DAMENG

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

(incorporated in Bermuda with limited liability)

Stock Code: 1091

ANNUAL REPORT 2012

*For identification purpose only

Contents

Corporate Information

Board Of Directors

Executive Directors

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

Non-executive Directors

Mr. Mi Zengxin
Mr. Zeng Chen
Mr. Chen Jiqiu

Independent Non-executive Directors

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

Audit Committee

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

Remuneration Committee

Mr. 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

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No.12 Harcourt Road, Central, Hong Kong

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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
22/F 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 Construction Bank
China Guangfa Bank
China Merchants Bank
Standard Chartered Bank (Hong Kong) Limited

Stock Code

1091 (Mainboard of the Hong Kong Stock Exchange)

Company Website

www.dameng.citic.com

Five Year Financial Summary

A summary of the results and of the assets, liabilities and non-controlling interests of the Group for the last five financial years, as extracted from the published audited financial statements and the Prospectus, is set out below.

Results

	Year ended 31 December				
	2012	**2011**	**2010**	**2009**	**2008**
	HK$'000	**HK$'000**	**HK$'000**	**HK$'000**	**HK$'000**
Revenue	**2,986,444**	3,654,690	2,579,673	2,086,364	2,862,864
(Loss)/profit before tax	**(444,394)**	377,051	262,789	75,325	431,092
Income tax	**(54,436)**	(30,751)	(14,339)	(11,613)	(31,302)
(Loss)/profit for the year	**(498,830)**	346,300	248,450	63,712	399,790
Attributable to:					
Owners of the parent	**(396,880)**	408,572	229,132	48,611	239,227
Non-controlling interests	**(101,950)**	(62,272)	19,318	15,101	160,563
	(498,830)	346,300	248,450	63,712	399,790

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

	31 December				
	2012	**2011**	**2010**	**2009**	**2008**
	HK$'000	**HK$'000**	**HK$'000**	**HK$'000 (Restated)**	**HK$'000**
Non-current assets	**5,177,293**	4,753,773	2,887,155	2,232,162	1,783,797
Current assets	**4,136,016**	4,142,958	3,948,524	1,535,187	1,863,081
Total assets	**9,313,309**	8,896,731	6,835,679	3,767,349	3,646,878
Current liabilities	**3,279,251**	2,694,422	1,863,167	1,754,177	2,076,209
Non-current liabilities	**2,121,586**	1,824,462	1,570,513	870,736	415,468
Total liabilities	**5,400,837**	4,518,884	3,433,680	2,624,913	2,491,677
Net Assets	**3,912,472**	4,377,847	3,401,999	1,142,436	1,155,201
Equity attributable to owners of the parent	**3,617,137**	3,982,608	3,331,955	555,573	558,401
Non-controlling interests	**295,335**	395,239	70,044	586,863	596,800
	3,912,472	4,377,847	3,401,999	1,142,436	1,155,201

The Group has retrospectively restated the 2009 figures in its annual report for the year ended 31 December 2010, as detailed in note 2.2 to the financial statements for such year.

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 cost 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. During the 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

Management Discussion and Analysis

Financial Review

	2012 HK$'000	2011 HK$'000	Increase/(decrease) HK$'000	%
Revenue	**2,986,444**	3,654,690	(668,246)	-18.3%
Operating (loss)/profit	**(442,799)**	96,064	(538,863)	-560.9%
Gain on bargain purchase	**–**	262,775	(262,775)	-100.0%
(Decrease)/increase in the fair value of investment properties	**(1,595)**	18,212	(19,807)	-108.8%
(Loss)/profit before tax	**(444,394)**	377,051	(821,445)	-217.9%
Income tax expense	**(54,436)**	(30,751)	23,685	77.0%
(Loss)/profit after tax	**(498,830)**	346,300	(845,130)	-244.0%
(Loss)/profit attributable to owners of the parent	**(396,880)**	408,572	(805,452)	-197.1%
Loss attributable to non-controlling interests	**(101,950)**	(62,272)	39,678	63.7%
	(498,830)	346,300	(845,130)	-244.0%

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).

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.

Management Discussion and Analysis

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								
Manganese 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.

Management Discussion and Analysis

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 acceptance to our newly developed product although the average selling price dropped by 14.8% to HK$194,709/tonne (2011: HK$228,416/tonne).

Management Discussion and Analysis

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 (HK$'000)	Unit Cost of Sales (HK$/ tonne)	Gross Profit/ (Loss) (HK$'000)	Gross Profit/ (Loss) Margin (%)	Cost of Sales (HK$'000)	Unit Cost of Sales (HK$/ tonne)	Gross Profit/ (Loss) (HK$'000)	Gross Profit/ (Loss) Margin (%)
Manganese mining and ore processing								
Manganese concentrate	**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 marked down 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.

Management Discussion and Analysis

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 HK$ million**	**2011 HK$ million**
Secured borrowings	**857.5**	296.1
Unsecured borrowings	**2,971.0**	2,994.2
	3,828.5	3,290.3

Maturity profile	**2012 HK$ million**	**2011 HK$ million**
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
	3,828.5	3,290.3

Management Discussion and Analysis

Currency denomination	**2012** **HK$ million**	**2011** **HK$ million**
Denominated in:		
RMB	**3,143.9**	2,870.0
USD	**684.6**	420.3
	3,828.5	3,290.3

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.

Management Discussion and Analysis

Business Review

Resources and reserves

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

Summary of our manganese mineral resources

Mining Block	Ownership Percentage	JORC Resource Category	31.12.2012 Million tonnes	31.12.2012 Average Manganese Grade (%)	31.12.2011 Million tonnes	31.12.2011 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	**74.86**	**21.39**	76.10	21.40
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	**7.40**	**15.50**	7.72	15.47
Waifu Manganese Mine	100%	Measured	**–**	**–**	–	–
		Indicated	**–**	**–**	–	–
		Subtotal	**–**	**–**	–	–
		Inferred	**1.54**	**17.52**	1.54	17.52
		Total	**1.54**	**17.52**	1.54	17.52
Changgou Manganese Mine	64%	Measured	**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	**22.08**	**20.29**	22.24	20.37
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	**30.23**	**32.41**	30.68	33.00
Total			**136.11**		138.28	

Summary of our manganese ore reserves

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

Management Discussion and Analysis

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 volume (thousand tonnes)	**951**	806
Underground mining		
Mine production volume (thousand tonnes)	**315**	385
Total mine production (thousand tonnes)	**1,266**	1,191
Average manganese grade		
Manganese carbonate ore	**16.57%**	18.21%
Manganese oxide ore	**29.44%**	30.68%

Tiandeng Mine

	2012	2011
Open pit mining		
Mine production volume (thousand tonnes)	**311**	287
Average manganese oxide grade	**14.61%**	14.2%

Waifu Manganese Mine

During the year, there were no mining production.

Changgou Manganese Mine

	2012	2011
Underground mining		
Mine production volume (thousand tonnes)	**162**	120.6
Average manganese carbonate grade	**16.8%**	17.3%

Bembélé Manganese Mine

	2012	2011
Open pit mining		
Mine production volume (thousand tonnes)	**447**	340.1
Average manganese oxide grade	**30.46%**	30.1%

Management Discussion and Analysis

III) Mining activities (continued)

(2) Ore processing operations

- Concentrating

Production volume (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 volume (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 Tiandeng EMM Plant and the additional production line of Daxin EMM Plant and Tiandong EMM Plant. Details are set out below:

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

- EMD

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

Management Discussion and Analysis

IV) Downstream processing operations (continued)

(1) Manganese downstream processing operations (continued)

- Silicomanganese alloy

Production volume (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 volume (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 volume (thousand tonnes)	2012	2011
Manganese tetroxide	**0**	3.1
Lithium manganese oxide	**0**	0.34

(2) Non-manganese processing operations

- High carbon ferrochromium

Production volume (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
	26,229.7	–	–	–	1,286.5	27,516.2
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
	53,255.8	2,503.9	298.5	16,180.8	41,974.9	114,213.9
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
	143,894.7	21,346.1	–	60,638.6	18,370.8	244,250.2

(* Concentrating not included)

Management Discussion and Analysis

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
	–	8,717.4	–	–	898.5	9,615.9
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
	60,040.7	10,687.6	–	–	140,236.4	210,964.7
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
	117,685.3	18,301.3	–	24,725.6	10,827.1	171,539.3

(* 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 report, 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

As at 31 December 2012, the Group had approximately 8,793 (2011: 8,289) full-time employees in HK and the PRC; approximately 239 (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 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.

Directors and Senior Management Profiles

Executive Directors

Qiu Yiyong (邱毅勇), aged 56, joined in 2005 as the director of the Company and has been the Chairman of the Board of CITIC Dameng Mining since 2005. He was appointed as the Chairman and Executive Director of the Company in 2010. He is also a director of several subsidiaries of the Group. He holds a Bachelor of Economics Degree from Xiamen University. He is currently a non-executive director of CITIC Resources (Stock Code: 1205), a director of Keentech Group Limited, and the Chairman of CITIC United Asia Investments Limited. He also holds directorships in several other subsidiaries of CITIC Group. Mr. Qiu has over 31 years of experience in investment management and extensive experience in mining management.

Li Weijian (李維健), aged 50, joined in 2010 as an Executive Director and Vice Chairman of the Company and has been the Vice Chairman and general manager of CITIC Dameng Mining since 2005. He is also a director of several subsidiaries of the Group. He graduated from Shenyang Gold Vocational Training College (瀋陽黃金專科學校畢業) with professional qualifications in mining mechanics (礦山機械專業) in 1982. He is currently a director of Guangxi Dameng. He also holds directorships in several other subsidiaries of Guangxi Dameng. Mr. Li has 27 years of experience in manganese mining and manganese related business, at both the management and operational level and has assumed a wide spectrum of roles in different mining companies.

Tian Yuchuan (田玉川), aged 48, joined in 2009 as the director of the Company. He was redesignated as the Executive Director and Chief Executive Officer of the Company. He is also a director of several subsidiaries of the Group. He holds a Bachelor of Arts Degree from the Beijing Foreign Studies University. Mr. Tian is currently a non-executive director of CITIC Resources (Stock Code: 1205). He also held senior positions in several subsidiaries of CITIC Group between 1986 and 2004. Mr. Tian has over 27 years of experience in multi-national businesses, corporate management, international equity investments and corporate finance.

Non-Executive Directors

Mi Zengxin (秘增信), aged 62, joined in 2010 as a Non-executive Director of the Company. He holds a Master's Degree in Science from Beijing University of Science and Technology. He is currently a non-executive director of Asia Satellite Telecommunications Holdings Limited (Stock Code: 1135). He also holds executive management positions in several other subsidiaries of CITIC Group. Mr. Mi has many years of experience in multi-national business, corporate management and various industries.

Mr. Zeng Chen (曾晨), aged 49, joined in 2011 as a Non-executive Director of the Company. He is currently the Vice Chairman, executive Director and Chief Executive Officer of CITIC Resources (Stock Code: 1205), the chairman of CITIC Australia Pty Limited, and a non-executive director of Marathon Resources Limited (listed on the Australian Securities Exchange). He also holds directorships in several other subsidiaries of CITIC Group. Mr. Zeng has over 24 years' experience in business operations and development, project investment, asset restructuring and the natural resources industry. Mr. Zeng holds a Master's Degree in International Finance from Shanghai University of Finance and Economics.

Chen Jiqiu (陳基球), aged 54, joined in 2010 as a Non-executive Director of the Company and has been the vice president of CITIC Dameng Mining. He is also a director of several subsidiaries of the Group. Mr. Chen obtained a junior college diploma and graduation certificate in economics and management from the University of Guangxi (廣西大學) in 1988. He was granted the title of senior economist in 1999 by the committee member for the Assessment of the Qualifications of Senior Economist of the Guangxi Zhuang Autonomous Region (廣西壯族自治區高級經濟師職務資格評審委) and the Working Group for Reformation of Work Titles (廣西壯族自治區職稱改革工作領導小組). He was also issued the Advanced Professional Executive Qualification Certificate (高級職業經理資質證書) by the China Enterprise Confederation (中國企業聯合會) and China Enterprise Directors Association (中國企業家協會) in 2010. He is currently a director of Guangxi Dameng. Mr. Chen has almost 32 years of experience in the PRC mining industry and, in particular, has extensive management experience in the manganese industry.

Directors and Senior Management Profiles

Independent non-executive Directors

Mo Shijian (莫 世 健), aged 56, joined in 2010 as an independent non-executive Director of the Company. Mr. Mo is the Chair Professor of Faculty of Law at University of Macau and a professor of law at China University of Political Science and Law and is the director of the Center for Trade Remedies at China University of Political Science and Law. Mr. Mo specializes in trade remedies and arbitration and has acted as an arbitrator in a number of cases involving international sales, financing, leasing, investment and franchising. He is an arbitrator of the China International Economic and Trade Arbitration Commission, an arbitrator of the China Maritime Arbitration Commission and a legal adviser to the China Center for Maritime Law Enforcement. He is currently acting as an independent director of Meng Na Textile Company Ltd.

Tan Zhuzhong (譚 柱 中), aged 73, joined in 2010 as an independent non-executive Director of the Company. Mr. Tan has more than 42 years of experience in the field of mining and metallurgical research. He was employed by the Changsha Metallurgical Research Institute of the Metallurgical Ministry (冶金部長沙礦冶研究院) from 1963 to 1986, and was in charge of various metallurgical research studies. He also has extensive experience in the manganese industry. Mr. Tan is well recognized for his professional knowledge in the field of metallurgical technologies and has received a number of awards for various research projects that he led. He is also actively involved in several industry associations and has published articles in a number of professional journals.

Yang Zhi Jie (楊智傑), aged 68, joined in 2010 as an independent non-executive Director of the Company. Mr. Yang obtained a Master of Business Administration degree with an emphasis on Economics from the Hong Kong University of Science and Technology in 1996. Mr. Yang is a chartered member of CFA (Chartered Financial Analysts) Institute, a full member of Hong Kong Securities Institute, a member of American Institute of Certified Public Accountants, a fellow member of The Chartered Institute of Management Accountants, United Kingdom, and a fellow member of Hong Kong Institute of Certified Public Accountants.

Senior Management

Lau Wai Yip (劉 偉 業), aged 50, joined in 2010 as the Chief Financial Officer and Company Secretary of the Company. Mr. Lau is responsible for the financial management and company secretarial matters of the Group. He holds a degree of Master of Business Administration from the Hong Kong University of Science and Technology. He is a member of the Chartered Association of Certified Accountants, a member of the Hong Kong Institute of Certified Public Accountants, and also a member of the American Institute of Certified Public Accountants. He has over 27 years of experience in auditing, financial management and company secretarial management.

Ma Shirong (馬 詩 鎔), aged 60, joined in 2006 as the Vice President of the Company and has been the chief financial officer of CITIC Dameng Mining since 2006. Mr. Ma holds an EMBA degree by China Europe International Business School (中歐國際工商學院). He has been the chief financial officer of CITIC Dameng Mining since 2006 and is responsible for overseeing the financial operations of CITIC Dameng Mining.

Corporate Governance Report

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

Compliance with the Code on Corporate Governance Practices

The Board is of the view that the Company has, for the year ended 31 December 2012, applied the principles and complied with the applicable code provisions, and also complied with certain recommended best practices, of the Code on Corporate Governance Practices (the "**CG Code**") as set out in Appendix 14 to the Listing Rules.

Board of Directors

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

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

Non-executive Directors:
Mr. Mi Zengxin
Mr. Zeng Chen
Mr. Chen Jiqiu

Independent non-executive Directors:
Mr. Yang Zhi Jie
Mr. Mo Shijian
Mr. Tan Zhuzhong

During the year, there was no change to the composition of the Board members.

The list of directors of the Company and their roles and functions is posted on the websites of the Company and the Stock Exchange.

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

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

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

The biographies of the Directors and senior management are set out on pages 28 to 30 of this annual report.

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

Corporate Governance Report

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

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

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

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

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

The Company provides Directors with directors' and officers' liability insurance coverage to protect them from loss as a result of any legal proceedings against the Company and themselves.

Continuous Professional Development

All Directors, including Non-executive Directors and Independent Non-Executive Directors, should keep abreast of their collective responsibilities as Directors and of the business and activities of the Group. The Company actively offers to make available seminars organized by external institutions to the Directors at the expense of the Company so as to facilitate the Directors' development and refreshment of their knowledge and skills particularly in the area of good corporate governance practices. During the year, the Group arranged for the Directors a seminar organized by a reputable law firm on the update of the Listing Rules and the Securities and Futures (Amendment) Ordinance 2012. All the directors of the Company participated in the said seminar. Annually, each of the Directors provides a record of the training he received to the Company.

Chairman and Chief Executive Officer

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

The chairman has a clear responsibility to ensure that the whole Board receives complete and reliable information in a timely manner. The Board, led by the chairman, sets the overall direction, strategy and policies of the Company.

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

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

Non-executive Directors and independent non-executive Directors

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

Each of our non-executive Directors (save and except for Mr. Zeng) has entered into a service agreement with the Company for an initial fixed term of three years commencing from 26 October 2010. Mr. Zeng has entered into a service agreement with the Company for an initial fixed term of three years commencing from 25 August 2011.

Each of our independent non-executive Directors has entered into a renewed service agreement with the Company for a fixed term of two years commencing from 26 October 2012.

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

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

Board Meetings

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

A total of four board meetings were held in 2012 to discuss and review, inter alia, the following matters:

1) the business strategies of the Group;

2) the Group's financial and operational performance;

3) the Group's cost control measures;

4) the annual and interim results of the Group;

5) the dividend proposals;

6) the auditor's fees;

7) the Group's internal control matters;

8) the Group's corporate governance matters, etc.

During the year, a meeting of the Chairman and the Non-executive Directors (including Independent Non-executive Directors) without presence of the Executive Directors and the management was held.

Corporate Governance Report

All Directors will be invited to include matters in the agenda for regular board meetings. The Company generally gives not less than fourteen days prior written notice of a regular board meeting and reasonable prior notice for all other board meetings.

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

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

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

Shareholder who has enquiries to the Board can contact Company Secretary by telephone at (852)2179 1310 or email at ir@citicdameng.com.hk.

Model Code for Securities Transactions by Directors

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

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

Board Committees

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

Remuneration Committee

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

It is authorized by the Board to obtain such legal, remuneration or other professional advice as it shall deem appropriate in the discharge of its duties.

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

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

The terms of reference of the Remuneration Committee are posted on the websites of the Company and the Stock Exchange.

Members of the committee are:

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

On 2 March 2012, Mr. Qiu Yiyong resigned as the Chairman of the Remuneration Committee and Mr. Mo Shijian was appointed as the Chairman of the Remuneration Committee.

Two meetings were held in the year. In the meetings, the committee reviewed and approved, inter alia, the remuneration package of the directors, selected senior management as well as the employees of the Group. No director was involved in deciding his own remuneration.

Details of the emoluments and share options of each director, on a named basis, are set out in note 10 to the financial statements and in the section "Share Option Scheme" in the Report of the Directors.

Nomination Committee

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

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

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

The terms of reference of the Nomination Committee are posted on the websites of the Company and the Stock Exchange.

Members of the committee are:

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

On 2 March 2012, Mr. Qiu Yiyong resigned as the Chairman of the Nomination Committee and Mr. Tan Zhuzhong was appointed as the Chairman of the Nomination Committee.

During the year, one meeting was held by the Nomination Committee. In the meeting, the committee considered and approved, inter alia,

1) the change of the Chairman of the Nomination Committee;

2) the change of the Chairman of the Remuneration Committee; and

3) the rotation of the directors at the annual general meeting.

Audit Committee

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

Corporate Governance Report

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

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

The terms of reference of the Audit Committee are posted on the websites of the Company and the Stock Exchange.

Members of the committee are:

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

During the year, there was no change to the composition of the Audit Committee and the role of the committee members.

Mr. Yang Zhi Jie possesses appropriate professional qualifications and experience in financial matters. None of the committee members is or was a partner of the external auditors.

The committee meets as and when required to discharge its responsibilities, and at least twice in each financial year. Two meetings were held in the year and all members attended the meetings. The committee together with the senior management considered and reviewed (inter alia) the following matters:

1) the financial statements for the year ended 31 December 2011 and six months ended 30 June 2012;

2) the Group's financial control, internal control and risk management systems;

3) the major findings of the investigations of internal control system and the management's response;

4) the accounting principles and practices adopted by the Company, statutory compliance and other financial reporting matters.

Constitutional Documents

During the year, there was no change to the Company's Memorandum of Association and Bye-laws. A copy of the latest consolidated version of the Memorandum of Association and Bye-laws is posted on the websites of the Company and the Stock Exchange.

Shareholder Meetings

Pursuant to article 57 of the Bye-Laws, the Board may whenever it thinks fit call special general meetings and shareholders, holding at the date of deposit of the requisition not less than one-tenth of the paid up capital of the Company carrying the right of voting at general meetings of the Company, shall at all times have the right, by written requisition to the Board or the Company Secretary, to require a special general meeting to be called by the Board for the transaction of any business specified in such requisition; and such meeting shall be held within two months after the deposit of such requisition. If within twenty-one days of such deposit, the Board fails to proceed to convene such meeting, the requisitionists themselves may do so in accordance with the article 58 of the Bye-Laws.

A separate resolution is proposed for each substantially separate issue at a general meeting by the chairman of that meeting, including the election of director as well as re-election of director. The chairman of the Board, the chairman or member of each of the board committees and external auditors attend and answer questions at the annual general meeting. The members of the independent board committee is available to answer questions at any general meeting to approve connected transaction(s) or any other transaction(s) that is subject to independent shareholders' approval.

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

	Number of meetings held during the year Attended / Eligible to attend					
	Board Meeting	Remuneration Committee	Nomination Committee	Audit Committee	Annual General Meeting	Special General Meeting
Executive Directors						
Mr. Qiu Yiyong (Chairman)	3/4	1/2	0/1	N/A	1/1	0/1
Mr. Li Weijian (Vice Chairman)	4/4	2/2	1/1	N/A	1/1	1/1
Mr. Tian Yuchuan (Chief Executive Officer)	4/4	N/A	N/A	N/A	1/1	1/1
Non Executive Directors						
Mr. Mi Zengxin	3/4	N/A	N/A	N/A	0/1	0/1
Mr. Zeng Chen	4/4	N/A	N/A	N/A	1/1	1/1
Mr. Chen Jiqiu	4/4	N/A	N/A	N/A	1/1	1/1
Independent non-executive Directors						
Mr. Yang Zhi Jie	4/4	2/2	1/1	4/4	1/1	1/1
Mr. Mo Shijian	4/4	2/2	1/1	4/4	1/1	1/1
Mr. Tan Zhuzhong	3/4	1/2	0/1	4/4	1/1	1/1

Due to other engagements, a non-executive Director could not attend the annual general meeting of the Company held on 21 June 2012 and the special general meeting of the Company held on 31 December 2012. However, at these general meetings of the Company, there were at least two executive Directors, two non-executive Directors and three independent non-executive Directors present to enable the Board to have a balanced understanding of the views of the shareholders of the Company.

Members of each of Audit Committee, Remuneration Committee as well as the Nomination Committee were available to answer questions at these shareholder's meetings since all three independent non-executive Directors, who are members of these committees, attended these shareholders meetings.

Financial Reporting

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

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

The statement of the external auditors of the Company regarding their responsibilities for the financial statements of the Group is set out in the independent auditors' report on page 49 of this annual report.

Corporate Governance Report

Internal Controls

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

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

The internal control manager of the internal audit department directly reports to the audit committee in respect of internal control matters of the Group. For daily administration purpose, the internal control manager reports to the Chief Executive Officer and Chief Financial Officer. The audit committee, in turn, communicates any material issues to the Board.

The effectiveness of the system of internal controls of the Group has been reviewed by the audit committee during its meetings.

During the year, the Board also conducted a review of the effectiveness of the internal control system of the Group. The Board considered the internal control system of the Group effective and adequate and complied with the code provisions of the CG Code.

Independent Auditors

The Company's independent auditor is Ernst & Young. For the year ended 31 December 2012, the remuneration payable by the Group to Ernst & Young is set out below:

Services provided by the auditors for the year ended 31 December 2012	
	HK$
Annual audit services	2,971,300
Taxation Services	18,500
Total	2,989,800

Communications with Shareholders and Investor Relations

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

To enhance transparency, the Company endeavours to maintain on-going dialogues with shareholders through a wide array of channels such as annual general meetings and other general meetings. Shareholders are encouraged to participate in these meetings.

The Company ensures compliance with the requirements about voting by poll contained in the Listing Rules and the Bye-laws. A representative of the share registrar of the Company is normally appointed as scrutineer of the votes cast by way of a poll. In relation to votes taken by way of a poll, results are subsequently published on the websites of Hong Kong Exchanges and Clearing Limited and the Company.

The Company is committed to providing clear and reliable information on the performance of the Group to shareholders through interim and annual reports. The website of the Company offers timely and updated information of the Group.

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

We have emphasized the importance of investor relations by establishing and developing a highly effective investor relations department (the "**Investor Relations Department**").

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

The Company organises activities relating to investor relations and emphasis on corporate responsibilities in order to ensure that our operating strategies, financial performance and development prospects are fully known to and understood by global investors.

The Company meets with the media and provides briefings to investment analysts from time to time particularly following the announcement of financial results. Management also participates in investor conferences, one-on-one meetings, forums, luncheons, conference calls and non-deal road shows which enable the Company and investors to better understand each other's concerns and expectations.

The Company maintains effective two-way communications with shareholders and potential investors whose feedback is valuable to the Company in enhancing corporate governance, management and competitiveness. Comments and suggestions are welcome and can be sent to the principal place of business of the Company for the attention of the Investor Relations Department or e-mailed to ir@citicdameng.com.

Report of the Directors

The Directors are pleased to present their report and the audited financial statements for the year ended 31 December 2012.

Principal Activities

The principal activity of the Company is investment holding. The principal activities of the Group are manganese mining, and ore processing in the PRC and Gabon and downstream processing operations in the PRC, details of which are set out in notes 1 and 5 to the financial statements. There were no significant changes in the nature of the Group's principal activities during the year.

Results and Dividends

The Group's loss for the year ended 31 December 2012 and the state of affairs of the Company and the Group at that date are set out in the financial statements on pages 50 to 110.

The Board do not recommend the payment of any dividend.

Subsidiaries, Associates and Jointly Controlled Entities

Details of the principal subsidiaries of the Group at 31 December 2012 are set out in note 5 to the consolidated financial statements.

Summary Financial Statements

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

Property, Plant and Equipment and Investment Properties

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

Share Capital

Details of movements in the Company's share capital during the year are set out in note 32 to the financial statements.

Pre-emptive Rights

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

Purchase, Redemption or Sale of Listed Securities of the Company

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

Reserves

Details of movements in the reserves of the Company and the Group during the year are set out in note 34 to the financial statements and in the consolidated statement of changes in equity, respectively.

Borrowings

Details of bank loans and short term notes of the Group as at 31 December 2012 are set out in note 28 and note 29 to the consolidated financial statements of this annual report respectively.

Management Contracts

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the year ended 31 December 2012.

Distributable Reserves

As at 31 December 2012, the Company's reserves available for distribution, showed an accumulated losses of HK$44,548,000. In addition, the Company's share premium account of HK$2,872,076,000 as at 31 December 2012 may be distributed in the form of fully paid bonus shares.

Charitable Donations

During the year, the Group made charitable and other donations totalling HK$910,000 (2011: HK$8,647,000).

Major Customers and Suppliers

During the year, sales to the Group's five largest customers accounted for 43% of the total sales for the year and sales to the largest customer included therein amounted to 15%. Purchases from the Group's five largest suppliers, amounted to 28% of the total purchases for the year and purchase from the largest supplier included therein amounted to 17%.

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

Directors

The Directors of the Company during the year ended 31 December 2012 and up to the date of this annual report are:

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 Jiqiu

Independent non-executive Directors:
Mr. Yang Zhi Jie
Mr. Mo Shijian
Mr. Tan Zhuzhong

Report of the Directors

In accordance with articles 84(1) and 84(2) of the Bye-laws, Mr. Yang Zhi Jie, Mr. Mo Shijian and Mr. Tan Zhuzhong will retire by rotation and, being eligible, offer themselves for re-election at the forthcoming annual general meeting.

Directors' and Senior Management's Biographies

Biographical details of the Directors of the Company and the senior management of the Company are set out on pages 28 to 30 of this annual report.

Directors' Service Contracts

None of the Directors has a service contract with the Company which is not determinable by the Company within one year without payment of compensation, other than statutory compensation.

Directors' Remuneration

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

Details of the remuneration of the Directors are set out in note 10 to the consolidated financial statements of this annual report.

Directors' Interests in Contracts

Mr. Zeng is the Vice Chairman and chief executive officer of CITIC Resources. Mr. Qiu Yiyong ("**Mr. Qiu**") and Mr. Tian Yuchuan ("**Mr. Tian**") are non-executive directors of CITIC Resources. CITIC Resources is a diversified energy and natural resources investment holding company and through its subsidiaries has interests in aluminium smelting, coal, import and export of commodities, and oil exploration, development and production. Further details of the nature, scope and size of the businesses of CITIC Resources as well as its management can be found in the latest annual report of CITIC Resources. In the event that there are transactions between CITIC Resources and the Company, Mr. Zeng, Mr. Qiu and Mr. Tian will abstain from voting.

Pursuant to the deed of non-compete undertaking entered into between CITIC Resources and the Company dated 3 November 2010, CITIC Resources has given a non-compete undertaking in favour of the Company pursuant to which CITIC Resources has undertaken with the Company that it will not, and will procure that its subsidiaries will not, subject to certain exceptions, either on its own account or in conjunction with or on behalf of any person, firm or company, directly or indirectly, be interested or engaged in or acquire or hold any right or interest (in each case whether as a shareholder, partner, agent or otherwise) in any business which competes or may compete with the relevant business.

Pursuant to the right of first refusal agreement dated 3 November 2010, Guangxi Dameng granted the right of first refusal to the Company to acquire all the equity interest it holds in Rainbow Minerals Pte. Limited which in turn holds certain manganese and iron mines in South Africa. Mr. Li and Mr. Chen Jiqiu ("**Mr. Chen**") are directors of Guangxi Dameng.

Save as disclosed herein, each of the Directors is not directly or indirectly interested in any business that constitutes or may constitute a competing business of the Company.

Save as disclosed herein and so far as is known to the Directors, as at 31 December 2012, none of the Directors or their respective associates was materially interested in any contract or arrangement which is significant in relation to the businesses of the Group taken as a whole.

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

As at 31 December 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 interests 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 for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") as set out in Appendix 10 to the Listing Rules, and which have been notified to the Company and the Stock Exchange are as follows:

Interests in the Shares and underlying Shares of the Company

Name of Director/ chief executive	Shares/equity derivatives	Capacity	Number of equity derivatives held	Approximate percentage of the issued share capital of the Company
Mr. Qiu Yiyong	Share options	Directly beneficially owned	15,000,000	0.50%
Mr. Li Weijian	Share options	Directly beneficially owned	15,000,000	0.50%
Mr. Tian Yuchuan	Share options	Directly beneficially owned	12,000,000	0.40%
Mr. Mi Zengxin	Share options	Directly beneficially owned	10,000,000	0.33%
Mr. Chen Jiqiu	Share options	Directly beneficially owned	9,000,000	0.30%
Mr. Yang Zhi Jie	Share options	Directly beneficially owned	1,000,000	0.03%
Mr. Mo Shijian	Share options	Directly beneficially owned	1,000,000	0.03%
Mr. Tan Zhuzhong	Share options	Directly beneficially owned	1,000,000	0.03%

Directors' Rights to Acquire Interests or Debentures

Save as disclosed in this annual report, at no time during the year ended 31 December 2012 was the Company or any of its subsidiaries or its holding company or any of the subsidiaries of the Company's holding company a party to any arrangement to enable the Directors or their associates (as defined in the Listing Rules) to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

Report of the Directors

Share Option Scheme

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

On 11 January 2011, the Company granted 103,000,000 share options to the Directors and certain employees of the Group under the Share Option Scheme, of which 64,000,000 share options were held by the Directors as of 31 December 2012. Further details of the grant are disclosed in note 33 to the financial statement.

The following table discloses movements in the Company's share options during the year:

	Number of share options						
Name and category of participant	**At 1 January 2012**	**Granted during the year**	**Exercised during the year[(1)]**	**At 31 December 2012**	**Date of grant**	**Exercise period[(2)]**	**Exercise price per share HK$**
Directors of the Company							
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			
Non-directors	39,000,000	–	–	39,000,000	11.1.2011	11.1.2012 to 10.1.2021	2.81
	103,000,000	–	–	103,000,000			

Notes:

(1) No share option was lapsed or cancelled during the year ended 31 December 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 is divided into three tranches, i.e. 25% after 10 January 2012, an additional 25% after 10 January 2013 and the remaining 50% after 10 January 2014.

Save as disclosed herein and in the section headed "Substantial Shareholders and Other Person's Interests and Short Position in Shares and Underlying Shares" below and so far as is known to the Directors, as at 31 December 2012:

(i) none of the Directors or chief executive of the Company had an interest or a short position in the shares, underlying shares or debentures of the Company or any of 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 interests 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 which are required, pursuant to the Model Code, to be notified to the Company and the Stock Exchange; and

(ii) none of the Directors was a director or employee of a company which had an interest or a short position in Shares or underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO.

Report of the Directors

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

As at 31 December 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 total 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 wholly 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 in this annual report, as at 31 December 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 and debentures" above), who had interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO.

Non-compete Undertaking by a Controlling Shareholder

The Company has received an annual confirmation from CITIC Resources, a controlling shareholder of the Company, in respect of its compliance with the Non-compete Undertaking for the year ended 31 December 2012.

The independent non-executive Directors have reviewed the said undertaking and are of the view that CITIC Resources has complied with the Non-compete Undertaking for the year ended 31 December 2012.

Continuing Connected Transactions

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

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

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

The Integrated Services Framework Agreement and Guangxi Dameng Framework Agreements expired on 31 December 2012. On 10 December 2012, CITIC Dameng Mining entered into the Renewed Integrated Services Framework Agreement, Renewed Guangxi Liuzhou Agreement and Renewed Nanning Battery Plant Agreement with Guangxi Dameng and Guangxi Dameng's subsidiaries for the three years ending 31 December 2015 (collectively, the "**Renewed Guangxi Dameng Agreements**"). Details of the Renewed Guangxi Dameng Agreements were disclosed in the announcement of the Company dated 10 December 2012.

On 28 October 2010, CITIC Dameng Mining entered into a framework outsourcing agreement with Guangxi Xishan pursuant to which Guangxi Xishan agreed to provide underground mining services and construction of underground for underground mining works to CITIC Dameng Mining while CITIC Dameng Mining agreed to provide fuels and water and electricity to Guangxi Xishan at Daxin Mine. Details of the framework outsourcing agreement were disclosed in the section headed "Connected Transactions" in the Prospectus.

On 11 November 2011, Hui Xing Company entered into the Second Master Construction and Outsourcing Agreement, 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.

Report of the Directors

The framework outsourcing agreement expired on 31 December 2012. On 10 December 2012, CITIC Dameng Mining and Hui Xing Company entered into the Renewed Master Construction and Outsourcing Agreement and the Renewed Second Master Construction and Outsourcing Agreement with Guangxi Xishan for the three years ending 31 December 2015 (collectively, the "**Renewed Guangxi Xishan Agreements**") respectively. Details of the Renewed Guangxi Xishan Agreements were disclosed in the circular of the Company dated 12 December 2012.

During the year, the provision of underground mining services and construction of infrastructure for underground mining works at Daxin Mine to us amounted to HK$40,112,973 and HK$49,178,045 respectively. The provision of water and electricity and sales of fuel by us amounted to HK$2,333,197 and HK$1,230,191 respectively.

During the year, the provision of underground mining services and construction of underground mining services at Changgou Manganese Mine to us amounted to HK$14,253,294 and HK$8,134,068 respectively and the provision of electricity, detonating cords and explosives by us amounted to HK$Nil.

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

On 31 December 2012, the Master Agreement expired and the Company entered into the Renewed Master Agreement with China CITIC Bank and CITIC Bank International Limited for the three years ending 31 December 2015. Details of the Renewed Master Agreement were disclosed in the announcement of the Company dated 31 December 2012.

Other than the transactions with Guangxi Xishan, the amounts of the above mentioned continuing connected transactions are disclosed in note 38 to the financial statements.

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

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

Sufficiency of Public Float

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

Auditors

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

ON BEHALF OF THE BOARD

Qiu Yiyong
Chairman

Hong Kong
20 February 2013

Independent Auditors' Report

ERNST & YOUNG
安永

To the shareholders of CITIC Dameng Holdings Limited

(Incorporated in Bermuda with limited liability)

We have audited the consolidated financial statements of CITIC Dameng Holdings Limited (the "Company") and its subsidiaries (together, the "Group") set out on pages 50 to 110, which comprise the consolidated and company statements of financial position as at 31 December 2012, and the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Directors' responsibility for the consolidated financial statements

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

Auditors' responsibility

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

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

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

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

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2012, and of the Group's loss and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

Ernst & Young
Certified Public Accountants
22/F CITIC Tower
1 Tim Mei Avenue
Central, Hong Kong

20 February 2013

Consolidated Statement of Comprehensive Income

Year ended 31 December 2012

	Notes	2012 HK$'000	2011 HK$'000
REVENUE	7	2,986,444	3,654,690
Cost of sales		(2,735,987)	(2,985,827)
Gross profit		250,457	668,863
Other income and gains	7	142,582	83,590
Gain on bargain purchase from the acquisition of subsidiaries	35	–	262,775
Selling and distribution costs		(88,515)	(90,424)
Administrative expenses		(470,811)	(306,730)
Share option expense	33	(37,818)	(61,987)
Other expenses		(95,629)	(51,213)
Finance costs	8	(144,660)	(127,823)
(LOSS)/PROFIT BEFORE TAX	9	(444,394)	377,051
Income tax expense	12	(54,436)	(30,751)
(LOSS)/PROFIT FOR THE YEAR		(498,830)	346,300
OTHER COMPREHENSIVE INCOME:			
Exchange differences on translation of foreign operations		25,885	150,528
		25,885	150,528
TOTAL COMPREHENSIVE (LOSS)/INCOME FOR THE YEAR		(472,945)	496,828
Total (loss)/profit attributable to:			
Owners of the parent	13	(396,880)	408,572
Non-controlling interests		(101,950)	(62,272)
		(498,830)	346,300
Total comprehensive (loss)/income attributable to:			
Owners of the parent		(373,059)	554,803
Non-controlling interests		(99,886)	(57,975)
		(472,945)	496,828
(LOSS)/EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	14		
Basic		(HK cents 13.12)	HK cents 13.51
Diluted		(HK cents 13.12)	HK cents 13.51

Details of the dividends proposed for the year 2011 are disclosed in note 15 to the financial statements.

Consolidated Statement of Financial Position

31 December 2012

	Notes	2012 HK$'000	2011 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment	16	3,467,428	2,958,709
Investment properties	17	84,193	85,116
Prepaid land lease payments	18	485,329	491,104
Intangible assets	19	866,384	878,732
Available-for-sale equity investment	20	4,619	4,582
Deferred tax assets	21	87,825	131,545
Deposits and prepayments	24	181,515	203,985
Total non-current assets		5,177,293	4,753,773
CURRENT ASSETS			
Inventories	22	802,876	810,509
Trade and notes receivables	23	823,053	948,573
Prepayments, deposits and other receivables	24	304,441	370,809
Due from related companies	38	4,329	16,701
Tax recoverable		2,960	–
Pledged deposits	25	210,286	97,932
Cash and cash equivalents	25	1,988,071	1,898,434
Total current assets		4,136,016	4,142,958
CURRENT LIABILITIES			
Trade payables	26	524,706	318,101
Other payables and accruals	27	678,785	564,839
Interest-bearing bank and other borrowings	28	1,809,706	1,791,153
Short-term notes	29	248,780	–
Due to related companies	38	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
NON-CURRENT LIABILITIES			
Interest-bearing bank and other borrowings	28	1,770,019	1,499,189
Deferred tax liabilities	21	210,060	211,220
Other long-term liabilities	30	7,544	3,954
Deferred income	31	133,963	110,099
Total non-current liabilities		2,121,586	1,824,462
Net assets		3,912,472	4,377,847

Consolidated Statement of Financial Position

31 December 2012

	Notes	2012 HK$'000	2011 HK$'000
EQUITY			
Equity attributable to owners of the parent			
Issued capital	32	302,480	302,480
Reserves	34	3,314,657	3,649,880
Proposed final dividend	15	–	30,248
		3,617,137	3,982,608
Non-controlling interests		295,335	395,239
Total equity		3,912,472	4,377,847

Qiu Yiyong
Director

Tian Yuchuan
Director

Consolidated Statement of Changes in Equity

Year ended 31 December 2012

		Attributable to owners of the parent										
	Notes	Issued capital HK$'000	Share premium HK$'000	Contributed surplus HK$'000	Share option reserve HK$'000	Reserve funds HK$'000	Exchange fluctuation reserve HK$'000	Proposed final dividend HK$'000	Retained profits HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total equity HK$'000
At 1 January 2011		302,480	2,856,583	(190,229)	–	104,127	108,627	–	150,367	3,331,955	70,044	3,401,999
Profit for the year		–	–	–	–	–	–	–	408,572	408,572	(62,272)	346,300
Other comprehensive income for the year:												
Exchange differences on translation of foreign operations		–	–	–	–	–	146,231	–	–	146,231	4,297	150,528
Total comprehensive income for the year		–	–	–	–	–	146,231	–	408,572	554,803	(57,975)	496,828
Acquisition of a subsidiary	35	–	–	–	–	–	–	–	–	–	305,196	305,196
Acquisition of non-controlling interests		–	–	18,370	–	–	–	–	–	18,370	(18,370)	–
Capital injection by a minority shareholder		–	–	–	–	–	–	–	–	–	96,344	96,344
Reversal of over-provided listing expenses	34(a)	–	15,493	–	–	–	–	–	–	15,493	–	15,493
Provision for special reserve	34(b)	–	–	–	–	10,043	–	–	(10,043)	–	–	–
Utilisation of special reserve	34(b)	–	–	–	–	(7,053)	–	–	7,053	–	–	–
Equity-settled share option arrangements	33	–	–	–	61,987	–	–	–	–	61,987	–	61,987
Transfer from retained profits	34(b)	–	–	–	–	27,517	–	–	(27,517)	–	–	–
Proposed final dividend for year 2011	15	–	–	–	–	–	–	30,248	(30,248)	–	–	–
At 31 December 2011 and 1 January 2012		302,480	2,872,076*	(171,859)*	61,987*	134,634*	254,858*	30,248	498,184*	3,982,608	395,239	4,377,847
Loss for the year		–	–	–	–	–	–	–	(396,880)	(396,880)	(101,950)	(498,830)
Other comprehensive income for the year:												
Exchange differences on translation of foreign operations		–	–	–	–	–	23,821	–	–	23,821	2,064	25,885
Total comprehensive income/(loss) for the year		–	–	–	–	–	23,821	–	(396,880)	(373,059)	(99,886)	(472,945)
Provision for special reserve	34(b)	–	–	–	–	34,747	–	–	(34,747)	–	–	–
Utilisation of special reserve	34(b)	–	–	–	–	(16,963)	–	–	16,963	–	–	–
Equity-settled share option arrangements	33	–	–	–	37,818	–	–	–	–	37,818	–	37,818
Change in controlling interests in a subsidiary without change of control		–	–	–	–	–	–	–	18	18	(18)	–
Final dividend for year 2011	15	–	–	–	–	–	–	(30,248)	–	(30,248)	–	(30,248)
At 31 December 2012		302,480	2,872,076*	(171,859)*	99,805*	152,418*	278,679*	–	83,538*	3,617,137	295,335	3,912,472

* Aggregate of these reserve accounts represent the consolidated reserves of HK$3,314,657,000 in the consolidated statement of financial position (2011: HK$3,649,880,000).

Consolidated Statement of Cash Flows

Year ended 31 December 2012

	Notes	2012 HK$'000	2011 HK$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
(Loss)/profit before tax		(444,394)	377,051
Adjustments for:			
Finance costs	8	144,660	127,823
Interest income	7	(45,254)	(28,680)
Dividend income	7	(600)	(2,646)
Gain on disposal of items of property, plant and equipment	7	(9,094)	(1,624)
Government grants	31	(12,966)	(6,799)
Depreciation	9	288,603	227,183
Fair value loss/(gains) on investment properties	9	1,595	(18,212)
Amortisation of prepaid land lease payments	9	11,976	8,979
Amortisation of intangible assets	9	19,975	16,911
Provision for rehabilitation	30	3,516	–
Write-down of inventories to net realisable value	9	36,808	39,360
Impairment of trade and other receivables, net	9	79,222	10,915
Impairment of items of property, plant and equipment	9	–	3,985
Gain on bargain purchase from the acquisition of subsidiaries	35	–	(262,775)
Transaction cost incurred for acquisition of a subsidiary		–	21,557
Reversal of over-provided listing expenses		–	(4,636)
Equity-settled share option expense	33	37,818	61,987
Write-off of payables	7	–	(19)
		111,865	570,360
Increase in inventories		(30,319)	(208,316)
Decrease/(increase) in trade and notes receivables		107,901	(103,052)
Increase in prepayments, deposits and other receivables		(5,802)	(98,357)
Decrease in amounts due from related companies		12,372	37,038
Increase/(decrease) in trade payables		206,605	(1,826)
Increase/(decrease) in other payables and accruals		34,536	(189,823)
Increase in amounts due to related companies		2,924	10,835
Cash generated from operations		440,082	16,859
PRC tax paid		(21,889)	(67,350)
Net cash flows from/(used in) operating activities		418,193	(50,491)

Consolidated Statement of Cash Flows

Year ended 31 December 2012

	Notes	2012 HK$'000	2011 HK$'000
Net cash flows from/(used in) operating activities		418,193	(50,491)
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest received		43,050	28,680
Receipt of government grants	31	35,670	62,990
Additions of items of property, plant and equipment		(648,405)	(811,349)
Decrease/(increase) in deposits for the purchase of property, plant and equipment		19,890	(25,314)
Proceeds from disposal of items of property, plant and equipment		28,626	27,401
Additions of investment properties	17	–	(772)
Additions of leasehold land	18	(2,459)	(2,677)
Additions of intangible assets	19	(829)	(638)
Acquisition of subsidiaries, net of cash acquired		–	(203,181)
Transaction cost incurred for the acquisition of a subsidiary		–	(21,557)
Addition of an entrusted loan	24	–	(123,390)
Deposit for rehabilitation		(6,788)	(36,704)
Dividend income	7	600	2,646
Net cash flows used in investing activities		(530,645)	(1,103,865)
CASH FLOWS FROM FINANCING ACTIVITIES			
Injection of capital by a minority shareholder		–	96,344
Pledged deposits placed		(112,354)	(26,389)
Proceeds from short-term notes	29	248,780	–
New bank and other borrowings		2,184,445	1,591,511
Repayment of bank and other borrowings		(1,925,057)	(1,117,542)
Interest paid		(178,550)	(132,683)
Dividend paid	15	(30,248)	–
Net cash flows from financing activities		187,016	411,241
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		74,564	(743,115)
Cash and cash equivalents at beginning of year		1,898,434	2,580,741
Effect of foreign exchange rate changes, net		15,073	60,808
CASH AND CASH EQUIVALENTS AT END OF YEAR		1,988,071	1,898,434
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances	25	1,988,071	1,898,434
Cash and cash equivalents at end of year		1,988,071	1,898,434

Statement of Financial Position

31 December 2012

	Notes	2012 HK$'000	2011 HK$'000
NON-CURRENT ASSET			
Investment in a subsidiary	5	–	–
CURRENT ASSETS			
Other receivables		720	1,472
Amounts due from subsidiaries	5	3,113,593	2,966,952
Cash and cash equivalents	25	121,607	316,775
		3,235,920	3,285,199
CURRENT LIABILITIES			
Other payables and accruals		6,107	2,826
		6,107	2,826
NET CURRENT ASSETS		3,229,813	3,282,373
Net assets		3,229,813	3,282,373
EQUITY			
Issued capital	32	302,480	302,480
Reserves	34	2,927,333	2,949,645
Proposed final dividend	15	–	30,248
TOTAL EQUITY		3,229,813	3,282,373

Qiu Yiyong
Director

Tian Yuchuan
Director

Notes to Financial Statements

31 December 2012

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 *First-time Adoption of Hong Kong Financial Reporting Standards – Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters*
HKFRS 7 Amendments	Amendments to HKFRS 7 *Financial Instruments: Disclosures – Transfers of Financial Assets*
HKAS 12 Amendment	Amendment to HKAS 12 *Income Taxes – Deferred Tax: Recovery of Underlying Assets*

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.

Notes to Financial Statements

31 December 2012

2.2 Changes in accounting policy and disclosures (continued)

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

Notes to Financial Statements

31 December 2012

2.3 Issued but not yet effective Hong Kong Financial Reporting Standards (continued)

Further information about those HKFRSs that are expected to be applicable to the Group is as follows:

The HKFRS 7 Amendments require an entity to disclose information about rights to set-off and related arrangements (e.g., collateral agreements). The disclosures would provide users with information that is useful in evaluating the effect of netting arrangements on an entity's financial position. The new disclosures are required for all recognised financial instruments that are set off in accordance with HKAS 32 *Financial Instruments: Presentation*. The disclosures also apply to recognised financial instruments that are subject to an enforceable master netting arrangement or similar agreement, irrespective of whether they are set off in accordance with HKAS 32. The Group expects to adopt the amendments from 1 January 2013.

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

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

HKAS 39 is aimed to be replaced by HKFRS 9 in its entirety. Before this entire replacement, the guidance in HKAS 39 on hedge accounting and impairment of financial assets continues to apply. The Group expects to adopt HKFRS 9 from 1 January 2015. The Group will quantify the effect in conjunction with other phases, when the final standard including all phases is issued.

HKFRS 10 establishes a single control model that applies to all entities including special purpose entities or structured entities. It includes a new definition of control which is used to determine which entities are consolidated. The changes introduced by HKFRS 10 require management of the Group to exercise significant judgement to determine which entities are controlled, compared with the requirements in HKAS 27 and HK(SIC)-Int 12 *Consolidation – Special Purpose Entities*. HKFRS 10 replaces the portion of HKAS 27 *Consolidated and Separate Financial Statements* that addresses the accounting for consolidated financial statements. It also addresses the issues raised in HK(SIC)-Int 12. Based on the preliminary analyses performed, HKFRS 10 is not expected to have any impact on the currently held investments of the Group.

HKFRS 11 replaces HKAS 31 *Interests in Joint Ventures* and HK(SIC)-Int 13 *Jointly Controlled Entities – Non-Monetary Contributions by Venturers*. It describes the accounting for joint arrangements with joint control. It addresses only two forms of joint arrangements, i.e., joint operations and joint ventures, and removes the option to account for joint ventures using proportionate consolidation. The adoption of this new standard is unlikely to have any material financial impact on the Group.

HKFRS 12 includes the disclosure requirements for subsidiaries, joint arrangements, associates and structured entities previously included in HKAS 27 *Consolidated and Separate Financial Statements*, HKAS 31 *Interests in Joint Ventures* and HKAS 28 *Investments in Associates*. It also introduces a number of new disclosure requirements for these entities.

In July 2012, the HKICPA issued amendments to HKFRS 10, HKFRS 11 and HKFRS 12 which clarify the transition guidance in HKFRS 10 and provide further relief from retrospective application of these standards, limiting the requirement to provide adjusted comparative information to only the preceding comparative period. The amendments clarify that retrospective adjustments are only required if the consolidation conclusion as to which entities are controlled by the Group is different between HKFRS 10 and HKAS 27 or HK(SIC) – Int 12 at the beginning of the annual period in which HKFRS 10 is applied for the first time. Furthermore, for disclosures related to unconsolidated structured entities, the amendments will remove the requirement to present comparative information for periods before HKFRS 12 is first applied.

Notes to Financial Statements

31 December 2012

2.3 Issued but not yet effective Hong Kong Financial Reporting Standards (continued)

The amendments to HKFRS 10 issued in December 2012 include a definition of an investment entity and provide an exception to the consolidation requirement for entities that meet the definition of an investment entity. Investment entities are required to account for subsidiaries at fair value through profit or loss in accordance with HKFRS 9 rather than consolidate them. Consequential amendments were made to HKFRS 12 and HKAS 27 (2011). The amendments to HKFRS 12 also set out the disclosure requirements for investment entities. The Group expects that these amendments will not have any impact on the Group as the Company is not an investment entity as defined in HKFRS 10.

Consequential amendments were made to HKAS 27 and HKAS 28 as a result of the issuance of HKFRS 10, HKFRS 11 and HKFRS 12. The Group expects to adopt HKFRS 10, HKFRS 11, HKFRS 12, HKAS 27 (2011), HKAS 28 (2011), and the subsequent amendments to these standards issued in July and December 2012 from 1 January 2013.

HKFRS 13 provides a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across HKFRSs. The standard does not change the circumstances in which the Group is required to use fair value, but provides guidance on how fair value should be applied where its use is already required or permitted under other HKFRSs. The Group expects to adopt HKFRS 13 prospectively from 1 January 2013.

HKAS 1 Amendments change the grouping of items presented in OCI. Items that could be reclassified (or recycled) to profit or loss at a future point in time (for example, upon derecognition or settlement) would be presented separately from items which will never be reclassified. The Group expects to adopt the amendments from 1 January 2013.

HKAS 19 (2011) includes a number of amendments that range from fundamental changes to simple clarifications and re-wording. The revised standard introduces significant changes in the accounting for defined benefit pension plans including removing the choice to defer the recognition of actuarial gains and losses. Other changes include modifications to the timing of recognition for termination benefits, the classification of short-term employee benefits and disclosures of defined benefit plans. The Group expects to adopt HKAS 19 (2011) from 1 January 2013.

HKAS 32 Amendments clarify the meaning of "currently has a legally enforceable right to setoff" for offsetting financial assets and financial liabilities. The amendments also clarify the application of the offsetting criteria in HKAS 32 to settlement systems (such as central clearing house systems) which apply gross settlement mechanisms that are not simultaneous. The amendments are not expected to have any impact on the financial position or performance of the Group upon adoption on 1 January 2014.

HK(IFRIC)-Int 20 addresses the recognition of waste removal costs that are incurred in surface mining activity during the production phase of a mine as an asset, as well as the initial measurement and subsequent measurement of the stripping activity asset. To the extent that the benefit from the stripping activity is realised in the form of inventory produced, the costs incurred are accounted for in accordance with HKAS 2 *Inventories*. To the extent that the benefit is improved access to ore and when criteria set out in the interpretation are met, the waste removal costs are recognised as a stripping activity asset under non-current assets. The Group expects to adopt the interpretation from 1 January 2013. The adoption of the interpretation is unlikely to have any material financial impact on the Group.

The *Annual Improvements to HKFRSs 2009-2011* Cycle issued in June 2012 sets out amendments to a number of HKFRSs. The Group expects to adopt the amendments from 1 January 2013. There are separate transitional provisions for each standard. While the adoption of some of the amendments may result in changes in accounting policies, none of these amendments are expected to have a significant financial impact on the Group. Those amendments that are expected to have a significant impact on the Group's policies are as follows:

- HKAS 1 *Presentation of Financial Statements*: Clarifies the difference between voluntary additional comparative information and the minimum required comparative information. Generally, the minimum required comparative period is the previous period. An entity must include comparative information in the related notes to the financial statements when it voluntarily provides comparative information beyond the previous period. The additional comparative information does not need to contain a complete set of financial statements.

  In addition, the amendment clarifies that the opening statement of financial position as at the beginning of the preceding period must be presented when an entity changes its accounting policies; make retrospective restatements or makes reclassifications, and that change has a material effect on the statement of financial position. However, the related notes to the opening statement of financial position as at the beginning of the preceding period are not required to be presented.

- HKAS 32 *Financial Instruments – Presentation*: Clarifies that income taxes arising from distributions to equity holders are accounted for in accordance with HKAS 12 *Income Taxes*. The amendment removes existing income tax requirements from HKAS 32 and requires entities to apply the requirements in HKAS 12 to any income tax arising from distributions to equity holders.

Notes to Financial Statements

31 December 2012

3. Summary of significant accounting policies

Subsidiaries

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

The results of subsidiaries are included in the Company's profit or loss to the extent of dividends received and receivable. The Company's investments in subsidiaries that are not classified as held for sale in accordance with HKFRS 5 are stated at cost less any impairment losses.

Business combinations and goodwill

Business combinations are accounted for using the acquisition method. The consideration transferred is measured at the acquisition date fair value which is the sum of the acquisition date fair values of assets transferred by the Group, liabilities assumed by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree that are present ownership interests and entitle their holders to a proportionate share of net assets in the event of liquidation at fair value or at the proportionate share of the acquiree's identifiable net assets. All other components of non-controlling interests are measured at fair value. Acquisition-related costs are expensed as incurred.

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

If the business combination is achieved in stages, the previously held equity interest is remeasured at its acquisition date fair value and any resulting gain or loss is recognised in profit or loss.

Any contingent consideration to be transferred by the acquirer is recognised at fair value at the acquisition date. Contingent consideration classified as an asset or liability that is a financial instrument and within the scope of HKAS 39 is measured at fair value with changes in fair value either recognised in profit or loss or as a change to other comprehensive income. If the contingent consideration is not within the scope of HKAS 39, it is measured in accordance with the appropriate HKFRS. Contingent consideration that is classified as equity is not remeasured and subsequent settlement is accounted for within equity.

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

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

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

Where goodwill has been allocated to a cash-generating unit (or group of cash-generating units) and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on the disposal. Goodwill disposed of in these circumstances is measured based on the relative value of the disposed operation and the portion of the cash-generating unit retained.

Notes to Financial Statements

31 December 2012

3. Summary of significant accounting policies (continued)

Impairment of non-financial assets

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

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

An assessment is made at the end of each reporting period as to whether there is an indication that previously recognised impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognised impairment loss of an asset other than goodwill is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, but not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortisation) had no impairment loss been recognised for the asset in prior years. A reversal of such an impairment loss is credited to profit or loss in the period in which it arises (only if there are revalued assets in the financial statements), unless the asset is carried at a revalued amount, in which case the reversal of the impairment loss is accounted for in accordance with the relevant accounting policy for that revalued asset.

Related parties

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

(a) the party is a person or a close member of that person's family and that person

- (i) has control or joint control over the Group;
- (ii) has significant influence over the Group; or
- (iii) is a member of the key management personnel of the Group or of a parent of the Group;

or

(b) the party is an entity where any of the following conditions applies:

- (i) the entity and the Group are members of the same group;
- (ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);
- (iii) the entity and the Group are joint ventures of the same third party;
- (iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;
- (v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group;
- (vi) the entity is controlled or jointly controlled by a person identified in (a); and
- (vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

Notes to Financial Statements

31 December 2012

3. Summary of significant accounting policies (continued)

Property, plant and equipment and depreciation

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

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

Depreciation is calculated on the straight-line basis to write off the cost of each item of property, plant and equipment to its residual value over its estimated useful life. The principal annual rates used for this purpose are as follows:

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

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

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

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

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

Investment properties

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

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

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

Mining rights

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

Notes to Financial Statements

31 December 2012

3. Summary of significant accounting policies (continued)

Intangible assets (other than goodwill)

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

Computer software

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

Research and development costs

All research costs are charged to profit or loss as incurred.

Operating leases

Leases where substantially all the rewards and risks of ownership of assets remain with the lessor are accounted for as operating leases. Where the Group is the lessor, assets leased by the Group under operating leases are included in non-current assets, and rentals receivable under the operating leases are credited to profit or loss on the straight-line basis over the lease terms. Where the Group is the lessee, rentals payable under operating leases net of any incentives received from the lessor are charged to profit or loss on the straight-line basis over the lease terms.

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

Investments and other financial assets

Initial recognition and measurement

Financial assets within the scope of HKAS 39 are classified as loans and receivables and available-for-sale financial investments. The Group determines the classification of its financial assets at initial recognition. When financial assets are recognised initially, they are measured at fair value plus transaction costs, except in the case of financial assets recorded at fair value through profit or loss.

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

Subsequent measurement

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

Loans and receivables

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

Notes to Financial Statements

31 December 2012

3. Summary of significant accounting policies (continued)

Investments and other financial assets (continued)

Subsequent measurement (continued)

Available-for-sale financial investments

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

After initial recognition, available-for-sale financial investments are subsequently measured at fair value, with unrealised gains or losses recognised as other comprehensive income in the available-for-sale investment revaluation reserve until the investment is derecognised, at which time the cumulative gain or loss is recognised in the statement of comprehensive income in other income, or until the investment is determined to be impaired, when the cumulative gain or loss is reclassified from the available-for-sale investment revaluation reserve to the statement of comprehensive income in other expenses. Interest and dividends earned whilst holding the available-for-sale financial investments are reported as interest income and dividend income, respectively and are recognised in the statement of comprehensive income as other income in accordance with the policies set out for "Revenue recognition" below.

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

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

For a financial asset reclassified from the available-for-sale category, the fair value carrying amount at the date of reclassification becomes its new amortised cost and any previous gain or loss on that asset that has been recognised in equity is amortised to profit or loss over the remaining life of the investment using the effective interest rate. Any difference between the new amortised cost and the maturity amount is also amortised over the remaining life of the asset using the effective interest rate. If the asset is subsequently determined to be impaired, then the amount recorded in equity is reclassified to profit or loss.

Notes to Financial Statements

31 December 2012

3. Summary of significant accounting policies (continued)

Derecognition of financial assets

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

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

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

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

Impairment of financial assets

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

Financial assets carried at amortised cost

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

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

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

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

Notes to Financial Statements

31 December 2012

3. Summary of significant accounting policies (continued)

Impairment of financial assets (continued)

Available-for-sale financial investments

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

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

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

Financial liabilities

Initial recognition and measurement

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

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

Subsequent measurement

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

Loans and borrowings

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost, using the effective interest rate method unless the effect of discounting would be immaterial, in which case they are stated at cost. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the effective interest rate amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in finance costs in the statement of comprehensive income.

Derecognition of financial liabilities

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

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

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if, there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

Notes to Financial Statements

31 December 2012

3. Summary of significant accounting policies (continued)

Inventories

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

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

Cash and cash equivalents

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

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

Provisions

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

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

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

Notes to Financial Statements

31 December 2012

3. Summary of significant accounting policies (continued)

Income tax

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

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

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

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

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

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

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

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

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

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

3. Summary of significant accounting policies (continued)

Government grants

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

Revenue recognition

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

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

(b) rental income, on a time proportion basis over the lease terms;

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

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

Share-based payments

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. Employees (including directors) of the Group receive remuneration in the form of share-based payments, whereby employees render services as consideration for equity instruments ("equity-settled transactions").

The cost of equity-settled transactions with employees for grants after 7 November 2002 is measured by reference to the fair value at the date at which they are granted. The fair value is determined by an external valuer using a binomial model, further details of which are given in note 33 to the financial statements.

The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled. The cumulative expense recognised for equity-settled transactions at the end of each reporting period until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The charge or credit to profit or loss for a period represents the movement in the cumulative expense recognised as at the beginning and end of that period.

No expense is recognised for awards that do not ultimately vest, except for equity-settled transactions where vesting is conditional upon a market or non-vesting condition, which are treated as vesting irrespective of whether or not the market or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied.

Where the terms of an equity-settled award are modified, as a minimum an expense is recognised as if the terms had not been modified, if the original terms of the award are met. In addition, an expense is recognised for any modification that increases the total fair value of the share-based payments, or is otherwise beneficial to the employee as measured at the date of modification.

Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. This includes any award where non-vesting conditions within the control of either the Group or the employee are not met. However, if a new award is substituted for the cancelled award, and is designated as a replacement award on the date that it is granted, the cancelled and new awards are treated as if they were a modification of the original award, as described in the previous paragraph.

Notes to Financial Statements

31 December 2012

3. Summary of significant accounting policies (continued)

Employee benefits

Pension scheme

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

Borrowing costs

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

Dividends

Final dividends proposed by the directors are classified as a separate allocation of retained profits within the equity section of the statement of financial position, until they have been approved by the shareholders in a general meeting. When these dividends have been approved by the shareholders and declared, they are recognised as a liability.

Foreign currencies

These financial statements are presented in Hong Kong dollars, which is the Company's functional and presentation currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Foreign currency transactions recorded by the entities in the Group are initially recorded using their respective functional currency rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency rates of exchange ruling at the end of the reporting period. Differences arising on settlement or translation of monetary items are recognised in profit or loss.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. The gain or loss arising on translation of a non-monetary item measured at fair value is treated in line with the recognition of the gain or loss on change in fair value of the item (i.e., translation difference on the item whose fair value gain or loss is recognised in other comprehensive income or profit or loss is also recognised in other comprehensive income or profit or loss, respectively).

The functional currencies of certain overseas subsidiaries are currencies other than the Hong Kong dollar. As at the end of the reporting period, the assets and liabilities of these entities are translated into the presentation currency of the Company at the exchange rates prevailing at the end of the reporting period and their statements of comprehensive income are translated into Hong Kong dollars at the weighted average exchange rates for the year.

The resulting exchange differences are recognised in other comprehensive income and accumulated in the exchange fluctuation reserve. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in profit or loss.

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

4. Significant accounting judgements and estimates

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

Judgements

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

Operating lease commitments – Group as lessor

The Group has entered into commercial property leases on its investment property portfolio. The Group has determined, based on an evaluation of the terms and conditions of the arrangements, that it retains all the significant risks and rewards of ownership of these properties which are leased out on operating leases.

Tax

Determining income tax provisions requires the Group to make judgements on the future tax treatment of certain transactions. The Group carefully evaluates tax implications of transactions in accordance with prevailing tax regulations and makes tax provisions accordingly.

In addition, deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences can be utilised. This requires significant judgement on the tax treatments of certain transactions and also assessment on the probability that adequate future taxable profits will be available for the deferred tax assets to be recovered.

Deferred income tax liabilities have not been established for income tax and withholding tax that would be payable on certain profits of the subsidiaries in Mainland China to be repatriated and distributed by way of dividends as the directors consider that the timing of the reversal of the related temporary differences can be controlled and such temporary differences will not be reversed in the foreseeable future. If those undistributed earnings of the subsidiaries in Mainland China are considered to be repatriated and distributed by way of dividends, the deferred income tax charge and deferred income tax liability would have been increased by the same amount of approximately HK$21,014,000 for the year ended 31 December 2012.

Estimation uncertainty

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

Estimation of fair value of investment properties

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

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

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

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

The principal assumptions for the Group's estimation of the fair value include those related to current market rents for similar properties in the same location and condition, appropriate discount rates, expected future market rents and future maintenance costs. The carrying amount of investment properties at 31 December 2012 was HK$84,193,000 (2011: HK$85,116,000).

Notes to Financial Statements

31 December 2012

4. Significant accounting judgements and estimates (continued)

Estimation uncertainty (continued)

Mineral reserves

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

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

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

Provision for rehabilitation

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

Useful lives and impairment of property, plant and equipment

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

Impairment of trade and other receivables

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

Provision for obsolete inventories

Management reviews the ageing analysis of inventories of the Group at the end of each reporting period, and makes a provision for obsolete and slow-moving inventory items. Management estimates the net realisable value for such inventories based primarily on the market price as at the year end date and current market conditions. As at 31 December 2012, the carrying amount of inventories was approximately HK$802,876,000 (2011: HK$810,509,000) after netting off the allowance for inventories of approximately HK$131,816,000 (2011: HK$109,727,000).

Notes to Financial Statements

31 December 2012

4. Significant accounting judgements and estimates (continued)

Estimation uncertainty (continued)

Impairment of non-financial assets

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

5. Investment in a subsidiary

Investment in a subsidiary represents the Company's investment in CITIC Dameng Investments Limited ("CITIC Dameng Investments") and is stated at cost of US$1 (equivalent to HK$8) as at 31 December 2012 (2011: HK$8).

The amounts due from subsidiaries of HK$3,113,593,000 (2011: HK$2,966,952,000), included in the Company's current assets, are unsecured, interest-free and have no fixed terms of repayment.

Particulars of the principal subsidiaries are set out below:

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

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5. Investment in a subsidiary (continued)

Name of company	Place and date of incorporation/ establishment	Nominal value of issued ordinary share/ registered capital	Percentage of equity interests attributable to the Company		Principal activities
			Direct	Indirect	
CITIC Dameng (Chongzuo) New Materials Co., Ltd. ("Chongzuo New Materials") (中信大錳（崇左）新材料有限公司)^	PRC/Mainland China 21 May 2008	RMB20,000,000	–	100.00	Processing and sale of manganese related products
CITIC Dameng Beibuwan (Guangxi) New Materials Co., Ltd ("Beibuwan New Materials") (中信大錳北部灣（廣西）新材料有限公司)^	PRC/Mainland China 30 July 2008	RMB20,000,000	–	100.00	Processing and sale of manganese related products
CITIC Dameng Tiandong New Materials Co., Ltd ("Tiandong New Materials") (中信大錳田東新材料有限公司)^	PRC/Mainland China 15 April 2008	RMB20,000,000	–	100.00	Processing and sale of manganese related products
Huazhou Mining Investment Limited ("Huazhou BVI")(華州礦業投資有限公司)	BVI 6 July 2007	US$5,820,000	–	60.00	Investment holding
Companie Industrielle et Commerciale des Mines de Huazhou (Gabon) ("CICMHZ")	Gabon 24 August 2005	XAF10 million	–	51.00	Mining and sale of manganese
Guizhou Zunyi Hui Xing Ferroalloy Co., Ltd. ("Hui Xing Company") (貴州遵義匯興鐵合金有限公司)^	PRC/Mainland China 20 December 2007	RMB500,000,000	–	64.00	Mining, processing and sale of manganese related products
Zunyi CITIC Dameng Equipment Manufacture and Installation Co., Ltd ("Zunyi Manufacture") (遵義中信大錳設備製造安裝有限公司)^	PRC/Mainland China 7 September 2011	RMB5,000,000	–	64.00	Manufacture and sale of equipment
Guizhou Zunyi Longmai Real Estate Co., Ltd ("Longmai Real Estate") (貴州遵義龍麥置業有限責任公司)^	PRC/Mainland China 20 October 2011	RMB50,000,000	–	64.00	Property development, investment and management
Guangxi Sanmenglong Mining Industries Co, Ltd. ("Sanmenglong") (廣西三錳龍礦業有限公司)^	PRC/Mainland China 7 October 2004	RMB11,800,000	–	100.00	Mining, processing and sale of manganese related products
Wuminlingshui Mining Industries Co, Ltd. ("Wuminglingshui") (武鳴靈水礦業有限責任公司)^	PRC/Mainland China 16 April 2012	RMB5,000,000	–	100.00	Mining, processing and sale of manganese related products

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5. Investment in a subsidiary (continued)

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

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

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

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

In 2011, the Group acquired Hui Xing Company and Sanmenglong. Further details of these acquisitions are included in note 35 to the financial statements.

6. 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.

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6. Operating segment information (continued)

	Manganese mining and ore processing PRC HK$'000	Manganese mining and ore processing Gabon HK$'000	Manganese downstream processing PRC HK$'000	Non-manganese processing PRC HK$'000	Others PRC HK$'000	Total HK$'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
	308,204	43,434	2,336,085	164,742	363,615	3,216,080
Reconciliation:						
Elimination of intersegment sales						(132,308)
Revenue from operations						3,083,772
Segment results	(17,199)	(39,838)	(93,342)	(8,148)	(28,838)	(187,365)
Reconciliation:						
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						(498,830)
Assets and liabilities						
Segment assets	1,463,951	913,927	4,620,077	271,473	78,070	7,347,498
Reconciliation:						
Corporate and other unallocated assets						1,965,811
Total assets						9,313,309
Segment liabilities	288,291	824,093	1,251,247	94,546	3,987	2,462,164
Reconciliation:						
Corporate and other unallocated liabilities						2,938,673
Total liabilities						5,400,837
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						320,554
Capital expenditure*	80,042	55,308	604,525	7,741	24,004	771,620
Unallocated capital expenditure						15,308
Total capital expenditure						786,928
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						9,094
Impairment losses recognised in profit or loss	8,194	–	35,064	8,592	64,180	116,030
Fair value losses on investment properties	–	–	–	–	1,595	1,595

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6. Operating segment information (continued)

	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
	341,178	379	2,874,287	191,637	426,932	3,834,413
Reconciliation:						
Elimination of intersegment sales						(124,813)
Revenue from operations						3,709,600
Segment results	97,826	(72,265)	352,811	(13,985)	1,034	365,421
Reconciliation:						
Interest income						28,680
Gain on bargain purchase						262,775
Corporate and other unallocated expenses						(152,002)
Finance costs						(127,823)
Profit before tax						377,051
Income tax expense						(30,751)
Profit for the year						346,300
Assets and liabilities						
Segment assets	653,110	631,818	4,722,400	150,861	603,831	6,762,020
Reconciliation:						
Corporate and other unallocated assets						2,134,711
Total assets						8,896,731
Segment liabilities	62,440	550,556	837,223	12,205	76,352	1,538,776
Reconciliation:						
Corporate and other unallocated liabilities						2,980,108
Total liabilities						4,518,884
Other segment information:						
Depreciation and amortisation	31,788	18,390	156,396	6,887	35,294	248,755
Unallocated depreciation and amortisation						4,318
Total depreciation and amortisation						253,073
Capital expenditure*	51,367	162,980	495,599	18,633	60,256	788,835
Unallocated capital expenditure						22,406
Total capital expenditure						811,241
Gain/(loss) on disposal of items of property, plant and equipment	(1,058)	–	2,682	–	–	1,624
Impairment losses recognised in profit or loss	8,166	773	19,009	9,179	17,133	54,260
Fair value gains on investment properties	–	–	–	–	18,212	18,212

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

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6. Operating segment information (continued)

Geographical information

(a) Revenue from external customers

	2012 HK$'000	2011 HK$'000
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
	2,986,444	3,654,690

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

(b) Non-current assets

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

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).

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7. Revenue, other income and gains

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

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

	Note	2012 HK$'000	2011 HK$'000
Revenue			
Sale of goods		2,986,444	3,654,690
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	17	–	18,212
Others		5,943	680
		142,582	83,590

8. Finance costs

An analysis of finance costs is as follows:

	2012 HK$'000	2011 HK$'000
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	(34,158)	(5,053)
	144,660	127,823

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9. (Loss)/profit before tax

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

	Notes	2012 HK$'000	2011 HK$'000
Cost of inventories sold		2,699,179	2,532,307
Depreciation	16	288,603	227,183
Amortisation of prepaid land lease payments	18	11,976	8,979
Amortisation of intangible assets	19	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 (note 10)):			
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
		407,000	349,066
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*	16	–	3,985
Changes in fair value of investment properties	17	1,595	(18,212)
Gain on bargain purchase from the acquisition of subsidiaries^	35	–	(262,775)

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

* Included in "Other expenses or (Other income) (note 7)" 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.

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10. Directors' and chief executive's remuneration

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

	2012 HK$'000	2011 HK$'000
Fees	2,340	1,801
Other emoluments		
Salaries, allowances and benefits in kind	4,407	3,871
Performance related bonuses	2,521	3,558
Equity-settled share option expenses	23,941	40,657
Pension scheme contributions	138	177
	31,007	48,263
	33,347	50,064

(a) Independent non-executive directors

The remuneration of each of the independent non-executive directors during the year were as follows:

	Fees HK$'000	Equity-settled share option expenses HK$'000	Total HK$'000
2012			
Mr. Yang Zhi Jie	260	374	634
Mr. Mo Shijian	260	374	634
Mr. Tan Zhuzhong	260	374	634
	780	1,122	1,902
2011			
Mr. Yang Zhi Jie	200	617	817
Mr. Mo Shijian	200	617	817
Mr. Tan Zhuzhong	200	617	817
	600	1,851	2,451

There were no other emoluments payable to the independent non-executive directors during the year (2011: Nil).

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10. Directors' and chief executive's remuneration (continued)

(b) Executive directors, non-executive directors and the chief executive

	Fees HK$'000	Salaries, allowances and benefits in kind HK$'000	Performance related bonuses HK$'000	Equity-settled share option expenses HK$'000	Pension scheme contributions HK$'000	Total remuneration HK$'000
2012						
Executive directors:						
Mr. Qiu Yiyong	260	–	–	5,611	–	5,871
Mr. Li Weijian	260	794	1,254	5,611	62	7,981
	520	794	1,254	11,222	62	13,852
Non-executive directors:						
Mr. Mi Zengxin	260	–	–	3,741	–	4,001
Mr. Zeng Chen	260	–	–	–	–	260
Mr. Chen Jiqiu	260	553	787	3,367	62	5,029
	780	553	787	7,108	62	9,290
Chief executive and executive director:						
Mr. Tian Yuchuan	260	3,060	480	4,489	14	8,303
	1,560	4,407	2,521	22,819	138	31,445
2011						
Executive directors:						
Mr. Qiu Yiyong	200	–	–	9,248	–	9,448
Mr. Li Weijian	200	886	1,574	9,248	83	11,991
	400	886	1,574	18,496	83	21,439
Non-executive directors:						
Mr. Mi Zengxin	200	–	–	6,166	–	6,366
Mr. Yin Ke	131	–	–	1,196	–	1,327
Mr. Zeng Chen	70	–	–	–	–	70
Mr. Chen Jiqiu	200	645	984	5,549	82	7,460
	601	645	984	12,911	82	15,223
Chief executive and executive director:						
Mr. Tian Yuchuan	200	2,340	1,000	7,399	12	10,951
	1,201	3,871	3,558	38,806	177	47,613

There was no arrangement under which a director or the chief executive waived or agreed to waive any remuneration during the year.

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11. Five highest paid employees

The five highest paid employees for the year ended 31 December 2012 are four directors including the chief executive of the Company (2011: four directors including the chief executive), details of whose remuneration are set out in note 10 above. Details of the remuneration for the year of the remaining one (2011: one) highest paid employee who is neither a director nor chief executive of the Company, is as follows:

Group

	2012 HK$'000	2011 HK$'000
Salaries, allowances and benefits in kind	551	616
Performance related bonuses	787	1,107
Equity-settled share option expenses	3,189	5,169
Pension scheme contributions	62	83
	4,589	6,975

The remuneration of the non-director and non-chief executive highest paid employee fell within the band of HK$4,500,001 to HK$5,000,000 for the year ended 31 December 2012 (2011: HK$6,500,001 to HK$7,000,000).

12. Income tax

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

	Note	2012 HK$'000	2011 HK$'000
Group:			
Current – PRC			
Charge for the year		12,952	62,337
Deferred	21	41,484	(31,586)
Total tax charge for the year		54,436	30,751

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.

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12. Income tax (continued)

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 HK$'000	2011 HK$'000
(Loss)/profit before tax	(444,394)	377,051
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	58,598	–
Tax charge reported in the consolidated statement of comprehensive income	54,436	30,751
The Group's effective income tax rate	(12.2%)	8.2%

13. (Loss)/profit attributable to owners of the parent

The consolidated (loss)/profit attributable to owners of the parent for the year ended 31 December 2012 includes a loss of HK$60,130,000 (2011: profit of HK$42,015,000) which has been dealt with in the financial statements of the Company (note 34).

14. (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 HK$'000	2011 HK$'000
(Loss)/earnings		
(Loss)/profit attributable to ordinary equity holders of the parent, used in the basic (loss)/earnings per share calculation	(396,880)	408,572

	Number of shares	
Shares		
Weighted average number of ordinary shares in issue during the year used in the basic (loss)/earnings per share calculation	3,024,795,000	3,024,795,000

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15. 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.

16. Property, plant and equipment

Group

	Notes	Buildings and mining structures HK$'000	Motor vehicles, plant, machinery, tools and equipment HK$'000	Furniture and fixtures HK$'000	Leasehold improvements HK$'000	Construction in progress HK$'000	Total HK$'000
Cost:							
At 1 January 2012		1,354,814	1,191,936	55,895	16,825	997,441	3,616,911
Additions		1,808	161,105	4,097	437	616,193	783,640
Disposals		(3,662)	(56,750)	(470)	–	–	(60,882)
Transfers		208,949	127,550	456	–	(336,955)	–
Exchange realignment		12,868	15,944	1,953	133	11,415	42,313
At 31 December 2012		1,574,777	1,439,785	61,931	17,395	1,288,094	4,381,982
Accumulated depreciation and impairment:							
At 1 January 2012		246,431	374,990	22,249	14,532	–	658,202
Charge for the year	9	95,225	184,359	7,671	1,348	–	288,603
Disposals		(1,233)	(39,771)	(346)	–	–	(41,350)
Exchange realignment		3,097	4,698	1,178	126	–	9,099
At 31 December 2012		343,520	524,276	30,752	16,006	–	914,554
Net book value:							
At 31 December 2012		1,231,257	915,509	31,179	1,389	1,288,094	3,467,428
Cost:							
At 1 January 2011		1,018,242	939,760	44,633	15,969	499,870	2,518,474
Additions		–	115,007	5,568	129	686,450	807,154
Acquisition of subsidiaries		112,715	114,462	4,975	–	6,415	238,567
Disposals		(10,276)	(70,552)	(545)	–	–	(81,373)
Transfers		182,506	45,964	608	–	(229,078)	–
Exchange realignment		51,627	47,295	656	727	33,784	134,089
At 31 December 2011		1,354,814	1,191,936	55,895	16,825	997,441	3,616,911
Accumulated depreciation and impairment:							
At 1 January 2011		126,559	217,102	16,943	12,632	–	373,236
Charge for the year	9	68,141	154,263	3,515	1,264	–	227,183
Acquisition of subsidiaries		46,102	36,607	1,564	–	–	84,273
Impairment	9	–	3,985	–	–	–	3,985
Disposals		(3,107)	(52,324)	(165)	–	–	(55,596)
Exchange realignment		8,736	15,357	392	636	–	25,121
At 31 December 2011		246,431	374,990	22,249	14,532	–	658,202
Net book value:							
At 31 December 2011		1,108,383	816,946	33,646	2,293	997,441	2,958,709

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16. Property, plant and equipment (continued)

Certain of the Group's interest-bearing bank and other borrowings were secured by certain of the Group's buildings and machinery, which had an aggregate net carrying amount of approximately HK$143,742,000 as at 31 December 2012 (2011: HK$239,514,000) (note 28 (a)).

At 31 December 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$213,401,000 (2011: HK$141,932,000) and the Group also had buildings and construction in progress with an aggregate net carrying amount of approximately HK$82,747,000 (2011: HK$66,644,000) situated on certain land parcels of which the Group was in the process of applying for the land use rights certificates. The directors are of the opinion that the aforesaid matter will not have any significant impact on the Group's financial position as at 31 December 2012.

17. Investment properties

Group

	Notes	2012 HK$'000	2011 HK$'000
Carrying amount at beginning of year		85,116	62,612
Additions		–	772
Net (loss)/gain from a fair value adjustment	7, 9	(1,595)	18,212
Exchange realignment		672	3,520
Carrying amount at end of year		84,193	85,116

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

The Group's investment properties were revalued on 31 December 2012 by Guangxi Wushuang Real Estate Appraisal Company Limited, independent professionally qualified valuers, at HK$84,193,000 on an open market, existing use basis.

18. Prepaid land lease payments

Group

	Note	2012 HK$'000	2011 HK$'000
Carrying amount at beginning of year		503,145	171,383
Additions		2,459	2,677
Acquisition of subsidiaries		–	321,943
Amortisation provided during the year	9	(11,976)	(8,979)
Exchange realignment		3,965	16,121
Carrying amount at end of year		497,593	503,145
Current portion included in prepayments, deposits and other receivables		(12,264)	(12,041)
Non-current portion		485,329	491,104

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18. Prepaid land lease payments (continued)

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

Certain of the Group's interest-bearing bank and other borrowings were secured by certain of the Group's leasehold lands with a net carrying amount of approximately HK$45,273,000 as at 31 December 2012 (2011: HK$45,994,000) (note 28 (a)).

As at 31 December 2012, the Group's leasehold lands with a net carrying amount of HK$318,035,000 (2011: HK$321,995,000) are allocated industrial land use rights situated in the PRC.

19. Intangible assets

Group

	Notes	Mining rights HK$'000	Other Intangible assets HK$'000	Total HK$'000
Cost:				
At 1 January 2012		925,551	4,253	929,804
Additions		673	156	829
Exchange realignment		7,345	33	7,378
At 31 December 2012		933,569	4,442	938,011
Accumulated amortisation:				
At 1 January 2012		48,958	2,114	51,072
Amortisation provided during the year	9	19,438	537	19,975
Exchange realignment		556	24	580
At 31 December 2012		68,952	2,675	71,627
Net book value:				
At 31 December 2012		864,617	1,767	866,384
Cost:				
At 1 January 2011		329,472	3,638	333,110
Additions		211	427	638
Acquisition of subsidiaries		566,835	–	566,835
Exchange realignment		29,033	188	29,221
At 31 December 2011		925,551	4,253	929,804
Accumulated amortisation:				
At 1 January 2011		30,888	1,463	32,351
Amortisation provided during the year	9	16,345	566	16,911
Exchange realignment		1,725	85	1,810
At 31 December 2011		48,958	2,114	51,072
Net book value:				
At 31 December 2011		876,593	2,139	878,732

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19. Intangible assets (continued)

At 31 December 2012, the Group was in the process of applying for the mining right certificates for certain mines with an aggregate net carrying amount of approximately HK$524,307,000 (2011: HK$581,606,000). As at the date of this report, the Group has obtained the mining right certificates for these mines.

20. Available-for-sale equity investment

Group

	2012 HK$'000	2011 HK$'000
Unlisted equity investment, at cost	4,619	4,582

The unlisted equity investment with a carrying amount of HK$4,619,000 (2011: HK$4,582,000) is stated at cost less impairment as the investment does not have quoted market prices in an active market, and the variability in the range of reasonable fair value estimates of such investment is so significant that the directors are of the opinion that its fair value cannot be measured reliably. The Group does not intend to dispose of the investment in the near future.

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21. Deferred tax

The movements in deferred tax assets and liabilities of the Group are as follows:

Deferred tax assets

Group

	Note	Losses available for offsetting against future taxable profits HK$'000	Deductible temporary differences HK$'000	Total HK$'000
At 1 January 2011		56,837	23,092	79,929
Net deferred tax credited to the consolidated statement of comprehensive income during the year	12	27,923	18,649	46,572
Exchange realignment		3,459	1,585	5,044
At 31 December 2011 and 1 January 2012		88,219	43,326	131,545
Net deferred tax (write down)/credited to the consolidated statement of comprehensive income during the year	12	(50,014)	5,752	(44,262)
Exchange realignment		125	417	542
At 31 December 2012		38,330	49,495	87,825

Deferred tax liabilities

Group

	Note	Fair value adjustments arising from acquisition of subsidiaries HK$'000	Withholding taxes HK$'000	Fair value adjustments on investment properties HK$'000	Total HK$'000
At 1 January 2011		3,909	5,912	7,152	16,973
Net deferred tax (credited)/charged to the consolidated statement of comprehensive income during the year	12	(2,343)	13,494	3,835	14,986
Acquisition of subsidiaries		185,878	–	–	185,878
Charged to tax payable		–	(11,722)	–	(11,722)
Exchange realignment		4,662	–	443	5,105
At 31 December 2011 and 1 January 2012		192,106	7,684	11,430	211,220
Net deferred tax (credited)/charged to the consolidated statement of comprehensive income during the year	12	(4,982)	–	2,204	(2,778)
Exchange realignment		1,499	–	119	1,618
At 31 December 2012		188,623	7,684	13,753	210,060

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21. Deferred tax (continued)

The Group has accumulated tax losses of approximately HK$325 million (2011: HK$350 million) which are available for offsetting against future taxable profits in one to five years. Deferred tax assets have not been recognised in respect of losses of HK$88 million (2011: HK$54 million) as they have arisen in subsidiaries that have been loss-making for some time and it is not considered probable that taxable profits will be available to utilise such tax losses.

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

As at 31 December 2012, the Group has not recognised deferred tax liabilities of HK$21,014,000 (2011: HK$47,086,000) in respect of temporary differences relating to the unremitted profits of subsidiaries, amounting to HK$210,144,000 (2011: HK$470,863,000), that would be payable on the distribution of these retained profits as the Company controls the dividend policy of these subsidiaries and it is probable that these profits will not be distributed in the foreseeable future.

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

22. Inventories

Group

	2012 HK$'000	2011 HK$'000
Raw materials	709,609	571,264
Work in progress	11,277	8,410
Finished goods	213,806	340,562
	934,692	920,236
Less: Inventory provision	(131,816)	(109,727)
	802,876	810,509

23. Trade and notes receivables

Group

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

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23. Trade and notes receivables (continued)

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 HK$'000	2011 HK$'000
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	216,120	180,840
	823,053	948,573

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

Group

	2012 HK$'000	2011 HK$'000
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
At end of year	32,595	15,006

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.

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23. Trade and notes receivables (continued)

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

Group

	2012 HK$'000	2011 HK$'000
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
	823,053	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.

As at 31 December, the Group has pledged notes receivable of HK$33,884,000 (2011: nil) to secure bank loans (note 28(a)).

24. Prepayments, deposits and other receivables

Non-current portion

Group

	2012 HK$'000	2011 HK$'000
Deposits	105,130	154,930
Prepayments	76,385	49,055
	181,515	203,985

Current portion

Group

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

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.

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25. Cash and cash equivalents and pledged deposits

	Note	Group 2012 HK$'000	Group 2011 HK$'000	Company 2012 HK$'000	Company 2011 HK$'000
Cash and bank balances		2,198,357	1,996,366	121,607	316,775
Less: Pledged deposits					
– Pledged for long-term bank loans	28(a)	(195,996)	(88,292)	–	–
– Pledged for bank acceptance notes		(14,290)	(9,640)	–	–
Cash and cash equivalents		1,988,071	1,898,434	121,607	316,775

As at 31 December 2012, cash and bank balances of the Group denominated in RMB 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.

26. 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 HK$'000	2011 HK$'000
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.

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27. Other payables and accruals

Group

	2012 HK$'000	2011 HK$'000
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.

28. 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 (note (a))	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 (note (a))	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	–	–	–
			1,809,706			1,791,153
Non-current						
Bank loans – secured (note (a))	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
			1,770,019			1,499,189
			3,579,725			3,290,342

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

	2012 HK$'000	2011 HK$'000
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
	3,571,727	3,290,342
Other loans repayable:		
Within one year or on demand	7,998	–
	3,579,725	3,290,342

Notes:

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

	Notes	2012 HK$'000	2011 HK$'000
Property, plant and equipment	16	143,742	239,514
Prepaid land lease payments	18	45,273	45,994
Notes receivable	23	33,884	–
Pledged deposits	25	195,996	88,292
		418,895	373,800

(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.

29. Short-term notes

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

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

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.

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30. Other long-term liabilities

Group

	2012 HK$'000	2011 HK$'000
At beginning of year	3,954	3,700
Additional provision	3,516	458
Utilisation of rehabilitation provision	–	–
Exchange realignment	74	(204)
At end of year	7,544	3,954

The balance represents provision for rehabilitation estimated by management of the restoration costs to be incurred on mine closure. The estimation basis is reviewed on an ongoing basis and revised where appropriate.

31. Deferred income

Group

	2012 HK$'000	2011 HK$'000
At beginning of year	110,099	35,684
Acquisition of a subsidiary	–	14,741
Addition	35,670	62,990
Amortised during the year	(12,966)	(6,799)
Exchange realignment	1,160	3,483
At end of year	133,963	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 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.

32. Share capital

Shares

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

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33. 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 upon payment of a nominal consideration of HK$1 by each of the grantee. 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.

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

There have been no movement in the share options since the date of grant. Details of the share options outstanding as at the year end date are as follows:

At 31 December 2012 and 2011:

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

The fair value of the share options at the time of grant was estimated, using a binomial model, at HK$122,780,000 (weighted average fair value of HK$1.19 each), of which the Group recognised a share option expense of HK$37,818,000 during the year (2011: HK$61,987,000).

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34. Reserves

Group

The amounts of the Group's reserves and the movements therein are presented in the consolidated statement of changes in equity on page 53 of the financial statements.

	Notes	2012 HK$'000	2011 HK$'000
Share premium	(a)	2,872,076	2,872,076
Contributed surplus		(171,859)	(171,859)
Reserve funds	(b)	152,418	134,634
Share option reserve		99,805	61,987
Exchange fluctuation reserve		278,679	254,858
Retained profits		83,538	498,184
		3,314,657	3,649,880

Notes:

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

(b) In accordance with the Company Law of the PRC, each of the subsidiaries of the Company that was registered in the PRC is required to appropriate 10% of the annual statutory profit after tax (after offsetting any prior years' losses), determined in accordance with PRC GAAP, to the statutory reserve until the balance of the reserve funds reaches 50% of the entity's registered capital. The statutory reserve can be 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 the safety fund based on the volume of ore excavated and turnover of ferroalloy in prior year (2011: based on the volume of ore excavated).

Company

	Note	Share premium account HK$'000	Share option reserve HK$'000	Retained profits/ (accumulated losses) HK$'000	Total HK$'000
At 1 January 2011		2,856,583	–	3,815	2,860,398
Equity-settled share option arrangements		–	61,987	–	61,987
Reversal of over-provided listing expenses		15,493	–	–	15,493
Profit for the year		–	–	42,015	42,015
Proposed final dividend for year 2011	15	–	–	(30,248)	(30,248)
At 31 December 2011 and at 1 January 2012		2,872,076	61,987	15,582	2,949,645
Equity-settled share option arrangements		–	37,818	–	37,818
Loss for the year		–	–	(60,130)	(60,130)
At 31 December 2012		2,872,076	99,805	(44,548)	2,927,333

The share option reserve comprises the fair value of share options granted which are yet to be exercised, as further explained in the accounting policy for share-based payments in note 3 to the financial statements. The amount will either be transferred to the share premium account when the related options are exercised, or be transferred to retained profits should the related options expire or be forfeited.

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35. Business combination

On 31 May 2011, the Group acquired a 60% equity interest in Hui Xing Company at a consideration of RMB162,260,000 (equivalent to HK$195,410,000). The principal activities of Hui Xing Company included manganese ore mining, manganese ferroalloy production and logistics services in the PRC. The Group elected to measure the non-controlling interest in Hui Xing Company at the non-controlling interests' proportionate share of the fair value of Hui Xing Company's identifiable net assets.

On 26 July 2011, the Group acquired a 100% equity interest in Sanmenglong at a consideration of RMB26,800,000 (equivalent to HK$32,275,000). Sanmenglong was primarily engaged in manganese mine exploration, excavation and further processing in Guangxi, the PRC.

The Group recognised a gain on bargain purchase of HK$262,775,000 in the consolidated statement of comprehensive income for the year ended 31 December 2011, which represents the excess of the fair value of the identifiable assets and liabilities of Hui Xing Company and Sanmenglong as at the date of acquisition over the cash consideration paid by the Group.

36. Operating lease arrangements

(a) As lessor

The Group leases its investment properties (note 17 to the financial statements) under operating lease arrangements, with leases negotiated for terms ranging from 2 to 20 years (2011: 2 to 20 years). In addition, the Group leases certain of its plant & machinery with carrying amount of HK$51,956,000 under operating lease arrangements leases negotiated for a term of one year (2011: Nil).

At 31 December 2012, the Group had total future minimum lease receivables under non-cancellable operating leases with its tenants falling due as follows:

	2012 HK$'000	2011 HK$'000
Within one year	10,411	1,633
In the second to fifth years, inclusive	7,434	7,125
After five years	6,287	8,176
	24,132	16,934

During the year, the Group has not recognised any contingent rentals receivable.

(b) As lessee

As at 31 December 2011 and 2012, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

Group

	2012 HK$'000	2011 HK$'000
Within one year	6,661	9,934
In the second to fifth years, inclusive	12,207	18,692
After five years	39,486	44,754
	58,354	73,380

Company

The Company did not have any operating lease commitments as at 31 December 2012 (2011: Nil).

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37. Contingent liabilities and commitments

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

In addition to the operating lease arrangements detailed in note 36(b) above, the Group had the following capital commitments at the end of the reporting period:

Group

	2012 HK$'000	2011 HK$'000
Authorised, but not contracted for:		
Acquisition of land and buildings	1,080	566,922
Acquisition of plant and machinery	137,386	601,830
	138,466	1,168,752
Contracted, but not provided for:		
Acquisition of land and buildings	148,873	307,432
Acquisition of plant and machinery	189,943	122,511
	338,816	429,943
Total	477,282	1,598,695

Company

The Company did not have any commitments as at 31 December 2012 (2011: Nil).

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38. Related party transactions

Guangxi Dameng, a shareholder of the Company, exercises significant influence over the Group. Therefore, Guangxi Dameng and its subsidiaries are considered to be related parties of the Group.

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

	Notes	2012 HK$'000	2011 HK$'000
Purchase of raw materials from subsidiaries of Guangxi Dameng	(i)	12,033	13,643
Purchase of goods from a subsidiary of Guangxi Dameng	(i)	18,619	–
Purchase of property, plant and equipment from a subsidiary of Guangxi Dameng	(i)	36,583	21,161
Sales of goods to subsidiaries of Guangxi Dameng	(ii)	11,396	42,515
Sub-contracting fee paid to a subsidiary of Guangxi Dameng	(iii)	74	–
Provision of water and electricity to Guangxi Dameng	(iv)	51	39
Provision of integrated service as defined in the Prospectus by Guangxi Dameng	(v)	2,951	2,890
Maximum bank deposits placed with related companies during the year	(vi)	75,667	194,968
Interest income on deposits placed with related companies	(vi)	130	3,914
Tax indemnity charged to Highkeen	(vii)	–	3,987
Tax indemnity charged to Apexhill	(vii)	–	997
Tax indemnity charged to Guangxi Dameng	(vii)	–	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) These services were made at prices based on the mutual agreements between the parties.

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

(v) Service fees were charged at a monthly amount of RMB200,000 (equivalent to HK$246,000) as mutually agreed by the parties.

(vi) Maximum bank deposits with related companies during the year and related interest income were in the usual and ordinary course of business of the Group.

(vii) 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 year ended 31 December 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.

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38. Related party transactions (continued)

(b) Outstanding balances with related parties

	2012 HK$'000	2011 HK$'000
(i) Due from related companies		
Trade receivables	4,323	16,309
Prepayments and other receivables	6	392
	4,329	16,701
(ii) Due to related companies		
Trade payables	2,477	10,977
Other payables	14,797	3,373
	17,274	14,350
(iii) Bank balances with related companies	75,667	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 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

	2012 HK$'000	2011 HK$'000
Salaries, allowances and benefits in kind	5,675	6,217
Bonuses	3,904	5,023
Equity-settled share option expenses	8,326	13,785
Pension scheme contributions	240	282
Total compensation paid to key management personnel	18,145	25,307

Further details of directors' and the chief executive's emoluments are included in note 10 to the financial statements.

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

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39. Major non-cash transactions

During the year ended 31 December 2012, a subsidiary's entrusted loan to an independent third party was partially settled by way of transfer of certain plants and machinery amounting to HK$11,835,000.

40. Financial instruments by category

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

Financial assets

Group

	Loans and receivables HK$'000	Available-for-sale financial asset HK$'000	Total HK$'000
31 December 2012			
Available-for-sale equity investment	–	4,619	4,619
Trade and notes receivables	823,053	–	823,053
Financial assets included in prepayments, deposits and other receivables	62,168	–	62,168
Due from related companies	4,329	–	4,329
Pledged deposits	210,286	–	210,286
Cash and cash equivalents	1,988,071	–	1,988,071
	3,087,907	4,619	3,092,526
31 December 2011			
Available-for-sale equity investment	–	4,582	4,582
Trade and notes receivables	948,573	–	948,573
Financial assets included in prepayments, deposits and other receivables	142,764	–	142,764
Due from related companies	16,701	–	16,701
Pledged deposits	97,932	–	97,932
Cash and cash equivalents	1,898,434	–	1,898,434
	3,104,404	4,582	3,108,986

Company

	2012 HK$'000	2011 HK$'000
Other receivables	720	1,472
Due from subsidiaries	3,113,593	2,966,952
Cash and cash equivalents	121,607	316,775
	3,235,920	3,285,199

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40. Financial instruments by category (continued)

Financial liabilities

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

Group

	2012 HK$'000	2011 HK$'000
Trade payables	524,706	318,101
Financial liabilities included in other payables and accruals	649,575	450,720
Interest-bearing bank and other borrowings	3,579,725	3,290,342
Short-term notes	248,780	–
Due to related companies	17,274	14,350
	5,020,060	4,073,513

Company

	2012 HK$'000	2011 HK$'000
Financial liabilities included in other payables and accruals	6,107	2,826

41. Fair value

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

Financial assets

Group

	Carrying amounts		Fair values	
	2012 HK$'000	2011 HK$'000	2012 HK$'000	2011 HK$'000
Available-for-sale equity investment	4,619	4,582	4,619	4,582
Trade and notes receivables	823,053	948,573	823,053	948,573
Financial assets included in prepayments, deposits and other receivables	62,168	142,764	62,168	142,764
Due from related companies	4,329	16,701	4,329	16,701
Pledged deposits	210,286	97,932	210,286	97,932
Cash and cash equivalents	1,988,071	1,898,434	1,988,071	1,898,434
	3,092,526	3,108,986	3,092,526	3,108,986

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41. Fair value (continued)

Financial assets (continued)

Company

	Carrying amounts		Fair values	
	2012 HK$'000	2011 HK$'000	2012 HK$'000	2011 HK$'000
Other receivables	720	1,472	720	1,472
Due from subsidiaries	3,113,593	2,966,952	3,113,593	2,966,952
Cash and cash equivalents	121,607	316,775	121,607	316,775
	3,235,920	3,285,199	3,235,920	3,285,199

Financial liabilities

Group

	Carrying amounts		Fair values	
	2012 HK$'000	2011 HK$'000	2012 HK$'000	2011 HK$'000
Trade payables	524,706	318,101	524,706	318,101
Financial liabilities included in other payables and accruals	649,575	450,720	649,575	450,720
Interest-bearing bank and other borrowings	3,579,725	3,290,342	3,579,725	3,290,342
Short-term notes	248,780	–	248,780	–
Due to related companies	17,274	14,350	17,274	14,350
	5,020,060	4,073,513	5,020,060	4,073,513

Company

	Carrying amounts		Fair values	
	2012 HK$'000	2011 HK$'000	2012 HK$'000	2011 HK$'000
Financial liabilities included in other payables and accruals	6,107	2,826	6,107	2,826

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

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

The fair values of cash and cash equivalents, the current portion of pledged deposits, trade receivables, trade payables, financial assets included in prepayments, deposits and other receivables, financial liabilities included in other payables and accruals, amounts due from/to related companies and amounts due from subsidiaries approximate to their carrying amounts largely due to the short-term maturities of these instruments.

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

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42. Financial risk management objectives and policies

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

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

Commodity price risk

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

Interest rate risk

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

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

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

Group

	Increase/ (decrease) in basis points	Decrease/ (increase) in profit/ (loss) before tax HK$'000
Year ended 31 December 2012		
RMB	100	10,292
RMB	(100)	(10,292)
US$	100	7,655
US$	(100)	(7,655)
Year ended 31 December 2011		
RMB	100	12,017
RMB	(100)	(12,017)
US$	100	295
US$	(100)	(295)

Foreign currency risk

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

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

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

Notes to Financial Statements

31 December 2012

42. Financial risk management objectives and policies (continued)

Foreign currency risk (continued)

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

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

Group

	Increase/ (decrease) in exchange rate %	Increase/ (decrease) in profit/ (loss) before tax HK$'000	Increase/ (decrease) in equity* HK$'000
31 December 2012			
If HK$ weakens against RMB	1	6,557	–
If HK$ strengthens against RMB	(1)	(6,557)	–
31 December 2011			
If HK$ weakens against RMB	1	9,610	–
If HK$ strengthens against RMB	(1)	(9,610)	–

* Excluding retained profits

Credit risk

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

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

The Group determines concentration of credit risk by monitoring the locations of its customers. The table below shows an analysis of credit risk exposures of trade receivables which constituted approximately 27% of the Group's total financial assets as at 31 December 2012 (2011: 32%):

Group

	2012 HK$'000	2011 HK$'000
By location:		
Mainland China	815,645	931,691
Asia (excluding Mainland China)	3,587	14,147
Europe	2,050	1,172
North America	1,771	1,563
	823,053	948,573

In addition, 27% of the Group's trade and notes receivables were due from the Group's five largest customers as at 31 December 2012 (2011: 17%).

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42. Financial risk management objectives and policies (continued)

Liquidity risk

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

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

Group

	2012					
	On demand HK$'000	Less than 3 months HK$'000	3 to less than 12 months HK$'000	1 to 5 years HK$'000	More than 5 years HK$'000	Total HK$'000
Trade payables	–	524,706	–	–	–	524,706
Financial liabilities included in other payables and accruals	–	649,575	–	–	–	649,575
Interest-bearing bank and other borrowings	–	663,559	1,271,432	1,944,947	–	3,879,938
Short-term notes	–	–	261,717	–	–	261,717
Due to related companies	17,274	–	–	–	–	17,274
	17,274	1,837,840	1,533,149	1,944,947	–	5,333,210

	2011					
	On demand HK$'000	Less than 3 months HK$'000	3 to less than 12 months HK$'000	1 to 5 years HK$'000	More than 5 years HK$'000	Total HK$'000
Trade payables	–	318,101	–	–	–	318,101
Financial liabilities included in other payables and accruals	–	450,720	–	–	–	450,720
Interest-bearing bank and other borrowings	–	287,163	1,647,498	1,829,154	–	3,763,815
Due to related companies	14,350	–	–	–	–	14,350
	14,350	1,055,984	1,647,498	1,829,154	–	4,546,986

Company

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

Capital management

The primary objectives of the Group's capital management are to safeguard the Group's ability to continue as a going concern and to maintain healthy capital ratios in order to support its business and maximise shareholders' value. The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes for managing capital during the years ended 31 December 2012 and 31 December 2011.

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42. Financial risk management objectives and policies (continued)

Capital management (continued)

The Group monitors capital using a net gearing ratio, which is net debt divided by equity attributable to owners of the parent. Net debt is calculated as the sum of interest-bearing bank and other borrowings and short-term notes, less cash and cash equivalents and pledged deposits. The net gearing ratios at the end of the reporting periods were as follows:

Group

	2012 HK$'000	2011 HK$'000
Interest-bearing bank and other borrowings	3,579,725	3,290,342
Short-term notes	248,780	–
Less: Cash and cash equivalents	(1,988,071)	(1,898,434)
Less: Pledged deposits	(210,286)	(97,932)
Net debt	1,630,148	1,293,976
Equity attributable to owners of the parent	3,617,137	3,982,608
Net gearing ratio	45.1%	32.5%

43. Approval of the financial statements

The financial statements were approved and authorised for issue by the board of directors on 20 February 2013.

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 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
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

Glossary of Terms

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