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

(incorporated in Bermuda with limited liability)

Stock Code: 1091

DAMENG

* For identification purpose only

Interim Report 2017

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

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Principal Place of Business in the PRC

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

Bermuda Principal Share Registrar and Transfer Office

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

Hong Kong Branch Share Registrar and Transfer Office

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

Auditors

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

Authorized Representatives

Mr. Yin Bo
Mr. Lau Wai Yip

Principal Bankers

Agricultural Bank of China
Bank of Communications
Bank of China
China CITIC Bank
China Construction Bank
China Everbright Bank
China Guangfa Bank
DBS Bank
Industrial and Commercial Bank of China
Industrial Bank Co., Ltd
Shanghai Pudong Development Bank Co., Ltd

Stock Code

1091 (Mainboard of the Hong Kong Stock Exchange)

Company Website

www.dameng.citic.com

Interim Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

Six months ended 30 June 2017

	Notes	Six months ended 30 June 2017 HK$'000 (Unaudited)	2016 HK$'000 (Unaudited)
REVENUE	4	**2,746,733**	1,276,039
Cost of sales		**(2,356,360)**	(1,136,996)
Gross profit		**390,373**	139,043
Other income and gains	4	**80,724**	68,121
Selling and distribution expenses		**(44,717)**	(37,723)
Administrative expenses		**(155,269)**	(163,597)
Finance costs	5	**(105,460)**	(121,074)
Other expenses		**(2,804)**	(16,974)
Share of losses of associates		**(17,303)**	(23,613)
Operating profit/(loss)		**145,544**	(155,817)
Loss on deemed disposal of an associate	6	**(69,365)**	–
PROFIT/(LOSS) BEFORE TAX	6	**76,179**	(155,817)
Income tax expense	7	**(9,231)**	(917)
PROFIT/(LOSS) FOR THE PERIOD		**66,948**	(156,734)
OTHER COMPREHENSIVE INCOME/(LOSS)			
Other comprehensive income/(loss) to be reclassified to profit or loss in subsequent periods:			
– Exchange differences on translation of foreign operations		**54,483**	(85,175)
TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE PERIOD		**121,431**	(241,909)
Profit/(loss) attributable to:			
Owners of the parent		**70,010**	(137,203)
Non-controlling interests		**(3,062)**	(19,531)
		66,948	(156,734)
Total comprehensive profit/(loss) attributable to:			
Owners of the parent		**125,914**	(222,378)
Non-controlling interests		**(4,483)**	(19,531)
		121,431	(241,909)
Profit/(loss) per share attributable to ordinary equity holders of the parent:	8		
– Basic		**HK cents 2.04**	(HK cents 4.00)
– Diluted		**HK cents 2.04**	(HK cents 4.00)

Interim Condensed Consolidated Statement of Financial Position

30 June 2017

	Notes	30 June 2017 HK$'000 (Unaudited)	31 December 2016 HK$'000 (Audited)
NON-CURRENT ASSETS			
Property, plant and equipment	10	**2,980,315**	2,990,656
Investment properties		**84,353**	81,927
Prepaid land lease payments	11	**452,452**	443,023
Intangible assets	12	**579,952**	569,817
Investment in associates	13	**749,491**	826,466
Deferred tax assets	14	**32,056**	32,933
Prepayments and deposits	17	**250,707**	223,603
Total non-current assets		**5,129,326**	5,168,425
CURRENT ASSETS			
Inventories	15	**845,063**	792,837
Trade and notes receivables	16	**1,072,750**	837,592
Prepayments, deposits and other receivables	17	**511,290**	518,776
Due from related companies	29	**15,982**	10,272
Due from associates	13	**26,599**	26,187
Tax recoverable		**13,265**	13,060
Financial assets at fair value through profit or loss	18	**24,316**	24,295
Pledged deposits	19	**517,465**	545,349
Cash and cash equivalents	19	**965,729**	989,510
Total current assets		**3,992,459**	3,757,878
CURRENT LIABILITIES			
Trade and notes payables	20	**640,053**	950,036
Other payables and accruals	21	**834,348**	1,009,600
Interest-bearing bank and other borrowings	22	**3,601,822**	2,607,033
Due to related companies	29	**116,997**	114,327
Tax payable		**10,110**	12
Total current liabilities		**5,203,330**	4,681,008
NET CURRENT LIABILITIES		**(1,210,871)**	(923,130)
TOTAL ASSETS LESS CURRENT LIABILITIES		**3,918,455**	4,245,295
NON-CURRENT LIABILITIES			
Interest-bearing bank and other borrowings	22	**820,292**	1,279,868
Deferred tax liabilities	14	**198,941**	191,134
Other long-term liabilities		**22,221**	19,570
Deferred income	24	**81,698**	80,851
Total non-current liabilities		**1,123,152**	1,571,423
Net assets		**2,795,303**	2,673,872

Interim Condensed Consolidated Statement of Financial Position (continued)

30 June 2017

	Notes	30 June 2017 HK$'000 (Unaudited)	31 December 2016 HK$'000 (Audited)
EQUITY			
Equity attributable to owners of the parent			
Issued capital	25	**342,846**	342,846
Reserves	26	**2,388,277**	2,262,363
		2,731,123	2,605,209
Non-controlling interests		**64,180**	68,663
Total equity		**2,795,303**	2,673,872

Yin Bo
Director

Li Weijian
Director

Interim Condensed Consolidated Statement of Changes in Equity

Six months ended 30 June 2017

	Attributable to owners of the parent										
	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$'000	Accumulated losses HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total equity HK$'000
At 31 December 2016 and 1 January 2017 (audited)	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
Profit/(loss) for the period	–	–	–	–	–	–	–	70,010	70,010	(3,062)	66,948
Other comprehensive income/(loss) for the period:											
Exchange differences on translation of foreign operations	–	–	–	–	–	55,904	–	–	55,904	(1,421)	54,483
Total comprehensive income/(loss) for the period	–	–	–	–	–	55,904	–	70,010	125,914	(4,483)	121,431
Provision for special reserve	–	–	–	–	18,503	–	–	(18,503)	–	–	–
Utilisation of special reserve	–	–	–	–	(17,688)	–	–	17,688	–	–	–
At 30 June 2017 (Unaudited)	**342,846**	**3,352,902 ***	**(171,679) ***	**53,977 ***	**142,512 ***	**51,618 ***	**312 ***	**(1,041,365) ***	**2,731,123**	**64,180**	**2,795,303**

Interim Condensed Consolidated Statement of Changes in Equity (continued)

Six months ended 30 June 2017

	Attributable to owners of the parent										
	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$'000	Accumulated losses HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total equity HK$'000
At 31 December 2015 and 1 January 2016 (audited)	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 period	–	–	–	–	–	–	–	(137,203)	(137,203)	(19,531)	(156,734)
Other comprehensive loss for the period:											
Exchange differences on translation of foreign operations	–	–	–	–	–	(85,175)	–	–	(85,175)	–	(85,175)
Total comprehensive loss for the period	–	–	–	–	–	(85,175)	–	(137,203)	(222,378)	(19,531)	(241,909)
Provision for special reserve	–	–	–	–	16,392	–	–	(16,392)	–	–	–
Utilisation of special reserve	–	–	–	–	(12,751)	–	–	12,751	–	–	–
Government grant	–	–	16	–	–	–	–	–	16	–	16
Transfer of share option reserve upon the cancellation of share options	–	–	–	(40,738)	–	–	–	40,738	–	–	–
At 30 June 2016 (Unaudited)	**342,846**	**3,352,902**	**(171,679)**	**69,802**	**146,854**	**107,864**	**312**	**(1,180,832)**	**2,668,069**	**89,681**	**2,757,750**

* These reserve accounts comprise the consolidated reserves of HK$2,388,277,000 in the interim condensed consolidated statement of financial position (31 December 2016: HK$2,262,363,000).

Interim Condensed Consolidated Statement of Cash Flows

Six months ended 30 June 2017

	Note	Six months ended 30 June **2017** **HK$'000** **(Unaudited)**	 2016 HK$'000 (Unaudited)
Net cash flows (used in)/generated from operating activities		**(345,748)**	551,441
Net cash flows used in investing activities		**(64,609)**	(119,615)
Net cash flows generated from /(used in) financing activities		**365,643**	(999,964)
NET DECREASE IN CASH AND CASH EQUIVALENTS		**(44,714)**	(568,138)
Cash and cash equivalents at beginning of period		**989,510**	968,404
Effect of exchange rate changes, net		**20,933**	(21,226)
CASH AND CASH EQUIVALENTS AT END OF PERIOD		**965,729**	379,040
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances	19	**1,483,194**	971,059
Less: Pledged deposits	19	**(517,465)**	(592,019)
Cash and cash equivalents at end of period		**965,729**	379,040

Notes to Interim Condensed Consolidated Financial Statements

30 June 2017

1. Corporate information

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

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

2. Basis of preparation and accounting policies

Basis of preparation

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

As at 30 June 2017, the Company and its subsidiaries (collectively referred to as the "**Group**") had net current liabilities of HK$1,210.9 million (31 December 2016: HK$923.1 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 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.

(b) 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.

(c) In February 2017, certain PRC banks had confirmed to the Group in writing regarding their agreements to renew their short-term bank loans granted to the Group totalling HK$1,610.0 million 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. Based on the abovementioned agreements and past experience, the directors consider it is highly probable that the Group can extend adequate amount of short-term bank loans for another year when fall due to maintain sufficient working capital of the Group.

(d) 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 abovementioned plans and measures, coupled with the improved profitability of the Group in the first half of 2017 and 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 period ended 30 June 2017 on a going concern basis.

Notes to Interim Condensed Consolidated Financial Statements

30 June 2017

2. Basis of preparation and accounting policies (continued)

Significant accounting policies

Except as described below, the accounting policies adopted in the preparation of the interim condensed consolidated financial statements are the same as those used in the annual financial statements for the year ended 31 December 2016, except for the adoption of the revised Hong Kong Financial Reporting Standards ("**HKFRSs**") (which also include HKASs and Interpretations) as disclosed below. The Group has adopted the following revised HKFRSs for the first time for the current period's interim condensed consolidated financial statements.

Amendments to HKAS 7	*Disclosure Initiative*
Amendments to HKAS 12	*Recognition of Deferred Tax Assets Under Unrealised Losses*

The adoption of these revised HKFRSs has no significant financial effect on these interim condensed consolidated financial statements and there have been no significant changes to the accounting policies applied in these financial statements.

Issued but not yet effective HKFRSs

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

Amendments to HKFRS 2	*Classification and Measurement of Share-based Payment Transactions*[1]
Amendments to HKFRS 4	*Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts*[1]
HKFRS 9	*Financial Instruments*[1]
Amendments to HKFRS 10 and HKAS 28	*Sale or Contribution of Assets between an Investor and its Associate and Joint Venture*[3]
HKFRS 15	*Revenue from Contracts with Customers*[1]
Amendments to HKFRS 15	*Clarifications to HKFRS 15 Revenue from contracts with Customers*[1]
HKFRS 16	*Leases*[2]

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

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

Notes to Interim Condensed Consolidated Financial Statements

30 June 2017

3. Operating segment information

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

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

The manganese mining and ore processing segment engages in the mining and production of manganese products including principally, through the Group's integrated processes, the mining, beneficiation, concentrating, grinding and the production of manganese concentrate and natural discharging manganese powder and sand;

(b) Manganese downstream processing segment (PRC)

The manganese downstream processing segment comprises hydrometallurgical processing and pyrometallurgical processing, and the resulting products of which 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 and HK)

The others segment comprises, principally, the trading of various commodities such as manganese ore, EMM and manganese alloy, sales of scrap, and rental of investment properties and leasehold lands.

Management monitors the results of the Group's operating segments separately for the purpose of making decisions about resources allocation and performance assessment. Segment performance is evaluated based on reportable segment profit/loss, which is a measure of adjusted profit/loss before tax. The adjusted profit/loss before tax is measured consistently with the Group's profit/loss before tax except that interest income, finance costs, loss on deemed disposal of an associate, share of losses of associates, as well as head office and corporate expenses are excluded from such measurement.

Segment assets exclude financial assets at fair value through profit or loss, deferred tax assets, tax recoverable, pledged deposits, cash and cash equivalents and other unallocated head office and corporate assets as these assets are managed on a group basis.

Segment liabilities exclude interest-bearing bank and other borrowings, deferred tax liabilities, 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.

Notes to Interim Condensed Consolidated Financial Statements

30 June 2017

3. 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 HK$'000	Eliminations HK$'000	Total HK$'000
Six months ended 30 June 2017 (Unaudited)							
Segment revenue:							
Sales to external customers	73,880	298,024	1,507,744	48,098	818,987	–	2,746,733
Intersegment sales	126,730	–	–	–	–	(126,730)	–
Other revenue	3,124	11,419	23,441	45	31,840	–	69,869
Total	203,734	309,443	1,531,185	48,143	850,827	(126,730)	2,816,602
Segment results	(19,328)	43,293	210,670	11,751	40,844	–	287,230
Reconciliations:							
Interest income							10,855
Corporate and other unallocated expenses							(29,778)
Finance costs							(105,460)
Loss on deemed disposal of an associate							(69,365)
Share of losses of associates							(17,303)
Profit before tax							76,179
Income tax expense							(9,231)
Profit for the period							66,948
Assets and liabilities							
Segment assets	1,153,520	377,518	4,572,611	45,113	1,058,705	–	7,207,467
Reconciliations:							
Corporate and other unallocated assets							1,914,318
Total assets							9,121,785
Segment liabilities	387,781	24,029	908,544	7,604	98,193	–	1,426,151
Reconciliations:							
Corporate and other unallocated liabilities							4,900,331
Total liabilities							6,326,482

Notes to Interim Condensed Consolidated Financial Statements

30 June 2017

3. 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 HK$'000	Eliminations HK$'000	Total HK$'000
Six months ended 30 June 2016 (Unaudited)							
Segment revenue:							
Sales to external customers	40,162	5,906	1,024,270	60,565	145,136	–	1,276,039
Intersegment sales	155,782	–	–	–	–	(155,782)	–
Other revenue	1,355	389	35,310	711	19,843	–	57,608
Total	197,299	6,295	1,059,580	61,276	164,979	(155,782)	1,333,647
Segment results	(39,412)	(18,740)	51,568	7,156	22,551	–	23,123
Reconciliations:							
Interest income							10,513
Corporate and other unallocated expenses							(44,766)
Finance costs							(121,074)
Share of losses of associates							(23,613)
Loss before tax							(155,817)
Income tax expense							(917)
Loss for the period							(156,734)
Assets and liabilities							
Segment assets	864,738	416,524	4,726,705	104,567	323,093	–	6,435,627
Reconciliations:							
Corporate and other unallocated assets							2,056,726
Total assets							8,492,353
Segment liabilities	355,293	487,213	467,500	34,241	1,652	–	1,345,899
Reconciliations:							
Corporate and other unallocated liabilities							4,388,704
Total liabilities							5,734,603

Notes to Interim Condensed Consolidated Financial Statements

30 June 2017

4. Revenue, other income and gains

Revenue represents the net invoiced value of goods sold after allowances for returns and trade discounts during the reporting period.

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

	Six months ended 30 June	
	2017	2016
	HK$'000	HK$'000
	(Unaudited)	(Unaudited)
Revenue		
Sale of goods	**2,746,733**	1,276,039
Other income and gains		
Interest income	**10,855**	10,513
Gain on disposal of items of property, plant and equipment	**3,166**	5,869
Subsidy income	**11,737**	31,645
Sale of scraps	**9,882**	4,814
Rental income	**9,966**	8,587
Fair value gain on financial assets at fair value through profit or loss	**–**	801
Foreign exchange gain, net	**3,445**	–
Reversal of impairment loss of trade and other receivables, net	**12,424**	–
Others	**19,249**	5,892
	80,724	68,121

5. Finance costs

	Six months ended 30 June	
	2017	2016
	HK$'000	HK$'000
	(Unaudited)	(Unaudited)
Interest on loans wholly repayable within five years	**81,384**	102,229
Finance costs for discounted notes receivable	**13,992**	5,296
Other finance costs	**10,084**	13,549
	105,460	121,074

6. Profit/(loss) before tax

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

	Notes	Six months ended 30 June 2017 HK$'000 (Unaudited)	2016 HK$'000 (Unaudited)
Cost of inventories sold		**2,348,916**	1,129,960
Write-down of inventories to net realisable value, net#		**7,444**	10,613
Depreciation	10	**146,722**	161,918
Amortisation of prepaid land lease payments	11	**5,790**	6,147
Amortisation of intangible assets	12	**6,555**	6,151
Auditors' remuneration		**1,637**	2,196
Minimum lease payments under operating leases, land and buildings		**5,728**	4,991
Employee benefit expense		**230,726**	211,622
Gain on disposal of items of property, plant and equipment*		**(3,166)**	(5,869)
Loss on disposal of non-current assets held for sale*		**–**	3,714
Foreign exchange differences, net*		**(3,445)**	2,876
(Reversal of impairment)/impairment of trade and other receivables, net*		**(12,424)**	3,937
Fair value loss/(gain) on financial assets at fair value through profit or loss*		**143**	(801)
Loss on deemed disposal of an associate (note)		**69,365**	–

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

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

Note: During the reporting period, the Group recorded a non-cash loss of HK$69,365,000 resulting from the dilution in our shareholding in an associate, China Polymetallic Mining Limited ("**CPM**") from 29.81% to 24.84% upon completion of the issue of new shares of an additional 20% by CPM on 26 May 2017.

Notes to Interim Condensed Consolidated Financial Statements

30 June 2017

7. Income tax 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.

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

	Six months ended 30 June	
	2017	2016
	HK$'000	HK$'000
	(Unaudited)	(Unaudited)
Current – PRC		
Charge for the period	**2,314**	580
Current – Gabon		
Charge for the period	**2,561**	–
Deferred (note 14)	**4,356**	337
Total tax charge for the period	**9,231**	917

Hong Kong profits tax

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

PRC corporate income tax ("CIT")

Pursuant to the PRC Income Tax Law and the respective regulations, except for the preferential tax treatment available to CITIC Dameng Mining Industries Co., Limited 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 Manganese Materials Co., Ltd., 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.

Notes to Interim Condensed Consolidated Financial Statements

30 June 2017

8. Profit/(loss) per share attributable to ordinary equity holders of the parent

	Six months ended 30 June **2017** **HK$'000** **(Unaudited)**	 2016 HK$'000 (Unaudited)
The calculation of basic and diluted profit/(loss) per share are based on:		
Profit/(loss)		
Profit/(loss) attributable to ordinary equity holders of the parent, used in the basic profit/(loss) per share calculation	**70,010**	(137,203)

	Number of shares	
Shares		
Weighted average number of ordinary shares in issue during the period used in the basic profit/(loss) per share calculation	**3,428,459,000**	3,428,459,000

The Group had no potentially dilutive ordinary shares in issue during the six months ended 30 June 2017 nor the six months ended 30 June 2016. No adjustment has been made to the basic profit/(loss) per share amounts presented for the six months ended 30 June 2017 nor the six months ended 30 June 2016 in respect of dilution as the share options outstanding had an anti-dilutive effect on the basic profit/(loss) per share amounts presented.

9. Dividend

The Board does not recommend the payment of any interim dividend for the six months ended 30 June 2017 (2016: Nil).

10. Property, plant and equipment

	30 June 2017 **HK$'000** **(Unaudited)**	31 December 2016 HK$'000 (Audited)
At 1 January 2017/1 January 2016	**2,990,656**	3,314,103
Additions	**55,640**	249,698
Depreciation (note 6)	**(146,722)**	(328,433)
Disposals	**(5,364)**	(53,880)
Transfer from non-current assets held for sale	**–**	7,412
Exchange realignment	**86,105**	(198,244)
At 30 June 2017/31 December 2016	**2,980,315**	2,990,656

None of the Group's interest-bearing bank and other borrowings (except for finance lease payables) were secured by the Group's property, plant and equipment as at 30 June 2017 (31 December 2016: Nil).

The Group's property, plant and equipment of a net carrying amount of HK$159,900,000 (31 December 2016: HK$177,669,000) were held under finance lease as at 30 June 2017.

At 30 June 2017, 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$239,646,000 (31 December 2016: HK$238,004,000) and the Group also had buildings and construction in progress with an aggregate net carrying amount of approximately HK$89,043,000 (31 December 2016: HK$86,482,000) situated on certain land parcels which the Group was in the process of applying for land use rights certificates. The Directors are of the opinion that the aforesaid matter does not have any significant impact on the Group's financial position as at 30 June 2017.

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11. Prepaid land lease payments

	30 June 2017 HK$'000 (Unaudited)	31 December 2016 HK$'000 (Audited)
At 1 January 2017/1 January 2016	**454,564**	506,199
Additions	**2,277**	–
Disposal	**–**	(8,343)
Amortisation (note 6)	**(5,790)**	(12,091)
Exchange realignment	**13,399**	(31,201)
At 30 June 2017/31 December 2016	**464,450**	454,564
Current portion included in prepayments, deposits and other receivables	**(11,998)**	(11,541)
Non-current portion	**452,452**	443,023

At 30 June 2017, the Group leases certain of its leasehold lands with a net carrying amount of HK$162,242,000 (31 December 2016: HK$94,504,000) under operating lease arrangements with leases negotiated for terms from 1 to 3 years.

12. Intangible assets

	30 June 2017 HK$'000 (Unaudited)	31 December 2016 HK$'000 (Audited)
Mining rights and other intangible assets:		
At 1 January 2017/1 January 2016	**569,817**	624,450
Additions	**129**	177
Amortisation (note 6)	**(6,555)**	(16,439)
Exchange realignment	**16,561**	(38,371)
At 30 June 2017/31 December 2016	**579,952**	569,817

13. Investment in associates and due from associates

	30 June 2017 HK$'000 (Unaudited)	31 December 2016 HK$'000 (Audited)
Share of net assets	**749,373**	826,347
Loan to an associate (note a)	**118**	119
At 30 June 2017/31 December 2016	**749,491**	826,466
Due from associates (note b)	**26,599**	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 CPM of HK$16,004,000 (31 December 2016 HK$15,896,000) which carries interest at 10% per annum and is repayable on demand. The remaining balance represents other receivable from Dushan Jinmeng Manganese Limited Company ("**Dushan Jinmeng**").

14. Deferred tax assets and liabilities

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

Deferred tax assets

	Deductible temporary differences HK$'000
At 1 January 2017 (Audited)	32,933
Charged to the interim condensed consolidated statement of profit or loss and other comprehensive income during the period (note 7)	(1,854)
Exchange realignment	977
At 30 June 2017 (Unaudited)	32,056

Deferred tax liabilities

	Fair value adjustments arising from acquisition of subsidiaries HK$'000	Withholding taxes HK$'000	Fair value adjustments of investment properties and others HK$'000	Total HK$'000
At 1 January 2017 (Audited)	158,868	12,692	19,574	191,134
Charged/(credited) to the interim condensed consolidated statement of profit or loss and other comprehensive income during the period (note 7)	(930)	3,432	–	2,502
Exchange realignment	4,724	–	581	5,305
At 30 June 2017 (Unaudited)	162,662	16,124	20,155	198,941

15. Inventories

	30 June 2017 HK$'000 (Unaudited)	31 December 2016 HK$'000 (Audited)
Raw materials	454,307	675,695
Work in progress	1,098	13,518
Finished goods	469,652	205,313
	925,057	894,526
Less: Inventory provision	(79,994)	(101,689)
	845,063	792,837

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16. Trade and notes receivables

	30 June 2017 HK$'000 (Unaudited)	31 December 2016 HK$'000 (Audited)
Trade receivables	**707,348**	738,934
Notes receivable	**407,629**	151,944
	1,114,977	890,878
Less: Provision for impairment	**(42,227)**	(53,286)
	1,072,750	837,592

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 three to six 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. Trade and notes receivables relate to a large number of diversified customers, including a major customer set out below.

At 30 June 2017, trade receivables of HK$94,601,000 (31 December 2016: HK$317,953,000) and notes receivables of HK$130,766,000 (31 December 2016: Nil) from a customer are guaranteed by Dushan Jinmeng; and trade receivables of HK$93,772,000 (31 December 2016: Nil) from it are secured against the pledged equity interests in Dushan Jinmeng owned by it. At 30 June 2017, the abovementioned notes receivable of HK$130,766,000 (31 December 2016: Nil) are commercial acceptance notes issued by the customer to settle the trade receivables from it when becoming due. The credit period for the notes is three months and the notes are interest bearing at 7% per annum.

Except for the customer mentioned above, the Group does not hold any collateral or other credit enhancements over its trade receivable balances. Trade receivables are non-interest-bearing.

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

	30 June 2017 HK$'000 (Unaudited)	31 December 2016 HK$'000 (Audited)
Within one month	**243,655**	210,994
One to two months	**122,257**	182,779
Two to three months	**98,432**	161,725
Over three months	**200,777**	130,150
	665,121	685,648

Notes to Interim Condensed Consolidated Financial Statements

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16. Trade and notes receivables (continued)

Notes receivable represents: 1) bank acceptance notes of HK$253,359,000 (31 December 2016: HK$113,796,000) issued by banks in Mainland China which are secured and payable when due by the banks and 2) commercial acceptance notes of HK$154,270,000 (31 December 2016: HK$38,148,000) which are secured and due before 31 December 2017.

An ageing analysis of the notes receivable of the Group as at the end of the reporting period, based on the issue date of the notes, is as follows:

	30 June 2017 HK$'000 (Unaudited)	31 December 2016 HK$'000 (Audited)
Within one month	**135,940**	81,781
One to two months	**121,700**	27,177
Two to three months	**69,939**	11,433
Over three months	**80,050**	31,553
	407,629	151,944

Transferred financial assets that are derecognised in their entirety

At 30 June 2017, 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 RMB747,580,000 (equivalent to HK$860,465,000) (31 December 2016: RMB400,558,000, equivalent to HK$447,784,000). The Derecognised Notes had a maturity of one to six months at the end of the reporting period. In accordance with the Law of Negotiable Instruments in the PRC, the holders of the Derecognised Notes have a right of recourse against the Group if the PRC banks default (the "**Continuing Involvement**"). In the opinion of the Directors, the Group has transferred substantially all risks and rewards relating to the Derecognised Notes. Accordingly, it has derecognised the full carrying amounts of the Derecognised Notes and the associated trade payables. The maximum exposure to loss from the Group's Continuing Involvement in the Derecognised Notes and the undiscounted cash flows to repurchase these Derecognised Notes equal to their carrying amounts. In the opinion of the Directors, the fair values of the Group's Continuing Involvement in the Derecognised Notes are not significant.

During the period ended 30 June 2017, the Group has not recognised any gain or loss on the date of transfer of the Derecognised Notes. No gains or losses were recognised from the Continuing Involvement, both during the period or cumulatively. The endorsement has been made evenly throughout the period.

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

	30 June 2017 HK$'000 (Unaudited)	31 December 2016 HK$'000 (Audited)
At 1 January 2017/1 January 2016	**53,286**	48,972
Impairment losses recognised	**963**	13,502
Impairment losses reversed	**(13,387)**	(5,483)
Amount written off as uncollectible	**–**	(71)
Exchange realignment	**1,365**	(3,634)
At 30 June 2017/31 December 2016	**42,227**	53,286

The above provision for impairment of trade and notes receivables of HK$42,227,000 (31 December 2016: HK$53,286,000) are provisions for individually impaired trade receivables with a carrying amount before provision of approximately HK$42,731,000 (31 December 2016: HK$62,004,000) as at 30 June 2017. The individually impaired trade receivables relate to customers that were in financial difficulties and only a portion of these receivables is expected to be recovered.

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16. Trade and notes receivables (continued)

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

	30 June 2017 HK$'000 (Unaudited)	31 December 2016 HK$'000 (Audited)
Neither past due nor impaired	**859,830**	675,890
Less than three months past due	**188,659**	146,371
Over three months past due	**24,261**	15,331
	1,072,750	837,592

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.

17. Prepayments, deposits and other receivables

Non-current portion

	30 June 2017 HK$'000 (Unaudited)	31 December 2016 HK$'000 (Audited)
Deposits	**168,569**	164,847
Prepayments	**82,138**	58,756
	250,707	223,603

Current portion

	30 June 2017 HK$'000 (Unaudited)	31 December 2016 HK$'000 (Audited)
Prepayments	**163,073**	153,374
Deposits and other receivables	**348,217**	365,402
	511,290	518,776

18. Financial assets at fair value through profit or loss

	30 June 2017 HK$'000 (Unaudited)	31 December 2016 HK$'000 (Audited)
Listed bonds investment, at market value	**24,316**	24,295

The above bonds investment as at 30 June 2017 and 31 December 2016 are held for trading and upon initial recognition were classified by the Group as financial assets at fair value through profit or loss.

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19. Cash and cash equivalents and pledged deposits

	Note	30 June 2017 HK$'000 (Unaudited)	31 December 2016 HK$'000 (Audited)
Cash and bank balances		**1,483,194**	1,534,859
Less: Pledged deposits			
– Pledged for bank and other borrowings	22	**(277,048)**	(242,889)
– Pledged for bank acceptance notes and letters of credit		**(240,417)**	(302,460)
Cash and cash equivalents		**965,729**	989,510

As at 30 June 2017, cash and bank balances of the Group denominated in RMB amounting to HK$1,163,712,000 (31 December 2016: HK$856,395,000) were deposited with banks in Mainland China. RMB is not freely convertible in the 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 including pledged deposits are deposited with creditworthy banks with no recent history of default.

20. 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:

	30 June 2017 HK$'000 (Unaudited)	31 December 2016 HK$'000 (Audited)
Within one month	**244,909**	295,936
One to two months	**70,102**	274,327
Two to three months	**49,426**	72,802
Over three months	**275,616**	306,971
	640,053	950,036

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

21. Other payables and accruals

	30 June 2017 HK$'000 (Unaudited)	31 December 2016 HK$'000 (Audited)
Advances from customers	**84,090**	72,089
Other payables	**502,776**	694,724
Accruals	**247,482**	242,787
	834,348	1,009,600

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

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22. Interest-bearing bank and other borrowings

	30 June 2017			31 December 2016		
	Effective interest rate (%)	**Maturity**	**HK$'000 (Unaudited)**	Effective interest rate (%)	Maturity	HK$'000 (Audited)
Current						
Finance lease payables (note 23)	**6.32-7.51**	**2017-2018**	**84,618**	6.32-7.51	2017	86,752
Bank loans – secured (note (a))	**1.65-4.35**	**2017-2018**	**74,012**	4.35	2017	63,225
Bank loans – unsecured	**2.61-5.29**	**2017-2018**	**2,288,379**	2.13-4.83	2017	1,773,490
Current portion of long-term bank loans – secured (note (a))	**3.45-5.51, LIBOR+2.15**	**2017-2018**	**594,167**	LIBOR+2.15	2017	231,968
Current portion of long-term bank loans – unsecured	**3.83-5.78, LIBOR+2.60**	**2017-2018**	**449,416**	4.75-6.46, LIBOR+2.60	2017	342,458
Other loans – unsecured (note (b), (c))	**4.73**	**2018**	**111,230**	4.56	2017	109,140
			3,601,822			2,607,033
Non-current						
Finance lease payables (note 23)	**6.32-7.51,**	**2018-2020**	**173,805**	6.32-7.51	2018-2020	208,389
Bank loans – secured (note (a))	**–**	**–**	**–**	4.00	2018	318,602
Bank loans – unsecured	**3.83-4.75, LIBOR+2.60**	**2018-2019**	**646,487**	4.75-4.99, LIBOR+2.60	2018-2019	752,877
			820,292			1,279,868
			4,422,114			3,886,901

	30 June 2017 HK$'000 (Unaudited)	31 December 2016 HK$'000 (Audited)
Analysed into:		
Bank loans repayable:		
Within one year or on demand	**3,405,974**	2,411,141
In the second year	**257,149**	683,064
In the third to fifth years, inclusive	**389,338**	388,415
	4,052,461	3,482,620
Other loans and finance leases repayable:		
Within one year or on demand	**195,848**	195,892
In the second year	**78,735**	80,046
In the third to fifth years, inclusive	**95,070**	128,343
	369,653	404,281
	4,422,114	3,886,901

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

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

	Note	**30 June 2017 HK$'000 (Unaudited)**	31 December 2016 HK$'000 (Audited)
Pledged deposits	19	**277,048**	242,889
Account receivables		**17,790**	–
		294,838	242,889

(b) The balance as at 31 December 2016 represented a loan borrowed by way of gold lease arrangement from Industrial Bank Co., Ltd, 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 was repaid on 26 May 2017.

(c) The balance as at 30 June 2017 represents a loan borrowed by way of gold lease arrangement from Industrial Bank Co., Ltd, with the principal of RMB96,638,000 (equivalent to HK$111,230,000) and bearing interest at a fixed rate of 4.73% per annum. The loan is repayable on 8 June 2018.

(d) At 30 June 2017, except for bank and other borrowings of HK$791,740,000 (31 December 2016: HK$844,536,000) which were denominated in United States dollars, all borrowings were in Renminbi.

23. Finance lease payables

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

1) a principal of RMB300,000,000 (equivalent to HK$345,300,000) carrying effective interest at a fixed rate of 7.51% per annum and an one-off service fee of RMB7,008,000 (equivalent to HK$8,066,000) payable to the lessor and being secured by a cash deposit of RMB24,000,000 (equivalent to HK$27,624,000). The loan is repayable on 5 August 2020; and

2) a principal of RMB50,000,000 (equivalent to HK$57,550,000) 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$1,935,000) to the lessor and being secured by a cash deposit of RMB21,500,000 (equivalent to HK$24,747,000). The loan is repayable on 14 December 2019.

As at 30 June 2017, the Group's plant and machinery of its manganese downstream processing segment with net carrying amount of HK$159,900,000 (31 December 2016: HK$177,669,000) were held under the above finance leases. If no default occurs during the lease periods, the ownership of the plant and machinery shall automatically be transferred to the Group at a price of RMB100.

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23. Finance lease payables (continued)

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

	Minimum lease payments 30 June 2017 HK$'000 (Unaudited)	**Present value of minimum lease payments 30 June 2017 HK$'000 (Unaudited)**	Minimum lease payments 31 December 2016 HK$'000 (Audited)	Present value of minimum lease payments 31 December 2016 HK$'000 (Audited)
Amounts payable:				
Within one year	**90,045**	**84,618**	92,915	86,752
In the second year	**84,607**	**78,735**	87,624	80,046
In the third to fifth years, inclusive	**98,491**	**95,070**	133,978	128,343
Total minimum finance lease payments	**273,143**	**258,423**	314,517	295,141
Future finance charge	**(14,720)**		(19,376)	
Total net finance lease payables	**258,423**		295,141	
Portion classified as current liabilities (note 22)	**(84,618)**		(86,752)	
Non-current portion (note 22)	**173,805**		208,389	

24. Deferred income

	30 June 2017 HK$'000 (Unaudited)	31 December 2016 HK$'000 (Audited)
At 1 January 2017/1 January 2016	**80,851**	98,974
Addition	**2,332**	7,907
Amortisation	**(3,853)**	(20,301)
Exchange realignment	**2,368**	(5,729)
At 30 June 2017/31 December 2016	**81,698**	80,851

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 interim condensed 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.

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25. Share capital

The following is a summary of the authorised share capital and the issued share capital of the Company:

	30 June 2017 HK$'000 (Unaudited)	31 December 2016 HK$'000 (Audited)
Issued and fully paid: 3,428,459,000 (31 December 2016: 3,428,459,000) ordinary shares of HK$0.10 each	**342,846**	342,846

26. Reserves

The amounts of the Group's reserves and the movements therein are presented in the interim condensed consolidated statement of changes in equity.

	Notes	**30 June 2017 HK$'000 (Unaudited)**	31 December 2016 HK$'000 (Audited)
Share premium	(a)	**3,352,902**	3,352,902
Contributed surplus		**(171,679)**	(171,679)
Reserve funds	(b)	**142,512**	141,697
Share option reserve		**53,977**	53,977
Exchange fluctuation reserve		**51,618**	(4,286)
Capital redemption reserve		**312**	312
Accumulated losses		**(1,041,365)**	(1,110,560)
		2,388,277	2,262,363

(a) Share premium account represents 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 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 that 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 safety fund based on the volume of ore excavated and turnover of ferroalloy in prior year.

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27. 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 granted on 11 January 2011 and outstanding under the Scheme during the period:

	Six months ended 30 June 2017		Year ended 31 December 2016	
	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 2017/1 January 2016	**2.81**	**45,500**	2.81	92,500
Cancelled during the period/year	**–**	**–**	2.81	(47,000)
At 30 June 2017/31 December 2016	**2.81**	**45,500**	2.81	45,500

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

At 30 June 2017:

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		

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27. Share option scheme (continued)

At 31 December 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		

The fair value of the outstanding share options at the time of grant was estimated, using a binomial model, as HK$54,145,000 (31 December 2016: HK$54,145,000) (weighted average fair value of HK$1.19 each). No share option expense has been recognised by the Group during the period as all share options have been vested in 2014.

28. Commitments and contingencies

a) Operating lease commitments

i) As Lessor

The Group leases its investment properties and leasehold lands (note 11) under operating lease arrangements, with lease negotiated for terms ranging from 1 to 10 years (31 December 2016: 1 to 10 years).

At the end of the reporting period, the Group had total future minimum lease receivables under non-cancellable operating leases with its tenants falling due as follows:

	30 June 2017 HK$'000 (Unaudited)	31 December 2016 HK$'000 (Audited)
Within one year	**23,005**	14,153
In the second to fifth years, inclusive	**49,720**	39,395
	72,725	53,548

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

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28. Commitments and contingencies (continued)

a) Operating lease commitments (continued)

ii) As Lessee

At the end of the reporting period, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	30 June 2017 HK$'000 (Unaudited)	31 December 2016 HK$'000 (Audited)
Within one year	**7,904**	8,165
In the second to fifth years, inclusive	**15,939**	17,761
	23,843	25,926

b) Capital commitments

	30 June 2017 HK$'000 (Unaudited)	31 December 2016 HK$'000 (Audited)
Contracted, but not provided for:		
Acquisition of land and buildings	**122,188**	124,113
Acquisition of plant and machinery	**24,990**	27,571
Total	**147,178**	151,684

c) Contingent liabilities

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

	30 June 2017 HK$'000 (unaudited)	31 December 2016 HK$'000 (audited)
Guarantees given to banks in connection with facilities granted to an associate	**303,864**	295,126

As at 30 June 2017, 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 Limited Company ("Guangxi Jinmeng"), according to the shareholding structure on a several basis.

As at 30 June 2017, the banking facilities guaranteed by the Group and Guangxi Jinmeng to the associate amounted to RMB800,000,000 (equivalent to HK$920,800,000) and were utilised to the extent of RMB715,000,000 (equivalent to HK$822,965,000) (31 December 2016: RMB715,000,000, equivalent to HK$799,299,000).

(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 issued 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.

Notes to Interim Condensed Consolidated Financial Statements

30 June 2017

29. Related party balances and transactions

(a) In addition to the transactions detailed elsewhere in the interim condensed consolidated financial statements, the Group had the following transactions with related parties during the period:

	Notes	Six months ended 30 June **2017** **HK$'000** **(Unaudited)**	 2016 HK$'000 (Unaudited)
Sale of finished goods to a subsidiary of Guangxi Dameng	(i)	**–**	332
Sale of finished goods to a related company	(i)	**39,516**	21,302
Sale of finished goods to an associate	(i)	**115,803**	–
Purchase of raw materials from subsidiaries of Guangxi Dameng	(i)	**2,814**	1,991
Mining drawing service provided by Guangxi Dameng	(ii)	**320**	–
Provision of water and electricity to Guangxi Dameng	(iii)	**21**	23
Provision of integrated service by Guangxi Dameng	(iv)	**1,833**	1,856
Rental income received from Guangxi Dameng	(v)	**430**	458
Maximum balance of bank deposits with related companies during the period	(vi)	**1,393**	1,482
Interest income on deposits placed with related companies	(vi)	**5**	4
Maximum balance of loans from Guangxi Dameng	(vii)	**35,681**	175,500
Interest expense on the borrowings provided by Guangxi Dameng	(vii)	**6**	221
Maximum balance of loans to an associate	(viii)	**16,004**	15,906
Interest income on loan provided to an associate	(viii)	**809**	509
Maximum balance of loans from a fellow subsidiary of Guangxi Dameng	(ix)	**95,079**	233,920
Interest expense on the borrowings provided by a fellow subsidiary of Guangxi Dameng	(x)	**1,364**	4,911

Notes:

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

(ii) These services were 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 HK$306,000 (2016: HK$304,000) 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 period and related interest income were transacted in the usual and ordinary course of business of the Group.

(vii) The loan provided by Guangxi Dameng amounting to HK$35,681,000 (2016: HK$175,500,000), was unsecured and carried interest at 6.36% per annum. During the respective reporting periods, the loans were fully repaid.

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

(ix) For the period ended 30 June 2017, the balance represents the loan provided by a fellow subsidiary of Guangxi Dameng which carries interest at prevailing market rate and is repayable on demand.

For the period end 30 June 2016, the balance represented the loan provided by a fellow subsidiary of Guangxi Dameng which was an entrusted loan of RMB200,000,000 (equivalent to HK$233,920,000) through China Merchant Bank with a tenor of six months and an interest rate of 5% per annum. The balance was repaid in October 2016.

(x) The amount represents interest charged by a fellow subsidiary of Guangxi Dameng with regards to a loan detailed in (ix).

Notes to Interim Condensed Consolidated Financial Statements

30 June 2017

29. Related party balances and transactions (continued)

(b) Other transactions with related parties

The Group has provided a guarantee to a bank in connection with facilities granted to the associate, Dushan Jinmeng, according to the shareholding structure on a several basis. At 30 June 2017, the banking facilities utilised by Dushan Jinmeng amounted to HK$822,965,000 (31 December 2016: HK$799,299,000), as detailed in note 28(c)(a) to the financial statements.

(c) Outstanding balances with related parties

		30 June 2017 HK$'000 (Unaudited)	31 December 2016 HK$'000 (Audited)
i)	Due from related companies		
	Trade receivables	**15,976**	10,266
	Prepayments and other receivables	**6**	6
		15,982	10,272
ii)	Due to related companies		
	Trade payables	**2,255**	2,873
	Other payables	**114,742**	111,454
		116,997	114,327
iii)	Bank balances with related companies	**318**	1,376
iv)	Due from associates		
	Trade receivables (note)	**90,080**	–
	Other receivables	**10,595**	10,291
	Loan to an associate	**16,004**	15,896
		116,679	26,187

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$16,004,000 (31 December 2016: HK$15,896,000) which carries interest at 10% per annum, unsecured 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. An unsecured amount of HK$95,079,000 (2016: HK$90,997,000) in other payables to related companies carries interest at prevailing market rate and is repayable on demand. The remaining balances of other payables to related companies are unsecured, non-interest-bearing and have no fixed terms of repayment.

Note: At 30 June 2017, included in trade receivables of HK$707,348,000 (31 December 2016: HK$ 738,934,000) (see note 16), there is a trade receivable due from an associate, Dushan Jinmeng, of HK$90,080,000 (31 December 2016: Nil).

(d) Compensation of key management personnel of the Group

	Six months ended 30 June 2017 HK$'000 (Unaudited)	2016 HK$'000 (Unaudited)
Salaries, director fees, allowances and benefits in kind	**8,358**	9,218
Pension scheme contributions	**110**	167
Total compensation paid to key management personnel	**8,468**	9,385

Notes to Interim Condensed Consolidated Financial Statements

30 June 2017

30. 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 assets

	Carrying amount		Fair value	
	30 June 2017 HK$'000 (Unaudited)	31 December 2016 HK$'000 (Audited)	**30 June 2017 HK$'000 (Unaudited)**	31 December 2016 HK$'000 (Audited)
Financial assets at fair value through profit or loss	**24,316**	24,295	**24,316**	24,295

Financial liabilities

	Carrying amounts		Fair values	
	30 June 2017 HK$'000 (Unaudited)	31 December 2016 HK$'000 (Audited)	**30 June 2017 HK$'000 (Unaudited)**	31 December 2016 HK$'000 (Audited)
Interest-bearing bank and other borrowings	**4,422,114**	3,886,901	**4,422,114**	3,886,901

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 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 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 as at 30 June 2017 was assessed to be insignificant.

31. Approval of the interim condensed consolidated financial statements

These interim condensed consolidated financial statements were approved and authorised for issue by the Board of Directors on 26 July 2017.

Management Discussion and Analysis

Financial Review

	1H 2017 HK$'000	1H 2016 HK$'000	Increase/(decrease) HK$'000	%
Revenue	**2,746,733**	1,276,039	1,470,694	115.3
Gross profit	**390,373**	139,043	251,330	180.8
Gross profit margin	**14.2%**	10.9%	–	3.3
Operating profit/(loss)	**145,544**	(155,817)	301,361	193.4
Loss on deemed disposal of an associate	**(69,365)**	–	(69,365)	–
Profit/(loss) before tax	**76,179**	(155,817)	231,996	148.9
Income tax expense	**(9,231)**	(917)	(8,314)	(906.7)
Profit/(loss) for the period	**66,948**	(156,734)	223,682	142.7
Profit/(loss) attributable to owners of the parent	**70,010**	(137,203)	207,213	151.0
Loss attributable to non-controlling interests	**(3,062)**	(19,531)	16,469	84.3
	66,948	(156,734)	223,682	142.7

Financial Highlights

- Turnover amounted to HK$2,746.7 million for 1H 2017, representing an increase of 115.3% from HK$1,276.0 million of 1H 2016.
- Gross profit amounted to HK$390.4 million for 1H 2017, representing an increase of 180.8% from HK$139.0 million of 1H 2016. Gross profit margin was 14.2% for 1H 2017, representing an increase of 3.3% from 10.9% for 1H 2016.
- Operating profit amounted to HK$145.5 million for 1H2017, representing a turnaround from a loss of HK$155.8 million in 1H2016.
- The loss of HK$69.4 million in 1H2017 (1H2016: Nil) due to a deemed disposal of interest in an associate upon its placing of new shares is a non-cash item.
- Profit attributable to owners of the parent amounted to HK$70.0 million for 1H 2017 (1H 2016: loss of HK$137.2 million).

Overview

In 1H 2017, the global economy gained increasing momentum and showed signs of recovery; the market sentiment strengthened. This is evidenced by the improved GDP growth in the US and the record high of Dow Jones Index in 1H 2017; also, the China economy has showed signs of reaching the L-shaped forecast bottom as the economy has been stabilized and profit for industrial enterprises recorded a year-on-year increase in 1H 2017. Despite these positive factors, we are fully aware of the ongoing uncertainties: (1) resurgence of economic protectionism puts the world's largest US-China trade route under pressure; (2) US monetary policy is moving back towards normal; (3) there are political uncertainties around other part of the world.

Management Discussion and Analysis

The steel sector benefited from increasing demand for industrial products and steel price rebound since 2H 2016 partly due to the implementation of supply side reform and the government-led infrastructure investments. This upstream improvement led to the increase in the average selling price and sales volume of our manganese products in 1H 2017. At the same time, upon the rebound of the manganese market since the fourth quarter of year 2016, we seized the opportunity to resume the sales and production of our Gabon mine from early 2017. As a result, we recorded a substantial increase of gross profit to HK$390.4 million in 1H 2017 (1H2016: HK$139.0 million).

On the cost side, we strive to reduce our unit production cost and to maintain our competitiveness in the manganese sector through improvement of our production process and non-stop negotiations with our upstream suppliers for raw materials and power consumptions. Despite these efforts, the unit production cost in 1H 2017 increased mainly due to the increase in the price of raw materials and auxiliary materials. We continue to seek various means to improve our production efficiency in order to mitigate this impact.

In summary, we recorded an operating profit of HK$145.5 million for the six months ended 30 June 2017, representing a turnaround from 1H 2016: loss of HK$155.8 million. The major reasons for the substantial improvement compared with 1H 2016 are as follow:

(1) As a result of increase in selling price of manganese products together with the increase in sales volume, in 1H 2017, the gross profit ratio and gross profit contribution of the Group's major products, EMM and manganese briquette, as compared with corresponding period, recorded a substantial increase.

(2) Our Gabon mine resumed production and sales from early 2017 and the Gabon mine provided operating profit contribution for in 1H 2017 as opposed to an operating loss in 1H 2016.

Nevertheless, a loss of non-cash item in the sum of HK$69.4 million was incurred, resulting from the dilution in our shareholding in an associate, CPM from 29.81% to 24.84% following the 20% placing exercise by CPM in May 2017 as detailed in its announcements of 17 May 2017 and 26 May 2017.

Therefore, consolidated net profit attributable to owners of the parent was HK$70.0 million (1H 2016: loss of HK$137.2 million).

Management Discussion and Analysis

Comparison with six months ended 30 June 2017

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

	Six months ended 30 June							
	2017				2016			
	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	**515,922**	**578**	**298,024**	**10.9**	10,068	587	5,906	0.5
Manganese concentrate	**159,623**	**341**	**54,408**	**2.0**	73,753	256	18,864	1.5
Natural discharging manganese powder and sand	**8,138**	**2,393**	**19,472**	**0.7**	8,472	2,514	21,298	1.7
Sub-Total	**683,683**	**544**	**371,904**	**13.6**	92,293	499	46,068	3.7
Manganese downstream processing								
EMM	**73,212**	**13,012**	**952,649**	**34.7**	62,710	10,371	650,350	51.0
Manganese briquette	**20,129**	**13,594**	**273,642**	**10.0**	14,600	10,796	157,624	12.3
	93,341	**13,138**	**1,226,291**	**44.7**	77,310	10,451	807,974	63.3
Silicomanganese alloy	**16,439**	**7,209**	**118,512**	**4.3**	8,767	5,182	45,430	3.6
EMD	**11,704**	**8,222**	**96,232**	**3.5**	13,475	8,390	113,050	8.9
Manganese sulfate	**10,432**	**3,634**	**37,909**	**1.4**	9,233	3,455	31,900	2.5
Others	**1,060**	**27,170**	**28,800**	**1.0**	7,567	3,425	25,916	1.9
Sub-Total	**132,976**	**11,338**	**1,507,744**	**54.9**	116,352	8,803	1,024,270	80.2
Non-manganese processing								
Lithium cobalt oxide	**208**	**231,240**	**48,098**	**1.7**	301	201,213	60,565	4.7
Other business								
Trading	**257,771**	**3,177**	**818,987**	**29.8**	165,421	877	145,136	11.4
Total	**1,074,638**	**2,556**	**2,746,733**	**100.0**	374,367	3,409	1,276,039	100.0

Revenue

In 1H 2017, the Group's revenue was HK$2,746.7 million (1H 2016: HK$1,276.0 million), representing an increase of 115.3% as compared with 1H 2016. The revenue increase was mainly due to: (1) the increase in average selling prices and sales volume of our core products EMM and manganese briquette; (2) substantial increase in the sales volume of Gabon ores upon the recommencement of Gabon mines from early 2017; and (3) increase in revenue from our trading business which we operate in Hong Kong and commenced in May 2016.

Manganese mining and ore processing – Revenue of manganese mining and ore processing segment increased by 706.7% to HK$371.9 million (1H 2016: HK$46.1 million) mainly due to the increase in sales volume of Gabon ores upon the recommencement of Gabon mine from early 2017.

Management Discussion and Analysis

Manganese downstream processing – Revenue from manganese downstream processing increased by 47.2% from HK$1,024.3 million to HK$1,507.7 million and was principally attributable to the increase in the average selling price of our core products EMM and manganese briquette and a 20.7% increase in the combined sales volume of these two products. Combined revenue of EMM and manganese briquette accounted for 44.7% (1H 2016: 63.3%) of our total sales.

Non-manganese processing – For 1H 2017, sales volume of lithium cobalt oxide decreased by 30.9% to 208 tonnes (1H 2016: 301 tonnes) while its average selling price increased by 14.9% to HK$231,240/tonne (1H 2016: HK$201,213/tonne) during the period.

Trading – In 1H 2017, we have enlarged our scale in trading business by increasing the volume of manganese ores imported from overseas miners. In addition, we commenced trading of manganese alloy and related raw materials in 1H 2017.

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.

	Six months ended 30 June							
	2017				2016			
	Cost of Sales (HK$'000)	**Unit Cost of Sales (HK$/ Tonne)**	**Gross Profit (HK$'000)**	**Gross Profit Margin (%)**	Cost of Sales (HK$'000)	Unit Cost of Sales (HK$/ Tonne)	Gross Profit/ (Loss) (HK$'000)	Gross Profit/ (Loss) Margin (%)
Manganese mining and ore processing								
Gabon ore	**257,128**	**498**	**40,896**	**13.7**	7,874	782	(1,968)	(33.3)
Manganese concentrate	**44,299**	**278**	**10,109**	**18.6**	25,073	340	(6,209)	(32.9)
Natural discharging manganese powder and sand	**7,888**	**969**	**11,584**	**59.5**	4,813	568	16,485	77.4
Sub-Total	**309,315**	**452**	**62,589**	**16.8**	37,760	409	8,308	18.0
Manganese downstream processing								
EMM	**753,527**	**10,292**	**199,122**	**20.9**	587,440	9,368	62,910	9.7
Manganese briquette	**208,463**	**10,356**	**65,179**	**23.8**	143,017	9,796	14,607	9.3
	961,990	**10,306**	**264,301**	**21.6**	730,457	9,448	77,517	9.6
Silicomanganese alloy	**114,677**	**6,976**	**3,835**	**3.2**	39,435	4,498	5,995	13.2
EMD	**80,388**	**6,868**	**15,844**	**16.5**	90,945	6,749	22,105	19.6
Manganese sulfate	**27,076**	**2,595**	**10,833**	**28.6**	21,679	2,348	10,221	32.0
Others	**24,186**	**22,817**	**4,614**	**16.0**	23,941	3,164	1,975	7.6
Sub-Total	**1,208,317**	**9,087**	**299,427**	**19.9**	906,457	7,791	117,813	11.5
Non-manganese processing								
Lithium cobalt oxide	**35,180**	**169,135**	**12,918**	**26.9**	51,460	170,963	9,105	15.0
Other business								
Trading	**803,548**	**3,117**	**15,439**	**1.9**	141,319	854	3,817	2.6
Total	**2,356,360**	**2,193**	**390,373**	**14.2**	1,136,996	3,037	139,043	10.9

Management Discussion and Analysis

Cost of Sales

Total cost of sales increased by HK$1,219.4 million or 107.2%, to HK$2,356.4 million in 1H 2017, as compared to HK$1,137.0 million in 1H 2016. The cost increase was primarily due to: (1) the increase in the unit price and the volume consumed of raw materials and auxiliary materials for our major products EMM and manganese briquette; and (2) the increase in sales volume of Gabon ores; and (3) the increase in the cost of sale for trading business due to increase in scale of operations.

The unit cost of manganese mining and ore processing increased by 10.5% to HK$452/tonne (1H 2016: HK$409/tonne) and was mainly attributable to the increase in sales volume of Gabon ores which are the highest grade ores of the Group.

In 1H 2017, unit cost of EMM and manganese briquette increased by 9.1% to HK$10,306/tonne (1H 2016: HK$9,448/tonne). This was mainly attributable to the increase in the unit price of raw materials and auxiliary materials.

Gross Profit

In 1H 2017, the Group recorded a gross profit of HK$390.4 million (1H 2016: HK$139.0 million), representing an increase of HK$251.4 million or 180.8%. The Group's overall gross profit margin was 14.2%, representing an increase of 3.3% from 10.9% of 1H 2016. Improved overall gross profit margin was mainly attributable to: (1) the increase in selling price of EMM and manganese briquette; and (2) our Gabon mine resumed production and sales from early 2017 which contributed positive profit contribution in 1H 2017 as opposed to a negative in 1H 2016.

Other Income and Gains

Other income and gains increased by 18.5% to HK$80.7 million (1H 2016: HK$68.1 million) was primarily due to reversal of impairment of trade and other receivables during the reporting period.

Selling and Distribution Expenses

Selling and distribution expenses in 1H 2017 have increased by 18.5% to HK$44.7 million (1H 2016: HK$37.7 million) which was in line with our increase in sales volume.

Administrative Expenses

Administrative expenses have decreased by 5.1% to HK$155.3 million (1H 2016: HK$163.6 million) which was mainly attributable to the decrease in expenses in relation to temporary production halt of Gabon mines. The Gabon mine resumed production from early 2017.

Finance Costs

For 1H 2017, our Group's finance costs have decreased by 12.9% to HK$105.5 million (1H 2016: HK$121.1 million), which was mainly due to our effort to lower our cost of financing through negotiations with banks and various financing arrangement.

Other Expenses

Other expenses decreased by 83.5% to HK$2.8 million (1H 2016: HK$17.0 million) which was mainly due to impairment loss recognised for trade and other receivables and loss on disposal of non-current assets held for sale recognised in 1H 2016 while in 1H 2017, no such expense items were recorded.

Loss on Deemed Disposal of an Associate

A loss on deemed disposal of an associate of HK$69.4 million is recorded as our percentage equity interest held in CPM was diluted from 29.81% to 24.84% upon its placing of new shares on 26 May 2017.

Share of Losses of Associates

Share of losses of associates of HK$17.3 million (1H 2016: HK$23.6 million) mainly related to CPM. The decrease was mainly due to decrease of impairment for trade and other receivables.

Management Discussion and Analysis

Income Tax Expense

In 1H 2017, the effective tax rate is 12.1% (1H 2016: -0.6%). The effective tax rate for 1H 2017 was lower than the statutory tax rate of our major operations in the PRC, as there were tax losses not recognised and brought forward to set off against taxable profit of our PRC operations.

Profit/(loss) Attributable to Owners of the Parent

For 1H 2017, the Group's profit attributable to owners of the parent was HK$70.0 million (1H 2016: loss of HK$137.2 million).

Profit/(loss) per Share

For 1H 2017, profit per share attributable to ordinary equity holders of the Company was 2.04 HK cents (1H 2016: loss per share of 4.00 HK cents).

Interim Dividend

The Board does not recommend the payment of any interim dividend for the six months ended 30 June 2017 (1H 2016: Nil).

Use of Proceeds from IPO

Up to 30 June 2017, 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 30.06.2017 (HK$ Million)	% utilised	*Amount utilised up to 31.12.2016 (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%	*278*	*100.0%*
3	Expansion and construction projects of our EMM production facilities	516	516	100.0%	*516*	*100.0%*
4	Construction project at Chongzuo Base	59	59	100.0%	*42*	*71.2%*
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	1,868	94.2%	*1,851*	*93.3%*

Management Discussion and Analysis

Liquidity and Financial Resources

Cash and Bank Balances

As at 30 June 2017, the currency denomination of the Group's cash and bank balances including pledged deposits are as follows:

Currency denomination	30 June 2017 HK$ million	31 December 2016 HK$ million
Denominated in:		
RMB	**1,164.2**	856.5
HKD	**8.7**	24.9
USD	**308.1**	653.4
XAF	**2.2**	0.1
	1,483.2	1,534.9

As at 30 June 2017, our cash and bank balances including pledged deposits were HK$1,483.2 million (31 December 2016: HK$1,534.9 million) while the Group's borrowings amounted to HK$4,422.1 million (31 December 2016: HK$3,886.9 million). The Group's borrowings net of cash and bank balances amounted to HK$2,938.9 million (31 December 2016: HK$2,352.0 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 30 June 2017, the Group had net current liabilities of HK$1,210.9 million (31 December 2016: HK$923.1 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 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.

(b) 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.

(c) In February 2017, certain PRC banks had confirmed to the Group in writing regarding their agreements to renew their short-term bank loans granted to the Group totalling HK$1,610.0 million 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. Based on the abovementioned agreements and past experience, the directors consider it is highly probable that the Group can extend adequate amount of short-term bank loans for another year when fall due to maintain sufficient working capital of the Group.

(d) 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 abovementioned plans and measures, coupled with the improved profitability of the Group in the first half of 2017 and, 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 period ended 30 June 2017 on a going concern basis.

Bank and Other Borrowings

As at 30 June 2017, the Group's borrowing structure and maturity profile are as follows:

Borrowing structure	30 June 2017 HK$ million	31 December 2016 HK$ million
Secured borrowings (including finance lease payables)	**926.6**	908.9
Unsecured borrowings	**3,495.5**	2,978.0
	4,422.1	3,886.9

Maturity profile	30 June 2017 HK$ million	31 December 2016 HK$ million
Repayable:		
On demand or within one year	**3,601.8**	2,607.0
After one year and within two years	**335.9**	763.1
After two years and within five years	**484.4**	516.8
	4,422.1	3,886.9

Currency denomination	30 June 2017 HK$ million	31 December 2016 HK$ million
Denominated in:		
RMB	**3,630.4**	3,042.4
USD	**791.7**	844.5
	4,422.1	3,886.9

As at 30 June 2017, borrowings as to the amounts of HK$2,806.9 million (31 December 2016: HK$2,241.0 million) and HK$1,615.2 million (31 December 2016: HK$1,645.9 million), carry fixed and floating rate interest respectively. The fixed rate borrowings carry interest at rates ranging from 1.65% 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 2.15-2.60%.

Overall, aggregate borrowings were increased to HK$4,422.1 million (31 December 2016: HK$3,886.9 million). The Group are now exploring various means including short-term or medium-term notes to improve borrowing structure without losing the balance between interest rate level and repayment periods.

Management Discussion and Analysis

Charge on Group Assets

As at 30 June 2017, (1) none of the Group's property, plant and equipment (31 December 2016: Nil) were pledged to secure the Group's interest-bearing bank borrowings (except for finance lease payables); (2) property, plant and equipment of HK$159.9 million (31 December 2016: HK$177.7 million) were held under finance lease; (3) bank balances of HK$277.0 million (31 December 2016: HK$242.9 million) and trade receivables of HK$17.8 million (31 December 2016: Nil) were pledged to secure certain of the Group's bank borrowings; and (4) bank balances of HK$240.4 million (31 December 2016: HK$302.5 million) were pledged to secure certain of the Group's bank acceptance notes and letters of credit.

Contingent Liabilities

(a) As at 30 June 2017, the outstanding bank loan of an 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 30 June 2017, the banking facilities guaranteed by the Group and Guangxi Jinmeng to the associate amounted to RMB800,000,000 (equivalent to HK$920,800,000) and were utilised to the extent of RMB715,000,000 (equivalent to HK$822,965,000) (31 December 2016: RMB715,000,000, equivalent to HK$799,299,000).

(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 of the Company 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

	30 June 2017	31 December 2016
Current ratio	**0.77**	0.80
Quick ratio	**0.60**	0.63
Net Gearing ratio	**107.6%**	90.3%

Current ratio	=	balance of current assets at the end of the period/balance of current liabilities at the end of the period
Quick ratio	=	(balance of current assets at the end of the period – balance of inventories at the end of the period)/balance of current liabilities at the end of the period
Net Gearing ratio	=	Calculated as net debt divided by equity attributable to owners of the parent. Net debt is defined as the sum of interest-bearing bank and other borrowings less cash and cash equivalents and pledged deposits

At 30 June 2017, current ratio and quick ratio deteriorated as a result of certain non-current interest-bearing bank and other borrowings become due within the next twelve months and therefore, were classified as current liabilities. Net gearing ratio increased as we have further developed our trading business which was partially financed by bank borrowings during the reporting period.

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.

Management Discussion and Analysis

In 1H2017, 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 1H2017, revenue of HK$256.1 million (1H2016: HK$140.6 million) was derived from trading of manganese ores and revenue of HK$216.7 million (1H2016: Nil) was derived from sales of Gabon ores to Guangxi Jinmeng. In 1H2017, total sales to Guangxi Jinmeng amounted to HK$472.8 million (1H 2016:HK$140.6 million), which accounted for 17.2% (1H2016: 11.0%) of the Group's total sales. As at 30 June 2017, trade receivable from Guangxi Jinmeng was HK$191.0 million (31 December 2016: HK$318.0 million) and represents 27.0% (31 December 2016: 43.0%) of the Group's trade receivables, and notes receivable from Guangxi Jinmeng was HK$130.8 million (31 December 2016: Nil) and represents 32.1% (31 December 2016: Nil) of the Group's notes receivables.

In relation to trading of manganese ores, 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. In relation to sales of Gabon ores, payment by Guangxi Jinmeng is secured by: (1) pledge of equity interests in Dushan Jinmeng held by Guangxi 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 days to 100 days from the invoice date, which can be extended for a further period of 90 days to 180 days subject to the Company's approval. As at 30 June 2017, balances due from Guangxi Jinmeng 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 for those sales on CIF basis) are also denominated in United States dollars with those expenses incurred locally denominated in EURO or Euro-pegged XAF. Gabon operation is partially 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.

Management Discussion and Analysis

Events After the Reporting Period

No subsequent event has occurred after 30 June 2017 which may have a significant effect on the assets and liabilities or future operations of the Group.

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

- The 33% owned associate of the Group, Dushan Jinmeng, currently engages in the building of a ferromanganese alloy plant with an annual capacity of 500,000 tonnes and two self-use 150 MW power plants in Dushan County, Guizhou, the PRC. It is expected that Dushan Jinmeng will launch production in October 2017. Upon full production by the end of the year 2017, Dushan Jinmeng 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 2H 2017, we continue to cautiously develop our trading business of manganese ore, manganese ferroalloy and its related raw materials.

- In 1H 2017, manganese ores totaling 471,000 tonnes were loaded on board and departed from Gabon for ports in the PRC and India. The recommencement of Gabon mine production in 1H 2017 will continue to contribute to our cash flow on a marginal basis.

- 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 and the magnitude of the economic growth.

- 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.

Human Resources Report

Employees are the root of our enterprise and underpinning our success. We treasure our employees as well as encourage and foster the development of talented and motivated individuals on an ongoing basis in order to support the development and growth of our diverse operations. It is one of our aims as an organization to strive to build a sense of responsibilities and achievement amongst all of our people in a positive working environment. We have comprehensive human resources policy, to provide employees with generous benefits and to protect their rights and interests.

Our Employees

As at 30 June 2017, we have a total of 8,001 employees (30 June 2016: 7,934), which is mainly located in Mainland China, representing 97.49% (30 June 2016: 99.31%). Over 41.42% 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. We have also maintained a workforce with stable turnover for a number of years. For the six months ended 30 June 2017, our overall turnover rate was 2.42% (30 June 2016: 6.92%).

At the beginning of 2017, the Group resumed the mining and sales of the Gabon ore and achieved impressive sales results, resulting in a significant increase in the number of employees in Gabon, which were mainly general staff and professionals.

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

	For the six months ended 30 June					
	2017			2016		
Headcount by Location	**Male**	**Female**	**Total**	Male	Female	Total
Hong Kong	**8**	**7**	**15**	8	9	17
Mainland China	**5,325**	**2,475**	**7,800**	5,370	2,509	7,879
Gabon	**171**	**15**	**186**	33	5	38
Total:	**5,504**	**2,497**	**8,001**	5,411	2,523	7,934

Headcount by Age	**Hong Kong**		**Mainland China**		**Gabon**		**Group**	
	For the six months ended 30 June							
	2017	2016	**2017**	2016	**2017**	2016	**2017**	2016
60 and above	**1**	1	**16**	9	**0**	0	**17**	10
51-59	**4**	4	**1,132**	1,083	**11**	4	**1,147**	1,091
41-50	**3**	2	**3,479**	3,478	**41**	14	**3,523**	3,494
31-40	**5**	7	**2,014**	1,978	**83**	12	**2,102**	1,997
30 and below	**2**	3	**1,159**	1,331	**51**	8	**1,212**	1,342
Total:	**15**	17	**7,800**	7,879	**186**	38	**8,001**	7,934

Headcount by Employment Category	**Hong Kong**		**Mainland China**		**Gabon**		**Group**	
	For the six months ended 30 June							
	2017	2016	**2017**	2016	**2017**	2016	**2017**	2016
Senior	**3**	4	**6**	7	**7**	1	**16**	12
Middle	**3**	2	**327**	307	**13**	4	**343**	313
Professional	**2**	5	**492**	444	**55**	19	**549**	468
General	**7**	6	**6,975**	7,121	**111**	14	**7,093**	7,141
Total:	**15**	17	**7,800**	7,879	**186**	38	**8,001**	7,934

Human Resources Report

Our Employees (continued)

Employee Turnover

	Hong Kong		Mainland China		Gabon		Group	
	For the six months ended 30 June							
	2017	2016	**2017**	2016	**2017**	2016	**2017**	2016
Employee Turnover Number	**5**	4	**168**	310	**21**	235	**194**	549
Employee Turnover Rate	**33%**	23.53%	**2.1%**	3.93%	**10%**	86%	**2.42%**	6.92%

Employee Turnover Number by Location	For the six months ended 30 June **2017**	2016
Hong Kong	**5**	4
Mainland China	**168**	310
Gabon	**21**	235
Total:	**194**	549

Employee Turnover Number by Age	Hong Kong		Mainland China		Gabon		Group	
	For the six months ended 30 June							
	2017	2016	**2017**	2016	**2017**	2016	**2017**	2016
60 and above	**0**	0	**0**	0	**0**	1	**0**	1
51-59	**0**	0	**15**	20	**3**	2	**18**	22
41-50	**1**	0	**31**	50	**7**	38	**39**	88
31-40	**4**	4	**58**	101	**8**	92	**70**	197
30 and below	**0**	0	**64**	139	**3**	102	**67**	241
Total:	**5**	4	**168**	310	**21**	235	**194**	549

Human Resources Report

Development and Training

We place high importance on the training and development of our employees, so as to elevate their performance in their existing positions and to better prepare for their promotion in the future. All our employees are encouraged to participate sufficient degree of professional training in order to help to maximise their performance and realize their full potential. The importance we place on employee development and training is demonstrated by the significant amount of training our employees undertook during the six months ended 30 June 2017.

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	
	For the six months ended 30 June							
	2017	2016	**2017**	2016	**2017**	2016	**2017**	2016
Senior	**85**	100	**100**	100	**80**	0	**94**	75
Middle	**100**	100	**58**	78	**80**	0	**59**	77
Professional	**100**	100	**77**	80	**80**	0	**78**	76
General	**85**	100	**85**	90	**80**	0	**85**	90

Average Training Hours per Employee by Employment Category	Hong Kong		Mainland China		Gabon		Group	
	For the six months ended 30 June							
	2017	2016	**2017**	2016	**2017**	2016	**2017**	2016
Senior	**20**	27	**20**	20	**12**	0	**20**	16
Middle	**6**	6	**15**	14	**12**	0	**15**	7
Professional	**9**	3	**24**	18	**12**	0	**23**	7
General	**5**	2	**22**	15	**12**	0	**22**	5
Total:	**40**	38	**81**	67	**48**	0	**80**	35

Social Responsibilities Report

We are committed to ensuring the long-term sustainability of our businesses. Now we have over 8,000 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 environmentally friendly manner, we are also keen to establish a quality operation system, to protect the safety and health of our employees and also to make a 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.

Social Responsibilities Report

Basis of preparation (continued)

A summary of our key performance indicators in the aforesaid four critical areas for the six months ended 30 June 2017 is set out in the following table:

Critical Areas	Key performance indicators	For the six months ended 30 June 2017	2016
Safety Production and Labour Protection	Fatalities (Note 1)	**0**	0
	Number of Injuries	**20**	0
	Number of Lost Days Caused by Injuries (Note 2)	**922**	0
Energy Savings and Environmental Protection	Electricity Consumption (kWh) (Note 3)	**684,688,415**	398,794,481
	Electricity Intensity (kWh per EMM (Tonnes)) (Note 4)	**6,868**	N/A
	Water Consumption (Tonnes) (Note 5)	**928,731**	199,210
	Greenhouse Gas Emission (Tonnes) (Note 6)	**12**	N/A
	Waste Slag Volume (Tonnes)	**519,276**	377,487
	Non-hazardous Waste produced (Tonnes) (Note 7)	**218,148**	N/A
	Total Packaging Material used for finished products	**232,392**	721,200
Quality Operation System Establishment, Employment Training and Growth	Number of Suppliers	**205**	196
	Number of Complaint against our Products	**10**	6
	Number of Complaints and/or Legal Cases regarding Corrupt Practices	**0**	0
	Number of Employees	**8,001**	7,934
	Female Ratio (percentage)	**30.3**	31.8
Social Contribution, Living Environment and Culture Development	Donation (HKD)	**194,323**	211,000

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 include the total electricity consumption for the all the EMM, EMD and ferroalloy processing plants for the six months ended 30 June 2017, but for the six months ended 30 June 2016 we only include the figures for the total electricity consumption for Daxin EMM plant and Daxin EMD plant.
4. The figures include the consolidated average electricity usage (kWh) per EMM (tonnes) for our EMM production by Daxin EMM Plant, Daxin Manganese EMM Plant, Tiandeng EMM Plant and Guangxi Start EMM Plant for the six months ended 30 June 2017 but no such figures were collected for the six months ended 30 June 2016 and therefore we did not disclose such figures.
5. The figures include the total water consumption for the all the EMM, EMD and ferroalloy processing plants for the six months ended 30 June 2017, but for the six months ended 30 June 2016 we only include the figures for the total water consumption for Daxin EMM plant and Daxin EMD plant.
6. The figures include the greenhouse gas emission for Qinzhou Ferroalloy Plant for the six months ended 30 June 2017 but no such figures were collected for the six months ended 30 June 2016 and therefore we did not disclose such figures.
7. (i) The figures include the tailings produced for Daxin Mine, Tiandeng Mine, Changgou Manganese Mine and Bembélé Manganese Mine for the six months ended 30 June 2017. Since Waifu Manganese Mine has not come into formal mining production, therefore no tailings were produced in Waifu Manganese Mine for the six months ended 30 June 2017.

   (ii) No such figures were collected for the six months ended 30 June 2016 and therefore we did not disclose such figures.

Social Responsibilities Report

1. Safety Production and Labour Protection

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

During the six months ended 30 June 2017, 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 continued to reinforce our efforts on production safety standardization for metallurgical and non coal enterprises, including, inter alia, the followings:

(i) Daxin Branch has completed the review for second level safety standardization enterprise in respect of EMM plants and EMD plants;

(ii) Chongzuo Branch has completed the review for second level safety standardization enterprise; and

(iii) Qinzhou Ferroalloy Plant has completed the review for the second level safety standardization enterprise.

(4) 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 continued to carry out the "Everyday Check" safety activities (i.e. safety, facilities and 6s "three in one" consolidated supervision activities); and

(ii) We commenced 2017 "Safety Production Month" activities, safety knowledge trainings, safety knowledge competition and first aid rescue etc. series of activities regarding safety production.

(5) Strict Compliance with Labour Standards

We prohibited the employment of child, forced or compulsory labour in any of our operations. During the six months ended 30 June 2017, 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.

Social Responsibilities Report

1. Safety Production and Labor Protection (continued)

(6) Continuous Investment to the Safety Measures:

We committed to invest in our safety measures for labor protection, including protection accessories, dust prevention and noise removal facilities. During the six months ended 30 June 2017, we have conducted a review in respect of our workplaces regarding the existing adverse effect of occupational diseases and occupational diseases testing and enhanced the protection equipments with those dangerous positions so as to protect the health of our employees.

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, we continued to keep zero fatalities and the number of injuries in respect of our employees continued to remain at a relatively low level. Set out below is a summary of the fatalities, number of injuries and loss of days caused by injuries during the six months ended 30 June 2017:

Fatalities (by Location)	For the six months ended 30 June 2017	2016
Hong Kong	**0**	0
Mainland China	**0**	0
Gabon	**0**	0
Total:	**0**	0

Number of Injuries (by Location)	For the six months ended 30 June 2017	2016
Hong Kong	**0**	0
Mainland China	**20**	0
Gabon	**0**	0
Total:	**20**	0

Number of Lost Days Caused by injuries (by Location)	For the six months ended 30 June 2017	2016
Hong Kong	**0**	0
Mainland China	**922**	0
Gabon	**0**	0
Total:	**922**	0

Social Responsibilities Report

1. Safety Production and Labor Protection (continued)

The increase in the number of injuries during the six months ended 30 June 2017, was mainly due to the breach of operation regulations by some of our workers, which had caused these workers to be unable to works in a longer period of workdays. Nevertheless, we had already been alerted of the situation and had enhanced the training towards such workers and 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 six months ended 30 June 2017, 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 six months ended 30 June 2017.

2. Energy Savings and Environmental Protection

Strict Supervision of Resource Consumption

We continued to strictly monitor our resources consumption on an ongoing basis and electricity consumption (including intensity) and water consumption are our top priorities. For the six months ended 30 June 2017, we collected the figures for total electricity consumption and water consumption for all the EMM, EMD and ferroalloy processing plants, but for the six months ended 30 June 2016, we only collected the figures for total electricity consumption and water consumption for Daxin EMM plant and Daxin EMD plant. Details are set out in the following table:

	For the six months ended 30 June	
	2017	**2016**
Electricity Consumption (kWh)	**684,688,415**	398,797,481
Electricity Intensity (kWh per EMM (Tonnes))	**6,868**	N/A
Water Consumption (Tonnes)	**928,731**	199,210

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. Throughout the whole production process from our upstream mining up to downstream operations, the biggest volume of hazardous wastes generated are greenhouse gas, waste water, and waste slag while the biggest volume 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 relatively not significant and therefore we have not taken into account. Details are shown as below:

	For the six months ended 30 June	
	2017	**2016**
Greenhouse Gas Emission (Tonnes)	**12**	N/A

Social Responsibilities Report

2. Energy Savings and Environmental Protection (continued)

Reduction of Waste Production (continued)

(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:

	For the six months ended 30 June	
	2017	**2016**
Waste Slags Volumes (Tonnes)	**519,276**	377,487

The increase of our waste slag production during the six months ended 30 June 2017 was mainly due to the progressively resumed downstream productions in Changgou Manganese Mine for the six months ended 30 June 2017.

(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:

	For the six months ended 30 June	
	2017	**2016**
Tailings Production (Tonnes)	**218,148**	N/A

During the six months ended 30 June 2016, we have not collected the figures of the waste slag production, therefore we did not disclose such figure.

(5) Packaging Materials used for our finished products

Packaging bags are used to contain our finished products in accordance with the need of our customers. Details of our packaging bags used are as follows:

	During the six months ended 30 June	
	2017	**2016**
Packaging bags	**232,392**	721,200

The decease of our packaging bags used during the six months ended 30 June 2017 was mainly due to the increase of the need for a larger size of packaging bags resulting in less number of the packaging bags needed.

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 on the surrounding ecosystem.

Social Responsibilities Report

2. Energy Savings and Environmental Protection (continued)

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 six months ended 30 June 2017, we have implemented the following measures:

(1) Our upstream mining business:

- (i) we increased the open pit mining scale and optimized the mining methods, thereby reducing mining costs;
- (ii) we increased the consumption of the manganese ores from our Tiandeng Manganese Mine, thereby reducing production cost;
- (iii) we strengthened the safety management of underground mining, thereby improving production efficiency.

(2) Our downstream business:

- (i) EMM business:
  - (a) we improved the metal recovery rate during our EMP production process, thereby reducing the unit consumption rate;
  - (b) we carried out safety rectification works in respect of safety and environmental risks for our EMM plants, thereby preventing the leakage of chemical liquids and the happening of safety and environmental accidents.
- (ii) EMD business:
  - (a) we effectively reduced the rinsing times during our EMD production process, and used the recycled rinse water in a systematic manner, thereby reducing the energy consumption;
  - (b) we closely coordinated with Guinan sulfuric acid plant to ensure the stable supply of steam needed for EMD plant;
  - (c) we increased the chemical leaching efficiency to ensure our quality of electrolysis.
- (iii) Manganese sulfate business:
  - (a) we increased our productivity by purchasing more dryers and adjusted the production formulas according to actual production need, there by increasing the production efficiency;
  - (b) our new recovery furnaces came into operation, which provided stable supply of raw materials to our manganese sulfate production, thereby improving the metal recovery rate.

Environmental Regulation: Compliance and Beyond

During the six months ended 30 June 2017, 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 six months ended 30 June 2017, the number of our suppliers are set out as follows:

	For the six months ended 30 June	
Number of our suppliers	**2017**	**2016**
Hong Kong	**1**	1
Mainland China	**196**	194
Gabon	**8**	1
Total	**205**	196

All our suppliers are required to be assessed for their capabilities to fulfill 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.

(ii) Product Quality Supervision

The whole production process, commencing from procurement, production up to after sales services, are strictly complied 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 licenses 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 Complaints Assessment Procedure" and "Products Recall Procedures" etc.

Social Responsibilities Report

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

(1) Quality Operation System Establishment (continued)

(ii) Product Quality Supervision (continued)

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 six months ended 30 June 2017, the complaints we received in respect of our products and/or recalled are as follows:

	For the six months ended 30 June	
	2017	**2016**
Number of products related complaints received and/or recalled	**10**	6

All of the ten complaints are related to minor quality issues of our EMM. After our internal investigation and subsequent adjustment in respect of our production technique, the quality of our EMM 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 six months ended 30 June 2017, we have not received any complaints or any legal cases regarding corruption, details are as follows:

	For the six months ended 30 June	
	2017	**2016**
Number of Complaints and/or Legal Cases regarding Corrupt Practices	**0**	0

(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 six months ended 30 June 2017.

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

(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 six months ended 30 June 2017, effectively improving the quality of staff, and promoting development of our employees.

For the six months ended 30 June 2017, our major training activities and projects are as follows:

(i) "Second Stage Dameng Young Management Training Course";

(ii) "Second Stage Young Elite Training Course" for the new university graduates and young key technicians;

(iii) "Dameng Talk" activities;

(iv) "First Dameng Technique" forum and young workers forum;

(v) Safety Month Employee Safety Knowledge Training;

(vi) Training course on "PRC environmental protection and tax law".

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:

(i) We continued to carry out various charitable activities and offer series of poverty alleviation works through employment, education, training, etc. and to the villages or associations surrounding our mines and production plants, including:

(a) Daxin Manganese Mine Staff Hospital continued to carry out the "Thousands Doctors Onsite Clinical Services" charitable activities;

(b) We organized knitting and sewing activities for the children of Xinjiang Province, the PRC;

(c) We donated stationeries and nutrition supplements to "Manganese Mine Primary School" and "Manganese Mine Kindergarten";

(d) We donated various welfare materials to Guzhu village, Qibai Lane, Dahua County, Guangxi, the PRC, the poverty-stricken county in the PRC;

(e) We organized donation activities to the Dongping town Centre primary school;

(f) We donated books and stationery to Shenzhen Airline Liujia Hope Primary School.

4. Social Contribution, Living Environment and Culture Development (continued)

(1) (continued)

(ii) We continued to offer our help and assistance to our employees particularly those in need, including the followings:

(a) We provided cooking oil, rice and other welfare materials to our employees during Chinese New Year festival;

(b) We offered our condolence to the patients, employees in need and elderly.

(iii) We continued to host or organize various cultural or sports activities to our employees or the surrounding villagers, including the followings:

(a) We organized voluntary plantation activities during the plantation day;

(b) We organized soccer tournament with the local government in Xialei Township, Daxin County, Guangxi, the PRC;

(c) We organized staff to host the Spring Festival celebration activities, "Women's Day" game activities and free clinic services, "Labour Day" vocational skills competitions and other 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 six months ended 30 June 2017, our cash donations to charities reached HK$194,323. Details are as follows:

	For the six months ended 30 June	
	2017	**2016**
Donation (HKD)	**194,323**	211,000

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.

Summary of Our Manganese Mineral Resources and Our Manganese Ore Reserves

Below is the information on our mineral resources and ore reserves as of 30 June 2017:

Summary of our manganese mineral resources

Mining Block	Ownership Percentage	JORC Resource Category	Million Tonnes	Average Manganese Grade (%)	Million Tonnes	Average Manganese Grade (%)
			As of 30.6.2017		As of 31.12.2016	
Daxin Mine	**100%**	**Measured**	**4.40**	**24.85**	4.58	24.71
		Indicated	**63.05**	**21.35**	63.71	21.31
		Subtotal	**67.45**	**21.58**	68.29	21.54
		Inferred	**0.43**	**21.23**	0.43	21.23
		Total	**67.88**	**21.58**	68.72	21.53
Tiandeng Mine	**100%**	**Measured**	**0.56**	**18.26**	0.56	18.26
		Indicated	**2.76**	**16.76**	2.76	16.76
		Subtotal	**3.32**	**17.01**	3.32	17.01
		Inferred	**3.51**	**14.24**	3.51	14.24
		Total	**6.83**	**15.59**	6.83	15.59
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**	**2.88**	**20.45**	2.96	20.45
		Indicated	**14.67**	**20.32**	14.67	20.32
		Subtotal	**17.55**	**20.34**	17.63	20.34
		Inferred	**4.22**	**20.50**	4.22	20.50
		Total	**21.77**	**20.37**	21.85	20.37
Bembélé Manganese Mine	**51%**	**Measured**	**–**	**–**	–	–
		Indicated	**15.55**	**31.99**	15.97	31.99
		Subtotal	**15.55**	**31.99**	15.97	31.99
		Inferred	**12.37**	**32.74**	12.37	32.74
		Total	**27.92**	**32.32**	28.34	32.32
Total			**125.94**		127.28	

Summary of Our Manganese Mineral Resources and Our Manganese Ore Reserves

Summary of our manganese ore reserves

Mine	Ownership Percentage	JORC Resource Category	Million tonnes	Average Manganese Grade (%)	Million tonnes	Average Manganese Grade (%)
			As of 30.6.2017		As of 31.12.2016	
Daxin Mine	**100%**	**Proved**	**4.18**	**20.83**	4.36	20.86
		Probable	**60.52**	**18.87**	61.18	18.85
		Total	**64.70**	**19.00**	65.54	18.99
Tiandeng Mine	**100%**	**Proved**	**0.52**	**15.74**	0.52	15.74
		Probable	**2.64**	**15.61**	2.64	15.61
		Total	**3.16**	**15.64**	3.16	15.64
Waifu Manganese Mine	**100%**	**Proved**	**–**	**–**	–	–
		Probable	**–**	**–**	–	–
		Total	**–**	**–**	–	–
Changgou Manganese Mine	**64%**	**Proved**	**2.88**	**20.45**	2.96	20.45
		Probable	**14.67**	**20.32**	14.67	20.32
		Total	**17.55**	**20.34**	17.63	20.34
Bembélé Manganese Mine	**51%**	**Proved**	**–**	**–**	–	–
		Probable	**15.54**	**31.36**	15.96	31.36
		Total	**15.54**	**31.36**	15.96	31.36
Total			**100.95**		102.29	

Assumptions:

The figures of the aforesaid manganese resources and manganese ores 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 were based on the estimates per the independent technical review report as shown in the Company's Prospectus. The decreases of the amounts of manganese resources and manganese ore reserves with the increases of average manganese grade in the aforesaid mines during the period were largely due to mining depletion and the decreases of manganese grade of manganese ores mined during the period as compared with the estimates of average manganese grade as per independent technical review report, therefore it is expected that there will be an increase in the average manganese grade of our remaining manganese resources and reserves. The period end amounts have been confirmed by internal experts.

(b) The manganese resources and manganese ore reserves for Changgou Manganese 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 (ChinaYe Jin Di Zhi Zong Ju Zhong Nan Ju Nanning Di Zhi Diao Cha Suo). The period 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, Jinxi)dated 17th July 2004 prepared by 南寧儲偉資源有限責任公司 (Nanning Qu Wei Resources Limited Company). The period end amounts have been confirmed by our internal experts.

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

Summary of Our Manganese Mineral Resources and Our Manganese Ore Reserves

Exploration, Development, and Mining Activities

I) Exploration

Overview

During the six months ended 30 June 2017, 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) Bembélé Manganese Mine has progressively resumed production in early 2017 and the relevant production exploration works are still under preparation. During the period, our main focus was to continue the subsequent follow up in respect of the exploration works at Tiandeng Mine.

Daxin Mine

During the six months ended 30 June 2017, 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 six months ended 30 June 2017, we have completed and submitted to the Land and Resources Bureau of Guangxi Zhuang Autonomous Region, the PRC the detailed exploration report in respect of the exploration area located at 440 meters depth below the mining block of Tiandeng Mine for recordal of the accreditation process.

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 six months ended 30 June 2017, 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 six months ended 30 June 2017, 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 six months ended 30 June 2017, we have not entered into any contracts or commitments in respect of exploration work or conducted any exploration work at Bembélé Manganese Mine.

Summary of Our Manganese Mineral Resources and Our Manganese Ore Reserves

Exploration, Development, and Mining Activities (continued)

II) Development

Daxin Mine

During the six months ended 30 June 2017, our 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 30 June 2017, the tunnel construction works in phase B amounted to 45,307 metres in length and the construction works in phase B amounted to 387,032 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 equipment) or conducted any infrastructure or development work at Daxin Mine.

Tiandeng Mine

During the six months ended 30 June 2017, we have not entered into any contracts or commitments in respect of the infrastructure development (including infrastructure construction, subcontracting arrangements or purchases of equipment) or conducted any infrastructure or development work at Tiandeng Mine.

Waifu Manganese Mine

During the six months ended 30 June 2017, we have not entered into any contracts or commitments in respect of the infrastructure development (including infrastructure constructions, subcontracting arrangements or purchases of equipment) or conducted any infrastructure or development work at Waifu Manganese Mine.

Changgou Manganese Mine

During the six months ended 30 June 2017, we have not entered into any contracts or commitments in respect of the infrastructure development (including infrastructure constructions, subcontracting arrangements or purchases of equipment) or conducted any infrastructure or development work at Changgou Manganese Mine.

Bembélé Manganese Mine

During the six months ended 30 June 2017, we have not entered into any contracts or commitments in respect of the infrastructure development (including infrastructure constructions, subcontracting arrangements or purchases of equipment) or conducted any infrastructure or development work at Bembélé Manganese Mine.

Summary of Our Manganese Mineral Resources and Our Manganese Ore Reserves

Exploration, Development, and Mining Activities (continued)

III) Mining activities

(1) Mining Operations

Daxin Mine

	1.1.2017-30.6.2017	1.1.2016-30.6.2016
Open pit mining		
Mine production (thousand tonnes)	**392**	603
Underground mining		
Mine production (thousand tonnes)	**431**	284
Total mine production (thousand tonnes)	**823**	887
Average manganese grade		
Manganese carbonate ore	**15.7%**	15.9%
Manganese oxide ore	**28.4%**	28.3%

Tiandeng Mine

	1.1.2017-30.6.2017	1.1.2016-30.6.2016
Open pit mining		
Mine production (thousand tonnes)	**112**	142
Average manganese grade		
Manganese carbonate ore	**11.4%**	0
Manganese oxide	**0**	11.8%

Waifu Manganese Mine

During the six months ended 30 June 2017, there was no mining production.

Changgou Manganese Mine

	1.1.2017-30.6.2017	1.1.2016-30.6.2016
Underground mining		
Mine production (thousand tonnes)	**83**	5
Average manganese carbonate grade	**16.3%**	17.3%

Bembélé Manganese Mine

	1.1.2017-30.6.2017	1.1.2016-30.6.2016
Open pit mining		
Mine production (thousand tonnes)	**418**	0
Average manganese oxide grade	**30.5%**	N/A

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

Summary of Our Manganese Mineral Resources and Our Manganese Ore Reserves

Exploration, Development, and Mining Activities (continued)

III) Mining activities (continued)

(2) Ore processing operations

- Concentrating

Production (thousand tonnes)	1.1.2017-30.6.2017	1.1.2016-30.6.2016
Daxin Concentration Plant		
Concentrate production		
Manganese carbonate ore	**498**	507
Manganese oxide ore	**50**	69
Total	**548**	576
Average manganese grade of concentrate		
Manganese carbonate ore	**18.4%**	18.9%
Manganese oxide ore	**28.9%**	29.1%
Tiandeng Concentration Plant		
Manganese carbonate of concentrate	**170**	125
Average manganese grade of concentrate	**11.4%**	11.8%
Bembélé Concentration Plant		
Concentrate production	**251**	0
Average manganese grade of concentrate	**37.4%**	N/A

- Grinding

Production (thousand tonnes)	1.1.2017-30.6.2017	1.1.2016-30.6.2016
Daxin Grinding Plant		
Powder produced	**569**	496

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, Daxin Manganese EMM Plant, Tiandeng EMM Plant, Start EMM Plant and Tiandong EMM Plant. Details of EMM production are set out below:

Production (thousand tonnes)	1.1.2017-30.6.2017	1.1.2016-30.6.2016
Daxin EMM Plant	**48.4**	52.5
Daxin Manganese EMM Plant	**12.8**	12.2
Tiandeng EMM Plant	**15.0**	10.8
Start EMM Plant	**10.1**	8.4
Tiandong EMM Plant	**0**	0
Total	**86.3**	83.9

Summary of Our Manganese Mineral Resources and Our Manganese Ore Reserves

Exploration, Development, and Mining Activities (continued)

IV) Downstream processing operations (continued)

(1) Manganese downstream processing operations (continued)

- Manganese briquette

Production (thousand tonnes)	1.1.2017-30.6.2017	1.1.2016-30.6.2016
Chongzuo Branch	19.9	9.3

- Manganese sulfate

Production (thousand tonnes)	1.1.2017-30.6.2017	1.1.2016-30.6.2016
Daxin Manganese Sulfate Plant	13.4	10.8

- EMD

Production (thousand tonnes)	1.1.2017-30.6.2017	1.1.2016-30.6.2016
Daxin EMD Plant	13.7	13

- Silicomanganese alloy

Production (thousand tonnes)	1.1.2017-30.6.2017	1.1.2016-30.6.2016
Qinzhou Ferroalloy Plant	16.8	5.6

- Lithium manganese oxide

Production (thousand tonnes)	1.1.2017-30.6.2017	1.1.2016-30.6.2016
Chongzuo Branch	0.45	0.15

(2) Non-manganese processing operations

- Lithium cobalt oxide

Production (thousand tonnes)	1.1.2017-30.6.2017	1.1.2016-30.6.2016
Chongzuo Branch	0.16	0.36

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.

Summary of Our Manganese Mineral Resources and Our Manganese Ore Reserves

Exploration, Development, and Mining Activities (continued)

V) Exploration, development and mining cost of the Group

Expenses of exploration, development, and mining activities of the Group for the six months ended 30 June 2017 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	–	–	–	–	4	4
Transportation	–	–	–	–	–	–
Others	–	–	–	–	39	39
	–	–	–	–	43	43
Development activities (including mine construction)						
Purchases of assets and equipment	–	–	–	–	–	–
Construction of mines, tunnels and roads	–	–	–	–	–	–
Staff cost	–	–	–	–	–	–
Sub-contracting fee	–	–	–	–	–	–
Others	2	–	–	–	74	76
	2	–	–	–	74	76
Mining activities*						
Staff cost	1,290	2,046	–	6,273	754	10,363
Consumables	121	2,921	–	2,707	3,411	9,160
Fuel, electricity, water and other services	4,745	1,856	–	2,328	1,220	10,149
Transportation	2,181	–	–	409	1,873	4,463
Sub-contracting fee	128,894	–	–	12,638	–	141,532
Depreciation	3,348	834	–	1,498	230	5,910
Others	–	2,036	–	1,905	517	4,458
	140,579	9,693	–	27,758	8,005	186,035

(*Concentrating not included)

Code on Corporate Governance Practices

Throughout the six months ended 30 June 2017, save for the deviation from the code provision A.2.1, the Company has applied the principles, complied with the applicable code provisions, and also complied with certain recommended best practices, of the Code on Corporate Governance Practices (the "**CG Code**") as set out in Appendix 14 to the Listing Rules.

Code provision A.2.1

Chairman and Chief Executive Officer

With the departure of Mr. Tian Yuchuan 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 six months ended 30 June 2017, 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.

Model Code for Securities Transactions by Directors

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

All Directors confirmed, following specific enquiry by the Company, that they have complied with the required standards set out in the Securities Dealings Code throughout the six months ended 30 June 2017.

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

As at 30 June 2017, 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 and which have been notified to the Company and the Stock Exchange are as follows:

Name of director	Nature of interest	Number of ordinary shares	Number of underlying shares pursuant to share options	Approximate percentage of the total issued share capital of the Company
Mr. Li Weijian	Directly beneficially owned	–	15,000,000	0.44%
Mr. Chen Jiqiu	Directly beneficially owned	–	9,000,000	0.26%
Mr. Mo Shijian	Directly beneficially owned	–	1,000,000	0.03%
Mr. Tan Zhuzhong	Directly beneficially owned	–	1,000,000	0.03%

Share Option Scheme

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. Details of the Company's share options are set out as follows:

	Number of share options								
Name and category of participant	At 1 January 2017	Granted during the period	Exercised during the period	Cancelled during the period	Lapsed during the period	At 30 June 2017	Date of grant	Exercise period (Note)	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. Chen Jiqiu	9,000,000	–	–	–	–	9,000,000	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
	26,000,000	–	–	–	–	26,000,000			
Non-directors	19,500,000	–	–	–	–	19,500,000	11.1.2011	11.1.2012 to 10.1.2021	2.81
	45,500,000	–	–	–	–	45,500,000			

Note:

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.

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

As at 30 June 2017, 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 30 June 2017, the Company has not been notified by any persons (other than the Directors and chief executive of the Company, whose interests are set out in the section "Directors' and chief executive's interests in shares and underlying shares" above), who had interests or short positions in the shares or underlying shares of the Company which would fall to be disclosable 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.

Purchase, Redemption or Sale of Listed Securities of The Company

During the six months ended 30 June 2017, neither the Company nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities during the six months ended 30 June 2017.

Review of Accounts

The audit committee has reviewed the unaudited interim results for the six months ended 30 June 2017 with the management of the Company.

Forward Looking Statements

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

On behalf of the Board

Yin Bo
Chairman

Hong Kong, 26 July 2017

Glossary of Terms

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
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 interim report, excluding Hong Kong Special Administrative Region, Macau Special Administrative Region and Taiwan
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)
CITIC Dameng Mining	中信大錳礦業有限責任公司(CITIC Dameng Mining Industries Co., Limited)
CITIC Group	中國中信集團有限公司(CITIC Group Corporation), 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 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 Manganese	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)
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)
EMD	electrolytic manganese dioxide
EMM	electrolytic manganese metal
Gabon	the Gabonese Republic
Group, we or us	the Company and its subsidiaries

Glossary of Terms

Guangxi	Guangxi Zhuang Autonomous Region, the PRC
Guangxi Dameng	廣西大錳錳業有限公司(Guangxi Dameng Manganese Industrial Co., Ltd.), a state-owned limited liability company established under the laws of the PRC on 30 July 2001. Guangxi Dameng is wholly-owned by the government of Guangxi, 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.)
Hong Kong or HK	the Hong Kong Special Administrative Region of the PRC
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)
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