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DAMENG

CITIC Dameng Holdings Limited

中信大鋳控股有限公司*

(incorporated in Bermuda with limited liability)

(Stock Code: 1091)

**ANNOUNCEMENT OF ANNUAL RESULTS
FOR THE YEAR ENDED 31 DECEMBER 2012**

FINANCIAL HIGHLIGHTS

- Turnover amounted to HK\$2,986.4 million for 2012, representing a decrease of 18.3% from HK\$3,654.7 million of 2011.
- There was no gain on bargain purchase arising from acquisition of subsidiaries in 2012 (2011: a gain of HK\$262.8 million).
- The Group's loss after tax amounted to HK\$498.8 million for 2012 (2011: profit after tax of HK\$346.3 million).
- Loss attributable to owners of the parent amounted to HK\$396.9 million for 2012 (2011: profit attributable to owners of the parent of HK\$408.6 million).

CHAIRMAN'S STATEMENT

Dear Shareholders,

In 2012, the global economy remained fragile, as the governments around the world implemented stringent fiscal expenditure policies amid the deterioration and proliferation of the eurozone debt crisis. In China, the lacklustre domestic steel industry and the excessive supply of manganese products, resulted in significant drop in the prices of manganese ores and products. Meanwhile, the substantial increases in the domestic electricity charges, raw material prices and labor costs, etc., have materially affected the Group's profitability. As a result, the Company encountered the most severe challenge since its establishment in 2005.

Amid such an adverse business environment, the Group's management and staff made concerted effort to alleviate such impact caused by these unfavourable circumstances. We have minimised our losses arising from these unfavourable factors and made significant progress in many aspects of our business, including reduction in energy consumption and material consumption and costs saving measures through management enhancement and implementation of technical renovation.

One of the highlights in this year was the commencement of the Gabon operation, a milestone marking the establishment of the Group as an international mining company. Within a year, we overcame various problems in Gabon project and successfully completed the transportation system linking the Bembélé manganese mine to Owendo port. The first shipment of 44,000 tonnes manganese ores was successfully transported to China in 2012. With the gradual increase in the production capacity of the Bembélé Manganese Mine, coupled with the gradual completion of the 600,000 tonnes/year capacity expansion project for underground mining at Daxin Mine and the 600,000 tonnes/year capacity expansion project for underground mining at Changgou Manganese Mine, the Group's annual production capacity is expected to increase significantly in the near future and reach 2.5 million tonnes in year 2013.

In 2012, the Group further expanded its manganese downstream processing capacity. During the year, the Group completed 30,000 tonnes/year electrolytic manganese metal ("EMM") technical innovation and expansion project at Sanmenglong, and furthermore expanded the second production line of 10,000 tonnes/year lithium manganite grade electrolytic manganese dioxide ("EMD") at Daxin Mine so that the Company could continue the sustained growth in our EMM and EMD production. The sales volume of EMD was approximately 20,000 tonnes in 2012, representing a growth of 22.7% over the previous year. A new production line for the Daxin mine with an annual capacity of 30,000 tonnes of EMM is expected to commence operation in 2013.

The Group places great emphasis on technical renovation as well as research and development ("R & D"). Over the past year, the Group continued to increase its investment in these areas and recorded remarkable achievements. The Group has undertaken two national projects under China's High-tech R & D Program (863 Program), including the "Research and Production of High-performance EMD" which passed the inspection by field experts, and the technical research project for the "Research and Application of Novel Surface Alloy Titanium Anode for Use in EMD," which was honoured with the Guangxi Science & Technology Progress Award (second class). In addition, the technical renovation for high grade manganese sulfate and our R & D in new products have recorded significant advancements.

To enhance our corporate governance standards, the Group appointed a professional consulting firm to assist in renovation of our internal control structure through streamlining and improving the relevant processes and systems. The renovated management structure has strengthened our centralised control on financial, procurement, marketing and sales operations as well as our management on investments, operations, internal control and compliance. Meanwhile, we have spent greatest effort to implement 6S management control and promote a corporate culture emphasizing attention to details in our management. Our corporate governance standards have been enhanced and significant improvements have been made to the operations of our offices, mines and work sites.

The Group believes that our continued investment in management control, technical renovation and R & D will enhance our competitiveness and profitability, and such investments will be conducive to the growth and expansion of the Group.

Outlook

Looking forward to 2013, we expect that both opportunity and challenges will exist. On one hand, the international political and economic situations remain unstable, giving rise to on-going uncertainty in the development of the world economy. Recently, the United States and Japan, two major economies, have adopted quantitative easing monetary policies, which would further increase the raw material prices and other production costs. In China, the oversupply problem in the steel industry and ferroalloy industry remains and the intense market competition presents grave challenge for the Group. On the other hand, the gradual recovery of the global and domestic economies, in particular the implementation of urbanisation policy and the commencement and implementation of certain large-scale investment projects by the Chinese government will be conducive to the steel industry and drive the demand for manganese products. In the coming year, the Group will continue to implement refined management, leverage its economies of scale, strengthen its technical innovation and improve its R & D capabilities, so as to achieve energy conservation, emission reduction, cost reduction and profitability enhancement, and furthermore enhancing the Group's competitive edge and leading position in the industry.

I would like to take this opportunity to express my sincere gratitude to the board of the directors, our employees and our shareholders, for their continued support.

Qiu Yiyong
Chairman

Hong Kong, 20 February 2013

Consolidated Statement of Comprehensive Income
Year ended 31 December 2012

	Notes	2012 HK\$'000	2011 HK\$'000
REVENUE	4	2,986,444	3,654,690
Cost of sales		<u>(2,735,987)</u>	<u>(2,985,827)</u>
Gross profit		250,457	668,863
Other income and gains	4	142,582	83,590
Gain on bargain purchase from the acquisition of subsidiaries		–	262,775
Selling and distribution costs		(88,515)	(90,424)
Administrative expenses		(470,811)	(306,730)
Share option expense		(37,818)	(61,987)
Other expenses		(95,629)	(51,213)
Finance costs	5	<u>(144,660)</u>	<u>(127,823)</u>
(LOSS)/PROFIT BEFORE TAX	6	(444,394)	377,051
Income tax expense	7	<u>(54,436)</u>	<u>(30,751)</u>
(LOSS)/PROFIT FOR THE YEAR		<u>(498,830)</u>	<u>346,300</u>
OTHER COMPREHENSIVE INCOME:			
Exchange differences on translation of foreign operations		<u>25,885</u>	150,528
		<u>25,885</u>	150,528
TOTAL COMPREHENSIVE (LOSS)/INCOME FOR THE YEAR		<u>(472,945)</u>	<u>496,828</u>
Total (loss)/profit attributable to:			
Owners of the parent		(396,880)	408,572
Non-controlling interests		<u>(101,950)</u>	<u>(62,272)</u>
		<u>(498,830)</u>	346,300
Total comprehensive (loss)/income attributable to:			
Owners of the parent		(373,059)	554,803
Non-controlling interests		<u>(99,886)</u>	<u>(57,975)</u>
		<u>(472,945)</u>	<u>496,828</u>
(LOSS)/EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	8		
Basic		<u>(HK cents 13.12)</u>	<u>HK cents 13.51</u>
Diluted		<u>(HK cents 13.12)</u>	<u>HK cents 13.51</u>

Details of the dividends proposed for the year 2011 are disclosed in note 9 to the financial statements.

Consolidated Statement of Financial Position*31 December 2012*

	<i>Notes</i>	2012 HK\$'000	2011 <i>HK\$'000</i>
NON-CURRENT ASSETS			
Property, plant and equipment		3,467,428	2,958,709
Investment properties		84,193	85,116
Prepaid land lease payments		485,329	491,104
Intangible assets		866,384	878,732
Available-for-sale equity investment		4,619	4,582
Deferred tax assets		87,825	131,545
Deposits and prepayments	<i>11</i>	181,515	203,985
Total non-current assets		5,177,293	4,753,773
CURRENT ASSETS			
Inventories		802,876	810,509
Trade and notes receivables	<i>10</i>	823,053	948,573
Prepayments, deposits and other receivables	<i>11</i>	304,441	370,809
Due from related companies	<i>17</i>	4,329	16,701
Tax recoverable		2,960	–
Pledged deposits	<i>12</i>	210,286	97,932
Cash and cash equivalents	<i>12</i>	1,988,071	1,898,434
Total current assets		4,136,016	4,142,958
CURRENT LIABILITIES			
Trade payables	<i>13</i>	524,706	318,101
Other payables and accruals	<i>14</i>	678,785	564,839
Interest-bearing bank and other borrowings	<i>15</i>	1,809,706	1,791,153
Short-term notes	<i>16</i>	248,780	–
Due to related companies	<i>17</i>	17,274	14,350
Tax payable		–	5,979
Total current liabilities		3,279,251	2,694,422
NET CURRENT ASSETS		856,765	1,448,536
TOTAL ASSETS LESS CURRENT LIABILITIES		6,034,058	6,202,309

	<i>Notes</i>	2012 <i>HK\$'000</i>	2011 <i>HK\$'000</i>
NON-CURRENT LIABILITIES			
Interest-bearing bank and other borrowings	<i>15</i>	1,770,019	1,499,189
Deferred tax liabilities		210,060	211,220
Other long-term liabilities		7,544	3,954
Deferred income		133,963	110,099
		<hr/>	<hr/>
Total non-current liabilities		2,121,586	1,824,462
		<hr/>	<hr/>
Net assets		3,912,472	4,377,847
		<hr/> <hr/>	<hr/> <hr/>
EQUITY			
Equity attributable to owners of the parent			
Issued capital	<i>18</i>	302,480	302,480
Reserves		3,314,657	3,649,880
Proposed final dividend		–	30,248
		<hr/>	<hr/>
Non-controlling interests		3,617,137	3,982,608
		295,335	395,239
		<hr/>	<hr/>
Total equity		3,912,472	4,377,847
		<hr/> <hr/>	<hr/> <hr/>

1. CORPORATE INFORMATION

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

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

2.1 BASIS OF PREPARATION

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

Basis of consolidation

The consolidated financial statements include the financial statements of the Group for the year ended 31 December 2012. The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. The results of subsidiaries are consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases. All intra-group balances, transactions, unrealised gains and losses resulting from intra-group transactions and dividends are eliminated on consolidation in full.

Total comprehensive income within a subsidiary is attributed to the non-controlling interest even if it results in a deficit balance.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

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

2.2 CHANGES IN ACCOUNTING POLICY AND DISCLOSURES

The Group has adopted the following revised HKFRSs for the first time for the current year's 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 Amendment	Amendment to HKAS 12 <i>Income Taxes – Deferred Tax: Recovery of Underlying Assets</i>

Other than as further explained below regarding the impact of amendments to HKFRS 7 and HKAS 12, the adoption of the revised HKFRSs has had no significant financial effect on these financial statements.

The HKFRS 7 Amendments require additional disclosures about financial assets that have been transferred but not derecognised to enable users of the Group's financial statements to understand the relationship of those assets that have not been derecognised with their associated liabilities. In addition, the amendments require disclosures about the entity's continuing involvement in derecognised assets to enable users to evaluate the nature of, and risks associated with, such involvement.

The HKAS 12 Amendments clarify the determination of deferred tax for investment property measured at fair value and introduce a rebuttable presumption that deferred tax on investment property measured at fair value should be determined on the basis that its carrying amount will be recovered through sale. Furthermore, the amendments incorporate the requirement previously in HK(SIC)-21 Income Taxes – Recovery of Revalued Non-Depreciable Assets that deferred tax on non-depreciable assets, measured using the revaluation model in HKAS 16, should always be measured on a sale basis.

The presumption that deferred tax on investment property measured at fair value should be determined on the basis that its carrying amount will be recovered through sale has been rebutted by the Group as the Group's investment properties are held within a business model whose objective is to consume substantially all of the economic benefits embodied in the investment properties over time, rather than through sale. Accordingly deferred tax has been determined on the basis of recovery through use. The adoption of the amendments did not have any impact on the financial position or performance of the Group.

2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS

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

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

¹ Effective for annual periods beginning on or after 1 July 2012

² Effective for annual periods beginning on or after 1 January 2013

³ Effective for annual periods beginning on or after 1 January 2014

⁴ Effective for annual periods beginning on or after 1 January 2015

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 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 engages 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.

Management monitors the results of the Group's operating segments separately for the purpose of making decisions about resources allocation and performance assessment. Segment performance is evaluated based on reportable segment profit/(loss), which is a measure of adjusted profit/(loss) before tax. The adjusted profit/(loss) before tax is measured consistently with the Group's profit/(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, tax recoverable, pledged deposits, cash and cash equivalents, 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 and other borrowings, deferred tax liabilities and other unallocated head office and corporate liabilities as these liabilities are managed on a group basis.

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

	Manganese mining and ore processing		Manganese Downstream processing	Non- Manganese processing	Others	Total
	PRC	Gabon	PRC	PRC	PRC	
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Year ended 31 December 2012						
Segment revenue:						
Sales to external customers	173,155	29,229	2,305,291	161,523	317,246	2,986,444
Intersegment sales	122,631	8,049	–	–	1,628	132,308
Other revenue	12,418	6,156	30,794	3,219	44,741	97,328
	<u>308,204</u>	<u>43,434</u>	<u>2,336,085</u>	<u>164,742</u>	<u>363,615</u>	<u>3,216,080</u>
<i>Reconciliation:</i>						
Elimination of intersegment sales						(132,308)
Revenue from operations						<u>3,083,772</u>
Segment results	(17,199)	(39,838)	(93,342)	(8,148)	(28,838)	(187,365)
<i>Reconciliation:</i>						
Interest income						45,254
Corporate and other unallocated expenses						(157,623)
Finance costs						(144,660)
Loss before tax						(444,394)
Income tax expense						(54,436)
Loss for the year						<u><u>(498,830)</u></u>
Assets and liabilities						
Segment assets	1,463,951	913,927	4,620,077	271,473	78,070	7,347,498
<i>Reconciliation:</i>						
Corporate and other unallocated assets						1,965,811
Total assets						<u><u>9,313,309</u></u>
Segment liabilities	288,291	824,093	1,251,247	94,546	3,987	2,462,164
<i>Reconciliation:</i>						
Corporate and other unallocated liabilities						2,938,673
Total liabilities						<u><u>5,400,837</u></u>
Other segment information:						
Depreciation and amortisation	55,225	28,760	216,105	6,223	8,578	314,891
Unallocated depreciation and amortisation						5,663
Total depreciation and amortisation						<u>320,554</u>
Capital expenditure*	80,042	55,308	604,525	7,741	24,004	771,620
Unallocated capital expenditure						15,308
Total capital expenditure						<u>786,928</u>
Gain/(loss) on disposal of items of property, plant and equipment	2,404	(39)	6,532	(45)	278	9,130
Unallocated loss on disposal of items of property, plant and equipment						(36)
Total gain on disposal of items of property, plant and equipment						<u>9,094</u>
Impairment losses recognised in income statement	8,194	–	35,064	8,592	64,180	116,030
Fair value losses on investment properties	–	–	–	–	1,595	1,595

	Manganese mining and ore processing PRC HK\$'000	Gabon HK\$'000	Manganese Downstream processing PRC HK\$'000	Non- Manganese processing PRC HK\$'000	Others PRC HK\$'000	Total HK\$'000
Year ended 31 December 2011						
Segment revenue:						
Sales to external customers	231,421	–	2,865,451	191,582	366,236	3,654,690
Intersegment sales	107,329	379	–	–	17,105	124,813
Other revenue	2,428	–	8,836	55	43,591	54,910
	<u>341,178</u>	<u>379</u>	<u>2,874,287</u>	<u>191,637</u>	<u>426,932</u>	<u>3,834,413</u>
<i>Reconciliation:</i>						
Elimination of intersegment sales						<u>(124,813)</u>
Revenue from operations						<u>3,709,600</u>
Segment results	97,826	(72,265)	352,811	(13,985)	1,034	365,421
<i>Reconciliation:</i>						
Interest income						28,680
Gain on bargain purchase						262,775
Corporate and other unallocated expenses						(152,002)
Finance costs						<u>(127,823)</u>
Profit before tax						377,051
Income tax expense						<u>(30,751)</u>
Profit for the year						<u>346,300</u>
Assets and liabilities						
Segment assets	653,110	631,818	4,722,400	150,861	603,831	6,762,020
<i>Reconciliation:</i>						
Corporate and other unallocated assets						<u>2,134,711</u>
Total assets						<u>8,896,731</u>
Segment liabilities	62,440	550,556	837,223	12,205	76,352	1,538,776
<i>Reconciliation:</i>						
Corporate and other unallocated liabilities						<u>2,980,108</u>
Total liabilities						<u>4,518,884</u>
Other segment information:						
Depreciation and amortisation	31,788	18,390	156,396	6,887	35,294	248,755
Unallocated depreciation and amortisation						<u>4,318</u>
Total depreciation and amortisation						<u>253,073</u>
Capital expenditure*	51,367	162,980	495,599	18,633	60,256	788,835
Unallocated capital expenditure						<u>22,406</u>
Total capital expenditure						<u>811,241</u>
Gain/(loss) on disposal of items of property, plant and equipment	<u>(1,058)</u>	<u>–</u>	<u>2,682</u>	<u>–</u>	<u>–</u>	<u>1,624</u>
Impairment losses recognised in income statement	<u>8,166</u>	<u>773</u>	<u>19,009</u>	<u>9,179</u>	<u>17,133</u>	<u>54,260</u>
Fair value gains on investment properties	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>18,212</u>	<u>18,212</u>

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

Geographical information

(a) Revenue from external customers

	2012 <i>HK\$'000</i>	2011 <i>HK\$'000</i>
Mainland China	2,694,305	3,241,879
Asia (excluding Mainland China)	251,881	373,905
Europe	11,808	10,488
North America	12,208	19,116
Other countries	16,242	9,302
	<u>2,986,444</u>	<u>3,654,690</u>

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

(b) Non-current assets

	2012 <i>HK\$'000</i>	2011 <i>HK\$'000</i>
Segment assets:		
Mainland China	4,538,418	4,100,854
Africa	546,431	516,792
	<u>5,084,849</u>	<u>4,617,646</u>

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

Information about major customers

Revenue of approximately HK\$460 million and HK\$373 million, respectively for the year ended 31 December 2012 (2011: HK\$350 million) was derived from sales by the manganese downstream processing segment to two customers (2011: a single customer).

4. REVENUE, OTHER INCOME AND GAINS

Revenue, which is also the Group's turnover, represents the net invoiced value of goods sold after allowances for returns and trade discounts during the year.

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

	2012 <i>HK\$'000</i>	2011 <i>HK\$'000</i>
Revenue		
Sale of goods	<u>2,986,444</u>	<u>3,654,690</u>
Other income and gains		
Interest income	45,254	28,680
Foreign exchange differences, net	10,972	–
Gain on disposal of items of property, plant and equipment	9,094	1,624
Subsidy income	38,941	12,714
Write-off of payables	–	19
Sale of scraps	23,026	17,339
Rental income	8,752	1,676
Dividend income from unlisted investment	600	2,646
Fair value gains on investment properties	–	18,212
Others	<u>5,943</u>	<u>680</u>
	<u>142,582</u>	<u>83,590</u>

5. FINANCE COSTS

An analysis of finance costs is as follows:

	2012 <i>HK\$'000</i>	2011 <i>HK\$'000</i>
Interest on bank loans wholly repayable within five years	174,405	130,338
Finance costs for discounted notes receivable	4,413	2,538
Less: Interest capitalised	<u>(34,158)</u>	<u>(5,053)</u>
	<u>144,660</u>	<u>127,823</u>

6. (LOSS)/PROFIT BEFORE TAX

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

	2012 HK\$'000	2011 HK\$'000
Cost of inventories sold	2,699,179	2,532,307
Depreciation	288,603	227,183
Amortisation of prepaid land lease payments	11,976	8,979
Amortisation of intangible assets	19,975	16,911
Auditors' remuneration	3,772	4,107
Minimum lease payments under operating leases, land and buildings	8,846	11,607
Employee benefit expense (excluding directors' remuneration):		
Wages and salaries	305,817	266,829
Equity-settled share option expense	14,320	20,677
Pension scheme contributions	48,204	33,999
Other employee welfare	38,659	27,561
	<u>407,000</u>	<u>349,066</u>
Gain on disposal of items of property, plant and equipment	(9,094)	(1,624)
Foreign exchange differences, net*	(10,972)	2,632
Write-down of inventories to net realisable value, net#	36,808	39,360
Impairment of trade and other receivables, net*	79,222	10,915
Impairment of property, plant and equipment*	–	3,985
Changes in fair value of investment properties	1,595	(18,212)
Gain on bargain purchase from the acquisition of subsidiaries^	–	(262,775)
	<u> </u>	<u> </u>

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

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

^ Gain on bargain purchase from the acquisition of subsidiaries is included in the consolidated statement of comprehensive income.

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 are domiciled and operate.

	2012 HK\$'000	2011 HK\$'000
Group:		
Current – PRC		
Charge for the year	12,952	62,337
Deferred	41,484	(31,586)
Total tax charge for the year	<u>54,436</u>	<u>30,751</u>

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 year.

PRC corporate income tax (“CIT”)

Pursuant to the PRC Income Tax Law and the respective regulations, except for the preferential tax treatment available to CITIC Dameng Mining which is recognised as a High and New Technology Enterprise and is entitled to a preferential CIT rate of 15%, other companies of the Group which operate in Mainland China are subject to CIT at a rate of 25% on their respective taxable income.

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

Group

	2012 <i>HK\$'000</i>	2011 <i>HK\$'000</i>
(Loss)/profit before tax	<u>(444,394)</u>	<u>377,051</u>
Tax at the applicable PRC corporate income tax rate	(111,099)	94,263
Lower tax rates/tax holidays or concessions for specific provinces	14,932	(29,912)
Income not subject to tax	(13,261)	(68,728)
Expenses not deductible for tax	16,406	8,831
Effect of withholding tax at 10% on undistributed profits of the Group's PRC subsidiaries	–	13,494
Tax losses not recognised	88,860	12,803
Deferred tax expense arising from a write-down of deferred tax assets	<u>58,598</u>	<u>–</u>
Tax charge reported in the consolidated statement of comprehensive income	<u>54,436</u>	<u>30,751</u>
The Group's effective income tax rate	<u>(12.2%)</u>	<u>8.2%</u>

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

The calculation of the basic (loss)/earnings per share amount is based on the (loss)/profit for the year attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares of 3,024,795,000 (2011: 3,024,795,000) in issue during the year.

No adjustment has been made to the basic (loss)/earnings per share amounts presented for the years ended 31 December 2012 and 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.

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

	2012 <i>HK\$'000</i>	2011 <i>HK\$'000</i>
(Loss)/earnings		
(Loss)/profit attributable to ordinary equity holders of the parent, used in the basic (loss)/earnings per share calculation	<u>(396,880)</u>	<u>408,572</u>
	Number of shares	
Shares		
Weighted average number of ordinary shares in issue during the year used in the basic (loss)/earnings per share calculation	<u>3,024,795,000</u>	<u>3,024,795,000</u>

9. DIVIDENDS

The board does not recommend the payment of any dividend for the year ended 31 December 2012.

A final dividend of HK\$0.01 per share, totalling HK\$30,248,000 for the year ended 31 December 2011 was approved by the Company's shareholders in the annual general meeting of the Company on 21 June 2012 and was paid during the year ended 31 December 2012.

10. TRADE AND NOTES RECEIVABLES

Group

	2012 <i>HK\$'000</i>	2011 <i>HK\$'000</i>
Trade receivables	600,136	429,275
Notes receivable	<u>255,512</u>	<u>534,304</u>
	855,648	963,579
Less: Impairment	<u>(32,595)</u>	<u>(15,006)</u>
	<u>823,053</u>	<u>948,573</u>

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 paid by the banks when due.

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

Group

	2012 <i>HK\$'000</i>	2011 <i>HK\$'000</i>
Within one month	259,136	399,975
One to two months	248,660	252,942
Two to three months	99,137	114,816
Over three months	<u>216,120</u>	<u>180,840</u>
	<u>823,053</u>	<u>948,573</u>

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

Group

	2012 <i>HK\$'000</i>	2011 <i>HK\$'000</i>
At beginning of year	15,006	4,821
Acquisition of a subsidiary	–	682
Impairment losses recognised	18,181	9,171
Impairment losses reversed	(887)	–
Write-off	(30)	(142)
Exchange realignment	325	474
	<hr/>	<hr/>
At end of year	32,595	15,006
	<hr/> <hr/>	<hr/> <hr/>

Included in the above provision for impairment of trade and notes receivables are provisions for individually impaired trade receivables of HK\$32,595,000 (2011: HK\$15,006,000) with a carrying amount before provision of approximately HK\$47,792,000 (2011: HK\$15,006,000) as at 31 December 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:

Group

	2012 <i>HK\$'000</i>	2011 <i>HK\$'000</i>
Neither past due nor impaired	606,933	767,733
One to three months past due	188,317	154,802
Over three months past due	27,803	26,038
	<hr/>	<hr/>
	823,053	948,573
	<hr/> <hr/>	<hr/> <hr/>

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.

As at 31 December, the Group has pledged notes receivable of HK\$33,884,000 (2011: nil) to secure bank loans (note 15(a)).

11. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

Non-current portion

Group

	2012 <i>HK\$'000</i>	2011 <i>HK\$'000</i>
Deposits	105,130	154,930
Prepayments	76,385	49,055
	<u>181,515</u>	<u>203,985</u>

Current portion

Group

	2012 <i>HK\$'000</i>	2011 <i>HK\$'000</i>
Prepayments	33,468	83,373
Deposits and other receivables	220,753	164,046
Loan to a third party	50,220	123,390
	<u>304,441</u>	<u>370,809</u>

Loan to a third party bears interest at 6.56% per annum (2011: interest at 7.15% per annum) and was due on 12 October 2012. An impairment of HK\$61,470,000 was provided as at 31 December 2012.

12. CASH AND CASH EQUIVALENTS AND PLEDGED DEPOSITS

	<i>Note</i>	Group		Company	
		2012 <i>HK\$'000</i>	2011 <i>HK\$'000</i>	2012 <i>HK\$'000</i>	2011 <i>HK\$'000</i>
Cash and bank balances		2,198,357	1,996,366	121,607	316,775
Less: Pledged deposits					
– Pledged for long-term bank loans	<i>15(a)</i>	(195,996)	(88,292)	–	–
– Pledged for bank acceptance notes		(14,290)	(9,640)	–	–
Cash and cash equivalents		<u>1,988,071</u>	<u>1,898,434</u>	<u>121,607</u>	<u>316,775</u>

As at 31 December 2012, cash and bank balances of the Group denominated in RMB and amounting to HK\$1,214,415,000 (2011: HK\$1,141,165,000) were deposited in Mainland China. The RMB is not freely convertible in PRC into other currencies, however, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

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

13. 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:

Group

	2012 <i>HK\$'000</i>	2011 <i>HK\$'000</i>
Within one month	188,486	192,842
One to two months	40,727	41,816
Two to three months	104,776	33,337
Over three months	190,717	50,106
	524,706	318,101

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

14. OTHER PAYABLES AND ACCRUALS

Group

	2012 <i>HK\$'000</i>	2011 <i>HK\$'000</i>
Advances from customers	29,210	66,221
Other payables	538,300	378,156
Accruals	111,275	120,462
	678,785	564,839

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

15. INTEREST-BEARING BANK AND OTHER BORROWINGS

Group

	2012			2011		
	Effective interest rate (%)	Maturity	HK\$'000	Effective interest rate (%)	Maturity	HK\$'000
Current						
Bank loans – secured (<i>Note (a)</i>)	5.00-6.89	2013	99,512	5.81-6.06	2012	37,017
Bank loans – unsecured	5.99-6.89, LIBOR+0.85	2013	896,149	4.70-6.89	2012	1,016,196
Current portion of long-term bank loans – secured (<i>Note (a)</i>)	6.55	2013	62,195	5.96	2012	119,688
Current portion of long-term bank loans – unsecured	5.99-6.65	2013	743,852	4.86-5.96, LIBOR+0.85	2012	618,252
Other loans – secured	5.04-7.00	2013	7,998	–	–	–
			<u>1,809,706</u>			<u>1,791,153</u>
Non-current						
Bank loans – secured (<i>Note (a)</i>)	6.55, LIBOR+2.10	2014-2017	687,827	5.27-6.14	2013-2015	139,431
Bank loans – unsecured	5.76-6.72	2014-2016	1,082,192	4.86-7.25	2013-2016	1,359,758
			<u>1,770,019</u>			<u>1,499,189</u>
			<u>3,579,725</u>			<u>3,290,342</u>

	2012 <i>HK\$'000</i>	2011 <i>HK\$'000</i>
Analysed into:		
Bank loans repayable:		
Within one year or on demand	1,801,708	1,791,153
In the second year	405,889	797,099
In the third to fifth years, inclusive	1,364,130	702,090
	<u>3,571,727</u>	<u>3,290,342</u>
Other loans repayable:		
Within one year or on demand	7,998	–
	<u>7,998</u>	<u>–</u>
	<u>3,579,725</u>	<u>3,290,342</u>

Notes:

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

	2012 <i>HK\$'000</i>	2011 <i>HK\$'000</i>
	<i>Notes</i>	
Property, plant and equipment	143,742	239,514
Prepaid land lease payments	45,273	45,994
Notes receivable	10 33,884	–
Pledged deposits	12 195,996	88,292
	<u>418,895</u>	<u>373,800</u>

- (b) Except for bank loans of HK\$684,636,000 (2011: HK\$420,290,000) which are denominated in United States dollars, all borrowings are in Renminbi as at 31 December 2012.

16. SHORT-TERM NOTES

The carrying amount of the Group's short-term notes is as follows:

	2012 <i>HK\$'000</i>	2011 <i>HK\$'000</i>
The First Tranche Notes – Nominal value of 5.2% fixed rate notes maturing in November 2013 – unsecured	<u>248,780</u>	<u>–</u>

In November 2012, the Group completed the registration with National Association of Financial Market Institutional Investors of a RMB800 million unsecured short-term notes facility issuable in two years from the date of registration. In December 2012, the Group issued the First Tranche Notes of RMB200 million (equivalent to HK\$248,780,000) in PRC with a tenor of one year, and carrying interest at a fixed rate of 5.2% per annum.

17. DUE FROM/TO RELATED COMPANIES

Outstanding balances with related parties

	2012 <i>HK\$'000</i>	2011 <i>HK\$'000</i>
(i) Due from related companies		
Trade receivables	4,323	16,309
Prepayments and other receivables	6	392
	<u>4,329</u>	<u>16,701</u>
(ii) Due to related companies		
Trade payables	2,477	10,977
Other payables	14,797	3,373
	<u>17,274</u>	<u>14,350</u>

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 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.

18. ISSUED CAPITAL

Shares

	2012 <i>HK\$'000</i>	2011 <i>HK\$'000</i>
Authorised:		
10,000,000,000 (2011: 10,000,000,000) ordinary shares of HK\$0.10 each	<u>1,000,000</u>	<u>1,000,000</u>
Issued and fully paid:		
3,024,795,000 (2011: 3,024,795,000) ordinary shares of HK\$0.10 each	<u>302,480</u>	<u>302,480</u>

MANAGEMENT DISCUSSION AND ANALYSIS

Financial Review

Overview

Year 2012 is a challenging year amidst global economic uncertainties which has been continued from the fourth quarter of the year 2011. This together with the domestic macroeconomic policies in the PRC in the year 2012 adversely hit our downstream steel industry resulting in sluggish demand of steel products and therefore our products as well. Within the year 2012, the second half is even worse than the first half year as reflected in the further slide of our EMM price.

For those controllable factors, various measures have been successfully taken to improve efficiency and reduce our cost by controlling unit consumption. However, the combined effect of the drop in selling price of our major products and the inflationary environment of operating costs significantly overshadowed our efforts in cost control. Inevitably, gross profit margin was squeezed substantially from the year 2011. However, backed by our cost competitiveness, we were able to maintain the sales quantity of our major products, particularly EMM and EMD.

As a result of the foregoing as well as the reasons set out hereafter, net loss attributable to the owners of the parent amounted to HK\$396.9 million, representing a significant decline from the profit attributable to owners of the parent of HK\$408.6 million in the year 2011.

In view of the operating pressure of a downstream customer, an impairment loss of HK\$61.5 million was recorded against an entrusted loan to it.

We have reviewed the deferred tax assets brought forward from prior years' tax losses of certain of our PRC subsidiaries in the context of the permitted time limit for the utilization of such tax losses. Impairment provision against such deferred tax assets totaling HK\$55.9 million was recorded in the year 2012.

Comparison with the 2011

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

	Year ended 31 December,							
	2012				2011			
	Sales Volume (tonnes)	Average Selling Price (HK\$/ tonne)	Revenue (HK\$'000)	% of Total Revenue (%)	Sales Volume (tonnes)	Average Selling Price (HK\$/ tonne)	Revenue (HK\$'000)	% of Total Revenue (%)
Manganese mining and ore processing								
Manganes concentrate	174,656	561	98,007	3.3	172,015	732	125,984	3.4
Gabon ore	25,894	1,129	29,229	1.0	-	-	-	-
Natural discharging manganese powder and sand	26,372	2,850	75,148	2.5	34,535	3,053	105,437	2.9
Sub-Total	226,922	892	202,384	6.8	206,550	1,120	231,421	6.3
Manganese downstream processing								
EMM	102,741	15,122	1,553,689	52.0	101,930	19,246	1,961,788	53.7
Silicomanganese alloy	57,198	7,638	436,894	14.7	63,838	8,325	531,461	14.5
EMD	19,626	9,188	180,329	6.0	15,993	10,038	160,539	4.4
Manganese sulfate	17,239	4,488	77,361	2.6	20,304	3,948	80,153	2.2
Manganese briquette	3,449	14,208	49,005	1.6	-	-	-	-
Others	482	16,624	8,013	0.3	14,273	9,214	131,510	3.6
Sub-Total	200,735	11,484	2,305,291	77.2	216,338	13,245	2,865,451	78.4
Non-manganese processing								
High carbon ferrochromium	5,120	9,338	47,813	1.6	13,416	10,109	135,620	3.7
Lithium cobalt oxide	584	194,709	113,710	3.8	245	228,416	55,962	1.5
Sub-Total	5,704	28,317	161,523	5.4	13,661	14,024	191,582	5.2
Other business								
Trading	50,440	6,290	317,246	10.6	28,637	12,789	366,236	10.1
Total	483,801	6,173	2,986,444	100.0	465,186	7,856	3,654,690	100.0

Revenue

In 2012, the Group's revenue was HK\$2,986.4 million (2011: HK\$3,654.7 million), representing a decrease of 18.3% as compared with 2011. Following the slump in selling prices in our major products particularly EMM starting from the fourth quarter of 2011 arising from weak demand, selling prices further declined in the first half of the year 2012 and the falling trend continued in the second half of the year. At the same time, the average selling price and hence revenue from our manganese related trade products also dropped significantly.

Manganese mining and ore processing – The first sales of our Gabon ore started in the year 2012 and hence contributed to the increase in sales quantity in the manganese mining and ore processing segment. However, the drop in average selling price more than offset the effect of increased quantities. Revenue derived from this segment decreased by 12.5% to HK\$202.4 million (2011: HK\$231.4 million) and sales volume increased by 9.9% to 226,922 tonnes (2011: 206,550 tonnes). Average selling price was HK\$892/tonne (2011: HK\$1,120/tonne). During the year, 25,894 tonnes of Gabon ore sales was sold to our PRC customers and these ores were produced in the year 2011 as trial production and the sales volume of natural discharging manganese also decreased by 23.6% to 26,372 tonnes (2011: 34,535 tonnes) as the downstream battery industry remained sluggish coupled with our shift to produce more EMD, which is a substitute to natural discharging manganese.

Manganese downstream processing – Revenue from manganese downstream processing dropped by 19.5% from HK\$2,865.5 million to HK\$2,305.3 million. Average selling price of our major product, EMM, dropped by 21.4% to HK\$15,122/tonne (2011: HK\$19,246/tonne). Nevertheless, we managed to maintain the sales quantity and recorded a mild sales quantity increase of 0.8% to 102,741 tonnes (2011: 101,930 tonnes). EMM continues to be the most important product accounting for 52.0% (2011: 53.7%) of our total sales.

Sales volume of EMD for 2012 soared by 22.7% to 19,626 tonnes (2011: 15,993 tonnes) because Daxin's second EMD production line of 10,000 tonnes commenced production in early 2011 and hence a full year production in 2012. Demand drove our production to full capacity after our products was successfully tested by our customers and meet their quality standard. Nevertheless, average selling price decreased in line with general commodity trend by 8.5% to HK\$9,188/tonne (2011: HK\$10,038/tonne).

For 2012, sales volume of silicomanganese alloy moderately decreased by 10.4% to 57,198 tonnes (2011: 63,838 tonnes) as we purposely contained production of this low margin product by shifting some of the production lines of Dabao and Tiandeng Materials to repair and maintenance mode during its low cycle. Our Hui Xing Ferroalloy Plant ceased operation with effect from 1 January 2012 and is in the stage of relocation. Nevertheless, these impacts were partly offset by our Qinzhou Ferroalloy Plant which completed its modification of facilities from high carbon ferrochromium production to silicomanganese production effective from February 2012. Qinzhou Ferroalloy Plant has the advantage over the other plants due to its proximity to Qinzhou Port and hence lower transportation costs for its imported raw materials. Overall, average selling price of silicomanganese alloy decreased by 8.3% to HK\$7,638/tonne (2011: HK\$8,325/tonne), and was in line with other commodity price decrease.

Revenue from other segment mainly comprised ferromanganese in 2011 which production was ceased with effect from 1 January 2012 and therefore revenue dropped substantially.

Non-manganese processing – Our only high carbon ferrochromium production in Qinzhou Ferroalloy Plant was ceased effective from November 2011 and all of the remaining stocks were sold in 2012. As a result, sales volume of high carbon ferrochromium dropped by 61.8% to 5,120 tonnes (2011: 13,416 tonnes) while the average selling price decreased by 7.6% to HK\$9,338/tonne (2011: HK\$10,109/tonne).

Conversely, sales volume of lithium cobalt oxide increased by 138.4% to 584 tonnes (2011: 245 tonnes) following increased general market acceptability to our newly developed product although the average selling price dropped by 14.8% to HK\$194,709/tonne (2011: HK\$228,416/tonne).

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

	Year ended 31 December,							
	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)	(%)
Manganese mining and ore processing								
Manganeses concentrate	60,851	348	37,156	37.9	59,597	346	66,387	52.7
Gabon ore	34,360	1,327	(5,131)	(17.6)	-	-	-	-
Natural discharging manganese powder and sand	19,895	754	55,253	73.5	27,588	799	77,849	73.8
Sub-Total	115,106	507	87,278	43.1	87,185	422	144,236	62.3
Manganese downstream processing								
EMM	1,429,102	13,910	124,587	8.0	1,474,332	14,464	487,456	24.8
Silicomanganese alloy	450,497	7,876	(13,603)	(3.1)	539,536	8,452	(8,075)	(1.5)
EMD	158,468	8,074	21,861	12.1	117,520	7,348	43,019	26.8
Manganese sulfate	63,897	3,707	13,464	17.4	66,208	3,261	13,945	17.4
Manganese briquette	43,839	12,711	5,166	10.5	-	-	-	-
Others	9,792	20,315	(1,779)	(22.2)	136,830	9,587	(5,320)	(4.0)
Sub-Total	2,155,595	10,739	149,696	6.5	2,334,426	10,791	531,025	18.5
Non-manganese processing								
High carbon ferrochromium	46,300	9,043	1,513	3.2	140,239	10,453	(4,619)	(3.4)
Lithium cobalt oxide	103,127	176,587	10,583	9.3	51,319	209,465	4,643	8.3
Sub-Total	149,427	26,197	12,096	7.5	191,558	14,022	24	0.0
Other business								
Trading	315,859	6,262	1,387	0.4	372,658	13,013	(6,422)	(1.8)
Total	2,735,987	5,655	250,457	8.4	2,985,827	6,419	668,863	18.3

Cost of Sales

Overall, cost of sales decreased by HK\$249.8 million or 8.4%, to HK\$2,736.0 million in 2012, as compared to HK\$2,985.8 million in 2011. The decrease was primarily due to the cessation of ferromanganese production of our Hui Xing Ferroalloy Plant with effect from 1 January 2012. In addition, as discussed above, our Qinzhou Ferroalloy Plant ceased production of high carbon ferrochromium. At the same time, purchases directly for trading decreased comparing with 2011 because we shifted to trading lower-priced products including silicomanganese alloy and manganese ore concentrate in 2012 as compared with EMM in the year of 2011.

The unit cost of manganese mining and ore processing segment during 2012 increased by 20.1% to HK\$507/tonne (2011: HK\$422/tonne). The increase was mainly attributable to the first sales of Gabon ore during 2012 which, being a high grade ore, has a comparatively higher unit cost as well as average selling price, due to its transportation cost from West Africa.

In 2012, unit cost of EMM decreased by 3.8% to HK\$13,910/tonne (2011: HK\$14,464/tonne). This was mainly attributable to our effort to successfully contain unit material consumption and unit power consumption which, however, was partly offset by the increase in unit cost of electricity and labour in the inflationary environment.

Unit cost of silicomanganese alloy decreased by 6.8% to HK\$7,876/tonne (2011: \$8,452/tonne) mainly due to general price decline of high-grade manganese ore concentrates in line with the market conditions and the fact that we needed no more import ore for Hui Xing Ferroalloy Plant following its cessation of silicomanganese alloy production.

Unit cost of high carbon ferrochromium decreased by 13.5% to HK\$9,043/tonne (2011: HK\$10,453/tonne) as stocks sold in the year 2012 were brought forward from previous year and was impaired to market value as of 31 December 2011.

Gross Profit

In 2012, the Group recorded a gross profit of HK\$250.5 million (2011: HK\$668.9 million), representing a decrease of HK\$418.4 million or 62.6%. The Group's overall gross profit margin was 8.4%, representing a decrease of 9.9% from 18.3% of 2011. The deteriorated overall gross profit margin was mainly attributable to (i) the drop in gross profit margin of EMM from 24.8% in 2011 to 8.0% in 2012 as a result of a year-on-year 21.4% drop in selling price; and (ii) drop in gross profit margin of manganese mining and ore processing correspondingly from 62.3% to 43.1% with gross profit amount decreased by HK\$57.0 million.

Selling and Distribution Expenses

The Group's selling and distribution expenses in 2012 have decreased by 2.1% to HK\$88.5 million (2011: HK\$90.4 million) despite of the marginal increase in total sales quantity.

Administrative Expenses

Administrative expenses increased by 53.5% to HK\$470.8 million for 2012 (2011: HK\$306.7 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 of our alloy plants were temporarily suspended, particularly Hui Xing Company now undergoing relocation, and hence costs previously classified as production costs including temporarily idle workers' salaries and depreciation were classified as administrative expenses.

Finance Cost

For 2012, our Group's finance cost was HK\$144.7 million (2011: HK\$127.8 million), representing an increase of 13.2%. This was mainly due to the increase in average bank loan balance to finance our operations including capital expenditure in PRC and Gabon.

Other Expenses

Other expenses increased by 86.7% to HK\$95.6 million (2011: HK\$51.2 million) primarily due to an impairment loss of HK\$61.5 million against an entrusted loan to a downstream customer in view of its operating difficulties.

Income Tax

Our tax expenses increased to HK\$54.4 million for the year ended 31 December 2012 (2011: HK\$30.8 million) because an impairment provision totaling HK\$55.9 million was made in the year 2012 after we reviewed the deferred tax assets brought forward from prior years' tax losses of certain of our PRC subsidiaries in the context of the permitted time limit for the utilization of such tax losses.

(Loss)/Profit Attributable to Owners of the Parent

For 2012, the Group's loss attributable to owners of the parent was HK\$396.9 million (2011: profit attributable to owners of the parent of 408.6 million).

(Loss)/Earnings per share

For 2012, loss per share attributable to ordinary equity holders of the Company amounted to 13.12 HK cents (2011: earnings per share attributable to ordinary equity holders of the Company of 13.51 HK cents).

Dividend

The Board does not recommend the payment of any dividend for the year ended 31 December 2012 (2011: 1.0 HK cent).

Use of Proceeds from IPO

Up to 31 December 2012, we 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 31.12.2012 (HK\$ Million)	% utilized	Amount utilized up to 31.12.2011 (HK\$ Million)	% utilized
1 Expansion project at Daxin EMD Plant	79	60	75.9%	33	41.5%
2 Expansion project of underground mining and ore processing at Daxin Mine	278	114	41.0%	64	22.9%
3 Expansion and construction projects of our EMM production facilities	516	381	73.8%	185	35.9%
4 Construction project at Chongzuo Base	59	11	18.6%	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%
Total	1,983	1,497	75.5%	1,215	61.3%

Liquidity and financial resources

As at 31 December 2012, our cash and cash equivalents were HK\$1,988.1 million (2011: HK\$1,898.4 million) while the Group's aggregate borrowings amounted to HK\$3,828.5 million (2011: HK\$3,290.3 million). The Group's net debt increased to HK\$1,840.4 million (2011: HK\$1,391.9 million) due to increase in borrowings for financing our capital expenditure including improvements of our existing production facilities and new EMM plants in PRC and Gabon during the year.

To manage liquidity risk, the Group continues to monitor current and expected liquidity requirements to ensure that it maintains sufficient balance of cash in the short and long terms as well as facilities from banks and financial institutions. At the same time, equity attributable to owners of the parent dropped to HK\$3,617.1 million (2011: HK\$3,982.6 million) while total assets increased to HK\$9,313.3 million (2011: HK\$8,896.7 million).

Bank and other Borrowings

As at 31 December 2012, the Group's borrowing structure and maturity profile are as follows:

Borrowing structure	2012 <i>HK\$ million</i>	2011 <i>HK\$ million</i>
Secured borrowings	857.5	296.1
Unsecured borrowings	2,971.0	2,994.2
	<u>3,828.5</u>	<u>3,290.3</u>
Maturity profile	2012 <i>HK\$ million</i>	2011 <i>HK\$ million</i>
Repayable:		
On demand or within one year	2,058.5	1,791.1
After one year and within two years	405.9	797.1
After two years and within five years	1,364.1	702.1
	<u>3,828.5</u>	<u>3,290.3</u>
Currency denomination	2012 <i>HK\$ million</i>	2011 <i>HK\$ million</i>
Denominated in:		
RMB	3,143.9	2,870.0
USD	684.6	420.3
	<u>3,828.5</u>	<u>3,290.3</u>

As at 31 December 2012, borrowings as to the amounts of HK\$2,033.8 million (2011: HK\$351.7 million) and HK\$1,794.7 million (2011: HK\$2,938.6 million), carry fixed and floating rate interest respectively. The fixed rate borrowings carry interest at rates ranging from 5.00% to 6.89%. 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+2.1% and HIBOR/LIBOR/Cost of funds+2.0%.

Overall, aggregate borrowings increased by HK\$538.2 million to the balance of HK\$3,828.5 million at 31 December 2012 (2011: HK\$3,290.3 million). Close to the year end, the Group was able to draw down a new bank loan of HK\$620.0 million which has been partly used to refinance maturing bank loans of HK\$456.7 million. The remaining undrawn but committed amount under the same facility is HK\$101.7 million as at 31 December 2012. In addition, we issued in the PRC short term notes of HK\$248.8 million in December 2012.

In January 2013, we signed another underwriting agreement in the PRC for a proposed issue of medium term notes not exceeding an aggregate principal amount of RMB1,000,000,000 (equivalent to HK\$1,243,900,000). The interest rate and the term period of each tranche under this arrangement will be determined by, inter alia, the market conditions at the time of issue and it is at the sole discretion of the Company whether to proceed with the issue or not.

In respect of both the short term notes and the medium term notes, the issuer being our wholly owned subsidiary has been accredited by a credit agency in the PRC as AA grade credit.

All these are part of our efforts to improve our borrowing structure by increasing the longer term portion of bank debts and/or reducing our funding cost by refinancing with lower cost debts. We will continue to repay some of our existing bank loans with funds from the various sources above and surplus cash on hand with a view to contain our borrowing costs.

Interest rate risk

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

Foreign exchange risk

In 2012, the Group's operations are primarily in the PRC and Gabon. Our products are sold to customers in the PRC and to a much less extent to outside the PRC. Our major exposures to exchange rate fluctuations are only limited to export sales denominated in US dollars and certain XAF denominated costs incurred locally in Gabon. XAF is currently pegged to Euros. Our Gabon operations commenced sales in the year 2012 and thereafter steady shipments from Gabon to Guangxi are expected after the year end. Currently, sales from it are denominated in RMB and we expect that such sales will partially be denominated in US dollars going forward. We have not entered into any foreign exchange contract or derivative 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 alleviate any major impact on our business due to foreign exchange rate fluctuations.

Charge on group assets

As at 31 December 2012, the Group's property, plant, equipment, prepaid land lease payments and notes receivable with an aggregate net carrying amount of HK\$222,899,000 (2011: HK\$285,508,000) were pledged to secure certain of the Group's interest-bearing bank borrowings. Similarly, bank balances of HK\$196.0 million (2011: HK\$88.3 million) were pledged to secure certain of the Group's bank borrowings.

Contingent liabilities

As at 31 December 2012, the Group did not have any significant outstanding contingent liabilities.

Key Financial Ratios of the Group

	2012	2011
Current ratio	1.26	1.54
Quick ratio	1.02	1.24
Net Gearing ratio	45.1%	32.5%

Current ratio = balance of current assets at the end of the year/balance of current liabilities at the end of the year

Quick ratio = (balance of current assets at the end of the year - balance of inventories at the end of the year)/balance of current liabilities at the end of the year

Net Gearing ratio = Calculated as net debt divided by equity attributable to owners of the parent. Net debt is defined as the sum of interest-bearing bank and other borrowings and short-term notes less cash and cash equivalents and pledged deposits

Current ratio, quick ratio and net gearing ratio deteriorated as a result of outflow of cash resources into the construction of projects brought forward from prior years including Daxin upstream mining as well as Tiandong and Tiandeng EMM new capacity.

Business Review

Resources and reserves

Below is the information on our mineral resources and ore reserves in accordance with JORC Code as of 31 December 2012:

Summary of our manganese mineral resources

Mining Block	Ownership Percentage	JORC Resource Category	31.12.2012		31.12.2011	
			Million tonnes	Average Manganese Grade (%)	Million tonnes	Average Manganese Grade (%)
Daxin Mine	100%	Measured	6.06	24.28	6.58	24.37
		Indicated	68.37	21.14	69.09	21.12
		Subtotal	74.43	21.40	75.67	21.40
		Inferred	0.43	21.23	0.43	21.23
		Total	<u>74.86</u>	<u>21.39</u>	<u>76.10</u>	<u>21.40</u>
Tiandeng Mine	100%	Measured	0.72	17.52	0.86	17.07
		Indicated	3.06	16.48	3.22	16.40
		Subtotal	3.78	16.68	4.08	16.59
		Inferred	3.62	14.26	3.64	14.26
		Total	<u>7.40</u>	<u>15.50</u>	<u>7.72</u>	<u>15.47</u>
Waifu Manganese Mine	100%	Measured	–	–	–	–
		Indicated	–	–	–	–
		Subtotal	–	–	–	–
		Inferred	1.54	17.52	1.54	17.52
		Total	<u>1.54</u>	<u>17.52</u>	<u>1.54</u>	<u>17.52</u>
Changgou Manganese Mine	64%	Measured	3.19	20.45	3.25	20.45
		Indicated	14.67	20.32	15.87	20.32
		Subtotal	17.86	20.34	19.12	20.34
		Inferred	4.22	20.05	3.12	20.50
		Total	<u>22.08</u>	<u>20.29</u>	<u>22.24</u>	<u>20.37</u>
Bembélé Manganese Mine	51%	Measured	–	–	–	–
		Indicated	17.86	32.18	18.31	33.18
		Subtotal	17.86	32.18	18.31	33.18
		Inferred	12.37	32.74	12.37	32.74
		Total	<u>30.23</u>	<u>32.41</u>	<u>30.68</u>	<u>33.00</u>
Total			<u>136.11</u>		<u>138.28</u>	

Summary of our manganese ore reserves

Mine	Ownership Percentage	JORC Resource Category	Million tonnes	Average Manganese Grade (%)	Million tonnes	Average Manganese Grade (%)
			31.12.2012		31.12.2011	
Daxin Mine	100%	Proved	5.84	21.38	6.36	21.71
		Probable	<u>65.84</u>	<u>18.86</u>	<u>66.56</u>	<u>18.86</u>
		Total	<u>71.68</u>	<u>19.06</u>	72.92	<u>19.11</u>
Tiandeng Mine	100%	Proved	0.68	15.58	0.82	15.44
		Probable	<u>2.94</u>	<u>15.45</u>	<u>3.10</u>	<u>15.42</u>
		Total	<u>3.62</u>	<u>15.48</u>	<u>3.92</u>	<u>15.42</u>
Waifu Manganese Mine	100%	Proved	–	–	–	–
		Probable	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>
		Total	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>
Changgou Manganese Mine	64%	Proved	3.17	20.45	3.27	20.45
		Probable	<u>14.66</u>	<u>20.32</u>	<u>14.72</u>	<u>20.30</u>
		Total	<u>17.83</u>	<u>20.34</u>	<u>17.99</u>	<u>20.33</u>
Bembélé Manganese Mine	51%	Proved	–	–	–	–
		Probable	<u>17.85</u>	<u>31.58</u>	<u>18.26</u>	<u>31.58</u>
		Total	<u>17.85</u>	<u>31.58</u>	<u>18.26</u>	<u>31.58</u>
Total			<u>110.98</u>		<u>113.09</u>	

Exploration, Development, and Mining Activities

I) *Exploration*

Daxin Mine

During the year, we have completed drilling works totalling 22,280 meters and we have basically completed all the exploration drilling works at the northern and central mining blocks within the mining area of the Daxin Mine in Guangxi Province. We are now preparing the drilling results analysis in preparation of formal exploration report.

Tiandeng Mine

During the year, 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 in Guangxi Province. 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 for the mining blocks at depth below 440 meters, which is beyond the limit of our mining right, at the Tiandeng Mine. We have submitted application for exploration right licence to the Department of Land and Resources of Guangxi Zhuang Autonomous Region.

Waifu Manganese Mine

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

Changgou Manganese Mine

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

Bembélé Manganese Mine

During the year, 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 in Gabon and is drafting the exploration report. Furthermore, the working staff continued the preliminary exploration work in respect of the surrounding areas of the existing mining area of the Bembélé Manganese Mine.

II) Development

Daxin Mine

During the year, we continued the 600,000 tonnes/year technical innovation project for underground mining at Daxin Mine.

Tiandeng Mine

During the year, there were no significant development work performed at Tiandeng Mine.

Waifu Manganese Mine

During the year, we have completed all the legal procedures for registration in our name of the mining right at Waifu Manganese Mine.

Changgou Manganese Mine

During the year, we have completed all major works in respect of the mine safety standardization and the mining infrastructure construction, and continued the 600,000 tonnes/year technical innovation project for underground mining at Changgou Manganese Mine.

Bembélé Manganese Mine

During the year, we have completed the construction of a 3.5 kilometres road connecting Bembélé mine site and the transfer station at Ndjole City, and are in the progress of constructing the underground passage across the national road. In addition, the construction of the dedicated railway linking the transfer station at Ndjole City to Trans-Gabon Railway has also been completed. Two DF8B locomotives, which have passed the inspection by the railway administration of Gabon, together with 88 wagons have commenced formal operation on the Gabon railway. Besides, the construction of Ndjole City Manganese Mine Yard has been successfully completed.

On 24 November 2012, the first vessel has been successfully loaded with 44,100 tonnes of manganese ores and left Owendo Port of Gabon.

III) Mining activities

(1) Mining operations

Daxin Mine

	2012	2011
Open pit mining		
Mine production (thousand tonnes)	951	806
Underground mining		
Mine production (thousand tonnes)	315	385
Total mine production (thousand tonnes)	<u>1,266</u>	<u>1,191</u>
Average manganese grade		
Manganese carbonate ore	16.57%	18.21%
Manganese oxide ore	<u>29.44%</u>	<u>30.68%</u>

Tiandeng Mine

	2012	2011
Open pit mining		
Mine production (thousand tonnes)	311	287
Average manganese oxide grade	<u>14.61%</u>	<u>14.2%</u>

Waifu Manganese Mine

During the year, there were no mining production.

Changgou Manganese Mine

	2012	2011
Underground mining		
Mine production (thousand tonnes)	162	120.6
Average manganese carbonate grade	<u>16.8%</u>	<u>17.3%</u>

Bembélé Manganese Mine

	2012	2011
Open pit mining		
Mine production (thousand tonnes)	447	340.1
Average manganese oxide grade	<u>30.46%</u>	<u>30.1%</u>

(2) Ore processing operations

- Concentrating

Production (thousand tonnes)	2012	2011
Daxin Concentration Plant		
Concentrate production		
Manganese carbonate ore	761	699
Manganese oxide ore	55	111
Total	816	810

Average manganese grade of concentrate		
Manganese carbonate ore	18.94%	19.3%
Manganese oxide ore	29.31%	32.0%

Tiandeng Concentration Plant		
Manganese concentrate production	126	151
Average manganese grade of concentrate	22.12%	22.5%

Bembélé Concentration Plant		
Concentrate production	326	268.9
Average manganese grade of concentrate	32.07%	32.19%

- Grinding

Production (thousand tonnes)	2012	2011
Daxin Grinding Plant		
Powder produced	699	706

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 additional production line of Daxin EMM Plant and Tiandong EMM Plant. Details are set out below:

Production (thousand tonnes)	2012	2011
Daxin EMM Plant		
EMM production	71	70.3
Start EMM Plant		
EMM production	13	14.4
Tiandong EMM Plant		
EMM production	9	17.6
Sanmenglong EMM plant		
EMM production	14	5.9
Total	107	108.2

- Manganese sulfate

Production (thousand tonnes)	2012	2011
Daxin Manganese Sulfate Plant		
Manganese sulfate production	18	19.3

- EMD

Production (thousand tonnes)	2012	2011
Daxin EMD Plant		
EMD production	18	17.1

• Silicomanganese alloy		
Production (thousand tonnes)	2012	2011
Tiandeng Ferroalloy Plant	15	24.8
Dabao Ferroalloy Plant	3	8.4
Qinzhou Ferroalloy plant	42	4.2
Hui Xing Ferroalloy Plant (Acquired with effect from 31 May 2011 and production ceased with effect from 1 January 2012)	0	16.4
Total	60	25.4
• Ferromanganese		
Production (thousand tonnes)	2012	2011
Hui Xing Ferroalloy Plant (Acquired with effect from 31 May 2011 and production ceased with effect from 1 January 2012)		
High carbon ferromanganese	0	7.2
Ferromanganese	0	1.9
Total	0	9.1
• Manganese tetroxide and lithium manganese oxide		
Production (thousand tonnes)	2012	2011
Manganese tetroxide	0	3.1
Lithium manganese oxide	0	0.34
(2) Non-manganese processing operations		
• High carbon ferrochromium		
Production (thousand tonnes)	2012	2011
High carbon ferrochromium	0	12.9
Lithium cobalt oxide	0.60	0.34

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

Expenses of exploration, development, and mining activities of the Group for the year ended 31 December 2012 are set out below:

(HK\$'000)

	Daxin Mine	Tiandeng Mine	Waifu Manganese Mine	Changgou Manganese Mine	Bembélé Manganese Mine	Total
Exploration activities						
Drilling and analysis	26,229.7	-	-	-	891.8	27,121.5
Transportation	-	-	-	-	21.5	21.5
Others	-	-	-	-	373.2	373.2
	<u>26,229.7</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,286.5</u>	<u>27,516.2</u>
Development activities (including mine construction)						
Purchases of assets and equipment	278.9	2,503.9	-	1,759.9	8,680.8	13,223.5
Construction of mines, tunnels and roads	51,859.0	-	-	8,134.0	30,889.7	90,882.7
Staff cost	217.3	-	-	3,156.2	-	3,373.5
Others	900.6	-	298.5	3,130.7	2,404.4	6,734.2
	<u>53,255.8</u>	<u>2,503.9</u>	<u>298.5</u>	<u>16,180.8</u>	<u>41,974.9</u>	<u>114,213.9</u>
Mining activities*						
Staff cost	15,152.4	3,550.2	-	17,692.5	2,039.4	38,434.5
Consumables	15,553.4	3,058.8	-	9,782.0	3,297.5	31,691.7
Fuel, electricity, water and other services	20,597.7	5,664.6	-	7,155.5	2,209.5	35,627.3
Transportation	2,929.2	-	-	-	4,410.3	7,339.5
Sub-contracting charges	72,664.9	-	-	14,253.1	-	86,918.0
Others	-	6,899.8	-	9,183.5	383.8	16,467.1
Depreciation	16,997.1	2,172.7	-	2,572.0	6,030.3	27,772.1
	<u>143,894.7</u>	<u>21,346.1</u>	<u>-</u>	<u>60,638.6</u>	<u>18,370.8</u>	<u>244,250.2</u>

(* Concentrating not included)

Expenses of exploration, development, and mining activities of the Group for the year ended 31 December 2011 are set out below:

(HK\$'000)

	Daxin Mine	Tiandeng Mine	Waifu Manganese Mine (Note)	Changgou Manganese Mine (Note)	Bembélé Manganese Mine	Total
Exploration activities						
Drilling and analysis	-	8,717.4	-	-	878.6	9,596.0
Others	-	-	-	-	19.9	19.9
	<u>-</u>	<u>8,717.4</u>	<u>-</u>	<u>-</u>	<u>898.5</u>	<u>9,615.9</u>
Development activities (including mine construction)						
Purchases of assets and equipment	1,825.2	9,455.8	-	-	105,256.1	116,537.1
Construction of mines, tunnels and roads	52,408.9	1,231.8	-	-	32,258.1	85,898.8
Staff cost	261.1	-	-	-	144.3	405.4
Others	5,545.5	-	-	-	2,577.9	8,123.4
	<u>60,040.7</u>	<u>10,687.6</u>	<u>-</u>	<u>-</u>	<u>140,236.4</u>	<u>210,964.7</u>
Mining activities*						
Staff cost	16,663.7	2,886.5	-	11,502.6	1,396.5	32,449.3
Consumables	13,904.8	1,970.0	-	9,916.1	-	25,790.9
Fuel, electricity, water and other services	18,752.3	5,395.8	-	1,931.9	4,861.9	30,941.9
Transportation	2,097.3	-	-	-	-	2,097.3
Non-income taxes, royalties and other governmental charges	30.5	-	-	-	-	30.5
Sub-contracting charges	45,653.6	-	-	-	-	45,653.6
Others	6,787.2	6,026.5	-	791.0	8.1	13,612.8
Depreciation	13,795.9	2,022.5	-	584.0	4,560.6	20,963.0
	<u>117,685.3</u>	<u>18,301.3</u>	<u>-</u>	<u>24,725.6</u>	<u>10,827.1</u>	<u>171,539.3</u>

(* Concentrating not included)

Note: Waifu Manganese Mine was acquired with effect from 31 July 2011 and Changgou Manganese Mine from 31 May 2011. As at the date of this announcement, the Group has obtained mining right certificates for these mines.

Business Model and Strategy

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

- (1) expand and upgrade our manganese resources and reserves through exploration and enhance our strategic control of manganese resources and reserves through mergers and acquisitions;
- (2) enhance our operational efficiency and profitability; and
- (3) establish and consolidate our strategic relationships with selected major customers and industry leading partners.

Human Resources

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 including comprehensive medical, life and disability insurance plans and retirement schemes are offered to employees.

The employees of the Group's subsidiaries which operate in the PRC are required to participate in a central pension scheme operated by the local municipal government. These subsidiaries are required to contribute a certain percentage of their payroll costs to the central pension scheme.

The Group operates the following contribution retirement benefit schemes for its employees:

- (a) a defined scheme under the Pension Provisioning Law in Gabon for those employees in Gabon who are eligible to participate; and
- (b) a defined scheme under the Hong Kong Mandatory Provident Fund Schemes Ordinance for those employees in Hong Kong who are eligible to participate.

Contributions are made based on a percentage of the employees' basic salaries. The assets of the above schemes are held separately from those of the Group in independently administered funds. The Group's contributions as an employer vest fully with the employees when contributed into these schemes.

The Company operates a share option scheme for the purpose of providing incentives. In January 2011, share options of the Company were also granted to Directors and selected employees of the Group for rewarding and retaining talents. The Group also provide training programmes to its eligible directors and employees to enhance staff quality, technical knowledge and team spirit.

OTHER INFORMATION

Annual General Meeting

It is proposed that the Annual General Meeting of the Company will be held on Wednesday, 26 June 2013. Notice of the Annual General Meeting will be published and issued to shareholders in due course.

Book Closure

The transfer books and register of members of the Company will be closed from Wednesday, 19 June 2013, to Wednesday, 26 June 2013, both days inclusive, during which period no transfer of shares will be effect. In order to qualify for attending the AGM, all transfers accompanied by the relevant share certificates must be lodged with the Company's share registrars and transfer office, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not later than 4:30 p.m. on Tuesday, 18 June 2013.

Purchase, Sale or Redemption of the Company's Securities

Neither the Company nor any of its subsidiaries have purchased, sold or redeemed any of the Company's listed securities during the financial year ended 31 December 2012.

Audit Committee

In compliance with the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**"), the Company has an audit committee comprising three Independent Non-executive Directors. The Audit Committee has reviewed the accounting principles and practices adopted by the Group and discussed auditing, internal controls and financial reporting matters including a review of the consolidated results of the Group for the six months ended 30 June 2012 and the year ended 31 December 2012.

Corporate Governance

The Company is committed to maintaining high standards of corporate governance. As corporate governance requirements change from time to time, the Board periodically reviews its corporate governance practices to meet the rising expectations of shareholders and to comply with increasingly stringent regulatory requirements. In the opinion of the Directors, the Company applied the principles and complied with the relevant code provisions in the Code on Corporate Governance Practices, as set out in Appendix 14 of the Listing Rules for the year ended 31 December 2012.

Model Code for Securities Transactions by Directors

The Company has adopted a code of conduct regarding Directors' securities transactions on terms no less exacting than the required standard set out in the Model Code for Securities Transactions by Directors of Listed Issuers ("**Model Code**") as contained in Appendix 10 to the Listing Rules.

The Company has made specific enquiry with all Directors and all of them confirmed that they have complied with the required standard set out in the Model Code for the year ended 31 December 2012.

Publication of Final Results and Annual Report on the Stock Exchange

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

Our Appreciation

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

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 La Compagnie Industrielle et Commerciale des Mines de Huazhou (Gabon) (華州礦業(加蓬)工貿有限公司), a company in which we indirectly hold 51% equity interest
“Board or Board of Directors”	our board of Directors
“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 announcement, 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
“Dabao Ferroalloy Plant”	a ferroalloy production plant owned and operated by 廣西大新縣大寶鐵合金有限公司 (Guangxi Daxin Dabao Ferroalloy Co., Ltd.), a company in which we indirectly hold 60% equity interest
“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
“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 production 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)
“Non-compete Undertaking”	the non-compete undertaking given by CITIC Resources Holdings Limited in favor of our Company under the deed of non-competition dated 3 November 2010
“Prospectus”	the prospectus of the Company dated 8 November 2010
“Qinzhou Ferroalloy Plant”	the ferroalloy production plant located near Qinzhou Harbour and owned and operated by 中信大錳（欽州）新材料有限公司 (CITIC Dameng (Qinzhou) New Materials Co., Ltd.), a company in which we indirectly hold 70% equity interest
“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 Ferroalloy Plant”	a ferroalloy production plant owned and operated by 中信大錳（天等）新材料有限公司 (CITIC Dameng (Tiandeng) Manganese Materials Co., Ltd.), a company in which we indirectly hold 60% equity interest
“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

By Order of the Board
CITIC DAMENG HOLDINGS LIMITED
Qiu Yiyong
Chairman

Hong Kong, 20 February 2013

As at the date of this announcement, the executive Directors are Mr. Qiu Yiyong, Mr. Li Weijian and Mr. Tian Yuchuan; the non-executive Directors are Mr. Mi Zengxin, Mr. Zeng Chen and Mr. Chen Jiqui; and the independent non-executive Directors are Mr. Yang Zhi Jie, Mr. Mo Shijian and Mr. Tan Zhuzhong.

* *For identification purpose only*