DAMENG

CITIC Dameng Holdings Limited

中信大錳控股有限公司*

(incorporated in Bermuda with limited liability)

(Stock Code: 1091)

ANNOUNCEMENT OF INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2015

FINANCIAL HIGHLIGHTS

- Turnover amounted to HK$1,351.6 million for 1H 2015, representing a decrease of 3.2 % from HK$1,395.8 million of 1H 2014.
- Loss attributable to owners of the parent increased by 197.8% to HK$280.9 million for 1H 2015 (1H 2014: HK$94.3 million).
- Net cash inflows generated from operating activities increased by 7.1% to HK$190.5 million for 1H 2015 (1H 2014 : HK$177.8 million).
- As at 30 June 2015, cash and bank balances increased by 40.4% to HK$2,016.5 million (31 December 2014: HK$1,436.6 million).

INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

Six months ended 30 June 2015

		Six months ended 30 June	
		2015	2014
	Notes	***HK$'000***	*HK$'000*
		(Unaudited)	(Unaudited)
REVENUE	*4*	**1,351,568**	1,395,848
Cost of sales		**(1,309,870)**	(1,203,574)
Gross profit		**41,698**	192,274
Other income and gains	*4*	**43,691**	61,132
Gain on bargain purchase		**–**	8,895
Selling and distribution expenses		**(46,399)**	(49,675)
Administrative expenses		**(221,863)**	(215,114)
Other expenses		**(8,224)**	(28,261)
Finance costs	*5*	**(134,263)**	(110,022)
Share of profits and losses of an associate		**(1,253)**	–
LOSS BEFORE TAX	*6*	**(326,613)**	(140,771)
Income tax expense	*7*	**(7,271)**	(1,732)
LOSS FOR THE PERIOD		**(333,884)**	(142,503)
OTHER COMPREHENSIVE INCOME/(LOSS)			
Other comprehensive income/(loss) to be reclassified to profit or loss in subsequent periods:			
– Exchange differences on translation of foreign operations		**249**	(22,956)
TOTAL COMPREHENSIVE LOSS FOR THE PERIOD		**(333,635)**	(165,459)

	Notes	Six months ended 30 June 2015 HK$'000 (Unaudited)	2014 HK$'000 (Unaudited)
Loss attributable to:			
Owners of the parent		**(280,913)**	(94,325)
Non-controlling interests		**(52,971)**	(48,178)
		(333,884)	(142,503)
Total comprehensive loss attributable to:			
Owners of the parent		**(280,686)**	(118,232)
Non-controlling interests		**(52,949)**	(47,227)
		(333,635)	(165,459)
Loss per share attributable to ordinary equity holders of the parent:	*8*		
– Basic		**(HK cents 9.25)**	(HK cents 3.12)
– Diluted		**(HK cents 9.25)**	(HK cents 3.12)

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

30 June 2015

	Notes	30 June 2015 HK$'000 (Unaudited)	31 December 2014 HK$'000 (Audited)
NON-CURRENT ASSETS			
Property, plant and equipment		**3,818,509**	3,923,817
Investment properties		**92,795**	92,758
Prepaid land lease payments		**529,918**	535,665
Intangible assets		**840,113**	847,670
Investment in an associate		**96,938**	98,156
Deferred tax assets		**64,162**	70,864
Prepayments and deposits	*11*	**509,344**	190,050
Total non-current assets		**5,951,779**	5,758,980
CURRENT ASSETS			
Inventories		**1,055,043**	1,106,291
Trade and notes receivables	*10*	**720,049**	1,067,019
Prepayments, deposits and other receivables	*11*	**510,709**	412,178
Tax recoverable		**13,251**	–
Pledged deposits		**424,316**	283,433
Cash and cash equivalents		**1,592,189**	1,153,121
Total current assets		**4,315,557**	4,022,042
CURRENT LIABILITIES			
Trade payables	*12*	**524,368**	505,551
Other payables and accruals		**751,777**	885,982
Interest-bearing bank and other borrowings	*13*	**2,696,138**	2,559,054
Medium-term notes	*14*	**634,050**	–
Due to related companies		**3,672**	6,507
Tax payable		**381**	8,490
Total current liabilities		**4,610,386**	3,965,584
(NET CURRENT LIABILITIES)/NET CURRENT ASSETS		**(294,829)**	56,458
TOTAL ASSETS LESS CURRENT LIABILITIES		**5,656,950**	5,815,438

	Notes	30 June 2015 HK$'000 (Unaudited)	31 December 2014 HK$'000 (Audited)
NON-CURRENT LIABILITIES			
Interest-bearing bank and other borrowings	*13*	**1,675,636**	1,248,535
Medium-term notes	*14*	**–**	633,800
Deferred tax liabilities		**217,372**	218,380
Other long-term liabilities		**10,380**	12,658
Deferred income		**106,242**	109,388
Total non-current liabilities		**2,009,630**	2,222,761
Net assets		**3,647,320**	3,592,677
EQUITY			
Equity attributable to owners of the parent			
Issued capital		**332,728**	302,480
Reserves		**3,238,416**	3,161,072
		3,571,144	3,463,552
Non-controlling interests		**76,176**	129,125
Total equity		**3,647,320**	3,592,677

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 June 2015

1. CORPORATE INFORMATION

CITIC Dameng Holdings Limited (the "**Company**") was incorporated in Bermuda on 18 July 2005 as an exempted company with limited liability under Section 14 of the Companies Act 1981 of Bermuda (as amended). The registered office of the Company is located at Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda. The principal place of business of the Company is located at 23/F, 28 Hennessy Road, Wanchai, Hong Kong. The Company's shares are listed on the Main Board of the Stock Exchange.

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

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES

Basis of preparation

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

As at 30 June 2015, the Group recorded net current liabilities of HKD294,829,000. In view of these circumstances, the directors of the Company have given consideration to the future liquidity of the Group and its available sources of finance including banking facilities in assessing whether the Group will have sufficient financial resources to continue as a going concern. The directors of the Company believe that the Group has adequate resources, including a RMB300,000,000 sale and lease back arrangement entered into on 24 July 2015 which effectively is a long-term loan, to continue its operation and fulfill financial responsibility in the foreseeable future. The directors of the Company therefore are of the opinion that it is appropriate to adopt the going concern basis in preparing the consolidated financial statements.

Significant accounting policies

The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are the same as those used in the annual financial statements for the year ended 31 December 2014, except for the adoption of the new and revised Hong Kong Financial Reporting Standards ("**HKFRSs**") (which also include HKASs and Interpretations) as disclosed below. The Group has adopted the following new and revised HKFRSs for the first time for the current period's interim condensed consolidated financial statements.

Amendments to HKAS 19	*Defined Benefit Plans: Employee Contribution*
Annual Improvements 2010-2012 Cycle	*Amendments to a number of HKFRSs*
Annual Improvements 2011-2013 Cycle	*Amendments to a number of HKFRSs*

Other than as further explained below regarding the impact of the Annual Improvements to HKFRSs 2010-2012 Cycle, the adoption of these new and revised HKFRSs has no significant financial effect on these interim condensed consolidated financial statements and there have been no significant changes to the accounting policies applied in these financial statements.

The Annual Improvements to HKFRSs 2010-2012 Cycle issued in January 2014 sets out amendments to a number of HKFRSs. The Group adopts the amendments from 1 January 2015. None of the amendments are expected to have a significant financial impact on the Group. Details of the amendment most applicable to the Group are as follows:

HKFRS 8 Operating Segments: Clarifies that an entity must disclose the judgements made by management in applying the aggregation criteria in HKFRS 8, including a brief description of operating segments that have been aggregated and the economic characteristics used to assess whether the segments are similar. The amendments also clarify that a reconciliation of segment assets to total assets is only required to be disclosed if the reconciliation is reported to the chief operating decision maker.

Issued but not yet effective HKFRSs

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

HKFRS 9	*Financial Instruments*[3]
Amendments to HKFRS 10 and HKAS 28 (2011)	*Sale or Contribution of Assets between an investor and its Associate or Joint Ventures*[1]
Amendments to HKFRS 11	*Accounting for Acquisitions of Interests in Joint Operations*[1]
HKFRS 14	*Regulatory Deferral Accounts*[4]
HKFRS 15	*Revenue from Contracts with Customers*[2]
Amendments to HKAS 1	*Disclosure initiative*[1]
Amendments to HKAS 9 and HKFRS 7	*Mandatory effective date of HKFRS 9 and transition disclosures*[3]
Amendments to HKAS 10, HKFRS 12 and HKAS 28	*Investment entities: Applying the consolidation exception*[1]
Amendments to HKAS 16 and HKAS 38	*Clarification of Acceptable Methods of Depreciation and Amortisation*[1]
Amendments to HKAS 16 and HKAS 41	*Agriculture: Bearer Plants*[1]
Amendments to HKAS 27 (2011)	*Equity Method in Separate Financial Statements*[1]
Annual Improvements 2012-2014 Cycle	*Amendment to a number of HKFRSs*[1]

1 Effective for annual periods beginning on or after 1 July 2016

2 Effective for annual periods beginning on or after 1 January 2017

3 Effective for annual periods beginning on or after 1 January 2018

4 Effective for an entity that first adopts HKFRSs for its annual financial statements beginning on or after 1 January 2016 and therefore is not applicable to the Group

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

3. OPERATING SEGMENT INFORMATION

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

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

The manganese mining and ore processing segment engages in the mining and production of manganese products including principally, through the Group's integrated processes, the mining, 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, manganese briquette and lithium manganese oxide;

(c) Non-manganese processing segment (PRC)

The non-manganese processing segment engages in the production and sale of non-manganese products, including 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, sales of scrap, and rental of investment properties and leasehold lands.

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 gain on bargain purchase, 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, investment in an associate 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, medium-term notes, deferred tax liabilities and other unallocated head office and corporate liabilities as these liabilities are managed on a group basis.

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

	Manganese mining and ore processing		Manganese downstream processing	Non-manganese processing	Others		
	PRC	Gabon	PRC	PRC	PRC	Eliminations	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Six months ended 30 June 2015 (Unaudited)							
Segment revenue:							
Sales to external customers	46,141	85,451	1,152,063	66,070	1,843	–	1,351,568
Intersegment sales	155,082	–	–	–	–	(155,082)	–
Other revenue	1,411	24	17,829	408	14,067	–	33,739
Total	202,634	85,475	1,169,892	66,478	15,910	(155,082)	1,385,307
Segment results	(57,766)	(32,489)	(69,960)	(3,685)	10,776	–	(153,124)
Reconciliations:							
Interest income							9,952
Corporate and other unallocated expenses							(47,925)
Finance costs							(134,263)
Share of profits and losses of an associate							(1,253)
Loss before tax							(326,613)
Income tax expense							(7,271)
Loss for the period							(333,884)
Assets and liabilities							
Segment assets	1,223,281	891,310	4,794,232	132,505	31,721	–	7,073,049
Reconciliations:							
Corporate and other unallocated assets							3,194,287
Total assets							10,267,336
Segment liabilities	374,072	785,883	1,037,146	40,235	4,101	–	2,241,437
Reconciliations:							
Corporate and other unallocated liabilities							4,378,579
Total liabilities							6,620,016

	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$'000	Eliminations HK$'000	Total HK$'000
Six months ended 30 June 2014 (Unaudited)							
Segment revenue:							
Sales to external customers	55,836	81,566	1,196,457	53,381	8,608	–	1,395,848
Intersegment sales	58,797	–	–	–	–	(58,797)	–
Other revenue	12,026	(19)	21,933	472	5,351	–	39,763
Total	126,659	81,547	1,218,390	53,853	13,959	(58,797)	1,435,611
Segment results	(20,704)	(16,397)	49,965	(2,088)	(4,386)	–	6,390
Reconciliations:							
Interest income							21,369
Gain on bargain purchase							8,895
Corporate and other unallocated expenses							(67,403)
Finance costs							(110,022)
Loss before tax							(140,771)
Income tax expense							(1,732)
Loss for the period							(142,503)
Assets and liabilities							
Segment assets	1,463,096	856,139	4,557,601	171,913	48,790	–	7,097,539
Reconciliations:							
Corporate and other unallocated assets							2,417,514
Total assets							9,515,053
Segment liabilities	384,597	807,642	984,955	22,418	4,538	–	2,204,150
Reconciliations:							
Corporate and other unallocated liabilities							3,788,341
Total liabilities							5,992,491

4. REVENUE, OTHER INCOME AND GAINS

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

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

	Six months ended 30 June	
	2015	2014
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Revenue		
Sale of goods	**1,351,568**	1,395,848
Other income and gains		
Interest income	**9,952**	21,369
Gain on disposal of items of property, plant and equipment	**2,883**	8,700
Subsidy income	**16,944**	13,414
Sale of scraps	**4,132**	–
Rental income	**4,483**	3,977
Reversal of impairment of trade and other receivables, net	**–**	12,799
Others	**5,297**	873
	43,691	61,132

5. FINANCE COSTS

	Six months ended 30 June	
	2015	2014
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Interest on bank loans wholly repayable within five years	**117,126**	105,390
Finance costs for discounted notes receivable	**7,367**	4,263
Other finance costs	**9,850**	12,321
Less: Interest capitalised	**(80)**	(11,952)
	134,263	110,022

6. LOSS BEFORE TAX

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

	Six months ended 30 June	
	2015	2014
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Cost of inventories sold	**1,264,612**	1,201,038
Write-down of inventories to net realisable value, net#	**45,258**	2,536
Depreciation	**189,183**	173,547
Amortisation of prepaid land lease payments	**6,514**	6,599
Amortisation of intangible assets	**8,519**	8,403
Auditors' remuneration	**2,248**	1,546
Minimum lease payments under operating leases, land and buildings	**4,573**	4,238
Equity-settled share option expenses	**–**	640
Employee benefit expense	**248,727**	242,848
Gain on disposal of items of property, plant and equipment*	**(2,883)**	(8,700)
Foreign exchange differences, net*	**998**	23,907
Impairment/(reversal of impairment) of trade and other receivables, net*	**4,030**	(12,799)
Gain on bargain purchase from the acquisition of a subsidiary	**–**	(8,895)

Included in "Cost of sales" in the interim condensed consolidated statement of profit or loss and other comprehensive income.

* Included in "Other income and gains" or "Other expenses" in the interim condensed consolidated statement of profit or loss and other comprehensive income.

7. INCOME TAX

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

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

	Six months ended 30 June	
	2015	2014
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Current – PRC		
Charge for the period	**1,268**	2,032
Current – Gabon		
Charge for the period	**376**	2,280
Deferred	**5,627**	(2,580)
Total tax charge for the period	**7,271**	1,732

Hong Kong profits tax

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

PRC corporate income tax

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% to 2015, and Guangxi Start, which is entitled to a preferential CIT rate of 15% for Developing Western China for which the policy will end in 2020 and related benefit will subject to review by tax authorities each year, other companies of the Group which operate in Mainland China are subject to CIT at a rate of 25% on their respective taxable income.

Gabon corporate income tax

Pursuant to the Gabon Income Tax Law, a company which operates in Gabon is subject to CIT at the higher of 35% of its taxable income or 1% of its revenue.

8. LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

	Six months ended 30 June	
	2015	2014
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
The calculation of basic and diluted loss per share are based on:		
Loss		
Loss attributable to ordinary equity holders of the parent, used in the basic loss per share calculation	**280,913**	94,325
	Number of shares	
Shares		
Weighted average number of ordinary shares in issue during the period used in the basic loss per share calculation	**3,038,164,281**	3,024,795,000

The Group had no potentially dilutive ordinary shares in issue during the six months ended 30 June 2015 nor the six months ended 30 June 2014. No adjustment has been made to the basic loss per share amounts presented for the six months ended 30 June 2015 nor the six months ended 30 June 2014 in respect of dilution as the impact of the share options outstanding had an anti-dilutive effect on the basic loss per share amounts presented.

9. DIVIDEND

The Board does not recommend the payment of any interim dividend for the six months ended 30 June 2015 (2014: Nil).

10. TRADE AND NOTES RECEIVABLES

	30 June 2015 HK$'000 (Unaudited)	31 December 2014 HK$'000 (Audited)
Trade receivables	**592,581**	772,221
Notes receivable	**168,529**	332,300
	761,110	1,104,521
Less: Provision for impairment	**(41,061)**	(37,502)
	720,049	1,067,019

The Group's trading terms with its customers are mainly on credit, except for new customers, where payment is required either in advance or upon delivery. Credit periods allowed are determined according to relevant business practice and the relevant type of goods and generally are in the range of one month, extended to not more than 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 of the Group as at the end of the reporting period, based on the invoice date and net of provisions, is as follows:

	30 June 2015 HK$'000 (Unaudited)	31 December 2014 HK$'000 (Audited)
Within one month	**363,582**	562,572
One to two months	**169,200**	245,746
Two to three months	**54,526**	109,729
Over three months	**132,741**	148,972
	720,049	1,067,019

As at 30 June 2015, the Group has pledged notes receivable of HK$76,940,000 (31 December 2014: HK$147,604,000) to secure bank loans (note 13 (a)).

Transferred financial assets that are derecognised in their entirety

At 30 June 2015, the Group endorsed certain notes receivable accepted by banks in Mainland China (the "Derecognised Notes") to certain of its suppliers in order to settle the trade payables due to such suppliers with a carrying amount in aggregate of RMB267,175,000 (equivalent to HK$338,805,000) (31 December 2014: RMB191,692,000, equivalent to HK$242,988,000). The Derecognised Notes had a maturity of one to six months at the end of the reporting period. In accordance with the Law of Negotiable Instruments in the PRC, the holders of the Derecognised Notes have a right of recourse against the Group if the PRC banks default (the "Continuing Involvement"). In the opinion of the directors, the Group has transferred substantially all risks and rewards relating to the Derecognised Notes. Accordingly, it has derecognised the full carrying amounts of the Derecognised Notes and the associated trade payables. The maximum exposure to loss from the Group's Continuing Involvement in the Derecognised Notes and the undiscounted cash flows to repurchase these Derecognised Notes equal to their carrying amounts. In the opinion of the directors, the fair values of the Group's Continuing Involvement in the Derecognised Notes are not significant.

During the period ended 30 June 2015, the Group has not recognised any gain or loss on the date of transfer of the Derecognised Notes. No gains or losses were recognised from the Continuing Involvement, both during the period or cumulatively. The endorsement has been made evenly throughout the period.

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

	30 June 2015	31 December 2014
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
At 1 January 2015/1 January 2014	**37,502**	46,109
Impairment losses recognised	**4,971**	9,449
Impairment losses reversed	**(1,379)**	(17,631)
Write-off	**(57)**	(232)
Exchange realignment	**24**	(193)
At 30 June 2015/31 December 2014	**41,061**	37,502

Included in the above provision for impairment of trade and notes receivables are provisions for individually impaired trade receivables of HK$41,061,000 (31 December 2014: HK$37,502,000) with a carrying amount before provision of approximately HK$44,724,000 (31 December 2014: HK$42,033,000) as at 30 June 2015. The individually impaired trade receivables relate to customers that were in financial difficulties and only a portion of these receivables is expected to be recovered.

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

	30 June 2015 *HK$'000* (Unaudited)	31 December 2014 *HK$'000* (Audited)
Neither past due nor impaired	**587,307**	918,047
Less than three months past due	**80,803**	128,979
Over three months past due	**51,939**	19,993
Total	**720,049**	1,067,019

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.

11. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

Non-current portion

	30 June 2015 *HK$'000* (Unaudited)	31 December 2014 *HK$'000* (Audited)
Deposits	**127,009**	124,693
Prepayments – investment*	**315,154**	–
Prepayments – others	**67,181**	65,357
	509,344	190,050

* In June 2015, through a number of acquisitions in the market and from independent third parties, the Group acquired certain equity interests of a Hong Kong listed company, China Polymetallic Company Limited ("CPM", stock code: 2133) for a total cash consideration of HK$315,154,000. Subsequent to the reporting period, the Group completed the acquisition of some further interests in CPM at a consideration of HK$135,590,000 by way of issue of 104,300,000 new shares of the Company to an independent third party. Upon completion of the above series of all the piece meal acquisitions on 23 July 2015, the Company owns 29.81% equity interest in CPM and expects to equity account for this investment as an associated company from the completion date in the second half of this year.

CPM owns and operates a large-scale, high grade lead-zinc-silver polymetallic Shizishan Mine and some other significant polymetallic resources in Yunnan Province, the PRC. Further details of the acquisition have been set out in the announcements of the Company dated 17 June 2015, 26 June 2015 and 23 July 2015.

Current portion

	30 June 2015	31 December 2014
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Prepayments	**127,408**	33,870
Deposits and other receivables	**383,295**	378,302
Due from related companies	**6**	6
	510,709	412,178

12. 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:

	30 June 2015	31 December 2014
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Within one month	**193,452**	212,201
One to two months	**101,957**	49,716
Two to three months	**34,392**	25,240
Over three months	**194,567**	218,394
	524,368	505,551

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

13. INTEREST-BEARING BANK AND OTHER BORROWINGS

	30 June 2015			31 December 2014		
	Effective interest rate (%)	**Maturity**	***HK$'000* (Unaudited)**	Effective interest rate (%)	Maturity	*HK$'000* (Audited)
Current						
Bank loans – secured *(note (a))*	**5.45, LIBOR+2.6**	**2015-2016**	**399,834**	6.60, LIBOR+2.8	2015	66,805
Bank loans – unsecured	**4.15-7.00**	**2015-2016**	**1,392,374**	6.00-6.60	2015	1,641,542
Current portion of long-term bank loans – secured *(note (a))*	**6.15, LIBOR+2.10**	**2015-2016**	**235,322**	LIBOR+2.10	2015	108,553
Current portion of long-term bank loans – unsecured	**5.54-6.65**	**2015-2016**	**472,494**	5.76-6.65	2015	599,955
Other loans – secured *(note (a), (c))*	**LIBOR+1.3-LIBOR+1.7**	**2015**	**71,602**	LIBOR+1.3-LIBOR+1.7	2015	142,199
Other loans – unsecured *(note b)*	**5.04**	**2016**	**124,512**	–	–	–
			2,696,138			2,559,054
Non-current						
Bank loans – secured *(note (a))*	**LIBOR+2.10**	**2016-2017**	**460,796**	6.15, LIBOR+2.10	2016-2017	586,848
Bank loans – unsecured	**5.64-6.77**	**2016-2018**	**1,214,840**	5.54-6.77	2016-2017	661,687
			1,675,636			1,248,535
			4,371,774			3,807,589

	30 June 2015 ***HK$'000*** **(Unaudited)**	31 December 2014 *HK$'000* (Audited)
Analysed into:		
Bank loans repayable:		
Within one year or on demand	**2,500,024**	2,416,855
In the second year	**768,933**	835,992
In the third to fifth years, inclusive	**906,703**	412,543
	4,175,660	3,665,390
Other loans repayable:		
Within one year or on demand	**196,114**	142,199
	4,371,774	3,807,589

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

	Note	30 June 2015 HK$'000 (Unaudited)	31 December 2014 HK$'000 (Audited)
Property, plant and equipment		**134,801**	102,231
Notes receivable	*10*	**76,940**	147,604
Pledged deposits		**403,163**	229,282
		614,904	479,117

(b) The balances as at 30 June 2015 represent loan borrowed from Industrial Bank by way of gold lease arrangement, with the principal of RMB98,188,000 (equivalent to HK$124,512,000) and bore interest at a fixed rate of 5.04% per annum. The loan is repayable on 12 May 2016.

(c) Bank advances for discounted bills of HK$71,602,000 was secured by discounted notes receivables (31 December 2014: HK$142,199,000).

(d) Except for bank and other borrowings of HK$977,339,000 (31 December 2014: HK$757,363,000) which were denominated in United States dollars, all borrowings were in Renminbi.

14. MEDIUM-TERM NOTES

The carrying amount of the Group's medium-term notes are as follows:

	30 June 2015 HK$'000 (Unaudited)	31 December 2014 HK$'000 (Audited)
Medium-term notes		
The First Tranche Notes – Nominal value of 5.0% fixed rate notes maturing in April 2016 – unsecured		
– Current portion	**634,050**	–
– Non-current portion	**–**	633,800
	634,050	633,800

In April 2013, the Group completed the registration with National Association of Financial Market Institutional Investors of a RMB1,000 million unsecured medium-term notes facility issuable in two years from the date of registration. In April 2013, the Group issued the First Tranche Notes of RMB500 million, equivalent to HK$634,050,000 (31 December 2014: HK$633,800,000) in the PRC with a tenor of three years, and carrying interest at a fixed rate of 5.0% per annum. The remaining facility of RMB500 million has expired in April 2015.

15. EVENT AFTER THE REPORTING PERIOD

On 23 July 2015, the Company newly issued 104,300,000 ordinary shares at an issue price of HK$1.30 to an independent third party as consideration to purchase certain equity interests in CPM (note 11), as detailed in the Company's announcements of 26 June 2015 and 23 July 2015.

MANAGEMENT DISCUSSION AND ANALYSIS

Financial Review

	1H 2015	1H 2014	Increase/(decrease)	
	HK$'000	*HK$'000*	*HK$'000*	*%*
Revenue	**1,351,568**	1,395,848	(44,280)	(3.2%)
Loss before tax	**(326,613)**	(140,771)	185,842	132.0%
Income tax expense	**(7,271)**	(1,732)	5,539	319.8%
Loss for the period	**(333,884)**	(142,503)	191,381	134.3%
Loss attributable to owners of the parent	**(280,913)**	(94,325)	186,588	197.8%
Loss attributable to non-controlling interests	**(52,971)**	(48,178)	4,793	9.9%
	(333,884)	(142,503)	191,381	134.3%

Overview

Momentum of global economic recovery seemed to lag behind worldwide expectation during 1H 2015. Although US Federal Reserve remained cautiously optimistic about the interest-rate hikes to be commenced later this year, recent US inclement data might still cause further delays in liftoff. On the other side, the recent Greece debt crisis and the PRC share market turmoil brought further uncertainty and threats to world economy.

Moreover, uneven global economic recovery and divergent monetary policies from different countries continued to create volatility and downward pressure on commodities due to the combination of additional supply and weaker demand growth.

For the PRC steel sector, following the "new normal" theory elaborated by Chinese Government with GDP growth shifted gear from the previous high speed to moderate growth and lower pace of urbanization, steel consumption demand had weaken further. Amid overcapacity and stable yet decreasing demand as well as prolonged downswing in steel prices, steel plants competed for orders with contracted gross margin so as to improve their financial performances and cashflows. These competitions further dampened the steel selling price in the already stagnant market. As a result, the average prices of our manganese products, in particular EMM, were adversely affected.

We continued to strive to maintain our competitiveness in the manganese sector through containing our raw materials and power consumption per unit of production together with increasing production efficiency and attempt to reduce overall production cost. However, achievements in overall cost reductions were not apparent in 1H 2015 after a series of continually stringent cost control measures imposed in past few consecutive years. Accompanied by the weakening average selling price of manganese products, gross profit margin was heavily squeezed.

In summary, we recorded a loss of HK$333.9 million for the six months ended 30 June 2015 (1H 2014: HK$142.5 million). The consolidated net loss attributable to owners of the parent was HK$280.9 million (1H 2014: HK$94.3 million). Other than the drop in gross profit margin, major reasons for the increase in loss are as follows:

(1) Inventory provision of HK$45.3 million (1H 2014: HK$2.5 million) mainly relating to manganese ores to write down their book value to be in line with general price drop of manganese ores in the market;

(2) Less capitalization of interest expense amounting to only HK$0.1 million during the period (1H 2014: HK$10.9 million), which was attributable to near completion of capacity upgrade of our Daxin underground mine and ore processing facility in 1H 2015 and upon production commencement of expansion phase our Daxin EMM processing plant from the third quarter of 2014 respectively.

Comparison with six months ended 30 June 2015

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

	Six months ended 30 June							
	2015				2014			
	Sales Volume	**Average Selling Price**	**Revenue**	**% of Total Revenue**	Sales Volume	Average Selling Price	Revenue	% of Total Revenue
	(tonnes)	***(HK$/ Tonne)***	***(HK$'000)***	***(%)***	*(tonnes)*	*(HK$/ Tonne)*	*(HK$'000)*	*(%)*
Manganese mining and ore processing								
Gabon ore	**111,601**	**766**	**85,451**	**6.3**	81,656	999	81,566	5.8
Manganese concentrate	**67,423**	**363**	**24,481**	**1.8**	34,801	684	23,800	1.7
Natural discharging manganese powder and sand	**7,725**	**2,804**	**21,660**	**1.6**	11,388	2,813	32,036	2.3
Sub-Total	**186,749**	**705**	**131,592**	**9.7**	127,845	1,075	137,402	9.8
Manganese downstream processing								
EMM	**61,994**	**12,754**	**790,681**	**58.5**	61,095	13,667	835,002	59.8
Manganese briquette	**8,018**	**13,153**	**105,461**	**7.8**	4,427	14,704	65,096	4.7
	70,012	**12,800**	**896,142**	**66.3**	65,522	13,737	900,098	64.5
Silicomanganese alloy	**15,024**	**6,277**	**94,310**	**7.0**	18,709	7,318	136,913	9.8
EMD	**12,002**	**8,976**	**107,728**	**8.0**	10,910	10,078	109,955	7.9
Manganese sulfate	**7,390**	**4,076**	**30,122**	**2.2**	9,132	4,012	36,638	2.6
Others	**5,155**	**4,609**	**23,761**	**1.8**	1,649	7,794	12,853	1.0
Sub-Total	**109,583**	**10,513**	**1,152,063**	**85.3**	105,922	11,296	1,196,457	85.8
Non-manganese processing								
Lithium cobalt oxide	**362**	**182,514**	**66,070**	**4.9**	294	181,568	53,381	3.8
Other business								
Trading	**30**	**61,433**	**1,843**	**0.1**	8,093	1,064	8,608	0.6
Total	**296,724**	**4,555**	**1,351,568**	**100.0**	242,154	5,764	1,395,848	100.0

Revenue

In 1H 2015, the Group's revenue was HK$1,351.6 million (1H 2014: HK$1,395.8 million), representing a decrease of 3.2% as compared with 1H 2014. Average selling prices of our manganese products dropped throughout 1H 2015, especially for manganese ores. Furthermore, overcapacity and weak demand growth of steel sector persisted. Nevertheless, mild increase in sales volume of EMM and manganese briquette upon the commencement of expanded production of Daxin and Guangxi Start processing plants from the third quarter of 2014 substantially set off the effect of price drop. As a result, only a mild decrease of our total revenue was recorded during the period.

Manganese mining and ore processing – Revenue of manganese mining and ore processing segment decreased by 4.2% to HK$131.6 million (1H 2014: HK$137.4 million) owing to sluggish market demand and general commodity price drop. Even though we increased our sales efforts and sold more Gabon and PRC ores with an overall increase in quantity by 53.7% to 179,024 tonnes in 1H 2015 (1H 2014: 116,457 tonnes), average selling price of manganese mining and ore processing segment dropped by 34.4% to HK$705/tonne (1H 2014: HK$1,075/tonne) as our Hui Xing ore sales used to carry a lower average selling price.

Manganese downstream processing – Revenue from manganese downstream processing decreased by 3.7% from HK$1,196.5 million to HK$1,152.1 million and was principally attributable to the price dip of average selling price of manganese downstream processing. Following the commencement of expanded production of Daxin and Guangxi Start EMM processing plant in third quarter 2014, combined sales quantity of EMM and manganese briquette (a compressed form of EMM in regular shape) increased by 6.9% to 70,012 tonnes (1H 2014: 65,522 tonnes). In particular, domestic sales quantities of manganese briquette surged by 168.6%. On the contrary, average selling price of combined sales quantity of EMM and manganese briquette dropped by 6.8% to HK$12,800/tonne (1H 2014: HK$13,737/tonne) because of the continual weak market demand and oversupply of our downstream steel sector. Consequently, total revenue of combined sales quantities of EMM and manganese briquette could only maintain at around the same level as 1H 2014.

On the other hand, average selling price of EMD decreased by 10.9% to HK$8,976/tonne (1H 2014: HK$10,078/tonne) due to change of sales mix. Demand for the two higher cost new and more-effective high performance EMD was sluggish and hence dragged down total average selling price of EMD.

Non-manganese processing – For 1H 2015, sales volume of lithium cobalt oxide increased by 23.1% to 362 tonnes (1H 2014: 294 tonnes) with its average selling price remaining stable during the period.

Trading – For 1H 2015, trading sales mainly comprised of sales of lithium cobalt oxide and lithium manganese oxide while trading revenue in 1H 2014 was all derived from sale of aged stocks of imported manganese ore.

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

	Six months ended 30 June							
	2015				2014			
	Cost of Sales	**Unit Cost of Sales**	**Gross Profit/ (Loss)**	**Gross Profit/ (Loss) Margin**	Cost of Sales	Unit Cost of Sales	Gross Profit/ (Loss)	Gross Profit/ (Loss) Margin
	(HK$'000)	***(HK$/ Tonne)***	***(HK$'000)***	***(%)***	*(HK$'000)*	*(HK$/ Tonne)*	*(HK$'000)*	*(%)*
Manganese mining and ore processing								
Gabon ore	**90,564**	**811**	**(5,113)**	**(6.0)**	62,965	771	18,601	22.8
Manganese concentrate	**34,180**	**507**	**(9,699)**	**(39.6)**	7,018	202	16,782	70.5
Natural discharging manganese powder and sand	**7,393**	**957**	**14,267**	**65.9**	8,538	750	23,498	73.3
Sub-Total	**132,137**	**708**	**(545)**	**(0.4)**	78,521	614	58,881	42.9
Manganese downstream processing								
EMM	**772,324**	**12,458**	**18,357**	**2.3**	733,888	12,012	101,114	12.1
Manganese briquette	**91,420**	**11,402**	**14,041**	**13.3**	56,890	12,851	8,206	12.6
	863,744	**12,337**	**32,398**	**3.6**	790,778	12,069	109,320	12.1
Silicomanganese alloy	**98,351**	**6,546**	**(4,041)**	**(4.3)**	132,560	7,085	4,353	3.2
EMD	**99,142**	**8,260**	**8,586**	**8.0**	93,039	8,528	16,916	15.4
Manganese sulfate	**23,443**	**3,172**	**6,679**	**22.2**	28,588	3,131	8,050	22.0
Others	**27,031**	**5,244**	**(3,270)**	**(13.8)**	18,138	10,999	(5,285)	(41.1)
Sub-Total	**1,111,711**	**10,145**	**40,352**	**3.5**	1,063,103	10,037	133,354	11.1
Non-manganese processing								
Lithium cobalt oxide	**63,701**	**175,970**	**2,369**	**3.6**	51,401	174,833	1,980	3.7
Other business								
Trading	**2,321**	**77,367**	**(478)**	**(25.9)**	10,549	1,303	(1,941)	(22.5)
Total	**1,309,870**	**4,414**	**41,698**	**3.1**	1,203,574	4,970	192,274	13.8

Cost of Sales

Total cost of sales increased by HK$106.3 million or 8.8%, to HK$1,309.9 million in 1H 2015, as compared to HK$1,203.6 million in 1H 2014. The cost increase was primarily due to the increase in stock provision amounted to HK$45.3 million (1H 2014: HK$2.5 million) together with slight increase of sales volume of our manganese products.

The unit cost of manganese mining and ore processing increased by 15.3% to HK$708/tonne (1H 2014: HK$614/tonne) and was mainly attributable to: (1) an inventory provision of HK$36.9 million (1H 2014: Nil) relating to manganese concentrate and Gabon ores and (2) increased sales volume of Gabon ores sold in 1H 2015 including two shipments to India in 1H 2015.

In 1H 2015, unit cost of EMM increased by 3.7% to HK$12,458/tonne (1H 2014: HK$12,012/tonne). This was mainly attributable to: (1) higher unit consumption rate of manganese ore as we tested blending lower grade manganese carbonate ore together with more sulphuric acid; and (2) increase in unit price of electricity during the period.

Gross Profit

In 1H 2015, the Group recorded a gross profit of only HK$41.7 million (1H 2014: HK$192.3 million), representing a decrease of HK$150.6 million or 78.3%. The Group's overall gross margin was 3.1%, representing a decrease of 10.7% from 13.8% of 1H 2014. Erosion of overall gross margin was mainly attributable to: (1) drop of average selling price of EMM; and (2) much larger inventory provision for 1H 2015 of HK$45.3 million (1H 2014: HK$2.5 million) were provided for our manganese products, in particular manganese ores, following the drop in global market price.

Other income

Other income decreased by 28.5% to HK$43.7 million (1H 2014: HK$61.1 million) and was primarily due to the decrease in interest income and no net reversal of impairment of trade and other receivables as for the comparative period.

Selling and Distribution Expenses

Selling and distribution expenses in 1H 2015 have decreased by 6.6% to HK$46.4 million (1H 2014: HK$49.7 million) due to the decrease in unit transportation cost due to the global drop in oil price.

Administrative Expenses

Administrative expenses remained stable at the last year level.

Finance Cost

For 1H 2015, our Group's finance cost was HK$134.3 million (1H 2014: HK$110.0 million), representing an increase of 22.1% which was mainly due to: (1) less capitalization of interest expense amounting to only HK$0.1 million (1H 2014: HK$10.9 million) following the near completion for our Daxin underground mining and ore processing facility in 2015 and upon production commencement of Daxin EMM processing plant from third quarter of 2014 respectively; (2) the increase in total bank and other borrowings to finance the general working capital and capital expenditure projects and (3) an increase in effective interest rate for bank loan refinancing due to tightening credit policy in China.

Other Expenses

Other expenses decreased by 71.0% to HK$8.2 million (1H 2014: HK$28.3 million). RMB depreciated much less than in 1H 2014 and therefore exchange loss on RMB denominated deposits and bills receivable decreased.

Income Tax

Although the Group reported a loss, tax expense of HK$7.3 million (1H 2014: HK$1.7 million) was recorded for the period primarily due to the reversal of deferred tax credit upon expiry of the relevant tax loss.

Loss Attributable to Owners of the Parent

For 1H 2015, the Group's loss attributable to owners of the parent was HK$280.9 million (1H 2014: HK$94.3 million).

Loss per share

For 1H 2015, loss per share attributable to ordinary equity holders of the Company was 9.25 HK cents (1H 2014: 3.12 HK cents).

Interim Dividend

The Board does not recommend the payment of any interim dividend for the six months ended 30 June 2015 (six months ended 30 June 2014: Nil).

Use of Proceeds from IPO

Up to 30 June 2015, 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 30.6.2015 *(HK$ Million)*	% utilized	*Amount utilized up to 31.12.2014 (HK$ Million)*	*% utilized*
1	Expansion project at Daxin EMD Plant	79	79	100.0%	*79*	*100.0%*
2	Expansion project of underground mining and ore processing at Daxin Mine	278	227	81.7%	*211*	*75.9%*
3	Expansion and construction projects of our EMM production facilities	516	516	100.0%	*516*	*100.0%*
4	Construction project at Chongzuo Base	59	21	35.6%	*18*	*30.5%*
5	Development of Bembele 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	282	71.0%	*282*	*71.0%*
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	1,779	89.7%	*1,760*	*88.8%*

Use of Proceeds from Share Placing completed on 23 June 2015

Up to 30 June 2015, we utilized the net proceeds raised from the share placing in accordance with the designated uses set out in the placing agreement as follows:

Description	Amount designated in the Placing Agreement *(HK$ Million)*	Amount utilized up to 30.06.2015 *(HK$ Million)*	% utilized
Investment(s) and/or as general working capital of the Group	388	12	3.1%
Total	388	12	3.1%

Liquidity and financial resources

Cash and bank balances

As at 30 June 2015, the currency denomination of the Group's cash and bank balances including pledged deposits are as follow:

Currency denomination	**30 June 2015** *HK$ million*	31 December 2014 *HK$ million*
Denominated in:		
RMB	**1,408.4**	1,391.9
HKD	**383.8**	5.9
USD	**221.7**	30.6
XAF	**2.6**	8.2
	2,016.5	1,436.6

As at 30 June 2015, our cash and bank balances including pledged deposits were HK$2,016.5 million (31 December 2014: HK$1,436.6 million) while the Group's borrowings (inclusive of medium-term notes) amounted to HK$5,005.8 million (31 December 2014: HK$4,441.4 million). The Group's borrowings net of cash and bank balances amounted to HK$2,989.3 million (31 December 2014: HK$3,004.8 million).

To manage liquidity risk, the Group continues to monitor current and expected liquidity requirements to secure sufficient balance of cash in the short and long terms as well as facilities from banks and financial institutions.

Bank and other Borrowings

As at 30 June 2015, the Group's borrowing structure, maturity profile and currency denomination are as follows:

Borrowing structure	**30 June 2015** *HK$ million*	31 December 2014 *HK$ million*
Secured borrowings	**1,167.6**	904.4
Unsecured borrowings	**3,838.2**	3,537.0
	5,005.8	4,441.4

Maturity profile	**30 June 2015** *HK$ million*	31 December 2014 *HK$ million*
Repayable:		
On demand or within one year	**3,330.2**	2,559.1
After one year and within two years	**768.9**	1,469.8
After two years and within five years	**906.7**	412.5
	5,005.8	4,441.4

Currency denomination	**30 June 2015** *HK$ million*	31 December 2014 *HK$ million*
Denominated in:		
RMB	**4,028.5**	3,684.0
USD	**977.3**	757.4
	5,005.8	4,441.4

As at 30 June 2015, borrowings as to the amounts of HK$2,341.2 million (31 December 2014: HK$2,295.6 million) and HK$2,664.6 million (31 December 2014: HK$2,145.8 million), carry fixed and floating rate interest respectively. The fixed rate borrowings carry interest at rates ranging from 4.15% to 7.00%. The floating rate borrowings carry interest up to a premium of 10% above the Benchmark Borrowing Rates of the People's Bank of China ("**PBOC**"), except the USD loans which carry interest at rates of LIBOR plus a margin of 1.3% to 2.6%.

Overall, aggregate borrowings were increased to HK$5,005.8 million (31 December 2014: HK$4,441.4 million). The Group are now exploring various means including short-term or medium-term notes and sale and lease back arrangements to improve total borrowing structure in terms of interest rate level and repayment periods.

Fund Raising Activity

By way of placing on 23 June 2015, the Company issued 302,480,000 shares at a price of HK$1.30 per share for cash. The net proceeds from the placing were approximately HK$388.3 million and were intended to be used for investments when opportunities arise and/or for general working capital of the Group.

Credit risk

The Group endeavoured to maintain strict control over its outstanding receivables to minimise credit risk. Overdue balances are regularly reviewed by senior management. Since the Group's trade and bills receivables related to a large number of diversified customers, there was no significant concentration of credit risk. The Group did not hold any collateral or other credit enhancements over its trade and bills receivable balances.

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

The Group's operations are primarily in the PRC and Gabon. We have not entered into any foreign exchange contract or derivative transactions to hedge against foreign exchange fluctuations for these operations for reasons set out below.

In respect of our operations in the PRC, our products are sold to local customers in RMB and to a less extent to overseas customers in United States dollars. Major expenses of our PRC operations are also denominated in RMB. The functional currencies of our PRC subsidiaries are RMB.

In respect of our Gabon operations, most of its sales are denominated in United States dollars with the remainder in RMB. Major expenses including sea freight are also denominated in United States dollars with those relatively minor expenses incurred locally denominated in EURO or XAF which is pegged to Euro. Gabon operation is substantially financed by United States dollar loans which are expected to be repaid in the long term out of the project's surplus operating cash inflow which is mainly denominated in United States dollars.

Our other major exposures to exchange rate fluctuations relate to our RMB bank deposits maintained in Hong Kong which we intend to invest in the PRC and elsewhere should opportunity arise. We constantly monitor the fluctuation of the currency rate of RMB and the currency denomination of our deposits to ensure that the risk involved is within our expectation.

Charge on group assets

As at 30 June 2015, the Group's property, plant and equipment and notes receivable with an aggregate net carrying amount of HK$211.7 million (31 December 2014: HK$249.8 million) were pledged to secure certain of the Group's interest-bearing bank borrowings. Bank balances of HK$403.2 million (31 December 2014: HK$229.3 million) were also pledged to secure certain of the Group's bank borrowings.

Contingent liabilities

As at 30 June 2015, the Group did not have any significant contingent liabilities.

Key Financial Ratios of the Group

	30 June 2015	31 December 2014
Current ratio	**0.94**	1.01
Quick ratio	**0.71**	0.74
Net Gearing ratio	**83.7%**	86.8%

Current ratio	=	balance of current assets at the end of the period/balance of current liabilities at the end of the period
Quick ratio	=	(balance of current assets at the end of the period – balance of inventories at the end of the period)/balance of current liabilities at the end of the period
Net Gearing ratio	=	Calculated as net debt divided by equity attributable to owners of the parent. Net debt is defined as the sum of interest-bearing bank and other borrowings and medium-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 underground mining capacity, expanded downstream EMM capacity together with the loss suffered during the reporting period.

Acquisition

In June 2015, through a number of acquisitions in the market and from independent third parties, the Group acquired an aggregate of 22.23% of the issued share capital of CPM for a total cash consideration of HK$315,154,000. Subsequent to the reporting period, the Group completed the acquisition of a further 7.58% interest in CPM at a consideration of HK$135,590,000 by way of issue of 104,300,000 new shares of the Company to an independent third party. Upon completion of the above series of all the piece meal acquisitions on 23 July 2015, the Company owns 29.81% equity interest in CPM and expects to equity account for this investment as an associated company from the completion date in the second half of this year.

CPM is one of the largest lead and zinc pure mining company in Yunnan Province, the PRC in terms of resources with abundant and high-grade silver reserves. CPM owns and operates a large-scale, high grade lead-zinc-silver polymetallic Shizishan Mine and some other significant polymetallic resources. We expect that this acquisition will provide satisfactory returns to us. Details of the acquisition have been set out in the announcements of the Company dated 17 June 2015, 26 June 2015 and 23 July 2015.

Human Resources

As at 30 June 2015, the Group had approximately 8,222 (30 June 2014: 8,366) full-time employees in HK and the PRC; approximately 273 (30 June 2014: 275) full-time employees in Gabon. The Group offers a competitive remuneration and welfare package to its employees and regularly reviews 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 the employees.

Outlook

The general outlook for the commodity market remains subdued for a mix of reasons including slower rate of global economic growth, signs of oversupply of major commodities and negative short-term demand outlook. Inevitably, it is anticipated that strong commodity price recovery including manganese related products will not be imminent in near future according to current economic perspectives. Excess overcapacity adjustment as well as consolidation process still need to undergo for a certain period of time. Meanwhile, in order to maintain our competitive edge including inter alias, our abundant manganese resources, we shall focus on our efforts on further cost reduction and careful screening of capital expenditures for our existing business in the manganese sector. Our recent investment of 29.81% equity interests in CPM is our first move into outside manganese and we expect to add substantial synergic value to this investment amidst our strong and extensive expertise in the metal and mining sector particularly in the PRC. Accordingly, we aim that in the foreseeable future, CPM will be able to provide its shareholders, now including us, much larger positive return than it did before our acquisition. The Group will continue to ride on our extensive experience and expertise in the metal and mining sector to seek for investment opportunities both inside and outside the PRC.

Looking forward, we are confident that, following the implementation of "One Belt One Road" strategy, there will be increased overseas market demand for Chinese-built railroads, equipment, and motor vehicles and will definitely help to consume excess steel capacities in medium to long-term. Moreover, it will also likely to bolster PRC as well as other Asian infrastructure sectors in a sustainable way. We continue to be cautiously optimistic that once market equilibrium can be restored, with recovery in both selling prices and consumption demand for our manganese products, we will benefit from our competitiveness in the manganese sector.

CODE ON CORPORATE GOVERNANCE PRACTICES

Throughout the six months ended 30 June 2015, the Company has applied the principles, 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.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted a code of conduct for dealings in securities of the Company by its Directors (the "**Securities Dealings Code**") that is based on the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") as set out in Appendix 10 to the Listing Rules (or on terms no less stringent than the Model Code). All Directors confirmed, following specific enquiry by the Company, that they have complied with the required standards set out in the Securities Dealings Code throughout the six months ended 30 June 2015.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

Save for the followings, neither the Company nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities during the six months ended 30 June 2015.

1. On 23 June 2015, the Company, by way of placing, issued 302,480,000 shares to independent third parties, details of the placing were disclosed in the announcements of the Company dated 15 June 2015 and 23 June 2015.

2. On 26 June 2015, CITIC Dameng Investments Limited ("**CDI**"), a wholly owned subsidiary of the Company, entered into a sale and purchase agreement ("**SP Agreement**") with Challenger Mining 8 Limited ("**Challenger Mining**"). Pursuant to the SP Agreement, CDI agreed to procure the Company to issue 104,300,000 consideration shares to Challenger Mining in order to purchase its 7.58% equity interest in CPM and the transaction has been completed on 23 July 2015 (Details of the SP Agreement were disclosed in the announcements of the Company dated 26 June 2015 and 23 July 2015).

REVIEW OF ACCOUNTS

The audit committee has reviewed the unaudited interim results for the six months ended 30 June 2015 with the senior management of the Company.

CHANGE OF INFORMATION OF DIRECTORS

Pursuant to Rule 13.51B of the Listing Rules, the change of information of Directors of the Company are set out below:

1. On 15 January 2015, Mr. Suo Zhengang was granted the title of senior economist by CITIC Senior Specialized Technique Qualification Evaluation Committee.

2. On 18 March 2015, Mr. Li Weijian was granted the title of part time professor by 廣西經濟管理幹部學院 (Guangxi Economic Management Cadre Institute).

FORWARD LOOKING STATEMENTS

This announcement contains certain forward looking statements with respect to the financial condition, results of operations and business of the Group. These forward looking statements represent the Company's expectations or beliefs concerning future events and involve known and unknown risks and uncertainty that could cause actual results, performance or events to differ materially from those expressed or implied in such statements.

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

Hong Kong, 29 July 2015

As at the date of this announcement, the executive Directors are Mr. Qiu Yiyong, Mr. Li Weijian, Mr. Tian Yuchuan and Mr. Yin Bo; the non-executive Directors are Mr. Suo Zhengang and Mr. Chen Jiqiu; and the independent non-executive Directors are Mr. Yang Zhi Jie, Mr. Mo Shijian and Mr. Tan Zhuzhong.

* *For identification purpose only*