DAMENG

Annual Report **2016**

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 and Chief Executive Officer)
Mr. Li Weijian (Vice Chairman)

Non-executive Directors

Mr. Suo Zhengang
Mr. Lyu Yanzheng
Mr. Chen Jiqiu

Independent Non-executive Directors

Mr. Lin Zhijun
Mr. Mo Shijian
Mr. Tan Zhuzhong

Audit Committee

Mr. Lin Zhijun (Chairman)
Mr. Mo Shijian
Mr. Tan Zhuzhong

Remuneration Committee

Mr. Mo Shijian (Chairman)
Mr. Yin Bo
Mr. Li Weijian
Mr. Lin Zhijun
Mr. Tan Zhuzhong

Nomination Committee

Mr. Tan Zhuzhong (Chairman)
Mr. Yin Bo
Mr. Li Weijian
Mr. Lin Zhijun
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. Lau Wai Yip

Principal Bankers

China CITIC Bank
China Construction Bank
China Guangfa Bank
DBS 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				
	2016	**2015**	**2014**	**2013**	**2012**
	HK$'000	**HK$'000**	**HK$'000**	**HK$'000**	**HK$'000**
Revenue	**3,248,108**	2,517,000	3,194,517	2,915,756	2,986,444
Loss before tax	**(131,309)**	(942,226)	(35,316)	(305,450)	(444,394)
Income tax credit/(expense)	**2,888**	(33,751)	(47,405)	(12,239)	(54,436)
Loss for the year	**(128,421)**	(975,977)	(82,721)	(317,689)	(498,830)
Attributable to:					
Owners of the parent	**(87,913)**	(956,007)	15,488	(243,246)	(396,880)
Non-controlling interests	**(40,508)**	(19,970)	(98,209)	(74,443)	(101,950)
	(128,421)	(975,977)	(82,721)	(317,689)	(498,830)

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

	31 December				
	2016	**2015**	**2014**	**2013**	**2012**
	HK$'000	**HK$'000**	**HK$'000**	**HK$'000**	**HK$'000**
Non-current assets	**5,168,425**	5,527,883	5,758,980	5,622,822	5,177,293
Current assets	**3,757,878**	3,809,453	4,022,042	3,639,985	4,136,016
Total assets	**8,926,303**	9,337,336	9,781,022	9,262,807	9,313,309
Current liabilities	**4,681,008**	4,512,938	3,965,584	2,935,845	3,279,251
Non-current liabilities	**1,571,423**	1,824,755	2,222,761	2,647,638	2,121,586
Total liabilities	**6,252,431**	6,337,693	6,188,345	5,583,483	5,400,837
Net Assets	**2,673,872**	2,999,643	3,592,677	3,679,324	3,912,472
Equity attributable to owners of the parent	**2,605,209**	2,890,431	3,463,552	3,460,345	3,617,137
Non-controlling interests	**68,663**	109,212	129,125	218,979	295,335
	2,673,872	2,999,643	3,592,677	3,679,324	3,912,472

CHAIRM

Statement


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Chairman's Statement

Dear our Valuable Shareholders,

In 2016, the Group strived for improving efficiency and business expansion, and has achieved remarkable achievements in implementing refined management, optimizing production efficiency, expanding new businesses and improving overall competitiveness. Despite the adverse effect caused by the capacity reduction of the Chinese steel industry and smog, our main products production and operations broke historical record during the year, our operating revenue, as compared with previous year, recorded remarkable growth, our operating margin increased gradually on a monthly basis and our operating losses were significantly reduced. While continuing to strengthen our existing market competitiveness, we will focus on long-term development and grasp the new opportunities, in order to speed up our new business investment and development, thereby providing a solid foundation for the continuous healthy development of our business and the long term interest of our shareholders.

Confront the Market and Proactive Expansion

In order to maintain a long-term sustainable development, the Group actively grasped the market opportunity and expanded our manganese ores trading and ferroalloy businesses. The Group, by using the international platform that Hong Kong offered, continued to strengthen the cooperation with international mining companies and carried out extensive international ore trading business in 2016. Since the mid-year, the Group has made a major breakthrough in the international ore trading business, providing a new profit growth point going forward. By the end of 2016, the Group recorded trading of manganese ores in the sum of 635,236 tonnes with a turnover of HK$531.2 million (2015: HK$24.9 million), and the revenue of the Group has significantly increased to HK$3.248 billion, as compared with 2015, representing an increase of 29%. It is expected that our international ore trading business will be an important growth driver for the Group and bring reasonable returns. The Group, by utilising with the preferential policy offered by Shenzhen Qianhai Free-trade Zone, intends to further consolidate the international ore trading business and actively commence ferroalloy and related raw materials trading business.

At the same time, barring any extraordinary circumstances, the construction manganese ferroalloy processing plant with an annual output of 500,000 tons and supported with two 150 MW self-use power generation plants by Dushan Jinmeng Manganese Limited Company, which we invested, is expected to complete and will be gradually put into operation in 2017. By virtue of its geographical advantages and its economy of scale, as well as the availability of more reliable and favorable electricity supply from the self-provided power plants, we believe that the project will be the most competitive ferroalloy manufacturer, especially in the southern part of PRC and will further consolidate our leadership in manganese sector and it is expected to create new profitable return for shareholders.

Refined Management and Cost Control with Production Efficiency

In view of the severe market pressures and challenges, the management of the Group has responded proactively and took various measures in enhancing our internal control and with scientific research input, refined management ability, improving the manufacturing technology, optimizing our production processes and enhancing our production efficiency, therefore successfully reducing our production cost. At the same time, the Group has actively responded to the development concept of "Innovation, Coordination, Green, Openness and Sharing" promulgated by the PRC government to minimize the impact on the surrounding ecosystem and strictly complied with relevant environmental protection laws and regulations, and continued to reduce electricity and water consumption as well as slag discharge amount during our production process, so as to achieve quality, efficient and sustainable development of the Group.

Grasp the Opportunity and Face the Challenge

2017 will be a year full of both opportunities and challenges. Despite our downstream steel sector was affected the overall slowdown in the overall economy, particularly the PRC steel market continued to slump in the second half of 2016, more challenges will continue in 2017. It is believed that after our enhancement of management skills, in-depth adjustments and our enhancement of expansion in 2016, our relative competitiveness in the sector become remarkable, providing opportunities to the Group forthcoming. During China's 13th "Five-year Plan" period, the Chinese government will implement the supply-side reform, reducing production capacity and integrating resources to achieve economic restructuring and upgrading. Those measures also will bring us new market and development opportunities. In addition, we will strive to grasp the strategic opportunities of "the Belt and Road Initiatives" and actively pursue overseas mining development and international trading opportunities to enhance our international operation and strengthen our vitality, control capability, influence and risk-resistance ability so as to grasp the state policy and the PRC economic development opportunities.

Going forward, the Group will grasp the development trend of the manganese industry and the market, while continue to resolve problems and difficulties in our business development, confronting challenges, deploying and implementing good business strategies in order to enhance our internal driving force and long-term competitiveness for our sustainable development, thereby providing foundation for our future development.

Cultivate and Develop Tradition and Contribute to the Society

We are committed to the good tradition of caring for and rewarding the society and actively performing social responsibility, thereby improving our corporate image and social influence. In 2016, the Group, with a view to ensuring sustainable development of economy and society, as well as maintaining harmony between energy and natural environment, had committed to enhance our safety production and our working surroundings, continuing our research and implementing energy saving measures, strictly complying with the relevant standards of environmental protection laws and regulations and enhancing the growth and training of working staff as well as carrying out social public welfare, lief base and cultural and art construction.

Sincere Gratitude and Work for Glorious Future with United Efforts

I, on behalf of the Board, would like to take this opportunity to thank the Directors, the management team and all staff for their valuable efforts in this current difficult economic conditions and challenging business environment. I also hereby take this opportunity to express my greatest sincere appreciation for the loyalty and support of our shareholders, clients and partners throughout the year.

I, together with the members of the Board, strongly believe that with the continuous support of all shareholders and various sectors of the society, the Group will overcome difficulties, grasp opportunities and overcome challenges, thereby creating new achievements and sustained value for the nation, shareholders and the society.

Yin Bo
Chairman

15 February 2017

Report of the DIREC


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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 2016.

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, as well as trading of manganese ores, 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, inclusive of an analysis of the Group's performance during the year using financial key performance indicators set out in the box headed "Financial Highlights" therein.

As with other natural resources and mineral processing companies, the Group's operations create hazardous and non-hazardous waste, effluent emissions into the atmosphere, as well as water, soil and safety concerns for its workforce. Consequently, the Group is required to comply with a range of health, safety and environmental laws and regulations. The Group believes that its operations are in compliance with all material respects with the applicable health, safety and environmental legislations of the People's Republic of China and Gabon. The Group regularly reviews and updates its health, safety and environmental management practices and procedures to ensure where feasible that they comply, or continue to comply, with best international standards. Our goal is to facilitate the gradual improvement of environmental indicators, while taking into account practical possibilities and social and economic factors.

Compliance procedures are in place to ensure adherence to the relevant laws and regulations in particular, those having a significant impact on the Group. The Board keep review and monitor the Group's policies and practices on compliance with legal and regulatory requirements. Any new enactment of or changes in the relevant laws and regulations would be communicated to the relevant departments and staff to ensure compliance. Reminders on the compliance would also be sent out regularly where necessary.

Further discussions on the Company's environmental policies and performance and its compliance with the relevant laws and regulations can be found in the Social Responsibilities Report and our relationship with employees can be found in the Human Resources 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 2016 and the state of affairs of the Company and the Group at that date are set out in the financial statements on pages 98 to 164.

The Board does 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 33 to the financial statements.

Pre-emptive Rights

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

Purchase, Redemption or Sale of Listed Securities of the Company

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

Reserves

Details of movements in the reserves of the Company and the Group during the year are set out in note 45 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 2016 are set out in note 28, note 29 and note 30 to the 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 2016.

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 2016 and such sum may be distributed in the form of fully paid bonus shares. As at 31 December 2016, the Company recorded accumulated losses of HK$726,705,000.

Charitable Donations

During the year, the Group made charitable and other donations totalling HK$331,000 (2015: HK$682,000).

Major Customers and Suppliers

During the year, sales to the Group's five largest customers accounted for 42.5% of the total sales for the year and sales to the largest customer included therein amounted to 16.5%. Purchases from the Group's five largest suppliers, amounted to 47.7% of the total purchases for the year and purchase from the largest supplier included therein amounted to 31.4%.

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 2016 and up to the date of this annual report are:

Executive Directors:

Mr. Yin Bo (Chairman and Chief Executive Officer)
(appointed as Chief Executive Officer on 30 September 2016)
Mr. Li Weijian (Vice Chairman)
Mr. Tian Yuchuan (Chief Executive Officer)
(resigned on 30 September 2016)

Non-executive Directors:

Mr. Suo Zhengang
Mr. Lyu Yanzheng (appointed on 30 November 2016)
Mr. Chen Jiqiu

Independent non-executive Directors:

Mr. Yang Zhi Jie (resigned on 25 October 2016)
Mr. Lin Zhijun (appointed on 25 October 2016)
Mr. Mo Shijian
Mr. Tan Zhuzhong

During the year, the Board has the following changes:

1. On 30 September 2016, Mr. Tian Yuchuan ("**Mr. Tian**") resigned as Chief Executive Officer, executive director and authorized representative of the Company and Mr. Yin Bo ("**Mr. Yin**"), an executive director and the Chairman of the Company, was appointed as the Chief Executive Officer.

2. On 25 October 2016, Mr. Yang Zhi Jie ("**Mr. Yang**") resigned and Mr. Lin Zhijun ("**Mr. Lin**") was appointed as an independent non-executive director, chairman and member of the audit committee as well as a member of remuneration committee and nomination committee of the Company.

3. On 30 November 2016, Mr. Lyu Yanzheng ("**Mr. Lyu**") was appointed as a non-executive director of the Company.

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. Suo Zhengang ("**Mr. Suo**")	28 March 2016	Mr. Suo resigned as director of CITIC Jinzhou Metal Co., Ltd.
	22 April 2016	Mr. Suo was appointed as a director of Metal and Mining Link Limited.
	29 April 2016	Mr. Suo was appointed as a director of CITIC Metal Group Limited.
Mr. Mo Shijian ("**Mr. Mo**")	15 July 2016	Mr. Mo was appointed as the Dean of Graduate School of University of Macau.

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 financial statements of this annual report.

Directors' Interests in Contracts

Mr. Suo is the Vice Chairman, Chief Executive Officer and executive director of CITIC Resources. CITIC Resources is a diversified energy and natural resources investment holding company and through its subsidiaries has interests in aluminium smelting, coal, import and export of commodities, and oil exploration, development and production. Further details of the nature, scope and size of the businesses of CITIC Resources as well as its management can be found in its latest annual report. In the event that there are transactions between CITIC Resources and the Company, Mr. Suo will abstain from voting.

Mr. Lyu is the Vice Chairman and director of CITIC Jinzhou Metal Co., Ltd. ("**CITIC Jinzhou**"). 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 Jinzhou and the Company, Mr. Lyu 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 2016, 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 2016, 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. Chen Jiqiu	Share options	Directly beneficially owned	9,000,000	0.26%
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 2016 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 Directors and certain employees of the Group under the Share Option Scheme. Further details of the share options are disclosed in note 34 to the financial statements.

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 2016	Granted during the year	Exercised during the year[1]	Forfeited during the year	At 31 December 2016	Date of grant	Exercise period[2]	Exercise price per share HK$
Directors of the Company								
Mr. Li Weijian	15,000,000	–	–	–	15,000,000	11.1.2011	11.1.2012 to 10.1.2021	2.81
Mr. Tian Yuchuan[3]	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[4]	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
	39,000,000	–	–	13,000,000	26,000,000			
Non-directors	53,500,000	–	–	34,000,000	19,500,000	11.1.2011	11.1.2012 to 10.1.2021	2.81
	92,500,000	–	–	47,000,000	45,500,000			

Notes:

(1) No share option was lapsed during the year ended 31 December 2016.

(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. Tian Yuchuan resigned as an executive director with effect from 30 September 2016.

(4) Mr. Yang Zhi Jie resigned as an independent non-executive director with effect from 25 October 2016.

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 2016:

(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 in Shares and Underlying Shares

As at 31 December 2016, 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)	Approximate percentage 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 Limited	(b)	Through a controlled corporation	1,490,026,000 (L)	43.46	–
CITIC Corporation Limited	(b)	Through a controlled corporation	1,490,026,000 (L)	43.46	–
CITIC Projects Management (HK) Limited	(b)	Through a controlled corporation	1,179,000,000 (L)	34.39	–
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	–
Metal and Mining Link Limited	(d)	Through a controlled corporation	311,026,000 (L)	9.07	–
CITIC Metal Group 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 ("**CITIC Corporation**"). CITIC Corporation is wholly owned by CITIC 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 Metal Group Limited ("**CITIC Metal**"), which is in turn wholly owned by Metal and Mining Link Limited ("**MML**"). MML is wholly owned by CITIC Corporation.

(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.

Save as disclosed above, as at 31 December 2016, 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 2016, 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 2016.

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 2016.

Continuing Connected Transactions

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.

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.

The amounts of the above mentioned continuing connected transactions are disclosed in note 41(a) to the financial statements. Save for notes (vii), (viii) and (ix), all other related party transactions set out in the note 41(a) 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.

Connected Transaction

On 18 November 2015, CITIC Bank agreed to grant a loan facility of RMB800,000,000 (equivalent to approximately HK$976,480,000) to Dushan Jinmeng. The loan was secured by, inter alia, a corporate guarantee by CDM in proportion to our equity interest held in Dushan Jinmeng on a several basis. Details of the corporate guarantee were disclosed in the circular of the Company dated 31 December 2015 and note 38(a) to the financial statements

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 shall retire and a resolution for their reappointment as auditors of the Company will be proposed at the forthcoming 2017 AGM.

ON BEHALF OF THE BOARD

Yin Bo
Chairman

Hong Kong
15 February 2017

MANAG

Discussion and Analysis


GEMENT

Management Discussion and Analysis

Financial Review

	2016 HK$'000	2015 HK$'000	Increase/(decrease) HK$'000	%
Revenue	**3,248,108**	2,517,000	731,108	29.0
Operating loss	**(131,309)**	(818,367)	(687,058)	(84.0)
Gain on bargain purchase	**–**	223,798	(223,798)	(100.0)
Impairment of property, plant and equipment and mining right	**–**	(347,657)	(347,657)	(100.0)
Loss before tax	**(131,309)**	(942,226)	(810,917)	(86.1)
Income tax credit/(expense)	**2,888**	(33,751)	(36,639)	(108.6)
Loss after tax	**(128,421)**	(975,977)	(847,556)	(86.8)
Loss attributable to owners of the parent	**(87,913)**	(956,007)	(868,094)	(90.8)
Loss attributable to non-controlling interests	**(40,508)**	(19,970)	20,538	102.8
	(128,421)	(975,977)	(847,556)	(86.8)

Financial Highlights

- Turnover amounted to HK$3,248.1 million for 2016, representing an increase of 29.0% from HK$2,517.0 million of 2015.

- Operating loss of HK$131.3 million for 2016, representing a decrease of 84.0% from HK$818.4 million in 2015.*

- Loss attributable to owners of the parent of HK$87.9 million for 2016, representing a decrease of 90.8% from HK$956.0 million for 2015.

- As at 31 December 2016, net gearing ratio decreased to 90.3% (2015: 110.9%).

* Operating loss of 2015 is exclusive of gain on bargain purchase of HK$223.8 million and impairment of property, plant and equipment and mining right of HK$347.7 million.

Overview

In 2016, while the world market recovery momentum remained anemic with mild improvement, such as continuous recovery signs of the US as well as the PRC economy seemed to have reached the L-shaped forecast bottom in short to medium term, ongoing uncertainties also emerged as a result of combined factors, including persistent shrunk of China's foreign-exchange reserves after substantial capital outflows added depreciation pressures on RMB and affected its economic stabilities, further incidents such as Brexit and US election result, also brought tremendous ambiguity and shadowed the world economic environment. In particular, the US Federal Reserve increased interest rate by 0.25% in December together with a more optimistic view for US economy forecast caused stronger US dollar, which stressed the emerging countries considerably for those with high debt burdens denominated in US dollar and also hindered these countries' future economic growth simultaneously.

For the steel sector, with China's economy continued to show signs of stabilization with the help of government-led infrastructure investment and credit boom, the overcapacity adjustment started to flourish following the implementation of supply side reform, rebound of steel prices were recorded in 2H 2016 and slowly resolved the inventory backlogs that had been created in the past. This recovery trend was particularly apparent in the fourth quarter 2016 with a sharp rally on metal and general commodities stimulus by his mega infrastructure plan, although the global demand remained weak. As a result, the year on year decrease in average selling price of our major product EMM, an ingredient of steel, when compared with 2015, became much lessened.

On the cost side, we benefited from obtaining lower bargain prices for our electricity consumption for 2016 which contributed to a lower unit production cost of EMM when comparing with last year, against a backdrop of our continuous efforts to strive and maintained our competitiveness in the manganese sector through different measures, including containing our raw materials and power consumption per unit of production to increase production efficiency. As a result, a substantial improvement of overall gross profit to HK$424.2 million (2015: overall gross loss of HK$87.6 million).

Other than those factors mentioned above, major reasons for the decrease of loss attributable to the owners of the parent amounting to HK$87.9 million in 2016 from HK$956.0 million in 2015 are:

1. significant decrease in provision for our manganese products, which amounted to HK$13.5 million in 2016 (2015: HK$114.1 million) as a result of rebound in the average selling price of manganese products;

2. no provision for impairment on mining right nor other major assets in 2016 as manganese market picked up (2015: impairment provision of HK$347.7 million).

Comparison with 2015

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

	Year ended 31 December,							
	2016				2015			
	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	**10,068**	**578**	**5,817**	**0.2**	205,135	543	111,341	4.4
Manganese concentrate	**213,995**	**301**	**64,331**	**2.0**	99,566	357	35,520	1.4
Natural discharging manganese powder and sand	**21,384**	**2,368**	**50,644**	**1.6**	20,661	2,660	54,956	2.2
Sub-Total	**245,447**	**492**	**120,792**	**3.8**	325,362	620	201,817	8.0
Manganese downstream processing								
EMM	**128,109**	**10,763**	**1,378,889**	**42.5**	123,647	11,510	1,423,117	56.6
Manganese briquette	**29,207**	**11,055**	**322,896**	**9.9**	16,896	12,096	204,381	8.1
	157,316	**10,818**	**1,701,785**	**52.4**	140,543	11,580	1,627,498	64.7
Silicomanganese alloy	**32,508**	**6,212**	**201,952**	**6.2**	31,660	5,726	181,289	7.2
EMD	**26,290**	**8,220**	**216,105**	**6.7**	26,275	8,772	230,474	9.2
Manganese sulfate	**21,163**	**3,433**	**72,654**	**2.2**	15,493	3,929	60,879	2.4
Others	**14,041**	**3,777**	**53,031**	**1.6**	9,401	4,045	38,029	1.5
Sub-Total	**251,318**	**8,935**	**2,245,527**	**69.1**	223,372	9,572	2,138,169	85.0
Non-manganese processing								
Lithium cobalt oxide	**612**	**198,206**	**121,302**	**3.7**	756	180,458	136,426	5.4
Other business								
Trading	**646,984**	**1,175**	**760,487**	**23.4**	23,635	1,717	40,588	1.6
Total	**1,144,361**	**2,838**	**3,248,108**	**100.0**	573,125	4,392	2,517,000	100.0

Revenue

In 2016, the Group's revenue was HK$3,248.1 million (2015: HK$2,517.0 million), representing an increase of 29.0% as compared with 2015. This substantial increase was mainly due to the Hong Kong based ore trading operations commencing from the second quarter of 2016.

Manganese mining and ore processing – Revenue of manganese mining and ore processing segment decreased by 40.1% to HK$120.8 million (2015: HK$201.8 million). This was mainly attributable to the almost vanishing sales of Gabon ores in 2016 after temporary suspension of its operations since the second half of 2015.

Manganese downstream processing – Revenue from manganese downstream processing increased by 5.0% from HK$2,138.2 million to HK$2,245.5 million. This increase was mainly due to the increase in the combined sales quantities of EMM and manganese briquette by 11.9% to 157,316 tonnes in 2016 (2015: 140,543 tonnes) and was principally attributable to the full load production throughout the year of most of our EMM processing plants following certain care and maintenance period in 2015. However, the positive effect of volume increase was partly eliminated by the opposite effect of a combined price drop by 6.6% of the two products.

Despite a mild increase in the combined revenue of EMM and manganese briquette, the aggregate sale of these two products now accounted for only 52.4% (2015: 64.7%) of our total sales due to the dilution effect arising from the increased sales revenue from trading.

Non-manganese processing – For 2016, sales volume of lithium cobalt oxide decreased by 19.0% to 612 tonnes (2015: 756 tonnes), while its average selling price increased by 9.8% to HK$198,206/tonne (2015: HK$180,458/tonne).

Trading – In HK, we commenced our business from the second quarter of 2016 in which we imported manganese ores from international miners and on-sale to a customer engaging in ferroalloy production in the PRC.

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,							
	2016				2015			
	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	**17,383**	**1,727**	**(11,566)**	**(198.8)**	189,896	926	(78,555)	(70.6)
Manganese concentrate	**64,855**	**303**	**(524)**	**(0.8)**	42,449	426	(6,929)	(19.5)
Natural discharging manganese powder and sand	**14,727**	**689**	**35,917**	**70.9**	20,138	975	34,818	63.4
Sub-Total	**96,965**	**395**	**23,827**	**19.7**	252,483	776	(50,666)	(25.1)
Manganese downstream processing								
EMM	**1,181,215**	**9,220**	**197,674**	**14.3**	1,502,058	12,148	(78,941)	(5.5)
Manganese briquette	**243,467**	**8,336**	**79,429**	**24.6**	181,228	10,726	23,153	11.3
	1,424,682	**9,056**	**277,103**	**16.3**	1,683,286	11,977	(55,788)	(3.4)
Silicomanganese alloy	**174,807**	**5,377**	**27,145**	**13.4**	197,875	6,250	(16,586)	(9.1)
EMD	**173,958**	**6,617**	**42,147**	**19.5**	204,928	7,799	25,546	11.1
Manganese sulfate	**50,123**	**2,368**	**22,531**	**31.0**	44,851	2,895	16,028	26.3
Others	**50,967**	**3,630**	**2,064**	**3.9**	48,685	5,179	(10,656)	(28.0)
Sub-Total	**1,874,537**	**7,459**	**370,990**	**16.5**	2,179,625	9,758	(41,456)	(1.9)
Non-manganese processing								
Lithium cobalt oxide	**107,825**	**176,185**	**13,477**	**11.1**	132,483	175,242	3,943	2.9
Other business								
Trading	**744,560**	**1,151**	**15,927**	**2.1**	40,046	1,694	542	1.3
Total	**2,823,887**	**2,468**	**424,221**	**13.1**	2,604,637	4,545	(87,637)	(3.5)

Cost of Sales

Total cost of sales increased by HK$219.3 million or 8.4%, to HK$2,823.9 million in 2016, as compared to HK$2,604.6 million in 2015 and was mainly attributable to the commencement in Hong Kong of our manganese ores trading operations from the second quarter of 2016.

In 2016, the unit cost of manganese mining and ore processing segment decreased substantially by 49.1% to HK$395/tonne (2015: HK$776/tonne). This was mainly attributable to: (1) very few Gabon ores were sold after temporary suspension of its operations since the second half of 2015 and (2) significant decrease in stock provision to HK$10.9 million (2015: HK$79.5 million) for manganese ores after a rebound of average selling price of manganese related products, including our Gabon ores.

Unit cost of combined EMM and manganese briquette decreased by 24.4% to HK$9,056/tonne (2015: HK$11,977/tonne). This was mainly attributable to our negotiation effort in obtaining bargain unit price of electricity with local authorities and power plants, decrease in the unit price of raw materials and other auxiliary materials as well as our continuous improvement in containing our raw materials and power consumption per unit of production.

Gross Profit

In 2016, the Group recorded a gross profit of HK$424.2 million (2015: negative gross profit of HK$87.6 million), which represented a net increase of HK$511.8 million from 2015. The Group's overall gross profit margin was substantially improved to 13.1%, representing an increase of 16.6% from negative 3.5% of 2015. Better overall gross profit margin was mainly attributable to: (1) improved gross margin of EMM and manganese briquette from a combined negative 3.4% in 2015 to 16.3% in 2016, due to combined factors including our negotiation effort to obtain a bargain unit price of electricity, decrease in the unit price of raw materials and other auxiliary materials as well as improvement in containing our raw materials and power consumption per unit of production; and (2) significant decrease in provision of stocks to HK$13.5 million (2015: HK$114.1 million) as average selling price of manganese related products surged during 2016.

Other income

Other income increased by 32.1% to HK$217.0 million (2015: HK$164.3 million) and was mainly attributable to gain on disposal of property, plant and equipment, non-current assets classified as held for sale and prepaid land lease payments totaling HK$64.7 million. This amount includes Huixing's gain of HK$32.5 million on sale of a parcel of land with the remaining balance principally from idle asset disposal.

Selling and Distribution Expenses

The Group's selling and distribution expenses in 2016 have decreased by 13.4% to HK$86.1 million (2015: HK$99.4 million) and was in line with the decrease in overseas sales of manganese downstream processing products and our effort to negotiate for lower freight rates.

Administrative Expenses

Administrative expenses decreased by 20.6% to HK$382.9 million for 2016 (2015: HK$482.4 million) and was mainly attributable to: (1) some of our manganese processing plants temporarily suspended their operations for periodic repair and maintenance in 2015, and therefore certain expenses were directly charged to administrative expenses in 2015, but these plants came into full production and the relevant costs are accounted for as cost of sales in 2016; (2) staff cost saving through optimisation plan; and (3) our effort to contain expenses.

Finance Cost

For 2016, our Group's finance cost was HK$235.9 million (2015: HK$270.7 million), representing a decrease of 12.9% which was mainly due to: (1) the full year effect on 2016 of PBOC interest-rate cuts in the year 2015 during which the PRC stepped up monetary easing to combat slowing economy; and (2) our effort to cut down debt level with funds from our operating cash inflow and our optimization of 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 in the year 2015, impairment with an aggregate amount of HK$347.7 million were provided in 2015 to write down the then carrying value of the Company's property, plant and equipment and mining right to recoverable amount, with reference to the then currently prevailing market price. As the manganese market picked up in the year 2016 particularly in the fourth quarter, no provision for impairment was recorded in 2016.

Other Expenses

Other expenses decreased by 43.3% to HK$21.0 million (2015: HK$37.1 million) and was mainly attributable to the decrease in impairment of trade and other receivables.

Share of Losses of Associates

Share of losses of associates of HK$46.6 million (2015: HK$5.3 million) mainly related to CPM, a 29.81% associate acquired by the Group in July 2015.

During the year, CPM recorded low level of raw ore output and reduced effective working days due to slow work progress in reinstalling pits and tunnels in a major operating mine part of which was damaged by abnormally high rainfall in both years 2016 and 2015.

CPM is one of the largest lead and zinc pure mining company in Yunnan Province, the PRC, which owns and operates a large-scale, lead-zinc-silver polymetallic Shizishan Mine in Yunnan and some other significant polymetallic resources in Myanmar. According to the announcement of CPM dated 14 February 2017, its independent auditor emphasised without modifying its audit opinion, that the financial statements of CPM for the year ended 31 December 2016 indicates the existence of a material uncertainty which may cast significant doubt about CPM's ability to continue as a going concern. The directors of the Company has assessed the impact on the impairment of investment in CPM and considered that no impairment provision was needed as at 31 December 2016. Further details of CPM can be found in its latest annual report and results announcement.

Income Tax

Tax credit of HK$2.9 million (2015: tax expense of HK$33.8 million) was recorded during the year. The effective tax rate for the year amounted to 2.2% (2015: negative 3.6%). A reconciliation of the income tax expense/(credit) applicable to loss before tax at the statutory rate to the income tax expense/(credit) at the effective tax rate has been set out in note 11 to the financial statements. The tax charge in 2015 despite a loss was mainly a reversal of deferred tax credit relating to tax loss.

Loss Attributable to Owners of the Parent

For 2016, the Group's loss attributable to owners of the parent was HK$87.9 million (2015: HK$956.0 million).

Loss per Share

For 2016, loss per share attributable to ordinary equity holders of the Company was 2.56 HK cents (2015: 29.61 HK cents).

Dividend

The Board does not recommend the payment of any dividend for the year ended 31 December 2016 (2015: Nil).

Use of Proceeds from IPO

Up to 31 December 2016, 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 31.12.2016 (HK$ Million)	% utilised	Amount utilised up to 31.12.2015 (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	278	100.0%	249	89.6%
3	Expansion and construction projects of our EMM production facilities	516	516	100.0%	516	100.0%
4	Construction project at Chongzuo Base	59	42	71.2%	27	45.8%
5	Development of Bembélé manganese mine and associated facilities	119	119	100.0%	119	100.0%
6	Technological improvement and renovation projects at our production facilities	40	40	100.0%	40	100.0%
7	Acquisition of mines and mining right	397	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	1,851	93.3%	1,807	91.1%

Use of Proceeds from Share Placing for Cash in 2015

Up to 31 December 2016, we utilised the net proceeds raised from the share placing for cash in 2015 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 31.12.2016 (HK$ Million)	% utilised	Amount utilised up to 31.12.2015 (HK$ Million)	% utilised
Possible investment(s) and/or as general working capital of the Group	388	388	100%	146	37.6%

Liquidity and financial resources

Cash and bank balances

As at 31 December 2016, the currency denomination of the Group's cash and bank balances including pledged deposits are as follow:

Currency Denomination	2016 HK$ million	2015 HK$ million
Denominated in:		
RMB	**856.5**	1,014.3
HKD	**24.9**	155.8
USD	**653.4**	355.7
XAF	**0.1**	1.3
	1,534.9	1,527.1

As at 31 December 2016, our cash and bank balances including pledged deposits were HK$1,534.9 million (2015: HK$1,527.1 million) while the Group's borrowings (inclusive of medium-term notes) amounted to HK$3,886.9 million (2015: HK$4,732.0 million). The Group's borrowings net of cash and bank balances amounted to HK$2,352.0 million (2015: HK$3,204.9 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.

Net current liabilities

As at 31 December 2016, the Group had net current liabilities of HK$923.1 million (2015: HK$703.5 million). In view of these circumstances, the directors of the Company have given consideration to the future liquidity and performance of the Group and its available sources of finance in assessing whether the Group will have sufficient financial resources to continue as a going concern. In order to improve the Group's liquidity and cash flows to sustain the Group as a going concern, the Group implemented or is in the process of implementing the following measures:

(a) The Group is taking measures to tighten cost controls over administrative and other operating expenses aiming at improving the working capital and cash flow position of the Group including closely monitoring the daily operating expenses.

(b) The Group is restructuring the mix of manganese products with the aim to increase the portion of products with higher margin so as to attain profitable and positive cash flow operations. In particular, the Group will ramp up mining and processing capacity of existing mines. In addition, the Group from time to time reviews its investment projects and may adjust its investment strategies in order to enhance the cash flow position of the Group whenever it is necessary.

(c) Subsequent to 31 December 2016, in February 2017, certain PRC banks had confirmed to the Group in writing regarding their agreements to renew the short-term bank loans with the Group totalling HK$1,610 million for another year upon repayment when due, subject to the condition that the Group will be able to repay the total interest due upon the respective repayment dates.

(d) The Group has obtained financial support letter from a shareholder which stated explicitly to provide financial support to the Group to continue the Group's operation in the foreseeable future and fulfil financial responsibility as and when they fall due for 12 months from 31 December 2016.

(e) The Group is actively following up with its debtors on outstanding receivables with an aim of agreeing a repayment schedule with each of them.

The directors of the Company have prepared a cash flow forecast for the Group which covers a period of twelve months from the end of the reporting period. They are of the opinion that, taking into account the above-mentioned plans and measures, coupled with the rebound of the selling prices of the Group's major products since the second half of the year and up to the date of the report, the Group will have sufficient working capital to finance its operations and meet its financial obligations as and when they fall due in the foreseeable future. Accordingly, the directors are of the opinion that it is appropriate to prepare the consolidated financial statements of the Group for the year ended 31 December 2016 on a going concern basis.

Bank and other Borrowings

As at 31 December 2016, the Group's borrowing structure and maturity profile are as follows:

Borrowing structure	**2016** **HK$ million**	**2015** **HK$ million**
Secured borrowings (including finance lease payables)	**908.9**	1,772.8
Unsecured borrowings	**2,978.0**	2,959.2
	3,886.9	4,732.0

Maturity profile	**2016** **HK$ million**	**2015** **HK$ million**
Repayable:		
On demand or within one year	**2,607.0**	3,227.0
After one year and within two years	**763.1**	690.8
After two years and within five years	**516.8**	814.2
	3,886.9	4,732.0

Currency denomination	**2016** **HK$ million**	**2015** **HK$ million**
Denominated in:		
RMB	**3,042.4**	3,936.3
USD	**844.5**	795.7
	3,886.9	4,732.0

As at 31 December 2016, borrowings as to the amounts of HK$2,241.0 million (2015: HK$2,616.7 million) and HK$1,645.9 million (2015: HK$2,115.3 million), carry fixed and floating rate interest respectively. The fixed rate borrowings carry interest at rates ranging from 2.15% 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 2.60%.

Overall, aggregate borrowings decreased to HK$3,886.9 million (2015: HK$4,732.0 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.

Charge on group assets

As at 31 December 2016, (i) none of the Group's property, plant and equipment (2015: HK$85.1 million) were pledged to secure the Group's interest-bearing bank borrowings (except for finance lease payables); (ii) property, plant and equipment of HK$177.7 million (2015: HK$393.3 million) were held under finance lease; and (iii) bank balances of HK$242.9 million (2015: HK$442.6 million) were pledged to secure certain of the Group's bank borrowings.

Contingent liabilities

(a) As at 31 December 2016, the outstanding bank loan of the associate, in which the Group has a 33% equity interest, was guaranteed by the Group and the holding company of the associate, Guangxi Jinmeng Manganese Co, Ltd. ("Guangxi Jinmeng"), according to the shareholding structure on a several basis.

As at 31 December 2016, the banking facilities guaranteed by the Group and Guangxi Jinmeng to the associate amounted to RMB800,000,000 (equivalent to HK$894,000,000) and were utilised to the extent of RMB715,000,000 (equivalent to HK$799,299,000) (2015: Nil).

(b) The Group is currently a defendant in a lawsuit relating to a subcontracting contract. Details can be referred to in the announcement of 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 the claim arising from the litigation, other than the related legal and other costs.

Key Financial Ratios of the Group

	2016	**2015**
Current ratio	**0.80**	0.84
Quick ratio	**0.63**	0.66
Net Gearing ratio	**90.3%**	110.9%

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

Our current ratio and quick ratio deteriorated mildly as we slowed down payment of some of our creditors. Coupled with our stringent effort to squeeze working capital, our cash inflow from operating activities enabled us to cut down our debt level, including repayment of a medium term note, and therefore net gearing ratio improved noticeably.

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 save for a customer described below. The Group did not hold any collateral or other credit enhancements over its trade and notes receivable balances except for the following.

In 2016, the largest customer of the Group by revenue is Guangxi Jinmeng which is principally engaged in manganese ferroalloy production, manganese ore trading and manganese mining in Guizhou, the PRC. It maintains close business relationship with major steel plants in the PRC. The Group supplies manganese ores to Guangxi Jinmeng.

In 2016, revenue of HK$536.0 million (2015: Nil) was derived from sales of manganese ores to Guangxi Jinmeng, which accounted for 16.5% (2015: Nil) of the Group's total sales. As at 31 December 2016, trade receivable (net) from Guangxi Jinmeng was HK$318.0 million (2015: Nil) and represents 43.0% (2015: Nil) of the Group's trade receivables.

Payment by Guangxi Jinmeng is secured by: (1) a corporate guarantee by Dushan Jinmeng; and (2) a personal guarantee by a shareholder of Guangxi Jinmeng. Sales to Guangxi Jinmeng are on open account with a credit period ranging from about 75 to 100 days from the date of receipt of goods, which can be extended for a further period of 60 days subject to the Company's approval. As the year end accounts receivable from Guangxi Jinmeng were principally derived from sales in the last quarter of 2016, an aggregate amount of HK$49.4 million has been subsequently settled up to the date of this report and the remaining unsettled balance are within their credit period. The directors of the Company consider that the related credit risk is acceptable to the Group.

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 Hong Kong, 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 trading operations in Hong Kong, our sales and purchases are both denominated in United States dollars.

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.

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.

Future Development and Outlook

- In January 2016, the Group completed a further capital injection of RMB172.9 million (equivalent to HK$202.3 million) in cash into Dushan Jinmeng, bringing the Group's investment in the 33% owned associate to an aggregate of RMB250.3 million (equivalent to HK$279.8 million). Dushan Jinmeng currently engages in the building of a ferromanganese alloy plant with an annual capacity of 500,000 tons and two self-use 150 MW power plants in Dushan County, Guizhou, the PRC. Progress of construction was slightly affected in the year due to a longer than normal local raining season. Upon full production re-scheduled for the year 2017, 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.

- Riding on our expertise in manganese from mining to downward processing and with the upcoming ferroalloy production of Dushan Jinmeng scheduled for 2017, we will continue to cautiously develop our trading business of manganese ore and aim our trading also at manganese ferroalloy and its related raw materials.

- The rebound of the manganese market particularly in the fourth quarter of the year 2016 waked up our Gabon mine. After more than a year of suspension, our Gabon mine recommenced in December 2016 logistical operation including initially rail transport of the existing ore stocks from stacking yard to port. In January 2017, manganese ores totaling 127,000 tonnes were loaded on board and departed Gabon for ports in the PRC and India. Simultaneously, we have rebuilt our mining and processing team in Gabon for full operation in early February 2017. We expect that recommencement of Gabon mine will contribute to our cash flow on a marginal basis in the new year.

- China economy is expected to continue its "L-shaped" growth in the coming years and challenges ahead are expected. In the short term, manganese market will continue to face substantial challenges subject to China's supply-side structural reforms both in the steel and manganese sectors .

- We shall continue to follow China's "One Belt One Road" initiative, trying to explore new overseas market opportunities amidst the challenging manganese market.

- In terms of financing, we will continue our efforts to improve our liquidity and capital structure by exploring various alternatives from debt to equity, to raise necessary funds to finance our operations. In particular, we will put more weight on longer term financing than short term, and due consideration will be given to equity financing alternatives which have the advantages of expanding our shareholder base and reducing our debt gearing.

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 A

Report


中信大锰大新分公司
6#矿石标本简介
6#矿石标本从大新锰矿西南采区采掘而来，属于氧化锰矿石，矿石锰品位大约为32%，矿石整体重量约有12吨
AND MINING

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 2016:

Summary of our manganese mineral resources

Mines	Ownership Percentage	JORC Resource Category	Million tonnes (31.12.2016)	Average Manganese Grade (%) (31.12.2016)	Million tonnes (31.12.2015)	Average Manganese Grade (%) (31.12.2015)
Daxin Mine	100%	Measured	**4.58**	**24.71**	4.95	24.60
		Indicated	**63.71**	**21.31**	64.91	21.24
		Subtotal	**68.29**	**21.54**	69.86	21.48
		Inferred	**0.43**	**21.23**	0.43	21.23
		Total	**68.72**	**21.53**	70.29	21.48
Tiandeng Mine	100%	Measured	**0.56**	**18.26**	0.57	18.19
		Indicated	**2.76**	**16.76**	2.82	16.70
		Subtotal	**3.32**	**17.01**	3.39	16.95
		Inferred	**3.51**	**14.24**	3.51	14.24
		Total	**6.83**	**15.59**	6.90	15.57
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	**2.96**	**20.45**	3.08	20.45
		Indicated	**14.67**	**20.32**	14.67	20.32
		Subtotal	**17.63**	**20.34**	17.75	20.34
		Inferred	**4.22**	**20.50**	4.22	20.50
		Total	**21.85**	**20.37**	21.97	20.37
Bembélé Manganese Mine	51%	Measured	**–**	**–**	–	–
		Indicated	**15.97**	**31.99**	15.97	31.99
		Subtotal	**15.97**	**31.99**	15.97	31.99
		Inferred	**12.37**	**32.74**	12.37	32.74
		Total	**28.34**	**32.32**	28.34	32.32
Total:			**127.28**		129.04	

Summary of our manganese ore reserves

Mines	Ownership Percentage	JORC Resource Category	Million tonnes 31.12.2016	Average Manganese Grade (%) 31.12.2016	Million tonnes 31.12.2015	Average Manganese Grade (%) 31.12.2015
Daxin Mine	100%	Proved	**4.36**	**20.86**	4.73	21.04
		Probable	**61.18**	**18.85**	62.38	18.83
		Total	**65.54**	**18.99**	67.11	18.98
Tiandeng Mine	100%	Proved	**0.52**	**15.74**	0.53	15.72
		Probable	**2.64**	**15.61**	2.70	15.58
		Total	**3.16**	**15.64**	3.23	15.61
Waifu Manganese Mine	100%	Proved	**–**	**–**	–	–
		Probable	**–**	**–**	–	–
		Total	**–**	**–**	–	–
Changgou Manganese Mine	64%	Proved	**2.96**	**20.45**	3.06	20.45
		Probable	**14.67**	**20.32**	14.67	20.32
		Total	**17.63**	**20.34**	17.73	20.34
Bembélé Manganese Mine	51%	Proved	**–**	**–**	–	–
		Probable	**15.96**	**31.36**	15.96	31.36
		Total	**15.96**	**31.36**	15.96	31.36
Total			**102.29**		104.03	

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.

Exploration, Development, and Mining Activities

I) Exploration

Overview

During the year, there were no significant progress in respect of our exploration works and we have not conducted any exploration drilling works which are largely due to: (1) completion of the exploration works in Daxin Mine and Changgou Mine; (2) Waifu Manganese Mine still has not entered into formal operation; and (3) temporary suspension of operations for Bembélé Manganese Mine. During the year, our main focus was to continue the subsequent follow up in respect of the exploration works at Tiandeng Mine.

Daxin Mine

During the year, 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, we continued the preparation of the detailed exploration report in respect of the exploration area located at 440 meters depth below the mining block of Tiandeng Mine.

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 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

During the year, 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 out sourced contractor, 溫州建設集團有限公司 (Wenzhou Construction Group Co., Ltd.) has completed the phase A 600,000 tonnes/year expansion project for the underground mining at Daxin Mine, totalling 3,116.90 metre length tunnel construction works and the construction work amounted to 41,962.40 m^3, marking the completion of the whole phase A 600,000 tonne/year expansion project. The other out sourced contractor, 廣西錫山礦業有限公司 (Guangxi Xishan Mining Limited Company) continued the phase B 600,000 tonnes/year expansion project for the underground mining at Daxin Mine. As at 31 December 2016, the tunnel construction works in phase B amounted to 45,166 metres in length and the construction works in phase B amounted to 385,449 m^3.

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 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 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 Bembélé Manganese Mine.

III) Mining activities

(1) Mining operations

Daxin Mine

	2016	2015
Open pit mining		
Mine production volume (thousand tonnes)	**846**	695
Underground mining		
Mine production volume (thousand tonnes)	**659**	452
Total mine production (thousand tonnes)	**1,505**	1,147
Average manganese grade		
Manganese carbonate ore	**15.3%**	15.3%
Manganese oxide ore	**28.1%**	26.5%

Tiandeng Mine

	2016	2015
Open pit mining		
Mine production volume (thousand tonnes)	**366**	235
Average manganese grade		
Manganese carbonate oxide	**11.7%**	11.5%
Manganese oxide ore	**15.9%**	14.4%

Waifu Manganese Mine

During the year, there were no mining production.

Changgou Manganese Mine

	2016	2015
Underground mining		
Mine production volume (thousand tonnes)	**95**	9
Average manganese carbonate grade	**17.3%**	**16.3%**

Bembélé Manganese Mine

	2016	2015
Open pit mining		
Mine production volume (thousand tonnes)	**–**	316
Average manganese oxide grade	**N/A**	30.7%

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)	**2016**	**2015**
Daxin Concentration Plant		
Manganese carbonate ore	**1,002**	929
Manganese oxide ore	**125**	78
Total	**1,127**	1,007
Average manganese grade of concentrate		
Manganese carbonate ore	**18.5%**	18.0%
Manganese oxide ore	**28.9%**	29.1%
Tiandeng Concentration Plant		
Manganese oxide ore	**–**	58
Average manganese grade of concentrate	**N/A**	20.6%
Bembélé Concentration Plant		
Manganese oxide ore	**–**	174
Average manganese grade of concentrate	**N/A**	34.2%

- Grinding

Production volume (thousand tonnes)	**2016**	**2015**
Daxin Grinding Plant		
Powder produced	**1,013**	976

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.

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)	2016	2015
Daxin EMM Plant	114.0	87.4
DXML EMM Plant	20.7	21.7
Tiandeng EMM Plant	24.9	20.8
Guangxi Start EMM Plant	18.6	10.7
Total	178.2	140.6

- Manganese briquette

Production (thousand tonnes)	2016	2015
Chongzuo Branch	29.4	20.3

- Manganese sulfate

Production (thousand tonnes)	2016	2015
Daxin Sulfate Plant	21.3	16.1

- EMD

Production (thousand tonnes)	2016	2015
Daxin EMD Plant	27.8	22.0

- Silicomanganese alloy

Production (thousand tonnes)	2016	2015
Qinzhou Ferroalloy plant	31.1	31.7

- Lithium manganese oxide

Production (thousand tonnes)	2016	2015
Chongzuo Branch	0.49	0.05

(2) Non-manganese processing operations

- Lithium cobalt oxide

Production (thousand tonnes)	2016	2015
Chongzuo Branch	0.71	0.80

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 2016 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	–	216	–	–	–	216
Transportation	–	–	–	–	–	–
Others	–	–	–	–	–	–
	–	216	–	–	–	216
Development activities (including mine construction)						
Purchases of assets and equipment	–	1,092	–	–	–	1,092
Construction of mines, tunnels and roads	–	–	–	–	–	–
Staff cost	–	–	–	–	–	–
Others	10	–	–	–	–	10
	10	1,092	–	–	–	1,102
Mining activities*						
Staff cost	2,283	4,796	–	5,077	–	12,156
Consumables	878	7,971	–	4,433	–	13,282
Fuel, electricity, water and other services	10,834	3,337	–	3,996	–	18,167
Transportation	1,517	4	–	–	–	1,521
Sub-contracting fee	176,395	–	–	–	–	176,395
Depreciation	10,918	1,874	–	2,889	–	15,681
Others	–	6,144	–	30,504	–	36,648
	202,825	24,126	–	46,899	–	273,850

(* Concentrating not included)

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)

Directors and Senior Management


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Directors and Senior Management Profiles

Executive Directors

Mr. Yin Bo (尹波), aged 55, 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.

Mr. Li Weijian (李維健), aged 54, 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 31 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.

Non-Executive Directors

Mr. Suo Zhengang (索振剛), aged 54,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 of CITIC Metal Group Limited. He also holds directorships in several other subsidiaries of CITIC Metal Group Limited. Mr. Suo has over 27 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.

Mr. Lyu Yanzheng (呂衍蒸), aged 49, is the vice president of CITIC Metal Group Limited, a director of CITIC Kazakhstan Limited Liability Partnership and an independent director of JSC Karazhanbasmunai (all these companies are subsidiaries of CITIC Limited (Stock Code: 267)(an indirect controlling shareholder of the Company and a subsidiary of CITIC Group. He is also the managing director of Beijing CITIC Enterprise Project Management Co., Ltd., a director and Vice Chairman of CITIC Jinzhou Metal Co., Ltd. and a director and Vice Chairman of Jinzhou Titanium Industry Co., Ltd. (all these companies are subsidiaries of CITIC Group). Mr. Lyu holds a Master Degree in Economics at Capital University of Economics and Business. He has held various positions in CITIC Group and his last position was a division director and assistant general manager of Strategic and Development Department of CITIC Group. Mr. Lyu has extensive experience in management.

Mr. Chen Jiqiu (陳基球), aged 58, 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 36 years of experience in the PRC mining industry and, in particular, has extensive management experience in the manganese industry.

Independent non-executive Directors

Dr. Lin Zhijun (林志軍), aged 61, joined in 2016 as an independent non-executive Director of the Company. Dr. Lin holds a Master's degree in Science in Accounting from University of Saskatchewan in Canada and a Doctorate's degree in Economics (Accounting) from Xiamen University. Dr. Lin is also a member of the American Institute of Certified Public Accountants, the Chinese Institute of Certified Public Accountants and the Australian Institute of Certified Management Accountants. He is a member of various educational accounting associations including the American Accounting Association, the International Association for Accounting Education and Research and the Hong Kong Association for Accounting Education.

Dr. Mo Shijian (莫世健), aged 60, joined in 2010 as an independent non-executive Director of the Company. Mr. Mo is the Dean of Graduate School and Chair Professor of the Faculty of Law at University of Macau 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.

Mr. Tan Zhuzhong (譚柱中), aged 77, joined in 2010 as an independent non-executive Director of the Company. Mr. Tan has more than 45 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.

Senior Management

Mr. Lau Wai Yip (劉偉業), aged 54, 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.

CORPO

Governance Report


ORATE
16年发展论坛
詹安林

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 2016, save for the deviation from the code provision A.2.1 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.

Code Provision A.2.1

Chairman and Chief Executive Officer

With the departure of Mr. Tian Yuchuan ("**Mr. Tian**") as the Chief Executive Officer on 30 September 2016, the posts of Chairman and Chief Executive Officer were combined and Mr. Yin Bo, the Chairman of the Board has also assumed the role of the Chief Executive Officer. This arrangement is in contravention of code provision A.2.1 of the CG Code. Mr. Yin has considerable knowledge of the Company's assets and his experience is very highly valued by the Board. At a challenging time for the Company, the Board decided that Mr. Yin was the best person to lead and oversee the implementation of the Company's long and short term plans in accordance with its strategy which is determined by the Board. All major decisions are made in consultation with the Board members, appropriate Board committees or senior management of the Group. Mr. Yin promotes a culture of openness and encourages the Directors to make a full and active contribution to the Board's affairs. During the year, the three Independent non-executive Directors of the Company offered strong and independent advice. All decisions have reflected the consensus of the Board. The Board is keeping this situation under review and will separate the role of Chairman and Chief Executive Officer when it is in the Company's best interests to do so.

Board of Directors

As at 31 December 2016, the Board comprises a total of eight members, with two executive Directors, three non-executive Directors and three independent non-executive Directors:

Executive Directors:

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

Non-executive Directors:

Mr. Suo Zhengang
Mr. Lyu Yanzheng
Mr. Chen Jiqiu

Independent non-executive Directors:

Mr. Lin Zhijun
Mr. Mo Shijian
Mr. Tan Zhuzhong

During the year, the Board has the following changes:

1. On 30 September 2016, Mr. Tian Yuchuan resigned as the chief executive officer, executive director and authorized representative of the Company and Mr. Yin Bo ("**Mr. Yin**"), an executive director and the Chairman of the Company, was appointed as the Chief Executive Officer.
2. On 25 October 2016, Mr. Yang Zhi Jie ("**Mr. Yang**") resigned and Mr. Lin Zhijun ("**Mr. Lin**") was appointed as the independent non-executive director, the Chairman and member of the audit committee as well as a member of remuneration committee and nomination committee of the Company.
3. On 30 November 2016, Mr. Lyu Yanzheng ("**Mr. Lyu**") was appointed as a non-executive director 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. Lyu Yanzheng, Mr. Chen Jiqiu, Mr. Lin Zhijun and Mr. Mo Shijian will retire by rotation and, being eligible, offer themselves for re-election at the 2017 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.

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.

Our non-executive Directors, Mr. Suo Zhengang and Mr. Lyu Yanzheng has entered into a service agreement with the Company for a fixed term of three years commencing from 3 December 2014 and 30 November 2016. Our non-executive Director, Mr. Chen Jiqiu has entered into a service agreement with the Company for a fixed term of one year commencing from 26 October 2016.

Each of our independent non-executive Directors has entered into service agreement with the Company Mr. Lin Zhijun, Mr. Mo Shijian and Mr. Tan Zhuzhong for a fixed term of two years commencing from 26 October 2016.

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

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 a seminar briefing to its directors by professionals from:

(i) its external auditors on the new and revised auditor reporting standards released by the Hong Kong Institute of Certified Public Accountants; and

(ii) the Climate Change & Sustainability Services Department of the Company's external auditors firm on the amendments to the Listing Rules relating to the Corporate Governance Code and Corporate Governance Report, the Environmental, Social and Governance Reporting Guide.

All the then Directors participated in the seminar.

2016 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 2016 are as follows:

	Number of meetings held during the year Attended / Eligible to attend					
	Board Meeting	Nomination Committee	Remuneration Committee	Audit Committee	2016 AGM	2016 SGM
Executive Directors						
Mr. Yin Bo *(Chairman and Chief Executive Officer) (appointed as the Chief Executive Officer on 30 September 2016)*	5/5	2/2	1/1	N/A	1/1	1/1
Mr. Li Weijian *(Vice Chairman)*	5/5	2/2	1/1	N/A	1/1	1/1
Mr. Tian Yuchuan *(resigned as the Chief Executive Officer on 30 September 2016)*	4/4	N/A	N/A	N/A	1/1	1/1
Non-executive Directors						
Mr. Suo Zhengang	5/5	N/A	N/A	N/A	1/1	1/1
Mr. Lyu Yanzheng (appointed on 30 November 2016)	N/A	N/A	N/A	N/A	N/A	N/A
Mr. Chen Jiqiu	5/5	N/A	N/A	N/A	1/1	1/1
Independent non-executive Directors						
Mr. Yang Zhi Jie (resigned on 25 October 2016)	4/4	1/1	N/A	3/3	1/1	1/1
Mr. Lin Zjijun (appointed on 25 October 2016)	1/1	1/1	1/1	1/1	N/A	N/A
Mr. Mo Shijian	4/5	2/2	1/1	3/4	0/1	1/1
Mr. Tan Zhuzhong	5/5	2/2	1/1	4/4	1/1	1/1
Average attendance rate	97%	100%	100%	92%	88%	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 five board meetings were held in 2016 to discuss and review, inter alia, the following matters:

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

2) the financing matters and capital structure of the Group;

3) the Group's financial and operational performance;

4) the annual and interim results of the Group;

5) the Group's cost control measures;

6) the dividend proposals;

7) the auditor's fees;

8) the Group's internal control matters;

9) 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. Lin Zhijun
(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 25 October 2016, Mr. Yang resigned as a member of the nomination committee.

2. On 25 October 2016, Mr. Lin 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 2016 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 2016 AGM; and

4) the change of directors and 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. Lin Zhijun
(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 25 October 2016, Mr. Yang resigned as a member of the remuneration committee.

2. On 25 October 2016, Mr. Lin 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 2016 was recorded on page 58.

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

1) the remuneration package of newly appointed directors;

2) the general annual revision of the remuneration package of the directors and 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 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. Lin Zhijun
(Independent non-executive Director)
(Committee Chairman)
Mr. Mo Shijian
(Independent non-executive Director)
Mr. Tan Zhuzhong
(Independent non-executive Director)

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

1. On 25 October 2016, Mr. Yang resigned as a member of the audit committee.

2. On 25 October 2016, Mr. Lin was appointed as a member of the audit committee.

Mr. Lin Zhijun 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 2016 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 2015 and the six months ended 30 June 2016;

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.

5) the adequacy of resources, staff qualifications and experience, training programmes and budget of the Group's internal audit and financial reporting functions.

The Audit Committee reports to the Board of their findings and conclusions from the meeting referred to in the preceding paragraph.

In addition to the internal meetings, the audit committee members meet with the auditors at least twice a year and in addition, 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.

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 pages 96 to 97.

Risk Management and Internal Controls

The Board has overall responsibility for evaluating and determining the nature and extent of the risks it is willing to take in achieving the Group's strategic objectives, and maintaining a sound and effective system of risk management and 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 risk management and internal control systems aim to manage, instead of eliminate, risks of failure in achieving the Company's objectives and to provide reasonable, but not absolute, assurance against material misstatement or loss.

The managers of the internal audit department, with the support and assistance from other divisions and departments, directly report to the audit committee in respect of risk management and 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.

The Board assesses and approves our overall risk appetite, monitors our risk exposure and sets the Group-wide limits, which are reviewed on an ongoing basis. Our current assessment of our risks is based on numerous different factors, which is primarily assessed according to exposure and impact.

To the extent that any of these risks are realised, they may affect, among other matters: our current and future business and prospects, financial position, liquidity, asset values, growth potential, sustainable development (whether as to adverse health, safety, environmental, community effects or otherwise) and reputation. Through our continuous optimization of corporate governance and proactive management, we are endeavoured to mitigate, where possible, the impacts of the risks should they materialise.

The key procedures and processes that the Board established to oversee the Company's risk management and internal control systems on an ongoing basis and to provide effective risk management and 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.

- An internal audit department that, amongst others, carries out the analysis and independent appraisal of the adequacy and effectiveness of the Company's risk management and internal control systems. The internal audit managers report to the Audit Committee of any findings revealed in the course of their daily work including material internal control defects, if any.

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

- 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.

During the year, the Board conducted a review of the adequacy and effectiveness of the risk management and internal control systems of the Group by reviewing the work of the internal audit department, the Group's external auditors, and regular reports from management including those on risk management, regulatory compliance and legal matters. The Board considered the risk management and internal control systems 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 2016, the remuneration payable by the Group to Ernst & Young is set out below:

Services provided by the auditors for the year ended 31 December 2016	
	HK$
Annual audit services	3,294,000
Taxation services	41,000
Total	3,335,000

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.

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.

2016 AGM

All Directors (including the Chairman, all members of nomination committee, remuneration committee and audit committee (save for Mr. Mo Shijian who due to event conflict and therefore excused his absence)) together with our auditors Ernst & Young and our senior managements attended the 2016 AGM. Despite the absence of Mr. Mo Shijian in the 2016 AGM, the directors consider that the other two independent Non-executive Directors were adequate representation, together with all the other directors, were able 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 2016 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 2016 AGM. At the 2016 AGM, the Company continued its practice of proposing separate resolutions on each substantially separate issue. Matters resolved at the 2016 AGM are set out as follows:

Matters resolved at the 2016 AGM	
1.	To receive and consider the audited financial statements and the report of the directors and the independent auditor's report for the year ended 31 December 2015.
2(a).	To re-elect Mr. Yin Bo as an Executive Director of the Company.
2(b).	To re-elect Mr. Tian Yuchuan as an Executive Director of the Company.
2(c).	To re-elect Mr. Tan Zhuzhong 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 auditor of the Company and authorise the board of directors to fix the auditor's 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 2016 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 2016 AGM.

2017 AGM

The Company's 2017 AGM is tentatively scheduled to be held on Wednesday, 21st June, 2017, the notice of which will be sent to shareholders at least 20 clear business days before the meeting. The circular to shareholders for the 2017 AGM is tentatively scheduled to be despatched to the shareholders before 30th April, 2017.

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 RE

Report


ESOURCES
述职及民主评议大会
ROLL
IT

Human Resources Report

The Group promotes a people-oriented corporate culture, provides competitive compensation and benefits for employees, and continuously diversifies training and development opportunities. The Group also endeavors to achieve the growth and development of both employees and enterprises, and strives to establish the sense of responsibility and a sense of accomplishment for all of our employees in their work.

Our Employees

As of the end of December 2016, we have a total of 7,885 employees (2015: 8,286), which is mainly located in the Mainland China, representing 99% (2015: 98%). Over 41% (2015: 47%) 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 2016, our overall turnover rate was 6.10% (2015: 6.25%).

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

Headcount by Location	**2016**	**2015**
Hong Kong	**16**	18
Mainland China	**7,810**	8,129
Gabon	**59**	139
Total:	**7,885**	8,286

Headcount by Age	Hong Kong		Mainland China		Gabon		Group	
	2016	**2015**	**2016**	**2015**	**2016**	**2015**	**2016**	**2015**
60 and above	**1**	1	**10**	7	**0**	0	**11**	8
51-59	**3**	4	**1,135**	947	**4**	2	**1,142**	953
41-50	**5**	2	**3,464**	3,396	**12**	27	**3,481**	3,425
31-40	**5**	7	**1,940**	2,244	**32**	41	**1,977**	2,292
30 and below	**2**	4	**1,261**	1,535	**11**	69	**1,274**	1,608
Total:	**16**	18	**7,810**	8,129	**59**	139	**7,885**	8,286

Headcount by Employment Category	Hong Kong		Mainland China		Gabon		Group	
	2016	**2015**	**2016**	**2015**	**2016**	**2015**	**2016**	**2015**
Senior	**3**	4	**7**	7	**2**	2	**12**	11
Middle	**3**	2	**93**	82	**5**	7	**101**	93
Professional	**4**	5	**534**	672	**37**	30	**575**	707
General	**6**	7	**7,716**	7,368	**15**	100	**7,197**	7,475
Total:	**16**	18	**8,350**	8,129	**59**	139	**7,885**	8,286

Employees Remuneration

Compliance with external competitiveness and internal equity principle, the Group regularly reviews its remuneration plan in accordance with the employees' experience, responsibilities and performance, etc to ensure that remuneration is in line with market competitiveness. The Group is committed to providing fair market remuneration in form and value to attract, retain and motivate high quality employees.

The Group operates the following retirement schemes for its employees:

(1) a "five social insurance and one housing fund" retirement pension scheme in accordance with the Retirement Policy of the Chinese Government for PRC employees;

(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.

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 is implemented in accordance with the Retirement Policy of the Chinese Government, the Pension Provisioning Law of Gabon, the Hong Kong MPF Ordinance and the Company's employee handbook.

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.

Employee Turnover

The Group attaches great importance to attracting, nurturing and retaining employees and actively promoting the corporate culture of caring for employees, building a harmonious labor relationship and enhancing staff cohesion. We develop a sound employee remuneration policy based on external competitiveness and internal equity principle to ensure the stability and healthy mobility of key employees. At the same time, we also provide a healthy and positive working environment and sound welfare for our employees. We are also committed to maintaining a balance between work and life to retain and motivate qualified employees.

	Hong Kong		Mainland China		Gabon		Group	
	2016	**2015**	**2016**	**2015**	**2016**	**2015**	**2016**	**2015**
Employee Turnover Number	**2**	3	**458**	339	**20**	176	**480**	518
Employee Turnover Rate	**12.5%**	16.7%	**5.86%**	4.17%	**33.90%**	55.87%	**6.10%**	6.25%

Employee Turnover Number by Location	**2016**	**2015**
Hong Kong	**2**	3
Mainland China	**458**	339
Gabon	**20**	176
Total:	**480**	518

Employee Turnover Number by Age	Hong Kong		Mainland China		Gabon		Group	
	2016	**2015**	**2016**	**2015**	**2016**	**2015**	**2016**	**2015**
60 and above	**0**	0	**1**	1	**0**	1	**1**	2
51-59	**1**	0	**32**	9	**2**	3	**35**	12
41-50	**0**	1	**92**	43	**5**	32	**97**	76
31-40	**0**	2	**148**	122	**8**	57	**156**	181
30 and below	**1**	0	**185**	164	**5**	83	**191**	247
Total:	**2**	3	**458**	339	**20**	176	**480**	518

Development and Training

We adhere to the people-oriented policy and attach great importance to personnel training and development, and also pay close attention to invest and add value to human capital. Based on the nature of our employees positions and based on reality, we encourage and provide diversified training and development channels to protect employees' fair and adequate training opportunities so as to continuously enhance the professional competence and performance of our staff and provide a wide range of development opportunities. We offer good platform to add value to the Group's human capital and to obtain sustainable and healthy development.

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	
	2016	**2015**	**2016**	**2015**	**2016**	**2015**	**2016**	**2015**
Senior	**67**	100	**100**	85	**0**	100	**56**	95
Middle	**100**	100	**88**	60	**0**	100	**63**	87
Professional	**100**	83	**84**	78	**0**	90	**61**	84
General	**36**	33	**93**	75	**0**	80	**43**	83

Average Training Hours per Employee by Employment Category	Hong Kong		Mainland China		Gabon		Group	
	2016	**2015**	**2016**	**2015**	**2016**	**2015**	**2016**	**2015**
Senior	**37**	31	**20**	15	**0**	15	**19**	20
Middle	**12**	9	**21**	20	**0**	15	**11**	15
Professional	**43**	39	**21**	20	**0**	20	**21**	26
General	**4**	3	**17**	25	**0**	15	**7**	14

Social RESPONS Report


SIBILITIES

Social Responsibilities Report

We are committed to ensure long-term sustainability of our businesses. Now we have over 7,800 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 in an environmental friendly manner, we are also keen to establish a quality operation system, to protect the safety and health of our employees and also to provide contribution to the surrounding community in which we have businesses.

Materiality

As part of the preparation for compiling this report, we undertake a preliminary review of the material topics that have affected and continue to affect our business, and our actions to address them. This process focuses our reporting on the sustainability topics which we consider of interest to our key stakeholders, which include national and regional government, community members, our workforce and business partners.

A matter is considered to be material if, in the view of the Board and senior management, it is of such importance that it will, or potentially could, in the short, medium or long term:

- have a significant influence on, or is of particular attention to, our stakeholders; or
- substantively impact our ability to meet our strategic objectives.

Once identified, each material issue is given a priority level based on the level of concern shown by stakeholders, as well as its actual and/or potential impact on the business. The issues which we identified as being material are in the following four aspects, in no order of priority:

- Safety Production and Labour Protection;
- Energy Savings and Environmental Protection;
- Quality Operation System Establishment, Employment Training and Growth; and
- Social Contribution, Living Environment and Culture Development

Basis of preparation

The data in this report, unless otherwise stated, cover companies, assets and projects in which we have operational control (where we have full authority to implement our operating policies), but does not cover our associated companies.

Basis of preparation (continued)

A summary of our key performance indicators in the aforesaid four critical areas during the year is set out in the following table:

Critical Areas	Key performance indicators	2016	2015
Safety Production and Labour Protection	Fatalities (Note 1)	**0**	2
	Number of Injuries	**23**	33
	Number of Lost Days Caused by Injuries (Note 2)	**1,613**	499
Energy Savings and Environmental Protection	Electricity Consumption (kWh) (Note 3)	**1,240,620,658**	1,128,619,601
	Electricity Intensity (kWh per EMM (Tonnes)) (Note 4)	**6,731**	6,908
	Water Consumption (Tonnes)	**2,489,044**	2,264,338
	Greenhouse Gas Emission (Tonnes) (Note 5)	**18**	15
	Waste Slag Volume (Tonnes) (Note 6)	**1,343,061**	1,221,812
	Non-hazardous Waste produced (Tonnes) (Note 7)	**407,487**	464,046
	Total Packaging Material used for finished products	**1,734,500**	1,695,000
Quality Operation System Establishment, Employment Training and Growth	Number of Suppliers	**197**	202
	Number of Complaint against our Products	**6**	7
	Number of Complaints and/or Legal Cases regarding Corrupt Practices	**0**	0
	Number of Employees	**7,885**	8,286
	Female Ratio (percentage)	**32.6**	32.4
Social Contribution, Living Environment and Culture Development	Donation (HKD)	**331,000**	681,150

Notes:

1. Fatality is the death of an employee as a result of an occupational illness/injury/disease incident in the course of employment.

2. An occupational illness/injury/disease sustained by an employee causing him/her to miss one scheduled workday/shift or more after the day of the injury.

3. The figures only includes the total electricity consumption for EMM, EMD and ferroalloy productions.

4. The figures only includes the consolidated average electricity usage (kWh) per EMM (tonnes) for our EMM production by Daxin EMM Plant, DXML EMM Plant, Tiandeng EMM Plant and Guangxi Start EMM Plant.

5. The figures only includes the greenhouse gas emission for Qinzhou Ferroalloy Plant.

6. The figures only includes waste slag production for Daixin Mine and Tiandeng Mine.

7. The figures only includes the tailings produced for Daxin Mine, Tiandeng Mine, Changgou Manganese Mine and Bembélé Manganese Mine. Since Waifu Manganese Mine did not have any mining production in 2015 and 2016, therefore no tailings were produced.

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.

During the year, our major measures are as follows:

(1) Strict Implementation of the Establishment and Execution of the Safety Production System:

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

(2) Strict Implementation of Safety Production Responsibility System:

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

(3) Establishment of Safety Production Standardization 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 弄松 (Nongsong tailing pond), Tiandeng Mine (open pit mine, processing plants, 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) Daixin Manganese, Tiandeng New Materials and Tiandong New Material 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.

1. Safety Production and Labor Protection (continued)

(5) Reinforcement of Production Safety Concept to Our Employees:

In China, we continued to reinforce the production safety concept to our employees, including, inter alia, the following:

(i) 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.

(ii) 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.

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

(6) Strict Compliance with Labour Standards

We prohibit the employment of child, forced or compulsory labour in any of our operations. During the year, we did not identify any operation or supplier as having significant risk of child labour, young workers exposed to hazardous work, or forced or compulsory labour.

(7) 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 year, 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, can provide sufficient protection to protect the health and safety of our employees.

As a result of our continuous stringent control in respect of the production safety, the number of fatalities and injuries in respect of our employees continued to remain at a low level. Set out below is a summary of the fatalities, number of injuries and loss of days caused by injuries during the year:

Fatalities (by Location)	**2016**	**2015**
Hong Kong	**0**	0
Mainland China	**0**	2
Gabon	**0**	0
Total:	**0**	2

1. Safety Production and Labor Protection (continued)

Number of Injuries (by Location)	2016	2015
Hong Kong	**0**	0
Mainland China	**23**	29
Gabon	**0**	4
Total:	**23**	33

Number of Lost Days Caused by injuries (by Location)	2016	2015
Hong Kong	**0**	0
Mainland China	**1,613**	409
Gabon	**0**	90
Total:	**1,613**	499

The increase in the number of injuries during the year, was mainly due to the formal re-commencement of our upstream underground mining business operation in Changgou manganese mine in 2016. Nevertheless, we had already been alerted of the situation and had actively implemented and reinforced our production safety measures, in order to protect the safety and health of our employees.

Compliance with Safety Production Rules and Regulations and Labour Standards

During the year, we continued to strictly follow all the prevailing laws and regulations regarding safety production and labour standards 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 and labour standards by the Group during the year.

2. Energy Savings and Environmental Protection

Strict Supervision of Resource Consumption

We continue to strictly monitor our resources consumption on an ongoing basis and electricity consumption (including intensity) and water consumption are our top priorities. During the year, our electricity consumption (including electricity intensity) and water consumption, as compared with the corresponding period in the previous years, remains similar and do not have any material change, details are set out in the following table:

	2016	2015
Electricity Consumption (kWh)	**1,240,620,658**	1,128,619,601
Electricity Intensity (kWh per EMM (Tonnes))	**6,731**	6,908
Water Consumption (Tonnes)	**2,489,044**	2,264,338

2. Energy Savings and Environmental Protection (continued)

Reduction of Waste Production

Waste is a by-product of the construction, demolition and operation of our facilities. Due to the different nature of assets in our mining and downstream production process, different types of waste are generated. Througout the whole production process from our upstream mining up to downstream operations, the biggest amount of hazardous wastes generated are greenhouse gas, waste water, and waste slag while the biggest amount of non-hazardous wastes generated are tailings. Beyond that, the volume of solid and liquid waste we generate is small and the risk of significant environmental spills or leakages is low.

(1) Greenhouse Gas Emissions

The greenhouse gas emissions is mainly caused during the ferroalloy production by Qinzhou Ferroalloy Plant. Beyond that, the greenhouse gas emissions by our other segment of business is not significant and therefore we have not taken into account. The greenhouse gas emission in 2016, as compared with 2015 increased by around 20%, was mainly due to no such long period of temporary suspension of production by Qinzhou Ferroalloy Plant during the year as happened in 2015. Details are shown as below:

	2016	**2015**
Greenhouse Gas Emission (Tonnes)	**18**	15

(2) Waste Water

Water is mainly used for our upstream mining operation and downstream EMM and EMD production. The largest volume of water we withdraw from water bodies is used for grinding of our manganese ores and electrolysis process of our EMM and EMD. However, the majority of the water is discharged back to their sources after appropriate treatment in accordance with local environmental laws and regulations to ensure no adverse environmental impact is introduced. Depending on site-specific conditions, operational situations and age, some of these were introduced in the design stage, and some were initiated after production.

(3) Waste Slag

Waste slags are by products of our various downstream productions. Such waste slags are processed with proper treatments before disposal. Details of our waste slags are shown as below:

	2016	**2015**
Waste Slags Volumes (Tonnes)	**1,343,061**	1,221,812

The increase of our waste slag production during the year was mainly due to various factors, including (i) the increase of our EMM and EMD productions; (ii) the decrease in the manganese grading of our manganese ores and (iii) the decrease in our consumption for manganese oxide ores.

2. Energy Savings and Environmental Protection (continued)

Reduction of Waste Production (continued)

(4) Non-hazardous Wastes-Tailings

Tailings are produced during the ore processing process of our upstream mining operation. All these tailings are non hazardous and are directed into our designated tailings dams and tailings storage facilities and when full, replantation will be carried out thereof in order to restore their original ecological structure. Details of tailings produced are as follows:

	2016	**2015**
Tailings Production (Tonnes)	**407,487**	464,046

We will continue to monitor the environmental effect in respect of our production, continuing to reduce our waste production, so as to minimize the impact to the surrounding ecosystem.

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 and Tiandeng branch continued to implement various cost reduction measures, and adopt refined management, our production costs were thereby reduced, which included but not limited to the followings:

(i) In Daxin Mine:

1) we expanded the mining production scale in a systematic and scientific manner by descending our mining area at line 5a-8 located at the eastern part of Daxin Mine from the original location at depth above 335 meters to 305 meters, thereby increasing the mining areas;

2) we continuously improved and refined the mining method, thereby increasing the mining efficiency;

3) we increased and optimized the tailing recovery rate of Daxin concentration plant, thereby reducing the production cost.

(ii) In Tiandeng Mine:

1) we acquired several advanced mining machines and facilities, like the drilling machines, thereby increasing the mining efficiency;

2) we adopted different mining methods in different mining sections in a scientific and orderly manner, thereby increasing the mining efficiency;

3) we increased the Luli open pit mining area, thereby increasing the carbonate manganese ore mining number.

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 continued to decrease and the metal recoveries rate has increased correspondingly. Our measures included:

1) we conducted technology improvements to the filter press machines and by using the filter technology to recover the manganese ammonia of the manganese tailings, thereby increasing the recovery rate of manganese ammonia;

2) we increased and optimized the filter efficiency of carbonate manganese, thereby increasing the chemical leaching efficiency during the EMM production process;

3) we commenced the construction of automatic feeder system for manganese ores, thereby reducing the production cost.

(ii) EMD Business:

1) we improved and optimized the rinsing solution of the EMD production by recovering the rinsing fluid, thereby minimising the production consumption;

2) we conducted research on the nature and the composition of hybrid manganese oxide in order to fully utilise the usage of its oxide component, thereby minimising the production cost.

(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) 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.

Environmental Regulation: Compliance and Beyond

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. Quality Operation System Establishment, Employment Training and Growth

(1) Quality Operation System Establishment

We continued to enhance our quality operation system, so as to increase our operational efficiency and effectiveness.

(i) Supply Chain Management

Our suppliers and contractors provide us a wide range of products and services, including fuel and equipment for our upstream mining operations; electricity and other raw materials for our downstream operations; packaging bags and other related accessories for the sales of our final products as well as underground technology innovation construction service and subcontracting processing services , etc.

During the year, the number of our suppliers are set out as follows:

Number of our suppliers	2016	2015
Hong Kong	**1**	0
Mainland China	**195**	199
Gabon	**1**	3
Total	**197**	202

All our suppliers are required to be assessed for their capabilities to fulfil our business needs and such assessment is based on a combination of different and various factors such as their track record, reputation, production capacity as applicable.

In addition, we continued to keep close supervision in respect of procurement practice of normal operation. Save and except for those special suppliers, all other suppliers and contractors are selected based on public auction with strict comparison and assessment.

Furthermore, we also continued to carry out assessment and internal audit in respect of our suppliers on a regular basis, so as to assess whether such suppliers continue to meet our request.

3. Quality Operation System Establishment, Employment Training and Growth (continued)

(1) Quality Operation System Establishment (continued)

(ii) Product Quality Supervision

The whole production process, commencing from procurement, production up to after sales services, are strictly compiled with ISO9001:2008 quality management requirement.

We continuously continued our improvements and researches on our production technique and have applied and were granted various patents licences thereof. All our products strictly meet the national and our sector standards and our client's requirements. Among which, our major products, EMM, EMD and manganese sulfate are rewarded with recognition of "Quality products of Guangxi" since 2015 and have passed the inspection by the relevant PRC quality assessment bureau.

We continued to provide our clients with quality after sales service and comply with our stringent products quality control system, e.g. "Customers Satisfaction and Complain Assessment Procedure" and "Products Recall Procedures" etc.

As a result of our continuous stringent control in respect of the quality of our products, the complaints we received in respect of our products and/or recalled continued to remain at a low level. During the year, the complaints we received in respect of our products and/or recalled are as follows:

	2016	2015
Number of products related complaints received and/or recalled	**6**	7

All of the six complaints are related to minor quality issues of our EMM and manganese sulfate. After our internal investigation and subsequent adjustment in respect of our production technique, the quality of our EMM and manganese sulfate have resumed normal and to the satisfaction of the clients.

(iii) Probity Operating System Establishment

We continued to establish probity operating system, including, inter alia, establishment of anti bribery regulation, inclusion of probity system as annual object responsibility audit and execution of probity agreement with our suppliers, etc.

During the year, we have not received any complaints or any legal cases regarding corruption, details are as follows:

	2016	2015
Number of Complaints and/or Legal Cases regarding Corrupt Practices	**0**	0

3. Quality Operation System Establishment, Employment Training and Growth (continued)

(1) Quality Operation System Establishment (continued)

(iv) Our Code of Code and Personal Privacy Protection

All our management and staff are subject to our code(s) of conduct which we implement and review from time to time and such code(s) places them under specific obligations as to the ethics and principles by which our business is conducted. Non-compliance with the code of conduct(s) results in disciplinary action. Disciplinary measures are decided by the relevant line management. These measures are then subject to review and endorsement by the board of directors, in order to ensure the consistency and fairness of treatment.

We monitor and periodically document any complaints related to breaches of customer privacy and loss of customer data. No customer privacy and data loss cases have been reported or noted during the year.

(2) 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 different training courses were held during 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:

(i) "Advanced Leadership Skills Course", so as to enhance the leadership skills of the management;

(ii) "Financial knowledge for non-financial management course" so as to enhance the basic financial knowledge of the management;

(iii) "Effective Communication Skills" course, so as to enhance the communication skills of our employees, thereby increasing the working efficiency;

(iv) "Mining Geology Talk" and "Past Production Safety Accident Cases Analysis and the safety measures", so as to enhance the knowledge of mining production and the production safety of our employees;

(v) "Project Completion Billing and Accounts Elementary Training Course", so as to enhance the knowledge of the project managers, project completion auditors and the related financial management; and

(vi) "2016 CITIC Dameng University orientation training courses", in order to enable our new incoming university graduates to familiar with our culture and spirit and understand our development history.

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 organized various cultural activities and basketball 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 employees and attract talent candidates, thereby creating a stable workforce.

In Tiandeng Mine,

(i) We continued to finance 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 social activities in Gabon, including national festival and etc.

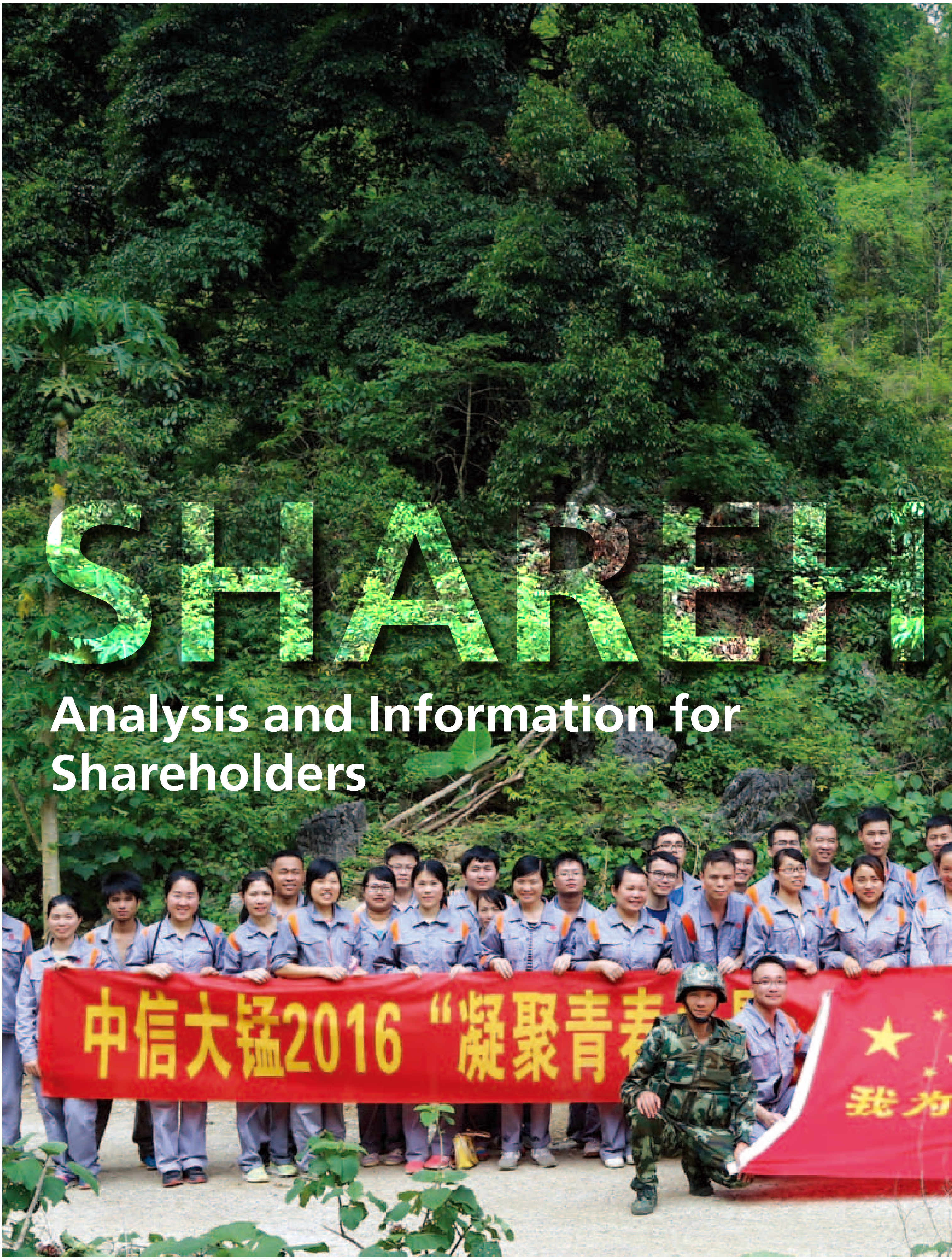
We treasure serving our community and therefore, we spent money into the community where our businesses are situated. During the year, our cash donations to charities reached HK$331,000. Details are as follows:

	2016	2015
Donation (HKD)	**331,000**	681,150

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.

SHAREH

Analysis and Information for Shareholders

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Shareholding Analysis and Information for Shareholders

Our Share Information and Our Shareholding Structure

As at 31 December 2016, a summary of our share information is set out below:

Our Share Information as at 31 December 2016	
Authorised Share Capital	HK$1,000,000,000
Issued Share Capital	HK$342,845,900
Board Lot	1,000 shares
Market Capitalisation	HK$1,748,514,090
Number of Issued Shares	3,428,459,000
Closing Price	HK$0.51

As at 31 December 2016, a summary of our shareholding structure is set out below:

Our shareholding structure as at 31 December 2016

Size of Registered Shareholdings	No. of Shareholders	% of Shareholders	No. of Shares	% of Issued Share Capital
0 – 1,000	1,404	49.38	1,350,203	0.04
1,001 – 5,000	1,351	47.52	3,549,290	0.10
5,001 – 10,000	49	1.72	375,281	0.01
10,001 – 100,000	34	1.20	769,647	0.02
More than 100,001	5	0.18	3,422,414,579	99.82
Rounding				0.01
Total	2,843	100.00	3,428,459,000	100.00

As at 31 December 2016, 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 2017

Set out below are the major events and tentative dates of the Company in 2017 in which shareholders or investors need to pay attention to:

Date	Event
15 February 2017	Announcement of 2016 final results
21 June 2017	2017 AGM
26 July 2017	Announcement of 2017 interim results

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

Independent Auditor's Report

To the shareholders of CITIC Dameng Holdings Limited
(Incorporated in Bermuda with limited liability)

Opinion

We have audited the consolidated financial statements of CITIC Dameng Holdings Limited (the "Company") and its subsidiaries ("the Group") set out on pages 98 to 164, which comprise the consolidated statement of financial position as at 31 December 2016, 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 notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2016, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

Basis for opinion

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the HKICPA. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report. We are independent of the Group in accordance with the HKICPA's *Code of Ethics for Professional Accountants* (the "Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

To the shareholders of CITIC Dameng Holdings Limited (continued)
(Incorporated in Bermuda with limited liability)

Key audit matters (continued)

Key audit matter	How our audit addressed the key audit matter
Going concern consideration	
As at 31 December 2016, the Group recorded net current liabilities amounting to approximately HK$923 million and loss for the year of approximately HK$128 million. The management considered that the Group will have adequate financial resources, including the net cash inflows generated from operating activities and bank borrowings to continue the Group's operation in the foreseeable future and fulfill financial responsibility as and when they fall due. Management has also sought financial support from a shareholder to the Group in case of necessary and obtained written confirmations from certain of the Group's principal bankers to confirm their willingness to renew the Groups' existing short-term bank loans which will fall due in the next twelve months. The going concern assessment was largely based on the expectations and estimates made by the management, which could be influenced by economic factors which are not controlled by the management. Estimates were based on assumptions, including expectations regarding future developments in the economy and the market. Actual cash flows are likely to differ from forecast since anticipated events frequently do not occur as expected and unforeseen events may arise. The disclosures in respect of going concern consideration are included in note 2.1 Basis of preparation to the consolidated financial statements.	• Evaluated management's assessment and discussed with management about any events and conditions that may cast significant doubt upon the entity's ability to continue as a going concern; • With respect to the management's projected cash flow of the Group for the next twelve months to support the going concern basis, we analysed the underlying data and evaluated whether there is adequate support for the key assumptions used in the cash flow forecast, such as the future selling prices, profit margin, successful renewal of the bank borrowings and the committed capital expenditures, with a reference to historical financial performance, budgets and development plan of the Group; • Obtained banking facility letters and confirmations from the banks to confirm the unutilised banking facilities and financing resources from the banks, checked to the proceeds from new bank loans subsequent to the reporting date; • Regarding the financial support letter obtained by the Group from the shareholder, we obtained a copy of such support letter and evaluated the financial ability of the shareholder who will provide such support to the Group by obtaining a set of its latest management accounts; and, • Assessed the adequacy of the related disclosures in notes to the consolidated financial statements.

To the shareholders of CITIC Dameng Holdings Limited (continued)
(Incorporated in Bermuda with limited liability)

Key audit matters (continued)

Key audit matter	How our audit addressed the key audit matter
Impairment of long-term assets	
As at 31 December 2016, the market capitalisation of the Group accounted for 65% of the carrying amount of its net assets. The continued decrease in the selling prices of manganese products in the past few years, and certain subsidiaries' suspension or reduction in production are factors which heighten the risk of impairment associated with the Group's long-term assets, including property, plant and equipment, prepaid land lease payments, intangible assets and investment in associates. Management measured the recoverable amount which is the higher of the respective cash-generating unit's ("CGU") fair value less costs of disposal and its value in use. Recoverability of these CGUs is dependent on macro-economic assumptions about future prices of manganese products, discount rate and exchange rates as well as internal assumptions related to future production levels and operating costs. These estimates are particularly significant due to the uncertain economic outlook, the product price volatility, forecasted future production and market demand. The outcome of impairment assessments could vary significantly when different assumptions applied. The accounting policies and disclosures for impairment of long-lived assets are included in notes 3, 4, 15, 17, 18 and 19 to the consolidated financial statements.	• Reviewed the management's impairment assessment of these CGUs by comparing the carrying value of long-lived assets, the fair value less costs of disposal and their value in use, assessed the assumptions and methodologies (long term growth rate, budgeted prices based on market trend and budgeted sales quantity based on the existing production capacity) adopted by the management, involved our valuation specialists to assist us in evaluating the discount rate; • Paid specific attention to the forecasts used with respect to future revenues and operating results by comparing the forecasts with the historic performance of the respective CGU and the business development plan; and • Assessed the adequacy of impairment related disclosures in the consolidated financial statements.

To the shareholders of CITIC Dameng Holdings Limited (continued)
(Incorporated in Bermuda with limited liability)

Key audit matters (continued)

Key audit matter	How our audit addressed the key audit matter
Impairment provision on trade receivables	
As at 31 December 2016, the balance of trade receivables was material to the Group, among which a balance of HK$318 million was due from a single customer, the shareholder of an associate of the Group, resulted from trading business, accounting for 43% of total balance of trade receivables. The determination as to whether a trade receivable is impaired involves significant management judgement. Specific factors which management would consider include the age of the balances, existence of disputes, past collection history and other available information concerning the creditworthiness of counterparties. Management uses such information to determine whether any objective evidence of impairment exists for trade receivables and whether a provision for impairment is required. Disclosures related to impairment provision on trade receivables are included in notes 3, 4 and 22 to the consolidated financial statements.	• Tested controls over the Group's receivables collection processes; • Reviewed the Group's assessment of the impairment provision at the end of reporting period by checking the correctness of the ageing of trade receivables, the repayment history of the debtors and future repayment plan for the overdue receivables; • Obtained direct external confirmations for a sample of trade receivable balances; • Checked bank receipts for the settlements of trade receivables made subsequent to the year end.

Other information included in the Annual Report

The directors of the Company are responsible for the other information. The other information comprises the information included in the Annual Report, other than the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

To the shareholders of CITIC Dameng Holdings Limited (continued)
(Incorporated in Bermuda with limited liability)

Responsibilities of the directors for the consolidated financial statements

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA 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.

In preparing the consolidated financial statements, the directors of the Company are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors of the Company either intend to liquidate the Company or to cease operations or have no realistic alternative but to do so.

The directors of the Company are assisted by the Audit Committee in discharging their responsibilities for overseeing the Group's financial reporting process.

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. 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.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit 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 Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

To the shareholders of CITIC Dameng Holdings Limited (continued)
(Incorporated in Bermuda with limited liability)

Auditor's responsibilities for the audit of the consolidated financial statements (continued)

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Audit Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is LEE MEE KWAN, HELENA.

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

15 February 2017

Consolidated Statement of Profit or Loss and Other Comprehensive Income

Year ended 31 December 2016

	Notes	2016 HK$'000	2015 HK$'000
REVENUE	6	**3,248,108**	2,517,000
Cost of sales		**(2,823,887)**	(2,604,637)
Gross profit/(loss)		**424,221**	(87,637)
Gain on bargain purchase	36	**–**	223,798
Other income and gains	6	**216,970**	164,293
Selling and distribution expenses		**(86,052)**	(99,449)
Administrative expenses		**(382,945)**	(482,425)
Finance costs	7	**(235,892)**	(270,726)
Other expenses		**(21,049)**	(37,135)
Impairment of property, plant and equipment and mining right		**–**	(347,657)
Share of losses of associates		**(46,562)**	(5,288)
LOSS BEFORE TAX	8	**(131,309)**	(942,226)
Income tax credit/(expense)	11	**2,888**	(33,751)
LOSS FOR THE YEAR		**(128,421)**	(975,977)
OTHER COMPREHENSIVE LOSS:			
Other comprehensive loss to be reclassified to profit or loss in subsequent periods:			
– Exchange differences on translation of foreign operations		**(197,366)**	(138,725)
TOTAL COMPREHENSIVE LOSS FOR THE YEAR		**(325,787)**	(1,114,702)
Total loss attributable to:			
Owners of the parent		**(87,913)**	(956,007)
Non-controlling interests		**(40,508)**	(19,970)
		(128,421)	(975,977)
Total comprehensive loss attributable to:			
Owners of the parent		**(285,238)**	(1,094,789)
Non-controlling interests		**(40,549)**	(19,913)
		(325,787)	(1,114,702)
LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	12		
Basic		**HK cents 2.56**	HK cents 29.61
Diluted		**HK cents 2.56**	HK cents 29.61

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

Consolidated Statement of Financial Position

31 December 2016

	Notes	2016 HK$'000	2015 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment	15	**2,990,656**	3,314,103
Investment properties	16	**81,927**	87,343
Prepaid land lease payments	17	**443,023**	492,756
Intangible assets	18	**569,817**	624,450
Investments in associates	19	**826,466**	762,035
Deferred tax assets	20	**32,933**	33,122
Prepayments and deposits	23	**223,603**	214,074
Total non-current assets		**5,168,425**	5,527,883
CURRENT ASSETS			
Inventories	21	**792,837**	810,867
Trade and notes receivables	22	**837,592**	751,611
Prepayments, deposits and other receivables	23	**518,776**	667,481
Due from related companies	41	**10,272**	1,692
Due from associates	19	**26,187**	–
Tax recoverable		**13,060**	13,610
Financial assets at fair value through profit or loss	24	**24,295**	–
Pledged deposits	25	**545,349**	558,730
Cash and cash equivalents	25	**989,510**	968,404
		3,757,878	3,772,395
Non-current assets classified as held for sale	14	**–**	37,058
Total current assets		**3,757,878**	3,809,453
CURRENT LIABILITIES			
Trade and notes payables	26	**950,036**	505,878
Other payables and accruals	27	**1,009,600**	772,300
Interest-bearing bank and other borrowings	28	**2,607,033**	2,630,208
Medium-term notes	29	**–**	596,800
Due to related companies	41	**114,327**	7,505
Tax payable		**12**	247
Total current liabilities		**4,681,008**	4,512,938
NET CURRENT LIABILITIES		**(923,130)**	(703,485)
TOTAL ASSETS LESS CURRENT LIABILITIES		**4,245,295**	4,824,398
NON-CURRENT LIABILITIES			
Interest-bearing bank and other borrowings	28	**1,279,868**	1,504,989
Deferred tax liabilities	20	**191,134**	204,385
Other long-term liabilities	31	**19,570**	16,407
Deferred income	32	**80,851**	98,974
Total non-current liabilities		**1,571,423**	1,824,755
Net assets		**2,673,872**	2,999,643

Consolidated Statement of Financial Position

31 December 2016

	Notes	2016 HK$'000	2015 HK$'000
EQUITY			
Equity attributable to owners of the parent			
Issued capital	33	**342,846**	342,846
Reserves	35	**2,262,363**	2,547,585
		2,605,209	2,890,431
Non-controlling interests		**68,663**	109,212
Total equity		**2,673,872**	2,999,643

Yin Bo
Director

Li Weijian
Director

Consolidated Statement of Changes in Equity

Year ended 31 December 2016

		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 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 related to 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	33	30,248	362,976	–	–	–	–	–	–	393,224	–	393,224
Placement expense	33	–	(4,950)	–	–	–	–	–	–	(4,950)	–	(4,950)
Shares swap	33	10,430	125,160	–	–	–	–	–	–	135,590	–	135,590
Repurchases of shares	33	(312)	(2,360)	–	–	–	–	312	–	(2,360)	–	(2,360)
Provision for special reserve	35(b)	–	–	–	–	34,362	–	–	(34,362)	–	–	–
Utilisation of special reserve	35(b)	–	–	–	–	(33,051)	–	–	33,051	–	–	–
Government grant		–	–	164	–	–	–	–	–	164	–	164
At 31 December 2015 and 1 January 2016		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
Loss for the year		**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(87,913)**	**(87,913)**	**(40,508)**	**(128,421)**
Other comprehensive loss for the year:												
Exchange differences related to translation of foreign operations		**-**	**-**	**-**	**-**	**-**	**(197,325)**	**-**	**-**	**(197,325)**	**(41)**	**(197,366)**
Total comprehensive loss for the year		**-**	**-**	**-**	**-**	**-**	**(197,325)**	**-**	**(87,913)**	**(285,238)**	**(40,549)**	**(325,787)**
Provision for special reserve	35(b)	**-**	**-**	**-**	**-**	**36,766**	**-**	**-**	**(36,766)**	**-**	**-**	**-**
Utilisation of special reserve	35(b)	**-**	**-**	**-**	**-**	**(38,282)**	**-**	**-**	**38,282**	**-**	**-**	**-**
Government grant		**-**	**-**	**16**	**-**	**-**	**-**	**-**	**-**	**16**	**-**	**16**
Transfer of share option reserve upon forfeiture of share options		**-**	**-**	**-**	**(56,563)**	**-**	**-**	**-**	**56,563**	**-**	**-**	**-**
At 31 December 2016		**342,846**	**3,352,902***	**(171,679)***	**53,977***	**141,697***	**(4,286)***	**312***	**(1,110,560)***	**2,605,209**	**68,663**	**2,673,872**

* These reserve accounts comprise the consolidated reserves of HK$2,262,363,000 (2015: HK$2,547,585,000) in the consolidated statement of financial position.

Consolidated Statement of Cash Flows

Year ended 31 December 2016

	Notes	2016 HK$'000	2015 HK$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Loss before tax		**(131,309)**	(942,226)
Adjustments for:			
Finance costs	7	**235,892**	270,726
Interest income	6	**(19,252)**	(25,927)
Net (gain)/loss on disposal of items of property, plant and equipment	8	**(30,346)**	507
Gain on disposal of non-current assets classified as held for sale	8	**(1,903)**	–
Gain on disposal of prepaid land lease payments	8	**(32,452)**	–
Gain on disposal of financial assets at fair value through profit or loss	8	**(572)**	–
Government grants	32	**(20,301)**	(12,449)
Depreciation	8	**328,433**	369,727
Fair value gains on investment properties	8	**(129)**	–
Fair value gain on financial assets at fair value through profit or loss	8	**(13)**	–
Amortisation of prepaid land lease payments	8	**12,091**	13,046
Amortisation of intangible assets	8	**16,439**	13,014
Provision for rehabilitation	31	**4,398**	9,169
Write-down of inventories to net realisable value, net	8	**13,462**	114,053
Loss on stocktake		**4,027**	–
Impairment of trade and other receivables, net	8	**8,986**	6,917
Impairment of items of property, plant and equipment and other intangible assets	8	**–**	178,761
Impairment of mining right	8	**–**	168,896
Gain on bargain purchase from the acquisition of an associate	8, 36	**–**	(223,798)
Transaction cost incurred for acquisition of an associate		**–**	5,664
Share of losses of associates		**46,562**	5,288
		434,013	(48,632)
Decrease in inventories		**7,104**	189,061
(Increase)/decrease in trade and notes receivables		**(90,366)**	295,714
Decrease/(increase) in prepayments, deposits and other receivables		**182,702**	(240,065)
Increase in amounts due from related companies		**(8,580)**	(1,686)
Increase in trade and notes payables		**444,158**	327
Increase/(decrease) in other payables and accruals		**165,246**	(55,238)
Increase in amounts due to related companies		**15,825**	998
Cash generated from operations		**1,150,102**	140,479
Tax received/(paid)		**158**	(22,575)
Net cash flows from operating activities		**1,150,260**	117,904

Consolidated Statement of Cash Flows

Year ended 31 December 2016

	Notes	2016 HK$'000	2015 HK$'000
Net cash flows from operating activities		**1,150,260**	117,904
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest received		**23,613**	25,128
Receipt of government grants	32	**7,907**	8,245
Purchases of items of property, plant and equipment		**(187,084)**	(275,916)
Decrease in deposits for the purchase of property, plant and equipment		**5,166**	9,215
Proceeds from disposal of items of property, plant and equipment		**73,935**	39,268
Proceeds from disposal of non-current assets classified as held for sale		**31,610**	–
Additions of leasehold land	17	**–**	(962)
Additions of intangible assets	18	**(177)**	(653)
Advance to an associate		**(15,896)**	(119)
Deposit for rehabilitation		**(5,325)**	(6,129)
Purchase of interests in an associate		**–**	(320,953)
Capital contribution to an associate		**(202,250)**	–
Purchase of financial assets at fair value through profit or loss		**(31,646)**	–
Proceeds from sales of financial assets at fair value through profit or loss		**7,857**	–
Net cash flows used in investing activities		**(292,290)**	(522,876)
CASH FLOWS FROM FINANCING ACTIVITIES			
Net proceeds from placement		**–**	388,274
Pledged deposits matured/(placed), net		**13,381**	(275,297)
Repayment of medium-term notes		**(584,800)**	–
Proceeds from sales and leaseback arrangements		**58,480**	480,724
Repayment of sales and leaseback arrangements		**(257,039)**	–
Drawdown of bank and other borrowings		**3,878,551**	2,730,286
Repayment of bank and other borrowings		**(3,736,468)**	(2,719,251)
Interest paid		**(260,192)**	(275,776)
Share repurchase		**–**	(2,360)
Loan from a related company, net		**90,997**	–
Loan from a shareholder of an associate, net		**33,740**	–
Net cash flows (used in)/from financing activities		**(763,350)**	326,600
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		**94,620**	(78,372)
Cash and cash equivalents at beginning of year		**968,404**	1,153,121
Effect of foreign exchange rate changes, net		**(73,514)**	(106,345)
CASH AND CASH EQUIVALENTS AT END OF YEAR		**989,510**	968,404
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances	25	**1,534,859**	1,527,134
Less: Pledged deposits	25	**(545,349)**	(558,730)
Cash and cash equivalents at end of year		**989,510**	968,404

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, manganese mining and ore operations in Gabon, as well as trading of manganese ore.

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 and trading of manganese ore
CITIC Dameng (HK) Limited (中信大錳(香港)有限公司)	Hong Kong 28 August 2008	HK$1.00	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
Shenzhen Blue Ocean Strategy Trading Co., Ltd. ("Blue Sea Strategy") (深圳藍海策略貿易有限公司)^#	PRC/Mainland China 17 May 2016	RMB5,000,000	–	100.00	Trading of manganese ore, manganese alloy and related raw materials

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 disclosure requirements of 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.

During the year ended 31 December 2016, the Company and its subsidiaries (collectively referred to as the "Group") incurred a consolidated net loss of HK$128,421,000 (2015: HK$975,977,000) and had net cash inflows from operating activities of HK$1,150,260,000 (2015: HK$117,904,000). As at 31 December 2016, the Group had net current liabilities of HK$923,130,000 (2015: HK$703,485,000).

In view of these circumstances, the directors of the Company have given consideration to the future liquidity and performance of the Group and its available sources of finance in assessing whether the Group will have sufficient financial resources to continue as a going concern. In order to improve the Group's liquidity and cash flows to sustain the Group as a going concern, the Group implemented or is in the process of implementing the following measures:

(a) The Group is taking measures to tighten cost controls over administrative and other operating expenses aiming at improving the working capital and cash flow position of the Group including closely monitoring the daily operating expenses.

(b) The Group is restructuring the mix of manganese products with the aim to increase the portion of products with higher margin so as to attain profitable and positive cash flow operations. In particular, the Group will ramp up mining and processing capacity of existing mines. In addition, the Group from time to time reviews its investment projects and may adjust its investment strategies in order to enhance the cash flow position of the Group whenever it is necessary.

(c) Subsequent to 31 December 2016, in February 2017, certain PRC banks had confirmed to the Group in writing regarding their agreements to renew the short-term bank loans with the Group totalling HK$1,610 million for another year upon repayment when due, subject to the condition that the Group will be able to repay the total interest due upon the respective repayment dates.

(d) The Group has obtained financial support letter from a shareholder which stated explicitly to provide financial support to the Group to continue the Group's operation in the foreseeable future and fulfil financial responsibility as and when they fall due for 12 months from 31 December 2016.

(e) The Group is actively following up with its debtors on outstanding receivables with an aim of agreeing a repayment schedule with each of them.

The directors of the Company have prepared a cash flow forecast for the Group which covers a period of twelve months from the end of the reporting period. They are of the opinion that, taking into account the above-mentioned plans and measures, coupled with the rebound of the selling prices of the Group's major products since the second half of the year and up to the date of this report, the Group will have sufficient working capital to finance its operations and meet its financial obligations as and when they fall due in the foreseeable future. Accordingly, the directors are of the opinion that it is appropriate to prepare the consolidated financial statements of the Group for the year ended 31 December 2016 on a going concern basis.

Should the going concern assumption be inappropriate, adjustments may have to be made to write down the values of assets to their recoverable amounts, to provide for any further liabilities that might arise, and to reclassify non-current assets and non-current liabilities as current assets and current liabilities, respectively. The effects of these adjustments have not been reflected in the consolidated financial statements.

2.1 Basis of preparation (continued)

Basis of consolidation

The consolidated financial statements include the financial statements of the Group for the year ended 31 December 2016. 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 above. 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, on 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 new and revised HKFRSs for the first time for the current year's financial statements.

Amendments to HKFRS 10, HKFRS 12 and HKAS 28 (2011)	*Investment Entities: Applying the Consolidation Exception*
Amendments to HKFRS 11	*Accounting for Acquisitions of Interests in Joint Operations*
Amendments to HKAS 1	*Disclosure Initiative*
HKFRS 14	*Regulatory Deferred Accounts*
Amendments to HKAS 16 and HKAS 38	*Clarification of Acceptable Methods of Depreciation and Amortisation*
Amendments to HKAS 16 and HKAS 41	*Agriculture: Bearer Plants*
Amendments to HKAS 27 (2011)	*Equity Method in Separate Financial Statements*
Annual Improvements 2012-2014 Cycle	Amendments to a number of HKFRSs

The adoption of the above new and revised standards has had no significant financial effect on these 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.

Amendments to HKFRS 2	*Classification and Measurement of Share-based Payment Transactions*[2]
Amendments to HKFRS 4	*Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts*[2]
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 Venture*[4]
HKFRS 15	*Revenue from Contracts with Customers*[2]
Amendments to HKFRS 15	*Clarifications to HKFRS 15 Revenue from Contracts with Customers*[2]
HKFRS 16	*Leases*[3]
Amendments to HKAS 7	*Disclosure Initiative*[1]
Amendments to HKAS 12	*Recognition of Deferred Tax Assets for Unrealised Losses*[1]

1 Effective for annual periods beginning on or after 1 January 2017
2 Effective for annual periods beginning on or after 1 January 2018
3 Effective for annual periods beginning on or after 1 January 2019
4 No mandatory effective date yet determined but available for adoption

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

The HKICPA issued amendments to HKFRS 2 in August 2016 that address three main areas: the effects of vesting conditions on the measurement of a cash-settled share-based payment transaction; the classification of a share-based payment transaction with net settlement features for withholding a certain amount in order to meet the employee's tax obligation associated with the share-based payment; and accounting where a modification to the terms and conditions of a share-based payment transaction changes its classification from cash-settled to equity-settled. The amendments clarify that the approach used to account for vesting conditions when measuring equity-settled share-based payments also applies to cash-settled share-based payments. The amendments introduce an exception so that a share-based payment transaction with net share settlement features for withholding a certain amount in order to meet the employee's tax obligation is classified in its entirety as an equity-settled share-based payment transaction when certain conditions are met. Furthermore, the amendments clarify that if the terms and conditions of a cash-settled share-based payment transaction are modified, with the result that it becomes an equity-settled share-based payment transaction, the transaction is accounted for as an equity-settled transaction from the date of the modification. The Group expects to adopt the amendments from 1 January 2018. The amendments are not expected to have any significant impact on the Group's financial statements.

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 HKFRS 9 will have an impact on the classification and measurement of the Group's financial assets.

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 previous mandatory effective date of amendments to HKFRS 10 and HKAS 28 (2011) was removed by the HKICPA in January 2016 and a new mandatory effective date will be determined after the completion of a broader review of accounting for associates and joint ventures. However, the amendments are available for application now.

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

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 June 2016, the HKICPA issued amendments to HKFRS 15 to address the implementation issues on identifying performance obligations, application guidance on principal versus agent and licences of intellectual property, and transition. The amendments are also intended to help ensure a more consistent application when entities adopt HKFRS 15 and decrease the cost and complexity of applying the standard. The Group expects to adopt HKFRS 15 on 1 January 2018 and is currently assessing the impact of HKFRS 15 upon adoption.

HKFRS 16 replaces HKAS 17 *Leases*, HK(IFRIC)-Int 4 *Determining whether an Arrangement contains a Lease*, HK(SIC)-Int 15 *Operating Leases – Incentives* and HK(SIC)-Int 27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to recognise assets and liabilities for most leases. The standard includes two recognition exemptions for lessees – leases of low-value assets and short-term leases. At the commencement date of a lease, a lessee will recognise a liability to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use asset). The right-of-use asset is subsequently measured at cost less accumulated depreciation and any impairment losses unless the right-of-use asset meets the definition of investment property in HKAS 40. The lease liability is subsequently increased to reflect the interest on the lease liability and reduced for the lease payments. Lessees will be required to separately recognise the interest expense on the lease liability and the depreciation expense on the right-of-use asset. Lessees will also be required to remeasure the lease liability upon the occurrence of certain events, such as change in the lease term and change in future lease payments resulting from a change in an index or rate used to determine those payments. Lessees will generally recognise the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset. Lessor accounting under HKFRS 16 is substantially unchanged from the accounting under HKAS 17. Lessors will continue to classify all leases using the same classification principle as in HKAS 17 and distinguish between operating leases and finance leases. The Group expects to adopt HKFRS 16 on 1 January 2019 and is currently assessing the impact of HKFRS 16 upon adoption.

Amendments to HKAS 7 require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes. The amendments will result in additional disclosure to be provided in the financial statements. The Group expects to adopt the amendments from 1 January 2017.

Amendments to HKAS 12 were issued with the purpose of addressing the recognition of deferred tax assets for unrealised losses related to debt instruments measured at fair value, although they also have a broader application for other situations. The amendments clarify that an entity, when assessing whether taxable profits will be available against which it can utilise a deductible temporary difference, needs to consider whether tax law restricts the sources of taxable profits against which it may make deductions on the reversal of that deductible temporary difference. Furthermore, the amendments provide guidance on how an entity should determine future taxable profits and explain the circumstances in which taxable profit may include the recovery of some assets for more than their carrying amount. The Group expects to adopt the amendments from 1 January 2017.

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.

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.

3. Summary of significant accounting policies (continued)

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. 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 or vice versa, 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*.

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.

3. Summary of significant accounting policies (continued)

Fair value measurement (continued)

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 classified as held for sale), the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value in use and its fair value less costs 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.

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.

3. Summary of significant accounting policies (continued)

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.

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.

3. Summary of significant accounting policies (continued)

Property, plant and equipment and depreciation (continued)

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	3%-20%
Motor vehicles, plant, machinery, tools and equipment	10%-20%
Furniture and fixtures	10%-20%
Leasehold improvements	10%-20% or over the unexpired lease terms, whichever is shorter

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

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

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

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

Investment properties

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

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

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

Mining rights

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

3. Summary of significant accounting policies (continued)

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 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 financial assets at fair value thought profit or loss, 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:

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading. Financial assets are classified as held for trading if they are acquired for the purpose of sale in the near term.

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with positive net changes in fair value presented as other income and gains and negative net changes in fair value presented as finance costs in profit or loss. These net fair value changes do not include any dividends or interest earned on these financial assets, which are recognised in accordance with the policies set out for "Revenue recognition" below.

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 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 34 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.

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 profit or loss 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 increased by approximately HK$16,682,000 as at 31 December 2016.

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 2016 was HK$81,927,000 (2015: HK$87,343,000). 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 the creditworthiness and 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 2016, the carrying amount of inventories was approximately HK$792,837,000 (2015: HK$810,867,000) after netting off the allowance for inventories of approximately HK$101,689,000 (2015: HK$134,779,000).

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 2016 was nil (2015: Nil). The amount of unrecognised tax losses at 31 December 2016 was HK$750,000,000 (2015: HK$656,000,000). 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 mainly include Electrolytic Manganese Metal ("EMM"), manganese briquette, Electrolytic Manganese Dioxide ("EMD"), manganese sulfate, silicomanganese alloys 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, financial assets at fair value through profit or loss 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, tax payable 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$'000	Manganese mining and ore processing Gabon HK$'000	Manganese downstream processing PRC HK$'000	Non-manganese processing PRC HK$'000	Others PRC HK$'000	Total HK$'000
Year ended 31 December 2016						
Segment revenue:						
Sales to external customers	114,975	5,817	2,245,527	121,302	760,487	3,248,108
Intersegment sales	223,055	–	–	–	–	223,055
Other revenue	34,684	2,192	70,352	1,545	88,945	197,718
	372,714	8,009	2,315,879	122,847	849,432	3,668,881
Reconciliation:						
Elimination of intersegment sales						(223,055)
Revenue from operations						3,445,826
Segment results	(25,041)	(37,742)	199,954	9,534	50,343	197,048
Reconciliation:						
Interest income						19,252
Corporate and other unallocated expenses						(65,155)
Finance costs						(235,892)
Share of losses of associates						(46,562)
Loss before tax						(131,309)
Income tax credit						2,888
Loss for the year						(128,421)
Assets and liabilities						
Segment assets	860,099	402,818	4,615,370	75,925	1,111,067	7,065,279
Reconciliation:						
Corporate and other unallocated assets						1,861,024
Total assets						8,926,303
Segment liabilities	353,143	250,633	1,259,755	15,421	737,398	2,616,350
Reconciliation:						
Corporate and other unallocated liabilities						3,636,081
Total liabilities						6,252,431
Other segment information:						
Depreciation and amortisation	37,604	11,977	298,971	2,036	630	351,218
Unallocated depreciation and amortisation						5,745
Total depreciation and amortisation						356,963
Capital expenditure*	8,535	33,484	212,941	1,434	95	256,489
Unallocated capital expenditure						798
Total capital expenditure						257,287
Impairment losses recognised in profit or loss	12,467	8,431	391	597	562	22,448
Gain/(loss) on disposal of items of property, plant and equipment and non-current assets classified as held for sale	14,888	1,903	10,757	(73)	4,774	32,249
Gain on disposal of prepaid land lease payments	–	–	–	–	32,452	32,452
Investments in associates	–	–	277,173	–	549,293	826,466

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/(reversed) 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

* 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

	2016 HK$'000	2015 HK$'000
Mainland China	**2,822,296**	2,071,460
Asia (excluding Mainland China)	**331,720**	316,743
Europe	**51,678**	64,230
North America	**26,228**	41,172
Other countries	**16,186**	23,395
	3,248,108	2,517,000

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

(b) Non-current assets

	2016 HK$'000	2015 HK$'000
Segment assets:		
Mainland China	**5,030,475**	5,384,652
Africa	**105,017**	110,109
	5,135,492	5,494,761

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

Information about a major customer

Revenue of approximately HK$536,000,000 for the year ended 31 December 2016 was derived from sales by the manganese mining and ore processing segment and trading sales (2015: approximately HK$357,000,000 was derived from sales by the manganese downstream processing segment) to a single customer, including sales to a group of entities which were under its 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	2016 HK$'000	2015 HK$'000
Revenue			
Sale of goods		**3,248,108**	2,517,000
Other income and gains			
Interest income		**19,252**	25,927
Net gain on disposal of items of property, plant and equipment		**30,346**	–
Gain on disposal of non-current assets classified as held for sale		**1,903**	–
Gain on disposal of financial assets at fair value through profit or loss		**572**	–
Subsidy income*		**82,764**	111,594
Sale of scraps		**24,250**	4,070
Rental income		**15,973**	13,745
Fair value gains on investment properties	16	**129**	–
Fair value gain on financial assets at fair value through profit or loss		**13**	–
Gain on disposal of prepaid land lease payments		**32,452**	–
Others		**9,316**	8,957
		216,970	164,293

* Amount mainly represented government grants of subsidy and compensation for electricity costs and research and development costs in Mainland China. Conditions or contingencies relating to these grants are fulfilled and they are not deducted from the related costs which they are intended to compensate, but recorded in other income. Government grants received for which related expenditure has not yet been incurred or to which there were unfulfilled conditions are included in note 32 to the financial statements.

7. Finance costs

An analysis of finance costs is as follows:

	2016 HK$'000	2015 HK$'000
Interest on loans wholly repayable within five years	**183,011**	237,107
Finance costs for discounted notes receivable	**25,296**	14,032
Other finance costs	**27,585**	20,206
Less: Interest capitalised	**–**	(619)
	235,892	270,726

8. Loss before tax

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

	Notes	2016 HK$'000	2015 HK$'000
Cost of inventories sold		**2,803,362**	2,490,584
Depreciation	15	**328,433**	369,727
Amortisation of prepaid land lease payments	17	**12,091**	13,046
Amortisation of intangible assets	18	**16,439**	13,014
Auditor's remuneration		**3,294**	3,803
Minimum lease payments under operating leases, land and buildings		**6,427**	10,178
Employee benefit expense (excluding directors' remuneration (note 9)):			
Wages and salaries		**404,159**	397,930
Pension scheme contributions		**55,476**	58,874
Other employee welfare		**37,192**	39,999
		496,827	496,803
Net (gain)/loss on disposal of items of property, plant and equipment*		**(30,346)**	507
Gain on disposal of non-current assets classified as held for sale*		**(1,903)**	–
Gain on disposal of financial assets at fair value through profit or loss*		**(572)**	–
Gain on disposal of prepaid land lease payments*		**(32,452)**	–
Foreign exchange differences, net*		**8,088**	20,134
Write-down of inventories to net realisable value, net#		**13,462**	114,053
Impairment of trade and other receivables, net*		**8,986**	6,917
Impairment of property, plant and equipment	15	**–**	178,761
Impairment of mining right	18	**–**	168,896
Gain on bargain purchase	36	**–**	(223,798)
Fair value gains on investment properties*	16	**(129)**	–
Fair value gain on financial assets at fair value through profit or loss*		**(13)**	–

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:

	2016 HK$'000	2015 HK$'000
Fees	**2,038**	2,289
Other emoluments		
Salaries, allowances and benefits in kind	**12,090**	11,603
Performance related bonuses	**4,234**	–
Pension scheme contributions	**326**	326
	16,650	11,929
	18,688	14,218

(a) Independent non-executive directors

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

Fees	2016 HK$'000	2015 HK$'000
Mr. Mo Shijian	**260**	260
Mr. Tan Zhuzhong	**260**	260
Mr. Yang Zhi Jie (resigned on 25 October 2016)	**213**	260
Mr. Lin Zhijun (appointed on 25 October 2016)	**48**	–
	781	780

There were no other emoluments payable to the independent non-executive directors during the year (2015: 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
2016						
Executive director:						
Mr. Li Weijian	**260**	**4,197**	**2,000**	**–**	**83**	**6,540**
	260	**4,197**	**2,000**	**–**	**83**	**6,540**
Non-executive directors:						
Mr. Suo Zhengang	**260**	**–**	**–**	**–**	**–**	**260**
Mr. Lyu Yangzheng (appointed on 30 November 2016)	**22**	**–**	**–**	**–**	**–**	**22**
Mr. Chen Jiqiu	**260**	**878**	**234**	**–**	**83**	**1,455**
	542	**878**	**234**	**–**	**83**	**1,737**
Chief executive and executive director:						
Mr. Yin Bo (also appointed as the chief executive on 30 September 2016)	**260**	**3,756**	**2,000**	**–**	**145**	**6,161**
Mr. Tian Yuchuan (Resigned on 30 September 2016)	**195**	**3,259**	**–**	**–**	**15**	**3,469**
	455	**7,015**	**2,000**	**–**	**160**	**9,630**
	1,257	**12,090**	**4,234**	**–**	**326**	**17,907**
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

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 2016 are three directors including the chief executive of the Company (2015: four directors including the chief executive), details of whose remuneration are set out in note 9. Details of the remuneration for the year of the remaining two (2015: one) highest paid employees who are neither a director nor chief executive of the Company, are as follows:

Group

	2016 HK$'000	2015 HK$'000
Salaries, allowances and benefits in kind	**4,971**	2,753
Performance related bonuses	**2,500**	–
Pension scheme contributions	**36**	18
	7,507	2,771
Number of employees by remuneration band:		
HK$3,000,001 – HK$4,500,000		
(2015: HK$2,000,001 – HK$3,000,000)	**2**	1

11. Income tax (credit)/expense

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	2016 HK$'000	2015 HK$'000
Current – PRC			
Charge for the year		**145**	61
Current – Gabon			
Charge for the year		**12**	661
Deferred	20	**(3,045)**	33,029
Total tax (credit)/expense for the year		**(2,888)**	33,751

Hong Kong profits tax

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

PRC corporate income tax ("CIT")

Pursuant to the PRC Income Tax Law and the respective regulations, except for the preferential tax treatment available to CITIC Dameng Mining which is recognised as a High and New Technology Enterprise and is entitled to a preferential CIT rate of 15% to 2018, 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 (credit)/expense (continued)

A reconciliation of the income tax expense/(credit) 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 expense/(credit) at the effective tax rate is as follows:

	2016 HK$'000	2015 HK$'000
Loss before tax	**(131,309)**	(942,226)
Tax at the statutory PRC corporate income tax rate	**(32,827)**	(235,556)
Effect of withholding tax at 10% on the distributable profits of the Group's PRC subsidiaries	**1,446**	–
Lower tax rates/tax holidays or concessions	**(9,241)**	45,322
Losses attributable to associates	**7,646**	–
Income not subject to tax	**(25,453)**	(34,085)
Expenses not deductible for tax	**16,240**	30,522
Tax losses not recognised	**39,301**	189,160
Deferred tax expense arising from a write-down of deferred tax assets	**–**	38,388
Tax (credit)/expense reported in the consolidated statement of profit or loss and other comprehensive income	**(2,888)**	33,751
Effective income tax rate	**2.2%**	(3.6%)

12. Loss per share attributable to ordinary equity holders of the parent

The calculation of the basic loss per share amounts is based on the loss for the year attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares of 3,428,459,000 (2015: 3,229,124,162) in issue during the year.

No adjustment has been made to the basic loss per share amounts presented for the years ended 31 December 2016 and 2015 in respect of a dilution as the impact of the share options outstanding had an anti-dilutive effect on the basic loss per share amounts presented.

The calculations of basic and diluted loss per share are based on:

	2016 HK$'000	2015 HK$'000
Loss		
Loss attributable to ordinary equity holders of the parent, used in the basic loss per share calculation	**87,913**	956,007
	Number of shares	
Shares		
Weighted average number of ordinary shares in issue during the year used in the basic loss per share calculation	**3,428,459,000**	3,229,124,162

13. Dividends

The Board does not recommend the payment of any dividend for the years ended 31 December 2016 and 2015.

14. Non-current assets classified as held for sale

On 30 June 2016, the Group completed the sale of certain property, plant and machinery located in Gabon with a carrying amount of HK$29,707,000 to a third party, and a gain on disposal of HK$1,903,000 has been recognised as other income and gains in the consolidated financial statements for the year ended 31 December 2016.

	2016 HK$'000	**2015 HK$'000**
At 1 January	**37,058**	–
Transfer from property, plant and equipment (note 15)	**–**	37,069
Disposal	**(29,707)**	–
Transfer to property, plant and equipment (note 15)	**(7,412)**	–
Exchange realignment	**61**	(11)
At 31 December	**–**	37,058

15. Property, plant and equipment

31 December 2016	Notes	Buildings and mining structures HK$'000	Motor vehicles, plant, machinery, tools and equipment HK$'000	Furniture and fixtures HK$'000	Leasehold improvements HK$'000	Construction in progress HK$'000	Total HK$'000
At 31 December 2015 and at 1 January 2016:							
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**
At 1 January 2016, net of accumulated depreciation and impairment		**1,532,570**	**990,693**	**20,933**	**3,543**	**766,364**	**3,314,103**
Additions		**24,456**	**68,257**	**368**	**5,784**	**150,833**	**249,698**
Depreciation provided during the year	8	**(113,459)**	**(207,505)**	**(3,177)**	**(4,292)**	**–**	**(328,433)**
Disposals		**(28,963)**	**(24,855)**	**(62)**	**–**	**–**	**(53,880)**
Transfers		**64,880**	**32,601**	**709**	**–**	**(98,190)**	**–**
Transfer from non-current assets held for sale	14	**7,412**	**–**	**–**	**–**	**–**	**7,412**
Exchange realignment		**(93,383)**	**(53,178)**	**(618)**	**(234)**	**(50,831)**	**(198,244)**
At 31 December 2016, net of accumulated depreciation and impairment		**1,393,513**	**806,013**	**18,153**	**4,801**	**768,176**	**2,990,656**
At 31 December 2016:							
Cost		**2,238,660**	**1,870,234**	**62,155**	**29,394**	**773,423**	**4,973,866**
Accumulated depreciation and impairment		**(845,147)**	**(1,064,221)**	**(44,002)**	**(24,593)**	**(5,247)**	**(1,983,210)**
Net carrying amount		**1,393,513**	**806,013**	**18,153**	**4,801**	**768,176**	**2,990,656**
31 December 2015							
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
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	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

15. Property, plant and equipment (continued)

As at 31 December 2015, the Group 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.

None of the Group's interest-bearing bank and other borrowings (except for finance lease payables) were secured by the Group's buildings and machinery as at 31 December 2016 (2015: an aggregate net carrying amount of HK$85,115,000) (note 28(a)).

The Group's property, plant and equipment of a net carrying amount of HK$177,669,000 were held under finance leases as at 31 December 2016 (2015: HK$393,279,000).

At 31 December 2016, 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$238,004,000 (2015: HK$248,901,000) and the Group also had buildings and construction in progress with an aggregate net carrying amount of approximately HK$86,482,000 (2015: HK92,339,000) 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 2016.

16. Investment properties

	Notes	2016 HK$'000	2015 HK$'000
Carrying amount at beginning of year		**87,343**	92,758
Net gain from a fair value adjustment	6, 8	**129**	–
Exchange realignment		**(5,545)**	(5,415)
Carrying amount at end of year		**81,927**	87,343

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

The Group's investment properties were revalued on 31 December 2016 based on valuations performed by Guangxi Wushuang Real Estate Appraisal Company Limited, an independent professionally qualified valuer, at HK$81,927,000. The management appoints an external valuer to perform valuation of the Group's investment properties to ensure that the carrying amount of the investment properties does not differ materially from their fair value. Selection criteria of the valuer 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 39(a) to the financial statements.

	Fair value measurement as at 31 December 2016 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	**–**	**–**	**81,927**	**81,927**

During the year, there were no transfers 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 2016	**87,343**
Net gain from a fair value adjustment	**129**
Exchange realignment	**(5,545)**
Carrying amount at 31 December 2016	**81,927**

All of the fair value measurements of the Group's investment properties as at 31 December 2016 and 2015 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 2016	2015
Commercial properties	Discounted cash flow method	Estimated rental value (per sq.m and per month)	RMB47 to RMB145	RMB42 to RMB140
		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	2016 HK$'000	2015 HK$'000
Carrying amount at 1 January		**506,199**	549,876
Additions		**–**	962
Disposal		**(8,343)**	–
Amortisation provided during the year	8	**(12,091)**	(13,046)
Exchange realignment		**(31,201)**	(31,593)
Carrying amount at 31 December		**454,564**	506,199
Current portion included in prepayments, deposits and other receivables		**(11,541)**	(13,443)
Non-current portion		**443,023**	492,756

At 31 December 2016, the Group leases certain of its leasehold lands with a net carrying amount of HK$94,504,000 (31 December 2015: HK$100,531,000) under operating lease arrangements with lease negotiated for terms from 1 to 3 years.

18. Intangible assets

31 December 2016	Note	Mining rights HK$'000	Other intangible assets HK$'000	Total HK$'000
Cost at 1 January 2016, net of accumulated amortisation		**616,493**	**7,957**	**624,450**
Additions		**–**	**177**	**177**
Amortisation provided during the year	8	**(15,993)**	**(446)**	**(16,439)**
Exchange realignment		**(37,517)**	**(854)**	**(38,371)**
At 31 December 2016		**562,983**	**6,834**	**569,817**
At 31 December 2016:				
Cost		**841,733**	**11,424**	**853,157**
Accumulated amortisation and impairment		**(278,750)**	**(4,590)**	**(283,340)**
Net carrying amount		**562,983**	**6,834**	**569,817**
31 December 2015				
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
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 and at 1 January 2016:				
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

18. Intangible assets (continued)

Since the abrupt slide in the selling price of manganese ores in the international market in 2015, an impairment provision for the mining right amounting to HK$168,896,000 was recognised to write down to its recoverable amount. There was no impairment provision for the mining right in 2016.

On 27 October 2016, the Group entered into an agreement with Guangxi Jinmeng Manganese Co., Ltd. ("Guangxi Jinmeng"), a shareholder of an associate of the Group, entrusting Guangxi Jinmeng with certain right to operate the Group's Bembélé Manganese Mine in Gabon subject to certain conditions and under the supervision of the Group for a period of five years commencing from 1 March 2017. During this period, the Group will continue to control the strategy and significant matters of the mine's operation and the Group will receive a fixed income of RMB26,000,000 (equivalent to HK$29,064,000) plus a variable income depending on the selling price of ore produced. At 31 December 2016, the net book value of this mining right after amortisation and impairment amounted to HK$97,702.

19. Investments in associates and due from associates

	2016 HK$'000	2015 HK$'000
Share of net assets	**826,347**	761,916
Loan to an associate (note a)	**119**	119
	826,466	762,035
Amounts due from associates (note b)	**26,187**	–

Notes:

(a) The loan to an associate is unsecured, interest-free and has 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.

(b) Included in the amounts due from associates is a loan to China Polymetallic Company Limited ("CPM") of HK$15,896,000 which carries interest at 10% per annum and is repayable on demand. The remaining balance represented other receivable from Dushan Jinmeng Manganese Limited Company ("Dushan Jinmeng").

Particulars of the associates are as follows:

Name of company	Place and date of incorporation/ establishment	Issued ordinary share/ registered capital	Equity interests attributable to the Company		Principal activities
			Direct	Indirect	
CPM	Cayman Islands 30 November 2009	HK$19,888	–	29.81%	Mining, ore processing and sale of lead-silver concentrates and zinc-silver concentrates
Dushan Jinmeng	PRC 19 July 2001	RMB758,657,900	–	33.00%	Manganese ferroalloy production and processing

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

In January 2016, the Group made a further capital contribution of RMB172,923,000 (equivalent to HK$202,250,000) to Dushan Jinmeng pursuant to the Capital Increase Agreement dated 22 December 2015. The percentage shareholding of the Company held in Dushan Jinmeng remained unchanged at 33% with a total accumulated cash injection of RMB250,300,000 (equivalent to HK$279,810,000), and Dushan Jinmeng became a material associate of the Group.

Dushan Jinmeng currently engages in the construction of a ferromanganese alloy plant with an annual capacity of 500,000 tons and two self-use 150 MW power plants in Dushan County, Guizhou, the PRC.

19. Investments in associates and due from associates (continued)

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

	CPM (Note 1)		**Dushan Jinmeng** (Note 2)	
	2016 HK$'000	2015 HK$'000	**2016 HK$'000**	2015 HK$'000
Current assets	**77,777**	937,133	**529,601**	178,500
Non-current assets	**2,672,063**	2,305,095	**1,245,851**	909,192
Current liabilities	**869,672**	602,893	**136,234**	618,989
Non-current liabilities	**37,920**	385,719	**799,299**	195,634
Net assets	**1,842,248**	2,253,616	**839,919**	273,069
Reconciliation to the Group's interests in the associates:				
Proportion of the Group's ownership	**29.81%**	29.81%	**33.00%**	33.00%
Group's share of net assets of the associates	**549,174**	671,803	**277,173**	90,113
Carrying amount of the investments	**549,174**	671,803	**277,173**	90,113
Revenue	**26,669**	36,911	**–**	717
Loss for the year	**154,321**	9,640	**1,694**	7,315

Note:

(1) According to the announcement of CPM dated 14 February 2017, its independent auditor emphasised without modifying its audit opinion, that the financial statements of CPM for the year ended 31 December 2016 indicates the existence of a material uncertainty which may cast significant doubt about CPM's ability to continue as a going concern. The directors of the Company has assessed the impact on the impairment of investment in CPM and considered that no impairment provision was needed as at 31 December 2016.

(2) As at 31 December 2016, trade receivables of HK$317,953,000 (2015: Nil) due from a single customer (note 22) relating to the trading of imported manganese ores was guaranteed by Dushan Jinmeng. The single customer is Guangxi Jinmeng, a shareholder of Dushan Jinmeng, an associate of the Group.

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 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 and 1 January 2016		–	33,122	33,122
Net deferred tax credited to the consolidated statement of profit or loss and other comprehensive income during the year	11	**–**	**2,001**	**2,001**
Exchange realignment		**–**	**(2,190)**	**(2,190)**
At 31 December 2016		**–**	**32,933**	**32,933**

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 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 and 1 January 2016		172,422	11,246	20,717	204,385
Net deferred tax (credited)/charged to the consolidated statement of comprehensive income during the year	11	**(2,670)**	**1,446**	**180**	**(1,044)**
Exchange realignment		**(10,884)**	**–**	**(1,323)**	**(12,207)**
At 31 December 2016		**158,868**	**12,692**	**19,574**	**191,134**

The Group has accumulated tax losses of approximately HK$750,000,000 (2015: HK$656,000,000) 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$153,000,000 (2015: HK$148,000,000) 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 PRC Corporate Income Tax Law, 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 2016, the Group has not recognised deferred tax liabilities of HK$16,682,000 (2015: HK$15,538,000) in respect of temporary differences relating to the unremitted profits of subsidiaries, amounting to HK$166,821,000 (2015: HK$155,381,000), 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

	2016 HK$'000	2015 HK$'000
Raw materials	**675,695**	768,062
Work in progress	**13,518**	3,837
Finished goods	**205,313**	173,747
	894,526	945,646
Less: Inventory provision	**(101,689)**	(134,779)
	792,837	810,867

22. Trade and notes receivables

	2016 HK$'000	2015 HK$'000
Trade receivables	**738,934**	422,861
Notes receivable	**151,944**	377,722
	890,878	800,583
Less: Impairment	**(53,286)**	(48,972)
	837,592	751,611

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. Except for trade receivables of HK$317,953,000 (2015: Nil) due from a single customer (note 19) relating to the trading of imported manganese ores, which are guaranteed by the equity interests owned by that customer, the remaining balance is related to a large number of diversified customers. 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 before 30 June 2017.

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:

	2016 HK$'000	2015 HK$'000
Within one month	**292,776**	425,247
One to two months	**209,955**	98,652
Two to three months	**173,159**	115,946
Over three months	**161,702**	111,766
	837,592	751,611

Transferred financial assets that are derecognised in their entirety

At 31 December 2016, 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 RMB400,558,000 (equivalent to HK$447,784,000) (2015: RMB304,489,000, equivalent to HK$363,438,000). 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 are 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 2016, 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:

	2016 HK$'000	2015 HK$'000
At beginning of year	**48,972**	37,502
Impairment losses recognised	**13,502**	24,388
Impairment losses reversed	**(5,483)**	(1,907)
Amount written off as uncollectible	**(71)**	(8,224)
Exchange realignment	**(3,634)**	(2,787)
At end of year	**53,286**	48,972

Included in the above provision for impairment of trade and notes receivables are provisions for individually impaired trade receivables of HK$53,286,000 (2015: HK$48,972,000) with a carrying amount before provision of approximately HK$62,004,000 (2015: HK$59,516,000) as at 31 December 2016. 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:

	2016 HK$'000	2015 HK$'000
Neither past due nor impaired	**675,890**	639,845
One to three months past due	**146,371**	99,214
Over three months past due	**15,331**	12,552
	837,592	751,611

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

	2016 HK$'000	2015 HK$'000
Deposits	**164,847**	147,950
Prepayments	**58,756**	66,124
	223,603	214,074

Current portion

	2016 HK$'000	2015 HK$'000
Prepayments	**153,374**	60,464
Deposits and other receivables	**365,402**	519,977
Loan to a third party	**–**	87,040
	518,776	667,481

24. Financial assets at fair value through profit or loss

	2016 HK$'000	2015 HK$'000
Listed bond investments, at market value	**24,295**	–

The above bond investments as at 31 December 2016 were recognised as held for trading and upon initial recognition classified by the Group as financial assets at fair value through profit or loss.

25. Cash and cash equivalents and pledged deposits

	Note	2016 HK$'000	2015 HK$'000
Cash and bank balances		**1,534,859**	1,527,134
Less: Pledged deposits			
– Pledged for bank loans	28(a)	**(242,889)**	(442,574)
– Pledged for bank acceptance notes		**(302,460)**	(116,156)
Cash and cash equivalents		**989,510**	968,404

As at 31 December 2016, cash and bank balances of the Group denominated in RMB amounting to HK$856,395,000 (2015: HK$1,014,274,000) were deposited in Mainland China. The RMB is not freely convertible in PRC into other currencies, however, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

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

26. Trade 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:

	2016 HK$'000	2015 HK$'000
Within one month	**295,936**	118,330
One to two months	**274,327**	50,142
Two to three months	**72,802**	71,484
Over three months	**306,971**	265,922
	950,036	505,878

The trade payables are non-interest-bearing and are normally settled on 60-120 days' terms.

27. Other payables and accruals

	2016 HK$'000	2015 HK$'000
Advances from customers	**72,089**	18,602
Other payables	**694,724**	531,388
Accruals	**242,787**	222,310
	1,009,600	772,300

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

28. Interest-bearing bank and other borrowings

	2016			2015		
	Effective interest rate (%)	Maturity	HK$'000	Effective interest rate (%)	Maturity	HK$'000
Current						
Finance lease payables (note 30)	**6.32-7.51**	**2017**	**86,752**	5.60-7.51	2016	243,211
Bank loans – secured (note (a))	**4.35**	**2017**	**63,225**	2.50-6.16	2016	477,261
Bank loans – unsecured	**2.15-4.83**	**2017**	**1,773,490**	4.35-6.00	2016	1,045,594
Current portion of long-term bank loans – secured (note (a))	**LIBOR+2.15**	**2017**	**231,968**	LIBOR+2.15	2016	232,503
Current portion of long-term bank loans – unsecured	**4.75-6.46, LIBOR+2.60**	**2017**	**342,458**	5.35-6.77	2016	514,442
Other loans – unsecured (note (b))	**4.56**	**2017**	**109,140**	5.04	2016	117,197
			2,607,033			2,630,208
Non-current						
Finance lease payables (note 30)	**6.32-7.51**	**2018-2020**	**208,389**	7.51	2017-2020	250,560
Bank loans – secured (note (a))	**4.00**	**2018**	**318,602**	4.00, LIBOR+2.15	2017-2018	569,303
Bank loans – unsecured	**4.75-4.99, LIBOR+2.60**	**2018-2019**	**752,877**	4.75-6.46	2017-2018	685,126
			1,279,868			1,504,989
			3,886,901			4,135,197

	2016 HK$'000	2015 HK$'000
Analysed into:		
Bank loans repayable:		
Within one year or on demand	**2,411,141**	2,269,800
In the second year	**683,064**	620,423
In the third to fifth years, inclusive	**388,415**	634,006
	3,482,620	3,524,229
Other loans and finance leases repayable:		
Within one year or on demand	**195,892**	360,408
In the second year	**80,046**	70,424
In the third to fifth years, inclusive	**128,343**	180,136
	404,281	610,968
	3,886,901	4,135,197

28. 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	2016 HK$'000	2015 HK$'000
Property, plant and equipment	15	**–**	85,115
Pledged deposits	25	**242,889**	442,574
		242,889	527,689

(b) The balance as at 31 December 2015 represented a loan borrowed from Industrial Bank by way of a 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 was repaid on 12 May 2016. The balance as at 31 December 2016 represents a loan borrowed by way of a gold lease arrangement from Industrial Bank, with the principal of RMB97,630,000 (equivalent to HK$109,140,000) and bearing interest at a fixed rate of 4.56% per annum. The loan is repayable on 26 May 2017.

(c) Except for bank loans of HK$844,536,000 (2015: HK$795,659,000) which were denominated in United States dollars, all borrowings were in Renminbi as at 31 December 2016.

29. Medium-term notes

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

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

The medium-term notes were due and repaid in April 2016.

30. Finance lease payables

The Group leases certain of its plant and machinery of its manganese downstream processing business. These leases are classified as finance leases with remaining lease terms ranging from 1 to 4 years.

The finance lease payables comprised balances arising from the following sales and leaseback arrangements:

1) a principal of RMB300,000,000 (equivalent to HK$335,370,000) carrying effective interest at a fixed rate of 7.51% per annum and an once off service fee of RMB7,008,000 (equivalent to HK$7,834,000) to the lessor and being secured by a cash deposit of RMB24,000,000 (equivalent to HK$26,830,000). The loan is repayable on 5 August 2020.

2) a principal of RMB142,000,000 (equivalent to HK$169,491,000) carrying interest at a fixed rate of 5.60% per annum. The loan has been repaid in 2016.

3) a principal of RMB50,000,000 (equivalent to HK$55,895,000) carrying effective interest at a fixed rate of 6.32% per annum and an one-off service fee of RMB1,681,000 (equivalent to HK$1,879,000) to the lessor and being secured by a cash deposit of RMB21,500,000 (equivalent to HK$24,035,000). The loan is repayable on 14 December 2019.

As at 31 December 2016, the Group's property, plant and equipment of its manganese downstream processing segment with a net carrying amount of HK$177,669,000 (2015: HK$393,279,000) were held under the above finance leases. 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.

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

	Minimum lease payments 2016 HK$'000	Present value of minimum lease payments 2016 HK$'000	Minimum lease payments 2015 HK$'000	Present value of minimum lease payments 2015 HK$'000
Amounts payable:				
Within one year	**92,915**	**86,752**	259,511	243,211
In the second year	**87,624**	**80,046**	81,195	70,424
In the third to fifth years, inclusive	**133,978**	**128,343**	192,933	180,136
Total minimum finance lease payments	**314,517**	**295,141**	533,639	493,771
Future finance charges	**(19,376)**		(39,868)	
Total net finance lease payables	**295,141**		493,771	
Portion classified as current liabilities (note 28)	**(86,752)**		(243,211)	
Non-current portion (note 28)	**208,389**		250,560	

31. Other long-term liabilities

	2016 HK$'000	2015 HK$'000
At beginning of year	**16,407**	12,658
Additional provision	**4,398**	9,169
Utilisation of rehabilitation provision	**–**	(4,485)
Exchange realignment	**(1,235)**	(935)
At end of year	**19,570**	16,407

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.

32. Deferred income

	2016 HK$'000	2015 HK$'000
At beginning of year	**98,974**	109,388
Addition	**7,907**	8,245
Amortised during the year	**(20,301)**	(12,449)
Exchange realignment	**(5,729)**	(6,210)
At end of year	**80,851**	98,974

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.

33. Share capital

Shares

	2016 HK$'000	2015 HK$'000
Issued and fully paid:		
3,428,459,000 (2015: 3,428,459,000) ordinary shares of HK$0.10 each	**342,846**	342,846

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 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 and at 1 January 2016	3,428,459,000	342,846	3,352,902	312	3,696,060
At 31 December 2016	**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 was charged to share premium of the Company.

34. 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:

	2016		**2015**	
	Weighted average exercise price HK$ per share	**Number of options '000**	**Weighted average exercise price HK$ per share**	**Number of options '000**
At 1 January	**2.81**	**92,500**	2.81	92,500
Granted during the year	**2.81**	**–**	2.81	–
Forfeited during the year	**2.81**	**(47,000)**	2.81	–
Expired during the year	**2.81**	**–**	2.81	–
At 31 December	**2.81**	**45,500**	2.81	92,500

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

2016:

Number of share options outstanding '000	**Exercise price HK$ per share**	**Exercise period**
11,375	2.81	11 January 2012 to 10 January 2021
11,375	2.81	11 January 2013 to 10 January 2021
22,750	2.81	11 January 2014 to 10 January 2021
45,500		

34. Share option scheme (continued)

2015:

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$54,145,000 (2015: 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.

35. Reserves

The amounts of the Group's reserves and the movements therein are presented in the consolidated statement of changes in equity on page 101 of the financial statements.

	Notes	2016 HK$'000	2015 HK$'000
Share premium (note 33)	(a)	**3,352,902**	3,352,902
Contributed surplus		**(171,679)**	(171,695)
Reserve funds	(b)	**141,697**	143,213
Share option reserve		**53,977**	110,540
Exchange fluctuation reserve		**(4,286)**	193,039
Capital redemption reserve (note 33)		**312**	312
Accumulated losses		**(1,110,560)**	(1,080,726)
		2,262,363	2,547,585

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.

36. 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, 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 were set out in the announcements of the Company dated 17 June 2015, 26 June 2015 and 23 July 2015.

The Group recognised a gain on bargain purchase of HK$223,798,000 in the consolidated statement of profit or loss and other comprehensive income for the year ended 31 December 2015, which represented the excess of fair value of the identifiable assets and liabilities of CPM as at the date of acquisition over the cash consideration paid by the Group.

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

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

	2016	2015
Percentage of equity interest held by non-controlling interests:		
Huazhou BVI Group	**40%**	40%
Hui Xing Group	**36%**	36%
CDT Group	**49%**	49%

	2016 HK$'000	2015 HK$'000
Loss for the year allocated to non-controlling interests:		
Huazhou BVI Group	**35,364**	—
Hui Xing Group	**6,517**	44,874
CDT Group	**680**	—
Accumulated balances of non-controlling interests at the reporting dates:		
Huazhou BVI Group	**(35,364)**	—
Hui Xing Group	**201,608**	208,125
CDT Group	**(680)**	—

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	
	2016 HK$'000	2015 HK$'000	2016 HK$'000	2015 HK$'000	2016 HK$'000	2015 HK$'000
Revenue, other income and gains	**2,142**	58,389	**143,599**	34,418	**53**	64,107
Total expenses	**74,419**	295,526	**161,701**	159,067	**1,442**	90,691
Loss for the year	**72,277**	237,137	**18,102**	124,649	**1,389**	26,584
Total comprehensive loss for the year	**72,405**	237,039	**15,790**	135,648	**1,389**	26,584
Current assets	**280,415**	335,900	**170,462**	132,872	**474**	26,511
Non-current assets	**105,017**	110,109	**868,127**	950,676	**–**	2
Current liabilities	**891,168**	650,237	**306,470**	281,040	**88,766**	113,416
Non-current liabilities	**–**	229,127	**178,517**	193,829	**–**	–
Net cash flows from/(used in) operating activities	**(41,256)**	(87,068)	**(16,252)**	(25,395)	**74,472**	137,182
Net cash flows from/(used in) investing activities	**25,819**	(1,896)	**11,281**	(4,978)	**–**	54
Net cash flows from/(used in) financing activities	**15,746**	71,514	**–**	(3,078)	**(85,405)**	(143,544)
Net increase/(decrease) in cash and cash equivalents	**309**	(17,450)	**(4,971)**	(33,451)	**(10,933)**	(6,308)

38. Contingent liabilities

(a) At the end of the year, contingent liabilities not provided for in the financial statements were as follows:

	2016 HK$'000	2015 HK$'000
Guarantees given to a bank in connection with facilities granted to an associate	**295,126**	–

As at 31 December 2016, the outstanding bank loan of the associate, in which the Group has a 33% equity interest, was guaranteed by the Group and the holding company of the associate, Guangxi Jinmeng, according to the shareholding structure on a several basis.

As at 31 December 2016, the banking facilities guaranteed by the Group and Guangxi Jinmeng to the associate amounted to RMB800,000,000 (equivalent to HK$894,000,000) and were utilised to the extent of RMB715,000,000 (equivalent to HK$799,299,000) (2015: Nil).

(b) 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 the termination of a subcontracting contract. Details can be referred to in 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.

39. Operating lease arrangements

(a) As lessor

The Group leases its investment properties (note 16) and leasehold lands (note 17) under operating lease arrangements, with leases negotiated for terms ranging from 1 to 10 years (2015: 1 to 10 years).

As at 31 December 2016 and 2015, the Group had total future minimum lease receivables under non-cancellable operating leases with its tenants falling due as follows:

	2016 HK$'000	2015 HK$'000
Within one year	**14,153**	12,612
In the second to fifth years, inclusive	**39,395**	13,513
	53,548	26,125

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

(b) As lessee

As at 31 December 2016 and 2015, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	2016 HK$'000	2015 HK$'000
Within one year	**8,165**	5,832
In the second to fifth years, inclusive	**17,761**	18,313
	25,926	24,145

40. Commitments

In addition to the operating lease arrangements detailed in note 39(b) above, the Group had the following capital commitments at the end of the reporting period:

	2016 HK$'000	2015 HK$'000
Contracted, but not provided for:		
Acquisition of land and buildings	**124,113**	88,152
Acquisition of plant and machinery	**27,571**	70,692
	151,684	158,844

41. 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	2016 HK$'000	2015 HK$'000
Sales of finished goods to a subsidiary of Guangxi Dameng	(i)	**326**	2,690
Sales of finished goods to a related company	(i)	**47,632**	22,504
Purchase of raw materials from subsidiaries of Guangxi Dameng	(i)	**17,586**	4,016
Purchase of raw materials from Guangxi Dameng	(i)	**–**	3,442
Mining drawing service provided by Guangxi Dameng	(ii)	**702**	747
Provision of water and electricity to Guangxi Dameng	(iii)	**42**	50
Provision of integrated service by Guangxi Dameng	(iv)	**3,649**	3,737
Rental income received from Guangxi Dameng	(v)	**895**	944
Maximum balance of bank deposits placed with related companies during the year	(vi)	**59,950**	61,180
Interest income on deposits placed with related companies	(vi)	**6**	20
Maximum balance of loans from Guangxi Dameng	(vii)	**210,528**	–
Interest expense on the borrowings provided by Guangxi Dameng	(vii)	**322**	–
Loan provided to an associate	(viii)	**15,896**	–
Loans provided by a fellow subsidiary of Guangxi Dameng	(ix)	**324,917**	–
Interest expense on the borrowings provided by a fellow subsidiary of Guangxi Dameng	(ix)	**11,761**	–

41. Related party transactions (continued)

(a) (continued)

Notes:

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

(ii) The service was provided at prices based on the mutual agreements between the parties.

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

(iv) Service fees were charged at a monthly amount of RMB260,000 (equivalent to HK$304,000) (2015: RMB250,000, equivalent to HK$311,000) as mutually agreed by the parties.

(v) The rental income was made at rent based on the mutual agreement between the parties.

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

(vii) Loans provided by Guangxi Dameng carried interest at 6.36% per annum with a tenor of one week, which was fully repaid during the year.

(viii) The loan to an associate carries interest at 10% per annum and is repayable on demand.

(ix) Loans provided by the fellow subsidiary of Guangxi Dameng included: i) an amount of RMB200,000,000 (equivalent to HK$233,920,000) was the entrusted loan through China Merchants Bank with a tenor of six months and an interest rate of 5% per annum, which was repaid during the year; ii) an amount of RMB81,400,000 (equivalent to HK$90,997,000) with a tenor of one year and an interest rate of 5% per annum, which is repayable within one year.

The related party transactions above, save for note (viii), also constitute connected transactions or continuing connected transactions as defined in Chapter 14A of the Listing Rules. However, the loans from Guangxi Dameng and its fellow subsidiary in notes (vii) and (ix) above are fully exempted under Chapter 14A of the Listing Rules.

(b) Outstanding balances with related parties

		2016 HK$'000	2015 HK$'000
(i)	Due from related companies		
	Trade receivables	**10,266**	1,686
	Prepayments and other receivables	**6**	6
		10,272	1,692
(ii)	Due to related companies		
	Trade payables	**2,873**	2,406
	Other payables	**111,454**	5,099
		114,327	7,505
(iii)	Bank balances with related companies	**1,376**	61,180
(iv)	Due from associates		
	Other receivables	**10,291**	–
	Loan to an associate	**15,896**	–
		26,187	–

41. Related party transactions (continued)

(b) Outstanding balances with related parties (continued)

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. Except for a loan to an associate of HK$15,896,000 (2015: Nil) which carries interest at prevailing market rates and is repayable on demand, the Group's prepayments and other receivables from related companies and associates 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. Except for an unsecured amount of HK$90,997,000 (2015: Nil) which carries interest at prevailing market rate and is repayable on demand, the balances of other payables to related parties are unsecured, non-interest-bearing and have no fixed terms of repayment.

(c) Compensation of key management personnel of the Group

	2016 HK$'000	**2015 HK$'000**
Salaries, allowances and benefits in kind	**7,334**	5,488
Bonuses	**3,436**	–
Equity-settled share option expenses	**–**	–
Pension scheme contributions	**367**	341
Total compensation paid to key management personnel	**11,137**	5,829

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

42. 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:

	2016 HK$'000	**2015 HK$'000**
Trade and notes receivables	**837,592**	751,611
Financial assets included in prepayments, deposits and other receivables	**109,289**	84,667
Due from related companies	**10,272**	1,692
Due from associates	**26,187**	–
Financial assets at fair value through profit or loss	**24,295**	–
Pledged deposits	**545,349**	558,730
Cash and cash equivalents	**989,510**	968,404
	2,542,494	2,365,104

42. Financial instruments by category (continued)

Financial liabilities

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

	2016 HK$'000	2015 HK$'000
Trade and notes payables	**950,036**	505,878
Financial liabilities included in other payables and accruals	**696,185**	753,698
Interest-bearing bank and other borrowings	**3,886,901**	4,135,197
Medium-term notes	**–**	596,800
Due to related companies	**114,327**	7,505
	5,647,449	5,999,078

43. 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	
	2016 HK$'000	2015 HK$'000	2016 HK$'000	2015 HK$'000
Interest-bearing bank and other borrowings	**3,886,901**	4,135,197	**3,886,901**	4,135,197
Medium-term notes	**–**	596,800	**–**	596,800
	3,886,901	4,731,997	**3,886,901**	4,731,997

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, amounts due from associates and amounts due from/ to related companies approximate to their carrying amounts largely due to the short-term maturities of these instruments. The fair value of financial assets at fair value through profit or loss is based on quoted market prices.

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 2016 was assessed to be insignificant.

44. 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 28.

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 loss before tax (through the impact on floating rate borrowings).

	Increase/ (decrease) in basis points	**Decrease/ (increase) in profit/ (loss) before tax HK$'000**
Year ended 31 December 2016		
RMB	**100**	**9,325**
RMB	**(100)**	**(9,325)**
US$	**100**	**5,968**
US$	**(100)**	**(5,968)**
Year ended 31 December 2015		
RMB	100	13,810
RMB	(100)	(13,810)
US$	100	5,727
US$	(100)	(5,727)

44. 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 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 2016			
If HK$ weakens against RMB	**1**	**2**	**–**
If HK$ strengthens against RMB	**(1)**	**(2)**	**–**
31 December 2015			
If HK$ weakens against RMB	1	2,464	–
If HK$ strengthens against RMB	(1)	(2,464)	–

* 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.

44. Financial risk management objectives and policies (continued)

Credit risk (continued)

The Group determines the 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 33% of the Group's total financial assets as at 31 December 2016 (2015: 32%):

	2016 HK$'000	2015 HK$'000
By location:		
Mainland China	**780,933**	738,263
Asia (excluding Mainland China)	**48,464**	10,775
Europe	**3,617**	2,573
North America	**4,578**	–
	837,592	751,611

In addition, approximately 42% of the Group's trade and notes receivables were due from the Group's five largest customers as at 31 December 2016 (2015: approximately 14%).

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:

	2016					
	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	–	950,036	–	–	–	950,036
Financial liabilities included in other payables and accruals	–	696,185	–	–	–	696,185
Interest-bearing bank and other borrowings	–	577,875	2,159,718	1,364,551	–	4,102,144
Due to related companies	114,327	–	–	–	–	114,327
	114,327	2,224,096	2,159,718	1,364,551	–	5,862,692

44. Financial risk management objectives and policies (continued)

Liquidity risk (continued)

	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

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 2016 and 31 December 2015.

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:

	2016 HK$'000	2015 HK$'000
Interest-bearing bank and other borrowings	**3,886,901**	4,135,197
Medium-term notes	**–**	596,800
Less: Cash and cash equivalents	**(989,510)**	(968,404)
Less: Pledged deposits	**(545,349)**	(558,730)
Net debt	**2,352,042**	3,204,863
Equity attributable to owners of the parent	**2,605,209**	2,890,431
Net gearing ratio	**90.3%**	110.9%

45. Statement of financial position of the Company

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

	2016 HK$'000	2015 HK$'000
NON-CURRENT ASSET		
Investment in a subsidiary	**–**	–
CURRENT ASSETS		
Other receivables	**781**	1,018
Amounts due from subsidiaries	**2,922,310**	3,517,928
Cash and cash equivalents	**103,924**	146,831
	3,027,015	3,665,777
CURRENT LIABILITIES		
Other payables and accruals	**3,683**	1,758
	3,683	1,758
NET CURRENT ASSETS	**3,023,332**	3,664,019
Net assets	**3,023,332**	3,664,019
EQUITY		
Issued capital	**342,846**	342,846
Reserves (note)	**2,680,486**	3,321,173
TOTAL EQUITY	**3,023,332**	3,664,019

Yin Bo
Director

Li Weijian
Director

45. Statement of financial position of the Company (continued)

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 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 and at 1 January 2016	**3,352,902**	**110,540**	**312**	**(142,581)**	**3,321,173**
Transfer of share option reserve upon forfeiture of share options	**–**	**(56,563)**	**–**	**56,563**	**–**
Loss for the year	**–**	**–**	**–**	**(640,687)**	**(640,687)**
At 31 December 2016	**3,352,902**	**53,977**	**312**	**(726,705)**	**2,680,486**

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 15 February 2017.

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

2016 AGM	the annual general meeting of the Company held on 24 June 2016 (Wednesday) at 3:00 pm at Room 1, United Conference Centre, 10/F, United Centre, 95 Queensway, Hong Kong
2017 AGM	the annual general meeting of the Company which is tentatively scheduled to be held on 21 June 2017 (Wednesday)
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

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)
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 Jinmeng	廣西金孟錳業有限公司(Guangxi Jinmeng Manganese Limited Company), a company established under the laws of the PRC, which holds approximately 67.0% equity interest in Dushan Jinmeng
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.))
Huazhou BVI Group	Huazhou Mining Investment Limited together with its subsidiaries (including Companie Industrielle et Commerciale des Mines de Huazhou)

Glossary of Terms

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 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.

DAMENG