Annual Report 2015

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

(incorporated in Bermuda with limited liability)

Stock Code: 1091

*For identification purpose only

Contents

Corporate Information

Board Of Directors

Executive Directors

Mr. Yin Bo (Chairman)
Mr. Li Weijian (Vice Chairman)
Mr. Tian Yuchuan (Chief Executive Officer)

Non-executive Directors

Mr. Suo Zhengang
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. Yin Bo
Mr. Li Weijian
Mr. Yang Zhi Jie
Mr. Tan Zhuzhong

Nomination Committee

Mr. Tan Zhuzhong (Chairman)
Mr. Yin Bo
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

23/F, 28 Hennessy Road,
Wanchai, Hong Kong

Telephone : (852) 2179 1310
Facsimile : (852) 2537 0168
E-mail : ir@citicdameng.com.hk

Principal Place Of Business In The PRC

CITIC Dameng Building, No.18 Zhujin Road,
Nanning, Guangxi, PRC

Bermuda Principal Share Registrar And Transfer Office

Codan Services Limited
Clarendon House, 2 Church Street,
Hamilton HM 11, Bermuda

Hong Kong Branch Share Registrar And Transfer Office

Computershare Hong Kong Investor Services Limited
Shops 1712-1716, 17th Floor, Hopewell Centre,
183 Queen's Road East, Wanchai, Hong Kong

Auditors

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

Authorized Representatives

Mr. Yin Bo
Mr. Tian Yuchuan

Principal Bankers

China CITIC Bank
China Construction Bank
China Guangfa Bank
Bank of Communications
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, is set out below.

Results

	Year ended 31 December				
	2015 HK$'000	**2014 HK$'000**	**2013 HK$'000**	**2012 HK$'000**	**2011 HK$'000**
Revenue	**2,517,000**	3,194,517	2,915,756	2,986,444	3,654,690
(Loss)/profit before tax	**(942,226)**	(35,316)	(305,450)	(444,394)	377,051
Income tax	**(33,751)**	(47,405)	(12,239)	(54,436)	(30,751)
(Loss)/profit for the year	**(975,977)**	(82,721)	(317,689)	(498,830)	346,300
Attributable to:					
Owners of the parent	**(956,007)**	15,488	(243,246)	(396,880)	408,572
Non-controlling interests	**(19,970)**	(98,209)	(74,443)	(101,950)	(62,272)
	(975,977)	(82,721)	(317,689)	(498,830)	346,300

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

	31 December				
	2015 HK$'000	**2014 HK$'000**	**2013 HK$'000**	**2012 HK$'000**	**2011 HK$'000**
Non-current assets	**5,527,883**	5,758,980	5,622,822	5,177,293	4,753,773
Current assets	**3,809,453**	4,022,042	3,639,985	4,136,016	4,142,958
Total assets	**9,337,336**	9,781,022	9,262,807	9,313,309	8,896,731
Current liabilities	**4,512,938**	3,965,584	2,935,845	3,279,251	2,694,422
Non-current liabilities	**1,824,755**	2,222,761	2,647,638	2,121,586	1,824,462
Total liabilities	**6,337,693**	6,188,345	5,583,483	5,400,837	4,518,884
Net Assets	**2,999,643**	3,592,677	3,679,324	3,912,472	4,377,847
Equity attributable to owners of the parent	**2,890,431**	3,463,552	3,460,345	3,617,137	3,982,608
Non-controlling interests	**109,212**	129,125	218,979	295,335	395,239
	2,999,643	3,592,677	3,679,324	3,912,472	4,377,847

Chairman's Statement

Chairman's Statement

Dear our Valuable Shareholders,

In 2015, the global economy growth remained sluggish. The investment in real estate and infrastructure in China continued to decline and the commodity price recorded significant decrease. The excessive over capacity caused by the overexpansion of the electrolytic manganese metals ("**EMM**") enterprises in China in the past years has not been resolved and there were fierce competitions among the manganese enterprises. Accordingly, the selling prices of manganese products continued to drop and hover at the historical lowest level.

Amidst such continued instability of the domestic and international economy and the fierce competitions in the industry, the Group, by adopting our continuous efforts and adopting balanced and practical strategy, we continued to solidify our market share and maintained our leading position in the manganese industry.

New Business Development and Outlook

In order to reverse the singleton business and sector of the Group, increasing our counter power during the economic downturn, we completed the acquisition of 29.81% equity interests of the issued capital in China Polymetallic Mining Limited (Stock Code: 02133) ("**CPM**") during the year, becoming its single largest shareholder. CPM owns and operates relatively high-grade lead and zinc mines in Yunnan province, China, and has three mining licenses and two exploration licenses. This is our first move into non-manganese mining projects with a view to adding substantial synergic value to it by our strong and extensive expertise in the mining sector.

As the market prices for lead and zinc metals, as compared with manganese, are more stable, together with the close down of several major zinc mines around the world in the near future, we therefore believe that the acquisition of CPM will provide reasonable return to the Group in the medium and long term.

Increase Investment on Research and Development ("R & D") and Improving Our Competitiveness

We place great emphasis on technological innovation and R & D. During the year, we continued to increase our investment on R & D, achieving remarkable results. A total of 13 patent registration applications focusing on EMM and lithium typed manganese dioxide have successfully passed through the preliminary examination, and 9 patents registration applications were granted. In addition, we have completed the technical demonstration on "EMM Powder Acid Infusion Integration" as well as "High Grade Manganese Sulfate Pilot Research and High Grade Manganese Tetroxide Experiment Research", "Lithium Cobalt Oxide Pilot Research", "High Voltage Lithium cobalt Oxide Pilot Research". Among which, our cooperation with Chongqing University, etc. production units regarding "Energy conversation and emission reduction of EMM research and application" obtained the award of "Chongqing First Class Improvement Prize". These R&D projects will be conductive to our continuing growth and enhancing our competitiveness in the industry.

Care about Our Society and Actively Performing Our Social Responsibilities

We adhere to promote and implement our social responsibilities and committed to implement and closely scrutinize our project in the community, which will lead to positive, sustainable outcomes and enhance the Company's reputation and relationships. During the year, the "339 Frost Cultural Event" organized by the Group in conjunction with Xia Lei society has been successfully completed. Also, our commitment to the society has obtained widespread recognition from the society and was awarded with numerous recognition, including innovative enterprise and R & D centre from the Guangxi autonomous province. Such awards and recognitions reflect our performance in society, environment and corporate governance.

Solidify Our Foundation and Capturing Opportunities

Looking forward to 2016, it is expected that the oversupply in the steel industry will continue. We nevertheless will continue its efforts on cost reduction, technology innovation and meticulous management and other measures in order to further reduce our production costs, and acquired quality assets by capturing opportunities in order to provide profitable returns to the Group.

Sincere Gratitude and Absolute Determination

I would like to take this opportunity to thank the Board members, the management team and all staff for their valuable advice, hard work and contributions to the Company. I also hereby take this opportunity to express my greatest sincere appreciation for the loyalty and support of our shareholders and our partners. We value and express your continuous reliance and support, in order to encounter the new challenge and opportunities.

Yin Bo
Chairman

Hong Kong, 4 February 2016

Report of the Directors


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Report of the Directors

The Directors are pleased to present their report and the audited financial statements for the year ended 31 December 2015.

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.

Business Review

Business review comprising a fair review of the Group's business, description of our principal risks and uncertainties, important events subsequent to the year end and our likely future business developments have been set out in the section headed "Management Discussion and Analysis" of this annual report. Discussions and information therein forms part of this Report of the Directors.

Results and Dividends

The Group's loss for the year ended 31 December 2015 and the state of affairs of the Company and the Group at that date are set out in the financial statements on pages 87 to 152.

The Board do not recommend the payment of any dividend for the year.

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 15 and 16 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

Save and except for the followings, neither the Company, nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities during the year:

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.

3. In August 2015, the Company conducted a series of transactions to repurchase the Company's own shares, all made through the Stock Exchange of Hong Kong Limited, pursuant to the Company's share repurchase mandate, details of which are disclosed in the circular of the Company dated 20 May 2015. Details of the share repurchase are as follows:

Number of shares	Highest price	Lowest price	Total consideration (exclusive of transaction cost)
	HK$	HK$	HK$
3,116,000	0.78	0.74	2,339,960

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 borrowings (inclusive of interest-bearing bank and other borrowings and medium-term notes) of the Group as at 31 December 2015 are set out in note 27, 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 2015.

Distributable Reserves

The Company's reserves available for distribution is its share premium account which amounts to HK$3,352,902,000 as at 31 December 2015 and such sum may be distributed in the form of fully paid bonus shares. As at 31 December 2015, the Company recorded accumulated losses of HK$1,080,726,000.

Charitable Donations

During the year, the Group made charitable and other donations totalling HK$682,000 (2014: HK$422,000).

Major Customers and Suppliers

During the year, sales to the Group's five largest customers accounted for 38% of the total sales for the year and sales to the largest customer included therein amounted to 14%. Purchases from the Group's five largest suppliers, amounted to 64% of the total purchases for the year and purchase from the largest supplier included therein amounted to 50%.

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 2015 and up to the date of this annual report are:

Executive Directors:

Mr. Yin Bo (Chairman)
Mr. Qiu Yiyong (resigned on 19 October 2015)
Mr. Li Weijian (Vice Chairman)
Mr. Tian Yuchuan (Chief Executive Officer)

Non-executive Directors:

Mr. Suo Zhengang
Mr. Chen Jiqiu

Independent non-executive Directors:

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

Report of the Directors

During the year, the Board has the following changes:

1. On 19 October 2015, Mr. Qiu Yiyong ("**Mr. Qiu**") resigned as a Chairman, executive director and authorized representative of the Company as well as a member of remuneration committee and nomination committee due to health reason.
2. On 19 October 2015, Mr. Yin Bo ("**Mr. Yin**") was redesignated as the Chairman and authorized representative of the Company as well as a member of remuneration committee and nomination committee.

Directors' and Senior Management's Biographies

The biographical details of the Directors of the Company and the senior management of the Company are set out on pages 50 to 51 of this annual report.

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:

Name	Date	Details of the change
Mr. Li Weijian ("**Mr. Li**")	18 March 2015	Mr. Li was granted the title of part time professor by 廣西經濟管理幹部學院 (Guangxi Economic Management Cadre Institute).
Mr. Suo Zhengang ("**Mr. Suo**")	15 January 2015	1. Mr. Suo was granted the title of senior economist by CITIC Senior Specialized Technique Qualification Evaluation Committee.
	19 October 2015	2. Mr. Suo was appointed as an alternative director to Mr. Qiu Yiyong and acting chief executive officer of CITIC Resources.
	4 December 2015	3. Mr. Suo was appointed as the Vice Chairman, Chief Executive Officer and executive director of CITIC Resources.

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 9 to the consolidated financial statements of this annual report.

Directors' Interests in Contracts

Mr. Suo is Vice Chairman, Chief Executive Officer and executive director of CITIC Resources. Mr. Suo is also the Chairman of CITIC Jinzhou Ferroalloy Co., Ltd. ("**CITIC Jinzhou**") to 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. CITIC Jinzhou carries on metallurgic business focusing on the production of middle carbon ferromanganese, chromium metal, titanium metal, vanadium pentoxide, zirconium products and silicon manganese alloy. In the event that there are transactions between CITIC Resources, CITIC Jinzhou and the Company, Mr. Suo 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 Weijian is the director 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 2015, 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 2015, 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. Li Weijian	Share options	Directly beneficially owned	15,000,000	0.44%
Mr. Tian Yuchuan	Share options	Directly beneficially owned	12,000,000	0.35%
Mr. Chen Jiqiu	Share options	Directly beneficially owned	9,000,000	0.26%
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 2015 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.

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 Directors, 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 share options to the Directors and certain employees of the Group under the Share Option Scheme. Further details of the share options 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 2015**	**Granted during the year**	**Exercised during the year[1]**	**Cancelled During the year**	**At 31 December 2015**	**Date of grant**	**Exercise period[2]**	**Exercise price per share HK$**
Directors of the Company								
Mr. Qiu Yiyong[3]	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. 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
	54,000,000	–	–	–	54,000,000			
Non-directors	38,500,000	–	–	–	38,500,000	11.1.2011	11.1.2012 to 10.1.2021	2.81
	92,500,000	–	–	–	92,500,000			

Notes:

(1) No share option was lapsed during the year ended 31 December 2015.

(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.

(3) Mr. Qiu Yiyong resigned as an executive director with effect from 19 October 2015.

Report of the Directors

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 2015:

(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.

Substantial Shareholders' and other persons' interests

As at 31 December 2015, according to the register kept by the Company pursuant to Section 336 of the SFO and, so far as is known to the Directors, the persons or entities who had an interest or a short position in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or who were, directly or indirectly, interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of the Company, or of any other company which is a member of the Group, or in any options in respect of such share capital are as follows:

Name	Notes	Capacity and nature of interest	Number of ordinary shares held (a)	Percentage of the Company's issued share capital	Number of share options held
CITIC Group Corporation	(b)	Through a controlled corporation	1,490,026,000 (L)	43.46	–
CITIC Corporation Limited (formerly known as CITIC Limited)	(b)	Through a controlled corporation	1,490,026,000 (L)	43.46	–
CITIC Projects Management (HK) Limited	(b)	Through a controlled corporation	1,490,026,000 (L)	43.46	–
CITIC Pacific Limited	(b)	Other	1,490,026,000 (L)	43.46	–
Keentech Group Limited	(c)	Through a controlled corporation	1,179,000,000 (L)	34.39	–
CITIC Resources Holdings Limited	(c)	Through a controlled corporation	1,179,000,000 (L)	34.39	–
Starbest Venture Limited	(c)	Through a controlled corporation	1,179,000,000 (L)	34.39	–
Group Smart Resources Limited	(c)	Through a controlled corporation	1,179,000,000 (L)	34.39	–
Highkeen Resources Limited	(c)	Directly beneficially interested	1,179,000,000 (L)	34.39	–
CITIC United Asia Investments Limited	(d)	Through a controlled corporation	311,026,000 (L)	9.07	–
Apexhill Investments Limited	(d)	Directly beneficially interested	311,026,000 (L)	9.07	–
Guangxi Dameng Manganese Industrial Co., Ltd	(e)	Through a controlled corporation	776,250,000 (L)	22.64	–
			776,250,000 (S)	22.64	–
Huanan Dameng Investments Limited	(e)	Through a controlled corporation	776,250,000 (L)	22.64	–
			776,250,000 (S)	22.64	–
Guinan Dameng International Resources Limited	(e)	Directly beneficially interested	776,250,000 (L)	22.64	–
			776,250,000 (S)	22.64	–
China Minsheng Banking Corporation Limited		Directly beneficially interested	776,250,000 (L)	22.64	–
Gaoling Fund, L.P.	(f)	Through a controlled corporation	225,794,000 (L)	6.59	–
Hillhouse Capital Management, Ltd.	(f)	Directly beneficially interested	225,794,000 (L)	6.59	–

Notes:

(a) The letter "L" denotes the long position in such Shares and the letter "S" denotes the short position in such Shares.

(b) CITIC Projects Management (HK) Limited ("**CITIC Projects**") is wholly owned by CITIC Corporation Limited (formerly known as CITIC Limited) ("**CITIC Corporation**"). CITIC Corporation is wholly owned by CITIC Limited (formerly known as CITIC Pacific Limited) (Stock Code: 267), which is owned as to 25.60% by CITIC Glory Limited and as to 32.53% by CITIC Polaris Limited. CITIC Glory Limited and CITIC Polaris Limited are 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 49.57% by Keentech Group Limited ("**Keentech**"). Keentech is wholly owned by CITIC Projects.

(d) Apexhill Investments Limited ("**Apexhill**") is wholly owned by CITIC United Asia Investments Limited ("**CITIC UA**"), 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.

(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.

Report of the Directors

Save as disclosed above, as at 31 December 2015, the Company has not been notified by any persons 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.

Directors' Service Contracts

As at 31 December 2015, none of the Directors had entered, or proposed to enter, into any service contract with any member of the Group which is not determinable by the Group within one year without payment of compensation other than statutory compensation.

Non-compete Undertaking by the Controlling Shareholder

The Company has received an annual confirmation from CITIC Resources, the controlling shareholder of the Company, in respect of its compliance with the Non-compete Undertaking for the year ended 31 December 2015.

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 2015.

Continuing Connected Transactions

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 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 31 December 2012, the Company entered into the Renewed Master Agreement with China CITIC Bank Corporation Limited and China 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.

On 27 June 2013, CITIC Dameng Mining entered into a Tenancy Agreement with Guangxi Dameng for the lease of a premises for a term of three years ending 30 June 2016. Details of the Tenancy Agreement were disclosed in the announcement of the Company dated 27 June 2013.

On 15 July 2015, CITIC Dameng Mining entered into Jiangyin Xingcheng Agreement with Jiangyin Xingcheng Special Steel Limited Company for the three years ending 31 December 2018. Details of Jiangyin Xingcheng Agreement were disclosed in the announcement of the Company dated 15 July 2015.

On 15 July 2015, CITIC Dameng Mining entered into Guangxi Dameng Ore Agreement, Guangxi Hezhou Agreement and Guangxi Wuzhou Agreement with Guangxi Dameng and Guangxi Dameng's subsidiaries for three years ending 31 December 2017 (collectively, the "**2015 Guangxi Dameng Agreements**"). Details of 2015 Guangxi Dameng Agreements were disclosed in the announcement of the Company dated 15 July 2015.

The amounts of the above mentioned continuing connected transactions are disclosed in note 40(a) to the financial statements. All the related party transactions set out in the note 40(a) referred to above are also continuing connected transactions as defined in Chapter 14A of the Listing Rules.

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 better; 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.56 of the Listing Rules.

The Company has complied with the applicable requirements under the Listing Rules in respect of continuing connected transactions engaged in by the Group.

On 30 December 2015, CITIC Dameng Mining entered into 2016 Integrated Services Framework Agreement, 2016 Guangxi Liuzhou Agreement and 2016 Nanning Battery Plant Agreement with Guangxi Dameng and Guangxi Dameng's subsidiaries for three years ending 31 December 2018 (collectively, the "**2016 Guangxi Dameng Agreements**"). Details of 2016 Guangxi Dameng Agreements were disclosed in the announcement of the Company dated 30 December 2015.

On 30 December 2015, the Company entered into 2016 CITIC Bank Agreement with China CITIC Bank Corporation Limited and China CITIC Bank International Limited for the three years ending 31 December 2018. Details of 2016 CITIC Bank Agreement were disclosed in the announcement of the Company dated 30 December 2015.

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 2016 AGM.

ON BEHALF OF THE BOARD

Yin Bo
Chairman

Hong Kong
4 February 2016

Management Discussion and Analysis

Management Discussion and Analysis

Financial Review

	2015 HK$'000	2014 HK$'000	Increase/(decrease) HK$'000	%
Revenue	**2,517,000**	3,194,517	(677,517)	(21.2)
Operating loss	**(1,166,024)**	(44,200)	1,121,824	2,538.1
Gain on bargain purchase	**223,798**	8,884	214,914	2,419.1
Loss before tax	**(942,226)**	(35,316)	906,910	2,568.0
Income tax expense	**(33,751)**	(47,405)	(13,654)	(28.8)
Loss after tax	**(975,977)**	(82,721)	893,256	1,079.8
(Loss)/Profit attributable to owners of the parent	**(956,007)**	15,488	971,495	N/A
Loss attributable to non-controlling interests	**(19,970)**	(98,209)	(78,239)	(79.7)
	(975,977)	(82,721)	893,256	1,079.8

Financial Highlights

- Turnover amounted to HK$2,517.0 million for 2015, representing a decrease of 21.2% from HK$3,194.5 million of 2014.

- Loss attributable to owners of the parent of HK$956.0 million for 2015 as compared to a profit attributable to owners of the parent of HK$15.5 million for 2014.

- As at 31 December 2015, cash and bank balances increased by 6.3% to HK$1,527.1 million (2014: HK$1,436.6 million).

Overview

In 2015, overall global economy displayed a slower recovery than expected. United States Federal Reserve's eventual and first in nine years, interest rate increase by 0.25% in December 2015 signalled the end of seven years' loosening monetary policy that began since the global financial crisis. Europe and Japan were still struggling and adopting ultra-loose monetary policy to resist deflationary pressure. In China, the fear of hard landing speculation and panic of stock market created tremendous downward pressure on RMB, following the release of full year data confirming the slowdown in China's GDP growth and weakening PMI figures towards the end of 2015. These sentiments ignited increased concerns on further worsening credit and slowdown in the Chinese economy and led to further RMB depreciation and stock market adjustment.

At the same time, stronger US dollar put additional and enormous downward pressure on raw materials, especially oil and general commodities including steel, amid the steel sector's severe overcapacity and weaker global demand that already persisted. Under this extremely difficult market environment, although it had already led to sizable steel plants' permanent closure in both China and overseas, the tumbling steel price together with overproduction adjustment was still ongoing throughout 2015 and this trend is also expected to continue in short to medium term. As a result, the average selling price of our major product EMM, an ingredient of steel, was inevitably affected in an adverse manner. Coincidently, certain of our manganese processing plants temporarily suspended their operations for major periodic repair and maintenance, particularly in the second half of 2015, with a view to maintaining our comparative advantages in the manganese industry in the longer term.

Management Discussion and Analysis

On the cost side, though we continued to strive to maintain our competitiveness in the manganese sector through different measures, diminishing improvement in containing our raw materials and power consumption per unit of production together with increasing production efficiency in an attempt to reduce overall production cost were achieved in 2015 after a series of continually stringent cost control measures already imposed in past years. The hit by drop of average selling price of manganese products was even harder as a combined result of supply glut and weakened demand. Therefore, an overall gross loss in the manganese downstream processing segment was recorded for the first time in our history.

On top of those mentioned above, reasons for loss attributable to the owners of the parent amounting to HK$956.0 million in 2015, as compared with net profit attributable to owners of the parent of HK$15.5 million in 2014 are:

1. provision for stocks of HK$114.1 million as a result of significant drop of average selling price of manganese products;

2. provision for impairment on mining right and impairment for certain of our major assets of Gabon mine and Tiandong processing plant to write down their carrying value to recoverable amount totalling HK$347.7 million.

The above losses was partially offset by the Group's gain of HK$223.8 million on bargain purchase upon acquisition of 29.81% equity interests of CPM.

Comparison with 2014

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

	Year ended 31 December,							
	2015				2014			
	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								
Gabon ore	**205,135**	**543**	**111,341**	**4.4**	177,974	855	152,219	4.8
Manganese concentrate	**99,566**	**357**	**35,520**	**1.4**	490,072	412	201,927	6.3
Natural discharging manganese powder and sand	**20,661**	**2,660**	**54,956**	**2.2**	30,403	2,638	80,212	2.5
Sub-Total	**325,362**	**620**	**201,817**	**8.0**	698,449	622	434,358	13.6
Manganese downstream processing								
EMM	**123,647**	**11,510**	**1,423,117**	**56.6**	129,709	13,780	1,787,396	56.0
Manganese briquette	**16,896**	**12,096**	**204,381**	**8.1**	10,387	14,778	153,503	4.8
	140,543	**11,580**	**1,627,498**	**64.7**	140,096	13,854	1,940,899	60.8
Silicomanganese alloy	**31,660**	**5,726**	**181,289**	**7.2**	47,922	7,095	340,019	10.6
EMD	**26,275**	**8,772**	**230,474**	**9.2**	22,328	9,587	214,059	6.7
Manganese sulfate	**15,493**	**3,929**	**60,879**	**2.4**	18,131	3,992	72,371	2.3
Others	**9,401**	**4,045**	**38,029**	**1.5**	7,450	3,813	28,406	0.8
Sub-Total	**223,372**	**9,572**	**2,138,169**	**85.0**	235,927	11,002	2,595,754	81.2
Non-manganese processing								
Lithium cobalt oxide	**756**	**180,458**	**136,426**	**5.4**	717	173,188	124,176	3.9
Other business								
Trading	**23,635**	**1,717**	**40,588**	**1.6**	10,284	3,912	40,229	1.3
Total	**573,125**	**4,392**	**2,517,000**	**100.0**	945,377	3,379	3,194,517	100.0

Management Discussion and Analysis

Revenue

In 2015, the Group's revenue was HK$2,517.0 million (2014: HK$3,194.5 million), representing a decrease of 21.2% as compared with 2014. The revenue decrease was mainly due to:(1) the decrease in average selling price of manganese related products; and (2) substantial decrease in the sales volume of manganese carbonate ores after all of our surplus manganese carbonate ores were sold in 2014.

Manganese mining and ore processing – Revenue of manganese mining and ore processing segment decreased by 53.5% to HK$201.8 million (2014: HK$434.4 million). This was mainly attributable to the absence of surplus Daxin manganese carbonate ores for sale in 2015 (2014: 338,652 tonnes). Therefore, sales in 2015 of manganese carbonate related only to our Hui Xing which recorded a lower average selling price as its ore are normally unprocessed.

On the other hand, although our Gabon ore sales quantity increased mildly from last year, average selling price decreased by 36.5% to HK$543/tonne (2014: HK$855/tonne) due to: (1) plunge in average selling price in line with the drop in the international manganese ore market; (2) shift of sales mix to predominantly FOB India shipment in 2015, as opposed to predominantly CIF PRC in 2014. Normally CIF price is higher than FOB price, as FOB buyers bear the ocean freight charge.

Manganese downstream processing – Revenue from manganese downstream processing decreased by 17.6% from HK$2,595.8 million to HK$2,138.2 million. This decrease is mainly due to the decrease in the average selling price of combined sales quantities of EMM and manganese briquette by 16.4% to HK$11,580/tonne in 2015 (2014: HK$13,854/tonne) following the significant and protracted deterioration of steel sector, despite the stable sales quantity. Combined sales value of EMM and manganese briquette now accounted for 64.7% (2014: 60.8%) of our total sales. At the same time, the drop in EMD average selling price was relatively less than the drop in general commodities and the sales quantity of EMD increased during 2015. This was primarily due to the increase in popularity for EMD which is widely used in producing rechargeable batteries.

On the other hand, production of our Qinzhou plant was temporarily suspended for more than four months to carry out major maintenance, therefore both sales volume and sales revenue of silicomanganese alloy decreased.

Trading – Average selling price of trading products decreased by HK$2,195/tonne or 56.1% to HK$1,717/tonne as a result of change in sales composition. Sales mix in 2015 shifted to old stocks of import manganese ore with a lower average selling price, as compared to 2014 with more EMM at a higher price.

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,							
	2015				2014			
	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								
Gabon ore	**189,896**	**926**	**(78,555)**	**(70.6)**	129,238	726	22,981	15.1
Manganese concentrate	**42,449**	**426**	**(6,929)**	**(19.5)**	75,118	153	126,809	62.8
Natural discharging manganese powder and sand	**20,138**	**975**	**34,818**	**63.4**	20,398	671	59,814	74.6
Sub-Total	**252,483**	**776**	**(50,666)**	**(25.1)**	224,754	322	209,604	48.3
Manganese downstream processing								
EMM	**1,502,058**	**12,148**	**(78,941)**	**(5.5)**	1,509,081	11,634	278,315	15.6
Manganese briquette	**181,228**	**10,726**	**23,153**	**11.3**	135,412	13,037	18,091	11.8
	1,683,286	**11,977**	**(55,788)**	**(3.4)**	1,644,493	11,738	296,406	15.3
Silicomanganese alloy	**197,875**	**6,250**	**(16,586)**	**(9.1)**	322,876	6,738	17,143	5.0
EMD	**204,928**	**7,799**	**25,546**	**11.1**	183,165	8,203	30,894	14.4
Manganese sulfate	**44,851**	**2,895**	**16,028**	**26.3**	57,501	3,171	14,870	20.5
Others	**48,685**	**5,179**	**(10,656)**	**(28.0)**	40,316	5,412	(11,910)	(41.9)
Sub-Total	**2,179,625**	**9,758**	**(41,456)**	**(1.9)**	2,248,351	9,530	347,403	13.4
Non-manganese processing								
Lithium cobalt oxide	**132,483**	**175,242**	**3,943**	**2.9**	119,109	166,121	5,067	4.1
Other business								
Trading	**40,046**	**1,694**	**542**	**1.3**	49,413	4,805	(9,184)	(22.8)
Total	**2,604,637**	**4,545**	**(87,637)**	**(3.5)**	2,641,627	2,794	552,890	17.3

Management Discussion and Analysis

Cost of Sales

Overall, cost of sales decreased by HK$37.0 million or 1.4%, to HK$2,604.6 million in 2015, as compared to HK$2,641.6 million in 2014 and was mainly attributable to the provision for stocks of HK$114.1 million as a result of significant drop of average selling price of manganese related products, particularly Gabon ore.

The unit cost of manganese mining and ore processing segment during 2015 increased by 141.0% to HK$776/tonne (2014: HK$322/tonne). This was mainly attributable to: (1) approximately HK$61.9 million of Gabon ore stock provision as a result of significant drop of average selling price of ores; (2) no more surplus manganese carbonate ores from Daxin mine was available for sale in 2015, which has a comparatively low unit cost because of its crude ore nature and not yet washed nor screened.

In 2015, unit cost of combined EMM and manganese briquette increased by 2.0% to HK$11,977/tonne (2014: HK$11,738/tonne). This was mainly attributable to a provision of HK$14.3 million of auxiliary materials for our EMM processing. The unit cost of combined EMM and manganese briquette were maintained at same level of 2014 if stock provision was ignored.

Similarly, unit cost of silicomanganese alloy also decreased by 7.2% to HK$6,250/tonne (2014: HK$6,738/tonne) and was mainly attributable to the decrease in unit cost of input materials of metallurgical manganese concentrate and coke together with our efforts in reducing unit consumption of materials.

Gross Profit

In 2015, the Group recorded a negative gross profit of HK$87.6 million (2014: gross profit of HK$552.9 million), representing a decrease of HK$640.5 million or 115.8%. The Group's overall gross profit margin was significantly deteriorated to negative 3.5%, representing a decrease of 20.8% from 17.3% of 2014. Deteriorated overall gross profit margin was mainly attributable to: (1) decline in gross margin of EMM and manganese briquette from a combined 15.3% in 2014 to negative 3.4% in 2015 due to the significant drop in average selling price; and (2) provision for stocks in the amount totalling HK$114.1 million as a result of significant drop of average selling price of manganese related products.

Other income

Other income decreased by 29.4% to HK$164.3 million (2014: HK$232.7 million) and was mainly attributable to: (1) a smaller write back of only approximately HK$16.1 million (2014: HK$46.8 million) of provision for an entrusted loan; and (2) more than half of our RMB denominated fixed deposits brought forward from 2014 was converted into USD denominated fixed deposits sacrificing higher RMB interest rate to reduce RMB currency risk.

Selling and Distribution Expenses

The Group's selling and distribution expenses in 2015 have decreased by 4.9% to HK$99.4 million (2014: HK$104.5 million) and was in line with the decrease in total sales volume of manganese downstream processing products.

Administrative Expenses

Administrative expenses increased by 9.1% to HK$482.4 million for 2015 (2014: HK$442.0 million) and was mainly attributable to: (1) certain of our manganese processing plants temporarily suspended their operations for periodic repair and maintenance, particularly in the second half of 2015, with a view to maintaining our comparative advantages in the manganese industry in the longer term and therefore expenses previously accounted for as cost of sales have been directly charged to administrative expenses and (2) our subsidiary, Guinan Huagong, completed a major repair and maintenance during 2015.

Finance Cost

For 2015, our Group's finance cost was HK$270.7 million (2014: HK$237.1 million), representing an increase of 14.2% which was mainly due to: (1) capitalization of interest expense of only HK$0.6 million (2014: HK$20.2 million) following the near completion of our Daxin underground mining and ore processing facility in 2015 and upon production commencement of Daxin EMM processing plant in the third quarter of 2014; and (2) mild increase in total bank and other borrowings to finance the general working capital.

Impairment on property, plant and equipment and mining right

Because of the abrupt slide in the selling price of manganese ores in the international market, the year 2015 is the first ever our Gabon project recorded a gross loss. At the year end of 2015, market CIF-China price of imported Gabon manganese ores dropped by approximately 50% year on year.

As consolidation of steel sector and overcapacity adjustment in the PRC were still in progress, we adjusted our strategy to temporarily suspend our Gabon operations in late 2015 until we see signals of market recovery.

As a precaution against the uncertainty surrounding our Gabon mine against the backdrop of the international resources market, provision for impairment on Gabon's property, plant and equipment amounting to HK$141.4 million and mining right amounting to HK$168.9 million were provided respectively to write down their carrying value to recoverable amount, on a very prudent basis, with reference to the currently prevailing market price.

Other Expenses

Other expenses increased by 6.9% to HK$37.1 million (2014: HK$34.7 million) and was mainly attributable to the net increase in impairment of trade and other receivables.

Income Tax

Although the Group reported a loss, tax expense of HK$33.8 million (2014: HK$47.4 million) was recorded during the year. The tax charge was mainly a reversal of deferred tax credit relating to tax loss and the effective tax rate for the year amounted to a negative 3.6% (2014: negative 134.2%). A reconciliation of the income tax charge applicable to loss before tax at the statutory rate to the income tax charge and the effective tax rate has been set out in note 11 to the financial statements..

(Loss)/Profit Attributable to Owners of the Parent

For 2015, the Group's loss attributable to owners of the parent was HK$956.0 million (2014: Profit of HK$15.5 million).

(Loss)/Earnings per share

For 2015, loss per share attributable to ordinary equity holders of the Company was 29.61 HK cents (2014: earnings per share of 0.51 HK cents).

Dividend

The Board does not recommend the payment of any dividend for the year ended 31 December 2015 (2014: Nil).

Share Placements

(1) 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 to independent third party investors. The net proceeds from the placing were approximately HK$388.3 million and were intended to be used for possible investments in the future when opportunities arise and/or for general working capital of the Group.

(2) In July 2015, the Company newly issued 104,300,000 ordinary shares at an issue price of HK$1.30 as consideration to purchase certain equity interests in CPM. Further details have been set out in the section headed "**Acquisition of 29.81% equity interest in CPM**" in this Management Discussion and Analysis.

Use of Proceeds from Share Placing

Up to 31 December 2015, we utilised 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 utilised up to 31.12.2015 (HK$ Million)	% utilised
Possible investment(s) and/or as general working capital of the Group	388	146	37.6%

Management Discussion and Analysis

Use of Proceeds from IPO

Up to 31 December 2015, we utilised 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$Million)	Amount utilised up to 31.12.2015 (HK$Million)	% utilised	Amount utilised up to 31.12.2014 (HK$Million)	% utilised
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	249	89.6%	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	27	45.8%	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	1,807	91.1%	1,760	88.8%

Liquidity and financial resources

Cash and bank balances

As at 31 December 2015, the currency denomination of the Group's cash and bank balances including pledged deposits are as follow:

Currency Denomination	2015 HK$ million	2014 HK$ million
Denominated in:		
RMB	**1,014.3**	1,391.9
HKD	**155.8**	5.9
USD	**355.7**	30.6
XAF	**1.3**	8.2
	1,527.1	1,436.6

As at 31 December 2015, our cash and bank balances including pledged deposits were HK$1,527.1 million (2014: HK$1,436.6 million) while the Group's borrowings (inclusive of medium-term notes) amounted to HK$4,732.0 million (2014: HK$4,441.4 million). The Group's borrowings net of cash and bank balances amounted to HK$3,204.9 million (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.

In particular, we entered into an underwriting agreement on 30 October 2015 in respect of the proposed issue of short-term financing note in 2016 of not exceeding RMB800,000,000. We believe that net cash flows from operating activities together with borrowing facilities will be adequate to continue the Group's operation and fulfill financial responsibility in the foreseeable future.

Bank and other Borrowings

As at 31 December 2015, the Group's borrowing structure and maturity profile are as follows:

Borrowing structure	**2015 HK$ million**	**2014 HK$ million**
Secured borrowings (including finance lease payables)	**1,772.8**	904.4
Unsecured borrowings	**2,959.2**	3,537.0
	4,732.0	4,441.4

Maturity profile	**2015 HK$ million**	**2014 HK$ million**
Repayable:		
On demand or within one year	**3,227.0**	2,559.1
After one year and within two years	**690.8**	1,469.8
After two years and within five years	**814.2**	412.5
	4,732.0	4,441.4

Currency denomination	**2015 HK$ million**	**2014 HK$ million**
Denominated in:		
RMB	**3,936.3**	3,684.0
USD	**795.7**	757.4
	4,732.0	4,441.4

Management Discussion and Analysis

As at 31 December 2015, borrowings as to the amounts of HK$2,616.7 million (2014: HK$2,295.6 million) and HK$2,115.3 million (2014: HK$2,145.8 million), carry fixed and floating rate interest respectively. The fixed rate borrowings carry interest at rates ranging from 2.50% to 7.51%. 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 2.15% to 2.30%.

Overall, aggregate borrowings were increased to HK$4,732.0 million (2014: HK$4,441.4 million). The Group are now exploring various means including short-term or medium-term notes to improve total borrowing structure in terms of interest rate level and repayment periods.

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 notes 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 notes 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. Expenses including sea freight are also denominated in United States dollars with those expenses incurred locally denominated in EURO or Euro-pegged XAF. 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 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 31 December 2015, the Group's property, plant and equipment and notes receivable with an aggregate net carrying amount of HK$85.1 million (2014: HK$249.8 million) were pledged to secure certain of the Group's interest-bearing bank borrowings and HK$393.3 million (2014: Nil) were pledged to secure the Group's finance lease payables. Similarly, bank balances of HK$442.6 million (2014: HK$229.3 million) were pledged to secure certain of the Group's bank borrowings.

Contingent liabilities

The Group is currently a defendant in a lawsuit relating to a subcontracting contract. Details can be referred to the announcement made by the Group on 11 December 2015. The directors, based on the advice from the Group's PRC legal counsel, believe that the subsidiary has a valid defence against the allegation and, accordingly, have not provided for a claim arising from the litigation, other than the related legal and other costs.

Key Financial Ratios of the Group

	2015	2014
Current ratio	**0.84**	1.01
Quick ratio	**0.66**	0.74
Net Gearing ratio	**110.9%**	86.8%

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, 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 our loss suffered during the year.

Net current liabilities

As at 31 December 2015, the Group recorded net current liabilities of HK$703,500,000. 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 the proposed issue in accordance with an underwriting agreement for an aggregate principal amount of not exceeding RMB800,000,000 short-term financing note entered on 30 October 2015, together with the net cash flows from operating activities and bank borrowing facilities, to continue the Group's 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.

Acquisition of 29.81% equity interest in CPM

In June 2015, through a series of acquisitions in the market and from independent third parties, we acquired an aggregate of 22.23% of the issued share capital of CPM at a total cash consideration of HK$314,446,000. In addition, the Group in July 2015 newly issued 104,300,000 ordinary shares at an issue price of HK$1.30 to an independent third party as consideration to purchase a further 7.58% equity interests in CPM. The Group's aggregate of 29.81% equity interest in CPM has been equity accounted for in the second half of the year. Accordingly and because of the effect of flood on a mine of CPM and strengthened safety inspection by local authorities, the Group recorded its post-acquisition share of loss of HK$2,900,000 during the year.

Management Discussion and Analysis

Upon completion of acquisition of the 29.81% equity interest, the Group recognised a gain on bargain purchase of HK$223,800,000.

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. The Company considered that this acquisition would provide satisfactory returns to the investment.

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 prudent 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 2015, the Group had approximately 8,286 (2014: 8,174) full-time employees in HK and the PRC; approximately 139 (2014: 272) full-time employees in Gabon. The Group will regularly review its remuneration scheme to ensure remuneration packages are market-competitive.

The Group operates the following retirement schemes for its employees:

(1) a central pension scheme operated by local municipal government in the PRC for PRC employees. The PRC subsidiaries are required to contribute a certain percentage of their payroll costs to the central pension scheme;

(2) a defined scheme under the Pension Provisioning Law in Gabon for those employees in Gabon who are eligible to participate; and

(3) 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 granted to Directors and selected employees of the Group for rewarding and retaining talents. The Group also provide training programmes to its directors and eligible employees to enhance staff quality, technical knowledge and team spirit.

Future Development and Outlook

- Manganese products – We expect manganese products' prices to stay depressed with lower average selling prices and weakening global demand continues in absence of any significant production cutback from Overseas or China in the near term.

- In December 2015, CPM agreed to acquire 90% of Harbor Star Mining Company Limited which holds the mining licence and has the mining right in the Myanmar Mine, and is principally engaged in mining, ore processing and the sale of lead-silver concentrates and zinc-silver concentrates. With our close co-operation with CPM, we believe that our move into non-manganese mining projects will add substantial synergic value to it by our strong and extensive expertise in the mining sector.

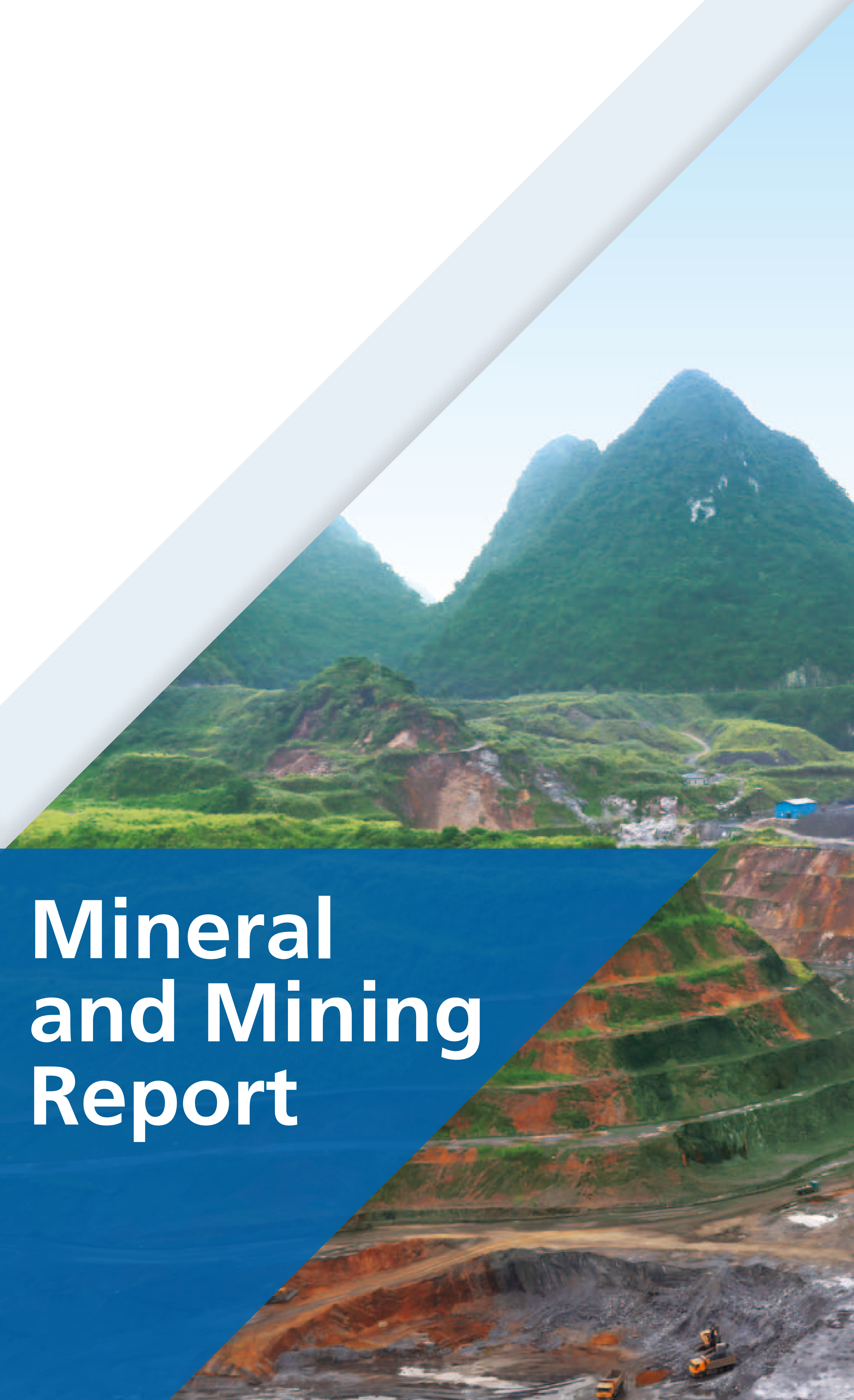
- In January 2016, the Group completed a further capital injection of RMB172.9 million in cash into Dushan Jinmeng, bringing the Group's investment in the 33% owned associated company to an aggregate of RMB250.3 million. Dushan Jinmeng currently engages in the building of a ferromanganese alloy plant with an annual capacity of 500,000 tons and a self-use 30 MW power plant in Dushan County, Guizhou, the PRC. Upon full production scheduled for before the end of 2016, it will become one of the largest integrated power to manganese ferroalloy plant in the PRC, and therefore a key manganese ferroalloy supplier to steel plants in the southern market of the PRC. It is expected that Dushan Jinmeng can take full advantages of the abundant coal resources in Guizhou and manganese ore resources of the Group in both the PRC and Gabon.

- We shall follow China's "One Belt One Road" initiative, trying to explore new overseas market opportunities to reverse the declining trend in manganese market. At the same time, we shall also participate in above campaigns organized by China Government and obtain related subsidies if available.

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 has been set out in the section headed "Five Year Financial Summary" of this annual report.

Mineral and Mining Report



Mineral and Mining Report

Resources and Reserves

Below is the information on our mineral resources and ore reserves in accordance with JORC Code as of 31 December 2015:

Summary of our manganese mineral resources

Mines	Ownership Percentage	JORC Resource Category	Million tonnes 31.12.2015	Average Manganese Grade (%) 31.12.2015	Million tonnes 31.12.2014	Average Manganese Grade (%) 31.12.2014
Daxin Mine	100%	Measured	**4.95**	**24.60**	5.21	24.42
		Indicated	**64.91**	**21.24**	66.06	21.18
		Subtotal	**69.86**	**21.48**	71.27	21.42
		Inferred	**0.43**	**21.23**	0.43	21.23
		Total	**70.29**	**21.48**	71.70	21.41
Tiandeng Mine	100%	Measured	**0.57**	**18.19**	0.58	18.11
		Indicated	**2.82**	**16.70**	2.90	16.63
		Subtotal	**3.39**	**16.95**	3.48	16.87
		Inferred	**3.51**	**14.24**	3.51	14.24
		Total	**6.90**	**15.57**	6.99	15.55
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	**3.08**	**20.45**	3.08	20.45
		Indicated	**14.67**	**20.32**	14.67	20.32
		Subtotal	**17.75**	**20.34**	17.75	20.34
		Inferred	**4.22**	**20.5**	4.22	20.50
		Total	**21.97**	**20.37**	21.97	20.37
Bembélé Manganese Mine	51%	Measured	**–**	**–**	–	–
		Indicated	**15.97**	**31.99**	16.40	32.03
		Subtotal	**15.97**	**31.99**	16.40	32.03
		Inferred	**12.37**	**32.74**	12.37	32.74
		Total	**28.34**	**32.32**	28.77	32.34
Total:			**129.04**		130.97	

Summary of our manganese ore reserves

Mines	Ownership Percentage	JORC Resource Category	Million tonnes (31.12.2015)	Average Manganese Grade (%) (31.12.2015)	Million tonnes (31.12.2014)	Average Manganese Grade (%) (31.12.2014)
Daxin Mine	100%	Proved	**4.73**	**21.04**	4.99	21.03
		Probable	**62.38**	**18.83**	63.53	18.81
		Total	**67.11**	**18.98**	68.52	18.97
Tiandeng Mine	100%	Proved	**0.53**	**15.72**	0.54	15.71
		Probable	**2.70**	**15.58**	2.78	15.55
		Total	**3.23**	**15.61**	3.32	15.57
Waifu Manganese Mine	100%	Proved	**–**	**–**	–	–
		Probable	**–**	**–**	–	–
		Total	**–**	**–**	–	–
Changgou Manganese Mine	64%	Proved	**3.06**	**20.45**	3.06	20.45
		Probable	**14.67**	**20.32**	14.67	20.32
		Total	**17.73**	**20.34**	17.73	20.34
Bembélé Manganese Mine	51%	Proved	**–**	**–**	–	–
		Probable	**15.96**	**31.36**	16.39	31.41
		Total	**15.96**	**31.36**	16.39	31.41
Total			**104.03**		105.96	

Note: The figures of the aforesaid manganese resources and manganese ore reserves are rounded to two decimal place and these figures may show apparent addition errors.

Assumptions:

The figures of the aforesaid manganese resources and manganese ore reserves are based on the following assumptions:

(1) (a) The manganese resources and manganese ore reserves for Daxin Mine, Tiandeng Mine and Bembélé Manganese Mine are based on the estimate as per the independent technical review report as shown in the Prospectus. The decreases of the manganese resources and manganese ore reserves in the aforesaid mines during the year were largely due to mining depletion. The year end amounts have been confirmed by our internal experts.

(b) The manganese resources and manganese ore reserves for Changgou Managanese Mine are based on the estimate in accordance with《錳礦礦產資源儲量核實報告》(Manganese Resources Verification Report) dated November 2009 prepared by 中國冶金地質總局中南局南寧地質調查所 (China Ye Jin Di Zhi Zong Ju Zhong Nan Ju Nanning Di Zhi Diao Cha Suo). The decrease of manganese resources and manganese ore reserves of the mine during the year were largely due to mining depletion. The year end amounts have been confirmed by our internal experts.

(c) The manganese resources and manganese ore reserves for Waifu Manganese Mine are based on the estimate in accordance with《靖西縣湖潤外伏錳礦礦產資源量核實地質報告評審意見書》(Accreditation Opinion of the Verified Geographical Resources Report of Waifu Manganese Mine, Jingxi County) dated 17th July 2004 prepared by 南寧儲偉資源有限責任公司 (Nanning Chu Wei Resources Limited Company). The year end amounts have been confirmed by our internal experts.

(2) All material assumptions and technical parameters underpinning the estimates as stated in the aforesaid independent technical reports continue to apply and have not been materially changed.

Mineral and Mining Report

Exploration, Development, and Mining Activities

I) Exploration

Overview

During the year, we continued our exploration works on Daxin Mine, Tiandeng Mine and Bembélé Manganese Mine and our exploration drilling works continued to focus on Tiandeng Mine and Bembélé Manganese Mine. Exploration drilling totalled 3,650.53 metres approximately. Details are set out below:

Project	Drilling type	Average Drilling Diameter (mm)	Number of holes	Average Length (meter)
Daxin Mine	–	–	–	–
Tiandeng Mine	Core	73	9	268
	Hydrogeological	130	3	254.8
Waifu Manganese Mine	–	–	–	–
Changgou Manganese Mine	–	–	–	–
Bembélé Manganese Mine	Core	75	7	67.6

Daxin Mine

A review of the geology and structural architecture of Daxin Mine was continued during the year with the purpose of obtaining a better analysis and understanding of the components of the northern and central mining blocks within the mining area of Daxin Mine. During the year, 中國冶金地質總局中南局廣西地勘院 (Central Southern Bureau of China Metallurgical Geology Bureau), which we retained, has completed the mining production exploration plan and passed the accreditation review by the mining experts of the Land and Resources Department of Guangxi and thereby completing the recordal process.

Save as disclosed above, we have not entered into any contracts or commitments in respect of exploration work or conducted any exploration work at Daxin Mine.

Tiandeng Mine

During the year, 中國冶金地質總局中南局廣西地勘院 (Central Southern Bureau of China Metallurgical Geology Bureau), which we retained, continued the exploration infrastructure construction work at location 440 meters depth below the mining block of Tiandeng Mine. We have completed 12 drilling holes, totaling approximately 3,176.6 meters in length.

Save as disclosed above, we have not entered into any contracts or commitments in respect of exploration work or conducted any exploration work at Tiandeng Mine.

Waifu Manganese Mine

During the year, we have not entered into any contracts or commitments in respect of exploration work or conducted any exploration work at Waifu Manganese Mine.

Changgou Manganese Mine

During the year, we have not entered into any contracts or commitments in respect of exploration work or conducted any exploration work at Changgou Manganese Mine.

Bembélé Manganese Mine

Mining Area

During the year, we continued to carry out production exploration within the existing mining areas of Bembélé Manganese Mine in order to increase and extend our manganese resources. We have completed 7 drilling holes, totalling approximately 473.43 meters in length. In addition, 北京中礦聯諮詢中心 (Beijing CMA Consultancy Center) has completed the accreditation process towards the exploration report prepared by 中國冶金地質總局第一地質勘查院所 (The First Exploration Centre of Bureau of China Metallurgical Geology Bureau). This has enhanced our analysis and understanding in respect of the geological component of the mining area, thereby increasing the efficiency of our mining works.

I) Exploration (continued)

Bembélé Manganese Mine (continued)

Exploration Area

We identified 300 meters cross section at working platform which located between line 43 to 59 at depth above 500 metres along the ore vein in the peripheral areas of Bembélé Manganese Mine in order to locate and delineate manganese ores with manganese grade more than 30%. In addition, we carried out the selection work of prospecting targets for manganese in order to prepare the exploration work in the next stage.

Save as disclosed herein above, we have not entered into any contracts or commitments in respect of exploration work or conducted any exploration work at Bembélé Manganese Mine.

II) Development

Daxin Mine

During the year, our contractors, 溫州建設集團公司 (Wenzhou Construction Group Co.) and 廣西錫山礦業有限公司 (Guangxi Xishan Mining Limited Company) continued the phase A and phase B 600,000 tonnes/year expansion project for the underground mining at Daxin Mine. As at 31 December 2015, the construction works in phase A and phase B amounted to 41,962.4 m^3 and 381,928 m^3 respectively.

Save as disclosed herein above, we have not entered into any contracts or commitments in respect of the infrastructure development (including infrastructure construction, subcontracting arrangements or purchases of equipments) or conducted any infrastructure or development work at Daxin Mine.

Tiandeng Mine

During the year, we purchased certain mining equipments such as crusher, bulldozer, feeders, etc.

Save as disclosed herein, we have not entered into any contracts or commitments in respect of the infrastructure development (including infrastructure construction, subcontracting arrangements or purchases of equipments) or conducted any infrastructure or development work at Tiandeng Mine.

Waifu Manganese Mine

During the year, we have not entered into any contracts or commitments in respect of the infrastructure development (including infrastructure constructions, subcontracting arrangements or purchases of equipments) or conducted any infrastructure or development work at Waifu Manganese Mine.

Changgou Manganese Mine

During the year, we have not entered into any contracts or commitments in respect of the infrastructure development (including infrastructure constructions, subcontracting arrangements or purchases of equipments) or conducted any infrastructure or development work at Changgou Manganese Mine.

Bembélé Manganese Mine

During the year, we continued the expansion and maintenance works for the roads between Bembélé Manganese Mine and Ndjole transit station, in order to further complete the logistic transportation system between Bembélé Manganese Mine and Owendo port, Gabon.

Furthermore, four shipments totalling about 151,280 tonnes manganese ores were shipped to the India ports.

Save as disclosed above, we have not entered into any contracts or commitments in respect of the infrastructure development (including infrastructure constructions, subcontracting arrangements or purchases of equipments) or conducted any infrastructure development work at Bembélé Manganese Mine.

Mineral and Mining Report

III) Mining activities

(1) Mining operations

Daxin Mine

	2015	2014
Open pit mining		
Mine production volume (thousand tonnes)	**695**	1,355
Underground mining		
Mine production volume (thousand tonnes)	**452**	552
Total mine production (thousand tonnes)	**1,147**	1,907
Average manganese grade		
Manganese carbonate ore	**15.3%**	15.8%
Manganese oxide ore	**26.5%**	29.5%

Tiandeng Mine

	2015	2014
Open pit mining		
Mine production volume (thousand tonnes)	**235**	278
Average manganese grade		
Manganese carbonate oxide	**11.5%**	11.7%
Manganese oxide ore	**14.4%**	14.7%

Waifu Manganese Mine

During the year, there were no mining production.

Changgou Manganese Mine

	2015	2014
Underground mining (Production ceased)		
Mine production volume (thousand tonnes)	**9**	–
Average manganese carbonate grade	**16.3%**	N/A

Bembélé Manganese Mine

	2015	2014
Open pit mining		
Mine production volume (thousand tonnes)	**316**	591
Average manganese oxide grade	**30.7%**	31.1%

Note: Figures for mining production are rounded to nearest whole number and figures for manganese grade are rounded to one decimal place and these figures may show apparent addition errors.

(2) Ore processing operations

- Concentrating

Production volume (thousand tonnes)	2015	2014
Daxin Concentration Plant		
Manganese carbonate ore	**929**	927
Manganese oxide ore	**78**	103
Total	**1,007**	1,030
Average manganese grade of concentrate		
Manganese carbonate ore	**18.0%**	18.4%
Manganese oxide ore	**29.1%**	30.4%
Tiandeng Concentration Plant		
Manganese oxide ore	**58**	86
Average manganese grade of concentrate	**20.6%**	22.3%
Bembélé Concentration Plant		
Manganese oxide ore	**174**	331
Average manganese grade of concentrate	**34.2%**	31.6%

- Grinding

Production volume (thousand tonnes)	2015	2014
Daxin Grinding Plant		
Powder produced	**976**	940

Note: Figures for concentrating and grinding are rounded to nearest whole number and the figures for manganese grade are rounded to nearest one decimal place and these figures may show apparent addition errors.

Mineral and Mining Report

IV) Downstream processing operations

(1) Manganese downstream processing operations

- EMM

Our existing EMM production facilities include Daxin EMM Plant, DXML EMM Plant, Tiandeng EMM Plant, Guangxi Start EMM Plant and Tiandong EMM Plant. Details of EMM production are set out below:

Production (thousand tonnes)	2015	2014
Daxin EMM Plant	87.4	76.1
DXML EMM Plant	21.7	24.7
Tiandeng EMM Plant	20.8	21.5
Guangxi Start EMM Plant	10.7	14.8
Tiandong EMM Plant	–	4.6
Total	140.6	141.7

- Manganese briquette

Production (thousand tonnes)	2015	2014
Chongzuo Branch	20.3	10.3

- Manganese sulfate

Production (thousand tonnes)	2015	2014
Daxin Sulfate Plant	16.1	18.1

- EMD

Production (thousand tonnes)	2015	2014
Daxin EMD Plant	22.0	26.8

- Silicomanganese alloy

Production (thousand tonnes)	2015	2014
Qinzhou Ferroalloy plant	**31.7**	50.6

- Lithium manganese oxide

Production (thousand tonnes)	2015	2014
Chongzuo Branch	**0.05**	0.13

(2) Non-manganese processing operations

- Lithium cobalt oxide

Production (thousand tonnes)	2015	2014
Chongzuo Branch	**0.80**	0.63

Note: Except figures for lithium manganese oxide and lithium cobalt oxide are rounded to nearest two decimal place, all our other manganese downstream processing products are rounded to nearest one decimal place and these figures may show apparent addition errors.

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 2015 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	1,269	–	–	–	–	1,269
Transportation	–	–	–	–	–	–
Others	–	–	–	–	1,327	1,327
	1,269	–	–	–	1,327	2,596
Development activities						
(including mine construction)						
Purchases of assets and equipment	–	4,052	–	–	279	4,331
Construction of mines, tunnels and roads	25,364	–	–	–	382	25,746
Staff cost	–	–	–	–	–	–
Others	762	–	–	–	–	762
	26,126	4,052	–	–	661	30,839
Mining activities*						
Staff cost	15,227	3,806	–	–	963	19,996
Consumables	8,629	5,007	–	–	5,080	18,716
Fuel, electricity, water and other services	14,277	2,265	–	–	1,018	17,560
Transportation	–	33	–	–	2,369	2,402
Sub-contracting fee	79,645	–	–	–	–	79,645
Depreciation	11,924	2,101	–	–	2,459	16,484
Others	–	4,856	–	–	1,348	6,204
	129,702	18,068	–	–	13,237	161,007

(* Concentrating not included)

Expenses of exploration, development, and mining activities of the Group for the year ended 31 December 2014 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	1,191	2,112	–	–	–	3,303
Transportation	–	–	–	–	–	–
Others	–	–	–	–	1,013	1,013
	1,191	2,112	–	–	1,013	4,316
Development activities						
(including mine construction)						
Purchases of assets and equipment	–	2,742	–	–	2,748	5,490
Construction of mines, tunnels and roads	59,585	–	–	–	–	59,585
Staff cost	–	–	–	–	–	–
Others	290	–	–	–	2,788	3,078
	59,875	2,742	–	–	5,536	68,153
Mining activities*						
Staff cost	16,102	6,041	–	–	2,365	24,508
Consumables	10,884	4,618	–	–	6,735	22,237
Fuel, electricity, water and other services	17,544	4,490	–	–	2,467	24,501
Transportation	2,840	80	–	–	5,993	8,913
Sub-contracting fee	101,215	–	–	–	–	101,215
Depreciation	22,427	2,032	–	–	4,845	29,304
Others	–	6,247	–	–	7,584	13,831
	171,012	23,508	–	–	29,989	224,509

(* Concentrating not included)

Directors and Senior Management Profiles

Directors and Senior Management Profiles

Executive Directors

Yin Bo (尹波), aged 54, joined in 2013 as an Executive Director and a vice president of the Company. He was appointed as the Chairman of the Company in October 2015. He is also a director of CITIC Dameng Mining, Chairman of Hui Xing Company and director of several subsidiaries of the Group. He holds a Bachelor of Science in Electronics from Shandong Industrial College (now known as Shandong University) in 1982 and a Master Degree in Business Administration from University of Hull in 1997. He also obtained a PhD in Law in Shandong University in 2002. He has held various positions in Shandong Provincial Government and his last position was a Deputy Director of general office of Shandong Provincial Government of the PRC. Mr. Yin has extensive experience in management.

Li Weijian (李維健), aged 53, 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 is currently a director of Guangxi Dameng and its certain subsidiaries. He graduated from Shenyang Gold Vocational Training College (瀋陽黃金專科學校) with professional qualifications in mining mechanics in 1982. He obtained a Master of Business Administration degree for senior management from Huazhong University of Science and Technology (華中科技大學) in 2008 and was granted the title of the senior engineer at professor grade in mechanical engineering in 2013 by China Iron and Steel Association and received the special subsidy from the State Council. He was granted "the excellent specialist of Guangxi Zhuang Autonomous Region" by the Guangxi Government. He is a member of the International Manganese Institute, the Chairman of its electrolytic products division as well as the Chairman of the National Manganese Technology Committee. He is also a tutor of the master degree students and a part time professor of various universities. Mr. Li has 30 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 51, joined in 2009 as the director of the Company. He is the Executive Director and Chief Executive Officer of the Company. He is also a director of CITIC Dameng Mining and director of several subsidiaries of the Group. He holds a Bachelor of Arts Degree from the Beijing Foreign Studies University. Mr. Tian is currently an independent non-executive director of China Renewable Energy Investment Limited (Stock Code: 987). He also held senior positions in several subsidiaries of CITIC Group between 1986 and 2004. Mr. Tian has over 30 years of experience in multi-national businesses, corporate management, international equity investments and corporate finance.

Non-Executive Directors

Suo Zhengang (索振剛), aged 53,joined in 2014 as a Non-executive Director of the Company. He is the Vice Chairman, Chief Executive Officer and executive director of CITIC Resources. He is also a Director and Managing Director of CITIC UA. He also holds directorships in several other subsidiaries of CITIC UA. Mr. Suo has over 26 years' experience in business operations and development, project investment and has extensive experience in natural resources industry. Mr. Suo obtained a Bachelor of Science in Mechanical Engineering from North China University of Technology in 1984 and was granted the title of senior economist in 2015 by CITIC Senior Specialized Technique Qualification Evaluation Committee.

Chen Jiqiu (陳基球), aged 57, joined in 2010 as a Non-executive Director of the Company and has been a vice president of CITIC Dameng Mining. He is also the general manager of Hui Xing Company and 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 in 1988 and 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). Mr. Chen has almost 35 years of experience in the PRC mining industry and, in particular, has extensive management experience in the manganese industry.

Independent non-executive Directors

Mo Shijian (莫世健), aged 59, joined in 2010 as an independent non-executive Director of the Company. Mr. Mo is the Chair Professor, the Dean of the Faculty of Law at University of Macau and a part time professor 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. Mr. Mo is also a titular member of International Academy of Comparative Law (The Hague) and an arbitrator of a number of arbitration institutions in China, South Africa and Egypt.

Tan Zhuzhong (譚柱中), aged 76, joined in 2010 as an independent non-executive Director of the Company. Mr. Tan has more than 44 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 recognised 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 71, 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 53, joined in 2010 as the Chief Financial Officer and Company Secretary of the Company. He is also a director of CITIC Dameng Mining. 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 extensive experience in auditing, financial management and company secretarial management.

Corporate Governance Report


发展座谈会

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 2015, 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

As at 31 December 2015, the Board comprises a total of eight members, with three executive Directors, two non-executive Directors and three independent non-executive Directors:

Executive Directors:
Mr. Yin Bo (Chairman)
Mr. Li Weijian (Vice Chairman)
Mr. Tian Yuchuan (Chief Executive Officer)

Non-executive Directors:
Mr. Suo Zhengang
Mr. Chen Jiqiu

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

During the year, the Board has the following changes:

1. On 19 October 2015, Mr. Qiu Yiyong ("**Mr. Qiu**") resigned as a Chairman, executive director and authorized representative of the Company.
2. On 19 October 2015, Mr. Yin Bo ("**Mr. Yin**") was redesignated as the Chairman and authorized representative of the Company.

The list of directors of the Company and their respective roles and functions are 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 requirements of the business of the Company. All 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 50 to 51 of this annual report.

The Board determines which functions are reserved to the Board and which are delegated to the 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.

Important matters are reserved to the Board for its decision, including 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.

Appointment, Retirement and Re-election of Directors

All Directors are subject to re-election at regular intervals. The Bye-Laws provides that at each annual general meeting, one-third of the Directors shall retire from office by rotation and every Director is subject to retirement at least once every three years. In addition, any Director appointed by the Board to fill a causal vacancy shall hold office only until the next following annual general meeting of the Company and shall be eligible for re-election.

Accordingly, in accordance with the Bye-Laws, Mr. Yin Bo, Mr. Tian Yuchuan and Mr. Tan Zhuzhong will retire by rotation and, being eligible, offer themselves for re-election at the 2016 AGM.

Board Diversity Policy

The Board has adopted a board diversity policy which sets out the approach to achieve diversity on the Board. The Company recognises that diversity at the Board level will support the attainment of the Company's strategic objectives and sustainable development.

The Company seeks to achieve board diversity through the consideration of a number of factors, including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and other factors. The nomination committee is responsible for reviewing the composition of the Board with reference to these factors and by taking into consideration the Company's business model and specific needs from time to time.

The nomination committee is also responsible for reviewing the board diversity policy, measurable objectives and progress achieved thereof to ensure the policy's continued effectiveness from time to time.

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. All independent non-executive directors 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.

Corporate Governance Report

Each of our non-executive Directors, Mr. Chen Jiqiu and Mr. Suo Zhengang has entered into a service agreement with the Company for a fixed term of three years commencing from 26 October 2013 and 3 December 2014 respectively.

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 2014.

All independent non-executive Directors serve on the nomination committee, remuneration committee and audit committee.

Independence of Independent Non-executive Directors

In determining the independence of the independent non-executive Directors, the Company makes reference to the criteria of independence as set out in Rule 3.13 of the Listing Rules. Assessments of the independent non-executive Directors' independence are carried out upon their appointment, annually and at any other time as appropriate. The nomination committee conducts annual review of the independence of independent non-executive Directors before confirming their independence status to the Board. The relevant independent non-executive Directors will abstain from participating in the assessments of their own independence.

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.

Directors' Commitments

The Board regularly reviews the contributions required from Directors to perform their responsibilities to the Company, and whether they are spending sufficient time and attention in performing their responsibilities. It also considers whether Directors, who have multiple board representations, are able to and have been devoting sufficient time to discharge their responsibilities as Directors of the Company adequately.

The Company has received confirmation from each Director that he has spent sufficient time and attention to the affairs of the Company during the year.

All Directors have also disclosed to the Company the number and nature of offices held in Hong Kong or overseas listed public companies or organisations and other significant commitments, with the identity of the public companies or organisations. Directors are reminded to notify the Company Secretary in a timely manner any change of such information.

Responsibilities of Directors

Directors, both collectively and individually, are required to fulfil fiduciary duties and duties of skill, care and diligence to a standard commensurate with the standard established by the laws of Hong Kong. Every Director is required to know his responsibilities as a Director of the Company and of the conduct, business activities and development of the Company.

Independent non-executive Directors and non-executive Directors shall make positive contributions to the development of the Company's strategy and policies through independent, constructive and informed comments.

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

Directors' Interests

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.

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.

Handling and Dissemination of Inside Information

The Company has in place a policy on handling and dissemination of inside information ("**Policy**"), which has taken into account the requirements of Part XIVA (Disclosure of Inside Information) of the Securities and Futures Ordinance and the Listing Rules in relation to the continuing disclosure obligation of inside information. The Policy sets out the procedures and internal controls for handling and dissemination of inside information in a timely manner in such a way so as not to place any person in a privileged dealing position and to allow time for the market to price the listed securities of the Company with the latest available information.

This Policy also provides guidelines to staff of the Company to ensure proper safeguards exist to prevent the Company from breaching the statutory disclosure requirements. It also includes appropriate internal control and reporting systems to identify and assess potential inside information. Dissemination of inside information of the Company shall be conducted by publication of the relevant information on the websites of the Company and the Stock Exchange, according to the requirements of the Listing Rules.

Supply of and Access to Information

All Directors are provided in a timely manner with appropriate information that enables them to make an informed decision and to discharge their duties and responsibilities as Directors of the Company. To ensure that the Board is well supported by accurate, complete and timely information, Directors have unrestricted access to Board papers, minutes and related materials.

Management is aware that it has an obligation to supply the Board and board committees with adequate information in a timely manner to enable them to make informed decisions. The information supplied must be complete and reliable.

The Board and each Director have separate and independent access to the Company's senior management. In respect of regular Board meetings and board committee meetings and so far as practicable in all other cases, an agenda and accompanying meeting papers are sent in full to the Directors or respective committee members in a timely manner and at least 3 days before the intended date of the meeting.

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.

All Directors participate in continuous professional development to develop and refresh their knowledge and skills. The Company from time to time keep the Directors updated on areas, including directors' duties and responsibilities, corporate governance and changes In regulatory requirements, to enable them to properly discharge their duties. The Company is responsible for arranging and funding suitable training for Directors. Each of the Directors provides a record of the training he received to the Company on an annual basis.

During the year, the Company arranged an outside law firm to provide the Directors with a seminar in respect of the revised Listing Rules about connected transactions. All Directors participated in it.

Corporate Governance Report

2015 Directors' Attendance Records at Board Meetings Committee Meetings and Annual General Meeting

Attendance records of the Directors at board meetings, audit committee meetings, remuneration committee meetings, nomination committee meetings and annual general meeting held in 2015 are as follows:

	Number of meetings held during the year Attended / Eligible to attend				
	Board Meeting	Nomination Committee	Remuneration Committee	Audit Committee	2015 AGM
Executive Directors					
Mr. Qiu Yiyong *(resigned as the Chairman on 19 October 2015)*	3/4	2/2	1/1	N/A	1/1
Mr. Yin Bo *(redesignated as the Chairman on 19 October 2015)*	4/4	1/1	1/1	N/A	1/1
Mr. Li Weijian *(Vice Chairman)*	4/4	3/3	2/2	N/A	1/1
Mr. Tian Yuchuan *(Chief Executive Officer)*	4/4	N/A	N/A	N/A	1/1
Non-executive Directors					
Mr. Suo Zhengang	4/4	N/A	N/A	N/A	1/1
Mr. Chen Jiqiu	4/4	N/A	N/A	N/A	1/1
Independent non-executive Directors					
Mr. Yang Zhi Jie	4/4	3/3	2/2	4/4	1/1
Mr. Mo Shijian	4/4	3/3	2/2	4/4	1/1
Mr. Tan Zhuzhong	4/4	3/3	2/2	4/4	1/1
Average attendance rate	100%	100%	100%	100%	100%

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 2015 to discuss and review, inter alia, the following matters:

1) the business development, acquisition and strategies of the Group;

2) placing of the Company's shares;

3) repurchase of the Company's shares;

4) the Group's financial and operational performance;

5) the annual and interim results of the Group;

6) the Group's cost control measures;

7) the dividend proposals;

8) the auditor's fees;

9) the Group's internal control matters;

10) the Group's corporate governance matters including change of directors.

In addition to board meetings, the chairman also holds regular meetings with executive Directors and at least one meeting with non-executive Directors (including Independent Non-executive Directors) annually without the presence of executive Directors. The non-executive Directors (including independent non-executive Directors) freely provide their independent opinion to the Board.

All Directors are invited to include matters in the agenda for regular board and committee meetings. The Company 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.

All Board meetings involve the active participation, either in person or through other electronic means of communication, of a majority of Directors.

Minutes of the meetings of the Board and board committees record in sufficient detail the matters considered by the Board and the board committees, the decisions reached, including any concerns raised by Directors or dissenting views expressed. Draft and final versions of minutes of the meetings of the Board, the audit committee, the remuneration committee and the nomination committee are sent to all Directors or respective board committee members for their comment and record within a reasonable period after the meetings are held. Minutes of the meetings of the Board, the audit committee, the remuneration committee and the nomination committee are kept by the Company Secretary.

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.

Delegation by the Board

1. Board Committees

The Board has delegated authority to nomination committee, remuneration committee and audit committee with specific roles and responsibilities. Their terms of reference and composition are posted on the websites of the Company and the Stock Exchange and reviewed and updated regularly to ensure that they remain appropriate and reflect changes in good practice and governance.

A. Nomination Committee

The nomination 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 nomination committee is also responsible for reviewing the structure, size and composition (including age, gender, 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 nomination 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 nomination committee has adopted a board diversity policy which is posted on the website of the Company.

The criteria for the nomination committee to select and recommend a candidate for directorship include the candidate's age, gender, 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 nomination committee is provided with sufficient resources, including the advice of professional firms, if necessary, to discharge its duties.

Members of the nomination 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. Yin Bo (Executive Director)
Mr. Li Weijian (Executive Director)

During the year, the nomination committee has the following changes:

1. On 19 October 2015, Mr. Qiu resigned as a member of the nomination committee.

2. On 19 October 2015, Mr. Yin was appointed as a member of the nomination committee.

The number of meetings held by the nomination committee and the attendance of individual members at such meetings in 2015 is recorded on page 58.

In the meetings, the nomination committee considered and approved, inter alia, the followings:

1) the review of the structure, number, composition of the Board;

2) the review of the independence of our independent non-executive Directors;

3) the rotation of the directors at the 2015 AGM; and

4) the employment of a senior management.

B. Remuneration Committee

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

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, contribution to the Group and by reference to the Group's profits and performance.

The remuneration committee is provided with sufficient resources, including the advice of professional firms, if necessary, to discharge its duties.

Members of the remuneration 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. Yin Bo (Executive Director)
Mr. Li Weijian (Executive Director)

During the year, the remuneration committee has the following changes:

1. On 19 October 2015, Mr. Qiu resigned as a member of the remuneration committee.

2. On 19 October 2015, Mr. Yin was appointed as a member of the remuneration committee.

The number of meetings held by the remuneration committee and the attendance of individual members at such meetings in 2015 was recorded on page 58.

In the meetings, the remuneration committee reviewed and approved, inter alia, the followings:

1) the remuneration package of the Directors and selected senior management of the Group;

2) the general annual revision of the remuneration package of the employees of the Group.

No director was involved in deciding his own remuneration.

Details of emoluments of directors and the five highest paid individuals including one senior management are set out in note 9 and 10 to the financial statements.

C. Audit Committee

The purpose of the audit 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.

The audit 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 audit 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 audit committee is provided with sufficient resources, including the advice of professional firms, if necessary, to discharge its duties.

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 audit 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 audit committee meets as and when required to discharge its responsibilities, and at least twice in each financial year. The number of meetings held by the audit committee and the attendance of individual members at audit committee meetings in 2015 is recorded on page 58.

In the meetings, the audit committee together with the senior management considered and reviewed (inter alia) the following matters:

1) the financial statements for the year ended 31 December 2014 and the six months ended 30 June 2015;

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

3) the major findings on review 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.

In addition to the regular meetings, the audit committee members meet with the auditors, at least annually, in the absence of management, to discuss matters relating to any issues arising from the audit and any other matters they and the auditors may raise.

2. Management Functions

While the Board is responsible for formulating overall strategy to guide and monitor the performance of the Group, the management of day-to-day operation of the Group has been delegated to the management.

Important matters are 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.

Corporate Governance Functions

The Board has the following responsibilities:

(a) to develop and review the Company's policies and practices on corporate governance; and to review the compliance with the CG Code and disclosures in the corporate governance report;

(b) to review and monitor the Company's policies and practices on compliance with legal and regulatory requirements;

(c) to review and monitor the training and continuous professional development of the directors and senior management; and

(d) to develop, review and monitor the code of conduct applicable to the directors and employees.

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.

Shareholders' Rights

Procedures for shareholders to convene a special general meeting

Shareholders, holding at the date of the requisition not less than 10% of the paid-up capital of the Company carrying the right to vote 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 general meeting (the "**SGM**") to be called by the Board for the transaction of any business specified in such requisition.

The requisitionists must state the purpose of the meeting and contact details in the requisition, sign and deposit the requisition at the principal place of business of the Company for the attention of the company secretary.

Corporate Governance Report

The SGM shall be held within two months from the deposit of the requisition. If the Board fails to proceed to convene the SGM within 21 days of such deposit, the requisitionists, or any of them representing more than 50% of the total voting rights of all of them, may convene the SGM by themselves in accordance with the provisions of Section 74(3) of the Companies Act 1981 of Bermuda (as amended), but any SGM so convened shall not be held after the expiration of three months from the deposit of the requisition.

Procedures for putting forward proposals at general meetings

Shareholders holding not less than 5% of the total voting rights of all shareholders having a right to vote at the general meeting or not less than 100 shareholders can submit a written request stating a resolution to be moved at the annual general meeting or a statement of not more than 1,000 words with respect to a matter referred to in any proposed resolution or the business to be dealt with at a particular general meeting.

The requisitionists must sign and deposit the written request or statement at the registered office of the Company and the principal place of business of the Company for the attention of the company secretary, not less than six weeks before the annual general meeting in the case of a requisition requiring notice of a resolution and not less than one week before the general meeting in the case of any other requisition.

If the written request is in order, the company secretary will ask the Board to include the resolution in the agenda for the annual general meeting or, as the case may be, to circulate the statement for the general meeting, provided that the requisitionists have deposited a sum of money reasonably determined by the Board sufficient to meet the expenses in serving the notice of the resolution and/or circulating the statement submitted by the requisitionists in accordance with the statutory requirements to all the registered shareholders.

Procedures for directing shareholders' enquiries to the Board

Shareholders may at any time send their enquiries and concerns with sufficient contact details to the Board at the principal place of business of the Company for the attention of company secretary or e-mail to "ir@citicdameng.com.hk".

Financial Reporting

It is the responsibility of the Board to present a balanced, clear and comprehensible assessment of the Company's performance, position and prospects.

Management shall provide sufficient explanation and information to the Board as will enable the Board to make an informed assessment of the financial and other information presented before the Board for approval. It provides the Board with monthly updates giving a balanced and understandable assessment of the Company's performance, position and prospects to assist the Board as a whole and each Director to discharge their duties.

The Directors are responsible for keeping proper accounting records and preparing accounts of each financial period, which give a true and fair view of the state of affairs of the Group and of the results and cash flow for that period.

A statement by the auditors about their reporting responsibilities is included in the Independent Auditor's Report on page 86.

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 key procedures that the Board established to provide effective internal controls are as follows:

- A distinct organisation structure exists with defined lines of authority and control responsibilities.

- A comprehensive management accounting system is in place to provide financial and operational performance indicators to the management and the relevant financial information for reporting and disclosure purpose.

- Policies and procedures are designed for safeguarding assets against unauthorised use or disposition; for maintaining proper accounting records; and for ensuring the reliability of financial information used within the business or for publication. The procedures provide reasonable but not absolute assurance against material errors, losses or fraud.

- Systems and procedures are also in place to identify, measure, manage, control and report risks including credit, market, operational, liquidity, interest rate, strategic, legal and reputation risks.

- The audit reports (including management letter) submitted by external auditors to the Group's management in connection with annual audit.

- Report submitted by the internal audit managers to the audit committee.

- A Policy on handling and dissemination of inside information is in place, setting out the guiding principles, procedures and internal controls for the handling and dissemination of inside information in a timely manner.

- A whistle-blowing policy is in place, which encourages employees to raise concerns, in confidence, with the Audit Committee about possible improprieties in any matter related to the Company. The Company treats all information received in confidence and protects the identity and the interests of all whistle-blowers.

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

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 2015, the remuneration payable by the Group to Ernst & Young is set out below:

Services provided by the auditors for the year ended 31 December 2015	
	HK$
Annual audit services	3,432,000
Taxation services	41,000
Preparation of accountants' report of an acquisition target company	330,000
Total	3,803,000

Communications with Shareholders

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 have equal access to information. As such, the Company has performed its statutory obligation in respect of information disclosure.

Corporate Governance Report

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.

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.

The Company ensures compliance with the requirements about voting by poll contained in the Listing Rules and the Bye-laws. 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 the Company and the Stock Exchange.

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.

2015 AGM

All Directors (including the Chairman, all members of nomination committee, remuneration committee and audit committee) together with our auditors Ernst & Young and our senior managements attended the 2015 AGM to obtain a balanced understanding of the views of the shareholders of the Company and to answer questions.

The Company has provided detailed information on the Company's 2015 AGM in a circular to shareholders which included, inter-alia, a notice of the AGM and information on the retiring Directors who were eligible for re-election at the 2015 AGM. At the 2015 AGM, the Company continued its practice of proposing separate resolutions on each substantially separate issue. Matters resolved at the 2015 AGM are set out as follows:

Matters resolved at the 2015 AGM	
1.	To receive and consider the audited financial statements and the report of the directors and the independent auditors' report for the year ended 31 December 2014.
2(a).	To re-elect Mr. Li Weijian as an executive Director of the Company.
2(b)	To re-elect Mr. Suo Zhengang as a non-executive Director of the Company.
2(c)	To re-elect Mr. Yang Zhi Jie as an independent non-executive Director of the Company.
2(d)	To re-elect Mr. Mo Shijian as an independent non-executive Director of the Company.
3.	To authorise the board of directors to fix the Directors' remuneration.
4.	To re-appoint Ernst & Young as auditors of the Company and authorise the board of directors to fix the auditors' remuneration.
5A.	To grant a general mandate to the Directors to issue new shares of the Company.
5B.	To grant a general mandate to the Directors to repurchase shares of the Company.
5C.	To increase the general mandate to be given to the Directors to issue new shares of the Company.

All the resolutions proposed at the 2015 AGM were voted by poll and approved by the shareholders of the Company. The Company has engaged its share registrar, Computershare Hong Kong Investor Services Limited to act as the scrutineer for the poll voting. The results of the poll voting were posted on the websites of the Stock Exchange and the Company on the same day of the 2015 AGM.

2016 AGM

The Company's 2016 AGM is tentatively scheduled to be held on Wednesday, 24th June, 2016, the notice of which will be sent to shareholders at least 20 clear business days before the meeting. The circular to shareholders for the 2016 AGM is tentatively scheduled to be despatched to the shareholders before 30th April, 2016.

Investor Relations

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**").

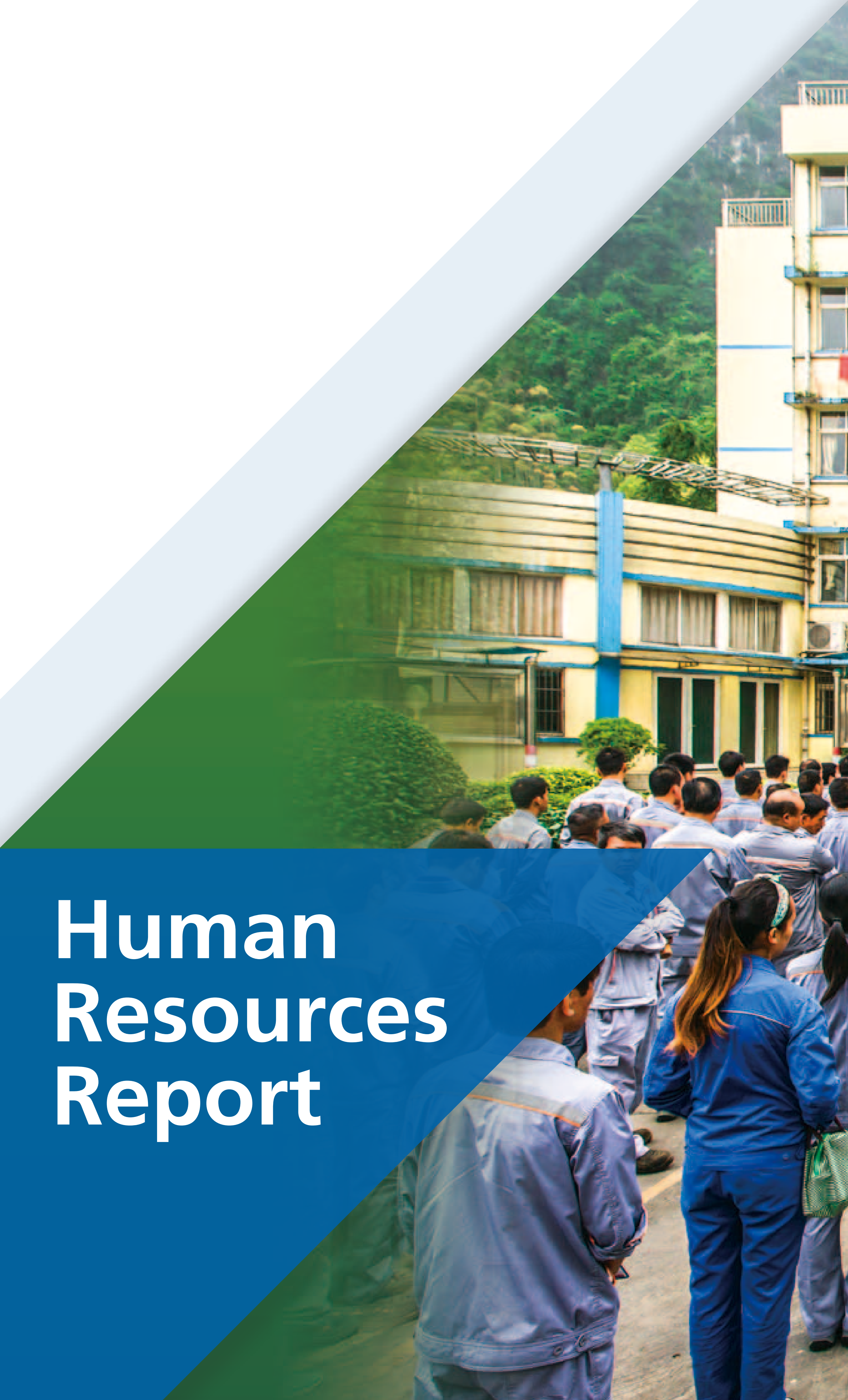
The main function of the Investor Relations Department is to make fair, consistent and transparent disclosures and maintain appropriate communications with global investors.

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 investment analysts from time to time particularly following the announcement of financial results. Management also participates in investor conferences, one-on-one meetings, forums and conference calls 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.hk.

Human Resources Report




中信大锰
DAMENG
“广西首届锰产业职业技能竞赛”圆满成功！
“广西首届锰产业职业技能竞赛”隆重举行！
全员全过程全方位参与，全面提高质量管理水平。
广西首届锰产业职业技能竞赛
开幕式
主办单位：广西人力资源和社会保障厅
中信大锰矿业有限责任公司

Human Resources Report

Employees are the foundation of our business and underpin our success. We treasure our employees as well as encourage and foster the development of talented and motivated individuals on an ongoing basis in order to support the development and growth of our diverse operations. It is one of our aims as an organization to strive to build a sense of responsibilities and achievement amongst all of our people in the work they do.

Our Employees

As of the end of December 2015, we have a total of 8,286 employees (2014: 8,446), which is mainly located in the Mainland China, representing 98% (2014: 97%). Over 47.1% (2014: 51.2%) of our employees are below 40, of which the majority of them are general workers. Therefore, we have a relatively young and equal workforce structure. It is contemplated in the future number of years, our workforce composition will remain relatively the same. In 2015, our overall turnover rate was 6.25% (2014: 3.74%). We have maintained a workforce with stable turnover for a number of years. The higher employee turnover rate in 2015 was due to the unclear prospects for mining industry and the timely adjustment from the Company.

Set out below is a summary of our employee structure and the turnover analysis.

Headcount by Location	**2015**	**2014**
Hong Kong	**18**	17
Mainland China	**8,129**	8,157
Gabon	**139**	272
Total:	**8,286**	8,446

Headcount by Age	Hong Kong		Mainland China		Gabon		Group	
	2015	**2014**	**2015**	**2014**	**2015**	**2014**	**2015**	**2014**
60 and above	**1**	0	**7**	5	**0**	0	**8**	5
51-59	**4**	3	**947**	785	**2**	5	**953**	793
41-50	**2**	3	**3,396**	3,289	**27**	33	**3,425**	3,325
31-40	**7**	8	**2,244**	2,473	**41**	57	**2,292**	2,538
30 and below	**4**	3	**1,535**	1,605	**69**	177	**1,608**	1,785
Total:	**18**	17	**8,129**	8,157	**139**	272	**8,286**	8,446

Headcount by Employment Category	Hong Kong		Mainland China		Gabon		Group	
	2015	**2014**	**2015**	**2014**	**2015**	**2014**	**2015**	**2014**
Senior	**4**	3	**7**	7	**2**	2	**11**	12
Middle	**2**	2	**82**	55	**7**	5	**93**	62
Professional	**5**	6	**672**	620	**30**	127	**707**	753
General	**7**	6	**7,368**	7,475	**100**	138	**7,475**	7,619
Total:	**18**	17	**8,129**	8,157	**139**	272	**8,286**	8,446

Human Resources Report

Employee Turnover

Key to our businesses sustainability is our ability to attract, retain and develop our people to support our business strategy. This requires a combination of competitive remuneration and benefits, and a culture that emphasizes care for employees as a key priority. As a Group, we provide stable and secure employment for our staff with excellent opportunities for long-term career development. Our low employee turnover rates (compared to local market norms) are direct evidence of our success in retaining staff.

	Hong Kong		Mainland China		Gabon		Group	
	2015	**2014**	**2015**	**2014**	**2015**	**2014**	**2015**	**2014**
Employee Turnover Number	**3**	0	**339**	289	**176**	27	**518**	316
Employee Turnover Rate	**16.7%**	0	**4.17%**	3.5%	**55.87%**	9.9%	**6.25%**	3.74%

Employee Turnover Number by Location	**2015**	**2014**
Hong Kong	**3**	**0**
Mainland China	**339**	**289**
Gabon	**176**	**27**
Total:	**518**	**316**

Employee Turnover Number by Age	Hong Kong		Mainland China		Gabon		Group	
	2015	**2014**	**2015**	**2014**	**2015**	**2014**	**2015**	**2014**
60 and above	**0**	0	**1**	0	**1**	0	**2**	0
51-59	**0**	0	**9**	9	**3**	0	**12**	9
41-50	**1**	0	**43**	40	**32**	10	**76**	50
31-40	**2**	0	**122**	117	**57**	11	**181**	128
30 and below	**0**	0	**164**	123	**83**	6	**247**	129
Total:	**3**	0	**339**	289	**176**	27	**518**	316

Development and Training

We give high importance to training and development of our employees, so as to enhance their performance in their existing positions and to better prepare for their position in the future. All employees are entitled to sufficient degree of development and training needs to help maximise their performance and realise their full potential. The importance we place on employee development and training is demonstrated by the significant amount of training our employees undertake.

Set out below is a summary of statistics for the training to our employees.

Percentage of Employees Trained by Employment Category	Hong Kong		Mainland China		Gabon		Group	
	2015	**2014**	**2015**	**2014**	**2015**	**2014**	**2015**	**2014**
Senior	**100**	100	**85**	100	**100**	100	**95**	100
Middle	**100**	100	**60**	95	**100**	100	**87**	96
Professional	**83**	100	**78**	92	**90**	100	**84**	93
General	**33**	100	**75**	83	**80**	90	**63**	83

Average Training Hours per Employee by Employment Category	Hong Kong		Mainland China		Gabon		Group	
	2015	**2014**	**2015**	**2014**	**2015**	**2014**	**2015**	**2014**
Senior	**31**	45	**15**	16	**15**	24	**20**	25
Middle	**9**	20	**20**	20	**15**	48	**15**	22
Professional	**39**	29	**20**	13	**20**	24	**26**	15
General	**3**	7	**25**	10	**15**	48	**14**	11
Total:	**82**	101	**80**	59	**65**	144	**75**	73

Social Responsibilities Report


“花样南宁” 植树行动

Social Responsibilities Report

We are committed to ensure long-term sustainability of our businesses. Now we have over 8,200 employees in Hong Kong, Guangxi, Guizhou, China and Gabon, Africa. In addition to continue our long term goal to provide quality products to our valuable clients, we are also keen to protect the safety and health of our employees and also to provide contribution to the surrounding community in which we have businesses.

1. Safety Production and Labor Protection

Safety production and labour protection is our top priority. We insist on safety production and continue to strengthen the safety awareness of our workers.

Set out below is a summary of the number of injuries and loss of days caused by injuries during the year.

Number of Injuries (by Location)	2015	2014
Hong Kong	**0**	0
Mainland China	**30**	8
Gabon	**3**	17
Total:	**33**	25

Number of Lost Days Caused by injuries (by Location)	2015	2014
Hong Kong	**0**	0
Mainland China	**409**	129
Gabon	**90**	467
Total:	**499**	596

During the year, our major measures are as follows:

(1) Strict Implementation of the establishment and execution of the Safety Responsibilities System:

In China, we continued to strictly implement the "Six Major Safety Systems" in our Daxin Mine, Tiandeng Mine and Changgou Manganese Mine.

In Gabon, we retained Terea Environment Aménagement ("**Terea Company**"), a local environmental consulting company, to provide professional advice in respect of our environmental protection and management operation on a regular basis, so as to evaluate and give recommendations on safety, health and environmental issues of our mining production.

(2) Strict implementation of safety production responsibilities system:

We strictly implemented the safety production responsibilities system, requiring each of our production units to endorse and implement the production safety responsibilities commitments, which are also part of the appraisals for our employees, and also to implement the production safety deposit system, so as to ensure our safety system are in place.

1. Safety Production and Labor Protection (continued)

(3) Establishment of Safety Production Standardisation System:

In China, we reinforced our efforts on production safety standardization for metallurgical and non coal enterprises, including, inter alia, the followings:

(i) Daxin Mine and Tiandeng Mine have completed the construction works for second level metallurgical safety standardization for non coal mines; including Daxin mine (open pit mine, processing plants and tailing pond), Tiandeng Mine (open pit mine, processing plants, 弄松(Nongsong) tailing pond and slag draining dam) have successfully completed the review for second level safety standardization construction works and obtained the certificate of second level safety standardization works for metallurgical enterprises issued by 廣西狀族自治區生產監督管理局(Guangxi Safety Supervision Bureau);

(ii) Chongzuo Branch, Daixin Manganese, Tiandeng New Materials, Tiandong New Material CITIC Dameng (Qingzhou) New Materials Co., Ltd. have commenced the construction works for second level safety standardization works for metallurgical enterprises. They have successfully completed the review for second level safety standardization construction works and obtained the certificate of second level safety standardization work for metallurgical enterprise issued by Guangxi Safety Supervision Bureau.

(4) Periodic Review of Health Accreditation Works:

In China, we cooperated with 廣西安全生產科學研究所 (Guangxi Safety Production Scientific Research) and 廣西德高仕安全技術有限公司 (Guanggxi De Gao Shi Safety Technology Limited Company) to jointly carry out the occupational health assessment works and most of our subsidiaries have completed the occupational health assessment check for our employees as well as the establishment of the health assessment reports filing system.

(5) Update on our Production Safety Regulations and Reinforcement of Production Safety Concept to Our Employees:

During the year, we continued to update our safety production regulations and reinforced the production safety concept to our employees, details are set out as follows:

(i) In China,

a) We kept requiring the frontline workers of our production units to read "Safety Management System" and "Safety Operation Regulation" every day, requiring them to understand, check and review the safety level of our manufacturing techniques, accessories and facilities, protection and emergency system on a regular basis.

b) We continued to carry out a series of safety production activities, including "Safety Production Month" and safety knowledge competition, etc, in order to enhance the awareness of safety production of our workers.

c) We regularly carried out a series of emergency rescue activities, including ammonia emergency activities, fire emergency evacuation drills, etc.

(ii) In Gabon,

We provided safety production training courses to our employees on a monthly basis, disseminating the safety production knowledge to our employees and requiring them to strictly equip with the protection accessories during production on a regular basis.

1. Safety Production and Labor Protection (continued)

(6) Continuous Investment to the Safety Measures:

We committed to invest in our safety measures for labor protection, including protection accessories, dust prevention and noise removal facilities. During the period, our employees in Daxin Branch have undergone the body check so as to ensure our employees to have healthy bodies.

We strongly believe that our carefully designed safety production system, thoroughly implemented and continuous reassessment, will protect the health and safety of our employees.

Compliance with safety production rules and regulations

During the year, we continued to strictly follow all the prevailing laws and regulations regarding safety production in Hong Kong, Mainland China and Gabon. To the best of our information and knowledge, there are no material non-compliance with the prevailing laws and regulations regarding safety production by the Group during the period.

2. Energy Savings and Environmental Protection

Energy Savings and Reduction: Continuous Research and Implementation

By strengthening our management method, improving our production facilities and streamlining our production process, we continued our research upon and implement various energy savings and reduction measures. During the year, we have implemented the following measures:

(1) Mining Business:

Daxin branch has committed to implement various cost reduction measures, adopting refined management, our production costs were thereby reduced, including but not limited to the replacement of the outdated electricity generators which have been used for many years; scientific allocation of the coals to meet our furnace design requirements; strengthening the supervision and management of the melter water supply, thereby reduced the energy consumption; adoption of automatic control system in replacement of the manual control system for ingoing or outgoing air in furnaces; installation of the waste heat utilization equipments to maximize the recovery of the heat output; priority selection of open-type lighting and in accordance with the chosen circumstance thereby improving the lighting output efficiency.

Our Gabon company enhanced the waste management and environmental protection measures in accordance with the advice of Terea Company and in line with the local environmental laws and regulations, e.g. reinstallment the water pipes of the processing plant in order to direct the polluted water into the tailing dam; reinforcement of drainage system in order to prevent the flooding problem.

2. Energy Savings and Environmental Protection (continued)

Energy Savings and Reduction: Continuous Research and Implementation (continued)

(2) Downstream Business:

(i) EMM Business:

As a result of our enhancement on our management and improvement of our production technique, our various unit consumption rate for EMM production has significantly decreased and the metal recoveries rate has increased correspondingly. The EMM plant of Tiandeng branch adopted passivation process, so as to eliminate the solid waste and its hazardous effect. Daxin Branch commenced the research project with the topic headed "Removal of Chromium Slag and Slag Anode Treatment and Recycling Technology Renovation Project", by using the pyrometallurgical processing method to extract the chromium slag in order to produce manganese slag and by using the hydrometallurgical processing method to obtain manganese liquid concentrate and manganese slag, achieving full utilization of chromium slag and slag anode. Such researches have recorded significant improvement and have been adopted in our production.

We have also carried out research with 廣西大學 (Guangxi University) on the antioxidants of selenium dioxide, thereby increasing the consumption rate of selenium dioxide and reduced their usage and our production cost was reduced accordingly.

Daxin Manganese have completed the second phrase of the waste dam construction work, so as to increase the waste storage capacity, effectively reducing the waste emission volume as well as the construction of waste diverting system and the environment monitoring system.

Our Tiandeng branch maintained and implemented the environmental protection system and carried out the facilities maintenance works, including optimization of the tailings, the waste water storage pool and the waster monitoring system, prohibiting illegal emission.

(ii) EMD Business:

With the implementation of "Development and Application of Electrolytic Manganese Dioxide with Novel Surface Alloying of Titanium Anodes" industrial research project, our electricity consumption for EMD was reduced, and such project has won the Guangxi Science and Technology progress Award.

(iii) Manganese Sulfate Business:

We used the pyrite leaching production technique to produce manganese sulfate, our recoveries rate has increased, thus reducing the consumption rate of ore powder.

(iv) Manganese Sulfate, Lithium Manganese Oxide and Lithium Cobalt Oxide Business:

Chongzuo Branch continued to invest in waste treatment, environmental monitoring system and the establishment of environmental emergency plans work, etc.

2. Energy Savings and Environmental Protection (continued)

Environmental Regulation: Compliance and Beyond

During the year, the Group has adopted and implemented the environmental policies on a standard which is not less stringent than the prevailing environmental laws and regulations of the PRC.

During the year, we have not breached any environmental rules or regulations which resulted in fines or prosecutions. We believe that rule compliance is only the minimum standard – we treat it as the floor to our environmental performance. We are committed to the responsible management of both the short and long-term impacts of our business on the environment. This commitment goes beyond compliance and applies to all stages of our business – from planning, building, operation, maintenance to the decommissioning of our facilities and equipment.

3. Employment Training and Growth

We arranged trainings at all levels of our employees through multi-channels, multi-formats and multi-levels. The key statistics in respect of our training for our employees are set out in the Human Resources Report. In summary, various training courses were held throughout the year, effectively improving the quality of staff, and promoting development of our employees.

During the year, our major training activities and projects are as follows:

(1) In China,

(i) "CITIC Dameng Management Institute" was established so as to provide on going trainings to our employees;

(ii) "Employees PPT Course" designated for our branch facilities leaders, facilities management managers and technology team for enhancing their integrated and management skills;

(iii) The four stage "Gold Group Leaders' Training Courses" designated for general management for enhancing their management skills;

(iv) We organized the first Guaxngxi Technique Competition with 廣西人力資源與社會保障廳 (Guangxi Human Resources and Social Safety Bureau), in order to increase the knowledge and knowhow of different job specialties;

(v) We provided on the job trainings and in-house training programmes to the newly recruited universities graduates so as to enhance their knowledge and understanding of the Group as well as its goal and development plan.

(2) In Gabon,

We provided occupational technique enhancement courses to our employees on a monthly basis, including oil tank management, safety production knowledge, the vehicle repairment safety rules, road safety laws and regulation, and French language enhancement course, etc.

4. Social Contribution, Living Environment and Culture Development

Our community investment activities complement the way in which our core business contributes to society, by improving the quality of life for communities through donation of our skills, expertise and resources. The three focus areas of our community investment initiatives are: social contribution, living environment and cultural development, details of which are as follows:

(1) In China, we treasured our social contribution in particular the surrounding community of our mines and the improvement of the living environment of our employees as well as the cultural development, including the followings:

In Daxin Mine,

i) We supported the peripheral villages to build the flood stop; financed a secondary school to construct filter tank of water pump room; financed the villages to build public facilities; organized various cultural activities and volleyball and basket ball competitions with the local government and their units, etc., thereby enhancing the harmonious relationship with the community;

ii) We built the waste and sewage treatment systems, lighting and irrigation systems and other ancillary facilities, so as to improve the living conditions of our workers and attract talent candidates, thereby creating a stable workforce.

In Tiandeng Mine,

i) We financed the peripheral villages to construct water pipes as well as ancillary facilities;

ii) We provided food and water subsidies to the peripheral villages and financed them to organize the Chinese new year celebration activities.

(2) In Gabon, we continued to focus on the local community development and actively participate in various activities in Gabon, including world vehicles competition; national festival; Mother's Day, activities etc. and subsided the 80 years anniversary celebration organized by the Gabon National Commercial Association.

Given the geographical diversity of our business, we take a site-specific or tailored approach to our various social engagements or construction works. As with any investment that the Company makes, we need to be careful that our resources are allocated to community initiatives in a disciplined and systematic way and that this leads to positive, sustainable outcomes as opposed to having a disruptive effect on a community or the local environment. We are confident that selected community initiatives, carefully chosen, thoroughly implemented and carefully monitored, do enhance the Company's reputation and relationships and do enjoy the support of our shareholders and other stakeholders.

Shareholding Analysis and Information for Shareholders

Shareholding Analysis and Information for Shareholders

Our Share Information and Our Shareholding Structure

As at 31 December 2015, a summary of our share information is set out below:

Our Share Information as at 31 December 2015	
Authorised Share Capital	HK$1,000,000,000
Issued Share Capital	HK$342,845,900
Board Lot	1,000 shares
Market Capitalisation	HK$1,817,083,270
Number of Issued Shares	3,428,459,000
Closing Price	HK$0.53

As at 31 December 2015, a summary of our shareholding structure is set out below:

Our shareholding structure as at 31 December 2015

Size of Registered Shareholdings	No. of Shareholders	% of Shareholders	No. of Shares	% of Issued Share Capital
0 – 1,000	1,436	49.52	1,381,568	0.04
1,001 – 5,000	1,379	47.55	3,623,410	0.11
5,001 – 10,000	48	1.65	373,281	0.01
10,001 – 100,000	33	1.14	748,647	0.02
More than 100,001	4	0.14	3,422,322,094	99.82
Total	2,900	100.00	3,428,459,000	100.00

As at 31 December 2015, the Company has over 2,800 registered shareholders. The actual number of investors in the Company's shares is much greater when taking into account the people and organizations that have indirect interest in the Company's shares through intermediaries such as nominees, investment funds and the Central Clearing and Settlement System (CCASS) of Hong Kong.

The Company's largest shareholders are CITIC Group and Guangxi Dameng which hold 43.46% and 22.64% of the Company's shares respectively. The remaining 33.90% of the Company's shares are held by a wide range of institutional or corporate investors based in North America, Europe and Asia, as well as a considerable number of retail investors, most of whom are residents in Hong Kong.

The Major Events and Tentative Dates of the Company in 2016

Set out below are the major events and tentative dates of the Company in 2016 in which shareholders or investors need to pay attention to:

Date	Event
4 February 2016	Announcement of 2015 final results
22 June 2016	2016 AGM
27 July 2016	Announcement of 2016 interim results

Any changes to these dates will be published on the website of the Company and the Stock Exchange.

(Note: Prior to the issue of this annual report, a special general meeting was held on 15 January 2016, details of which has been disclosed in the circular of the Company dated 31 December 2015.)

Independent Auditors' Report

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 set out on pages 87 to 152, which comprise the consolidated statements of financial position as at 31 December 2015, and the consolidated statement of profit or loss and other 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 financial position of the Company and its subsidiaries as at 31 December 2015, and of their financial performance and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in compliance 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

4 February 2016

Consolidated Statement of Profit or Loss and Other Comprehensive Income

Year ended 31 December 2015

	Notes	2015 HK$'000	2014 HK$'000
REVENUE	6	**2,517,000**	3,194,517
Cost of sales		**(2,604,637)**	(2,641,627)
Gross (loss)/profit		**(87,637)**	552,890
Gain on bargain purchase	35	**223,798**	8,884
Other income and gains	6	**164,293**	232,669
Selling and distribution costs		**(99,449)**	(104,540)
Administrative expenses		**(482,425)**	(441,971)
Finance costs	7	**(270,726)**	(237,089)
Other expenses		**(37,135)**	(34,703)
Impairment of property, plant and equipment and mining right		**(347,657)**	(11,456)
Share of losses of associates		**(5,288)**	–
LOSS BEFORE TAX	8	**(942,226)**	(35,316)
Income tax expense	11	**(33,751)**	(47,405)
LOSS FOR THE YEAR		**(975,977)**	(82,721)
OTHER COMPREHENSIVE LOSS:			
Other comprehensive loss to be reclassified to profit or loss in subsequent periods:			
– Exchange differences on translation of foreign operations		**(138,725)**	(12,613)
TOTAL COMPREHENSIVE LOSS FOR THE YEAR		**(1,114,702)**	(95,334)
Total (loss)/profit attributable to:			
Owners of the parent		**(956,007)**	15,488
Non-controlling interests		**(19,970)**	(98,209)
		(975,977)	(82,721)
Total comprehensive (loss)/income attributable to:			
Owners of the parent		**(1,094,789)**	2,568
Non-controlling interests		**(19,913)**	(97,902)
		(1,114,702)	(95,334)
(LOSS)/EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	12		
Basic		**(HK cents 29.61)**	HK cents 0.51
Diluted		**(HK cents 29.61)**	HK cents 0.51

The Board does not recommend the payment of any dividend for the year (2014: nil).

Consolidated Statement of Financial Position

31 December 2015

	Notes	2015 HK$'000	2014 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment	15	**3,314,103**	3,923,817
Investment properties	16	**87,343**	92,758
Prepaid land lease payments	17	**492,756**	535,665
Intangible assets	18	**624,450**	847,670
Investments in associates	19	**762,035**	98,156
Deferred tax assets	20	**33,122**	70,864
Prepayments and deposits	23	**214,074**	190,050
Total non-current assets		**5,527,883**	5,758,980
CURRENT ASSETS			
Inventories	21	**810,867**	1,106,291
Trade and notes receivables	22	**751,611**	1,067,019
Prepayments, deposits and other receivables	23	**667,481**	412,172
Due from related companies	40	**1,692**	6
Tax recoverable		**13,610**	–
Pledged deposits	24	**558,730**	283,433
Cash and cash equivalents	24	**968,404**	1,153,121
		3,772,395	4,022,042
Non-current assets classified as held for sale	14	**37,058**	–
Total current assets		**3,809,453**	4,022,042
CURRENT LIABILITIES			
Trade and notes payables	25	**505,878**	505,551
Other payables and accruals	26	**772,300**	885,982
Interest-bearing bank and other borrowings	27	**2,630,208**	2,559,054
Medium-term notes	28	**596,800**	–
Due to related companies	40	**7,505**	6,507
Tax payable		**247**	8,490
Total current liabilities		**4,512,938**	3,965,584
NET CURRENT (LIABILITIES)/ASSETS		**(703,485)**	56,458
TOTAL ASSETS LESS CURRENT LIABILITIES		**4,824,398**	5,815,438
NON-CURRENT LIABILITIES			
Interest-bearing bank and other borrowings	27	**1,504,989**	1,248,535
Medium-term notes	28	**–**	633,800
Deferred tax liabilities	20	**204,385**	218,380
Other long-term liabilities	30	**16,407**	12,658
Deferred income	31	**98,974**	109,388
Total non-current liabilities		**1,824,755**	2,222,761
Net assets		**2,999,643**	3,592,677

Consolidated Statement of Financial Position
(continued)
31 December 2015

	Notes	2015 HK$'000	2014 HK$'000
EQUITY			
Equity attributable to owners of the parent			
Issued capital	32	**342,846**	302,480
Reserves	34	**2,547,585**	3,161,072
		2,890,431	3,463,552
Non-controlling interests		**109,212**	129,125
Total equity		**2,999,643**	3,592,677

Yin Bo
Director

Tian Yuchuan
Director

Consolidated Statement of Changes in Equity

Year ended 31 December 2015

		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	Capital redemption reserve HK$'000	(Accumulated losses)/ Retained profits HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total equity HK$'000
At 1 January 2014		302,480	2,872,076	(171,859)	118,488	153,887	344,741	–	(159,468)	3,460,345	218,979	3,679,324
Profit/(loss) for the year		–	–	–	–	–	–	–	15,488	15,488	(98,209)	(82,721)
Other comprehensive (loss)/income for the year:												
Exchange differences on translation of foreign operations		–	–	–	–	–	(12,920)	–	–	(12,920)	307	(12,613)
Total comprehensive (loss)/income for the year		–	–	–	–	–	(12,920)	–	15,488	2,568	(97,902)	(95,334)
Acquisition of a subsidiary		–	–	–	–	–	–	–	–	–	8,048	8,048
Provision for special reserve	34(b)	–	–	–	–	38,203	–	–	(38,203)	–	–	–
Utilisation of special reserve	34(b)	–	–	–	–	(50,188)	–	–	50,188	–	–	–
Equity-settled share option arrangements	33	–	–	–	639	–	–	–	–	639	–	639
Transfer of share option reserve upon the forfeiture of share options		–	–	–	(8,587)	–	–	–	8,587	–	–	–
At 31 December 2014 and 1 January 2015		302,480	2,872,076*	(171,859)*	110,540*	141,902*	331,821*	–	(123,408)*	3,463,552	129,125	3,592,677
Loss for the year		-	-	-	-	-	-	-	(956,007)	(956,007)	(19,970)	(975,977)
Other comprehensive (loss)/income for the year:												
Exchange differences on translation of foreign operations		-	-	-	-	-	(138,782)	-	-	(138,782)	57	(138,725)
Total comprehensive loss for the year		-	-	-	-	-	(138,782)	-	(956,007)	(1,094,789)	(19,913)	(1,114,702)
Share placement	32	30,248	362,976	-	-	-	-	-	-	393,224	-	393,224
Placement expense	32	-	(4,950)	-	-	-	-	-	-	(4,950)	-	(4,950)
Shares swap	32	10,430	125,160	-	-	-	-	-	-	135,590	-	135,590
Repurchases of shares	32	(312)	(2,360)	-	-	-	-	312	-	(2,360)	-	(2,360)
Provision for special reserve	34(b)	-	-	-	-	34,362	-	-	(34,362)	-	-	-
Utilisation of special reserve	34(b)	-	-	-	-	(33,051)	-	-	33,051	-	-	-
Government grant		-	-	164	-	-	-	-	-	164	-	164
At 31 December 2015		342,846	3,352,902*	(171,695)*	110,540*	143,213*	193,039*	312*	(1,080,726)*	2,890,431	109,212	2,999,643

* Aggregate of these reserve accounts represents the consolidated reserves of HK$2,547,585,000 in the consolidated statement of financial position (2014: HK$3,161,072,000).

Consolidated Statement of Cash Flows

Year ended 31 December 2015

	Notes	2015 HK$'000	2014 HK$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Loss before tax		**(942,226)**	(35,316)
Adjustments for:			
Finance costs	7	**270,726**	237,089
Interest income	6	**(25,927)**	(41,661)
Loss/(gain) on disposal of items of property, plant and equipment	8	**507**	(17,864)
Government grants	31	**(12,449)**	(31,821)
Depreciation	8	**369,727**	351,439
Fair value gains on investment properties	8	**–**	(1,950)
Amortisation of prepaid land lease payments	8	**13,046**	13,201
Amortisation of intangible assets	8	**13,014**	21,041
Provision for rehabilitation	30	**9,169**	4,746
Write-down of inventories to net realisable value, net	8	**114,053**	28,294
Impairment/(reversal of impairment) of trade and other receivables, net	8	**6,917**	(57,692)
Impairment of items of property, plant and equipment and other intangible assets	8	**178,761**	11,580
Impairment of mining right	8	**168,896**	–
Equity-settled share option expense	33	**–**	639
Gain on bargain purchase from the acquisition of an associate/a subsidiary	35	**(223,798)**	(8,884)
Transaction cost incurred for acquisition of an associate		**5,664**	–
Share of losses of associates		**5,288**	–
		(48,632)	472,841
Decrease/(increase) in inventories		**189,061**	(200,222)
Decrease/(increase) in trade and notes receivables		**295,714**	(255,847)
(Increase)/decrease in prepayments, deposits and other receivables		**(240,065)**	68,347
Increase in amounts due from related companies		**(1,686)**	–
Increase in trade and notes payables		**327**	78,848
(Decrease)/increase in other payables and accruals		**(55,238)**	60,730
Increase/(decrease) in amounts due to related companies		**998**	(14,024)
Cash generated from operations		**140,479**	210,673
Tax paid		**(22,575)**	(17,072)
Net cash flows from operating activities		**117,904**	193,601

Consolidated Statement of Cash Flows (continued)

Year ended 31 December 2015

	Notes	2015 HK$'000	2014 HK$'000
Net cash flows from operating activities		**117,904**	193,601
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest received		**25,128**	42,107
Receipt of government grants	31	**8,245**	10,657
Additions of items of property, plant and equipment		**(275,916)**	(462,292)
Decrease in deposits for the purchase of property, plant and equipment		**9,215**	14,650
Proceeds from disposal of items of property, plant and equipment		**39,268**	33,710
Additions of leasehold land	17	**(962)**	(42,939)
Additions of intangible assets	18	**(653)**	(6,438)
Advance to an associate		**(119)**	–
Deposit for rehabilitation		**(6,129)**	(5,999)
Acquisition of a subsidiary, net of cash acquired		**–**	(41,871)
Purchase of interests in an associate		**(320,953)**	(97,730)
Net cash flows used in investing activities		**(522,876)**	(556,145)
CASH FLOWS FROM FINANCING ACTIVITIES			
Net proceeds from placement		**388,274**	–
Pledged deposits placed		**(275,297)**	(90,593)
Repayment of short-term notes		**–**	(757,260)
Proceeds from sales and leaseback arrangements		**480,724**	–
Drawdown of bank and other borrowings		**2,730,286**	2,635,711
Repayment of bank and other borrowings		**(2,719,251)**	(1,301,453)
Interest paid		**(275,776)**	(264,866)
Share repurchase		**(2,360)**	–
Net cash flows from financing activities		**326,600**	221,539
NET DECREASE IN CASH AND CASH EQUIVALENTS		**(78,372)**	(141,005)
Cash and cash equivalents at beginning of year		**1,153,121**	1,301,339
Effect of foreign exchange rate changes, net		**(106,345)**	(7,213)
CASH AND CASH EQUIVALENTS AT END OF YEAR		**968,404**	1,153,121
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances	24	**1,527,134**	1,436,554
Less: Pledged deposits	24	**(558,730)**	(283,433)
Cash and cash equivalents at end of year		**968,404**	1,153,121

1. Corporate and Group 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 23/F, 28 Hennessy Road, Wanchai, 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.

Information about subsidiaries

Particulars of the Company's principal subsidiaries are set out below:

Name of company	Place and date of incorporation/ establishment	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 Trading Limited	Hong Kong 28 October 2005	HK$10,000	–	51.00	Trading of manganese ore
Opulent Sea Limited	BVI 6 July 2007	US$50,000	–	51.00	Provision of trading related services
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	XAF100 million	–	51.00	Mining and sale of manganese ore
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

1. Corporate and Group information (continued)

Information about subsidiaries (continued)

Name of company	Place and date of incorporation/ establishment	Issued ordinary share/ registered capital	Percentage of equity interests attributable to the Company		Principal activities
			Direct	Indirect	
CITIC Dameng (Chongzuo) New Materials Co., Limited ("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 (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	RMB70,000,000	–	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
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
CITIC Dameng Daxin Manganese Limited Company ("Daxin Manganese") (中信大錳大新錳業有限公司)^	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
Daxin Guinan Huagong Limited Company ("Guinan Huagong") (大新桂南化工有限責任公司)^	PRC/Mainland China 22 June 2005	RMB30,307,059	–	90.10	Production of sulphuric acid and steam
CITIC Dameng Mining Logistic Company Limited	Hong Kong 18 January 2012	HK$10,000	–	100.00	Trading of manganese ore
CITIC Dameng Qinzhou Mining Co., Ltd ("Qinzhou Mining") (中信大錳欽州礦業有限公司)^	PRC/Mainland China 16 December 2014	RMB10,000,000	–	100.00	Processing and sale of manganese related products and pig iron

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

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.

As at 31 December 2015, the Company and its subsidiaries (collectively referred to as the "Group") recorded net current liabilities of HK$703,485,000. 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 the proposed issue in accordance with an underwriting agreement for an aggregate principal amount of not exceeding RMB800,000,000 (equivalent to HK$954,880,000) short-term financing note entered on 30 October 2015, together with the net cash flows from operating activities and bank borrowing facilities, to continue the Group's 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.

Basis of consolidation

The consolidated financial statements include the financial statements of the Group for the year ended 31 December 2015. A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e. existing rights that give the Group the current ability to direct the relevant activities of the investee). When the Company has, directly or indirectly, less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

(a) the contractual arrangement with the other vote holders of the investee;

(b) rights arising from other contractual arrangements; and

(c) the Group's voting rights and potential voting rights.

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 on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

Profit or loss and each component of other comprehensive income are attributed to the owners of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control described in the accounting policy for subsidiaries below. 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, at the same basis as would be required if the Group had directly disposed of the related assets or liabilities.

2.2 Changes in accounting policies and disclosures

The Group has adopted the following revised standards for the first time for the current year's financial statements.

Amendments to HKAS 19	*Defined Benefit Plans: Employee Contributions*
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 the above revised standards has no significant financial effect on these financial statements.

The *Annual Improvements to HKFRSs 2010-2012 Cycle* issued in January 2014 sets out amendments to a number of HKFRSs. Details of the amendment that are effective for the current year 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. The amendments have had no impact on the Group.

HKAS 16 *Property, Plant and Equipment* and HKAS 38 *Intangible Assets*: Clarifies the treatment of gross carrying amount and accumulated depreciation or amortisation of revalued items of property, plant and equipment and intangible assets. The amendments have had no impact on the Group as the Group does not apply the revaluation model for the measurement of these assets.

HKAS 24 *Related Party Disclosures*: Clarifies that a management entity (i.e., an entity that provides key management personnel services) is a related party subject to related party disclosure requirements. In addition, an entity that uses a management entity is required to disclose the expenses incurred for management services. The amendment has had no impact on the Group as the Group does not receive any management services from other entities.

In addition, the Company has adopted the amendments to the Listing Rules issued by the Hong Kong Stock Exchange relating to the disclosure of financial information with reference to the Hong Kong Companies Ordinance (Cap. 622) during the current financial year. The main impact to the financial statements is on the presentation and disclosure of certain information in the financial statements.

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 9	*Financial Instruments*[2]
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 10, HKFRS 12 and HKAS 28 (2011)	*Investment Entities: Applying the Consolidation Exception*[1]
Amendments to HKFRS 11	*Accounting for Acquisitions of Interests in Joint Operations*[1]
HKFRS 14	*Regulatory Deferral Accounts*[3]
HKFRS 15	*Revenue from Contracts with Customers*[2]
Amendments to HKAS 1	*Disclosure Initiative*[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 January 2016
2 Effective for annual periods beginning on or after 1 January 2018
3 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

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

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

In September 2014, the HKICPA issued the final version of HKFRS 9, bringing together all phases of the financial instruments project to replace HKAS 39 and all previous versions of HKFRS 9. The standard introduces new requirements for classification and measurement, impairment and hedge accounting. The Group expects to adopt HKFRS 9 from 1 January 2018. The Group is currently assessing the impact of the standard upon adoption and expects that the adoption of HFKRS 9 will have an impact on the classification and measurement of the Group's financial assets.

The amendments to HKFRS 10 and HKAS 28 (2011) address an inconsistency between the requirements in HKFRS 10 and in HKAS 28 (2011) in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The amendments require a full recognition of a gain or loss when the sale or contribution of assets between an investor and its associate or joint venture constitutes a business. For a transaction involving assets that do not constitute a business, a gain or loss resulting from the transaction is recognised in the investor's profit or loss only to the extent of the unrelated investor's interest in that associate or joint venture. The amendments are to be applied prospectively. The Group expects to adopt the amendments from 1 January 2016.

The amendments to HKFRS 11 require that an acquirer of an interest in a joint operation in which the activity of the joint operation constitutes a business must apply the relevant principles for business combinations in HKFRS 3. The amendments also clarify that a previously held interest in a joint operation is not remeasured on the acquisition of an additional interest in the same joint operation while joint control is retained. In addition, a scope exclusion has been added to HKFRS 11 to specify that the amendments do not apply when the parties share joint control, including the reporting entity, are under common control of the same ultimate controlling party. The amendments apply to both acquisition of the initial interest in a joint operation and the acquisition of any additional interests in the same joint operation. The amendments are not expected to have any impact on the financial position or performance of the Group upon adoption on 1 January 2016.

HKFRS 15 establishes a new five-step model to account for revenue arising from contracts with customers. Under HKFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in HKFRS 15 provide a more structured approach for measuring and recognising revenue. The standard also introduces extensive qualitative and quantitative disclosure requirements, including disaggregation of total revenue, information about performance obligations, changes in contract asset and liability account balances between periods and key judgements and estimates. The standard will supersede all current revenue recognition requirements under HKFRSs. In September 2015, the HKICPA issued an amendment to HKFRS 15 regarding a one-year deferral of the mandatory effective date of HKFRS 15 to 1 January 2018. The Group expects to adopt HKFRS 15 on 1 January 2018 and is currently assessing the impact of HKFRS 15 upon adoption.

Amendments to HKAS 1 include narrow-focus improvements in respect of the presentation and disclosure in financial statements. The amendments clarify:

(i) the materiality requirements in HKAS 1;

(ii) that specific line items in the statement of profit or loss and the statement of financial position may be disaggregated;

(iii) that entities have flexibility as to the order in which they present the notes to financial statements; and

(iv) that the share of other comprehensive income of associates and joint ventures accounted for using the equity method must be presented in aggregate as a single line item, and classified between those items that will or will not be subsequently reclassified to profit or loss.

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

Furthermore, the amendments clarify the requirements that apply when additional subtotals are presented in the statement of financial position and the statement of profit or loss. The Group expects to adopt the amendments from 1 January 2016. The amendments are not expected to have any significant impact on the Group's financial statements.

Amendments to HKAS 16 and HKAS 38 clarify the principle in HKAS 16 and HKAS 38 that revenue reflects a pattern of economic benefits that are generated from operating business (of which that asset is a part) rather than the economic benefits that are consumed through the use of the asset. As a result, a revenue-based method cannot be used to depreciate property, plant and equipment and may only be used in very limited circumstances to amortise intangible assets. The amendments are to be applied prospectively. The amendments are not expected to have any impact on the financial position or performance of the Group upon adoption on 1 January 2016 as the Group has not used a revenue-based method for the calculation of depreciation of its non-current assets.

3. Summary of significant accounting policies

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 of 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 is measured at fair value with changes in fair value recognised in profit or loss. 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.

3. Summary of significant accounting policies (continued)

Business combinations and goodwill (continued)

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 operation disposed of and the portion of the cash-generating unit retained.

Investments in associates

An associate is an entity in which the Group has a long term interest of generally not less than 20% of the equity voting rights and over which it is in a position to exercise significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies.

The Group's investments in associates are stated in the consolidated statement of financial position at the Group's share of net assets under the equity method of accounting, less any impairment losses.

Adjustments are made to bring into line any dissimilar accounting policies that may exist.

The Group's share of the post-acquisition results and other comprehensive income of associates is included in the consolidated statement of profit or loss and other comprehensive income, respectively. In addition, when there has been a change recognised directly in the equity of the associate, the Group recognises its share of any changes, when applicable, in the consolidated statement of changes in equity. Unrealised gains and losses resulting from transactions between the Group and its associates are eliminated to the extent of the Group's investments in the associates, except where unrealised losses provide evidence of an impairment of the assets transferred. Goodwill arising from the acquisition of associates is included as part of the Group's investments in associates.

If an investment in an associate becomes an investment in a joint venture, the retained interest is not remeasured. Instead, the investment continues to be accounted for under the equity method. In all other cases, upon loss of significant influence over the associate, the Group measures and recognises any retained investment at its fair value. Any difference between the carrying amount of the associate upon loss of significant influence and the fair value of the retained investment and proceeds from disposal is recognised in profit or loss.

When an investment in an associate is classified as held for sale, it is accounted for in accordance with HKFRS 5 *Non-current Assets Held for Sale and Discontinued Operations.*

3. Summary of significant accounting policies (continued)

Fair value measurement

The Group measures its investment properties, derivative financial instruments and equity investments at fair value at the end of each reporting period. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible by the Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1 – based on quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is observable, either directly or indirectly

Level 3 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by reassessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

Impairment of non-financial assets

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than inventories, financial assets, investment properties and non-current assets), 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 of disposal, 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.

3. Summary of significant accounting policies (continued)

Impairment of non-financial assets (continued)

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, 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);
- (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); and
- (viii) the entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the parent of the Group.

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. When an item of property, plant and equipment is classified as held for sale, it is not depreciated and is accounted for in accordance with HKFRS 5, as further explained in the accounting policy for "Non-current assets classified as held for sale". 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.

3. Summary of significant accounting policies (continued)

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.

Non-current assets classified as held for sale

Non-current assets are classified as held for sale if their carrying amounts will be recovered principally through a sales transaction rather than through continuing use. For this to be the case, the asset must be available for immediate sale in its present condition subject only to terms that are usual and customary for the sale of such assets and its sale must be highly probable.

Non-current assets (other than investment properties and financial assets) classified as held for sale are measured at the lower of their carrying amounts and fair values less costs to sell. Property, plant and equipment and intangible assets classified as held for sale are not depreciated or amortised.

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.

Leases

Leases that transfer substantially all the rewards and risks of ownership of assets to the Group, other than legal title, are accounted for as finance leases. Assets acquired through hire purchase contracts of a financing nature, are included in property, plant and equipment and accounted for as finance leases, but are depreciated over their estimated useful lives. The finance costs of such leases are charged to the statement of profit or loss so as to provide a constant periodic rate of charge over the lease terms.

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.

3. Summary of significant accounting policies (continued)

Investments and other financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as loans and receivables and available-for-sale financial investments, as appropriate. When financial assets are recognised initially, they are measured at fair value plus transaction costs that are attributable to the acquisition of the financial assets, 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 profit or loss and other comprehensive income. The loss arising from impairment is recognised in the statement of profit or loss and other comprehensive income in finance costs for loans and in other expenses for receivables.

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 primarily derecognised (i.e., removed from the Group's consolidated statement of financial position) 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 Group continues to recognise the transferred asset to the extent of the Group's continuing involvement. 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 of that the Group could be required to repay.

3. Summary of significant accounting policies (continued)

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. An impairment exists if one or more events that occurred after the initial recognition of the asset have 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 whether impairment exists individually 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.

The amount of any impairment loss identified 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).

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 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 profit or loss and other comprehensive income.

Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as loans and borrowings, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

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

The Group's financial liabilities include trade and notes payables, other payables, amounts due to related companies, interest-bearing bank and other borrowings and medium-term notes.

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 profit or loss and other comprehensive income.

3. Summary of significant accounting policies (continued)

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.

Treasury shares

Own equity instruments which are reacquired and held by the Company or the Group (treasury shares) are recognised directly in equity at cost. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Group's own equity instruments.

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 consolidated 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 profit or loss and other 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.

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 and associates 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.

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.

3. Summary of significant accounting policies (continued)

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 in employee benefit expense, 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.

Service and non-market performance conditions are not taken into account when determining the grant date fair value of awards, but the likelihood of the conditions being met is assessed as part of the Group's best estimate of the number of equity instruments that will ultimately vest. Market performance conditions are reflected within the grant date fair value. Any other conditions attached to an award, but without an associated service requirement, are considered to be non-vesting conditions. Non-vesting conditions are reflected in the fair value of an award and lead to an immediate expensing of an award unless there are also service and/or performance conditions.

For awards that do not ultimately vest because non-market performance and/or service conditions have not been met, no expense is recognised. Where awards include a market or non-vesting condition, the transactions are treated as vesting irrespective of whether 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.

3. Summary of significant accounting policies (continued)

Share-based payments (continued)

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.

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 are recognised as a liability when they are approved by the shareholders in a general meeting. In prior years, final dividends proposed by the directors were 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. Following the implementation of the Hong Kong Companies Ordinance (Cap. 622), proposed final dividends are disclosed in the notes to the financial statements.

Foreign currencies

These financial statements are presented in Hong Kong dollars, which is the Company's functional 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 measured. 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).

3. Summary of significant accounting policies (continued)

Foreign currencies (continued)

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 Hong Kong dollars 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, deferred income tax liabilities would have been increased by the same amount of approximately HK$15,538,000 as at 31 December 2015.

4. Significant accounting judgements and estimates (continued)

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 carrying amount of investment properties at 31 December 2015 was HK$87,343,000 (2014: HK$92,758,000). Further details, including the key assumptions used for fair value measurement and a sensitivity analysis, are given in note 16 to the financial statements.

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.

4. Significant accounting judgements and estimates (continued)

Estimation uncertainty (continued)

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 2015, the carrying amount of inventories was approximately HK$810,867,000 (2014: HK$1,106,291,000) after netting off the allowance for inventories of approximately HK$134,779,000 (2014: HK$125,212,000).

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.

Deferred tax assets

Deferred tax assets are recognised for unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies. The carrying value of deferred tax assets relating to recognised tax losses at 31 December 2015 was nil (2014: HK$32,841,000). The amount of unrecognised tax losses at 31 December 2015 was HK$656,000,000 (2014: HK$394,000,000). Further details are contained in note 20 to the financial statements.

5. 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 concentrates 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, manganese tetroxide 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, sales of scraps, and rental of investment properties and machinery.

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 loss before tax except that interest income, finance costs, gain on bargain purchase, share of losses of associates, 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, investments in associates 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.

5. 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 2015						
Segment revenue:						
Sales to external customers	90,476	111,341	2,138,169	136,426	40,588	2,517,000
Intersegment sales	132,822	–	–	–	–	132,822
Other revenue	6,504	326	102,993	1,313	27,230	138,366
	229,802	111.667	2,241,162	137,739	67,818	2,788,188
Reconciliation:						
Elimination of intersegment sales						(132,822)
Revenue from operations						2,655,366
Segment results	(96,611)	(454,039)	(274,787)	(7,123)	36,678	(795,882)
Reconciliation:						
Gain on bargain purchase						223,798
Interest income						25,927
Corporate and other unallocated expenses						(120,055)
Finance costs						(270,726)
Share of losses of associates						(5,288)
Loss before tax						(942,226)
Income tax expense						(33,751)
Loss for the year						(975,977)
Assets and liabilities						
Segment assets	1,071,099	485,485	4,633,275	121,909	339,073	6,650,841
Reconciliation:						
Corporate and other unallocated assets						2,686,495
Total assets						9,337,336
Segment liabilities	349,598	602,999	373,910	53,389	10,135	1,390,031
Reconciliation:						
Corporate and other unallocated liabilities						4,947,662
Total liabilities						6,337,693
Other segment information:						
Depreciation and amortisation	28,455	38,094	318,237	3,496	–	388,282
Unallocated depreciation and amortisation						7,505
Total depreciation and amortisation						395,787
Capital expenditure*	20,972	725	194,539	2,842	–	219,078
Unallocated capital expenditure						734
Total capital expenditure						219,812
Gain/(loss) on disposal of items of property, plant and equipment	17	(81)	(443)	–	–	(507)
Impairment losses recognised in profit or loss	19,838	372,177	86,938	3,883	(14,209)	468,627
Investments in associates	–	–	90,113	–	671,922	762,035

5. 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 2014						
Segment revenue:						
Sales to external customers	282,139	152,219	2,595,754	124,176	40,229	3,194,517
Intersegment sales	151,913	–	–	–	–	151,913
Other revenue	15,461	(15)	105,460	2,949	67,153	191,008
	449,513	152,204	2,701,214	127,125	107,382	3,537,438
Reconciliation:						
Elimination of intersegment sales						(151,913)
Revenue from operations						3,385,525
Segment results	66,513	(43,219)	210,999	(1,124)	47,356	280,525
Reconciliation:						
Gain on bargain purchase						8,884
Interest income						41,661
Corporate and other unallocated expenses						(129,297)
Finance costs						(237,089)
Loss before tax						(35,316)
Income tax expense						(47,405)
Loss for the year						(82,721)
Assets and liabilities						
Segment assets	1,643,784	900,036	4,814,487	132,525	40,285	7,531,117
Reconciliation:						
Corporate and other unallocated assets						2,249,905
Total assets						9,781,022
Segment liabilities	356,305	748,804	1,009,098	86,726	9,094	2,210,027
Reconciliation:						
Corporate and other unallocated liabilities						3,978,318
Total liabilities						6,188,345
Other segment information:						
Depreciation and amortisation	55,133	46,159	271,955	4,548	–	377,795
Unallocated depreciation and amortisation						7,886
Total depreciation and amortisation						385,681
Capital expenditure*	72,494	2,403	364,570	2,599	–	442,066
Unallocated capital expenditure						6,279
Total capital expenditure						448,345
Gain/(loss) on disposal of items of property, plant and equipment	7,684	(32)	10,212	–	–	17,864
Impairment losses recognised in profit or loss	11,849	–	10,791	(564)	(39,894)	(17,818)
Fair value gains on investment properties	–	–	–	–	1,950	1,950
Investment in an associate	–	–	98,156	–	–	98,156

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

5. Operating segment information (continued)

Geographical information

(a) Revenue from external customers

	2015 HK$'000	2014 HK$'000
Mainland China	**2,071,460**	2,643,235
Asia (excluding Mainland China)	**316,743**	396,149
Europe	**64,230**	74,630
North America	**41,172**	51,902
Other countries	**23,395**	28,601
	2,517,000	3,194,517

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

(b) Non-current assets

	2015 HK$'000	2014 HK$'000
Segment assets:		
Mainland China	**4,622,617**	5,093,148
Africa	**110,109**	496,812
	4,732,726	5,589,960

The above non-current asset information is based on the locations of assets and excludes deferred tax assets and investments in associates.

Information about a major customer

Revenue of approximately HK$357,000,000 for the year ended 31 December 2015 (2014: HK$520,000,000) was derived from sales by the manganese downstream processing segment to a single customer, including sales to a group of entities which were under common control.

6. Revenue, other income and gains

Revenue 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	2015 HK$'000	2014 HK$'000
Revenue			
Sale of goods		**2,517,000**	3,194,517
Other income and gains			
Interest income		**25,927**	41,661
Gain on disposal of items of property, plant and equipment		**–**	17,864
Subsidy income		**111,594**	96,775
Sale of scraps		**4,070**	6,384
Rental income		**13,745**	9,726
Fair value gains on investment properties	16	**–**	1,950
Reversal of impairment loss of trade and other receivables, net		**–**	57,692
Others		**8,957**	617
		164,293	232,669

7. Finance costs

An analysis of finance costs is as follows:

	2015 HK$'000	2014 HK$'000
Interest on loans wholly repayable within five years	**237,107**	227,312
Finance costs for discounted notes receivable	**14,032**	7,340
Other finance costs	**20,206**	22,615
Less: Interest capitalised	**(619)**	(20,178)
	270,726	237,089

8. Loss before tax

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

	Notes	2015 HK$'000	2014 HK$'000
Cost of inventories sold		**2,490,584**	2,613,333
Depreciation	15	**369,727**	351,439
Amortisation of prepaid land lease payments	17	**13,046**	13,201
Amortisation of intangible assets	18	**13,014**	21,041
Auditors' remuneration		**3,803**	3,722
Minimum lease payments under operating leases, land and buildings		**10,178**	8,429
Employee benefit expense (excluding directors' remuneration (note 9)):			
Wages and salaries		**397,930**	431,599
Pension scheme contributions		**58,874**	59,680
Equity-settled share option expense		**–**	288
Other employee welfare		**39,999**	36,729
		496,803	528,296
Loss/(gain) on disposal of items of property, plant and equipment*		**507**	(17,864)
Foreign exchange differences, net*		**20,134**	23,257
Write-down of inventories to net realisable value, net#		**114,053**	28,294
Impairment/(reversal of impairment) of trade and other receivables, net*		**6,917**	(57,692)
Impairment of property, plant and equipment	15	**178,761**	11,456
Impairment of mining right	18	**168,896**	–
Impairment of other intangible assets*	18	**–**	124
Gain on bargain purchase	35	**(223,798)**	(8,884)
Changes in fair value of investment properties*	16	**–**	(1,950)

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

* Included in "Other income and gains (note 6)" or "Other expenses" in the consolidated statement of profit or loss and other comprehensive income

9. Directors' and chief executive's remuneration

Directors' and chief executive's remuneration for the year, disclosed pursuant to the Listing Rules, section 383(1)(a), (b), (c) and (f) of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation, is as follows:

	2015 HK$'000	2014 HK$'000
Fees	**2,289**	2,342
Other emoluments		
Salaries, allowances and benefits in kind	**11,603**	10,537
Performance related bonuses	**–**	4,400
Equity-settled share option expenses	**–**	351
Pension scheme contributions	**326**	315
	11,929	15,603
	14,218	17,945

(a) Independent non-executive directors

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

	Fees HK$'000	Equity-settled share option expenses HK$'000	Total HK$'000
2015			
Mr. Yang Zhi Jie	**260**	**–**	**260**
Mr. Mo Shijian	**260**	**–**	**260**
Mr. Tan Zhuzhong	**260**	**–**	**260**
	780	**–**	**780**
2014			
Mr. Yang Zhi Jie	260	7	267
Mr. Mo Shijian	260	7	267
Mr. Tan Zhuzhong	260	7	267
	780	21	801

There were no other emoluments payable to the independent non-executive directors during the year (2014: Nil).

9. 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
2015						
Executive directors:						
Mr. Yin Bo	**260**	**2,724**	**–**	**–**	**148**	**3,132**
Mr. Qiu Yiyong (Resigned on 19 October 2015)	**209**	**–**	**–**	**–**	**–**	**209**
Mr. Li Weijian	**260**	**3,998**	**–**	**–**	**80**	**4,338**
	729	**6,722**	**–**	**–**	**228**	**7,679**
Non-executive directors:						
Mr. Suo Zhengang	**260**	**–**	**–**	**–**	**–**	**260**
Mr. Chen Jiqiu	**260**	**1,319**	**–**	**–**	**80**	**1,659**
	520	**1,319**	**–**	**–**	**80**	**1,919**
Chief executive and executive director:						
Mr. Tian Yuchuan	**260**	**3,562**	**–**	**–**	**18**	**3,840**
	1,509	**11,603**	**–**	**–**	**326**	**13,438**
2014						
Executive directors:						
Mr. Qiu Yiyong	260	–	–	97	–	357
Mr. Li Weijian	260	3,808	1,500	97	74	5,739
Mr. Yin Bo	260	2,080	1,000	–	150	3,490
	780	5,888	2,500	194	224	9,586
Non-executive directors:						
Mr. Zeng Chen (Resigned on 3 December 2014)	241	–	–	–	–	241
Mr. Suo Zhengang	21	–	–	–	–	21
Mr. Chen Jiqiu	260	1,256	400	58	74	2,048
	522	1,256	400	58	74	2,310
Chief executive and executive director:						
Mr. Tian Yuchuan	260	3,393	1,500	78	17	5,248
	1,562	10,537	4,400	330	315	17,144

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

10. Five highest paid employees

The five highest paid employees for the year ended 31 December 2015 are four directors including the chief executive of the Company (2014: four directors including the chief executive), details of whose remuneration are set out in note 9 above. Details of the remuneration for the year of the remaining one (2014: one) highest paid employee who is neither a director nor chief executive of the Company, is as follows:

Group

	2015 HK$'000	2014 HK$'000
Salaries, allowances and benefits in kind	**2,753**	2,622
Performance related bonuses	**–**	1,000
Equity-settled share option expenses	**–**	19
Pension scheme contributions	**18**	17
	2,771	3,658

The remuneration of the non-director and non-chief executive highest paid employee fell within the band of HK$2,500,001 to HK$3,000,000 for the year ended 31 December 2015 (2014: HK$3,500,001 to HK$4,000,000).

11. 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	2015 HK$'000	2014 HK$'000
Current – PRC			
Charge for the year		**61**	30,992
Current – Gabon			
Charge for the year		**661**	3,488
Deferred	20	**33,029**	12,925
Total tax charge for the year		**33,751**	47,405

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% 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.

11. Income tax (continued)

A reconciliation of the income tax charge applicable to loss 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:

	2015 HK$'000	2014 HK$'000
Loss before tax	**(942,226)**	(35,316)
Tax at the statutory PRC corporate income tax rate	**(235,556)**	(8,829)
Effect of withholding tax at 10% on the distributable profit of the Group's PRC subsidiaries	**–**	3,562
Lower tax rates/tax holidays or concessions	**45,322**	(14,459)
Income not subject to tax	**(34,085)**	18
Expenses not deductible for tax	**30,522**	31,362
Tax losses utilised from previous periods	**–**	(12,125)
Tax losses not recognised	**189,160**	47,876
Deferred tax expense arising from a write-down of deferred tax assets	**38,388**	–
Tax charge reported in the consolidated statement of profit or loss and other comprehensive income	**33,751**	47,405
Effective income tax rate	**(3.6%)**	(134.2%)

12. (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 3,229,124,162 (2014: 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 2015 and 2014 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 calculations of basic and diluted (loss)/earnings per share are based on:

	2015 HK$'000	2014 HK$'000
(Loss)/earnings		
(Loss)/earnings attributable to ordinary equity holders of the parent, used in the basic (loss)/earnings per share calculation	**(956,007)**	15,488
	Number of shares	
Shares		
Weighted average number of ordinary shares in issue during the year used in the basic (loss)/earnings per share calculation	**3,229,124,162**	3,024,795,000

13. Dividends

The board does not recommend the payment of any dividend for the years ended 31 December 2015 and 2014.

14. Non-current assets classified as held for sale

Pursuant to a sale and purchase agreement dated 24 December 2015, the Group agreed to sell certain property, plant and machinery located in Gabon with a carrying amount of HK$37,058,000. The sale will be completed and the proceeds of HK$43,514,000 is receivable within one year from the date of agreement.

As a result, the above property, plant and equipment were classified as non-current assets held for sale as at 31 December 2015.

	2015 **HK$'000**
At 1 January	**–**
Transfer from property, plant and equipment (note 15)	**37,069**
Exchange realignment	**(11)**
At 31 December	**37,058**

15. Property, plant and equipment

31 December 2015	Note	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
At 1 January 2015, net of accumulated depreciation and impairment		**1,814,823**	**1,242,602**	**26,377**	**5,027**	**834,988**	**3,923,817**
Additions		**550**	**51,147**	**423**	**1,098**	**164,979**	**218,197**
Depreciation provided during the year	8	**(118,703)**	**(243,239)**	**(5,375)**	**(2,410)**	**–**	**(369,727)**
Impairment provided during the year	8	**(116,290)**	**(62,171)**	**(300)**	**–**	**–**	**(178,761)**
Disposals		**(29,380)**	**(10,081)**	**(315)**	**–**	**–**	**(39,776)**
Transfers		**76,217**	**72,311**	**846**	**–**	**(149,374)**	**–**
Transfer to non-current assets held for sale	14	**–**	**–**	**–**	**–**	**(37,069)**	**(37,069)**
Exchange realignment		**(94,647)**	**(59,876)**	**(723)**	**(172)**	**(47,160)**	**(202,578)**
At 31 December 2015, net of accumulated depreciation and impairment		**1,532,570**	**990,693**	**20,933**	**3,543**	**766,364**	**3,314,103**
At 31 December 2015:							
Cost		**2,339,346**	**2,030,294**	**65,009**	**25,377**	**771,966**	**5,231,992**
Accumulated depreciation and Impairment		**(806,776)**	**(1,039,601)**	**(44,076)**	**(21,834)**	**(5,602)**	**(1,917,889)**
Net carrying amount		**1,532,570**	**990,693**	**20,933**	**3,543**	**766,364**	**3,314,103**
31 December 2014							
At 1 January 2014:							
Cost		2,216,856	1,768,761	66,053	22,660	984,302	5,058,632
Accumulated depreciation and impairment		(473,166)	(697,956)	(36,843)	(16,988)	–	(1,224,953)
Net carrying amount		1,743,690	1,070,805	29,210	5,672	984,302	3,833,679
At 1 January 2014, net of accumulated depreciation and impairment:		1,743,690	1,070,805	29,210	5,672	984,302	3,833,679
Additions		1,212	75,314	2,115	3,134	358,921	440,696
Acquisition of a subsidiary		17,117	21,692	250	–	–	39,059
Depreciation provided during the year	8	(132,266)	(210,342)	(5,068)	(3,763)	–	(351,439)
Impairment provided during the year	8	(5,533)	–	–	–	(5,923)	(11,456)
Disposals		(5,993)	(9,705)	(148)	–	–	(15,846)
Transfers		201,432	297,002	82	–	(498,516)	–
Exchange realignment		(4,836)	(2,164)	(64)	(16)	(3,796)	(10,876)
At 31 December 2014, net of accumulated depreciation and impairment		1,814,823	1,242,602	26,377	5,027	834,988	3,923,817
At 31 December 2014 and at 1 January 2015:							
Cost		2,427,402	2,124,290	68,201	25,736	840,937	5,486,566
Accumulated depreciation and impairment		(612,579)	(881,688)	(41,824)	(20,709)	(5,949)	(1,562,749)
Net carrying amount		1,814,823	1,242,602	26,377	5,027	834,988	3,923,817

15. Property, plant and equipment (continued)

As at 31 December 2015, the Group has assessed the recoverable amounts of property, plant and equipment of those subsidiaries that were loss-making or suspended production. As a result, an impairment loss of HK$178,761,000, was recognised to write down the assets to their recoverable amounts.

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$85,115,000 as at 31 December 2015 (2014: HK$102,231,000) (note 27(a)).

The net carrying amount of HK$393,279,000 of the Group's property, plant and equipment held under finance leases as at 31 December 2015.

At 31 December 2015, 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$248,901,000 (2014: HK$277,590,000) and the Group also had buildings and construction in progress with an aggregate net carrying amount of approximately HK$92,339,000 (2014: HK$84,887,000) 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 2015.

16. Investment properties

	Notes	2015 HK$'000	2014 HK$'000
Carrying amount at beginning of year		**92,758**	91,108
Net gain/(loss) from a fair value adjustment	6, 8	**–**	1,950
Exchange realignment		**(5,415)**	(300)
Carrying amount at end of year		**87,343**	92,758

The Group's investment properties are situated in Mainland China.

The Group's investment properties as at 31 December 2015 were stated at the 2014 valuation performed by Guangxi Wushuang Real Estate Appraisal Company Limited, independent professionally qualified valuers, at HK$87,343,000. In the opinion of the directors, as there were no material differences between the carrying amount and the open market value of the Group's investment properties as at 31 December 2015 by reference to market rental fees of similar properties at similar locations, no valuation has been performed by external valuer as at this date. The management appoint an external valuer to perform valuation of the Group's investment properties frequently enough to ensure that the carrying amount of the investment properties does not differ materially from their fair value. Selection criteria include market knowledge, reputation, independence and professional competency. Management will discuss with the valuer on the valuation assumptions and valuation results when the valuation is performed for annual financial reporting.

The investment properties are leased to a related party and a third party under operating leases, further summary details of which are included in note 38(a) to the financial statements.

	Fair value measurement as at 31 December 2015 using			
Recurring fair value measurement for:	Quoted prices in active market (Level 1) HK$'000	Significant observable inputs (Level 2) HK$'000	Significant unobservable inputs (Level 3) HK$'000	Total HK$'000
Commercial properties	**–**	**–**	**87,343**	**87,343**
	–	**–**	**87,343**	**87,343**

During the year, there were no transfer of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3.

16. Investment properties (continued)

Reconciliation of fair value measurement categorised within Level 3 of the fair value hierarchy:

	Commercial properties HK$'000
Carrying amount at 1 January 2015	**92,758**
Exchange realignment	**(5,415)**
Carrying amount at 31 December 2015	**87,343**

All of the fair value measurements of the Group's investment properties as at 31 December 2015 and 2014 were using significant unobservable inputs (Level 3).

Below is a summary of the valuation technique used and a summary of the key inputs to the valuation of the investment properties:

	Valuation technique	Significant unobservable inputs	Range or weighted average	
			2015	2014
Commercial properties	Discounted cash flow method	Estimated rental value (per sq.m and per month)	RMB190 to RMB270	RMB190 to RMB270
		Rent growth (p.a)	3.6%	3.6%
		Long term vacancy rate	0.5 month/year	0.5 month/year
		Discount rate	7.0%	7.0%

The Group has determined that the highest and best use of the commercial properties at the measurement date would be to convert those properties for residential purposes. For strategic reasons, the properties are not being used in this manner.

Under the discounted cash flow method, fair value is estimated using assumptions regarding the benefits and liabilities of ownership over the asset's life including an exit or terminal value. This method involves the projection of a series of cash flows on a property interest. A market-derived discount rate is applied to the projected cash flow in order to establish the present value of the income stream associated with the asset. The exit yield is normally separately determined and differs from the discount rate.

The duration of the cash flows and the specific timing of inflows and outflows are determined by events such as rental reviews, lease renewal and related reletting, redevelopment or refurbishment. The appropriate duration is driven by market behaviour that is a characteristic of the class of property. The periodic cash flow is estimated as gross income less vacancy, non-recoverable expenses, collection losses, lease incentives, maintenance costs, agent and commission costs and other operating and management expenses. The series of periodic net operating income, along with an estimate of the terminal value anticipated at the end of the projection period, is then discounted.

A significant increase (decrease) in the estimated rental value and the market rent growth rate per annum in isolation would result in a significant increase (decrease) in the fair value of the investment properties. A significant increase (decrease) in the long term vacancy rate and the discount rate in isolation would result in a significant decrease (increase) in the fair value of the investment properties. Generally, a change in the assumption made for the estimated rental value is accompanied by a directionally similar change in the rent growth per annum and the discount rate and an opposite change in the long term vacancy rate.

17. Prepaid land lease payments

	Note	2015 HK$'000	2014 HK$'000
Carrying amount at beginning of year		**549,876**	563,824
Additions		**962**	1,211
Amortisation provided during the year	8	**(13,046)**	(13,201)
Exchange realignment		**(31,593)**	(1,958)
Carrying amount at end of year		**506,199**	549,876
Current portion included in prepayments, deposits and other receivables		**(13,443)**	(14,211)
Non-current portion		**492,756**	535,665

At 31 December 2015, the Group leases certain of its leasehold lands with a net carrying amount of HK$100,531,000 (31 December 2014: HK$108,830,000) under operating lease arrangements with lease negotiated for terms from 1 to 3 years.

18. Intangible assets

31 December 2015	Note	Mining rights HK$'000	Other intangible assets HK$'000	Total HK$'000
Cost at 1 January 2015, net of accumulated amortisation:		**838,608**	**9,062**	**847,670**
Additions		**–**	**653**	**653**
Amortisation provided during the year	8	**(12,434)**	**(580)**	**(13,014)**
Disposals		**–**	**(703)**	**(703)**
Impairment provided during the year	8	**(168,896)**	**–**	**(168,896)**
Exchange realignment		**(40,785)**	**(475)**	**(41,260)**
At 31 December 2015		**616,493**	**7,957**	**624,450**
At 31 December 2015:				
Cost		**897,289**	**12,410**	**909,699**
Accumulated amortisation and impairment		**(280,796)**	**(4,453)**	**(285,249)**
Net carrying amount		**616,493**	**7,957**	**624,450**
31 December 2014				
At 1 January 2014:				
Cost		954,754	6,734	961,488
Accumulated amortisation and impairment		(92,893)	(3,263)	(96,156)
Net carrying amount		861,861	3,471	865,332
Cost at 1 January 2014, net of accumulated amortisation:		861,861	3,471	865,332
Additions		–	6,438	6,438
Amortisation provided during the year	8	(20,302)	(739)	(21,041)
Impairment provided for the year	8	–	(124)	(124)
Exchange realignment		(2,951)	16	(2,935)
At 31 December 2014		838,608	9,062	847,670
At 31 December 2014 and at 1 January 2015:				
Cost		951,599	13,180	964,779
Accumulated amortisation and impairment		(112,991)	(4,118)	(117,109)
Net carrying amount		838,608	9,062	847,670

Since the abrupt slide in the selling price of manganese ores in the international market in the current year, an impairment provision for the mining right amounting to HK$168,896,000 was recognised to write down to its recoverable amount.

19. Investments in associates

	2015 HK$'000	2014 HK$'000
Share of net assets	**761,916**	98,156
Loan to an associate	**119**	–
	762,035	98,156

The loan to an associate is unsecured, interest-free and have no fixed terms of repayment. In the opinion of the directors, this loan is considered as part of the Company's net investment in the associate.

Particulars of the material associate are as follows:

Name of company	Place and date of incorporation/ establishment	Issued ordinary share/ registered capital	Equity interests attributable to the Company: Direct	Equity interests attributable to the Company: Indirect	Principal activities
China Polymetallic Company Limited ("CPM")	Cayman Islands 30 November 2009	HK$19,888	–	29.81%	Mining, ore processing and sale of lead-silver concentrates and zinc-silver concentrates

The Group's s interests in the associates represent equity interests held by wholly-owned subsidiaries of the Company.

In June 2015, through a number of acquisitions in the market and from independent third parties, the Group acquired certain equity interests of China Polymetallic Company Limited ("CPM"), a Hong Kong Listed Company, at a total cash consideration of HK$314,446,000. In July 2015, 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 piece meal acquisitions on 23 July 2015, the Company owns 29.81% equity interests in CPM and it becomes an associate and is accounted for using equity method.

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.

19. Investments in associates (continued)

The following table illustrates the summarised financial information of CPM, after adjustments for any differences in accounting policies and reconciled to the carrying amount in the consolidated financial statements.

	2015 HK$'000
Current assets	937,133
Non-current assets	2,305,095
Current liabilities	602,893
Non-current liabilities	385,719
Net assets	2,253,616
Reconciliation to the Group's interests in the associate:	
Proportion of the Group's ownership	29.81%
Group's share of net assets of the associate	671,803
Carrying amount of the investment	671,803
Revenue	36,911
Loss for the period	9,640

The following table illustrates the aggregate financial information of the Group's associate that is not individually material:

	2015 HK$'000	2014 HK$'000
Share of the associate's loss for the year	2,414	–
Aggregate carrying amount of the Group's investment in the associate	90,113	98,156

20. Deferred tax

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

Deferred tax assets

	Note	Losses available for offsetting against future taxable profits HK$'000	Deductible temporary differences HK$'000	Total HK$'000
At 1 January 2014		32,974	46,197	79,171
Net deferred tax charged to the consolidated statement of profit or loss and other comprehensive income during the year	11	–	(7,983)	(7,983)
Exchange realignment		(133)	(191)	(324)
At 31 December 2014 and 1 January 2015		32,841	38,023	70,864
Net deferred tax charged to the consolidated statement of profit or loss and other comprehensive income during the year	11	(32,170)	(2,799)	(34,969)
Exchange realignment		(671)	(2,102)	(2,773)
At 31 December 2015		–	33,122	33,122

20. Deferred tax (continued)

Deferred tax liabilities

	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 2014		188,419	7,684	18,026	214,129
Net deferred tax (credited)/charged to the consolidated statement of comprehensive income during the year	11	(2,386)	3,562	3,766	4,942
Exchange realignment		(646)	–	(45)	(691)
At 31 December 2014 and 1 January 2015		185,387	11,246	21,747	218,380
Net deferred tax (credited)/charged to the consolidated statement of comprehensive income during the year	11	**(2,190)**	**–**	**250**	**(1,940)**
Exchange realignment		**(10,775)**	**–**	**(1,280)**	**(12,055)**
At 31 December 2015		**172,422**	**11,246**	**20,717**	**204,385**

The Group has accumulated tax losses of approximately HK$656,000,000 (2014: HK$394,000,000) 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$148,000,000 (2014: HK$99,000,000) 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 2015, the Group has not recognised deferred tax liabilities of HK$15,538,000 (2014: HK$20,669,000) in respect of temporary differences relating to the unremitted profits of subsidiaries, amounting to HK$155,381,000 (2014: HK$206,688,000), 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.

21. Inventories

	2015 HK$'000	2014 HK$'000
Raw materials	**768,062**	967,004
Work in progress	**3,837**	8,546
Finished goods	**173,747**	255,953
	945,646	1,231,503
Less: Inventory provision	**(134,779)**	(125,212)
	810,867	1,106,291

22. Trade and notes receivables

	2015 HK$'000	2014 HK$'000
Trade receivables	**422,861**	772,221
Notes receivable	**377,722**	332,300
	800,583	1,104,521
Less: Impairment	**(48,972)**	(37,502)
	751,611	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, from the invoice date and cash realisation may be further extended by 3 to 6 months for those customers paying by notes receivable. 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 1) bank acceptance notes issued by banks in Mainland China which are secured and payable when due by the banks and 2) commercial acceptance notes which are secured and due on 30 June 2016.

22. Trade and notes receivables (continued)

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:

	2015 HK$'000	2014 HK$'000
Within one month	**425,247**	562,572
One to two months	**98,652**	245,746
Two to three months	**115,946**	109,729
Over three months	**111,766**	148,972
	751,611	1,067,019

The Group had pledged notes receivable of HK$147,604,000 to secure bank loans (note 27(a)) as at 31 December 2014.

Transferred financial assets that are derecognised in their entirety

At 31 December 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 RMB304,489,000 (equivalent to HK$363,438,000) (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 year ended 31 December 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 year or cumulatively. The endorsement has been made evenly throughout the year.

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

	2015 HK$'000	2014 HK$'000
At beginning of year	**37,502**	46,109
Impairment losses recognised	**24,388**	9,449
Impairment losses reversed	**(1,907)**	(17,631)
Write-off	**(8,224)**	(232)
Exchange realignment	**(2,787)**	(193)
At end of year	**48,972**	37,502

Included in the above provision for impairment of trade and notes receivables are provisions for individually impaired trade receivables of HK$48,972,000 (2014: HK$37,502,000) with a carrying amount before provision of approximately HK$59,516,000 (2014: HK$42,033,000) as at 31 December 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.

22. Trade and notes receivables (continued)

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

	2015 HK$'000	2014 HK$'000
Neither past due nor impaired	**639,845**	918,047
One to three months past due	**99,214**	128,979
Over three months past due	**12,552**	19,993
	751,611	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.

23. Prepayments, deposits and other receivables

Non-current portion

	2015 HK$'000	2014 HK$'000
Deposits	**147,950**	124,693
Prepayments	**66,124**	65,357
	214,074	190,050

Current portion

	2015 HK$'000	2014 HK$'000
Prepayments	**60,464**	33,870
Deposits and other receivables	**519,977**	378,302
Loan to a third party	**87,040**	–
	677,481	412,172

24. Cash and cash equivalents and pledged deposits

	Note	2015 HK$'000	2014 HK$'000
Cash and bank balances		**1,527,134**	1,436,554
Less: Pledged deposits			
– Pledged for long-term bank loans	27(a)	**(442,574)**	(229,282)
– Pledged for bank acceptance notes		**(116,156)**	(54,151)
Cash and cash equivalents		**968,404**	1,153,121

As at 31 December 2015, cash and bank balances of the Group denominated in RMB amounting to HK$1,014,274,000 (2014: HK$817,846,000) 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.

25. Trade and notes payables

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

	2015 HK$'000	2014 HK$'000
Within one month	**118,330**	212,201
One to two months	**50,142**	49,716
Two to three months	**71,484**	25,240
Over three months	**265,922**	218,394
	505,878	505,551

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

26. Other payables and accruals

	2015 HK$'000	2014 HK$'000
Advances from customers	**18,602**	33,526
Other payables	**531,388**	600,270
Accruals	**222,310**	252,186
	772,300	885,982

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

27. Interest-bearing bank and other borrowings

	2015			2014		
	Effective interest rate (%)	Maturity	HK$'000	Effective interest rate (%)	Maturity	HK$'000
Current						
Finance lease payables (note 29)	5.60-7.51	2016	243,211	–	–	–
Bank loans – secured (note (a))	2.50-6.16	2016	477,261	6.60, LIBOR+2.8	2015	66,805
Bank loans – unsecured	4.35-6.00	2016	1,045,594	6.00-6.60	2015	1,641,542
Current portion of long-term bank loans – secured (note (a))	LIBOR+2.15	2016	232,503	LIBOR+2.10	2015	108,553
Current portion of long-term bank loans – unsecured	5.35-6.77	2016	514,442	5.76-6.65	2015	599,955
Other loans – secured (note (c))	–	–	–	LIBOR+1.3-LIBOR+1.7	2015	142,199
Other loans – unsecured (note (b))	5.04	2016	117,197	–	–	–
			2,630,208			2,559,054
Non-current						
Finance lease payables (note 29)	7.51	2017-2020	250,560	–	–	–
Bank loans – secured (note (a))	4.00, LIBOR+2.15	2017-2018	569,303	6.15, LIBOR+2.10	2016-2017	586,848
Bank loans – unsecured	4.75-6.46	2017-2018	685,126	5.54-6.77	2016-2017	661,687
			1,504,989			1,248,535
			4,135,197			3,807,589

	2015 HK$'000	2014 HK$'000
Analysed into:		
Bank loans repayable:		
Within one year or on demand	2,269,800	2,416,855
In the second year	620,423	835,992
In the third to fifth years, inclusive	634,006	412,543
	3,524,229	3,665,390
Other loans and finance leases repayable:		
Within one year or on demand	360,408	142,199
In the second year	70,424	–
In the third to fifth years, inclusive	180,136	–
	610,968	142,199
	4,135,197	3,807,589

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

Notes:

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

	Notes	2015 HK$'000	2014 HK$'000
Property, plant and equipment	15	**85,115**	102,231
Notes receivable	22	**–**	147,604
Pledged deposits	24	**442,574**	229,282
		527,689	479,117

(b) The balances as at 31 December 2015 represent loan borrowed from Industrial Bank by way of gold lease arrangement, with the principal of RMB98,188,000 (equivalent to HK$117,197,000) and bearing interest at a fixed rate of 5.04% per annum. The loan is repayable on 12 May 2016.

(c) As at 31 December 2015, no bank advance was obtained for discounted bills. As at 31 December 2014, bank advances for discounted bills of HK$142,199,000 were secured by discounted notes receivables.

(d) Except for bank loans of HK$795,659,000 (2014: HK$757,363,000) which were denominated in United States dollars, all borrowings were in Renminbi as at 31 December 2015.

28. Medium-term notes

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

Medium-term notes	2015 HK$'000	2014 HK$'000
The First Tranche Notes – Nominal value of 5.0% fixed rate notes maturing in April 2016 – unsecured		
– Current portion	**596,800**	–
– Non-current portion	**–**	633,800
	596,800	633,800

In April 2013, CITIC Dameng Mining, the subsidiary of the Group, has 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$596,800,000 (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.

29. Finance lease payables

The Group leases certain of its plant and machinery of its manganese downstream processing business in 2015 (2014: nil). These leases are classified as finance leases with remaining lease terms ranging from 1 to 5 years.

The balances as at 31 December 2015 represent loan borrowed by way of the following sales and lease back arrangements: 1) with the principal of RMB300,000,000 (equivalent to HK$358,080,000) and bearing effective interest at a fixed rate of 7.51% per annum. The Group paid a guarantee deposit of RMB24,000,000 (equivalent to HK$28,646,000) and a service fee of RMB7,008,000 (equivalent to HK$8,365,000) to the lessor. The loan is repayable on 5 August 2020; and 2) a principal of RMB142,000,000 (equivalent to HK$169,491,000) and bore fixed interest at a fixed rate of 5.60% per annum. The loan is repayable on 16 December 2016.

According to the sales and lease back agreements, if no default occurs during the lease term, the ownership of the plant and machinery shall automatically be transferred to the lessee at a price of RMB100 and RMB1, respectively.

As at 31 December 2015, the net carrying amount of the Group's property, plant and equipment held under finance leases is HK$393,279,000.

The total future minimum lease payments under finance leases and their present values were as follows:

	Minimum lease payments 2015 HK$'000	Present value of minimum lease payments 2015 HK$'000
Amounts payable:		
Within one year	**259,511**	**243,211**
In the second year	**81,195**	**70,424**
In the third to fifth years, inclusive	**192,933**	**180,136**
Total minimum finance lease payments	**533,639**	**493,771**
Future finance charge	**(39,868)**	
Total net finance lease payables	**493,771**	
Portion classified as current liabilities (note 27)	**(243,211)**	
Non-current portion (note 27)	**250,560**	

30. Other long-term liabilities

	2015 HK$'000	2014 HK$'000
At beginning of year	**12,658**	12,497
Additional provision	**9,169**	4,746
Utilisation of rehabilitation provision	**(4,485)**	(4,544)
Exchange realignment	**(935)**	(41)
At end of year	**16,407**	12,658

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

	2015 HK$'000	2014 HK$'000
At beginning of year	**109,388**	131,086
Addition	**8,245**	10,657
Amortised during the year	**(12,449)**	(31,821)
Exchange realignment	**(6,210)**	(534)
At end of year	**98,974**	109,388

Deferred income 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

	2015 HK$'000	2014 HK$'000
Authorised:		
10,000,000,000 (2014: 10,000,000,000) ordinary shares of HK$0.10 each	**1,000,000**	1,000,000
Issued and fully paid:		
3,428,459,000 (2014: 3,024,795,000) ordinary shares of HK$0.10 each	**342,846**	302,480

A summary of movements in the Company's issued share capital is as follows:

	Number of shares in issue	Issued capital HK$'000	Share premium HK$'000	Capital redemption reserve HK$'000	Total HK$'000
At 1 January 2014	3,024,795,000	302,480	2,872,076	–	3,174,556
At 31 December 2014					
and at 1 January 2015	3,024,795,000	302,480	2,872,076	–	3,174,556
Share placement (note (a))	302,480,000	30,248	362,976	–	393,224
Placement expense	–	–	(4,950)	–	(4,950)
Share swap (note (b))	104,300,000	10,430	125,160	–	135,590
Repurchases of shares (note (c))	(3,116,000)	(312)	(2,360)	312	(2,360)
At 31 December 2015	**3,428,459,000**	**342,846**	**3,352,902**	**312**	**3,696,060**

(a) Pursuant to a subscription agreement, 302,480,000 ordinary shares of HK$0.10 each in the Company were newly issued to independent third parties for cash at a price of HK$1.30 per share on 23 June 2015. The proceeds from the share placement were intended to be used for investments when opportunities arise and/or for general working capital of the Group.

(b) In July 2015, the Group issued 104,300,000 new ordinary shares of HK$0.10 each as consideration for the acquisition of certain interests in CPM at a consideration of HK$135,590,000 to an independent third party.

(c) The Company purchased 3,116,000 of its shares on the Hong Kong Stock Exchange at a total consideration of HK$2,360,000 which was paid wholly out of share premium in accordance with Section 40 of the Companies Act 1981 of Bermuda (as amended). The purchased shares were cancelled during the year and the total amount paid for the purchase of the shares of HK$2,360,000 has been charged to share premium of the Company.

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 grantees. 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.

The following share options were outstanding under the Scheme during the year:

	2015 Weighted average exercise price HK$ per share	2015 Number of options '000	2014 Weighted average exercise price HK$ per share	2014 Number of options '000
At 1 January	**2.81**	**92,500**	2.81	100,000
Granted during the year	**2.81**	**–**	2.81	–
Forfeited during the year	**2.81**	**–**	2.81	(7,500)
Expired during the year	**2.81**	**–**	2.81	–
At 31 December	**2.81**	**92,500**	2.81	92,500

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

2015 and 2014:

Number of share options outstanding '000	Exercise price HK$ per share	Exercise period
23,125	2.81	11 January 2012 to 10 January 2021
23,125	2.81	11 January 2013 to 10 January 2021
46,250	2.81	11 January 2014 to 10 January 2021
92,500		

The fair value of the outstanding share options at the time of grant was estimated, using a binomial model, at HK$110,075,000 (2014: HK$110,075,000) (weighted average fair value of HK$1.19 each), No share option expense has been recognised by the Group during the year as all share options have been vested in 2014 (2014: HK$639,000).

34. Reserves

The amounts of the Group's reserves and the movements therein are presented in the consolidated statement of changes in equity on page 90 of the financial statements.

	Notes	2015 HK$'000	2014 HK$'000
Share premium (note 32)	(a)	**3,352,902**	2,872,076
Contributed surplus		**(171,695)**	(171,859)
Reserve funds	(b)	**143,213**	141,902
Share option reserve		**110,540**	110,540
Exchange fluctuation reserve		**193,039**	331,821
Capital redemption reserve (note 32)		**312**	–
Accumulated losses		**(1,080,726)**	(123,408)
		2,547,585	3,161,072

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.

35. Gain on bargain purchase

In June 2015, through a number of acquisitions in the market and from independent third parties, the Group acquired 22.23% equity interests of a Hong Kong listed company, China Polymetallic Company Limited ("CPM") at a total cash consideration of HK$314,446,000. In addition, as a non-cash transaction, the Group completed the acquisition of a further 7.58% equity 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 piece meal acquisitions on 23 July 2015, the Company owns 29.81% equity interests in CPM.

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.

The acquisition has been accounted for using the equity method. The consolidated financial statements include the result of CPM for the period from the acquisition completion date to 31 December 2015.

35. Gain on bargain purchase (continued)

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

	HK$'000
Property, plant and equipment	632,645
Prepaid land lease payments	15,407
Intangible assets	984,855
Payments in advance	266,898
Prepayments and deposits	271,873
Deferred tax assets	32,991
Cash and cash equivalents	913,731
Structured deposits	125,250
Trade receivables	108,806
Prepayments, deposits and other receivable	6,547
Inventories	30,000
Trade payables	(12,668)
Other payables and accruals	(218,130)
Interest-bearing bank and other loans	(365,386)
Other current liabilities	(124,476)
Other loans	(385,555)
Provision for rehabilitation	(22,355)
Total identifiable net assets at fair value	2,260,433
Attributable to owners of the parent	673,834
Reconciliation:	
Satisfied by cash	314,446
Satisfied by issue of new shares of the Company	135,590
Gain on bargain purchase recognised in the consolidated statement of profit or loss and other comprehensive income	223,798
	673,834

36. Partly-owned subsidiaries with material non-controlling interests

Details of the Group's subsidiaries that have material non-controlling interests are set out below:

	2015	2014
Percentage of equity interest held by non-controlling interests:		
Huazhou BVI Group	**40%**	40%
Hui Xing Group	**36%**	36%
CDT Group	**49%**	49%

	2015 HK$'000	2014 HK$'000
Loss for the year allocated to non-controlling interests:		
Huazhou BVI Group	**–**	29,953
Hui Xing Group	**44,874**	40,523
CDT Group	**–**	16,836
Accumulated balances of non-controlling interests at the reporting dates:		
Huazhou BVI Group	**–**	(19,279)
Hui Xing Group	**208,125**	252,999
CDT Group	**–**	(29,832)

The following table illustrates the summarised financial information of the above subsidiaries. The amounts disclosed are before any inter-company eliminations:

	Huazhou BVI Group		Hui Xing Group		CDT Group	
	2015 HK$'000	2014 HK$'000	2015 HK$'000	2014 HK$'000	2015 HK$'000	2014 HK$'000
Revenue, other income and gains	**58,389**	107,362	**34,418**	28,035	**64,107**	–
Total expenses	**295,526**	171,463	**159,067**	140,598	**90,691**	34,359
Loss for the year	**237,137**	64,101	**124,649**	112,563	**26,584**	34,359
Total comprehensive loss for the year	**237,039**	71,254	**135,648**	114,411	**26,584**	34,359
Current assets	**335,900**	252,112	**132,872**	234,025	**26,511**	198,589
Non-current assets	**110,109**	531,854	**950,676**	947,056	**2**	4
Current liabilities	**650,237**	331,533	**281,040**	278,322	**113,416**	259,475
Non-current liabilities	**229,127**	460,087	**193,829**	194,849	**–**	–
Net cash flows from/(used in) operating activities	**(87,068)**	79,675	**(25,395)**	(81,500)	**137,182**	(74,803)
Net cash flows from/(used in) investing activities	**(1,896)**	(3,891)	**(4,978)**	134	**54**	4
Net cash flows from/(used in) financing activities	**71,514**	(74,471)	**(3,078)**	334	**(143,544)**	91,755
Net increase/(decrease) in cash and cash equivalents	**(17,450)**	1,313	**(33,451)**	(81,032)	**(6,308)**	16,956

37. Contingent liabilities

A subsidiary of the Group is currently a defendant in a lawsuit brought by a party alleging that the subsidiary is liable for the losses owing to termination of a subcontracting contract. Details can be referred to the announcement made by the Group on 11 December 2015. The directors, based on the advice from the Group's PRC legal counsel, believe that the subsidiary has a valid defence against the allegation and, accordingly, have not provided for a claim arising from the litigation, other than the related legal and other costs.

38. Operating lease arrangements

(a) As lessor

The Group leases its investment properties (note 16 to the financial statements) under operating lease arrangements, with leases negotiated for terms ranging from 1 to 10 years (2014: 1 to 20 years).

At 31 December 2015 and 2014, the Group had total future minimum lease receivables under non-cancellable operating leases with its tenants falling due as follows:

	2015 HK$'000	2014 HK$'000
Within one year	**12,612**	16,289
In the second to fifth years, inclusive	**13,513**	20,731
After five years	**–**	1,657
	26,125	38,677

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

(b) As lessee

As at 31 December 2015 and 2014, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	2015 HK$'000	2014 HK$'000
Within one year	**5,832**	7,346
In the second to fifth years, inclusive	**18,313**	26,275
After five years	**–**	33,833
	24,145	67,454

39. Commitments

In addition to the operating lease arrangements detailed in note 38(b) above, the Group had the following capital commitments at the end of the reporting period:

	2015 HK$'000	2014 HK$'000
Contracted, but not provided for:		
Acquisition of land and buildings	**88,152**	178,467
Acquisition of plant and machinery	**70,692**	130,908
	158,844	309,375

40. Related party transactions

Guangxi Dameng Manganese Industry Group Co., Ltd. ("**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	2015 HK$'000	2014 HK$'000
Sales of finished goods to a subsidiary of Guangxi Dameng	(i)	**2,690**	–
Purchase of raw materials from a subsidiary of Guangxi Dameng	(ii)	**4,016**	8,219
Purchase of raw materials from Guangxi Dameng	(ii)	**3,442**	–
Mining drawing service provided by Guangxi Dameng	(iii)	**747**	757
Provision of water and electricity to Guangxi Dameng	(iv)	**50**	35
Provision of integrated service as defined in the Prospectus by Guangxi Dameng	(v)	**3,737**	3,635
Rental income received from Guangxi Dameng	(vi)	**944**	924
Sales of finished goods to a related company	(i)	**22,504**	–
Maximum balance of bank deposits placed with related companies during the year	(vii)	**61,180**	65,679
Interest income on deposits placed with related companies	(vii)	**20**	124

40. Related party transactions (continued)

(a) (continued)

Notes:

(i) These sales were made at prices based on the mutual agreements between the parties.

(ii) These purchases 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 RMB250,000 (equivalent to HK$311,000) (2014: RMB240,000, equivalent to HK$303,000) as mutually agreed by the parties.

(vi) On 27 June 2013, the Group has entered into a tenancy agreement with Guangxi Dameng for the lease of investment properties for a term of 3 years, commencing from 1 July 2013 to 30 June 2016.

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

The related party transactions above also constitute connected transactions or continuing connected transactions as defined in Chapter 14A of the Listing Rules.

(b) Outstanding balances with related parties

		2015 HK$'000	2014 HK$'000
(i)	Due from related companies		
	Trade receivables	**1,686**	–
	Prepayments and other receivables	**6**	6
		1,692	6
(ii)	Due to related companies		
	Trade payables	**2,406**	839
	Other payables	**5,099**	5,668
		7,505	6,507
(iii)	Bank balances with related companies	**61,180**	14,396

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.

40. Related party transactions (continued)

(c) Compensation of key management personnel of the Group

	2015 HK$'000	2014 HK$'000
Salaries, allowances and benefits in kind	**5,488**	6,290
Bonuses	**–**	4,343
Equity-settled share option expenses	**–**	146
Pension scheme contributions	**341**	323
Total compensation paid to key management personnel	**5,829**	11,102

Further details of directors' and the chief executive's emoluments are included in note 9 to the financial statements.

41. 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

All of the Group's financial assets classified as loans and receivables are as follows:

	2015 HK$'000	2014 HK$'000
31 December 2015		
Trade and notes receivables	**751,611**	1,067,019
Financial assets included in prepayments, deposits and other receivables	**84,667**	76,963
Due from related companies	**1,692**	6
Pledged deposits	**558,730**	283,433
Cash and cash equivalents	**968,404**	1,153,121
	2,365,104	2,580,542

41. Financial instruments by category (continued)

Financial liabilities

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

	2015 HK$'000	2014 HK$'000
Trade and notes payables	**505,878**	505,551
Financial liabilities included in other payables and accruals	**753,698**	852,456
Interest-bearing bank and other borrowings	**4,135,197**	3,807,589
Medium-term notes	**596,800**	633,800
Due to related companies	**7,505**	6,507
	5,999,078	5,805,903

42. Fair value of financial instruments

The carrying amounts and fair values of the Group's financial instruments, other than those with carrying amounts that reasonably approximate to fair values, are as follows:

Financial liabilities

	Carrying amounts		Fair values	
	2015 HK$'000	2014 HK$'000	2015 HK$'000	2014 HK$'000
Interest-bearing bank and other borrowings	**4,135,197**	3,807,589	**4,135,197**	3,807,589
Medium-term notes	**596,800**	633,800	**596,800**	633,800
	4,731,997	4,441,389	**4,731,997**	4,441,389

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

The Group's management is responsible for determining the policies and procedures for the fair value measurement of financial instruments. At each reporting date, the management analyses the movements in the values of financial instruments and determines the major inputs applied in the valuation.

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 fair values of interest-bearing bank and other borrowings and medium-term notes have been calculated by discounting the expected future cash flows using rates currently available for instruments with similar terms, credit risk and remaining maturities. The Group's own non-performance risk for interest-bearing bank and other borrowings and medium-term notes as at 31 December 2015 was assessed to be insignificant.

43. Financial risk management objectives and policies

The Group's principal financial instruments comprise financial liabilities which are mainly medium-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 and notes 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 medium-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 27.

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

	Increase/ (decrease) in basis points	**Decrease/ (increase) in profit/ (loss) before tax HK$'000**
Year ended 31 December 2015		
RMB	**100**	**13,810**
RMB	**(100)**	**(13,810)**
US$	**100**	**5,727**
US$	**(100)**	**(5,727)**
Year ended 31 December 2014		
RMB	100	10,075
RMB	(100)	(10,075)
US$	100	6,467
US$	(100)	(6,467)

43. Financial risk management objectives and policies (continued)

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.

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).

	Increase/ (decrease) in exchange rate %	Increase/ (decrease) in profit/ (loss) before tax HK$'000	Increase/ (decrease) in equity* HK$'000
31 December 2015			
If HK$ weakens against RMB	**1**	**2,464**	**–**
If HK$ strengthens against RMB	**(1)**	**(2,464)**	**–**
31 December 2014			
If HK$ weakens against RMB	1	5,745	–
If HK$ strengthens against RMB	(1)	(5,745)	–

* 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.

43. Financial risk management objectives and policies (continued)

Credit risk (continued)

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 and notes receivables which constituted approximately 32% of the Group's total financial assets as at 31 December 2015 (2014: 41%):

	2015 HK$'000	2014 HK$'000
By location:		
Mainland China	**738,263**	972,260
Asia (excluding Mainland China)	**10,775**	45,522
Europe	**2,573**	14,117
North America	**–**	35,120
	751,611	1,067,019

In addition, 14% of the Group's trade and notes receivables were due from the Group's five largest customers as at 31 December 2015 (2014: 22%).

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:

	2015					
	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 and notes payables	–	505,878	–	–	–	505,878
Financial liabilities included in other payables and accruals	–	753,698	–	–	–	753,698
Interest-bearing bank and other borrowings	–	886,601	1,878,017	1,587,192	–	4,351,810
Medium-term notes	–	7,440	598,353	–	–	605,793
Due to related companies	7,505	–	–	–	–	7,505
	7,505	2,153,617	2,476,370	1,587,192	–	6,224,684

43. Financial risk management objectives and policies (continued)

Liquidity risk (continued)

	2014					
	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 and notes payables	–	505,551	–	–	–	505,551
Financial liabilities included in other payables and accruals	–	852,456	–	–	–	852,456
Interest-bearing bank and other borrowings	–	823,927	1,848,277	1,290,416	–	3,962,620
Medium-term notes	–	7,901	23,789	642,902	–	674,592
Due to related companies	6,507	–	–	–	–	6,507
	6,507	2,189,835	1,872,066	1,933,318	–	6,001,726

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 2015 and 31 December 2014.

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 medium-term notes, less cash and cash equivalents and pledged deposits. The net gearing ratios at the end of the reporting periods were as follows:

	2015 HK$'000	2014 HK$'000
Interest-bearing bank and other borrowings	**4,135,197**	3,807,589
Medium-term notes	**596,800**	633,800
Less: Cash and cash equivalents	**(968,404)**	(1,153,121)
Less: Pledged deposits	**(558,730)**	(283,433)
Net debt	**3,204,863**	3,004,835
Equity attributable to owners of the parent	**2,890,431**	3,463,552
Net gearing ratio	**110.9%**	86.8%

44. Events after the reporting period

On 15 January 2016, the shareholders of the Company have approved the major transaction in relation to: (1) the Capital Increase Agreement dated 22 December 2015 to make the capital contribution of RMB172,993,000 (equivalent to HK$206,484,000) to an associate named Dushan Jinmeng Manganese Limited Company ("**Dushan Jinmeng**"); (2) the provision of corporate guarantee of RMB264,000,000 (equivalent to HK$315,110,000) in connection with banking facilities granted to Dushan Jinmeng on 22 December 2015.

The Group completed the further capital injection at the end of January 2016, and the percentage shareholding of the Company held in Dushan Jinmeng remained unchanged.

45. Statement of financial position of the Company

Information about the statement of financial position of the Company at the end of the reporting period is as follows:

	2015 HK$'000	2014 HK$'000
NON-CURRENT ASSET		
Investment in a subsidiary	**–**	–
CURRENT ASSETS		
Other receivables	**1,018**	778
Amounts due from subsidiaries	**3,517,928**	3,161,987
Cash and cash equivalents	**146,831**	3,871
	3,665,777	3,166,636
CURRENT LIABILITIES		
Other payables and accruals	**1,758**	2,022
	1,758	2,022
NET CURRENT ASSETS	**3,664,019**	3,164,614
Net assets	**3,664,019**	3,164,614
EQUITY		
Issued capital	**342,846**	302,480
Reserves	**3,321,173**	2,862,134
TOTAL EQUITY	**3,664,019**	3,164,614

Note:

A summary of the Company's reserves is as follows;

	Share premium account HK$'000	Share option reserve HK$'000	Capital redemption reserve HK$'000	Accumulated losses HK$'000	Total HK$'000
At 1 January 2014	2,872,076	118,488	–	(89,463)	2,901,101
Equity-settled share option arrangements	–	639	–	–	639
Transfer of share options reserve upon the forfeiture of share options	–	(8,587)	–	8,587	–
Loss for the year	–	–	–	(39,606)	(39,606)
At 31 December 2014 and at 1 January 2015	2,872,076	110,540	–	(120,482)	2,862,134
Share placement	**362,976**	**–**	**–**	**–**	**362,976**
Placement expense	**(4,950)**	**–**	**–**	**–**	**(4,950)**
Share swap	**125,160**	**–**	**–**	**–**	**125,160**
Repurchase of shares	**(2,360)**	**–**	**312**	**–**	**(2,048)**
Loss for the year	**–**	**–**	**–**	**(22,099)**	**(22,099)**
At 31 December 2015	**3,352,902**	**110,540**	**312**	**(142,581)**	**3,321,173**

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.

46. Approval of the financial statements

The financial statements were approved and authorised for issue by the board of directors on 4 February 2016.

Past Performance and Forward Looking Statements

Performance and results of the operations of the Company for previous years described within this Annual Report are historical in nature. Past performance is no guarantee of the future results of the Company. This Annual Report may contain forward-looking statements and opinions, and therefore risks and uncertainties are involved. Actual results may differ materially from expectations discussed in such forward-looking statements and opinions. None of the Company, the Directors, employees or agents assumes (a) any obligation to correct or update any forward looking statements or opinions contained in this Annual Report; and (b) any liability arising from any forward looking statements or opinions that do not materialise or prove to be incorrect.

Glossary of Terms

2015 AGM	the annual general meeting of the Company held on 24 June 2015 at 3:00 pm at Room 1, United Conference Centre, 10/F, United Centre, 95 Queensway, Hong Kong
2016 AGM	the annual general meeting of the Company which is tentatively scheduled to be held on 22 June 2016
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 the Hong Kong Special Administrative Region, Macau Special Administrative Region and Taiwan
CDT Group	CITIC Dameng Trading Limited together with its subsidiary, Opulent Sea Limited
Chongzuo Branch	中信大錳礦業有限責任公司崇左分公司 (CITIC Dameng Mining Industries Co., Limited Chongzuo Branch)
Chongzuo New Materials	中信大錳(崇左)新材料有限公司 (CITIC Dameng (Chongzuo) New Materials Co., Limited)
CITIC Dameng Investments	CITIC Dameng Investments Limited (中信大錳投資有限公司)
CITIC Dameng Mining or CDM	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), 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

Glossary of Terms

Company or our Company	CITIC Dameng Holdings Limited
Controlling Shareholder	has the meaning ascribed to it in the Listing Rules
CPM	China Polymetallic Mining Limited, a company incorporated in Cayman Islands with limited liability on 30 November 2009 and listed on the Stock Exchange (Stock Code: 2133)
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
Dushan Jinmeng	獨山金孟錳業有限公司 (Dushan Jinmeng Manganese Limited Company)
DXML	中信大錳大新錳業有限公司 (CITIC Dameng Daxin Manganese Limited Company), formerly known as 廣西三錳龍礦業有限公司 (Guangxi Sanmenglong Mining Limited Company)
EMD	electrolytic manganese dioxide
EMM	electrolytic manganese metal
Gabon	the Gabonese Republic
Group, we or us	the Company and its subsidiaries
Guangxi	Guangxi Zhuang Autonomous Region, the PRC
Guangxi Dameng	廣西大錳錳業集團有限公司 (Guangxi Dameng Manganese Industry Group Co., Ltd.) formerly known as 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, PRC
Guangxi Dameng BVI	Guinan Dameng International Resources Limited (桂南大錳國際資源有限公司)
Guangxi Start	廣西斯達特錳材料有限公司 (Guangxi Start Manganese Materials Co., Ltd.)
Guinan Huagong	大新桂南化工有限責任公司 (Daxin Guinan Huagong Limited Company)
Highkeen	Highkeen Resources Limited, a company incorporated in the British Virgin Islands on 28 January 2005 with limited liability, which is indirectly wholly-owned by CITIC Resources. 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 Group	Hui Xing Company together with its subsidiaries (including 遵義中信大錳設備製造安裝有限公司 (Zunyi CITIC Dameng Equipment Manufacture and Installation Co., Ltd.))

Glossary of Terms

Huazhou BVI Group	Huazhou Mining Investment Limited together with its subsidiaries (including Companie Industrielle et Commerciale des Mines de Huazhou)
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 2012 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 in favour 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
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)錳材料有限公司 (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	中信大錳大新錳業有限公司靖西縣湖潤外伏錳礦 (CITIC Dameng Daxin Manganese Limited Company Jingxi Hu Run Waifu Manganese Mine)
XAF	Central African CFA franc

Note: The English names of the PRC entities mentioned hereinabove are translated from their Chinese names. If there are any inconsistencies, the Chinese names shall prevail.