | 5.81-6.89                                 | 2012-2013 | 36,621               | 5.81-6.06                   | 2012      | 37,017             |
| Bank loans – unsecured   | 5.23-6.89, HIBOR/LIBOR/Cost of funds+3.8% | 2012-2013 | 880,743              | 4.70-6.89                   | 2012      | 1,016,196          |
| Current portion of long term bank loans – secured <sup>(a)</sup> | –   | –         | –                    | 5.96                        | 2012      | 119,688            |
| Current portion of long term bank loans – unsecured              | 5.76-6.40, LIBOR+0.85                     | 2012      | 1,325,397            | 4.86-5.96, LIBOR+0.85       | 2012      | 618,252            |
|  |   |           | <b>2,242,761</b>     |                             |           | <b>1,791,153</b>   |
| <b>Non-current</b>   |   |           |                      |                             |           |                    |
| Bank loans – secured <sup>(a)</sup>                              | 7.05                                      | 2013-2015 | 137,939              | 5.27-6.14                   | 2013-2015 | 139,431            |
| Bank loans – unsecured   | 5.76-7.25                                 | 2013-2016 | 678,709              | 4.86-7.25                   | 2013-2016 | 1,359,758          |
|  |   |           | <b>816,648</b>       |                             |           | <b>1,499,189</b>   |
|  |   |           | <b>3,059,409</b>     |                             |           | <b>3,290,342</b>   |

|  | 30 June 2012<br>HK\$'000<br>(Unaudited) | 31 December 2011<br>HK\$'000<br>(Audited) |
|--|---|---|
| <b>Analysed into:</b>                  |   |   |
| Bank loans repayable:                  |   |   |
| Within one year or on demand           | <b>2,242,761</b>                        | 1,791,153                                 |
| In the second year                     | <b>122,070</b>                          | 797,099                                   |
| In the third to fifth years, inclusive | <b>694,578</b>                          | 702,090                                   |
|  | <b>3,059,409</b>                        | 3,290,342                                 |

## Notes to Interim Condensed Consolidated Financial Statements

30 June 2012

### 20. Interest-bearing bank borrowings (continued)

(a) The secured bank loans are secured by certain of the Group's assets with carrying values set out as follows:

|                               | Notes | 30 June<br>2012<br>HK\$'000<br>(Unaudited) | 31 December<br>2011<br>HK\$'000<br>(Audited) |
|-------------------------------|-------|--|--|
| Property, plant and equipment | 10    | 194,104                                    | 239,514                                      |
| Prepaid land lease payments   | 11    | 44,966                                     | 45,994                                       |
| Pledged deposits              |       | 109,060                                    | 88,292                                       |
|                               |       | <b>348,130</b>                             | 373,800                                      |

Except for unsecured bank loans of HK\$454,435,000 (2011: HK\$420,290,000) which are denominated in United States dollars, all borrowings were denominated in Renminbi.

### 21. Deferred income

|                                  | 30 June<br>2012<br>HK\$'000<br>(Unaudited) | 31 December<br>2011<br>HK\$'000<br>(Audited) |
|----------------------------------|--|--|
| At 1 January 2012/1 January 2011 | 110,099                                    | 35,684                                       |
| Addition                         | 2,866                                      | 62,990                                       |
| Acquisition of a subsidiary      | –  | 14,741                                       |
| Amortisation                     | (8,233)                                    | (6,799)                                      |
| Exchange realignment             | (1,149)                                    | 3,483  |
| At 30 June 2012/31 December 2011 | <b>103,583</b>                             | 110,099                                      |

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 amortised on the straight-line basis to profit or loss over the expected useful lives of the relevant assets acquired.

## Notes to Interim Condensed Consolidated Financial Statements

30 June 2012

### 22. Share capital

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

|  | <b>30 June<br/>2012<br/>HK\$'000<br/>(Unaudited)</b> | 31 December<br>2011<br>HK\$'000<br>(Audited) |
|--|--|--|
| Authorised:<br>10,000,000,000 (31 December 2011: 10,000,000,000) ordinary shares of HK\$0.10 each          | <b>1,000,000</b>                                     | 1,000,000                                    |
| Issued and fully paid:<br>3,024,795,000 (31 December 2011: 3,024,795,000) ordinary shares of HK\$0.10 each | <b>302,480</b>                                       | 302,480                                      |

### 23. Reserves

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

|                              | <b>30 June<br/>2012<br/>HK\$'000<br/>(Unaudited)</b> | 31 December<br>2011<br>HK\$'000<br>(Audited) |
|------------------------------|--|--|
|                              | Notes  |  |
| Share premium                | <b>2,872,076</b>                                     | 2,872,076                                    |
| Contributed surplus          | <b>(171,859)</b>                                     | (171,859)                                    |
| Reserve funds                | <b>139,371</b>                                       | 134,634                                      |
| Exchange fluctuation reserve | <b>210,999</b>                                       | 254,858                                      |
| Share option reserve         | <b>81,201</b>  | 61,987                                       |
| Retained profits             | <b>386,105</b>                                       | 498,184                                      |
|                              | <b>3,517,893</b>                                     | 3,649,880                                    |

- (a) 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 utilised 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.

### 24. Business combination

On 31 May 2011, the Group acquired 60% equity interest of Hui Xing Company at a consideration of RMB162,260,000 (equivalent to HK\$193,070,000), details of which were set out in the announcement of the Company dated 8 April 2011. The principal activities of Hui Xing Company include manganese ore mining, non-manganese products production and logistics services in the PRC.

The Group recognised 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.

## Notes to Interim Condensed Consolidated Financial Statements

30 June 2012

### 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 share options 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 10 January 2021:

- The first tranche (25% of the share options) shall be exercisable after the first anniversary day of the grant of the share options;
- The second tranche (25% of the share options) shall be exercisable after the second anniversary day of the grant of the share options; and
- 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 the share options is HK\$2.81 per share, 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.

Since the grant of the 103,000,000 share options granted on 11 January 2011 with an exercise price of HK\$2.81 per share, there have been no movement in the share options. Details of the share options outstanding as at the end of the reporting period are as follows:

At 30 June 2012 and 31 December 2011:

| Number of share options | Exercise price<br>HK\$<br>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 at the time of grant was estimated, using a binomial model, as HK\$122,780,000 (weighted average fair value of HK\$1.19 each), of which the Group recognised a share option expense of HK\$19,214,000 during the six months ended 30 June 2012 (six months ended June 2011: HK\$29,768,000).



## Notes to Interim Condensed Consolidated Financial Statements

30 June 2012

### 26. Commitments and contingencies

#### a) Operating lease commitments

##### i) As Lessor

The Group leases its investment properties under operating lease agreements with lease terms ranging from 2 to 20 years (31 December 2011: 2 to 20 years).

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

|   | <b>30 June<br/>2012<br/>HK\$'000<br/>(Unaudited)</b> | 31 December<br>2011<br>HK\$'000<br>(Audited) |
|---|--|--|
| Within one year                         | <b>1,658</b>   | 1,633  |
| In the second to fifth years, inclusive | <b>7,234</b>   | 7,125  |
| After five years                        | <b>6,649</b>   | 8,176  |
|   | <b>15,541</b>  | 16,934                                       |

##### ii) As Lessee

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

|   | <b>30 June<br/>2012<br/>HK\$'000<br/>(Unaudited)</b> | 31 December<br>2011<br>HK\$'000<br>(Audited) |
|---|--|--|
| Within one year                         | <b>7,204</b>   | 9,934  |
| In the second to fifth years, inclusive | <b>12,436</b>  | 18,692                                       |
| After five years                        | <b>37,695</b>  | 44,754                                       |
|   | <b>57,335</b>  | 73,380                                       |

#### b) Capital commitments

|                                     | <b>30 June<br/>2012<br/>HK\$'000<br/>(Unaudited)</b> | 31 December<br>2011<br>HK\$'000<br>(Audited) |
|-------------------------------------|--|--|
| Authorised, but not contracted for: |  |  |
| Acquisition of land and buildings   | <b>29,297</b>  | 566,922                                      |
| Acquisition of plant and machinery  | <b>574,852</b>                                       | 601,830                                      |
|                                     | <b>604,149</b>                                       | 1,168,752                                    |
| Contracted, but not provided for:   |  |  |
| Acquisition of land and buildings   | <b>186,612</b>                                       | 307,432                                      |
| Acquisition of plant and machinery  | <b>125,959</b>                                       | 122,511                                      |
|                                     | <b>312,571</b>                                       | 429,943                                      |
| Total                               | <b>916,720</b>                                       | 1,598,695                                    |

#### c) Contingent liabilities

At the end of the reporting period, the Group had no significant contingent liabilities (31 December 2011: Nil).

## Notes to Interim Condensed Consolidated Financial Statements

30 June 2012

### 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        |                                 |
|--|-------|---------------------------------|---------------------------------|
|  |       | 2012<br>HK\$'000<br>(Unaudited) | 2011<br>HK\$'000<br>(Unaudited) |
| Purchase of raw materials from subsidiaries of Guangxi Dameng                  | (i)   | 6,173                           | 6,475                           |
| Purchase of property, plant and equipment from a subsidiary of Guangxi Dameng  | (i)   | 2,761                           | 187                             |
| Sales of goods to subsidiaries of Guangxi Dameng                               | (ii)  | -                               | 23,526                          |
| Provision of electricity and water to Guangxi Dameng                           | (iii) | 22                              | 20                              |
| Provision of integrated service as defined in the Prospectus by Guangxi Dameng | (iv)  | 1,473                           | 2,856                           |
| Maximum bank deposits with related companies during the period                 | (v)   | 53,063                          | 188,229                         |
| Interest income on deposits placed with related companies                      | (v)   | 46                              | 1,344                           |
| Tax indemnity charged to Highkeen  | (vi)  | -                               | 3,987                           |
| Tax indemnity charged to Apexhill  | (vi)  | -                               | 997                             |
| Tax indemnity charged to Guangxi Dameng  | (vi)  | -                               | 2,625                           |

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\$245,520) as mutually agreed by the parties.
- (v) Maximum bank deposits with related companies during the period and related interest income 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 six months ended 30 June 2011, 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.

## Notes to Interim Condensed Consolidated Financial Statements

30 June 2012

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

#### (b) Outstanding balances with related parties

|                                      | <b>30 June<br/>2012<br/>HK\$'000<br/>(Unaudited)</b> | 31 December<br>2011<br>HK\$'000<br>(Audited) |
|--------------------------------------|--|--|
| Due from related companies           |  |  |
| Trade receivables                    | –  | 16,309                                       |
| Other receivables                    | 11   | –  |
| Prepayments                          | 3,144  | 392  |
|                                      | <b>3,155</b>   | 16,701                                       |
| Due to related companies             |  |  |
| Trade payables                       | 11,509   | 10,977                                       |
| Other payables                       | 13,226   | 3,373  |
|                                      | <b>24,735</b>  | 14,350                                       |
| Bank deposits with related companies | <b>10,857</b>  | 40,721                                       |

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

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

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

|   | <b>Six months ended 30 June</b>          |                                 |
|---|--|---------------------------------|
|   | <b>2012<br/>HK\$'000<br/>(Unaudited)</b> | 2011<br>HK\$'000<br>(Unaudited) |
| Salaries, allowances and benefits in kind           | 3,855                                    | 3,929                           |
| Bonuses   | –  | 59                              |
| Equity-settled share option expenses                | 13,607                                   | 22,045                          |
| Pension scheme contributions                        | 25                                       | 85                              |
| Total compensation paid to key management personnel | <b>17,487</b>                            | 26,118                          |

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

These interim condensed consolidated financial statements were approved and authorised for issue by the Board of Directors on 17 August 2012.

## Management Discussion and Analysis

### Financial Review

|  | 1H2012<br>HK\$'000 | 1H2011<br>HK\$'000 | Increase/(decrease)<br>HK\$'000 | %      |
|--|--------------------|--------------------|---------------------------------|--------|
| Revenue  | <b>1,538,780</b>   | 1,693,797          | (155,017)                       | (9%)   |
| Operating (loss)/profit (excluding share options expenses) | <b>(109,463)</b>   | 207,442            | (316,905)                       | (153%) |
| Share options expenses                                     | <b>(19,214)</b>    | (29,768)           | (10,554)                        | (35%)  |
| Operating (loss)/profit                                    | <b>(128,677)</b>   | 177,674            | (306,351)                       | (172%) |
| Gain on bargain purchase                                   | -                  | 259,244            | (259,244)                       | (100%) |
| (Loss)/profit before tax                                   | <b>(128,677)</b>   | 436,918            | (565,595)                       | (129%) |
| Income tax expenses  | <b>(26,068)</b>    | (63,917)           | (37,849)                        | (59%)  |
| (Loss)/profit after tax                                    | <b>(154,745)</b>   | 373,001            | (527,746)                       | (141%) |
| (Loss)/profit attributable to owners of the parent         | <b>(107,342)</b>   | 380,001            | (487,343)                       | (128%) |
| Loss attributable to non-controlling interests             | <b>(47,403)</b>    | (7,000)            | 40,403                          | 577%   |
|  | <b>(154,745)</b>   | 373,001            | (527,746)                       | (141%) |

### Financial Highlights

- Turnover amounted to HK\$1,538.8 million for 1H 2012, representing a decrease of 9% from HK\$1,693.8 million in 1H 2011.
- Operating loss (excluding share option expenses) for 1H 2012 was HK\$109.5 million (1H 2011: operating profit (excluding share option expenses) of HK\$207.4 million).
- The Group's loss after tax amounted to HK\$154.7 million for 1H 2012 (1H 2011: Profit after tax of HK\$373.0 million).
- Loss attributable to owners of the parent amounted to HK\$107.3 million for 1H 2012 (1H 2011: Profit attributable to owners of the parent of HK\$380.0 million).

### Overview

European sovereign debt crisis has not eased in the past six months if not worsened and the US economy's recovery has been slower than expected. Unavoidably, PRC's economy, particularly our downstream steel industry, has been adversely affected and therefore the first half of 2012 has continued from the fourth quarter last year to be an extremely tough period for our company. In 1H 2012, our Group's performance decreased significantly and recorded a loss. The consolidated net loss attributable to owners of the parent was HK\$107.3 million (1H 2011: consolidated net profit attributable to owners of the parent of HK\$380.0 million). These were mainly due to:

- (1) Despite the sluggish demand for our downstream steel products in the first half of the year, steel mills continued to expand their production volume as evidenced by the growth of crude steel by 1.8%. These factors combined squeezed the prices of steel products and hence inevitably those of our manganese products. The average selling price of our major product EMM recorded a year on year drop of 17.2%.
- (2) On the cost front, continuing upward pressure on unit costs in the PRC of power and labour, dissipated most of our efforts in improving unit consumption rate. All in all, we managed to reduce in the very difficult environment our unit cost of production as compared to the same period last year, but the unit cost improvement was significantly outpaced by the substantial drop in average selling price.

## Management Discussion and Analysis

- (3) We are in the strategic phase of transforming Hui Xing Company, a subsidiary in Guizhou, which we acquired in the last year. In December 2011 and in accordance with our acquisition strategy, we started to relocate its loss making ferro-alloy operation in the designated future central business district with the full support of the local government. Hui Xing Company will then move into the next phase of building up EMM production plants from scratch in the nearby Goujiang Economic and Technological Development Zone in Zunyi City. As planned, we have to transform the skill sets of its existing labour force released from such ferro-alloy operation and continue to bear the employee and related administration costs during the stage of staff transformation before its production of EMM commences.
- (4) In the first half of 2011, we recorded a gain on bargain purchase of Hui Xing Company, amounting to HK\$259.2 million. There was no similar item in the first half of 2012.

### Comparison with six months ended 30 June 2011

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

|   | Six months ended 30 June |                                       |                       |                           |                          |                                       |                       |                           |
|---|--------------------------|---------------------------------------|-----------------------|---------------------------|--------------------------|---------------------------------------|-----------------------|---------------------------|
|   | 2012                     |                                       |                       |                           | 2011                     |                                       |                       |                           |
|   | Sales Volume<br>(tonnes) | Average Selling Price<br>(HK\$/Tonne) | Revenue<br>(HK\$'000) | % of Total Revenue<br>(%) | Sales Volume<br>(tonnes) | Average Selling Price<br>(HK\$/Tonne) | Revenue<br>(HK\$'000) | % of Total Revenue<br>(%) |
| <b>Manganese mining and ore processing</b>    |                          |                                       |                       |                           |                          |                                       |                       |                           |
| Manganes concentrate                          | 73,919                   | 620                                   | 45,855                | 3.0                       | 92,532                   | 617                                   | 57,122                | 3.4                       |
| Gabon ore                                     | 23,493                   | 1,174                                 | 27,586                | 1.8                       | -                        | -                                     | -                     | -                         |
| Natural discharging manganese powder and sand | 10,118                   | 3,112                                 | 31,485                | 2.0                       | 17,833                   | 2,962                                 | 52,824                | 3.1                       |
| <b>Sub-Total</b>                              | <b>107,530</b>           | <b>976</b>                            | <b>104,926</b>        | <b>6.8</b>                | <b>110,365</b>           | <b>996</b>                            | <b>109,946</b>        | <b>6.5</b>                |
| <b>Manganese downstream processing</b>        |                          |                                       |                       |                           |                          |                                       |                       |                           |
| EMM   | 51,558                   | 16,203                                | 835,397               | 54.3                      | 49,932                   | 19,572                                | 977,267               | 57.7                      |
| Silicomanganese alloy                         | 25,162                   | 7,954                                 | 200,147               | 13.0                      | 27,097                   | 7,763                                 | 210,342               | 12.4                      |
| EMD   | 9,824                    | 9,275                                 | 91,120                | 5.9                       | 8,573                    | 10,072                                | 86,350                | 5.1                       |
| Manganese sulfate                             | 8,560                    | 4,407                                 | 37,726                | 2.5                       | 11,095                   | 3,902                                 | 43,291                | 2.6                       |
| Ferromanganese                                | 226                      | 7,987                                 | 1,805                 | 0.1                       | 4,699                    | 8,168                                 | 38,383                | 2.3                       |
| Manganese tetroxide                           | 78                       | 15,423                                | 1,203                 | 0.1                       | 1,072                    | 17,123                                | 18,355                | 1.1                       |
| Others  | 1,388                    | 11,214                                | 15,565                | 1.0                       | -                        | -                                     | -                     | -                         |
| <b>Sub-Total</b>                              | <b>96,796</b>            | <b>12,221</b>                         | <b>1,182,963</b>      | <b>76.9</b>               | <b>102,468</b>           | <b>13,409</b>                         | <b>1,373,988</b>      | <b>81.2</b>               |
| <b>Non-manganese processing</b>               |                          |                                       |                       |                           |                          |                                       |                       |                           |
| High carbon ferrochromium                     | 4,865                    | 9,400                                 | 45,732                | 3.0                       | 7,647                    | 10,288                                | 78,673                | 4.6                       |
| Lithium cobalt oxide                          | 232                      | 202,013                               | 46,867                | 3.0                       | 13                       | 233,846                               | 3,040                 | 0.2                       |
| Others  | 117                      | 6,248                                 | 731                   | 0.1                       | -                        | -                                     | -                     | -                         |
| <b>Sub-Total</b>                              | <b>5,214</b>             | <b>17,900</b>                         | <b>93,330</b>         | <b>6.1</b>                | <b>7,660</b>             | <b>10,667</b>                         | <b>81,713</b>         | <b>4.8</b>                |
| <b>Other business</b>                         |                          |                                       |                       |                           |                          |                                       |                       |                           |
| Trading                                       | 31,134                   | 5,061                                 | 157,561               | 10.2                      | 24,943                   | 5,138                                 | 128,150               | 7.5                       |
| <b>Total</b>                                  | <b>240,674</b>           | <b>6,394</b>                          | <b>1,538,780</b>      | <b>100.0</b>              | <b>245,436</b>           | <b>6,901</b>                          | <b>1,693,797</b>      | <b>100.0</b>              |

## Management Discussion and Analysis

### Revenue

In 1H 2012, the Group's revenue was HK\$1,538.8 million (1H 2011: HK\$1,693.8 million), which represented a decrease of 9.2% as compared with 1H 2011. Retarding economic growth in the PRC slowed down the pace of investments in fixed assets and infrastructures as well as the property development in China. As a result, steel manufacturing industry tumbled and led to a significant decrease in selling prices of our major downstream products, especially EMM albeit a small increase in the sales quantity of it.

*Manganese mining and ore processing* – As most of the ore we mined in the PRC were consumed internally, performance of manganese mining and ore processing segment remained steady in 1H 2012 compared with 1H 2011. Revenue derived from this segment decreased by 4.6% to HK\$104.9 million (1H 2011: HK\$109.9 million) as sales volume dropped by 2.6% to 107,530 tonnes (1H 2011: 110,365 tonnes). Average selling price was also set at HK\$976/tonne (1H 2011: HK\$996/tonne). During the six months ended 30 June 2012, 23,493 tonnes of ore sales related to our Gabon's trial production in the year 2011 and sold to customers in the PRC.

*Manganese downstream processing* – Revenue from manganese downstream processing dropped by 13.9% from HK\$1,374.0 million to HK\$1,183.0 million. This is mainly due to the drop of average selling price of 17.2% of our major product EMM despite an increase in EMM sales volume by 3.3% which was attributable to our newly acquired Sanmenglong operation. As a result, EMM accounted for 54.3% of total revenue in 1H 2012 as compared to 57.7% in 1H 2011.

In 1H 2012, we tried to contain the production of the low margin product, silicomanganese alloy, of which sales volume decreased by 7.1% to 25,162 tonnes (1H 2011: 27,097 tonnes). Firstly, we temporarily suspended the production of our Dabao plant from January 2012 to April 2012 due to the weakening market demand. Secondly, our Hui Xing plant is undergoing relocation of its ferro-alloy operation with effect from 1 January 2012. On the other hand, average selling price of silicomanganese alloy moderately increased by 2.5% to HK\$7,954/tonne (1H 2011: HK\$7,763/tonne), as there was a change in sales mix to the more expensive high grade silicomanganese products.

Sales volume of EMD for 1H 2012 increased by 14.6% to 9,824 tonnes (1H 2011: 8,573 tonnes). Conversely, average selling price of EMD decreased in line with general economic trend by 7.9% to HK\$9,275/tonne (1H 2011: HK\$10,072/tonne).

*Non-manganese processing* – In November 2011, we ceased our non-core operation, high carbon ferrochromium production in Qin Zhou and modified the production facilities to produce silicomanganese alloy commencing from February 2012. Consequently, sales volume of high carbon ferrochromium dropped by 36.4% to 4,865 tonnes (1H 2011: 7,647 tonnes) and during 1H 2012, we gradually sold the remaining ferrochromium stocks. Average selling price of high carbon ferrochromium decreased by 8.6% to HK\$9,400/tonne (1H 2011: HK\$10,288/tonne) in line with the slump in general 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.

|   | Six months ended 30 June |                    |                     |                            |                  |                    |                     |                            |
|---|--------------------------|--------------------|---------------------|----------------------------|------------------|--------------------|---------------------|----------------------------|
|   | 2012                     |                    |                     |                            | 2011             |                    |                     |                            |
|   | Cost of Sales            | Unit Cost of Sales | Gross Profit/(Loss) | Gross Profit/(Loss) Margin | Cost of Sales    | Unit Cost of Sales | Gross Profit/(Loss) | Gross Profit/(Loss) Margin |
|   | (HK\$'000)               | (HK\$/Tonne)       | (HK\$'000)          | (%)                        | (HK\$'000)       | (HK\$/Tonne)       | (HK\$'000)          | (%)                        |
| <b>Manganese mining and ore processing</b>    |                          |                    |                     |                            |                  |                    |                     |                            |
| Manganes concentrate                          | 15,729                   | 213                | 30,126              | 65.7                       | 20,682           | 224                | 36,440              | 63.8                       |
| Gabon ore                                     | 31,136                   | 1,325              | (3,550)             | (12.9)                     | -                | -                  | -                   | -                          |
| Natural discharging manganese powder and sand | 7,210                    | 713                | 24,275              | 77.1                       | 13,074           | 733                | 39,750              | 75.2                       |
| <b>Sub-Total</b>                              | <b>54,075</b>            | <b>503</b>         | <b>50,851</b>       | <b>48.5</b>                | <b>33,756</b>    | <b>306</b>         | <b>76,190</b>       | <b>69.3</b>                |
| <b>Manganese downstream processing</b>        |                          |                    |                     |                            |                  |                    |                     |                            |
| EMM   | 719,803                  | 13,961             | 115,594             | 13.8                       | 699,440          | 14,008             | 277,827             | 28.4                       |
| Silicomanganese alloy                         | 194,781                  | 7,741              | 5,366               | 2.7                        | 191,516          | 7,068              | 18,826              | 9.0                        |
| EMD   | 77,185                   | 7,857              | 13,935              | 15.3                       | 60,765           | 7,088              | 25,585              | 29.6                       |
| Manganese sulfate                             | 29,115                   | 3,401              | 8,611               | 22.8                       | 34,575           | 3,116              | 8,716               | 20.1                       |
| Ferromanganese                                | 1,084                    | 4,796              | 721                 | 39.9                       | 40,475           | 8,614              | (2,092)             | (5.5)                      |
| Manganese tetroxide                           | 1,362                    | 17,462             | (159)               | (13.2)                     | 17,674           | 16,487             | 681                 | 3.7                        |
| Others  | 11,442                   | 8,244              | 4,123               | 26.5                       | -                | -                  | -                   | -                          |
| <b>Sub-Total</b>                              | <b>1,034,772</b>         | <b>10,690</b>      | <b>148,191</b>      | <b>12.5</b>                | <b>1,044,445</b> | <b>10,193</b>      | <b>329,543</b>      | <b>24.0</b>                |
| <b>Non-manganese processing</b>               |                          |                    |                     |                            |                  |                    |                     |                            |
| High carbon ferrochromium                     | 44,130                   | 9,071              | 1,602               | 3.5                        | 77,472           | 10,131             | 1,201               | 1.5                        |
| Lithium cobalt oxide                          | 41,764                   | 180,017            | 5,103               | 10.9                       | 3,080            | 236,923            | (40)                | (1.3)                      |
| Others  | 35                       | 299                | 696                 | 95.2                       | -                | -                  | -                   | -                          |
| <b>Sub-Total</b>                              | <b>85,929</b>            | <b>16,480</b>      | <b>7,401</b>        | <b>7.9</b>                 | <b>80,552</b>    | <b>10,516</b>      | <b>1,161</b>        | <b>1.4</b>                 |
| <b>Other business</b>                         |                          |                    |                     |                            |                  |                    |                     |                            |
| Trading                                       | 153,923                  | 4,944              | 3,638               | 2.3                        | 125,944          | 5,049              | 2,206               | 1.7                        |
| <b>Inventory provision</b>                    | <b>15,653</b>            |                    | <b>(15,653)</b>     |                            | <b>16,007</b>    |                    | <b>(16,007)</b>     |                            |
| <b>Total</b>                                  | <b>1,344,352</b>         |                    | <b>194,428</b>      | <b>12.6</b>                | <b>1,300,704</b> |                    | <b>393,093</b>      | <b>23.2</b>                |

### Cost of Sales

Cost of sales increased by HK\$43.7 million or 3.4%, to HK\$1,344.4 million in 1H 2012, as compared to HK\$1,300.7 million in 1H 2011. This cost increase was primarily due to the increase in the unit costs of direct materials, including raw materials and auxiliary materials as well as purchase directly for trading.

## Management Discussion and Analysis

The unit cost of sales of manganese mining and ore processing segment during 1H 2012 increased by 64.4% to HK\$503/tonne (1H 2011: HK\$306/tonne). This increase was mainly attributable to the first sales of Gabon ore during 1H 2012 which has a comparatively higher unit cost as well as average selling price, due to its higher ore grades and transportation cost from West Africa.

In 1H 2012, unit cost of EMM decreased mildly by 0.3% to HK\$13,961/tonne (1H 2011: HK\$14,008/tonne). This was mainly attributable to the mild decrease in the unit costs of auxiliary materials such as sulfuric acid and selenium dioxide and the improved consumption rate of materials and power per unit of production. However, the positive effect of these factors had almost all been set off by the increase in unit cost of electricity and labour in the inflationary environment.

Unit cost of silicomanganese alloy increased by 9.5% to HK\$7,741/tonne (1H 2011: \$7,068/tonne) due to the change in sales mix of our silicomanganese products.

Unit cost of high carbon ferrochromium decreased by 10.5% to HK\$9,071/tonne (1H 2011: HK\$10,131/tonne) as sales in 1H 2012 represented sales of stocks brought forward from 2011 and these stocks had already been marked down to market value as of 31 December 2011.

### **Gross Profit**

In 1H 2012, the Group recorded a gross profit of HK\$194.4 million (1H 2011: HK\$393.1 million), representing a decrease of HK\$198.7 million or 50.5%. The Group's overall gross profit margin was 12.6%, representing a decrease of 10.6% from 1H 2011's 23.2%. Deteriorated gross profit margin was mainly attributable to (i) drop in gross profit margin of EMM from 28.4% to 13.8%, (ii) EMD suffered the same as EMM and the gross profit decreased by HK\$11.7 million whereas gross profit margin for EMD decreased from 29.6% to 15.3%.

### **Selling and Distribution Expenses**

The Group's selling and distribution expenses in 1H 2012 have decreased by 4.6% to HK\$39.2 million (1H 2011: HK\$41.1 million). The decrease was in line with the decrease in sales for 1H 2012.

### **Administrative Expenses**

Administrative expenses including share option expenses, increased by 48.7% to HK\$223.3 million for 1H 2012 (1H 2011: HK\$150.2 million). The increase was mainly attributable to (1) the enlarged scale of our Group's operation following the acquisitions of Hui Xing Company and Sanmenglong in May 2011 and July 2011 respectively and (2) certain production capacity of our ferroalloy plants, particularly Hui Xing Company, is undergoing relocation and the corresponding costs including temporarily idle workers' salaries and depreciation were classified as administrative expenses instead of cost of sales.

### **Finance Cost**

For 1H 2012, our Group's finance cost was HK\$74.9 million (1H 2011: HK\$61.1 million), representing an increase of 22.6%. This was the combined effect of (1) increased borrowings to finance the expansion projects in PRC and Gabon and (2) increase in average interest rate as compared with 1H 2011.

### **Income Tax**

Although we had a loss before tax, we recorded tax expenses of HK\$26.1 million for the period ended 30 June 2012 (1H 2011: HK\$63.9 million) primarily due to: (1) reversal of deferred tax asset brought forward from previous years and arising from tax losses mainly of ferroalloy producing subsidiaries and (2) we did not provide deferred tax for current period losses of certain subsidiaries as it is uncertain whether future taxable profits would arise to offset against these losses.

### **(Loss)/Profit Attributable to Owners of the Parent**

For 1H 2012, the Group's loss attributable to owners of the parent was HK\$107.3 million (1H 2011: Group's profit attributable to owners of the parent was HK\$380.0 million).

### **(Loss)/Earnings per share**

For 1H 2012, loss per share attributable to ordinary equity holders of the Company amounted to 3.55 HK cents (1H 2011: earnings per share attributable to ordinary equity holders of the Company of 12.56 HK cents).



## Management Discussion and Analysis

### Interim Dividend

The Board does not recommend the payment of any interim dividend for the six months ended 30 June 2012 (six months ended 30 June 2011: Nil).

### Use of Proceeds from IPO

As at 30 June 2012, we have utilized the net proceeds raised from the IPO in accordance with the designated uses set out in the Prospectus as follows:

| Description  | Amount designated in Prospectus (HK\$Million) | Amount utilized up to 30.6.2012 (HK\$Million) | % utilized   | Amount utilized up to 31.12.2011 (HK\$Million) | % utilized   |
|--|---|---|--------------|--|--------------|
| 1 Expansion project at Daxin EMD Plant   | 79  | 54  | 68.4%        | 33   | 41.5%        |
| 2 Expansion project of underground mining and ore processing at Daxin Mine       | 278   | 103   | 37.1%        | 64   | 22.9%        |
| 3 Expansion and construction projects of our EMM production facilities           | 516   | 303   | 58.7%        | 185  | 35.9%        |
| 4 Construction project at Chongzuo Base  | 59  | 9   | 15.3%        | 8  | 13.3%        |
| 5 Development of Bembélé manganese mine and associated facilities                | 119   | 119   | 100.0%       | 119  | 100.0%       |
| 6 Technological improvement and renovation projects at our production facilities | 40  | 40  | 100.0%       | 40   | 100.0%       |
| 7 Acquisition of mines and mining right  | 397   | 277   | 69.8%        | 271  | 68.4%        |
| 8 Repayment on a portion of our bank borrowings                                  | 297   | 297   | 100.0%       | 297  | 100.0%       |
| 9 Working capital and other corporate purposes                                   | 198   | 198   | 100.0%       | 198  | 100.0%       |
| <b>Total</b>   | <b>1,983</b>                                  | <b>1,400</b>                                  | <b>70.6%</b> | <b>1,215</b>                                   | <b>61.3%</b> |

### Liquidity and financial resources

In 1H 2012, the Group's primary sources of funding were cash generated from operating and financing activities. As at 30 June 2012, our cash position remained strong. The cash and bank balances was HK\$1,751.8 million (31 December 2011: HK\$1,996.3 million). The Group's aggregate borrowings amounted to HK\$3,059.4 million (31 December 2011: HK\$3,290.3 million). The Group's net debt increased mildly to HK\$1,307.6 million (31 December 2011: HK\$1,294.0 million) and was mainly attributable to our capital expenditure for our production facilities in PRC and Gabon.

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.

### Bank Borrowings

As at 30 June 2012, the Group's borrowing structure and maturity profile are as follows:

| Borrowing structure  | 30 June 2012<br>HK\$ million | 31 December 2011<br>HK\$ million |
|----------------------|------------------------------|----------------------------------|
| Secured borrowings   | 174.6                        | 296.1                            |
| Unsecured borrowings | 2,884.8                      | 2,994.2                          |
|                      | <b>3,059.4</b>               | <b>3,290.3</b>                   |

## Management Discussion and Analysis

| <b>Maturity profile</b>               | <b>30 June<br/>2012<br/>HK\$ million</b> | 31 December<br>2011<br>HK\$ million |
|---------------------------------------|--|-------------------------------------|
| Repayable:                            |  |                                     |
| On demand or within one year          | <b>2,242.8</b>                           | 1,791.1                             |
| After one year and within two years   | <b>122.1</b>                             | 797.1                               |
| After two years and within five years | <b>694.5</b>                             | 702.1                               |
|                                       | <b>3,059.4</b>                           | 3,290.3                             |

  

| <b>Currency denomination</b> | <b>30 June<br/>2012<br/>HK\$ million</b> | 31 December<br>2011<br>HK\$ million |
|------------------------------|--|-------------------------------------|
| Denominated in:              |  |                                     |
| RMB                          | <b>2,605.0</b>                           | 2,870.0                             |
| USD                          | <b>454.4</b>                             | 420.3                               |
|                              | <b>3,059.4</b>                           | 3,290.3                             |

As at 30 June 2012, borrowings as to the amounts of HK\$598.1 million (31 December 2011: HK\$351.7 million) and HK\$2,461.3 million (31 December 2011: HK\$2,938.6 million), carry fixed and floating rate interest respectively. The fixed rate borrowings carry interest at rates ranging from 4.3% to 6.56%. The floating rate borrowings carry interest at a discount of 5% to 10% below the Benchmark Borrowing Rates of the People's Bank of China ("PBOC"), except the USD loan which carries interest at rates of LIBOR+0.85% and HIBOR/LIBOR/Cost of funds+3.8%.

### **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 2012, the Group's operations are primarily in the PRC and Gabon. Our products are sold to customers in PRC and to a much less extent to some other foreign countries. Our exposures to exchange rate fluctuations relate to export sales denominated in US dollars and certain XAF denominated costs incurred locally in Gabon. XAF is currently pegged to Euros. We expect that our Gabon operations will have further shipments to PRC in the second half 2012 and will be denominated in US dollars. We are also exposed to the exchange rate fluctuation of RMB against HKD as certain of our bank deposits in Hong Kong are denominated in RMB as we expect these deposits will be invested in the PRC. And to the extent we project to utilize the deposits outside the PRC, we will convert the denomination of the deposits to match the planned use. In the meantime, we did not enter into any foreign exchange contracts or derivatives transactions to hedge against foreign exchange fluctuations. However, we prepare rolling forecasts of our foreign currency revenue and expense and monitor the currency and the amount incurred, so as to control the impact on our business due to foreign exchange rate fluctuations.

### **Charge on group assets**

As at 30 June 2012, the Group's property, plant, equipment and prepaid land lease payments with an aggregate net carrying amount of HK\$239,070,000 (31 December 2011: HK\$285,508,000) were pledged to secure certain of the Group's interest-bearing bank borrowings.

### **Contingent liabilities**

As at 30 June 2012, the Group did not have any significant outstanding contingent liabilities.

## Management Discussion and Analysis

### Key financial ratios of the Group

|                   | <b>30 June<br/>2012</b> | 31 December<br>2011 |
|-------------------|-------------------------|---------------------|
| Current ratio     | <b>1.1</b>              | 1.5                 |
| Quick ratio       | <b>0.9</b>              | 1.2                 |
| Net Gearing ratio | <b>34.2%</b>            | 32.5%               |

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

The deterioration of current ratio and the quick ratio were mainly caused by the tight liquidity our downstream steel customers experienced. Steel mills continued to expand their production volume while the drop in the price of crude steel because of weakening demand slowed down their cash flows. Consequently, certain payments made to our Company were delayed during the reporting period. In addition, certain long term bank loans became falling due in the year after the end of the reporting period.

### Human Resources

As at 30 June 2012, the Group had approximately 7,986 (2011: 8,289) full-time employees in HK and the PRC; and approximately 209 (2011: 202) full-time employees in Gabon. 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.

### Outlook

In the first half of 2012, a noticeable slowdown in global recovery and the continuing debt crisis in the Eurozone countries have directly affected the market sentiment as well as global investors' confidence. Growth in PRC economy is also inevitably slowed down, with slackened demand for commodity products. The EMM industry sector will continue to encounter a difficult market in the second half of this year. To cope with such uncertainty in the global economy in the second half, we shall continue to adopt various measures and strengthen our management control, so as to reduce our overall operation costs.

CITIC Dameng, being the leading vertical integrated manganese company in PRC, shall be benefited from the continuing economic growth in PRC in long run. We are cautiously optimistic towards our Group's future development and be well-prepared for the increasingly volatile markets and intensifying competition. Our Group will continue to adhere to our strategic plans and by virtue of our abundant manganese resources, we will further strengthen our business and earning foundations, with a view to provide long-term and sustainable returns to our shareholders.

## 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 2012:

### Summary of our manganese mineral resources

| Mining Block            | Ownership Percentage | JORC Resource Category | Average Manganese Grade (%) |                 | Average Manganese Grade (%) |                  |
|-------------------------|----------------------|------------------------|-----------------------------|-----------------|-----------------------------|------------------|
|                         |                      |                        | Million Tonnes              | As of 30.6.2012 | Million Tonnes              | As of 31.12.2011 |
| Daxin Mine              | 100%                 | Measured               | 6.42                        | 24.47           | 6.58                        | 24.37            |
|                         |                      |                        | 68.66                       | 21.14           | 69.09                       | 21.12            |
|                         |                      | Subtotal               | 75.08                       | 21.42           | 75.67                       | 21.40            |
|                         |                      |                        | 0.43                        | 21.23           | 0.43                        | 21.23            |
|                         |                      | Total                  | 75.51                       | 21.42           | 76.10                       | 21.40            |
| Tiandeng Mine           | 100%                 | Measured               | 0.84                        | 17.13           | 0.86                        | 17.07            |
|                         |                      |                        | 3.16                        | 16.44           | 3.22                        | 16.40            |
|                         |                      | Subtotal               | 4.00                        | 16.59           | 4.08                        | 16.59            |
|                         |                      |                        | 3.63                        | 14.26           | 3.64                        | 14.26            |
|                         |                      | Total                  | 7.63                        | 15.48           | 7.72                        | 15.47            |
| Waifu Manganese Mine    | 100%                 | Measured               | -                           | -               | -                           | -                |
|                         |                      |                        | -                           | -               | -                           | -                |
|                         |                      | Subtotal               | -                           | -               | -                           | -                |
|                         |                      |                        | 1.54                        | 17.52           | 1.54                        | 17.52            |
| Total                   | 1.54                 | 17.52                  | 1.54                        | 17.52           |                             |                  |
| Changgou Manganese Mine | 64%                  | Measured               | 3.17                        | 20.45           | 3.25                        | 20.45            |
|                         |                      |                        | 15.87                       | 20.32           | 15.87                       | 20.32            |
|                         |                      | Subtotal               | 19.04                       | 20.34           | 19.12                       | 20.34            |
|                         |                      |                        | 3.12                        | 20.50           | 3.12                        | 20.5             |
| Total                   | 22.16                | 20.37                  | 22.24                       | 20.37           |                             |                  |
| Bembélé Manganese Mine  | 51%                  | Measured               | -                           | -               | -                           | -                |
|                         |                      |                        | 18.11                       | 32.18           | 18.31                       | 33.18            |
|                         |                      | Subtotal               | 18.11                       | 32.18           | 18.31                       | 33.18            |
|                         |                      |                        | 12.37                       | 32.74           | 12.37                       | 32.74            |
| Total                   | 30.48                | 33.00                  | 30.68                       | 33.00           |                             |                  |
| <b>Total</b>            |                      |                        | <b>137.32</b>               |                 | <b>138.28</b>               |                  |

## 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 30.6.2012 | Million tonnes              | As of 31.12.2011 |
| Daxin Mine              | 100%                 | Proved                 | 6.20                        | 21.74           | 6.36                        | 21.71            |
|                         |                      | Probable               | 66.13                       | 18.87           | 66.56                       | 18.86            |
|                         |                      | <b>Total</b>           | <b>72.33</b>                | <b>19.11</b>    | 72.92                       | 19.11            |
| Tiandeng Mine           | 100%                 | Proved                 | 0.80                        | 15.47           | 0.82                        | 15.44            |
|                         |                      | Probable               | 3.04                        | 15.44           | 3.10                        | 15.42            |
|                         |                      | <b>Total</b>           | <b>3.84</b>                 | <b>15.45</b>    | 3.92                        | 15.42            |
| Waifu Manganese Mine    | 100%                 | Proved                 | –                           | –               | –                           | –                |
|                         |                      | Probable               | –                           | –               | –                           | –                |
|                         |                      | <b>Total</b>           | <b>–</b>                    | <b>–</b>        | –                           | –                |
| Changgou Manganese Mine | 64%                  | Proved                 | 3.19                        | 20.45           | 3.27                        | 20.45            |
|                         |                      | Probable               | 14.72                       | 20.32           | 14.72                       | 20.30            |
|                         |                      | <b>Total</b>           | <b>17.91</b>                | <b>20.34</b>    | 17.99                       | 20.33            |
| Bembélé Manganese Mine  | 51%                  | Proved                 | –                           | –               | –                           | –                |
|                         |                      | Probable               | 18.06                       | 31.58           | 18.26                       | 31.58            |
|                         |                      | <b>Total</b>           | <b>18.06</b>                | <b>31.58</b>    | 18.26                       | 31.58            |
| <b>Total</b>            |                      |                        | <b>112.14</b>               |                 | 113.09                      |                  |

### Exploration, Development, and Mining Activities

#### I) Exploration

##### *Daxin Mine*

During the six months ended 30 June 2012, we have performed drilling works totalling 15,637 meters at the northern and central mining blocks within the mining area of the Daxin Mine. It is expected that the onsite drilling work will be completed in or around October 2012, and then we will start the drilling results analysis.

##### *Tiandeng Mine*

During the six months ended 30 June 2012, we have completed the draft detailed exploration report and the exploration design at the mining blocks of Tuoren East, Tuoren West, Luli and Dongmeng of Tiandeng Mine. We will commence the exploration work upon the approval by the Department of Land and Resources of Guangxi Zhuang Autonomous Region. On the other hand, China Metallurgical Geology Bureau Nanning Geological Survey Institute of Central South Bureau has completed the exploration design of the mining blocks at depth below 440 meters, which is beyond the limit of our mining right, at the Tiandeng Mine and such design has been approved by the Department of Land and Resources of Guangxi Zhuang Autonomous Region. We are prepared to make a formal application to apply for an exploration right licence in the next stage.

##### *Waifu Mine*

During the six months ended 30 June 2012, we did not conduct any new exploration work.

## 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 2012, we did not conduct any exploration work.

##### *Bembélé Manganese Mine*

During the six months ended 30 June 2012, No. 1 Institute of China Metallurgical Geology Bureau has completed the drilling results analysis in respect of the existing mining areas of Bembélé Manganese Mine and is drafting the exploration report. Furthermore, the working staff have arrived at the state of Gabon to commence further exploration work in respect of the surrounding areas of the existing mining area of the Bembélé Manganese Mine.

#### II) Development

##### *Waifu Manganese Mine*

During the six months ended 30 June 2012, we have successfully obtained the mining right at Waifu Manganese Mine.

##### *Bembélé Manganese Mine*

For the six months ended 30 June 2012, the construction of Ndjole City Manganese Mine Yard has been successfully completed. On 4 June 2012, the first Hongyan car loaded with 32 tonnes lump ores have successfully arrived from the mining area of Bembélé Manganese Mine to Ndjole City Manganese Mine Yard, indicating the Ndjole City Manganese Mine Yard has come into the formal operation. In addition, the construction of the dedicated railway linking Ndjole City Manganese Mine Yard to Trans-Gabon Railway has also been basically completed. Two DF8B locomotives, which have passed the inspection by the railway administration of Gabon, have commenced formal operation on the Gabon railway.

##### *Daxin Mine, Tiandeng Mine and Changgou Manganese Mine*

During the six months ended 30 June 2012, there were no significant development work performed at other mines.

#### III) Mining activities

##### (1) Mining Operations

##### *Daxin Mine*

|   | 1.1.2012-30.6.2012 | 1.1.2011-30.6.2011 |
|---|--------------------|--------------------|
| <b>Open pit mining</b>                  |                    |                    |
| Mine production (thousand tonnes)       | 440                | 338                |
| <b>Underground mining</b>               |                    |                    |
| Mine production (thousand tonnes)       | 172                | 160                |
| Total mine production (thousand tonnes) | 612                | 498                |
| <b>Average manganese grade</b>          |                    |                    |
| Manganese carbonate ore                 | 16.8%              | 18.3%              |
| Manganese oxide ore                     | 29.9%              | 32.5%              |

## 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*

|                                   | 1.1.2012-30.6.2012 | 1.1.2011-30.6.2011 |
|-----------------------------------|--------------------|--------------------|
| <b>Open pit mining</b>            |                    |                    |
| Mine production (thousand tonnes) | 95                 | 84.6               |
| Average manganese oxide grade     | 11.3%              | 14.7%              |

*Waifu Manganese Mine*

During the six months ended 30 June 2012, there were no mining production.

*Changgou Manganese Mine*

|                                   | 1.1.2012-30.6.2012 | 1.1.2011-30.6.2011 |
|-----------------------------------|--------------------|--------------------|
| <b>Underground mining</b>         |                    |                    |
| Mine production (thousand tonnes) | 77                 | 69                 |
| Average manganese carbonate grade | 17.4%              | 18.0%              |

*Bembélé Manganese Mine*

|                                   | 1.1.2012-30.6.2012 | 1.1.2011-30.6.2011 |
|-----------------------------------|--------------------|--------------------|
| <b>Open pit mining</b>            |                    |                    |
| Mine production (thousand tonnes) | 238                | 120                |
| Average manganese oxide grade     | 31.8%              | 30.0%              |

(2) Ore processing operations

• Concentrating

| Production (thousand tonnes)                  | 1.1.2012-30.6.2012 | 1.1.2011-30.6.2011 |
|---|--------------------|--------------------|
| <b>Daxin Concentration Plant</b>              |                    |                    |
| <b>Concentrate production</b>                 |                    |                    |
| Manganese carbonate ore                       | 371                | 307                |
| Manganese oxide ore                           | 31                 | 60                 |
| <b>Total</b>                                  | <b>402</b>         | <b>367</b>         |
| <b>Average manganese grade of concentrate</b> |                    |                    |
| Manganese carbonate ore                       | 19.2%              | 19.2%              |
| Manganese oxide ore                           | 29.2%              | 33.2%              |
| <b>Tiandeng Concentration Plant</b>           |                    |                    |
| Manganese concentrate production              | 46                 | 50.6               |
| Average manganese grade of concentrate        | 22.6%              | 22.4%              |
| <b>Bembélé Concentration Plant</b>            |                    |                    |
| Concentrate production                        | 189                | 80.1               |
| Average manganese grade of concentrate        | 31.9%              | 31.2%              |

## 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) | 1.1.2012-30.6.2012 | 1.1.2011-30.6.2011 |
|------------------------------|--------------------|--------------------|
| <b>Daxin Grinding Plant</b>  |                    |                    |
| Powder produced              | 343                | 372                |

#### IV) Downstream processing operations

(1) Manganese downstream processing operations

- EMM

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

| Production (thousand tonnes) | 1.1.2012-30.6.2012 | 1.1.2011-30.6.2011 |
|------------------------------|--------------------|--------------------|
| <b>Daxin EMM Plant</b>       |                    |                    |
| EMM production               | 33.6               | 35                 |
| <b>Start EMM Plant</b>       |                    |                    |
| EMM production               | 7.8                | 8                  |
| <b>Tiandong EMM Plant</b>    |                    |                    |
| EMM production               | 6.3                | 8                  |
| <b>Sanmenglong EMM Plant</b> |                    |                    |
| EMM production               | 5.5                | N/A                |
| <b>Total</b>                 | <b>53.2</b>        | <b>51</b>          |

- Manganese sulfate

| Production (thousand tonnes)         | 1.1.2012-30.6.2012 | 1.1.2011-30.6.2011 |
|--------------------------------------|--------------------|--------------------|
| <b>Daxin Manganese Sulfate Plant</b> |                    |                    |
| Manganese sulfate production         | 8.6                | 13                 |



## 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) | 1.1.2012-30.6.2012 | 1.1.2011-30.6.2011 |
|------------------------------|--------------------|--------------------|
| <b>Daxin EMD Plant</b>       |                    |                    |
| EMD production               | 9.3                | 9                  |

• Silicomanganese alloy

| Production (thousand tonnes)   | 1.1.2012-30.6.2012 | 1.1.2011-30.6.2011 |
|--|--------------------|--------------------|
| <b>Tiandeng Ferroalloy Plant</b>   | 10.9               | 14                 |
| <b>Dabao Ferroalloy Plant</b>  | 2.6                | 5.6                |
| <b>Qinzhou New Material Ferroalloy Plant</b>   | 15.2               | 0                  |
| <b>Hui Xing Ferroalloy Plant</b><br><i>(Production ceased with effect from 1 January 2012)</i> | 0                  | 12                 |
| <b>Total</b>   | <b>28.7</b>        | 31.6               |

• Ferromanganese

| Production (thousand tonnes)   | 1.1.2012-30.6.2012 | 1.1.2011-30.6.2011 |
|--|--------------------|--------------------|
| <b>Hui Xing Ferroalloy Plant</b><br><i>(Production ceased with effect from 1 January 2012)</i> |                    |                    |
| High carbon ferromanganese   | 0                  | 20                 |
| Low and medium carbon ferromanganese   | 0                  | 2                  |
| <b>Total</b>   | <b>0</b>           | 22                 |

• Manganese tetroxide and lithium manganese oxide

| Production (thousand tonnes) | 1.1.2012-30.6.2012 | 1.1.2011-30.6.2011 |
|------------------------------|--------------------|--------------------|
| Manganese tetroxide          | 0                  | 2.2                |
| Lithium manganese oxide      | 0                  | 0.18               |

(2) Non-manganese processing operations

• High carbon ferrochromium and Lithium cobalt oxide

| Production (thousand tonnes) | 1.1.2012-30.6.2012 | 1.1.2011-30.6.2011 |
|------------------------------|--------------------|--------------------|
| High carbon ferrochromium    | 0                  | 10                 |
| Lithium cobalt oxide         | 0.21               | 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 2012 are set out below:

|   |               |                  |   |                              |                            | (HK\$'000) |
|---|---------------|------------------|---|------------------------------|----------------------------|------------|
|   | Daxin<br>Mine | Tiandeng<br>Mine | Changgou<br>Manganese<br>Mine<br>(Note) | Bembélé<br>Manganese<br>Mine | Waifu<br>Manganese<br>Mine | Total      |
| <b>Exploration activities</b>                               |               |                  |   |                              |                            |            |
| Drilling and analysis                                       | 10,049.6      | 1,595.9          | -                                       | -                            | -                          | 11,645.5   |
| Others  | -             | -                | -                                       | 141.8                        | -                          | 141.8      |
|   | 10,049.6      | 1,595.9          | -                                       | 141.8                        | -                          | 11,787.3   |
| <b>Development activities (including mine construction)</b> |               |                  |   |                              |                            |            |
| Purchases of assets and equipment                           | 272.8         | 418.7            | 898.6                                   | 11,161.4                     | 3,744.2                    | 16,495.7   |
| Construction of tunnels and roads                           | 35,739.0      | -                | -                                       | 9,567.5                      | -                          | 45,306.5   |
| Staff cost  | 107.6         | -                | 3,159.0                                 | -                            | 171.9                      | 3,438.5    |
| Others  | 4.0           | -                | 1,087.0                                 | -                            | 824.4                      | 1,915.4    |
|   | 36,123.4      | 418.7            | 5,144.6                                 | 20,728.9                     | 4,740.5                    | 67,156.1   |
| <b>Mining activities*</b>                                   |               |                  |   |                              |                            |            |
| Staff cost  | 6,711.2       | 1,580.1          | 11,965.0                                | 665.0                        | -                          | 20,921.3   |
| Consumables   | 7,616.4       | 1,160.6          | 7,032.6                                 | 1,694.6                      | -                          | 17,504.2   |
| Fuel, electricity, water and other services                 | 10,151.5      | 2,712.3          | 3,902.7                                 | 1,263.0                      | -                          | 18,029.5   |
| Transportation  | 1,421.9       | -                | -                                       | 2,017.8                      | -                          | 3,439.7    |
| Others  | 36,915.4      | 2,530.2          | 3,860.8                                 | 152.1                        | -                          | 43,458.5   |
| Depreciation  | 8,196.1       | 1,127.2          | 929.3                                   | 1,832.9                      | -                          | 12,085.5   |
|   | 71,012.5      | 9,110.4          | 27,690.4                                | 7,625.4                      | -                          | 115,438.7  |

(\*Concentrating not included)

Note: Changgou Manganese Mine was acquired with effect from 31 May 2011. We are in the progress of applying for the mining right certificates of Changgou Manganese Mine.

## 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 2012.

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

As at 30 June 2012, 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. Chen Jiqiu   | 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 the Company's share options are set out as follows:

| Name and category of participant | Number of share options |                           |  |                 | Date of grant | Exercise period <sup>(2)</sup> | Exercise price per share HK\$ |
|----------------------------------|-------------------------|---------------------------|--|-----------------|---------------|--------------------------------|-------------------------------|
|                                  | At 1 January 2012       | Granted during the period | Exercised during the period <sup>(1)</sup> | At 30 June 2012 |               |                                |                               |
| <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. Chen Jiqiu                   | 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                          |
|                                  | 64,000,000              | –                         | –  | 64,000,000      |               |                                |                               |
| <b>Non-directors</b>             | 39,000,000              | –                         | –  | 39,000,000      | 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 2012.
- (2) The vesting period of the share options is from the date of grant until the respective dates of commencement of the exercise periods. The exercise period of the share options is divided into three tranches, i.e. 25% after first year of grant, an additional 25% after two years of grant and the remaining 50% after three years of grant.

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

As at 30 June 2012, 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 Corporation                       | (b)   | Through a controlled corporation | 1,482,408,000 (L)                  | 49.00  | –                            |
| 中國中信股份有限公司                                    | (b)   | Through a controlled corporation | 1,482,408,000 (L)                  | 49.00  | –                            |
| CITIC Projects Management (HK) Limited        | (b)   | Through a controlled corporation | 1,482,408,000 (L)                  | 49.00  | –                            |
| 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 | 303,408,000 (L)                    | 10.03  | –                            |
| Apexhill Investments Limited                  | (d)   | Directly beneficially interested | 303,408,000 (L)                    | 10.03  | –                            |
| Guangxi Dameng Manganese Industrial Co., Ltd  | (e)   | Through a controlled corporation | 776,250,000 (L)                    | 25.66  | –                            |
|   |       |                                  | 776,250,000 (S)                    | 25.66  | –                            |
| Huanan Dameng Investments Limited             | (e)   | Through a controlled corporation | 776,250,000 (L)                    | 25.66  | –                            |
|   |       |                                  | 776,250,000 (S)                    | 25.66  | –                            |
| Guinan Dameng International Resources Limited | (e)   | Directly beneficially interested | 776,250,000 (L)                    | 25.66  | –                            |
|   |       |                                  | 776,250,000 (S)                    | 25.66  | –                            |
| China Minsheng Banking Corporation Limited    |       | Directly beneficially interested | 776,250,000 (L)                    | 25.66  | –                            |
| 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 中國中信股份有限公司 which is in turn owned by CITIC Group Corporation. CITIC Group Corporation 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, which is in turn owned as to 49.13% by Keentech Group Limited ("**Keentech**"). Keentech is wholly owned by CITIC Projects.
- (d) Apexhill Investments Limited is wholly owned by CITIC United Asia Investments Limited ("**CITIC United Asia**"), 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 2012, 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 2012.

## CONTINUING CONNECTED TRANSACTIONS

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

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

On 28 October 2010, CITIC Dameng Mining entered into a Master Construction and Outsourcing Agreement with Guangxi Xishan pursuant to which Guangxi Xishan agreed to provide underground mining services and construction of infrastructure for underground mining works to CITIC Dameng Mining while CITIC Dameng Mining agreed to provide fuels, water and electricity to Guangxi Xishan at Daxin Mine. Details of the Master Construction and Outsourcing Agreement were disclosed in the section headed "Connected Transactions" in the Prospectus. During the six months ended 30 June 2012, the provision of underground mining services and construction of infrastructure for underground mining works amounted to HK\$31,202,000 and HK\$18,910,000 respectively. The provision of water and electricity and sales of fuel amounted to HK\$1,744,000 and HK\$598,000 respectively.

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

On 11 November 2011, Hui Xing Company entered into the Second Master Construction and Outsourcing Agreement with Guangxi Xishan, pursuant to which Guangxi Xishan agreed to provide the underground mining services and construction of infrastructure for underground mining work to Hui Xing Company while Hui Xing Company agreed to provide electricity, detonating cords and explosives to Guangxi Xishan at Changgou Manganese Mine. Details of the Second Master Construction and Outsourcing Agreement were disclosed in the circular of the Company dated 11 November 2011. During the six months ended 30 June 2012, the provision of underground mining services and construction of infrastructure for underground mining works amounted to HK\$1,111,000 and HK\$3,163,000 respectively.

Save for the related party transactions disclosed in note 27(a) 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.

## UPDATE ON DIRECTORS' INFORMATION

The followings are changes in the roles of the directors in the Company since the date of the 2011 annual report of the Company:

- (1) Mr. Qiu Yiyong, the chairman and executive director of the Company, ceased to be the chairman of the remuneration committee but remained as a member of the committee and Mr. Mo Shijian, an independent non-executive director of the Company, was appointed as the chairman of the remuneration committee with effect from 2 March 2012.
- (2) Mr. Qiu Yiyong, the chairman and executive director of the Company, ceased to be the chairman of the nomination committee but remained as a member of the committee and Mr. Tan Zhuzhong, an independent non-executive director of the Company, was appointed as the chairman of the nomination committee with effect from 2 March 2012.

## REVIEW OF ACCOUNTS

The audit committee has reviewed the unaudited interim results for the six months ended 30 June 2012 with the management of the Company.

On behalf of the Board

**Qiu Yiyong**

*Chairman*

Hong Kong, 17 August 2012

## Glossary of Terms

|                             |  |
|-----------------------------|--|
| Apexhill                    | Apexhill Investments Limited, a company incorporated in the British Virgin Islands with limited liability on 3 November 2004, which is wholly-owned by CITIC United Asia Limited. Apexhill is a shareholder of our Company   |
| associate                   | has the meaning ascribed thereto in the Listing Rules  |
| Bembélé Concentration Plant | the concentration plant associated with Bembélé Manganese Mine   |
| Bembélé Manganese Mine      | a manganese mine located in Bembélé, Moyen-Ogooue Province, Gabon, the exploration rights and mining rights of which are owned by CICMHZ, a company in which we indirectly hold a 51% equity interest  |
| Board or Board of Directors | our board of Directors   |
| Bye-laws                    | the bye-laws of our Company, as amended from time to time  |
| Changgou Manganese Mine     | 貴州遵義匯興鐵合金有限責任公司長溝錳礦 (Guizhou Zunyi Hui Xing Ferroalloy Limited Company Changgou Manganese Mine)  |
| China or PRC                | the People's Republic of China, but for the purpose of this annual report, excluding Hong Kong Special Administrative Region, Macau Special Administrative Region and Taiwan   |
| CITIC Dameng Investments    | CITIC Dameng Investments Limited (中信大錳投資有限公司)  |
| CITIC Dameng Mining         | 中信大錳礦業有限責任公司 (CITIC Dameng Mining Industries Co., Limited)   |
| CITIC Group                 | 中國中信集團有限公司 (CITIC Group Corporation) (formerly known as 中國中信集團公司 (CITIC Group)), a company incorporated under the laws of the PRC on 4 October 1979, and, except where the context may otherwise require, all of its subsidiaries, which is a Controlling Shareholder of our Company |
| CITIC Resources             | CITIC Resources Holdings Limited, a company incorporated in Bermuda with limited liability on 18 July 1997 and listed on the Stock Exchange (Stock Code: 1205), which is a Controlling Shareholder of our Company  |
| Companies Act               | The Companies Act 1981 of Bermuda  |
| Companies Ordinance         | the Companies Ordinance of Hong Kong (Chapter 32 of the Laws of Hong Kong) as amended, supplemented or otherwise modified from time to time  |
| Company or our Company      | CITIC Dameng Holdings Limited  |
| Controlling Shareholder     | has the meaning ascribed thereto in the Listing Rules  |
| Daxin Mine                  | 中信大錳礦業有限責任公司大新錳礦 (CITIC Dameng Mining Industries Co., Limited Daxin Manganese Mine)  |
| Director(s)                 | the director(s) of our Company   |
| EMD                         | electrolytic manganese dioxide   |
| EMM                         | electrolytic manganese metal   |
| Gabon                       | the Gabonese Republic  |
| Group, we or us             | the Company and its subsidiaries   |
| Guangxi                     | Guangxi Zhuang Autonomous Region, the PRC  |
| Guangxi Dameng              | 廣西大錳錳業有限公司 (Guangxi Dameng Manganese Industrial Co., Ltd.), a state-owned limited liability company established under the laws of the PRC on 30 July 2001. Guangxi Dameng is wholly-owned by the government of Guangxi   |



## Glossary of Terms

|   |  |
|---|--|
| Guangxi Dameng BVI                      | Guinan Dameng International Resources Limited (桂南大錳國際資源有限公司)   |
| Highkeen                                | Highkeen Resources Limited, a company incorporated in the British Virgin Islands on 28 January 2005 with limited liability, which is indirect wholly-owned by CITIC Resources Holdings Limited. Highkeen is an immediate Controlling Shareholder of our Company  |
| Hong Kong or HK                         | the Hong Kong Special Administrative Region of the PRC   |
| Hui Xing Company                        | 貴州遵義匯興鐵合金有限責任公司 (Guizhou Zunyi Hui Xing Ferroalloy Limited Company)  |
| Hui Xing Ferroalloy Plant               | the ferroalloy plant associated with Changgou Manganese Mine   |
| IPO                                     | the initial public offering and listing of Shares of the Company on the main board of the Stock Exchange on 18 November 2010   |
| JORC                                    | the Joint Ore Reserves Committee of the Australian Institute of Mining and Metallurgy  |
| JORC Code                               | the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves 2004 edition, which is used to determine resources and reserves, and is published by JORC of the Australasian Institute of Mining and Metallurgy, the Australian Institute of Geoscientists and the Minerals Council of Australia |
| Listing                                 | the listing of the Shares on the Main Board of the Stock Exchange  |
| Listing Rules                           | the Rules Governing the Listing of Securities on the Stock Exchange (as amended from time to time)   |
| Prospectus                              | the prospectus of the Company dated 8 November 2010  |
| Sanmenglong                             | 廣西三錳龍礦業有限公司 (Guangxi Sanmenglong Mining Limited Company)   |
| Securities and Futures Ordinance or SFO | the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)  |
| Shares                                  | ordinary shares in the share capital of the Company, with a nominal value of HK\$0.10 each   |
| Stock Exchange                          | the Stock Exchange of Hong Kong Limited  |
| substantial shareholder                 | has the meaning ascribed to it under the Listing Rules   |
| Tiandeng Mine                           | 中信大錳礦業有限責任公司天等錳礦 (CITIC Dameng Mining Industries Co., Limited Tiandeng Manganese Mine)   |
| tonne                                   | metric tonne   |
| Waifu Manganese Mine                    | 廣西三錳龍礦業有限公司靖西縣湖潤外伏錳礦 (Guangxi Sanmenglong Mining Limited Company Jingxi Hu Run Waifu Manganese Mine)   |
| XAF                                     | Central African CFA franc  |

