



**DAMENG**



**ANNUAL REPORT**  
**2017**

**CITIC Dameng Holdings Limited**  
**中信大锰控股有限公司\***  
(incorporated in Bermuda with limited liability)  
Stock Code: 1091

\* For identification purpose only

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# Corporate Information

## Board of Directors

### Executive Directors

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

### Non-executive Directors

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

### Independent Non-executive Directors

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

## Audit Committee

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

## Remuneration Committee

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

## Nomination Committee

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

## Company Secretary

Mr. Lau Wai Yip

## Registered Office

Clarendon House, 2 Church Street,  
Hamilton HM 11, Bermuda

## Headquarters in Hong Kong

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

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

## Principal Place of Business in the PRC

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

## Bermuda Principal Share Registrar and Transfer Office

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

## Hong Kong Branch Share Registrar and Transfer Office

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

## Auditor

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

## Authorised Representatives

Mr. Yin Bo  
Mr. Lau Wai Yip

## Principal Bankers

Agricultural Bank of China  
Bank of China  
China CITIC Bank  
China Construction Bank  
China Everbright Bank  
China Guangfa Bank  
DBS Bank  
Industrial Bank Co., Ltd

## Stock Code

1091 (Mainboard of the Hong Kong Stock Exchange)

## Company Website

[www.dameng.citic.com](http://www.dameng.citic.com)

# Five Year Financial Summary

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

## Results

|                                | Year ended 31 December |                  |                  |                  |                  |
|--------------------------------|------------------------|------------------|------------------|------------------|------------------|
|                                | 2017<br>HK\$'000       | 2016<br>HK\$'000 | 2015<br>HK\$'000 | 2014<br>HK\$'000 | 2013<br>HK\$'000 |
| Revenue                        | <b>5,991,436</b>       | 3,248,108        | 2,517,000        | 3,194,517        | 2,915,756        |
| Profit/(loss) before tax       | <b>146,622</b>         | (131,309)        | (942,226)        | (35,316)         | (305,450)        |
| Income tax (expense)/credit    | <b>(5,240)</b>         | 2,888            | (33,751)         | (47,405)         | (12,239)         |
| Profit/(loss) for the year     | <b>141,382</b>         | (128,421)        | (975,977)        | (82,721)         | (317,689)        |
| Profit/(loss) attributable to: |                        |                  |                  |                  |                  |
| Owners of the parent           | <b>140,851</b>         | (87,913)         | (956,007)        | 15,488           | (243,246)        |
| Non-controlling interests      | <b>531</b>             | (40,508)         | (19,970)         | (98,209)         | (74,443)         |
|                                | <b>141,382</b>         | (128,421)        | (975,977)        | (82,721)         | (317,689)        |

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

|                           | 31 December      |                  |                  |                  |                  |
|---------------------------|------------------|------------------|------------------|------------------|------------------|
|                           | 2017<br>HK\$'000 | 2016<br>HK\$'000 | 2015<br>HK\$'000 | 2014<br>HK\$'000 | 2013<br>HK\$'000 |
| Non-current assets        | <b>5,413,627</b> | 5,168,425        | 5,527,883        | 5,758,980        | 5,622,822        |
| Current assets            | <b>3,338,535</b> | 3,757,878        | 3,809,453        | 4,022,042        | 3,639,985        |
| Total assets              | <b>8,752,162</b> | 8,926,303        | 9,337,336        | 9,781,022        | 9,262,807        |
| Current liabilities       | <b>4,732,153</b> | 4,681,008        | 4,512,938        | 3,965,584        | 2,935,845        |
| Non-current liabilities   | <b>1,052,910</b> | 1,571,423        | 1,824,755        | 2,222,761        | 2,647,638        |
| Total liabilities         | <b>5,785,063</b> | 6,252,431        | 6,337,693        | 6,188,345        | 5,583,483        |
| <b>Net Assets</b>         | <b>2,967,099</b> | 2,673,872        | 2,999,643        | 3,592,677        | 3,679,324        |
| Equity attributable to    |                  |                  |                  |                  |                  |
| owners of the parent      | <b>2,897,755</b> | 2,605,209        | 2,890,431        | 3,463,552        | 3,460,345        |
| Non-controlling interests | <b>69,344</b>    | 68,663           | 109,212          | 129,125          | 218,979          |
|                           | <b>2,967,099</b> | 2,673,872        | 2,999,643        | 3,592,677        | 3,679,324        |



# Chairman's Statement



# Chairman's Statement

Dear Valued Shareholders,

In 2017, China continued to maintain its steady growth in economic development with major breakthroughs in comprehensively deepening reform. Benefiting from the resurgence in the manganese market as supported by favourable opportunities brought by the national supply-side reform, "the Belt and Road" Initiative and ongoing recovery in steel industry, the Group successfully recorded a turnaround with significant improvement in operating results as compared with previous years. Nevertheless, both the instability in the global political situation and the uncertainty over the global economic prospects have created new challenges for the Group.

Amidst such macro market conditions, the Group, by adhering to the strategies of "*Deepening Reform; Innovation and Development; Cost Reduction and Efficiency Enhancement; Stable Development*", took a proactive approach to respond to the ever-changing market conditions and adjusted its development strategy, endeavouring to further strengthen risk control, seize opportunities and overcome the obstacles and difficulties. Furthermore, it insisted on innovation and technology development and increased its investment in scientific research, production efficiency improvement, cost and energy consumption reduction so as to achieve business optimisation and upgrading as well as sustainable development, with a view of creating new values for shareholders.

## Enhancing Comprehensive Management and Pursuing Sustainable Development

During the year, by adopting the management philosophy of "Expanding Income Sources and Reducing Expenditures", the management of the Group has further strengthened its overall internal control by improving budget management system, the informationization of the financial system and implementation of strict cost control measures, resulting in more rational cost control and enhanced operational efficiency of the Group. Meanwhile, the Group also increased its investment in scientific research to improve production technologies, enhance productivity and

promote energy conservation and emission reduction so as to proactively perform its social responsibility, maintain its competitiveness in the industry and ensure our growth in a sustainable, steady and healthy way.

## Stick to Market Orientation and Grasp Opportunities

The management of the Group, keeping the development trend of the market in mind, has prudently structured and adjusted its future development strategy through rationally allocating capital and resources with market orientation strategy and flexibly adjusting its investment policies in accordance with market demands. During the year, the Gabon project of the Group resumed production, achieving manganese ore sales of 840,000 tonnes (including the sales under subcontracting arrangements). The subcontracting and profit sharing income from the Gabon project under the subcontracting arrangement contributed an important portion of income to the Group during the year. In terms of production adjustment, the Group, by adjusting its existing manganese product mix in a flexible manner in line with the market demands, increased the proportion of its products with higher margin so as to enhance its profitability. At the same time, the Group also reviewed and adjusted its investment strategies in a timely manner in response to the market condition, in order to adopt the appropriate measures in a changing market, proactively seize development opportunities and create reasonable returns for shareholders.

## Exploring Diversified Business Areas and Focus On Long-Term Development

During the year, with a view to achieving a prosperous development of the Group, we actively explored diversified business areas, continued to assess potential investment opportunities and explored quality investment projects, so as to further expand our business scale and assets portfolio and continue the development and optimisation of our existing business. During the year, the Group proactively commenced international manganese ores trading. Benefiting from the solid platform for financing trading in Hong Kong, the Group has built and consolidated close and prosperous strategic partnerships with cautiously

selected major customers and the industry-leading partners based in Shenzhen and Hong Kong and proactively conducted international manganese ores trading business which has achieved satisfactory development and provided considerable revenue to the Group. In addition, the Group also expanded its business to polymetallic segment. As China Polymetallic Mining Limited, an associate of the Group, actively developed the market in Myanmar, its polymetallic reserve has increased accordingly.

Looking forward, the Group will continue to response to the “the Belt and Road” initiative, improve operational efficiency, control its costs properly and maintain its competitive edges on an on-going basis in order to capture future opportunities and strive to explore new profit point in the challenging manganese products market, achieving long-term profitability and asset growth.

### **Sincere Gratitude and compose a New Chapter with United Efforts**

I would like to take this opportunity to express my gratefulness to the Directors, management team and all staff for their hard work and contribution. I, on behalf of the Board, also hereby deliver my greatest sincere appreciation for the long-term understanding and support of our shareholders, clients, suppliers, banks and business partners. We treasure and look forward to your continuous reliance and support in a bid to compose a promising new chapter together.

**Yin Bo**

*Chairman*

27 February 2018





# Report of the Directors



# Report of the Directors

The Directors are pleased to present their report and the audited financial statements for the year ended 31 December 2017.

## Principal Activities

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

## Business Review

Business review comprising a fair review of the Group's business, description of our principal risks and uncertainties, important events subsequent to the year end and our likely future business developments have been set out in the section headed "Management Discussion and Analysis" of this annual report, inclusive of an analysis of the Group's performance during the year using financial key performance indicators set out in the box headed "Financial Highlights" therein.

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

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

Further discussions on the Company's environmental policies and performance and its compliance with the relevant laws and regulations can be found in the Environmental, Social and Governance Report and our relationship with employees can be found in the Human Resources Report. Discussions and information therein forms part of this Report of the Directors.

## Results and Dividends

The Group's profit for the year ended 31 December 2017 and the Group's financial position at that date are set out in the financial statements on pages 102 to 171.

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

## Property, Plant and Equipment and Investment Properties

Details of movements in the property, plant and equipment, and investment properties of the Group during the year are set out in notes 15 and 16 to the financial statements respectively.

## Share Capital and Share Options

Details of the Company's share capital and share options during the year are set out in notes 32 and 33 to the financial statements.

### Pre-emptive Rights

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

### Purchase, Redemption or Sale of Listed Securities of the Company

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

### Reserves

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

### Borrowings

Details of borrowings (inclusive of interest-bearing bank and other borrowings) of the Group as at 31 December 2017 are set out in note 28 and note 29 to the financial statements respectively.

### Management Contracts

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the year ended 31 December 2017.

### Distributable Reserves

The Company's reserves available for distribution is its share premium account which amounts to HK\$3,352,902,000 as at 31 December 2017 and such sum may be distributed in the form of fully paid bonus shares. As at 31 December 2017, the Company recorded accumulated losses of HK\$738,191,000.

### Charitable Donations

During the year, the Group made charitable and other donations totalling HK\$304,000 (2016: HK\$331,000).

### Major Customers and Suppliers

During the year, sales to the Group's five largest customers accounted for 45.9% of the total sales for the year and sales to the largest customer included therein amounted to 14.8%. Purchases from the Group's five largest suppliers, amounted to 38.0% of the total purchases for the year and purchase from the largest supplier included therein amounted to 13.6%.

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

### Directors

The Directors of the Company during the year ended 31 December 2017 and up to the date of this annual report are:

#### 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 Jiqu

#### Independent non-executive Directors:

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

## Report of the Directors

### Directors' and Senior Management's Biographies

The biographical details of the Directors of the Company and the senior management of the Company are set out on pages 52 to 53 of this annual report.

### Change of Information of Directors

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

| Name                      | Date           | Details of the change                          |
|---------------------------|----------------|--|
| Mr. Li Weijian ("Mr. Li") | 21 August 2017 | Mr. Li resigned as chairman of Guangxi Dameng. |

### Directors' Service Contracts

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

### Directors' Remuneration

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

Details of the remuneration of the Directors are set out in note 10 to the financial statements.

### Directors' Interests in Contracts

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

Mr. Lyu is the Vice Chairman and director of CITIC Jinzhou Metal Co., Ltd. ("**CITIC Jinzhou**"). CITIC Jinzhou carries on metallurgic business focusing on the production of middle carbon ferromanganese, chromium metal, titanium metal, vanadium pentoxide, zirconium products and silicon manganese alloy. In the event that there are transactions between CITIC Jinzhou and the Company, Mr. Lyu will abstain from voting.

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

Pursuant to the right of first refusal agreement dated 3 November 2010, Guangxi Dameng granted the right of first refusal to the Company to acquire all the equity interest it holds in Rainbow Minerals Pte. Limited which in turn holds certain manganese and iron mines in South Africa. Mr. Li Weijian was the director of Guangxi Dameng until 21 August 2017.

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

Save as disclosed herein and so far as is known to the Directors, as at 31 December 2017, none of the Directors or their respective associates was materially interested in any contract or arrangement which is significant in relation to the businesses of the Group taken as a whole.

## Report of the Directors

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

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

#### Interests in the Shares and Underlying Shares of the Company

| Name of Director/<br>chief executive | Shares/equity<br>derivatives | Capacity                    | Number of<br>equity<br>derivatives held | Approximate<br>percentage<br>of the<br>issued share<br>capital of<br>the Company |
|--------------------------------------|------------------------------|-----------------------------|---|--|
| Mr. Li Weijian                       | Share options                | Directly beneficially owned | 15,000,000                              | 0.44%  |
| Mr. Chen Jiqu                        | Share options                | Directly beneficially owned | 9,000,000                               | 0.26%  |
| Mr. Mo Shijian                       | Share options                | Directly beneficially owned | 1,000,000                               | 0.03%  |
| Mr. Tan Zhuzhong                     | Share options                | Directly beneficially owned | 1,000,000                               | 0.03%  |

#### Directors' Rights to Acquire Interests or Debentures

Save as disclosed in this annual report, at no time during the year ended 31 December 2017 was the Company or any of its subsidiaries or its holding company or any of the subsidiaries of the Company's holding company a party to any arrangement to enable the Directors or their associates (as defined in the Listing Rules) to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

### Share Option Scheme

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

On 11 January 2011, the Company granted share options to Directors and certain employees of the Group under the Share Option Scheme. Further details of the share options are disclosed in note 33 to the financial statements.

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

| Name and category of participant | Number of share options |                         |                           |                           |                        | At 31 December 2017 | Date of grant | Exercise period <sup>(note)</sup> | Exercise price per share HK\$ |
|----------------------------------|-------------------------|-------------------------|---------------------------|---------------------------|------------------------|---------------------|---------------|-----------------------------------|-------------------------------|
|                                  | At 1 January 2017       | Granted during the year | Exercised during the year | Cancelled during the year | Lapsed during the year |                     |               |                                   |                               |
| <b>Directors of the Company</b>  |                         |                         |                           |                           |                        |                     |               |                                   |                               |
| 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          |               |                                   |                               |
| <b>Non-directors</b>             | 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.



## Report of the Directors

Save as disclosed herein and in the section headed “Substantial Shareholders and Other Person’s Interests and Short Position in Shares and Underlying Shares” below and so far as is known to the Directors, as at 31 December 2017:

- (i) none of the Directors or chief executive of the Company had an interest or a short position in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which are required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are deemed or taken to have under such provisions of the SFO) or which are required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein or which are required, pursuant to the Model Code, to be notified to the Company and the Stock Exchange; and
- (ii) none of the Directors was a director or employee of a company which had an interest or a short position in Shares or underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO.

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

As at 31 December 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 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.

## Report of the Directors

Save as disclosed above, as at 31 December 2017, the Company has not been notified by any persons who had interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO.

### Directors' Service Contracts

As at 31 December 2017, none of the Directors had entered, or proposed to enter, into any service contract with any member of the Group which is not determinable by the Group within one year without payment of compensation other than statutory compensation.

### Non-compete Undertaking by the Controlling Shareholder

The Company has received an annual confirmation from CITIC Resources, the controlling shareholder of the Company, in respect of its compliance with the Non-compete Undertaking for the year ended 31 December 2017.

The independent non-executive Directors have reviewed the said undertaking and are of the view that CITIC Resources has complied with the Non-compete Undertaking for the year ended 31 December 2017.

### Continuing Connected Transactions

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

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

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

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

The amounts of the above mentioned continuing connected transactions are disclosed in note 39(a) to the financial statements. Save for notes (ii), (viii), (ix) and (x), all other related party transactions set out in the note 39(a) are also continuing connected transactions as defined in Chapter 14A of the Listing Rules.

The independent non-executive Directors of the Company have reviewed the continuing connected transactions set out above and have confirmed that these continuing connected transactions were entered into (i) in the ordinary and usual course of business of the Group; (ii) on normal commercial terms or better; and (iii) in accordance with the relevant agreements governing them on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole.

Ernst & Young, the Company's auditor, was engaged to report on the Group's continuing connected transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 Assurance Engagements Other Than Audits or Reviews of Historical Financial Information and with reference to Practice Note 740 Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules issued by the Hong Kong Institute of Certified Public Accountants. Ernst & Young have issued their unqualified letter containing their findings and conclusions in respect of the continuing connected transactions disclosed above by the Group in accordance with Rule 14A.56 of the Listing Rules.

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

On 29 December 2017, the Company entered into 2018 CITIC Special Steel Agreement with CITIC Pacific Steel Co., Ltd. for the three years ending 31 December 2020. Details of 2018 CITIC Special Steel Agreement were disclosed in the announcement of the Company dated 29 December 2017.

### Connected Transaction

On 18 November 2015, CITIC Bank agreed to grant a loan facility of RMB800,000,000 (equivalent to approximately HK\$960,560,000) to Dushan Jinmeng. The loan was secured by, inter alia, a corporate guarantee by CDM in proportion to our equity interest held in Dushan Jinmeng on a several basis. Details of the corporate guarantee were disclosed in the circular of the Company dated 31 December 2015 and note 36(a) to the financial statements.

### Sufficiency of Public Float

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

### Auditor

Ernst & Young shall retire and a resolution for their reappointment as auditor of the Company will be proposed at the forthcoming 2018 AGM.

ON BEHALF OF THE BOARD

**Yin Bo**  
*Chairman*

Hong Kong  
27 February 2018

A photograph of a large industrial facility, likely a steel mill, with rows of machinery and steam rising from the equipment. The scene is brightly lit, with light rays streaming through the high ceiling. An orange geometric shape is overlaid on the left side of the image, containing the text.

# Management Discussion and Analysis

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# Management Discussion and Analysis



## Financial Review

|  | 2017<br>HK\$'000 | 2016<br>HK\$'000 | Increase/(decrease) |         |
|--|------------------|------------------|---------------------|---------|
|  |                  |                  | HK\$'000            | %       |
| Revenue  | <b>5,991,436</b> | 3,248,108        | 2,743,328           | 84.5    |
| Gross profit   | <b>559,753</b>   | 424,221          | 135,532             | 31.9    |
| Gross profit margin  | <b>9.3%</b>      | 13.1%            | –                   | (3.8)   |
| Operating profit/(loss)                                    | <b>137,294</b>   | (131,309)        | 268,603             | 204.6   |
| Net gain from change in equity<br>interest in an associate | <b>9,328</b>     | –                | 9,328               | –       |
| Profit/(loss) before tax                                   | <b>146,622</b>   | (131,309)        | 277,931             | 211.7   |
| Income tax (expense)/credit                                | <b>(5,240)</b>   | 2,888            | (8,128)             | (281.4) |
| Profit/(loss) for the year                                 | <b>141,382</b>   | (128,421)        | 269,803             | 210.1   |
| Profit/(loss) attributable to owners of the parent         | <b>140,851</b>   | (87,913)         | 228,764             | 260.2   |
| Profit/(loss) attributable to non-controlling interests    | <b>531</b>       | (40,508)         | 41,039              | 101.3   |
|  | <b>141,382</b>   | (128,421)        | 269,803             | 210.1   |

### Financial Highlights

- Revenue amounted to HK\$5,991.4 million for 2017, representing an increase of 84.5% from HK\$3,248.1 million of 2016.
- Gross profit amounted to HK\$559.8 million in 2017, representing an increase of 31.9% from HK\$424.2 million in 2016. Gross profit margin was 9.3% in 2017, representing a decrease of 3.8% from 13.1% in 2016.
- Profit attributable to owners of the parent was HK\$140.9 million for 2017 (2016: loss of HK\$87.9 million).
- As at 31 December 2017, net gearing ratio increased to 99.8% (2016: 90.3%).

### Overview

In 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 2017. In China, the economy has been stabilised and profit for industrial enterprises recorded a year-on-year increase in 2017. Despite these positive factors, we are fully aware of the ongoing uncertainties: (1) resurgence of economic protectionism which could dampen global trade; (2) US monetary policy is moving back towards normal; and (3) the possible escalation of geopolitical tensions around the world.

In 2017, 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 year-on-year increase in the average selling price and sales volume of our major manganese products, EMM and manganese briquette, by 12.5% and 14.8% respectively, in 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 Bembélé Manganese Mine in Gabon from early 2017. As a result, we recorded a substantial increase of gross profit to HK\$559.8 million in 2017 (2016: HK\$424.2 million). It is expected that the steel demand is steady in 2018 as the Chinese economy matures gradually and begins to shift focus from manufacturing to consumption and services sectors. The steel sector is still facing challenges ahead.



## Management Discussion and Analysis

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 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\$137.3 million for the year ended 31 December 2017, representing a turnaround from 2016 with loss of HK\$131.3 million; and the earnings before interest, taxes, depreciation and amortisation (“**EBITDA**”) for the year ended 31 December 2017 increased by 58.4% to HK\$700.7 million (2016: HK\$442.3 million). The major reasons for the substantial improvement compared with 2016 are as follow:

- 1) As a result of increase in both selling price and sales volume of manganese products in 2017, the gross profit contribution of the Group’s major products, EMM and manganese briquette, recorded a substantial increase.
- (2) Our Bembélé Manganese Mine in Gabon resumed production and sales from early 2017 and the mine provided operating profit contribution in 2017 as opposed to an operating loss in 2016.
- (3) The substantial increase in the operating profit contribution from trading business as we have expanded our scale of this business in 2017.

As a result, the consolidated net profit attributable to owners of the parent was HK\$140.9 million in 2017 (2016: loss of HK\$87.9 million).

## Management Discussion and Analysis

### Comparison with 2016

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

|   | Year ended 31 December, |                                    |                    |                        |                       |                                    |                    |                        |
|---|-------------------------|------------------------------------|--------------------|------------------------|-----------------------|------------------------------------|--------------------|------------------------|
|   | 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 (%) |
| <b>Manganese mining and ore processing</b>    |                         |                                    |                    |                        |                       |                                    |                    |                        |
| Gabon ore (note)                              | 525,223                 | 604                                | 317,400            | 5.3                    | 10,068                | 578                                | 5,817              | 0.2                    |
| Manganese concentrate                         | 517,211                 | 351                                | 181,554            | 3.0                    | 213,995               | 301                                | 64,331             | 2.0                    |
| Natural discharging manganese powder and sand | 19,614                  | 2,402                              | 47,116             | 0.8                    | 21,384                | 2,368                              | 50,644             | 1.6                    |
| <b>Sub-Total</b>                              | <b>1,062,048</b>        | <b>514</b>                         | <b>546,070</b>     | <b>9.1</b>             | <b>245,447</b>        | <b>492</b>                         | <b>120,792</b>     | <b>3.8</b>             |
| <b>Manganese downstream processing</b>        |                         |                                    |                    |                        |                       |                                    |                    |                        |
| EMM   | 141,629                 | 12,040                             | 1,705,273          | 28.4                   | 128,109               | 10,763                             | 1,378,889          | 42.5                   |
| Manganese briquette                           | 38,911                  | 12,622                             | 491,151            | 8.2                    | 29,207                | 11,055                             | 322,896            | 9.9                    |
|   | 180,540                 | 12,166                             | 2,196,424          | 36.6                   | 157,316               | 10,818                             | 1,701,785          | 52.4                   |
| Silicomanganese alloy                         | 49,392                  | 7,229                              | 357,070            | 5.9                    | 32,508                | 6,212                              | 201,952            | 6.2                    |
| EMD   | 27,490                  | 8,458                              | 232,503            | 3.9                    | 26,290                | 8,220                              | 216,105            | 6.7                    |
| Manganese sulfate                             | 27,652                  | 3,653                              | 101,011            | 1.7                    | 21,163                | 3,433                              | 72,654             | 2.2                    |
| Lithium manganese oxide                       | 1,272                   | 55,439                             | 70,519             | 1.2                    | 399                   | 55,496                             | 22,143             | 0.7                    |
| Others  | 1,957                   | 26,231                             | 51,335             | 0.9                    | 13,642                | 2,264                              | 30,888             | 0.9                    |
| <b>Sub-Total</b>                              | <b>288,303</b>          | <b>10,436</b>                      | <b>3,008,862</b>   | <b>50.2</b>            | <b>251,318</b>        | <b>8,935</b>                       | <b>2,245,527</b>   | <b>69.1</b>            |
| <b>Non-manganese processing</b>               |                         |                                    |                    |                        |                       |                                    |                    |                        |
| Lithium cobalt oxide                          | 306                     | 269,595                            | 82,496             | 1.4                    | 612                   | 198,206                            | 121,302            | 3.7                    |
| <b>Sub-Total, before other business</b>       | <b>1,350,657</b>        | <b>2,693</b>                       | <b>3,637,428</b>   | <b>60.7</b>            | <b>497,377</b>        | <b>5,001</b>                       | <b>2,487,621</b>   | <b>76.6</b>            |
| <b>Other business</b>                         |                         |                                    |                    |                        |                       |                                    |                    |                        |
| Trading                                       | -                       | -                                  | 2,354,008          | 39.3                   | -                     | -                                  | 760,487            | 23.4                   |
| <b>Total</b>                                  | <b>-</b>                | <b>-</b>                           | <b>5,991,436</b>   | <b>100.0</b>           | <b>-</b>              | <b>-</b>                           | <b>3,248,108</b>   | <b>100.0</b>           |

## Management Discussion and Analysis

Note: The Group entered into a subcontracting agreement with Guangxi Jinmeng, a shareholder of an associate of the Group, entrusting Guangxi Jinmeng with certain rights to operate the Group's Bembélé Manganese Mine in Gabon under the supervision of the Group and subject to certain conditions for a period of five years commencing from 1 March 2017. During the subcontracting period, the Group continues to control the strategy and significant matters of the mine's operation and the Group will receive a fixed income of RMB26,000,000 (equivalent to HK\$29,981,000) per annum plus a variable income upon sale of ore mined by the subcontractor and determined with reference to the ore's selling price. The revenue and cost of sales from the ores of Bembélé Manganese Mine sold by Guangxi Jinmeng were not recognised in the Group's consolidated statement of profit or loss. Instead, the aggregate of fixed income and variable income abovementioned are recognised as subcontracting income under "other income and gains" in the consolidated statement of profit or loss.

### Revenue and Segment Results

In 2017, the Group's revenue was HK\$5,991.4 million (2016: HK\$3,248.1 million), representing an increase of 84.5% as compared with 2016. This substantial 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 operation and sales of Bembélé Manganese Mine in Gabon from early 2017; and (3) increase in revenue from our trading business.

*Manganese mining and ore processing* – Revenue of manganese mining and ore processing segment increased by 352.1% to HK\$546.1 million (2016: HK\$120.8 million) mainly due to the increase in sales volume of Gabon ores upon the recommencement of operation and sales of Bembélé Manganese Mine in Gabon from early 2017. The results of manganese mining and ore processing segment were profit of HK\$85.5 million, representing a turnaround from 2016 with loss of HK\$62.8 million.

*Manganese downstream processing* – Revenue from manganese downstream processing increased by 34.0% from HK\$2,245.5 million to HK\$3,008.9 million mainly attributable to the increase in average selling price of our major products, EMM and manganese briquette, and a 14.8% increase in combined sales volume of these two products. Combined revenue of EMM and manganese briquette accounted for 36.6% (2016: 52.4%) of our total sales. The results of manganese downstream segment were profit of HK\$216.6 million, increased by 8.3% compared with 2016 of HK\$200.0 million.

*Non-manganese processing* – Revenue from non-manganese processing decreased by 32.0% from HK\$121.3 million to HK\$82.5 million mainly attributable to the decrease in sales volume of lithium cobalt oxide. The results of non-manganese segment were profit of HK\$24.0 million increased by 151.3% compared with 2016 of HK\$9.5 million.

*Others* – In 2017, we have expanded our scale in trading business by increasing the volume of manganese ore import from overseas miners to the PRC. In addition, we commenced local trading in the PRC of manganese alloy and certain raw materials in 2017. The results of other business segment were profit of HK\$54.6 million, increased by 8.5% compared with 2016 of HK\$50.3 million.

## Management Discussion and Analysis

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

|   | Year ended 31 December,     |                                    |                                   |                                   |                             |                                    |                                   |                                   |
|---|-----------------------------|------------------------------------|-----------------------------------|-----------------------------------|-----------------------------|------------------------------------|-----------------------------------|-----------------------------------|
|   | 2017                        |                                    |                                   |                                   | 2016                        |                                    |                                   |                                   |
|   | Cost of Sales<br>(HK\$'000) | Unit Cost of Sales<br>(HK\$/Tonne) | Gross Profit/(Loss)<br>(HK\$'000) | Gross Profit/(Loss) Margin<br>(%) | Cost of Sales<br>(HK\$'000) | Unit Cost of Sales<br>(HK\$/Tonne) | Gross Profit/(Loss)<br>(HK\$'000) | Gross Profit/(Loss) Margin<br>(%) |
| <b>Manganese mining and ore processing</b>    |                             |                                    |                                   |                                   |                             |                                    |                                   |                                   |
| Gabon ore                                     | 265,227                     | 505                                | 52,173                            | 16.4                              | 17,383                      | 1,727                              | (11,566)                          | (198.8)                           |
| Manganese concentrate                         | 138,991                     | 269                                | 42,563                            | 23.4                              | 64,855                      | 303                                | (524)                             | (0.8)                             |
| Natural discharging manganese powder and sand | 14,622                      | 745                                | 32,494                            | 69.0                              | 14,727                      | 689                                | 35,917                            | 70.9                              |
| <b>Sub-Total</b>                              | <b>418,840</b>              | <b>394</b>                         | <b>127,230</b>                    | <b>23.3</b>                       | <b>96,965</b>               | <b>395</b>                         | <b>23,827</b>                     | <b>19.7</b>                       |
| <b>Manganese downstream processing</b>        |                             |                                    |                                   |                                   |                             |                                    |                                   |                                   |
| EMM   | 1,479,013                   | 10,443                             | 226,260                           | 13.3                              | 1,181,215                   | 9,220                              | 197,674                           | 14.3                              |
| Manganese briquette                           | 423,963                     | 10,896                             | 67,188                            | 13.7                              | 243,467                     | 8,336                              | 79,429                            | 24.6                              |
|   | 1,902,976                   | 10,540                             | 293,448                           | 13.3                              | 1,424,682                   | 9,056                              | 277,103                           | 16.3                              |
| Silicomanganese alloy                         | 342,687                     | 6,938                              | 14,383                            | 4.0                               | 174,807                     | 5,377                              | 27,145                            | 13.4                              |
| EMD   | 196,585                     | 7,151                              | 35,918                            | 15.5                              | 173,958                     | 6,617                              | 42,147                            | 19.5                              |
| Manganese sulfate                             | 70,079                      | 2,534                              | 30,932                            | 30.6                              | 50,123                      | 2,368                              | 22,531                            | 31.0                              |
| Lithium manganese oxide                       | 60,673                      | 47,699                             | 9,846                             | 14.0                              | 19,039                      | 47,717                             | 3,104                             | 14.0                              |
| Others  | 46,792                      | 23,910                             | 4,543                             | 8.8                               | 31,928                      | 2,340                              | (1,040)                           | (3.4)                             |
| <b>Sub-Total</b>                              | <b>2,619,792</b>            | <b>9,087</b>                       | <b>389,070</b>                    | <b>12.9</b>                       | <b>1,874,537</b>            | <b>7,459</b>                       | <b>370,990</b>                    | <b>16.5</b>                       |
| <b>Non-manganese processing</b>               |                             |                                    |                                   |                                   |                             |                                    |                                   |                                   |
| Lithium cobalt oxide                          | 57,151                      | 186,768                            | 25,345                            | 30.7                              | 107,825                     | 176,185                            | 13,477                            | 11.1                              |
| <b>Sub-Total, before other business</b>       | <b>3,095,783</b>            | <b>2,292</b>                       | <b>541,645</b>                    | <b>14.9</b>                       | <b>2,079,327</b>            | <b>4,180</b>                       | <b>408,294</b>                    | <b>16.4</b>                       |
| <b>Other business</b>                         |                             |                                    |                                   |                                   |                             |                                    |                                   |                                   |
| Trading                                       | 2,335,900                   | -                                  | 18,108                            | 0.8                               | 744,560                     | -                                  | 15,927                            | 2.1                               |
| <b>Total</b>                                  | <b>5,431,683</b>            | <b>-</b>                           | <b>559,753</b>                    | <b>9.3</b>                        | <b>2,823,887</b>            | <b>-</b>                           | <b>424,221</b>                    | <b>13.1</b>                       |

## Management Discussion and Analysis

### Cost of Sales

Total cost of sales increased by HK\$2,607.8 million or 92.3%, to HK\$5,431.7 million in 2017, as compared to HK\$2,823.9 million in 2016. The cost increase was primarily due to: (1) the increase in the cost of sales for trading business as a result of increase in scales of operations; and (2) the increase in the unit price and the volume consumed of raw materials and auxiliary materials for our major products, EMM and manganese briquette.

In 2017, the unit cost of manganese mining and ore processing remained stable at HK\$394/tonne (2016: HK\$395/tonne).

In 2017, unit cost of EMM and manganese briquette increased by 16.4% to HK\$10,540/tonne (2016: HK\$9,056/tonne). This was mainly attributable to the increase in the unit price of raw materials and auxiliary materials.

### Gross Profit

In 2017, the Group recorded a gross profit of HK\$559.8 million (2016: HK\$424.2 million), which represented an increase of HK\$135.6 million from 2016, or 31.9%. Improved overall gross profit was mainly attributable to: (1) the increase in selling price of EMM and manganese briquette; (2) our Bembélé Manganese Mine resumed production and sales from early 2017 which contributed positive profit contribution in 2017 as opposed to a negative margin in 2016; and (3) the Group had ramped up the production and sales volume of manganese concentrate for our mines in the PRC; and together with the increase in the average selling price of manganese concentrate in the year 2017, which contributed positive profit contribution in 2017 as opposed to a negative margin in 2016. Despite the above positive factors in 2017, the Group's overall gross profit margin was 9.3%, representing a decrease of 3.8% from 13.1% of 2016 due to the shift of sales mix to trading business which carries a lower margin than the other business lines.

### Other Income and Gains

Other income and gains increased by 3.7% to HK\$225.1 million (2016: HK\$217.0 million) mainly attributable to subcontracting income from Bembélé Manganese Mine of HK\$38.2 million (2016: Nil).

### Selling and Distribution Expenses

The Group's selling and distribution expenses in 2017 have increased by 13.8% to HK\$98.0 million (2016: HK\$86.1 million) which was in line with the increase in sales volume.

### Administrative Expenses

Administrative expenses decreased by 16.5% to HK\$319.8 million for 2017 (2016: HK\$382.9 million) mainly attributable to the resumed production of Bembélé Manganese Mine in Gabon from early 2017 and therefore less production halt related expenses charged to administrative expenses.

### Finance Cost

For 2017, our Group's finance cost was HK\$220.7 million (2016: HK\$235.9 million), representing a decrease of 6.5% which was mainly due to our effort to: (i) lower our cost of financing through negotiations with banks and various financing arrangement; and (ii) contain loan level.

### Net Gain from Change in Equity Interest in an Associate

The amount represents the net effect of:

- (i) a non-cash loss on deemed disposal of partial interest in an associate, CPM, of HK\$70.8 million upon dilution of as our equity interest held in CPM from 29.81% to 24.84% after its placing of new shares to independent third parties in May 2017; and
- (ii) gain on bargain purchase from acquisition of shares of an associate, CPM, in August and September 2017 amounting to HK\$80.1 million. This acquisition increased the equity interest held by the Group in CPM from 24.84% to 29.99%, effectively reinstating our equity interest in CPM to the level similar to just before the dilution set out in (i) above.

### Other Expenses

Other expenses decreased by 52.7% to HK\$10.0 million (2016: HK\$21.0 million) mainly attributable to the decrease in impairment of trade and other receivables.

### Share of Profits and Losses of Associates

Share of profits of associates of HK\$0.9 million (2016: losses of HK\$46.6 million) represents the net effect of:

- (i) the share of profit of Dushan Jinmeng, a 33% associate of the Group, of HK\$12.5 million (2016: loss of HK\$0.6 million); and
- (ii) the share of loss of CPM, an associate we held 29.99% as at 31 December 2017, of HK\$11.6 million (2016: HK\$46.0 million).

The turnaround from a loss to a profit of associates was mainly due to:

- (i) increase in profit contribution from Dushan Jinmeng as Dushan Jinmeng commenced its import of ore and trading business in 2017 in preparation for alloy production; and
- (ii) the decrease of loss incurred by CPM which was mainly due to:
  - (a) CPM recorded a gain on bargain purchase from acquisition of a subsidiary in the year 2017. This subsidiary operates a lead-zinc mine in Myanmar; and
  - (b) overall gross profit contribution of products improved from last year's gross loss mainly due to: i) the increase in selling price in lead and zinc concentrates; ii) ramped up production; and iii) gross profit contributions from the abovementioned subsidiary CPM acquired in the year 2017.

Dushan Jinmeng is a manganese ferroalloy producer in Guizhou, the PRC. Since 2013, Dushan Jinmeng, engaged 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. During 2017, Dushan Jinmeng had commenced its trading business and in December 2017, the first two furnaces commenced alloy production. Upon full production around

the end of year 2018, Dushan Jinmeng will become one of the largest integrated power to manganese ferroalloy plants in the PRC, and therefore a key manganese ferroalloy supplier to steel plants in the southern market of the PRC.

CPM is one of the largest lead and zinc pure mining companies in Yunnan Province, the PRC, which also owns and operates lead-zinc-silver polymetallic mines in Myanmar. According to the announcement of CPM dated 12 February 2018, its independent auditor emphasised without modifying its audit opinion, that the financial statements of CPM for the year ended 31 December 2017 indicates the existence of a material uncertainty which may cast significant doubt about CPM's ability to continue as a going concern. The directors of the Company have assessed the impact on the impairment of investment in CPM and considered that no impairment provision was needed as at 31 December 2017. Further details of CPM can be found in its latest annual report and results announcement.

### Income Tax (Expense)/Credit

In 2017, the effective tax rate is 3.6% (2016: 2.2%). The effective tax rate for 2017 was lower than the statutory tax rate of our major subsidiaries in the PRC, as there were brought forward tax losses not recognised in prior years but available to set off against taxable profits of our PRC operations during the year. A reconciliation of the income tax expense/(credit) applicable to profit/(loss) before tax at the statutory rate to the income tax (expense)/credit at the effective tax rate has been set out in note 12 to the financial statements.

### Profit Attributable to Owners of the Parent

For 2017, the Group's profit attributable to owners of the parent was HK\$140.9 million (2016: loss of HK\$87.9 million).

### Earnings per Share

For 2017, earnings per share attributable to ordinary equity holders of the Company was 4.11 HK cents (2016: loss per share 2.56 HK cents).

### Dividend

The Board does not recommend the payment of any dividend for the year ended 31 December 2017 (2016: Nil).

## Management Discussion and Analysis

### Use of Proceeds from IPO

Up to 31 December 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 31.12.2017 (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%      |

### Liquidity and Financial Resources

#### Cash and bank balances

As at 31 December 2017, the currency denomination of the Group's cash and bank balances including pledged deposits are as follows:

| Currency Denomination | 2017<br>HK\$ million | 2016<br>HK\$ million |
|-----------------------|----------------------|----------------------|
| Denominated in:       |                      |                      |
| RMB                   | 620.4                | 856.5                |
| HKD                   | 13.2                 | 24.9                 |
| USD                   | 216.3                | 653.4                |
| XAF                   | 7.4                  | 0.1                  |
|                       | <b>857.3</b>         | 1,534.9              |

As at 31 December 2017, our cash and bank balances including pledged deposits were HK\$857.3 million (2016: HK\$1,534.9 million) while the Group's borrowings amounted to HK\$3,748.2 million (2016: HK\$3,886.9 million). The Group's borrowings net of cash and bank balances amounted to HK\$2,890.9 million (2016: HK\$2,352.0 million). The significant drop in bank balances represents net repayment of certain bank loans denominated in RMB and payments of capital expenditure.

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

Although the Group recorded a net profit of HK\$141.4 million in 2017, certain non-current portion of bank and other borrowings become due in the year 2018 and were re-classified as current liabilities. As at 31 December 2017, the Group had net current liabilities of HK\$1,393.6 million (2016: HK\$923.1 million).



## Management Discussion and Analysis

### Bank and other Borrowings

As at 31 December 2017, the Group's borrowing structure and maturity profile are as follows:

| <b>Borrowing structure</b>                            | <b>2017<br/>HK\$ million</b> | <b>2016<br/>HK\$ million</b> |
|---|------------------------------|------------------------------|
| Secured borrowings (including finance lease payables) | <b>227.3</b>                 | 908.9                        |
| Unsecured borrowings                                  | <b>3,520.9</b>               | 2,978.0                      |
|   | <b>3,748.2</b>               | 3,886.9                      |

| <b>Maturity profile</b>               | <b>2017<br/>HK\$ million</b> | <b>2016<br/>HK\$ million</b> |
|---------------------------------------|------------------------------|------------------------------|
| Repayable:                            |                              |                              |
| On demand or within one year          | <b>3,003.4</b>               | 2,607.0                      |
| After one year and within two years   | <b>638.1</b>                 | 763.1                        |
| After two years and within five years | <b>106.7</b>                 | 516.8                        |
|                                       | <b>3,748.2</b>               | 3,886.9                      |

| <b>Currency denomination</b> | <b>2017<br/>HK\$ million</b> | <b>2016<br/>HK\$ million</b> |
|------------------------------|------------------------------|------------------------------|
| Denominated in:              |                              |                              |
| RMB                          | <b>3,019.7</b>               | 3,042.4                      |
| USD                          | <b>728.5</b>                 | 844.5                        |
|                              | <b>3,748.2</b>               | 3,886.9                      |

As at 31 December 2017, borrowings as to the amounts of HK\$2,147.6 million (2016: HK\$2,241.0 million) and HK\$1,600.6 million (2016: HK\$1,645.9 million), carry fixed and floating rate interest respectively. The fixed rate borrowings carry interest at rates ranging from 2.83% to 7.51%. The floating rate borrowings carry interest up to a premium of 5% 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 2.60%.

Overall, aggregate borrowings decreased to HK\$3,748.2 million (2016: HK\$3,886.9 million). The Group are now exploring various means including short-term or medium-term notes to improve borrowing structure in terms of interest rate level and repayment terms.

### Charge on group assets

As at 31 December 2017, (i) property, plant and equipment of HK\$143.4 million (2016: HK\$177.7 million) were held under finance lease; (ii) none else of the Group's property, plant and equipment (2016: Nil) were pledged to secure the Group's interest-bearing bank borrowings (except for finance lease payables mentioned in (i)); (iii) bank balances of HK\$188.2 million (2016: HK\$302.5 million) were pledged to secure certain of the Group's bank acceptance notes; and (iv) except for (iii) mentioned above, none else of the Group's bank balances (2016: HK\$242.9 million) were pledged to secure the Group's bank borrowings.

## Management Discussion and Analysis

### Contingent liabilities

(a) As at 31 December 2017, the outstanding bank loan of an associate, in which the Group has a 33% equity interest, was secured by the associate's lands and property, plant and equipment and guaranteed by the Group and the holding company of an associate, Guangxi Jinmeng, according to the shareholding percentage on a several basis.

As at 31 December 2017, the associate's banking facilities guaranteed by the Group and Guangxi Jinmeng amounted to RMB800,000,000 (equivalent to HK\$960,560,000) and were utilised to the extent of RMB715,000,000 (equivalent to HK\$858,501,000) (2016: RMB715,000,000, equivalent to HK\$799,299,000) by the associate.

(b) At 31 December 2017, loans amounting to RMB20,000,000 (equivalent to HK\$24,014,000) (2016:Nil) provided by Guangxi Dameng to a company in which the Group owns 10% equity interest is guaranteed by the Group in proportion to equity interest held by the Group.

(c) A subsidiary of the Group is currently a defendant in a lawsuit brought by a party claiming that the subsidiary is liable for the losses owing to the termination of a subcontracting arrangement. Details are set out to in the announcement of the Group on 11 December 2015. In 2017, the first trial was concluded and the subsidiary had successfully defended against the claim. The lawsuit is currently under appeal by the claimant. The directors, based on the advice from the Group's PRC legal counsel, believe that the subsidiary has a valid defence against the claim under appeal and, accordingly, have not provided for any claim arising from the litigation, other than legal and other costs.

### Key Financial Ratios of the Group

|                   | 2017  | 2016  |
|-------------------|-------|-------|
| Current ratio     | 0.71  | 0.80  |
| Quick ratio       | 0.51  | 0.63  |
| Net Gearing ratio | 99.8% | 90.3% |

Current ratio = balance of current assets at the end of the year/balance of current liabilities at the end of the year

Quick ratio = (balance of current assets at the end of the year – balance of inventories at the end of the year)/balance of current liabilities at the end of the year

Net gearing ratio = Calculated as net debt divided by equity attributable to owners of the parent. Net debt is defined as the sum of interest-bearing bank and other borrowings less cash and cash equivalents and pledged deposits

At 31 December 2017, current ratio and quick ratio deteriorated because portions of long-term outstanding bank loans and other borrowings would be due in 2018 and became current as at 31 December 2017. Net gearing ratio increased as we have further developed our trading business which was mainly financed by banks' trade loans.

## Management Discussion and Analysis

### Liquidity risk and going concern basis

The Group monitors its risk to a shortage of funds on an on-going basis by closely monitoring the maturity of both its financial instruments and financial assets and projected cash flows from operations. The Group's objective is to maintain sufficient working capital to finance its operations and meet its financial obligation as and when they fall due. At the same time, the Group will strive a balance between continuity of funding and flexibility through the use of short-term and long-term bank loans, finance leases, other interest-bearing borrowings and short-term and medium-term notes, taking also into account of the different pricing of various financing for each alternatives. Due consideration will also be given to equity financing alternatives.

In view of the Group's net current liabilities of HK\$1,393.6 million at 31 December 2017 (2016: HK\$923.1 million), 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 continues to restructure the mix of manganese products processing 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 continues to 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) At 31 December 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\$1,810.2 million upon repayment when due, subject to the condition that the Group will be able to repay the total interest due on 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 a further 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 speeding up collection.

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 undrawn long-term loan, including but not limited to the finance lease amounting to RMB157.5 million (equivalent to HK\$189.1 million) as detailed in our announcement dated 22 December 2017; and improving profitability of the Group, the Group will have sufficient working capital to finance its operations and meet its financial obligations as and when they fall due in the foreseeable future. Accordingly, the directors are of the opinion that it is appropriate to prepare the consolidated financial statements of the Group for the year ended 31 December 2017 on a going concern basis.

## Management Discussion and Analysis

### 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, Guangxi Jinmeng, described below. The Group did not hold any collateral or other credit enhancements over its trade and notes receivable balances.

In 2017, the largest customer of the Group by revenue is Guangxi Jinmeng which is principally engaged in manganese ferroalloy production and manganese ore trading in the PRC and manganese mining in Gabon and the PRC. It maintains close business relationship with major steel plants in the PRC. The Group supplies manganese ores to Guangxi Jinmeng, which is also our subcontractor of Gabon Bembélé Manganese Mine as detailed on page 26.

In 2017, revenue from sales of manganese ores to Guangxi Jinmeng Group is HK\$666.5 million (2016: HK\$536.0 million) and revenue from sales of Gabon ores to Guangxi Jinmeng Group is HK\$221.1 million (2016: Nil). In 2017, total sales to Guangxi Jinmeng Group amounted to HK\$887.6 million (2016: HK\$536.0 million), which accounted for 14.8% (2016: 16.5%) of the Group's total sales. As at 31 December 2017, trade receivable from Guangxi Jinmeng Group was HK\$209.5 million (2016: HK\$318.0 million) and represents 25.0% (2016: 43.0%) of the Group's trade receivables.

Sales to Guangxi Jinmeng Group are on open account with a normal credit period ranging from about 75 days to 100 days from the date of receipt of goods, which can be extended for a further period of 90 days to 180 days subject to the Company's approval. Subsequent to the year end of 2017 and up to the date of this report, an aggregate amount of HK\$124.1 million has been received and the remaining unsettled balances due from Guangxi Jinmeng Group are within the contract 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 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.

## Management Discussion and Analysis

In respect of our Gabon operations, all our sales are denominated in United States dollars. Expenses (including sea freight for those sales on CIF basis) are also denominated in United States dollars except for expenses incurred locally being denominated in Euro or Euro-pegged XAF. Gabon operation is substantially financed by United States dollar loans which are expected to be repaid in the long term out of the project's operating cash inflow which is mainly denominated in United States dollars.

### Business Model and Strategy

The Group strives to be the global leading one stop and vertical integrated manganese producer while maintaining the Group's long term profitability and assets growth with adoption of flexible business model and strategy and prudent risk and capital management framework. We intend to adopt and implement the following strategies to achieve our objective:

- (1) expand and upgrade our manganese resources and reserves through exploration and enhance our strategic control of manganese resources and reserves through mergers and acquisitions;
- (2) enhance our operational efficiency and profitability; and
- (3) establish and consolidate our strategic relationships with selected major customers and industry leading partners.

### Future Development and Outlook

- In December 2017, the first two furnaces of the 33% owned associate, Dushan Jinmeng, commenced alloy production. Upon full production around the end of year 2018, 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 growing production capacity of ferroalloy of Dushan Jinmeng, we continue to cautiously develop our trading business of manganese ore, manganese ferroalloy and its related raw materials.
- In 2017, we recommenced the mining operation of our Bembélé Manganese Mine in Gabon and manganese ores totaling 840,000 tonnes (including the sales under subcontracting arrangement) were loaded on board and departed from Gabon for ports in the PRC and India. In December 2017, the Group had successfully renewed the mining license of Bembélé Manganese Mine in Gabon for another five years commencing from December 2017. It is expected that Bembélé Manganese Mine will increase its contribution to our operating cash flow and profit.
- 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 "the Belt and 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 and to raise necessary funds to finance our operations. In particular, we will put more weight on longer term financing than short term, taking into account of different pricing of various financing alternatives and due consideration will also be given to equity financing which can reduce our gearing ratio and have the possible advantage of expanding our shareholder base.

### **Five Year Financial Summary**

A summary of the results and of the assets, liabilities and non-controlling interests of the Group for the last five financial years has been set out in the section headed "Five Year Financial Summary" of this annual report.

An aerial photograph of a tropical forest landscape. The foreground is dominated by dense green foliage. In the middle ground, there is a large, irregularly shaped area of cleared land, showing reddish-brown soil. To the left of this cleared area is a body of water with a yellowish-green tint. In the background, rolling hills covered in dense green forest stretch towards the horizon under a blue sky with light clouds. A large purple graphic element, consisting of overlapping triangles, is positioned on the left side of the image, partially obscuring the forest. The text 'Mineral and Mining Report' is written in white within this purple area.

# Mineral and Mining Report





# Mineral and Mining Report

## Resources and Reserves

Below is the information on our mineral resources and ore reserves in accordance with JORC Code as of 31 December 2017:

### Summary of our manganese mineral resources

| Mines                   | Ownership Percentage | JORC Resource Category | 31.12.2017     |                             | 31.12.2016     |                             |
|-------------------------|----------------------|------------------------|----------------|-----------------------------|----------------|-----------------------------|
|                         |                      |                        | Million tonnes | Average Manganese Grade (%) | Million tonnes | Average Manganese Grade (%) |
| Daxin Mine              | 100%                 | Measured               | 4.16           | 24.96                       | 4.58           | 24.71                       |
|                         |                      | Indicated              | 62.31          | 21.39                       | 63.71          | 21.31                       |
|                         |                      | Subtotal               | 66.47          | 21.62                       | 68.29          | 21.54                       |
|                         |                      | Inferred               | 0.43           | 21.23                       | 0.43           | 21.23                       |
|                         |                      | Total                  | 66.90          | 21.62                       | 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               | 2.65           | 20.45                       | 2.96           | 20.45                       |
|                         |                      | Indicated              | 14.67          | 20.32                       | 14.67          | 20.32                       |
|                         |                      | Subtotal               | 17.32          | 20.34                       | 17.63          | 20.34                       |
|                         |                      | Inferred               | 4.22           | 20.50                       | 4.22           | 20.50                       |
|                         |                      | Total                  | 21.54          | 20.37                       | 21.85          | 20.37                       |
| Bembélé Manganese Mine  | 51%                  | Measured               | -              | -                           | -              | -                           |
|                         |                      | Indicated              | 14.99          | 31.99                       | 15.97          | 31.99                       |
|                         |                      | Subtotal               | 14.99          | 31.99                       | 15.97          | 31.99                       |
|                         |                      | Inferred               | 12.37          | 32.74                       | 12.37          | 32.74                       |
|                         |                      | Total                  | 27.36          | 32.32                       | 28.34          | 32.32                       |
| Total                   |                      |                        | 124.17         |                             | 127.28         |                             |

Summary of our manganese ore reserves

| Mines                   | Ownership Percentage | JORC Resource Category | 31.12.2017     |                             | 31.12.2016     |                             |
|-------------------------|----------------------|------------------------|----------------|-----------------------------|----------------|-----------------------------|
|                         |                      |                        | Million tonnes | Average Manganese Grade (%) | Million tonnes | Average Manganese Grade (%) |
| Daxin Mine              | 100%                 | Proved                 | 3.94           | 20.71                       | 4.36           | 20.86                       |
|                         |                      | Probable               | 59.78          | 18.89                       | 61.18          | 18.85                       |
|                         |                      | Total                  | 63.72          | 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                 | 2.65           | 20.45                       | 2.96           | 20.45                       |
|                         |                      | Probable               | 14.67          | 20.32                       | 14.67          | 20.32                       |
|                         |                      | Total                  | 17.32          | 20.34                       | 17.63          | 20.34                       |
| Bembélé Manganese Mine  | 51%                  | Proved                 | -              | -                           | -              | -                           |
|                         |                      | Probable               | 14.98          | 31.36                       | 15.96          | 31.36                       |
|                         |                      | Total                  | 14.98          | 31.36                       | 15.96          | 31.36                       |
| Total                   |                      |                        | 99.18          |                             | 102.29         |                             |

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

Assumptions:

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

- (1) (a) The manganese resources and manganese ore reserves for Daxin Mine, Tiandeng Mine and Bembélé Manganese Mine are based on the estimate as per the independent technical review report as shown in the Prospectus. The decreases of the manganese resources and manganese ore reserves in the aforesaid mines during the year were largely due to mining depletion. The year end amounts have been confirmed by our internal experts.
  - (b) The manganese resources and manganese ore reserves for Changgou 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 (China Ye Jin Di Zhi Zong Ju Zhong Nan Ju Nanning Di Zhi Diao Cha Suo). The decrease of manganese resources and manganese ore reserves of the mine during the year were largely due to mining depletion. The year end amounts have been confirmed by our internal experts.
  - (c) The manganese resources and manganese ore reserves for Waifu Manganese Mine are based on the estimate in accordance with《靖西縣湖潤外伏錳礦礦產資源量核實地質報告評審意見書》(Accreditation Opinion of the Verified Geographical Resources Report of Waifu Manganese Mine, Jingxi County) dated 17th July 2004 prepared by 南寧儲偉資源有限責任公司 (Nanning Chu Wei Resources Limited Company). The year end amounts have been confirmed by our internal experts.
- (2) All material assumptions and technical parameters underpinning the estimates as stated in the aforesaid independent technical reports continue to apply and have not been materially changed.

### Exploration, Development and Mining Activities

#### I) Exploration

##### **Overview**

During the year, there were no significant progress in respect of our exploration works and we have not conducted any exploration drilling works which are largely due to: (1) completion of the exploration works at Daxin Mine and Changgou Manganese Mine; (2) Waifu Manganese Mine has not entered into formal operation; and (3) the data regarding the composition of the ore bodies and geological structure obtained through the previous exploration works conducted at Bembélé Manganese Mine can basically satisfy its existing mining production's need. During the year, our main focus was to continue the subsequent follow up work in respect of the exploration works at Tiandeng Mine.

##### **Daxin Mine**

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

##### **Tiandeng Mine**

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

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

##### **Waifu Manganese Mine**

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

##### **Changgou Manganese Mine**

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

##### **Bembélé Manganese Mine**

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

#### II) Development

##### **Daxin Mine**

During the year, our outsourced contractor, 廣西錫山礦業有限公司 (Guangxi Xishan Mining Limited Company) continued the phase B 600,000 tonnes/year expansion project for the underground mining at Daxin Mine. As at 31 December 2017, the tunnel construction works in phase B amounted to 45,352 metres (2016: 45,166 metres) in length and the construction works in phase B amounted to 388,718 m<sup>3</sup> (2016: 385,449 m<sup>3</sup>).

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

##### **Tiandeng Mine**

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

### ***Waifu Manganese Mine***

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

### ***Changgou Manganese Mine***

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

### ***Bembélé Manganese Mine***

During the year, we have successfully renewed the mining licence for conducting mining activities at Bembélé Manganese Mine for another 5 years up to 4 December 2022.

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

## Mineral and Mining Report

### III) Mining activities

#### (1) Mining operations

##### *Daxin Mine*

|  | 2017  | 2016  |
|--|-------|-------|
| <b>Open pit mining</b>                     |       |       |
| Mining production volume (thousand tonnes) | 779   | 846   |
| <b>Underground mining</b>                  |       |       |
| Mining production volume (thousand tonnes) | 1,021 | 659   |
| Total mining production (thousand tonnes)  | 1,800 | 1,505 |
| <b>Average manganese grade</b>             |       |       |
| Manganese carbonate ore                    | 14.9% | 15.3% |
| Manganese oxide ore                        | 27.7% | 28.1% |

##### *Tiandeng Mine*

|  | 2017  | 2016  |
|--|-------|-------|
| <b>Open pit mining</b>                     |       |       |
| Mining production volume (thousand tonnes) | 131   | 366   |
| <b>Average manganese grade</b>             |       |       |
| Manganese carbonate ore                    | 11.3% | 11.7% |
| Manganese oxide ore                        | –     | 15.9% |

##### *Waifu Manganese Mine*

During the year, there were no mining production.

##### *Changgou Manganese Mine*

|  | 2017  | 2016  |
|--|-------|-------|
| <b>Underground mining</b>                  |       |       |
| Mining production volume (thousand tonnes) | 213   | 95    |
| Average manganese carbonate grade          | 16.7% | 17.3% |

##### *Bembélé Manganese Mine*

|  | 2017  | 2016 |
|--|-------|------|
| <b>Open pit mining</b>                     |       |      |
| Mining production volume (thousand tonnes) | 982   | –    |
| Average manganese oxide grade              | 28.7% | N/A  |

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

(2) **Ore processing operations**

- Concentrating

| <b>Production volume (thousand tonnes)</b>    | <b>2017</b>  | 2016  |
|---|--------------|-------|
| <b>Daxin Concentration Plant</b>              |              |       |
| Manganese carbonate concentrate               | <b>938</b>   | 1,002 |
| Manganese oxide concentrate                   | <b>131</b>   | 125   |
| <b>Total</b>                                  | <b>1,069</b> | 1,127 |
| <b>Average manganese grade of concentrate</b> |              |       |
| Manganese carbonate concentrate               | <b>17.7%</b> | 18.5% |
| Manganese oxide concentrate                   | <b>28.3%</b> | 28.9% |
| <b>Tiandeng Concentration Plant</b>           |              |       |
| Manganese carbonate concentrate               | <b>320</b>   | –     |
| Average manganese grade of concentrate        | <b>11.4%</b> | N/A   |
| <b>Bembélé Concentration Plant</b>            |              |       |
| Manganese oxide concentrate                   | <b>616</b>   | –     |
| Average manganese grade of concentrate        | <b>36.5%</b> | N/A   |

- Grinding

| <b>Production volume (thousand tonnes)</b> | <b>2017</b>  | 2016  |
|--|--------------|-------|
| <b>Daxin Grinding Plant</b>                |              |       |
| Powder produced                            | <b>1,045</b> | 1,013 |

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

### IV) Downstream processing operations

#### (1) Manganese downstream processing operations

- EMM

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

| Production (thousand tonnes)   | 2017         | 2016  |
|--------------------------------|--------------|-------|
| <b>Daxin EMM Plant</b>         | <b>113.6</b> | 114.0 |
| <b>DXML EMM Plant</b>          | <b>25.3</b>  | 20.7  |
| <b>Tiandeng EMM Plant</b>      | <b>25.1</b>  | 24.9  |
| <b>Guangxi Start EMM Plant</b> | <b>20.0</b>  | 18.6  |
| <b>Total</b>                   | <b>184.0</b> | 178.2 |

- Manganese briquette

| Production (thousand tonnes) | 2017        | 2016 |
|------------------------------|-------------|------|
| <b>Chongzuo Branch</b>       | <b>40.4</b> | 29.4 |

- Manganese sulfate

| Production (thousand tonnes) | 2017        | 2016 |
|------------------------------|-------------|------|
| <b>Daxin Sulfate Plant</b>   | <b>24.0</b> | 21.3 |

- EMD

| Production (thousand tonnes) | 2017        | 2016 |
|------------------------------|-------------|------|
| <b>Daxin EMD Plant</b>       | <b>29.6</b> | 27.8 |

- Silicomanganese alloy

| <b>Production (thousand tonnes)</b> | <b>2017</b> | 2016 |
|-------------------------------------|-------------|------|
| <b>Qinzhou Ferroalloy Plant</b>     | <b>51.6</b> | 31.1 |

- Lithium manganese oxide

| <b>Production (thousand tonnes)</b> | <b>2017</b> | 2016 |
|-------------------------------------|-------------|------|
| <b>Chongzuo Branch</b>              | <b>1.30</b> | 0.49 |

**(2) Non-manganese processing operations**

- Lithium cobalt oxide

| <b>Production (thousand tonnes)</b> | <b>2017</b> | 2016 |
|-------------------------------------|-------------|------|
| <b>Chongzuo Branch</b>              | <b>0.21</b> | 0.71 |

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.



## Mineral and Mining Report

### V) Exploration, Development and Mining Cost of the Group

Expenses of exploration, development and mining activities of the Group for the year ended 31 December 2017 are set out below:

(HK\$'000)

|   | Daxin<br>Mine | Tiandeng<br>Mine | Waifu<br>Manganese<br>Mine | Changgou<br>Manganese<br>Mine | Bembélé<br>Manganese<br>Mine | Total   |
|---|---------------|------------------|----------------------------|-------------------------------|------------------------------|---------|
| <b>Exploration activities</b>                                   |               |                  |                            |                               |                              |         |
| Drilling and analysis   | -             | -                | -                          | -                             | -                            | -       |
| Transportation  | -             | -                | -                          | -                             | -                            | -       |
| Others  | -             | -                | -                          | -                             | -                            | -       |
|   | -             | -                | -                          | -                             | -                            | -       |
| <b>Development activities<br/>(including mine construction)</b> |               |                  |                            |                               |                              |         |
| Purchases of assets and equipment                               | -             | 19,125           | -                          | -                             | -                            | 19,125  |
| Construction of mines, tunnels and roads                        | -             | -                | -                          | -                             | -                            | -       |
| Staff cost  | -             | -                | -                          | -                             | -                            | -       |
| Others  | 5             | -                | -                          | -                             | -                            | 5       |
|   | 5             | 19,125           | -                          | -                             | -                            | 19,130  |
| <b>Mining activities*</b>                                       |               |                  |                            |                               |                              |         |
| Staff cost  | 2,926         | 4,775            | -                          | 7,866                         | -                            | 15,567  |
| Consumables   | 201           | 6,190            | -                          | 5,463                         | -                            | 11,854  |
| Fuel, electricity, water and other services                     | 9,329         | 3,894            | -                          | 4,909                         | -                            | 18,132  |
| Transportation  | 5,407         | 2                | -                          | -                             | 630                          | 6,039   |
| Sub-contracting fee   | 269,963       | -                | -                          | 36,220                        | -                            | 306,183 |
| Depreciation  | 15,962        | 1,797            | -                          | 3,080                         | 590                          | 21,429  |
| Others  | -             | 3,592            | -                          | 10,067                        | -                            | 13,659  |
|   | 303,788       | 20,250           | -                          | 67,605                        | 1,220                        | 392,863 |

(\* Concentrating not included)

## Mineral and Mining Report

Expenses of exploration, development, and mining activities of the Group for the year ended 31 December 2016 are set out below:

(HK\$'000)

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

(\* Concentrating not included)

中信

Directors  
and Senior  
Management  
Profiles



# 大锰公司2017年生产技术交流会



DAI MENG



# Directors and Senior Management Profiles

## Executive Directors

**Mr. Yin Bo (尹波)**, aged 56, joined in 2013 as an Executive Director and a vice president of the Company. He was appointed as the Chairman of the Company in October 2016. He is also a director of CITIC Dameng Mining, Chairman of Hui Xing Company and director of several subsidiaries of the Group. He holds a Bachelor of Science in Electronics from Shandong Industrial College (now known as Shandong University) in 1982 and a Master Degree in Business Administration from University of Hull in 1997. He also obtained a PhD in Law in Shandong University in 2002. He has held various positions in Shandong Provincial Government and his last position was a Deputy Director of general office of Shandong Provincial Government of the PRC. Mr. Yin has extensive experience in management.

**Mr. Li Weijian (李維健)**, aged 55, joined in 2010 as an Executive Director and Vice Chairman of the Company and has been the Vice Chairman and general manager of CITIC Dameng Mining since 2005. He is also a director of several subsidiaries of the Group. He graduated from Shenyang Gold Vocational Training College (瀋陽黃金專科學校) with professional qualifications in mining mechanics in 1982. He obtained a Master of Business Administration degree for senior management from Huazhong University of Science and Technology (華中科技大學) in 2008 and was granted the title of the senior engineer at professor grade in mechanical engineering in 2013 by China Iron and Steel Association and received the special subsidy from the State Council. He was granted “the excellent specialist of Guangxi Zhuang Autonomous Region” by the Guangxi Government. He is a member of the International Manganese Institute, the Chairman of its electrolytic products division as well as the Chairman of the National Manganese Technology Committee. He is also a tutor of the master degree students and a part time professor of various universities. Mr. Li has 32 years of experience in manganese mining and manganese related business, at both the management and operational level and has assumed a wide spectrum of roles in different mining companies.

## Non-Executive Directors

**Mr. Suo Zhengang (索振剛)**, aged 55, joined in 2014 as a Non-executive Director of the Company. He is the Vice Chairman, Chief Executive Officer and executive director of CITIC Resources. He is also a Director of CITIC Metal Group Limited. He also holds directorships in several other subsidiaries of CITIC Metal Group Limited. Mr. Suo has over 28 years’ experience in business operations and development, project investment and has extensive experience in natural resources industry. Mr. Suo obtained a Bachelor of Science in Mechanical Engineering from North China University of Technology in 1984 and was granted the title of senior economist in 2016 by CITIC Senior Specialised Technique Qualification Evaluation Committee.

**Mr. Lyu Yanzheng (呂衍蒸)**, aged 50, is the vice president of CITIC Metal Group Limited, a director of CITIC Kazakhstan Limited Liability Partnership and an independent director of JSC Karazhanbasmunai (all these companies are subsidiaries of CITIC Limited (Stock Code: 267)(an indirect controlling shareholder of the Company and a subsidiary of CITIC Group. He is also the managing director of Beijing CITIC Enterprise Project Management Co., Ltd., a director and Vice Chairman of CITIC Jinzhou Metal Co., Ltd. and a director and Vice Chairman of Jinzhou Titanium Industry Co., Ltd. (all these companies are subsidiaries of CITIC Group). Mr. Lyu holds a Master Degree in Economics at Capital University of Economics and Business. He has held various positions in CITIC Group and his last position was a division director and assistant general manager of Strategic and Development Department of CITIC Group. Mr. Lyu has extensive experience in management.

## Directors and Senior Management Profiles

**Mr. Chen Jiqui (陳基球)**, aged 59, joined in 2010 as a Non-executive Director of the Company and has been a vice president of CITIC Dameng Mining. He is also the general manager of Hui Xing Company and a director of several subsidiaries of the Group. Mr. Chen obtained a junior college diploma and graduation certificate in economics and management from the University of Guangxi in 1988 and was granted the title of senior economist in 1999 by the committee member for the Assessment of the Qualifications of Senior Economist of the Guangxi Zhuang Autonomous Region (廣西壯族自治區高級經濟師職務資格評審委) and the Working Group for Reformation of Work Titles (廣西壯族自治區職稱改革工作領導小組). Mr. Chen has almost 37 years of experience in the PRC mining industry and, in particular, has extensive management experience in the manganese industry.

### Independent non-executive Directors

**Dr. Lin Zhijun (林志軍)**, aged 62, joined in 2017 as an independent non-executive Director of the Company. Dr. Lin holds a Master's degree in Science in Accounting from University of Saskatchewan in Canada and a Doctorate's degree in Economics (Accounting) from Xiamen University. Dr. Lin is also a member of the American Institute of Certified Public Accountants, the Chinese Institute of Certified Public Accountants and the Australian Institute of Certified Management Accountants. He is a member of various educational accounting associations including the American Accounting Association, the International Association for Accounting Education and Research and the Hong Kong Association for Accounting Education.

**Dr. Mo Shijian (莫世健)**, aged 61, joined in 2010 as an independent non-executive Director of the Company. Mr. Mo is the Dean of Graduate School and Chair Professor of the Faculty of Law at University of Macau and Law. Mr. Mo specialises in trade remedies and arbitration and has acted as an arbitrator in a number of cases involving international sales, financing, leasing, investment and franchising. Mr. Mo is also a titular member of International Academy of Comparative Law (The Hague) and an arbitrator of a number of arbitration institutions in China, South Africa and Egypt.

**Mr. Tan Zhuzhong (譚柱中)**, aged 78, joined in 2010 as an independent non-executive Director of the Company. Mr. Tan has more than 46 years of experience in the field of mining and metallurgical research. He was employed by the Changsha Metallurgical Research Institute of the Metallurgical Ministry (冶金部長沙礦冶研究院) from 1963 to 1986, and was in charge of various metallurgical research studies. He also has extensive experience in the manganese industry. Mr. Tan is well recognised for his professional knowledge in the field of metallurgical technologies and has received a number of awards for various research projects that he led. He is also actively involved in several industry associations and has published articles in a number of professional journals.

### Senior Management

**Mr. Lau Wai Yip (劉偉業)**, aged 55, joined in 2010 as the Chief Financial Officer and Company Secretary of the Company. He is also a director of CITIC Dameng Mining. Mr. Lau is responsible for the financial management and company secretarial matters of the Group. He holds a degree of Master of Business Administration from the Hong Kong University of Science and Technology. He is a member of the Chartered Association of Certified Accountants, a member of the Hong Kong Institute of Certified Public Accountants, and also a member of the American Institute of Certified Public Accountants. He has extensive experience in auditing, financial management and company secretarial management.

**Dr. Li Changzhen(李昌震)**, aged 53, joined in 2015 as vice president of the Company. He is also a director of CITIC Dameng Mining. Dr. Li is responsible for the Group's projects in Gabon as well as capital investment. He holds a master's degree in economics and a doctorate's degree in finance from Buffalo, State University of New York. Dr. Li has many years of experience in mergers and acquisitions and capital markets.



# Corporate Governance Report





# Corporate Governance Report

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

## Compliance with the Code on Corporate Governance Practices

The Board is of the view that the Company has, for the year ended 31 December 2017, save for the deviation from the code provision A.2.1 applied the principles and complied with the applicable code provisions, and also complied with certain recommended best practices, of the Code on Corporate Governance Practices (the “**CG Code**”) as set out in Appendix 14 to the Listing Rules.

### Code Provision A.2.1

#### Chairman and Chief Executive Officer

Since 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 deviates from the code provision A.2.1 of the CG Code. Mr. Yin has considerable knowledge of the Company’s assets and his experience is highly valued by the Board. At a challenging time for the Company, the Board decided that Mr. Yin was the best person to lead and oversee the implementation of the Company’s long and short term plans in accordance with its strategy which is determined by the Board. All major decisions are made in consultation with the Board members, appropriate Board committees or senior management of the Group. Mr. Yin promotes a culture of openness and encourages the Directors to make a full and active contribution to the Board’s affairs. During the year, the three independent non-executive Directors of the Company offered strong and independent advice. All major decisions have reflected the consensus of the Board. The Board is keeping this situation under review and will separate the role of Chairman and Chief Executive Officer when it is in the Company’s best interests to do so.

## Board of Directors

As at 31 December 2017, the Board comprises a total of eight members, with two executive Directors, three non-executive Directors and three independent non-executive Directors:

### Executive Directors:

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

### Non-executive Directors:

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

### Independent non-executive Directors:

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

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

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

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

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

The biographies of the Directors and senior management are set out on pages 52 to 53 of this annual report.

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

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

### Appointment, Retirement and Re-election of Directors

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

Accordingly, in accordance with the Bye-Laws, Mr. Li Weijian, Mr. Suo Zhengang and Mr. Tan Zhuzhong will retire by rotation and, being eligible, offer themselves for re-election at the 2018 AGM.

### Board Diversity Policy

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

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

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

### Non-executive Directors and Independent Non-executive Directors

The non-executive Directors and the independent non-executive Directors are seasoned individuals from diversified backgrounds and industries and one of the independent non-executive Directors has an appropriate accounting qualification and related financial management expertise as required by the Listing Rules.

With their expertise and experience, they serve the relevant function of bringing independent judgement and advice on the overall management of the Company. They take the lead where potential conflicts of interests arise. Their responsibilities include maintaining a balance between the interests of minority shareholders and the Company as a whole. All independent non-executive directors are invited to participate in board meetings so that they are able to provide at such meetings their experience and judgement on matters discussed in the meetings.

## Corporate Governance Report

Our non-executive Directors, Mr. Suo Zhengang and Mr. Lyu Yanzheng have entered into a service agreement with the Company for a fixed term of three years commencing from 3 December 2014 and 30 November 2017. Our non-executive Director, Mr. Chen Jiqui has entered into a service agreement with the Company for a fixed term of one year commencing from 26 October 2017.

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

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

### Independence of Independent Non-executive Directors

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

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

### Directors' Commitments

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

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

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

### Responsibilities of Directors

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

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

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

### Directors' Interests

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

### Model Code for Securities Transactions by Directors

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

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

### Handling and Dissemination of Inside Information

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

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

### Supply of and Access to Information

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

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

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

### Continuous Professional Development

All Directors, including non-executive Directors and Independent non-executive Directors, should keep abreast of their collective responsibilities as Directors and of the business and activities of the Group.

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

During the year, the Company arranged the following trainings to its directors:

- (i) Directors training organized by the Stock Exchange regarding the duties of directors and the roles and functions of board committees; and
- (ii) Directors training organized by the Stock Exchange regarding the risk management and internal control, and environmental, social and governance Reporting.

All the then Directors participated in the trainings.

## Corporate Governance Report

### 2017 Directors' Attendance Records at Board Meetings, Committee Meetings and Annual General Meeting

Attendance records of the Directors at board meetings, audit committee meetings, remuneration committee meetings, nomination committee meetings and annual general meeting held in 2017 are as follows:

|  | Number of meetings held during the year |                         |                           |                    | 2017<br>AGM |
|--|---|-------------------------|---------------------------|--------------------|-------------|
|  | Attended / Eligible to attend           |                         |                           |                    |             |
|  | Board<br>Meeting                        | Nomination<br>Committee | Remuneration<br>Committee | Audit<br>Committee |             |
| <b>Executive Directors</b>                                     |   |                         |                           |                    |             |
| Mr. Yin Bo ( <i>Chairman and<br/>Chief Executive Officer</i> ) | 4/4                                     | 2/2                     | 1/1                       | N/A                | 1/1         |
| Mr. Li Weijian ( <i>Vice Chairman</i> )                        | 4/4                                     | 2/2                     | 1/1                       | N/A                | 1/1         |
| <b>Non-executive Directors</b>                                 |   |                         |                           |                    |             |
| Mr. Suo Zhengang   | 4/4                                     | N/A                     | N/A                       | N/A                | 1/1         |
| Mr. Lyu Yanzheng   | 4/4                                     | N/A                     | N/A                       | N/A                | 1/1         |
| Mr. Chen Jiqiu   | 4/4                                     | N/A                     | N/A                       | N/A                | 1/1         |
| <b>Independent non-executive Directors</b>                     |   |                         |                           |                    |             |
| Mr. Lin Zhijun   | 4/4                                     | 2/2                     | 1/1                       | 4/4                | 0/1         |
| Mr. Mo Shijian   | 4/4                                     | 2/2                     | 1/1                       | 4/4                | 1/1         |
| Mr. Tan Zhuzhong   | 4/4                                     | 2/2                     | 1/1                       | 4/4                | 1/1         |
| Average attendance rate  | 100%                                    | 100%                    | 100%                      | 100%               | 87.5%       |

### Board Meetings

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

A total of four board meetings were held in 2017 to discuss and review, inter alia, the following matters:

- 1) the business development, acquisition and strategies of the Group;
- 2) the financing matters and capital structure of the Group;
- 3) the Group's financial and operational performance;
- 4) the annual and interim results of the Group;
- 5) the Group's cost control measures;
- 6) the dividend proposals;
- 7) the auditor's fees;
- 8) the Group's internal control matters;
- 9) the Group's corporate governance matters including change of directors.

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

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

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

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

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

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

### Delegation by the Board

#### 1. Board Committees

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

### A. Nomination Committee

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

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

The nomination committee has adopted a board diversity policy which is posted on the website of the Company.

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

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

Members of the nomination committee are:

Mr. Tan Zhuzhong  
(Independent non-executive Director)  
(Committee Chairman)  
Mr. Lin Zhijun  
(Independent non-executive Director)  
Mr. Mo Shijian  
(Independent non-executive Director)  
Mr. Yin Bo (Executive Director)  
Mr. Li Weijian (Executive Director)

The number of meetings held by the nomination committee and the attendance of individual members at such meetings in 2017 is recorded on page 60.

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

- 1) the review of the structure, number, composition of the Board;
- 2) the review of the independence of our independent non-executive Directors; and
- 3) the rotation of the directors at the 2017 AGM.

### B. Remuneration Committee

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

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

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

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

Members of the remuneration committee are:

Mr. Mo Shijian  
(Independent non-executive Director)  
(Committee Chairman)

Mr. Lin Zhijun  
(Independent non-executive Director)

Mr. Tan Zhuzhong  
(Independent non-executive Director)

Mr. Yin Bo (Executive Director)

Mr. Li Weijian (Executive Director)

The number of meetings held by the remuneration committee and the attendance of individual members at such meetings in 2017 was recorded on page 60.

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

- 1) the remuneration package of directors and senior management for the year;
- 2) the general annual revision of the remuneration package of the directors and employees of the Group;
- 3) the revision of director fees.

No director was involved in deciding his own remuneration.

Details of emoluments of directors and the five highest paid individuals including senior management are set out in note 10 and 11 to the financial statements.

### C. Audit Committee

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

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



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

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

Members of the committee are:

Mr. Lin Zhijun  
(Independent non-executive Director)  
(Committee Chairman)

Mr. Mo Shijian  
(Independent non-executive Director)

Mr. Tan Zhuzhong  
(Independent non-executive Director)

Mr. Lin Zhijun possesses appropriate professional qualifications and experience in financial matters. None of the committee members is or was a partner of the external auditor.

The audit committee meets as and when required to discharge its responsibilities, and at least twice in each financial year. The number of meetings held by the audit committee and the attendance of individual members at audit committee meetings in 2017 is recorded on page 60.

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

- 1) the financial statements for the year ended 31 December 2016 and the six months ended 30 June 2017;
- 2) the Group's financial control, internal control and risk management systems;
- 3) the major findings on review of internal control system and the management's response;
- 4) the accounting principles and practices adopted by the Company, statutory compliance and other financial reporting matters.
- 5) the adequacy of resources, staff qualifications and experience, training programmes and budget of the Group's internal audit and financial reporting functions.

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

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

### 2. Management Functions

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

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

### Corporate Governance Functions

The Board has the following responsibilities:

- (a) to develop and review the Company's policies and practices on corporate governance; and to review the compliance with the CG Code and disclosures in the corporate governance report;
- (b) to review and monitor the Company's policies and practices on compliance with legal and regulatory requirements;
- (c) to review and monitor the training and continuous professional development of the directors and senior management; and
- (d) to develop, review and monitor the code of conduct applicable to the directors and employees.

### Constitutional Documents

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

### Shareholders' Rights

#### Procedures for shareholders to convene a special general meeting

Shareholders, holding at the date of the requisition not less than 10% of the paid-up capital of the Company carrying the right to vote at general meetings of the Company, shall at all times have the right, by written requisition to the Board or the company secretary, to require a general meeting (the "SGM") to be called by the Board for the transaction of any business specified in such requisition.

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

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

#### Procedures for putting forward proposals at general meetings

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

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

## Corporate Governance Report

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

### Procedures for directing shareholders' enquiries to the Board

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

### Financial Reporting

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

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

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

A statement by the auditor about their reporting responsibilities is included in the Independent Auditor's Report on pages 96 to 101.

### Risk Management and Internal Controls

The Board has overall responsibility for evaluating and determining the nature and extent of the risks it is willing to take in achieving the Group's strategic objectives, and maintaining a sound and effective system of risk management and internal control and for reviewing its effectiveness, particularly in respect of the controls on financial, operational, compliance and risk management, to safeguard shareholders' investment and the Group's assets.

The risk management and internal control systems aim to manage, instead of eliminate, risks of failure in achieving the Company's objectives and to provide reasonable, but not absolute, assurance against material misstatement or loss.

The managers of the internal audit department, with the support and assistance from other divisions and departments, directly report to the audit committee in respect of risk management and internal control matters of the Group. For daily administration purpose, the internal control managers report to the Chief Executive Officer and Chief Financial Officer. The audit committee, in turn, communicates any material issues to the Board.

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

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

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

- A distinct organisation structure exists with defined lines of authority and control responsibilities.
- A comprehensive management accounting system is in place to provide financial and operational performance indicators to the management and the relevant financial information for reporting and disclosure purpose.
- Policies and procedures are designed for safeguarding assets against unauthorised use or disposition; for maintaining proper accounting records; and for ensuring the reliability of financial information used within the business or for publication. The procedures provide reasonable but not absolute assurance against material errors, losses or fraud.
- Systems and procedures are also in place to identify, measure, manage, control and report risks including credit, market, operational, liquidity, interest rate, strategic, legal and reputation risks.
- An internal audit department that, amongst others, carries out the analysis and independent appraisal of the adequacy and effectiveness of the Company's risk management and internal control systems. The internal audit managers report to the Audit Committee of any findings revealed in the course of their daily work including material internal control defects, if any.
- The audit reports (including management letter) submitted by external auditor to the Group's management in connection with annual audit.
- A policy on handling and dissemination of inside information is in place, setting out the guiding principles, procedures and internal controls for the handling and dissemination of inside information in a timely manner.
- A whistle-blowing policy is in place, which encourages employees to raise concerns, in confidence, with the Audit Committee about possible improprieties in any matter related to the Company. The Company treats all information received in confidence and protects the identity and the interests of all whistle-blowers.

During the year, the Board conducted a review of the adequacy and effectiveness of the risk management and internal control systems of the Group by reviewing the work of the internal audit department, the Group's external auditor, and regular reports from management including those on risk management, regulatory compliance and legal matters. The Board considered the risk management and internal control systems of the Group effective and adequate and complied with the code provisions of the CG Code.

### Independent Auditor

The Company's independent auditor is Ernst & Young. For the year ended 31 December 2017, the remuneration payable by the Group to Ernst & Young is set out below:

#### Services provided by the auditor for the year ended 31 December 2017

|                       | HK\$             |
|-----------------------|------------------|
| Annual audit services | 3,383,000        |
| Taxation services     | 42,000           |
| <b>Total</b>          | <b>3,425,000</b> |

### Communications with Shareholders

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

## Corporate Governance Report

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

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

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

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

### 2017 AGM

All Directors (including the Chairman, all members of nomination committee, remuneration committee and audit committee (save for Mr. Lin Zhijun who due to event conflict and therefore excused his absence)) together with our auditor Ernst & Young and our senior managements attended the 2017 AGM. Despite the absence of Mr. Lin Zhijun in the 2017 AGM, the directors consider that the other two independent non-executive Directors were adequate representation, together with all the other directors, were able to obtain a balanced understanding of the views of the shareholders of the Company and to answer questions.

The Company has provided detailed information on the Company's 2017 AGM in a circular to shareholders which included, inter-alia, a notice of the AGM and information on the retiring Directors who were eligible for re-election at the 2017 AGM. At the 2017 AGM, the Company continued its practice of proposing separate resolutions on each substantially separate issue. Matters resolved at the 2017 AGM are set out as follows:

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#### Matters resolved at the 2017 AGM

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1. To receive and consider the audited financial statements and the report of the directors and the independent auditor's report for the year ended 31 December 2016.
  - 2(a). To re-elect Mr. Lyu Yanzheng as an Executive Director of the Company.
  - 2(b). To re-elect Mr. Chen Jiqui as a non-executive Director of the Company.
  - 2(c). To re-elect Mr. Lin Zhijun as an independent non-executive Director of the Company.
  - 2(d). To re-elect Mr. Mo Shijian as an independent non-executive Director of the Company.
  3. To authorise the board of directors to fix the Directors' remuneration.
  4. To re-appoint Ernst & Young as auditor of the Company and authorise the board of directors to fix the auditor's remuneration.
  - 5A. To grant a general mandate to the Directors to issue new shares of the Company.
  - 5B. To grant a general mandate to the Directors to repurchase shares of the Company.
  - 5C. To increase the general mandate to be given to the Directors to issue new shares of the Company.
-

All the resolutions proposed at the 2017 AGM were voted by poll and approved by the shareholders of the Company. The Company has engaged its share registrar, Computershare Hong Kong Investor Services Limited to act as the scrutineer for the poll voting. The results of the poll voting were posted on the websites of the Stock Exchange and the Company on the same day of the 2017 AGM.

### 2018 AGM

The Company's 2018 AGM is tentatively scheduled to be held on Friday, 25 May 2018, the notice of which will be sent to shareholders at least 20 clear business days before the meeting. The circular to shareholders for the 2018 AGM is tentatively scheduled to be despatched to the shareholders before 25th April, 2018.

### Investor Relations

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

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

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

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

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

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

# Human Resources Report



# 第一届职工代表大会第三次会议暨2016年度先进表彰大会





# Human Resources Report

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

## Our Employees

As of the end of December 2017, we have a total of 7,717 employees including management and administration staffs (2016: 7,885), which is mainly located in the Mainland China, representing 99% (2016: 99%). Over 40% (2016: 41%) of our employees are below 40, of which the majority of them are general workers. Therefore, we have a relatively young and equal workforce structure. It is contemplated in the future number of years, our workforce composition will remain relatively the same. In 2017, the Group's Bembélé Manganese Mine in Gabon resumed production, the headcount in Gabon set out below exclude the 199 employees who worked for a subcontractor.

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

| Headcount by Location | 2017  | 2016  |
|-----------------------|-------|-------|
| Hong Kong             | 15    | 16    |
| Mainland China        | 7,696 | 7,810 |
| Gabon                 | 6     | 59    |
| Total                 | 7,717 | 7,885 |

| Headcount by Age | Hong Kong |      | Mainland China |       | Gabon |      | Group |       |
|------------------|-----------|------|----------------|-------|-------|------|-------|-------|
|                  | 2017      | 2016 | 2017           | 2016  | 2017  | 2016 | 2017  | 2016  |
| 60 and above     | 1         | 1    | 31             | 10    | 0     | 0    | 32    | 11    |
| 51-59            | 4         | 3    | 1,004          | 1,135 | 1     | 4    | 1,009 | 1,142 |
| 41-50            | 3         | 5    | 3,559          | 3,464 | 1     | 12   | 3,565 | 3,481 |
| 31-40            | 5         | 5    | 2,150          | 1,940 | 4     | 32   | 2,159 | 1,977 |
| 30 and below     | 2         | 2    | 952            | 1,261 | 0     | 11   | 954   | 1,274 |
| Total            | 15        | 16   | 7,696          | 7,810 | 6     | 59   | 7,717 | 7,885 |

| Headcount by<br>Employment Category | Hong Kong |      | Mainland China |       | Gabon |      | Group |       |
|-------------------------------------|-----------|------|----------------|-------|-------|------|-------|-------|
|                                     | 2017      | 2016 | 2017           | 2016  | 2017  | 2016 | 2017  | 2016  |
| Senior                              | 3         | 3    | 6              | 7     | 2     | 2    | 11    | 12    |
| Middle                              | 3         | 3    | 87             | 93    | 3     | 5    | 93    | 101   |
| Professional                        | 3         | 4    | 863            | 534   | 0     | 37   | 866   | 575   |
| General                             | 6         | 6    | 6,740          | 7,176 | 1     | 15   | 6,747 | 7,197 |
| Total                               | 15        | 16   | 7,696          | 7,810 | 6     | 59   | 7,717 | 7,885 |

### Employees Remuneration

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

The Group operates the following retirement schemes for its employees:

- (1) a "five social insurance and one housing fund" retirement pension scheme in accordance with the Retirement Policy of the Chinese Government for PRC employees;
- (2) a defined scheme under the Pension Provisioning Law in Gabon for those employees in Gabon who are eligible to participate; and;
- (3) a defined scheme under the Hong Kong Mandatory Provident Fund Schemes Ordinance for those employees in Hong Kong who are eligible to participate.

The assets of the above schemes are held separately from those of the Group in independently administered funds. The Group's contributions as an employer is implemented in accordance with the Retirement Policy of the Chinese Government, the Pension Provisioning Law of Gabon, the Hong Kong MPF Ordinance and the Company's employee handbook.

The Company operates a share option scheme for the purpose of providing incentives. In January 2011, share options of the Company were granted to Directors and selected employees of the Group for rewarding and retaining talents. The Group also provide training programmes to its directors and eligible employees to enhance staff quality, technical knowledge and team spirit.

## Human Resources Report

### Employee Turnover

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

|                          | Hong Kong |        | Mainland China |       | Gabon  |        | Group |       |
|--------------------------|-----------|--------|----------------|-------|--------|--------|-------|-------|
|                          | 2017      | 2016   | 2017           | 2016  | 2017   | 2016   | 2017  | 2016  |
| Employee Turnover Number | 5         | 2      | 351            | 458   | 53     | 20     | 409   | 480   |
| Employee Turnover Rate   | 33.33%    | 12.50% | 4.56%          | 5.86% | 89.83% | 33.90% | 5.30% | 6.09% |

### Employee Turnover Number

| by Age       | Hong Kong |      | Mainland China |      | Gabon |      | Group |      |
|--------------|-----------|------|----------------|------|-------|------|-------|------|
|              | 2017      | 2016 | 2017           | 2016 | 2017  | 2016 | 2017  | 2016 |
| 60 and above | 0         | 0    | 1              | 1    | 0     | 0    | 1     | 1    |
| 51-59        | 0         | 1    | 21             | 32   | 3     | 2    | 24    | 35   |
| 41-50        | 1         | 0    | 63             | 92   | 11    | 5    | 75    | 97   |
| 31-40        | 4         | 0    | 112            | 148  | 28    | 8    | 144   | 156  |
| 30 and below | 0         | 1    | 154            | 185  | 11    | 5    | 165   | 191  |
| Total        | 5         | 2    | 351            | 458  | 53    | 20   | 409   | 480  |

### Development and Training

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

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

| <b>Percentage of Employees Trained by Employment</b> |                  |             |                       |             |              |             |              |             |
|--|------------------|-------------|-----------------------|-------------|--------------|-------------|--------------|-------------|
| <b>Category</b>                                      | <b>Hong Kong</b> |             | <b>Mainland China</b> |             | <b>Gabon</b> |             | <b>Group</b> |             |
|  | <b>2017</b>      | <b>2016</b> | <b>2017</b>           | <b>2016</b> | <b>2017</b>  | <b>2016</b> | <b>2017</b>  | <b>2016</b> |
| Senior   | 85               | 67          | 100                   | 100         | 80           | 0           | 95           | 56          |
| Middle   | 100              | 100         | 82                    | 88          | 80           | 0           | 82           | 63          |
| Professional   | 100              | 100         | 92                    | 84          | 80           | 0           | 90           | 61          |
| General  | 85               | 36          | 90                    | 93          | 80           | 0           | 88           | 43          |

| <b>Average Training Hours per Employee by Employment Category</b> |                  |             |                       |             |              |             |              |             |
|---|------------------|-------------|-----------------------|-------------|--------------|-------------|--------------|-------------|
| <b>Employment Category</b>  | <b>Hong Kong</b> |             | <b>Mainland China</b> |             | <b>Gabon</b> |             | <b>Group</b> |             |
|   | <b>2017</b>      | <b>2016</b> | <b>2017</b>           | <b>2016</b> | <b>2017</b>  | <b>2016</b> | <b>2017</b>  | <b>2016</b> |
| Senior  | 11               | 37          | 18                    | 20          | 12           | 0           | 18           | 19          |
| Middle  | 34               | 12          | 22                    | 21          | 12           | 0           | 22           | 11          |
| Professional  | 30               | 43          | 19                    | 21          | 12           | 0           | 19           | 21          |
| General   | 13               | 4           | 16                    | 17          | 12           | 0           | 16           | 7           |

Environmental,  
Social and  
Governance  
Report



美在大猛" 植树暨总部 层足球交流活动



# Environmental, Social and Governance Report

We are committed to ensure long-term sustainability of our businesses. Now we have over 7,900 employees in Hong Kong, Guangxi, Guizhou, China and Gabon, Africa. In addition to continue our long-term goal to provide quality products to our valuable clients in an environmental friendly manner, we are also keen to establish a quality operation system, to protect the safety and health of our employees and also to provide contribution to the surrounding community in which we have businesses.

## Materiality

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

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

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

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

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

## Basis of preparation

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

### Basis of preparation (continued)

A summary of our key performance indicators in the aforesaid four critical areas for the year 2017 is set out in the following table:

| Critical Areas   | Key performance indicators  | 2017          | 2016          |
|--|---|---------------|---------------|
| Safety Production and Labour Protection                                | Number of Fatalities (Note 1)                                       | 0             | 0             |
|  | Number of Injuries  | 35            | 23            |
|  | Number of Lost Days Caused by Injuries (Note 2)                     | 2,082         | 1,613         |
| Energy Savings and Environmental Protection                            | Electricity Consumption (kWh) (Note 3)                              | 1,403,555,029 | 1,240,620,658 |
|  | Electricity Intensity (kWh per EMM (Tonnes)) (Note 4)               | 6,790         | 6,731         |
|  | Water Consumption (Tonnes) (Note 5)                                 | 3,265,768     | 2,489,044     |
|  | Greenhouse Gas Emission (Tonnes) (Note 6)                           | 16            | 18            |
|  | Waste Slag Volume (Tonnes)  | 1,044,341     | 1,343,061     |
|  | Non-hazardous Waste Produced (Tonnes) (Note 7)                      | 521,536       | 407,487       |
|  | Total Packaging Material Used for Finished Products Number          | 815,755       | 1,734,500     |
| Quality Operation System Establishment, Employment Training and Growth | Number of Suppliers   | 208           | 197           |
|  | Number of Complaint against our Products                            | 14            | 6             |
|  | Number of Complaints and/or Legal Cases regarding Corrupt Practices | 0             | 0             |
|  | Number of Employees   | 7,717         | 7,885         |
|  | Female Ratio (percentage)   | 31.4          | 32.6          |
| Social Contribution, Living Environment and Culture Development        | Donation (HKD)  | 304,000       | 331,000       |

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 during the year.
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 during the year.
5. The figures include the total water consumption for the all the EMM, EMD and ferroalloy processing plants during the year.
6. The figures include the greenhouse gas emission for Qinzhou Ferroalloy Plant during the year.
7. The figures include the tailings produced for Daxin Mine, Tiandeng Mine, Changgou Manganese Mine and Bembélé Manganese Mine during the year 2017. Since Waifu Manganese Mine has not come into formal mining production, therefore no tailings were produced in Waifu Manganese Mine during the year.



### 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 year, our major measures are as follows:

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

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

(2) Strict Implementation of Safety Production Responsibility System:

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

(3) Establishment of Safety Production Standardisation System:

In China, we continued to reinforce our efforts on production safety standardisation for metallurgical and non coal enterprises, including, inter alia, the followings:

- (i) Daxin Branch has completed the review for second level safety standardisation enterprise in respect of EMM plants and EMD plants;
- (ii) Chongzuo Branch has completed the review for second level safety standardisation enterprise; and
- (iii) Qinzhou Ferroalloy Plant has completed the review for the second level safety standardisation 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.

### 1. Safety Production and Labor Protection (continued)

(5) Strict Compliance with Labour Standards

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

(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 year, 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 year:

| Number of Fatalities (by Location) | 2017 | 2016 |
|------------------------------------|------|------|
| Hong Kong                          | 0    | 0    |
| Mainland China                     | 0    | 0    |
| Gabon                              | 0    | 0    |
| Total                              | 0    | 0    |

| Number of Injuries (by Location) | 2017 | 2016 |
|----------------------------------|------|------|
| Hong Kong                        | 0    | 0    |
| Mainland China                   | 35   | 23   |
| Gabon                            | 0    | 0    |
| Total                            | 35   | 23   |

## Environmental, Social and Governance Report

### 1. Safety Production and Labor Protection (continued)

| <b>Number of Lost Days Caused by Injuries (by Location)</b> | <b>2017</b> | <b>2016</b> |
|---|-------------|-------------|
| Hong Kong   | 0           | 0           |
| Mainland China  | 2,082       | 1,613       |
| Gabon   | 0           | 0           |
| Total   | 2,082       | 1,613       |

The increase in the number of injuries during the year, was mainly due to the breach of operation regulations by some of our workers, which had caused these workers to be unable to work 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 year, we continued to strictly follow all the prevailing laws and regulations regarding safety production and labour standards in Hong Kong, Mainland China and Gabon. To the best of our information and knowledge, there are no material non-compliance with the prevailing laws and regulations regarding safety production and labour standards by the Group during the year.

### 2. Energy Savings and Environmental Protection

#### Strict Supervision of Resource Consumption

We continued to strictly monitor our resources consumption on an ongoing basis and electricity consumption (including intensity) and water consumption are our top priorities. During the year, we collected the figures for total electricity consumption and water consumption for all the EMM, EMD and ferroalloy processing plants. Details are set out in the following table:

|  | <b>2017</b>   | <b>2016</b>   |
|--|---------------|---------------|
| Electricity Consumption (kWh)                | 1,403,555,029 | 1,240,620,658 |
| Electricity Intensity (kWh per EMM (Tonnes)) | 6,790         | 6,731         |
| Water Consumption (Tonnes)                   | 3,265,768     | 2,489,044     |

During the year, our electricity and water consumption increase mainly was due to our increase in production for ferroalloy as compared with last year.

### 2. Energy Savings and Environmental Protection (continued)

#### Reduction of Waste Production

Waste is a by-product of the construction, demolition and operation of our facilities. Due to the different nature of assets in our mining and downstream production process, different types of waste are generated. 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 of our greenhouse gas emissions are set out as follows:

|                                  | 2017 | 2016 |
|----------------------------------|------|------|
| Greenhouse Gas Emission (Tonnes) | 16   | 18   |

#### (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 set out as follows:

|                              | 2017      | 2016      |
|------------------------------|-----------|-----------|
| Waste Slags Volumes (Tonnes) | 1,044,341 | 1,343,061 |

### 2. Energy Savings and Environmental Protection (continued)

#### Reduction of Waste Production (continued)

##### (4) Non-hazardous Wastes-Tailings

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

|                              | 2017    | 2016    |
|------------------------------|---------|---------|
| Tailings Production (Tonnes) | 521,536 | 407,487 |

##### (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 set out as follows:

|                | 2017    | 2016      |
|----------------|---------|-----------|
| Packaging bags | 815,755 | 1,734,500 |

The decrease of our packaging bags used during the year 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 minimise the impact on the surrounding ecosystem.

### 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 year, we have implemented the following measures:

- (1) Our upstream mining business:
  - (i) we increased the open pit mining scale and optimised the mining methods, thereby reducing mining costs;
  - (ii) we increased the consumption of the manganese ores from our Tiandeng 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 EMM 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 year, we have not breached any environmental rules or regulations which resulted in fines or prosecutions. We believe that rule compliance is only the minimum standard – we treat it as the floor to our environmental performance. We are committed to the responsible management of both the short and long-term impacts of our business on the environment. This commitment goes beyond compliance and applies to all stages of our business – from planning, building, operation, maintenance to the decommissioning of our facilities and equipment.

### 3. Quality Operation System Establishment, Employment Training and Growth

#### (1) Quality Operation System Establishment

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

#### (i) Supply Chain Management

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

| <b>Number of our suppliers</b> | <b>2017</b> | <b>2016</b> |
|--------------------------------|-------------|-------------|
| Hong Kong                      | <b>1</b>    | 1           |
| Mainland China                 | <b>196</b>  | 195         |
| Gabon                          | <b>11</b>   | 1           |
| Total                          | <b>208</b>  | 197         |

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.

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

(1) Quality Operation System Establishment (continued)

(ii) Product Quality Supervision

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

We 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.

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

|  | 2017 | 2016 |
|--|------|------|
| Number of products related complaints received and/or recalled | 14   | 6    |

All of the fourteen 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.



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

#### (1) Quality Operation System Establishment (continued)

##### (iii) Probity Operating System Establishment

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

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

|   | 2017 | 2016 |
|---|------|------|
| Number of Complaints and/or Legal Cases regarding Corrupt Practices | 0    | 0    |

##### (iv) Our Code of Conduct 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(s) of conduct results in disciplinary action. Disciplinary measures are decided by the relevant line management. These measures are then subject to review and endorsement by the board of directors, in order to ensure the consistency and fairness of treatment.

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

### 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 year, effectively improving the quality of staff, and promoting development of our employees.

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

- (i) “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”;
- (vii) New college graduates induction training course and Mid-Autumn Sanmina;
- (viii) CITIC Dameng vocational skill competition;
- (ix) “International Trade Theory and Practice training”.

### 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 organised 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 organised donation activities to the Dongping town Centre primary school;
    - (f) We donated books and stationery to Shenzhen Airline Liujia Hope Primary School.
  - (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;
    - (c) We built breeding base to solve the employment problem of family members of the employees in need.

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

(1) (continued)

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


- (a) We organised voluntary plantation activities during the plantation day;
- (b) We organised soccer tournament with the local government in Xialei Township, Daxin County, Guangxi, the PRC;
- (c) We organised 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;
- (d) We build cinema, soccer field and purchase treadmills for our employees, so as to enrich the life of the employees.

(2) In Gabon, we continued to focus on the local community development and actively participate in various social activities in Gabon, including national festival and etc.

We treasure serving our community and therefore, we spent money into the community where our businesses are situated. During the year, our cash donations to charities reached HK\$304,000. Details are as follows:

|                | 2017           | 2016    |
|----------------|----------------|---------|
| Donation (HKD) | <b>304,000</b> | 331,000 |

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.



Shareholding  
Analysis and  
Information for  
Shareholders



# Shareholding Analysis and Information for Shareholders

## Our Share Information and Our Shareholding Structure

As at 31 December 2017, a summary of our share information is set out below:

| <b>Our Share Information as at 31 December 2017</b> |                   |
|---|-------------------|
| Authorised Share Capital                            | HK\$1,000,000,000 |
| Issued Share Capital                                | HK\$342,845,900   |
| Board Lot   | 1,000 shares      |
| Market Capitalisation                               | HK\$1,628,518,025 |
| Number of Issued Shares                             | 3,428,459,000     |
| Closing Price                                       | HK\$0.475         |

As at 31 December 2017, a summary of our shareholding structure is set out below:

| <b>Our shareholding structure as at 31 December 2017</b> |                     |                   |               |                           |
|--|---------------------|-------------------|---------------|---------------------------|
| Size of Registered Shareholdings                         | No. of Shareholders | % of Shareholders | No. of Shares | % of Issued Share Capital |
| 0 – 1,000  | 1,324               | 49.42             | 1,271,106     | 0.04                      |
| 1,001 – 5,000  | 1,271               | 47.44             | 3,352,415     | 0.10                      |
| 5,001 – 10,000   | 47                  | 1.75              | 363,281       | 0.01                      |
| 10,001 – 100,000   | 32                  | 1.19              | 742,647       | 0.02                      |
| More than 100,001  | 5                   | 0.19              | 3,422,729,551 | 99.83                     |
| Rounding   |                     | 0.01              |               |                           |
| Total  | 2,679               | 100.00            | 3,428,459,000 | 100.00                    |

As at 31 December 2017, the Company has over 2,600 registered shareholders. The actual number of investors in the Company's shares is much greater when taking into account the people and organisations that have indirect interest in the Company's shares through intermediaries such as nominees, investment funds and the Central Clearing and Settlement System (CCASS) of Hong Kong.

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

## Shareholding Analysis and Information for Shareholders

### The Major Events and Tentative Dates of the Company in 2018

Set out below are the major events and tentative dates of the Company in 2018 in which shareholders or investors need to pay attention to:

| <b>Date</b>      | <b>Event</b>                         |
|------------------|--------------------------------------|
| 27 February 2018 | Announcement of 2017 final results   |
| 25 May 2018      | 2018 AGM                             |
| 26 July 2018     | Announcement of 2018 interim results |

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



# Independent Auditor's Report



## To the shareholders of CITIC Dameng Holdings Limited

(Incorporated in Bermuda with limited liability)

### Opinion

We have audited the consolidated financial statements of CITIC Dameng Holdings Limited (the “Company”) and its subsidiaries (the “Group”) set out on pages 102 to 171, which comprise the consolidated statement of financial position as at 31 December 2017, and the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2017, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

### Basis for opinion

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

### Key audit matters

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

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

To the shareholders of CITIC Dameng Holdings Limited (continued)

(Incorporated in Bermuda with limited liability)

Key audit matters (continued)

| Key audit matter   | How our audit addressed the key audit matter  |
|--|---|
| <i>Impairment of long-term assets</i>  |   |
| <p>As at 31 December 2017, the market capitalisation of the Group accounted for 55% of the carrying amount of its net assets. The fluctuation in the selling prices of manganese products in the past few years, and certain subsidiaries' suspension or reduction in production are factors which heighten the risk of impairment associated with the Group's long-term assets, including property, plant and equipment, prepaid land lease payments, intangible assets and long-term prepayments. Besides, an associate recorded loss and net current liabilities in 2016 and 2017, which also increases the risk of impairment regarding the Group's investment in the associate.</p> <p>Management measured the recoverable amount which is the higher of the respective cash-generating unit's ("CGU") fair value less costs of disposal and its value in use with the assistance from the independent third party valuation specialists.</p> <p>Recoverability of these CGUs is dependent on macro-economic assumptions about future prices of manganese, lead and zinc products, market demand and discount rate as well as internal assumptions related to future production capacity and volume and operating costs. The assessment of impairment involves significant estimation uncertainty, subjective assumptions and the application of significant judgement.</p> <p>Relevant disclosures are made in notes 3, 4, 15, 17, 18, 19 and 23 to the consolidated financial statements.</p> | <ul style="list-style-type: none"> <li>• Evaluated the management's impairment assessment of these CGUs by comparing the carrying value of long-lived assets, the fair value less costs of disposal and their value in use, assessed the assumptions and methodologies, including long term growth rate and forecasted prices based on market trend and forecasted sales quantity based on the existing production capacity adopted by the management;</li> <li>• Compared the future revenues and operating results included in the forecasts with the historic performance of the respective CGU and the business development plan;</li> <li>• Involved our internal valuation specialists to assist us in evaluating the discount rate and the methodology used in the calculation of the recoverable amounts of the CGUs;</li> <li>• Assessed the adequacy of impairment related disclosures in the consolidated financial statements.</li> </ul> |

## Independent Auditor's Report

### To the shareholders of CITIC Dameng Holdings Limited (continued)

(Incorporated in Bermuda with limited liability)

### Key audit matters (continued)

| Key audit matter  | How our audit addressed the key audit matter  |
|---|---|
| <i>Impairment provision on trade receivables</i>  |   |
| <p>As at 31 December 2017, balance of trade and notes receivables amounted to HK\$1,176 million which was material to the Group, among which a balance of HK\$209 million was due from a single customer and its subsidiaries, details of which are set out in note 22 to the consolidated financial statements. The determination as to whether a trade receivable is impaired involves significant management judgement. Specific factors which management would consider include the age of the balances, existence of disputes, past collection history and other available information concerning the creditworthiness of counterparties. Management uses such information to determine whether any objective evidence of impairment exists for trade receivables and whether a provision for impairment is required.</p> <p>Related disclosures are included in notes 3, 4 and 22 to the consolidated financial statements.</p> | <ul style="list-style-type: none"> <li>• Evaluated the Group's credit control policy and tested controls over the Group's receivable collection processes;</li> <li>• Evaluated the Group's assessment of the impairment provision at the end of the reporting period by checking the correctness of the ageing of trade receivables, the repayment history of the debtors and future repayment plan for the overdue receivables;</li> <li>• Obtained direct external confirmations from counterparties for a sample of selected trade receivable balances;</li> <li>• Checked bank receipts for the settlements of trade receivables made subsequent to the year end.</li> </ul> |

### To the shareholders of CITIC Dameng Holdings Limited (continued)

*(Incorporated in Bermuda with limited liability)*

### Other information included in the Annual Report

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

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

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

### Responsibilities of the directors for the consolidated financial statements

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

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

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

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

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Our report is made solely to you, as a body, in accordance with section 90 of the Bermuda Companies Act 1981, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

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

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

## Independent Auditor's Report

### To the shareholders of CITIC Dameng Holdings Limited (continued)

*(Incorporated in Bermuda with limited liability)*

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

### To the shareholders of CITIC Dameng Holdings Limited (continued)

*(Incorporated in Bermuda with limited liability)*

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

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

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

The engagement partner on the audit resulting in this independent auditor's report is Ms. LAU KIN YU.

### **Ernst & Young**

Certified Public Accountants

22/F, CITIC Tower

1 Tim Mei Avenue

Central, Hong Kong

27 February 2018

# Consolidated Statement of Profit or Loss and Other Comprehensive Income

Year ended 31 December 2017

|  | Notes | 2017<br>HK\$'000     | 2016<br>HK\$'000 |
|--|-------|----------------------|------------------|
| <b>REVENUE</b>   | 6     | <b>5,991,436</b>     | 3,248,108        |
| Cost of sales  |       | <b>(5,431,683)</b>   | (2,823,887)      |
| Gross profit   |       | <b>559,753</b>       | 424,221          |
| Other income and gains   | 6     | <b>225,103</b>       | 216,970          |
| Selling and distribution expenses  |       | <b>(97,990)</b>      | (86,052)         |
| Administrative expenses  |       | <b>(319,813)</b>     | (382,945)        |
| Finance costs  | 7     | <b>(220,659)</b>     | (235,892)        |
| Other expenses   |       | <b>(9,960)</b>       | (21,049)         |
| Share of profits and losses of associates  |       | <b>860</b>           | (46,562)         |
| Net gain from change in equity interest in an associate  | 8     | <b>9,328</b>         | –                |
| <b>PROFIT/(LOSS) BEFORE TAX</b>  | 9     | <b>146,622</b>       | (131,309)        |
| Income tax (expense)/credit  | 12    | <b>(5,240)</b>       | 2,888            |
| <b>PROFIT/(LOSS) FOR THE YEAR</b>  |       | <b>141,382</b>       | (128,421)        |
| <b>OTHER COMPREHENSIVE INCOME/(LOSS):</b>  |       |                      |                  |
| <i>Other comprehensive income/(loss) to be reclassified to profit or loss in subsequent periods:</i> |       |                      |                  |
| – Exchange differences on translation of foreign operations  |       | <b>142,275</b>       | (197,366)        |
| <b>TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR</b>  |       | <b>283,657</b>       | (325,787)        |
| Total profit/(loss) attributable to:   |       |                      |                  |
| Owners of the parent   |       | <b>140,851</b>       | (87,913)         |
| Non-controlling interests  |       | <b>531</b>           | (40,508)         |
|  |       | <b>141,382</b>       | (128,421)        |
| Total comprehensive income/(loss) attributable to:   |       |                      |                  |
| Owners of the parent   |       | <b>286,421</b>       | (285,238)        |
| Non-controlling interests  |       | <b>(2,764)</b>       | (40,549)         |
|  |       | <b>283,657</b>       | (325,787)        |
| <b>EARNINGS/(LOSS) PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT</b>               | 13    |                      |                  |
| Basic  |       | <b>HK cents 4.11</b> | (HK cents 2.56)  |
| Diluted  |       | <b>HK cents 4.11</b> | (HK cents 2.56)  |

# Consolidated Statement of Financial Position

31 December 2017

|   | Notes | 2017<br>HK\$'000   | 2016<br>HK\$'000 |
|---|-------|--------------------|------------------|
| <b>NON-CURRENT ASSETS</b>                             |       |                    |                  |
| Property, plant and equipment                         | 15    | 3,060,707          | 2,990,656        |
| Investment properties                                 | 16    | 101,203            | 81,927           |
| Prepaid land lease payments                           | 17    | 467,959            | 443,023          |
| Intangible assets                                     | 18    | 590,512            | 569,817          |
| Investments in associates                             | 19    | 915,379            | 826,466          |
| Deferred tax assets                                   | 20    | 34,456             | 32,933           |
| Prepayments and deposits                              | 23    | 243,411            | 223,603          |
| Total non-current assets                              |       | 5,413,627          | 5,168,425        |
| <b>CURRENT ASSETS</b>                                 |       |                    |                  |
| Inventories   | 21    | 909,067            | 792,837          |
| Trade and notes receivables                           | 22    | 1,175,599          | 837,592          |
| Prepayments, deposits and other receivables           | 23    | 355,967            | 518,776          |
| Due from related companies                            | 39    | 9,638              | 10,272           |
| Due from associates                                   | 19    | 11,053             | 26,187           |
| Tax recoverable                                       |       | 11,755             | 13,060           |
| Financial assets at fair value through profit or loss | 24    | 8,154              | 24,295           |
| Pledged deposits                                      | 25    | 188,202            | 545,349          |
| Cash and cash equivalents                             | 25    | 669,100            | 989,510          |
| Total current assets                                  |       | 3,338,535          | 3,757,878        |
| <b>CURRENT LIABILITIES</b>                            |       |                    |                  |
| Trade and notes payables                              | 26    | 736,737            | 950,036          |
| Other payables and accruals                           | 27    | 871,296            | 1,009,600        |
| Interest-bearing bank and other borrowings            | 28    | 3,003,352          | 2,607,033        |
| Due to related companies                              | 39    | 118,660            | 114,327          |
| Tax payable   |       | 2,108              | 12               |
| Total current liabilities                             |       | 4,732,153          | 4,681,008        |
| <b>NET CURRENT LIABILITIES</b>                        |       | <b>(1,393,618)</b> | <b>(923,130)</b> |
| <b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>          |       | <b>4,020,009</b>   | <b>4,245,295</b> |
| <b>NON-CURRENT LIABILITIES</b>                        |       |                    |                  |
| Interest-bearing bank and other borrowings            | 28    | 744,845            | 1,279,868        |
| Deferred tax liabilities                              | 20    | 200,421            | 191,134          |
| Other long-term liabilities                           | 30    | 25,342             | 19,570           |
| Deferred income                                       | 31    | 82,302             | 80,851           |
| Total non-current liabilities                         |       | 1,052,910          | 1,571,423        |
| Net assets  |       | 2,967,099          | 2,673,872        |



## Consolidated Statement of Financial Position

31 December 2017

|  | Notes | 2017<br>HK\$'000 | 2016<br>HK\$'000 |
|--|-------|------------------|------------------|
| <b>EQUITY</b>                                      |       |                  |                  |
| <b>Equity attributable to owners of the parent</b> |       |                  |                  |
| Issued capital                                     | 32    | <b>342,846</b>   | 342,846          |
| Reserves   | 34    | <b>2,554,909</b> | 2,262,363        |
|  |       | <b>2,897,755</b> | 2,605,209        |
| <b>Non-controlling interests</b>                   |       |                  |                  |
|  |       | <b>69,344</b>    | 68,663           |
| Total equity                                       |       | <b>2,967,099</b> | 2,673,872        |

**Yin Bo**  
Director

**Li Weijian**  
Director

# Consolidated Statement of Changes in Equity

Year ended 31 December 2017

| Notes   | Attributable to owners of the parent |                   |                     |                      |                 |                              |                            |                    |                  |                           |                  |
|---|--------------------------------------|-------------------|---------------------|----------------------|-----------------|------------------------------|----------------------------|--------------------|------------------|---------------------------|------------------|
|   | Issued capital                       | Share premium     | Contributed surplus | Share option reserve | Reserve funds   | Exchange fluctuation reserve | Capital redemption reserve | Accumulated losses | Total            | Non-controlling interests | Total equity     |
|   | HK\$'000                             | HK\$'000          | HK\$'000            | HK\$'000             | HK\$'000        | HK\$'000                     | HK\$'000                   | HK\$'000           | HK\$'000         | HK\$'000                  | HK\$'000         |
| <b>At 1 January 2016</b>  | 342,846                              | 3,352,902         | (171,695)           | 110,540              | 143,213         | 193,039                      | 312                        | (1,080,726)        | 2,890,431        | 109,212                   | 2,999,643        |
| Loss for the year   | -                                    | -                 | -                   | -                    | -               | -                            | -                          | (87,913)           | (87,913)         | (40,508)                  | (128,421)        |
| Other comprehensive loss for the year:                            |                                      |                   |                     |                      |                 |                              |                            |                    |                  |                           |                  |
| Exchange differences related to translation of foreign operations | -                                    | -                 | -                   | -                    | -               | (197,325)                    | -                          | -                  | (197,325)        | (41)                      | (197,366)        |
| Total comprehensive loss for the year                             | -                                    | -                 | -                   | -                    | -               | (197,325)                    | -                          | (87,913)           | (285,238)        | (40,549)                  | (325,787)        |
| Provision for special reserve                                     | 34(b)                                | -                 | -                   | -                    | 36,766          | -                            | -                          | (36,766)           | -                | -                         | -                |
| Utilisation of special reserve                                    | 34(b)                                | -                 | -                   | -                    | (38,282)        | -                            | -                          | 38,282             | -                | -                         | -                |
| Government grants   | -                                    | -                 | 16                  | -                    | -               | -                            | -                          | -                  | 16               | -                         | 16               |
| Transfer of share option reserve upon forfeiture of share options | -                                    | -                 | -                   | (56,563)             | -               | -                            | -                          | 56,563             | -                | -                         | -                |
| <b>At 31 December 2016 and 1 January 2017</b>                     | 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 for the year   | -                                    | -                 | -                   | -                    | -               | -                            | -                          | 140,851            | 140,851          | 531                       | 141,382          |
| Other comprehensive income/(loss) for the year:                   |                                      |                   |                     |                      |                 |                              |                            |                    |                  |                           |                  |
| Exchange differences on translation of foreign operations         | -                                    | -                 | -                   | -                    | -               | 145,570                      | -                          | -                  | 145,570          | (3,295)                   | 142,275          |
| Total comprehensive income/(loss) for the year                    | -                                    | -                 | -                   | -                    | -               | 145,570                      | -                          | 140,851            | 286,421          | (2,764)                   | 283,657          |
| Contributions from shareholders                                   | -                                    | -                 | 6,125               | -                    | -               | -                            | -                          | -                  | 6,125            | 3,445                     | 9,570            |
| Provision for special reserve                                     | 34(b)                                | -                 | -                   | -                    | 39,523          | -                            | -                          | (39,523)           | -                | -                         | -                |
| Utilisation of special reserve                                    | 34(b)                                | -                 | -                   | -                    | (35,983)        | -                            | -                          | 35,983             | -                | -                         | -                |
| <b>At 31 December 2017</b>  | <b>342,846</b>                       | <b>3,352,902*</b> | <b>(165,554)*</b>   | <b>53,977*</b>       | <b>145,237*</b> | <b>141,284*</b>              | <b>312*</b>                | <b>(973,249)*</b>  | <b>2,897,755</b> | <b>69,344</b>             | <b>2,967,099</b> |

\* These reserve accounts comprise the consolidated reserves of HK\$2,554,909,000 (2016: HK\$2,262,363,000) in the consolidated statement of financial position.

# Consolidated Statement of Cash Flows

Year ended 31 December 2017

|  | Notes | 2017<br>HK\$'000 | 2016<br>HK\$'000 |
|--|-------|------------------|------------------|
| <b>CASH FLOWS FROM OPERATING ACTIVITIES</b>                                      |       |                  |                  |
| Profit/(loss) before tax   |       | <b>146,622</b>   | (131,309)        |
| Adjustments for:   |       |                  |                  |
| Finance costs  | 7     | <b>220,659</b>   | 235,892          |
| Bank and other interest income   | 6     | <b>(32,962)</b>  | (19,252)         |
| Gain on disposal of items of property, plant and equipment                       | 9     | <b>(16,432)</b>  | (30,346)         |
| Gain on disposal of non-current assets classified as held for sale               | 9     | –                | (1,903)          |
| Gain on disposal of prepaid land lease payments                                  | 9     | –                | (32,452)         |
| Loss on disposal of other intangible assets                                      | 9     | <b>4,718</b>     | –                |
| Loss/(gain) on disposal of financial assets at fair value through profit or loss | 9     | <b>208</b>       | (572)            |
| Government grants  | 31    | <b>(8,464)</b>   | (20,301)         |
| Depreciation   | 9     | <b>335,224</b>   | 328,433          |
| Fair value gains on investment properties  | 9     | <b>(3,113)</b>   | (129)            |
| Fair value loss/(gain) on financial assets at fair value through profit or loss  | 9     | <b>255</b>       | (13)             |
| Amortisation of prepaid land lease payments                                      | 9     | <b>12,069</b>    | 12,091           |
| Amortisation of intangible assets  | 9     | <b>19,086</b>    | 16,439           |
| Provision for rehabilitation   | 30    | <b>4,151</b>     | 4,398            |
| Write-down of inventories to net realisable value, net                           | 9     | <b>20,072</b>    | 13,462           |
| Loss on stocktake  |       | <b>1,384</b>     | 4,027            |
| (Reversal of)/impairment of trade and other receivables, net                     | 9     | <b>(12,917)</b>  | 8,986            |
| Net gain from change in equity interest in an associate                          | 8     | <b>(9,328)</b>   | –                |
| Share of (profits)/losses of associates  |       | <b>(860)</b>     | 46,562           |
|  |       | <b>680,372</b>   | 434,013          |
| (Increase)/decrease in inventories   |       | <b>(142,971)</b> | 7,104            |
| Increase in trade and notes receivables  |       | <b>(327,936)</b> | (90,366)         |
| Decrease in prepayments, deposits and other receivables                          |       | <b>166,622</b>   | 182,702          |
| Decrease/(increase) in amounts due from related companies                        |       | <b>634</b>       | (8,580)          |
| Decrease/(increase) in financial assets at fair value through profit or loss     |       | <b>16,056</b>    | (23,789)         |
| (Decrease)/increase in trade and notes payables                                  |       | <b>(213,299)</b> | 444,158          |
| (Decrease)/increase in other payables and accruals                               |       | <b>(12,462)</b>  | 165,246          |
| (Decrease)/increase in amounts due to related companies                          |       | <b>(5,095)</b>   | 15,825           |
| Cash generated from operations   |       | <b>161,921</b>   | 1,126,313        |
| Tax (paid)/received  |       | <b>(4,831)</b>   | 158              |
| Net cash flows from operating activities   |       | <b>157,090</b>   | 1,126,471        |

## Consolidated Statement of Cash Flows

Year ended 31 December 2017

|   | Notes | 2017<br>HK\$'000   | 2016<br>HK\$'000 |
|---|-------|--------------------|------------------|
| Net cash flows from operating activities  |       | <b>157,090</b>     | 1,126,471        |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>   |       |                    |                  |
| Interest received   |       | <b>28,599</b>      | 23,613           |
| Receipt of government grants for property, plant and equipment                                  | 31    | <b>4,106</b>       | 7,907            |
| Purchases of items of property, plant and equipment   |       | <b>(299,595)</b>   | (181,918)        |
| Proceeds from disposal of items of property, plant and equipment                                |       | <b>23,855</b>      | 73,935           |
| Proceeds from disposal of non-current assets<br>classified as held for sale                     |       | –                  | 31,610           |
| Additions of leasehold land   | 17    | <b>(4,624)</b>     | –                |
| Additions of intangible assets  | 18    | <b>(3,627)</b>     | (177)            |
| Repayment from/(advance to) an associate  |       | <b>16,004</b>      | (15,896)         |
| Deposit for rehabilitation  |       | <b>(150)</b>       | (5,325)          |
| Acquisition of additional interests in an associate   |       | <b>(57,682)</b>    | –                |
| Capital contribution to an associate  |       | –                  | (202,250)        |
| Increase in time deposits with original maturity of<br>three months or more when acquired       | 25    | <b>(72,067)</b>    | –                |
| Net cash flows used in investing activities   |       | <b>(365,181)</b>   | (268,501)        |
| <b>CASH FLOWS FROM FINANCING ACTIVITIES</b>   |       |                    |                  |
| Pledged deposits matured  |       | <b>439,517</b>     | 13,381           |
| Pledged deposits placed   |       | <b>(82,370)</b>    | –                |
| Repayment of medium-term notes  |       | –                  | (584,800)        |
| Proceeds from sales and leaseback arrangements  |       | –                  | 58,480           |
| Repayment of sales and leaseback arrangements   |       | <b>(86,109)</b>    | (257,039)        |
| Drawdown of bank and other borrowings   |       | <b>2,906,822</b>   | 3,878,551        |
| Repayment of bank and other borrowings  |       | <b>(3,184,734)</b> | (3,736,468)      |
| Interest paid   |       | <b>(218,077)</b>   | (260,192)        |
| Loan from a related company, net  |       | –                  | 90,997           |
| (Repayment of)/receipt of loan from a shareholder of an associate, net                          |       | <b>(33,740)</b>    | 33,740           |
| Net cash flows used in financing activities   |       | <b>(258,691)</b>   | (763,350)        |
| <b>NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS</b>                                     |       |                    |                  |
| Cash and cash equivalents at beginning of year  |       | <b>989,510</b>     | 968,404          |
| Effect of foreign exchange rate changes, net  |       | <b>74,305</b>      | (73,514)         |
| <b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>   |       | <b>597,033</b>     | 989,510          |
| <b>ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS</b>  |       |                    |                  |
| Cash and bank balances  | 25    | <b>857,302</b>     | 1,534,859        |
| Less: Pledged deposits  | 25    | <b>(188,202)</b>   | (545,349)        |
| Less: Non-pledged time deposits with original maturity of<br>three months or more when acquired | 25    | <b>(72,067)</b>    | –                |
| Cash and cash equivalents at end of year  |       | <b>597,033</b>     | 989,510          |

# Notes to Financial Statements

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## 1. Corporate and Group information

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

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

### Information about subsidiaries

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

| Name of company  | Place and date of incorporation/ establishment | Issued ordinary share/ registered capital | Percentage of equity interests attributable to the Company |          | Principal activities   |
|--|--|---|--|----------|--|
|  |  |   | Direct   | Indirect |  |
| CITIC Dameng Investments   | BVI<br>18 May 2005                             | US\$1                                     | 100.00   | –        | Investment holding and trading of manganese ore                              |
| CITIC Dameng (HK) Limited<br>(中信大錳(香港)有限公司)  | Hong Kong<br>28 August 2008                    | HK\$1.00                                  | 100.00   | –        | Investment holding   |
| CITIC Dameng Trading Limited   | Hong Kong<br>28 October 2005                   | HK\$10,000                                | –  | 51.00    | Trading of manganese ore   |
| Opulent Sea Limited  | BVI<br>6 July 2007                             | US\$50,000                                | –  | 51.00    | Provision of trading related services  |
| Huazhou Mining Investment Limited<br>(“Huazhou BVI”) (華州礦業投資有限公司)                                  | BVI<br>6 July 2007                             | US\$5,820,000                             | –  | 60.00    | Investment holding   |
| Companie Industrielle et Commerciale des Mines de Huazhou (Gabon) (“CICMHZ”)                       | Gabon<br>24 August 2005                        | XAF100 million                            | –  | 51.00    | Mining and sale of manganese ore   |
| CITIC Dameng Mining Industries Co., Limited<br>(“CITIC Dameng Mining”)<br>(中信大錳礦業有限責任公司)*          | PRC/Mainland China<br>19 August 2005           | RMB1,539,710,100                          | –  | 100.00   | Mining, processing and sale of manganese related products                    |
| Guangxi Start Manganese Materials Co., Ltd. (“Guangxi Start”)<br>(廣西斯達特錳材料有限公司)^                   | PRC/Mainland China<br>18 April 2001            | RMB24,280,000                             | –  | 71.17    | Processing and sale of manganese related products                            |
| CITIC Dameng (Tiandeng) Manganese Materials Co., Ltd.<br>(“Tiandeng Dameng”)<br>(中信大錳(天等)錳材料有限公司)^ | PRC/Mainland China<br>27 March 2003            | RMB50,000,000                             | –  | 60.00    | Manufacture and sale of manganese related products                           |
| Guangxi Daxin Dabao Ferroalloy Co., Ltd.<br>(“Guangxi Dabao”)<br>(廣西大新縣大寶鐵合金有限公司)^                 | PRC/Mainland China<br>28 April 2002            | RMB2,680,000                              | –  | 60.00    | Manufacture and sale of manganese related products                           |
| CITIC Dameng (Qinzhou) New Materials Co., Ltd. (“Qinzhou New Materials”)<br>(中信大錳(欽州)新材料有限公司)^     | PRC/Mainland China<br>26 November 2003         | RMB30,000,000                             | –  | 70.00    | Manufacture and sale of manganese related products                           |
| CITIC Dameng (Guangxi) Mining Investment Limited<br>(中信大錳(廣西)礦業投資有限責任公司)*                          | PRC/Mainland China<br>1 February 2008          | RMB50,000,000                             | –  | 100.00   | Investment holding, sale of manganese related products and trading of metals |

## 1. Corporate and Group information (continued)

### Information about subsidiaries (continued)

| Name of company   | Place and date of incorporation/ establishment | Issued ordinary share/ registered capital | Percentage of equity interests attributable to the Company |          | Principal activities  |
|---|--|---|--|----------|---|
|   |  |   | Direct   | Indirect |   |
| CITIC Dameng (Chongzuo) New Materials Co., Limited<br>("Chongzuo New Materials")<br>(中信大錳(崇左)新材料有限公司) <sup>^</sup>              | PRC/Mainland China<br>21 May 2008              | RMB20,000,000                             | –  | 100.00   | Processing and sale of manganese related products                   |
| CITIC Dameng Beibuwan (Guangxi) New Materials Co., Ltd.<br>("Beibuwan New Materials")<br>(中信大錳北部灣(廣西)新材料有限公司) <sup>^</sup>      | PRC/Mainland China<br>30 July 2008             | RMB20,000,000                             | –  | 100.00   | Processing and sale of manganese related products                   |
| CITIC Dameng Tiandong New Materials Co., Ltd. ("Tiandong New Materials")<br>(中信大錳田東新材料有限公司) <sup>^</sup>                        | PRC/Mainland China<br>15 April 2008            | RMB20,000,000                             | –  | 100.00   | Processing and sale of manganese related products                   |
| Guizhou Zunyi Hui Xing Ferroalloy Co., Ltd.<br>("Hui Xing Company")<br>(貴州遵義匯興鐵合金有限公司) <sup>^</sup>                             | PRC/Mainland China<br>20 December 2007         | RMB500,000,000                            | –  | 64.00    | Mining, processing and sale of manganese related products           |
| Zunyi CITIC Dameng Equipment Manufacture and Installation Co., Ltd.<br>("Zunyi Manufacture")<br>(遵義中信大錳設備製造安裝有限公司) <sup>^</sup> | PRC/Mainland China<br>7 September 2011         | RMB5,000,000                              | –  | 64.00    | Manufacture and sale of equipment                                   |
| Guizhou Zunyi Longmai Real Estate Co., Ltd. ("Longmai Real Estate")<br>(貴州遵義龍麥置業有限責任公司) <sup>^</sup>                            | PRC/Mainland China<br>20 October 2011          | RMB50,000,000                             | –  | 64.00    | Property development, investment and management                     |
| CITIC Dameng Daxin Manganese Limited Company ("Daxin Manganese")<br>(中信大錳大新錳業有限公司) <sup>^</sup>                                 | PRC/Mainland China<br>7 October 2004           | RMB11,800,000                             | –  | 100.00   | Mining, processing and sale of manganese related products           |
| Wuminglingshui Mining Industries Co, Ltd.<br>("Wuminglingshui")<br>(武鳴靈水礦業有限責任公司) <sup>^</sup>                                  | PRC/Mainland China<br>16 April 2012            | RMB5,000,000                              | –  | 100.00   | Mining, processing and sale of manganese related products           |
| Daxin Guinan Huagong Limited Company<br>("Guinan Huagong")<br>(大新桂南化工有限責任公司) <sup>^</sup>                                       | PRC/Mainland China<br>22 June 2005             | RMB30,307,059                             | –  | 90.10    | Production of sulphuric acid and steam                              |
| CITIC Dameng Mining Logistic Company Limited  | Hong Kong<br>18 January 2012                   | HK\$10,000                                | –  | 100.00   | Trading of manganese ore  |
| CITIC Dameng Qinzhou Mining Co., Ltd<br>("Qinzhou Mining")<br>(中信大錳欽州礦業有限公司) <sup>^</sup>                                       | PRC/Mainland China<br>16 December 2014         | RMB10,000,000                             | –  | 100.00   | Processing and sale of manganese related products and pig iron      |
| Shenzhen Blue Ocean Strategy Trading Co., Ltd. ("Blue Ocean Strategy")<br>(深圳藍海策略貿易有限公司) <sup>^</sup> #                         | PRC/Mainland China<br>17 May 2016              | RMB5,000,000                              | –  | 100.00   | Trading of manganese ore, manganese alloy and related raw materials |

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

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

# Foreign investment enterprises incorporated under the Law of the PRC on Sino-Foreign Equity Joint Ventures

<sup>^</sup> Limited liability companies under the Company Law of the PRC

## Notes to Financial Statements

31 December 2017

### 2.1 Basis of preparation

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”) (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards (“HKASs”) and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for investment properties and financial assets at fair value through profit or loss which have been measured at fair value. These financial statements are presented in Hong Kong dollars (“HK\$”) and all values are rounded to the nearest thousand except when otherwise indicated.

During the year ended 31 December 2017, the Company and its subsidiaries (collectively referred to as the “Group”) recorded a consolidated net profit of HK\$141,382,000 (2016: net loss of HK\$128,421,000) and had net cash inflows from operating activities of HK\$157,090,000 (2016: HK\$1,126,471,000). As at 31 December 2017, the Group had net current liabilities of HK\$1,393,618,000 (2016: HK\$923,130,000).

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

- (a) The Group continues to restructure the mix of manganese products processing 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 continues to 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) At 31 December 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\$1,810.2 million on 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 a further 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 speeding up collection.

The directors of the Company have prepared a cash flow forecast for the Group which covers a period of twelve months from the end of the reporting period. They are of the opinion that, taking into account the above-mentioned plans and measures, coupled with the undrawn long-term loan and improving profitability of the Group, the Group will have sufficient working capital to finance its operations and meet its financial obligations as and when they fall due in the foreseeable future. Accordingly, the directors are of the opinion that it is appropriate to prepare the consolidated financial statements of the Group for the year ended 31 December 2017 on a going concern basis.

## 2.1 Basis of preparation (continued)

### Basis of consolidation

The consolidated financial statements include the financial statements of the Group for the year ended 31 December 2017. A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e. existing rights that give the Group the current ability to direct the relevant activities of the investee).

When the Company has, directly or indirectly, less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- (a) the contractual arrangement with the other vote holders of the investee;
- (b) rights arising from other contractual arrangements; and
- (c) the Group's voting rights and potential voting rights.

The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. The results of subsidiaries are consolidated from the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

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

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control described above. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises (i) the assets (including goodwill) and liabilities of the subsidiary, (ii) the carrying amount of any non-controlling interest and (iii) the cumulative translation differences recorded in equity; and recognises (i) the fair value of the consideration received, (ii) the fair value of any investment retained and (iii) any resulting surplus or deficit in profit or loss. The Group's share of components previously recognised in other comprehensive income is reclassified to profit or loss or retained profits, as appropriate, on the same basis as would be required if the Group had directly disposed of the related assets or liabilities.

## 2.2 Changes in accounting policies and disclosures

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

|                               |  |
|-------------------------------|--|
| Amendments to HKAS 7          | <i>Disclosure Initiative</i>   |
| Amendments to HKAS 12         | <i>Recognition of Deferred Tax Assets for Unrealised Losses</i>        |
| Amendments to HKFRS 12        | <i>Disclosure of Interests in Other Entities: Clarification of the</i> |
| included in <i>Annual</i>     | <i>Scope of HKFRS 12</i>   |
| <i>Improvements to HKFRSs</i> |  |
| <i>2014-2016 Cycle</i>        |  |

None of the above amendments to HKFRSs has had a significant financial effect on these financial statements. Disclosure has been made to note 40 to the financial statements upon the adoption of amendments to HKAS 7, which require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes.



## Notes to Financial Statements

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### 2.3 Issued but not yet effective Hong Kong Financial Reporting Standards

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

|  |   |
|--|---|
| Amendments to HKFRS 2                      | <i>Classification and Measurement of Share-based Payment Transactions</i> <sup>1</sup>                    |
| Amendments to HKFRS 4                      | <i>Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts</i> <sup>1</sup>               |
| HKFRS 9                                    | <i>Financial Instruments</i> <sup>1</sup>   |
| Amendments to HKFRS 9                      | <i>Prepayment Features with Negative Compensation</i> <sup>2</sup>  |
| Amendments to HKFRS 10 and HKAS 28 (2011)  | <i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture</i> <sup>4</sup> |
| HKFRS 15                                   | <i>Revenue from Contracts with Customers</i> <sup>1</sup>   |
| Amendments to HKFRS 15                     | <i>Clarifications to HKFRS 15 Revenue from Contracts with Customers</i> <sup>1</sup>                      |
| HKFRS 16                                   | <i>Leases</i> <sup>2</sup>  |
| HKFRS 17                                   | <i>Insurance Contracts</i> <sup>3</sup>   |
| Amendments to HKAS 28                      | <i>Long-term Interests in Associates and Joint Ventures</i> <sup>2</sup>                                  |
| Amendments to HKAS 40                      | <i>Transfers of Investment Property</i> <sup>1</sup>  |
| HK(IFRIC)-Int 22                           | <i>Foreign Currency Transactions and Advance Consideration</i> <sup>1</sup>                               |
| HK(IFRIC)-Int 23                           | <i>Uncertainty over Income Tax Treatments</i> <sup>2</sup>  |
| <i>Annual Improvements 2014-2016 Cycle</i> | Amendments to HKFRS 1 and HKAS 28 <sup>1</sup>  |
| <i>Annual Improvements 2015-2017 Cycle</i> | Amendments to a number of HKFRSs <sup>2</sup>   |

- <sup>1</sup> Effective for annual periods beginning on or after 1 January 2018
- <sup>2</sup> Effective for annual periods beginning on or after 1 January 2019
- <sup>3</sup> Effective for annual periods beginning on or after 1 January 2021
- <sup>4</sup> No mandatory effective date yet determined but available for adoption

Further information about those HKFRSs that are expected to be applicable to the Group is described below:

The actual impacts upon adoption could be different to those below, depending on additional reasonable and supportable information being made available to the Group at the time of applying the standards and the transitional provisions and policy options finally adopted.

The HKICPA issued amendments to HKFRS 2 in August 2016 that address three main areas: the effects of vesting conditions on the measurement of a cash-settled share-based payment transaction; the classification of a share-based payment transaction with net settlement features for withholding a certain amount in order to meet an employee's tax obligation associated with the share-based payment; and accounting where a modification to the terms and conditions of a share-based payment transaction changes its classification from cash-settled to equity-settled. The amendments clarify that the approach used to account for vesting conditions when measuring equity-settled share-based payments also applies to cash-settled share-based payments. The amendments introduce an exception so that a share-based payment transaction with net share settlement features for withholding a certain amount in order to meet the employee's tax obligation is classified in its entirety as an equity-settled share-based payment transaction when certain conditions are met. Furthermore, the amendments clarify that if the terms and conditions of a cash-settled share-based payment transaction are modified, with the result that it becomes an equity-settled share-based payment transaction, the transaction is accounted for as an equity-settled transaction from the date of the modification. On adoption, entities are required to apply the amendments without restating prior periods, but retrospective application is permitted if they elect to adopt for all three amendments and other criteria are met. The Group will adopt the amendments from 1 January 2018. The amendments are not expected to have any significant impact on the Group's financial statements.

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

In September 2014, the HKICPA issued the final version of HKFRS 9, bringing together all phases of the financial instruments project to replace HKAS 39 and all previous versions of HKFRS 9. The standard introduces new requirements for classification and measurement, impairment and hedge accounting. The Group will adopt HKFRS 9 from 1 January 2018. The Group will not restate comparative information and will recognise any transition adjustments against the opening balance of equity at 1 January 2018. During 2017, the Group has performed a detailed assessment of the impact of the adoption of HKFRS 9. The expected impacts relate to the classification and measurement and the impairment requirements and are summarised as follows:

#### (a) Classification and measurement

Upon adoption of HKFRS 9, the classification and measurement of financial assets depends on two assessments: the financial asset's contractual cash flow characteristics and the entity's business model for managing the financial asset. The Group's listed bond investments of HK\$8,154,000 as at 31 December 2017 are managed with a business model under which listed bond investments are held for trading. Accordingly, the listed bond investments will be remained as financial assets at fair value through profit or loss upon the adoption of HKFRS 9.

#### (b) Impairment

HKFRS 9 requires an impairment on debt instruments recorded at amortised cost or at fair value through other comprehensive income, lease receivables, loan commitments and financial guarantee contracts that are not accounted for at fair value through profit or loss under HKFRS 9, to be recorded based on an expected credit loss model either on a twelve-month basis or a lifetime basis. The Group will apply the simplified approach and record lifetime expected losses that are estimated based on the present values of all cash shortfalls over the remaining life of all of its trade receivables. Furthermore, the Group will apply the general approach and record twelve-month expected credit losses that are estimated based on the possible default events on its other receivables within the next twelve months. The Group is still in progress of assessing the impact upon the initial adoption of the standard.

Amendments to HKFRS 10 and HKAS 28 (2011) address an inconsistency between the requirements in HKFRS 10 and in HKAS 28 (2011) in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The amendments require a full recognition of a gain or loss when the sale or contribution of assets between an investor and its associate or joint venture constitutes a business. For a transaction involving assets that do not constitute a business, a gain or loss resulting from the transaction is recognised in the investor's profit or loss only to the extent of the unrelated investor's interest in that associate or joint venture. The amendments are to be applied prospectively. The previous mandatory effective date of amendments to HKFRS 10 and HKAS 28 (2011) was removed by the HKICPA in January 2016 and a new mandatory effective date will be determined after the completion of a broader review of accounting for associates and joint ventures. However, the amendments are available for adoption now.

HKFRS 15, issued in July 2014, establishes a new five-step model to account for revenue arising from contracts with customers. Under HKFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in HKFRS 15 provide a more structured approach for measuring and recognising revenue. The standard also introduces extensive qualitative and quantitative disclosure requirements, including disaggregation of total revenue, information about performance obligations, changes in contract asset and liability account balances between periods and key judgements and estimates. The standard will supersede all current revenue recognition requirements under HKFRSs. Either a full retrospective application or a modified retrospective adoption is required on the initial application of the standard. In June 2016, the HKICPA issued amendments to HKFRS 15 to address the implementation issues on identifying performance obligations, application guidance on principal versus agent and licences of intellectual property, and transition. The amendments are also intended to help ensure a more consistent application when entities adopt HKFRS 15 and decrease the cost and complexity of applying the standard. The Group plans to adopt the transitional provisions in HKFRS 15 to recognise the cumulative effect of initial adoption as an adjustment to the opening balance of retained earnings at 1 January 2018. In addition, the Group plans to apply the new requirements only to contracts that are not completed before 1 January 2018.

## Notes to Financial Statements

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

The principal activities of the Group consist of (a) manganese mining, ore processing, downstream processing operations and sales of manganese products; and (b) the trading of manganese ore, manganese alloy and related raw materials.

The Group is required to deliver manganese ores and other downstream processing products according to the contract terms, which is expected to be the only performance obligation in the contract. The Group enters into contracts with its customers with specified terms and each party's rights and payment terms are identifiable. Pricing for individual commodities are stated in the contracts with the customers. There is no market-based or index-based pricing, and hence no variable consideration. Generally, no transaction price should be allocated as the sale of manganese ores and other downstream processing products is the only performance obligation within a contract. Therefore, the Group expects that the adoption of HKFRS 15 will not have a material impact on the Group's financial statements upon initial adoption and from 2018 onwards except for the presentation and disclosures.

The presentation and disclosure requirements in HKFRS 15 are more detailed than those under the current HKAS 18. The presentation requirements represent a change from current practice and will increase the volume of disclosures required in the Group's financial statements. As required by HKFRS 15, the Group will disaggregate revenue recognised from contracts with customers into categories that depict how the nature, amount, timing and uncertainty of revenue and cash flows are affected by economic factors. It will also disclose information about the relationship between the disclosure of disaggregated revenue and revenue information disclosed for each reportable segment.

HKFRS 16, issued in May 2016, replaces HKAS 17 *Leases*, HK(IFRIC)-Int 4 *Determining whether an Arrangement contains a Lease*, HK(SIC)-Int 15 *Operating Leases - Incentives* and HK(SIC)-Int 27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to recognise assets and liabilities for most leases. The standard includes two recognition exemptions for lessees – leases of low-value assets and short-term leases. At the commencement date of a lease, a lessee will recognise a liability to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use asset). The right-of-use asset is subsequently measured at cost less accumulated depreciation and any impairment losses unless the right-of-use asset meets the definition of investment property in HKAS 40, or relates to a class of property, plant and equipment to which the revaluation model is applied. The lease liability is subsequently increased to reflect the interest on the lease liability and reduced for the lease payments. Lessees will be required to separately recognise the interest expense on the lease liability and the depreciation expense on the right-of-use asset. Lessees will also be required to remeasure the lease liability upon the occurrence of certain events, such as change in the lease term and change in future lease payments resulting from a change in an index or rate used to determine those payments. Lessees will generally recognise the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset. Lessor accounting under HKFRS 16 is substantially unchanged from the accounting under HKAS 17. Lessors will continue to classify all leases using the same classification principle as in HKAS 17 and distinguish between operating leases and finance leases. HKFRS 16 requires lessees and lessors to make more extensive disclosures than under HKAS 17. Lessees can choose to apply the standard using either a full retrospective or a modified retrospective approach. The Group expects to adopt HKFRS 16 from 1 January 2019. The Group is currently assessing the impact of HKFRS 16 upon adoption and is considering whether it will choose to take advantage of the practical expedients available and which transition approach and reliefs will be adopted. As disclosed in note 37(b) to the financial statements, at 31 December 2017, the Group had future minimum lease payments under non-cancellable operating leases in aggregate of approximately HK\$18,520,000. Upon adoption of HKFRS 16, certain amounts included therein may need to be recognised as new right-of-use assets and lease liabilities. Further analysis, however, will be needed to determine the amount of new rights of use assets and lease liabilities to be recognised, including, but not limited to, any amounts relating to leases of low-value assets and short term leases, other practical expedients and reliefs chosen, and new leases entered into before the date of adoption.

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

Amendments to HKAS 40, issued in April 2017, clarify when an entity should transfer property, including property under construction or development, into or out of investment property. The amendments state that a change in use occurs when the property meets, or ceases to meet, the definition of investment property and there is evidence of the change in use. A mere change in management's intentions for the use of a property does not provide evidence of a change in use. The amendments should be applied prospectively to the changes in use that occur on or after the beginning of the annual reporting period in which the entity first applies the amendments. An entity should reassess the classification of property held at the date that it first applies the amendments and, if applicable, reclassify property to reflect the conditions that exist at that date. Retrospective application is only permitted if it is possible without the use of hindsight. The Group expects to adopt the amendments prospectively from 1 January 2018. The amendments are not expected to have any significant impact on the Group's financial statements.

HK(IFRIC)-Int 22, issued in June 2017, provides guidance on how to determine the date of the transaction when applying HKAS 21 to the situation where an entity receives or pays advance consideration in a foreign currency and recognises a non-monetary asset or liability. The interpretation clarifies that the date of the transaction for the purpose of determining the exchange rate to use on initial recognition of the related asset, expense or income (or part of it) is the date on which an entity initially recognises the non-monetary asset (such as a prepayment) or non-monetary liability (such as deferred income) arising from the payment or receipt of the advance consideration. If there are multiple payments or receipts in advance of recognising the related item, the entity must determine the transaction date for each payment or receipt of the advance consideration. Entities may apply the interpretation on a full retrospective basis or on a prospective basis, either from the beginning of the reporting period in which the entity first applies the interpretation or the beginning of the prior reporting period presented as comparative information in the financial statements of the reporting period in which the entity first applies the interpretation. The Group expects to adopt the interpretation prospectively from 1 January 2018. The amendments are not expected to have any significant impact on the Group's financial statements.

HK(IFRIC)-Int 23, issued in July 2017, addresses the accounting for income taxes (current and deferred) when tax treatments involve uncertainty that affects the application of HKAS 12 (often referred to as "uncertain tax positions"). The interpretation does not apply to taxes or levies outside the scope of HKAS 12, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments. The interpretation specifically addresses (i) whether an entity considers uncertain tax treatments separately; (ii) the assumptions an entity makes about the examination of tax treatments by taxation authorities; (iii) how an entity determines taxable profits or tax losses, tax bases, unused tax losses, unused tax credits and tax rates; and (iv) how an entity considers changes in facts and circumstances. The interpretation is to be applied retrospectively, either fully retrospectively without the use of hindsight or retrospectively with the cumulative effect of application as an adjustment to the opening equity at the date of initial application, without the restatement of comparative information. The Group expects to adopt the interpretation from 1 January 2019. The amendments are not expected to have any significant impact on the Group's financial statements.

## 3. Summary of significant accounting policies

### Business combinations and goodwill

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

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

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

## Notes to Financial Statements

31 December 2017

### 3. Summary of significant accounting policies (continued)

#### Business combinations and goodwill (continued)

Any contingent consideration to be transferred by the acquirer is recognised at fair value at the acquisition date. Contingent consideration classified as an asset or liability is measured at fair value with changes in fair value recognised in profit or loss. Contingent consideration that is classified as equity is not remeasured and subsequent settlement is accounted for within equity.

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

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

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

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

#### Investments in associates

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

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

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

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

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

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

### 3. Summary of significant accounting policies (continued)

#### Fair value measurement

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

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

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

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

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

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

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

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

#### Impairment of non-financial assets

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

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

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

## Notes to Financial Statements

31 December 2017

### 3. Summary of significant accounting policies (continued)

#### Related parties

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

- (a) the party is a person or a close member of that person's family and that person
  - (i) has control or joint control over the Group;
  - (ii) has significant influence over the Group; or
  - (iii) is a member of the key management personnel of the Group or of a parent of the Group;

or

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

#### Property, plant and equipment and depreciation

Property, plant and equipment, other than construction in progress, are stated at cost less accumulated depreciation and any impairment losses. When an item of property, plant and equipment is classified as held for sale, it is not depreciated and is accounted for in accordance with HKFRS 5, as further explained in the accounting policy for "Non-current assets classified as held for sale". The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

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

### 3. Summary of significant accounting policies (continued)

#### Property, plant and equipment and depreciation (continued)

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

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

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

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

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

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

#### Investment properties

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

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

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

#### Mining rights

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



## Notes to Financial Statements

31 December 2017

### 3. Summary of significant accounting policies (continued)

#### Non-current assets classified as held for sale

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

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

#### Intangible assets (other than goodwill)

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

#### Computer software

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

#### Research and development costs

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

Expenditure incurred on projects to develop new products is capitalised and deferred only when the Group can demonstrate the technical feasibility of completing the intangible asset so that it will be available for use or sale, its intention to complete and its ability to use or sell the asset, how the asset will generate future economic benefits, the availability of resources to complete the project and the ability to measure reliably the expenditure during the development. Product development expenditure which does not meet these criteria is expensed when incurred.

#### Leases

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

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

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

### 3. Summary of significant accounting policies (continued)

#### Investments and other financial assets

##### Initial recognition and measurement

Financial assets are classified, at initial recognition, as financial assets at fair value through profit or loss and loans and receivables, as appropriate. When financial assets are recognised initially, they are measured at fair value plus transaction costs that are attributable to the acquisition of the financial assets, except in the case of financial assets recorded at fair value through profit or loss.

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

##### Subsequent measurement

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

##### *Financial assets at fair value through profit or loss*

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

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with positive net changes in fair value presented as other income and gains and negative net changes in fair value presented as finance costs in profit or loss. These net fair value changes do not include any dividends or interest earned on these financial assets.

##### *Loans and receivables*

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

#### Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e. removed from the Group's consolidated statement of financial position) when:

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

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

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

## Notes to Financial Statements

31 December 2017

### 3. Summary of significant accounting policies (continued)

#### Impairment of financial assets

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

#### Financial assets carried at amortised cost

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

The amount of any impairment loss identified is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not yet been incurred). The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate (i.e., the effective interest rate computed at initial recognition).

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

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

#### Financial liabilities

##### Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as loans and borrowings, as appropriate.

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

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

##### Subsequent measurement

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

##### *Loans and borrowings*

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

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

### 3. Summary of significant accounting policies (continued)

#### Derecognition of financial liabilities

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

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

#### Offsetting of financial instruments

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

#### Treasury shares

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

#### Inventories

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

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

#### Cash and cash equivalents

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

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

#### Provisions

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

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

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

## Notes to Financial Statements

31 December 2017

### 3. Summary of significant accounting policies (continued)

#### Income tax

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

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

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

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

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

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

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

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

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

Deferred tax assets and deferred tax liabilities are offset if and only if the Group has a legally enforceable right to set off current tax assets and current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

#### Government grants

Government grants are recognised at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. When the grant relates to an expense item, it is recognised as income on a systematic basis over the periods that the costs, which it is intended to compensate, are expensed.

Where the grant relates to an asset, the fair value is credited to a deferred income account and is released to profit or loss over the expected useful life of the relevant asset by equal annual instalments.

### 3. Summary of significant accounting policies (continued)

#### Revenue recognition

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

- (a) from the sale of goods, when the significant risks and rewards of ownership have been transferred to the buyer, provided that the Group maintains neither managerial involvement to the degree usually associated with ownership, nor effective control over the goods sold;
- (b) rental income, on a time proportion basis over the lease terms; and
- (c) interest income, on an accrual basis using the effective interest method by applying the rate that exactly discounts the estimated future cash receipts over the expected life of the financial instrument or a shorter period, when appropriate, to the net carrying amount of the financial asset.

#### Share-based payments

The Company operates a share option scheme for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Employees (including directors) of the Group receive remuneration in the form of share-based payments, whereby employees render services as consideration for equity instruments ("equity-settled transactions").

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

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

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

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

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

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

The dilutive effect of outstanding options is reflected as additional share dilution in the computation of earnings per share.

## Notes to Financial Statements

31 December 2017

### 3. Summary of significant accounting policies (continued)

#### Other employee benefits

##### Pension scheme

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

##### Borrowing costs

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

##### Dividends

Final dividends are recognised as a liability when they are approved by the shareholders in a general meeting.

##### Foreign currencies

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

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

The functional currencies of certain overseas subsidiaries and associates are currencies other than the Hong Kong dollar. As at the end of the reporting period, the assets and liabilities of these entities are translated into Hong Kong dollars at the exchange rates prevailing at the end of the reporting period and their profits or losses are translated into Hong Kong dollars at the weighted average exchange rates for the year.

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

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

#### 4. Significant accounting judgements and estimates

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

##### Judgements

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

##### Operating lease commitments – Group as lessor

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

##### Tax

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

Deferred tax liabilities have not been established for income tax and withholding tax that would be payable on certain profits of the subsidiaries in Mainland China to be repatriated and distributed by way of dividends as the directors consider that the timing of the reversal of the related temporary differences can be controlled and such temporary differences will not be reversed in the foreseeable future. If those undistributed earnings of the subsidiaries in Mainland China are considered to be repatriated and distributed by way of dividends, deferred tax liabilities would have increased by approximately HK\$53,285,000 as at 31 December 2017 (2016: HK\$33,666,000).

##### Estimation uncertainty

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

##### Estimation of fair value of investment properties

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

- (a) current prices in an active market for properties of a different nature, condition or location, adjusted to reflect those differences;
- (b) recent prices of similar properties on less active markets, with adjustments to reflect any changes in economic conditions since the date of the transactions that occurred at those prices; and
- (c) discounted cash flow projections based on reliable estimates of future cash flows, supported by the terms of any existing lease and other contracts and (when possible) by external evidence such as current market rents for similar properties in the same location and condition, and using discount rates that reflect current market assessments of the uncertainty in the amount and timing of the cash flows.

The carrying amount of investment properties at 31 December 2017 was HK\$101,203,000 (2016: HK\$81,927,000). Further details, including the key assumptions used for fair value measurement and a sensitivity analysis, are given in note 16 to the financial statements.



## Notes to Financial Statements

31 December 2017

### 4. Significant accounting judgements and estimates (continued)

#### Estimation uncertainty (continued)

##### Estimation of fair value of the identifiable assets and liabilities of an associate

On acquisition of the investment in an associate or a joint venture, any excess of the cost of the investment over the Group's share of the net fair value of the identifiable assets and liabilities of the investee is recognised as goodwill, which is included within the carrying amount of the investment. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of the investment, after reassessment, is recognised immediately in profit or loss in the period in which the investment is acquired.

In 2017, the Group acquired additional 5.15% equity interest of an associate, China Polymetallic Company Limited ("CPM") at a total cash consideration of HK\$22,124,000. The Group assessed the fair value of the identifiable assets and liabilities with discounted cash flow projections, which is based on reliable estimates of future cash flows dependent on the assumptions including future price of the products, production capacity and volume and future operating costs and using discount rates that reflect current market assessments of the uncertainty in the amount and timing of the cash flows. Based on the assessment, the Group recognised a gain on bargain purchase of HK\$80,078,000 in profit or loss for the year ended 31 December 2017, which represented the portion of excess of fair value of the identifiable assets and liabilities of CPM from the acquired equity interest of 5.15% as at the date of acquisition of shares over the cash consideration paid by the Group.

##### Mineral reserves

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

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

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

##### Provision for rehabilitation

The provision for rehabilitation costs has been determined by the directors based on their best estimates. The directors estimated this liability for final restoration and mine closure based upon detailed calculations of the amount and timing of future cash flows to be incurred in performing the required work. Spending estimates are escalated for inflation, then discounted at a discount rate that reflects current market assessments of the time value of money and the risks specific to the liability such that the amount of provision reflects the present value of the expenditures expected to be required to settle the obligation. However, in so far as the effect on the land and environment from current mining activities becomes apparent in future periods, the estimate of the associated costs may be subject to revision in the future. The provision is reviewed at least annually to verify that it properly reflects the present value of the obligation arising from the current and past mining activities. Further details are included in note 30 to the financial statements.

#### 4. Significant accounting judgements and estimates (continued)

##### Estimation uncertainty (continued)

##### Useful lives and impairment of property, plant and equipment

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

##### Impairment of trade and other receivables

The provision policy for doubtful debts of the Group is based on the ongoing evaluation of the collectability and ageing analysis of the outstanding receivables and on management's judgement. A considerable amount of judgement is required in assessing the ultimate realisation of these receivables, including the creditworthiness and past collection history of each customer. If the financial conditions of the customers of the Group were to deteriorate, resulting in an impairment of their ability to make payments, an additional impairment may be required. Further details are included in note 22 to the financial statements.

##### Impairment of non-financial assets

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, the Group makes an estimate of the recoverable amount of the asset, which is the higher of its fair value less costs to sell and its value in use. The calculation of the fair value less costs to sell is based on available data from binding sales transactions in an arm's length transaction of similar assets or observable market prices less incremental costs for disposing of the asset. When value in use calculations are undertaken, management must estimate the expected future cash flows from the asset or cash-generating unit and choose a suitable discount rate in order to calculate the present value of those cash flows. Further details are included in notes 15, 17, 18, 19 and 23 to the financial statements.

##### Deferred tax assets

Deferred tax assets are recognised for unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies. No deferred tax assets were recognised relating to tax losses at 31 December 2017 and 2016. The amount of unrecognised tax losses at 31 December 2017 was HK\$747,036,000 (2016: HK\$1,037,981,000). Further details are contained in note 20 to the financial statements.

## Notes to Financial Statements

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### 5. Operating segment information

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

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

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

(b) **Manganese downstream processing segment (PRC)**

The manganese downstream processing segment comprises hydrometallurgical processing and pyrometallurgical processing, and the resulting products of which mainly include Electrolytic Manganese Metal ("EMM"), manganese briquette, Electrolytic Manganese Dioxide ("EMD"), manganese sulfate, silicomanganese alloys and lithium manganese oxide;

(c) **Non-manganese processing segment (PRC)**

The non-manganese processing segment engages in the production and sale of non-manganese products, including lithium cobalt oxide; and

(d) **Others segment (PRC and HK)**

The others segment comprises, principally, the trading of various commodities such as manganese ore, EMM, silicomanganese alloy, non-manganese metals, sales of scraps, 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 resource 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, fair value gain/loss from the Group's financial instruments as well as head office and corporate expenses are excluded from such measurement.

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

Segment liabilities exclude interest-bearing bank and other borrowings, deferred tax liabilities, tax payable and other unallocated head office and corporate liabilities as these liabilities are managed on a group basis.

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

## 5. Operating segment information (continued)

|  | Manganese mining<br>and ore processing<br>PRC<br>HK\$'000 | Gabon<br>HK\$'000 | Manganese<br>downstream<br>processing<br>PRC<br>HK\$'000 | Non-<br>manganese<br>processing<br>PRC<br>HK\$'000 | Others<br>PRC and HK<br>HK\$'000 | Total<br>HK\$'000 |
|--|---|-------------------|--|--|----------------------------------|-------------------|
| <b>Year ended 31 December 2017</b>                                   |   |                   |  |  |                                  |                   |
| <b>Segment revenue:</b>  |   |                   |  |  |                                  |                   |
| Sales to external customers  | 228,670   | 317,400           | 3,008,862  | 82,496   | 2,354,008                        | 5,991,436         |
| Intersegment sales   | 101,151   | –                 | –  | –  | –                                | 101,151           |
| Other revenue  | 21,445  | 40,180            | 50,963   | 736  | 78,817                           | 192,141           |
|  | 351,266   | 357,580           | 3,059,825  | 83,232   | 2,432,825                        | 6,284,728         |
| <i>Reconciliation:</i>   |   |                   |  |  |                                  |                   |
| Elimination of intersegment sales                                    |   |                   |  |  |                                  | (101,151)         |
| Revenue from operations  |   |                   |  |  |                                  | 6,183,577         |
| <b>Segment results</b>   | 3,349   | 82,141            | 216,622  | 23,958   | 54,605                           | 380,675           |
| <i>Reconciliation:</i>   |   |                   |  |  |                                  |                   |
| Interest income  |   |                   |  |  |                                  | 32,962            |
| Corporate and other unallocated expenses                             |   |                   |  |  |                                  | (46,356)          |
| Finance costs  |   |                   |  |  |                                  | (220,659)         |
| Profit before tax  |   |                   |  |  |                                  | 146,622           |
| Income tax expense   |   |                   |  |  |                                  | (5,240)           |
| <b>Profit for the year</b>   |   |                   |  |  |                                  | 141,382           |
| <b>Assets and liabilities</b>  |   |                   |  |  |                                  |                   |
| <b>Segment assets</b>  | 972,737   | 315,596           | 4,211,821  | 54,235   | 2,032,823                        | 7,587,212         |
| <i>Reconciliation:</i>   |   |                   |  |  |                                  |                   |
| Corporate and other unallocated assets                               |   |                   |  |  |                                  | 1,164,950         |
| <b>Total assets</b>  |   |                   |  |  |                                  | 8,752,162         |
| <b>Segment liabilities</b>   | 428,748   | 16,402            | 1,029,607  | 11,825   | 189,865                          | 1,676,447         |
| <i>Reconciliation:</i>   |   |                   |  |  |                                  |                   |
| Corporate and other unallocated liabilities                          |   |                   |  |  |                                  | 4,108,616         |
| <b>Total liabilities</b>   |   |                   |  |  |                                  | 5,785,063         |
| <b>Other segment information:</b>                                    |   |                   |  |  |                                  |                   |
| Depreciation and amortisation  | 41,632  | 10,775            | 307,953  | 1,297  | 467                              | 362,124           |
| Unallocated depreciation and amortisation                            |   |                   |  |  |                                  | 4,255             |
| Total depreciation and amortisation                                  |   |                   |  |  |                                  | 366,379           |
| Capital expenditure*   | 18,712  | 999               | 188,191  | 1,440  | 126                              | 209,468           |
| Unallocated capital expenditure                                      |   |                   |  |  |                                  | 2,412             |
| Total capital expenditure  |   |                   |  |  |                                  | 211,880           |
| Impairment losses recognised/(reversed)<br>in profit or loss         | (949)   | 15,252            | (6,877)  | 7  | (278)                            | 7,155             |
| Gain/(loss) on disposal of items of<br>property, plant and equipment | 989   | –                 | 15,476   | –  | (33)                             | 16,432            |
| Fair value gains on investment properties                            | –   | –                 | –  | –  | 3,113                            | 3,113             |
| Investments in associates  | –   | –                 | 310,672  | –  | 604,707                          | 915,379           |
| Share of profits and losses of associates                            | –   | –                 | 12,456   | –  | (11,596)                         | 860               |

## Notes to Financial Statements

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### 5. Operating segment information (continued)

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

\* Capital expenditure consists of additions to property, plant and equipment, investment properties, prepaid land lease payments and intangible assets, exclusive of additions of investment properties as contributions from shareholders.

**5. Operating segment information (continued)**

## Geographical information

**(a) Revenue from external customers**

|                                 | <b>2017</b><br><b>HK\$'000</b> | <b>2016</b><br><b>HK\$'000</b> |
|---------------------------------|--------------------------------|--------------------------------|
| Mainland China                  | <b>5,353,290</b>               | 2,822,296                      |
| Asia (excluding Mainland China) | <b>469,495</b>                 | 331,720                        |
| Europe                          | <b>79,651</b>                  | 51,678                         |
| North America                   | <b>54,130</b>                  | 26,228                         |
| Other countries                 | <b>34,870</b>                  | 16,186                         |
|                                 | <b>5,991,436</b>               | 3,248,108                      |

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

**(b) Non-current assets**

|                 | <b>2017</b><br><b>HK\$'000</b> | <b>2016</b><br><b>HK\$'000</b> |
|-----------------|--------------------------------|--------------------------------|
| Segment assets: |                                |                                |
| Mainland China  | <b>5,287,825</b>               | 5,030,475                      |
| Africa          | <b>91,346</b>                  | 105,017                        |
|                 | <b>5,379,171</b>               | 5,135,492                      |

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

**Information about a major customer**

Revenue of approximately HK\$887,600,000 for the year ended 31 December 2017 was derived from sales by the manganese mining and ore processing segment and trading sales (2016: approximately HK\$536,000,000) to a single customer, including sales to a group of entities which were under its common control.

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### 6. Revenue, other income and gains

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

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

|   | Note | 2017<br>HK\$'000 | 2016<br>HK\$'000 |
|---|------|------------------|------------------|
| <b>Revenue</b>  |      |                  |                  |
| Sale of goods   |      | 5,991,436        | 3,248,108        |
| <b>Other income and gains</b>   |      |                  |                  |
| Bank and other interest income  |      | 32,962           | 19,252           |
| Gain on disposal of items of property, plant and equipment                |      | 16,432           | 30,346           |
| Gain on disposal of prepaid land lease payments                           |      | –                | 32,452           |
| Gain on disposal of non-current assets classified as held for sale        |      | –                | 1,903            |
| Gain on disposal of financial assets at fair value through profit or loss |      | –                | 572              |
| Subsidy income*   |      | 61,161           | 82,764           |
| Subcontracting income#  |      | 38,244           | –                |
| Sale of scraps  |      | 25,097           | 24,250           |
| Rental income   |      | 22,763           | 15,973           |
| Foreign exchange gains, net   |      | 2,299            | –                |
| Fair value gains on investment properties                                 | 16   | 3,113            | 129              |
| Fair value gain on financial assets at fair value through profit or loss  |      | –                | 13               |
| Reversal of impairment loss on trade and other receivables, net           |      | 12,917           | –                |
| Others  |      | 10,115           | 9,316            |
|   |      | <b>225,103</b>   | <b>216,970</b>   |

\* Amount mainly represented government grants of subsidy and compensation for expropriation of properties, electricity costs and research and development costs in Mainland China. Conditions or contingencies relating to these grants are fulfilled and they are not deducted from related costs which they are intended to compensate, but recorded in other income.

# Pursuant to the subcontracting agreement entered between the Group and a third party, the Group subcontracted the operation on a mine located in Gabon and is entitled to the subcontracting income which included a fixed income per annum and a variable income dependent on the sales of ores produced by the subcontractor.

### 7. Finance costs

An analysis of finance costs is as follows:

|  | 2017<br>HK\$'000 | 2016<br>HK\$'000 |
|--|------------------|------------------|
| Interest on loans wholly repayable within five years | 177,629          | 183,011          |
| Finance costs for discounted notes receivable        | 31,433           | 25,296           |
| Other finance costs                                  | 11,597           | 27,585           |
|  | <b>220,659</b>   | <b>235,892</b>   |

### 8. Net gain from change in equity interest in an associate

|  | 2017<br>HK\$'000 | 2016<br>HK\$'000 |
|--|------------------|------------------|
| Loss on deemed disposal of partial interest in an associate (note(i))                | (70,750)         | –                |
| Gain on bargain purchase from the acquisition of shares of an associate (note (iii)) | 80,078           | –                |
|  | <b>9,328</b>     | <b>–</b>         |

## 8. Net gain from change in equity interest in an associate (continued)

Note (i): In May 2017, the Group recorded a non-cash loss of HK\$70,750,000 resulting from the dilution in the Group's shareholding in CPM from 29.81% to 24.84% after CPM's placing of new shares by additional 20% to independent third parties.

Note (ii): In August 2017, the Group subscribed shares in CPM for a total cash consideration of HK\$35,558,000 pursuant to its proportional entitlement under a rights issue scheme of CPM.

Note (iii): In August and September 2017, through a number of acquisitions in the market and subscription of excess rights shares, the Group acquired additional 5.15% equity interest of CPM at a total cash consideration of HK\$22,124,000. After completion of the above series of acquisitions on 29 September 2017, the percentage of equity interest held in CPM by the Group increased from 24.84% to 29.99%. The Group recognised a gain on bargain purchase of HK\$80,078,000 in profit or loss for the year ended 31 December 2017, which represented the portion of excess of fair value of the identifiable assets and liabilities of CPM from the acquired equity interest of 5.15% as at the date of acquisition of shares over the cash consideration paid by the Group.

## 9. Profit/(loss) before tax

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

|   | Notes | 2017<br>HK\$'000 | 2016<br>HK\$'000 |
|---|-------|------------------|------------------|
| Cost of inventories sold <sup>#</sup>   |       | <b>5,411,611</b> | 2,803,362        |
| Depreciation  | 15    | <b>335,224</b>   | 328,433          |
| Amortisation of prepaid land lease payments   | 17    | <b>12,069</b>    | 12,091           |
| Amortisation of intangible assets   | 18    | <b>19,086</b>    | 16,439           |
| Auditor's remuneration  |       | <b>3,383</b>     | 3,294            |
| Minimum lease payments under operating leases, land and buildings                             |       | <b>13,992</b>    | 6,427            |
| Employee benefit expense (excluding directors' and chief executive's remuneration (note 10)): |       |                  |                  |
| Wages and salaries  |       | <b>356,833</b>   | 404,159          |
| Pension scheme contributions  |       | <b>52,965</b>    | 55,476           |
| Other employee welfare  |       | <b>36,120</b>    | 37,192           |
|   |       | <b>445,918</b>   | 496,827          |
| Gain on disposal of items of property, plant and equipment*                                   |       | <b>(16,432)</b>  | (30,346)         |
| Gain on disposal of non-current assets classified as held for sale*                           |       | <b>-</b>         | (1,903)          |
| Loss/(gain) on disposal of financial assets at fair value through profit or loss*             |       | <b>208</b>       | (572)            |
| Gain on disposal of prepaid land lease payments*  |       | <b>-</b>         | (32,452)         |
| Foreign exchange differences, net*  |       | <b>(2,299)</b>   | 8,088            |
| Write-down of inventories to net realisable value, net <sup>#</sup>                           |       | <b>20,072</b>    | 13,462           |
| (Reversal of impairment)/impairment of trade and other receivables, net*                      |       | <b>(12,917)</b>  | 8,986            |
| Fair value gains on investment properties*  | 16    | <b>(3,113)</b>   | (129)            |
| Fair value loss/(gain) on financial assets at fair value through profit or loss*              |       | <b>255</b>       | (13)             |
| Net gain from change in equity interest in an associate                                       | 8     | <b>(9,328)</b>   | -                |
| Loss on disposal of other intangible assets*  |       | <b>4,718</b>     | -                |

<sup>#</sup> Included in "Cost of sales" in the consolidated statement of profit or loss and other comprehensive income

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



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### 10. Directors' and chief executive's remuneration

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

|   | <b>2017</b><br><b>HK\$'000</b> | <b>2016</b><br><b>HK\$'000</b> |
|---|--------------------------------|--------------------------------|
| Fees                                      | <b>2,400</b>                   | 2,038                          |
| Other emoluments                          |                                |                                |
| Salaries, allowances and benefits in kind | <b>10,247</b>                  | 12,090                         |
| Performance related bonuses               | <b>3,030</b>                   | 4,234                          |
| Pension scheme contributions              | <b>257</b>                     | 326                            |
|   | <b>13,534</b>                  | 16,650                         |
|   | <b>15,934</b>                  | 18,688                         |

#### (a) Independent non-executive directors

The fees paid to independent non-executive directors during the year were as follows:

|  | <b>2017</b><br><b>HK\$'000</b> | <b>2016</b><br><b>HK\$'000</b> |
|--|--------------------------------|--------------------------------|
| Fees   |                                |                                |
| Mr. Mo Shijian                                 | <b>300</b>                     | 260                            |
| Mr. Tan Zhuzhong                               | <b>300</b>                     | 260                            |
| Mr. Lin Zhijun (appointed on 25 October 2016)  | <b>300</b>                     | 48                             |
| Mr. Yang Zhi Jie (resigned on 25 October 2016) | <b>-</b>                       | 213                            |
|  | <b>900</b>                     | 781                            |

There were no other emoluments payable to the independent non-executive directors during the year (2016: Nil).

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

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

|   | Fees<br>HK\$'000 | Salaries,<br>allowances<br>and benefits<br>in kind<br>HK\$'000 | Performance<br>related<br>bonuses<br>HK\$'000 | Equity-<br>settled<br>share option<br>expenses<br>HK\$'000 | Pension<br>scheme<br>contributions<br>HK\$'000 | Total<br>remuneration<br>HK\$'000 |
|---|------------------|--|---|--|--|-----------------------------------|
| <b>2017</b>   |                  |  |   |  |  |                                   |
| <b>Executive director:</b>  |                  |  |   |  |  |                                   |
| Mr. Li Weijian  | 300              | 4,407  | 1,000   | -  | 49   | 5,756                             |
|   | 300              | 4,407  | 1,000   | -  | 49   | 5,756                             |
| <b>Non-executive directors:</b>   |                  |  |   |  |  |                                   |
| Mr. Suo Zhengang  | 300              | -  | -   | -  | -  | 300                               |
| Mr. Lyu Yanzheng  | 300              | -  | -   | -  | -  | 300                               |
| Mr. Chen Jiqui  | 300              | 1,657  | 330   | -  | 49   | 2,336                             |
|   | 900              | 1,657  | 330   | -  | 49   | 2,936                             |
| <b>Chief executive and<br/>executive director:</b>                            |                  |  |   |  |  |                                   |
| Mr. Yin Bo  | 300              | 4,183  | 1,700   | -  | 159  | 6,342                             |
|   | 300              | 4,183  | 1,700   | -  | 159  | 6,342                             |
|   | 1,500            | 10,247   | 3,030   | -  | 257  | 15,034                            |
| <b>2016</b>   |                  |  |   |  |  |                                   |
| <b>Executive director:</b>  |                  |  |   |  |  |                                   |
| Mr. Li Weijian  | 260              | 4,197  | 2,000   | -  | 83   | 6,540                             |
|   | 260              | 4,197  | 2,000   | -  | 83   | 6,540                             |
| <b>Non-executive directors:</b>   |                  |  |   |  |  |                                   |
| Mr. Suo Zhengang  | 260              | -  | -   | -  | -  | 260                               |
| Mr. Lyu Yanzheng<br>(appointed on 30 November 2016)                           | 22               | -  | -   | -  | -  | 22                                |
| Mr. Chen Jiqui  | 260              | 878  | 234   | -  | 83   | 1,455                             |
|   | 542              | 878  | 234   | -  | 83   | 1,737                             |
| <b>Chief executive and<br/>executive director:</b>                            |                  |  |   |  |  |                                   |
| Mr. Yin Bo<br>(also appointed as the chief executive<br>on 30 September 2016) | 260              | 3,756  | 2,000   | -  | 145  | 6,161                             |
| Mr. Tian Yuchuan<br>(Resigned on 30 September 2016)                           | 195              | 3,259  | -   | -  | 15   | 3,469                             |
|   | 455              | 7,015  | 2,000   | -  | 160  | 9,630                             |
|   | 1,257            | 12,090   | 4,234   | -  | 326  | 17,907                            |

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

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### 11. Five highest paid employees

The five highest paid employees for the year ended 31 December 2017 are three directors including the chief executive of the Company (2016: three directors including the chief executive), details of whose remuneration are set out in note 10. Details of the remuneration for the year of the remaining two (2016: two) highest paid employees who are neither a director nor chief executive of the Company, are as follows:

#### Group

|   | 2017<br>HK\$'000 | 2016<br>HK\$'000 |
|---|------------------|------------------|
| Salaries, allowances and benefits in kind | 5,220            | 4,971            |
| Performance related bonuses               | 2,600            | 2,500            |
| Pension scheme contributions              | 36               | 36               |
|   | <b>7,856</b>     | 7,507            |
| Number of employees by remuneration band: |                  |                  |
| HK\$3,000,001 – HK\$3,500,000             | 1                | 1                |
| HK\$4,000,001 – HK\$4,500,000             | –                | 1                |
| HK\$4,500,001 – HK\$5,000,000             | 1                | –                |

### 12. Income tax expense/(credit)

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

|   | Note | 2017<br>HK\$'000 | 2016<br>HK\$'000 |
|---|------|------------------|------------------|
| Current – PRC                           |      |                  |                  |
| Charge for the year                     |      | 5,619            | 145              |
| Current – Gabon                         |      |                  |                  |
| Charge for the year                     |      | 2,613            | 12               |
| Deferred                                | 20   | (2,992)          | (3,045)          |
| Total tax expense/(credit) for the year |      | <b>5,240</b>     | (2,888)          |

#### Hong Kong profits tax

No provision for Hong Kong profits tax has been made as the Group had utilised unrecognised tax losses brought forward from prior years to set off against current year's taxable profits.

#### PRC corporate income tax ("CIT")

Pursuant to the PRC Income Tax Law and the respective regulations, except for the preferential tax treatment available to CITIC Dameng Mining which is recognised as a High and New Technology Enterprise and is entitled to a preferential CIT rate of 15% to 2018, and Guangxi Start, which is entitled to a preferential CIT rate of 15% for Developing Western China for which the policy will end in 2020 and related benefit will be 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.

**12. Income tax expense/(credit) (continued)**

A reconciliation of the income tax expense/(credit) applicable to profit/(loss) before tax at the statutory rate for the country in which the Company and the majority of its subsidiaries are principally domiciled to the income tax expense/(credit) at the effective tax rate is as follows:

|   | <b>2017</b><br><b>HK\$'000</b> | <b>2016</b><br><b>HK\$'000</b> |
|---|--------------------------------|--------------------------------|
| Profit/(loss) before tax  | <b>146,622</b>                 | (131,309)                      |
| Tax at the statutory PRC corporate income tax rate  | <b>36,656</b>                  | (32,827)                       |
| Effect of withholding tax at 10% on the distributable profits of the Group's PRC subsidiaries | –                              | 1,446                          |
| Different tax rates for specific provinces or enacted by local authority                      | <b>(19,488)</b>                | (9,241)                        |
| Profits and losses attributable to associates   | <b>(142)</b>                   | 7,646                          |
| Income not subject to tax   | <b>(14,971)</b>                | (25,453)                       |
| Expenses not deductible for tax   | <b>11,762</b>                  | 16,240                         |
| Tax losses not recognised   | <b>30,954</b>                  | 39,301                         |
| Tax losses utilised from previous periods   | <b>(39,531)</b>                | –                              |
| Tax charge/(credit) reported in profit or loss  | <b>5,240</b>                   | (2,888)                        |
| Effective income tax rate   | <b>3.6%</b>                    | 2.2%                           |

**13. Earnings/(loss) per share attributable to ordinary equity holders of the parent**

The calculation of the basic earnings/(loss) per share amounts is based on the profit/(loss) for the year attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares of 3,428,459,000 (2016: 3,428,459,000) in issue during the year.

No adjustment has been made to the basic earnings/(loss) per share amounts presented for the years ended 31 December 2017 and 2016 in respect of a dilution as the impact of the share options outstanding had an anti-dilutive effect on the basic earnings/(loss) per share amounts presented.

The calculations of basic and diluted earnings/(loss) per share are based on:

|   | <b>2017</b><br><b>HK\$'000</b> | <b>2016</b><br><b>HK\$'000</b> |
|---|--------------------------------|--------------------------------|
| <b>Profit/(loss)</b>  |                                |                                |
| Profit/(loss) attributable to ordinary equity holders of the parent, used in the basic earnings/(loss) per share calculations | <b>140,851</b>                 | (87,913)                       |
|   | <b>Number of shares</b>        |                                |
| <b>Shares</b>   |                                |                                |
| Weighted average number of ordinary shares in issue during the year used in the basic earnings/(loss) per share calculations  | <b>3,428,459,000</b>           | 3,428,459,000                  |

**14. Dividends**

The Board does not recommend the payment of any dividend for the years ended 31 December 2017 and 2016.

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### 15. Property, plant and equipment

| 31 December 2017  | Note | Buildings and mining structures<br>HK\$'000 | Motor vehicles, plant, machinery, tools and equipment<br>HK\$'000 | Furniture and fixtures<br>HK\$'000 | Leasehold improvements<br>HK\$'000 | Construction in progress<br>HK\$'000 | Total<br>HK\$'000 |
|---|------|---|---|------------------------------------|------------------------------------|--------------------------------------|-------------------|
| At 31 December 2016 and at 1 January 2017:                          |      |   |   |                                    |                                    |                                      |                   |
| Cost  |      | 2,238,660                                   | 1,870,234   | 62,155                             | 29,394                             | 773,423                              | 4,973,866         |
| Accumulated depreciation and impairment                             |      | (845,147)                                   | (1,064,221)   | (44,002)                           | (24,593)                           | (5,247)                              | (1,983,210)       |
| Net carrying amount   |      | 1,393,513                                   | 806,013   | 18,153                             | 4,801                              | 768,176                              | 2,990,656         |
| At 1 January 2017, net of accumulated depreciation and impairment   |      | 1,393,513                                   | 806,013   | 18,153                             | 4,801                              | 768,176                              | 2,990,656         |
| Additions   |      | 1,360                                       | 78,485  | 737                                | 28,741                             | 94,306                               | 203,629           |
| Depreciation provided during the year                               | 9    | (129,976)                                   | (197,924)   | (2,224)                            | (5,100)                            | -                                    | (335,224)         |
| Disposals   |      | (141)                                       | (5,115)   | (42)                               | -                                  | (2,125)                              | (7,423)           |
| Transfers   |      | 319,897                                     | 104,363   | 159                                | -                                  | (424,419)                            | -                 |
| Exchange realignment  |      | 109,304                                     | 55,443  | 512                                | 1,279                              | 42,531                               | 209,069           |
| At 31 December 2017, net of accumulated depreciation and impairment |      | 1,693,957                                   | 841,265   | 17,295                             | 29,721                             | 478,469                              | 3,060,707         |
| <b>At 31 December 2017:</b>   |      |   |   |                                    |                                    |                                      |                   |
| Cost  |      | 2,724,473                                   | 2,107,385   | 65,379                             | 61,383                             | 484,105                              | 5,442,725         |
| Accumulated depreciation and impairment                             |      | (1,030,516)                                 | (1,266,120)   | (48,084)                           | (31,662)                           | (5,636)                              | (2,382,018)       |
| Net carrying amount   |      | 1,693,957                                   | 841,265   | 17,295                             | 29,721                             | 478,469                              | 3,060,707         |
| <b>31 December 2016</b>   |      |   |   |                                    |                                    |                                      |                   |
| At 1 January 2016:  |      |   |   |                                    |                                    |                                      |                   |
| Cost  |      | 2,339,346                                   | 2,030,294   | 65,009                             | 25,377                             | 771,966                              | 5,231,992         |
| Accumulated depreciation and impairment                             |      | (806,776)                                   | (1,039,601)   | (44,076)                           | (21,834)                           | (5,602)                              | (1,917,889)       |
| Net carrying amount   |      | 1,532,570                                   | 990,693   | 20,933                             | 3,543                              | 766,364                              | 3,314,103         |
| At 1 January 2016, net of accumulated depreciation and impairment   |      | 1,532,570                                   | 990,693   | 20,933                             | 3,543                              | 766,364                              | 3,314,103         |
| Additions   |      | 24,456                                      | 68,257  | 368                                | 5,784                              | 150,833                              | 249,698           |
| Depreciation provided during the year                               | 9    | (113,459)                                   | (207,505)   | (3,177)                            | (4,292)                            | -                                    | (328,433)         |
| Disposals   |      | (28,963)                                    | (24,855)  | (62)                               | -                                  | -                                    | (53,880)          |
| Transfers   |      | 64,880                                      | 32,601  | 709                                | -                                  | (98,190)                             | -                 |
| Transfer to non-current assets held for sale                        |      | 7,412                                       | -   | -                                  | -                                  | -                                    | 7,412             |
| Exchange realignment  |      | (93,383)                                    | (53,178)  | (618)                              | (234)                              | (50,831)                             | (198,244)         |
| At 31 December 2016, net of accumulated depreciation and impairment |      | 1,393,513                                   | 806,013   | 18,153                             | 4,801                              | 768,176                              | 2,990,656         |
| <b>At 31 December 2016:</b>   |      |   |   |                                    |                                    |                                      |                   |
| Cost  |      | 2,238,660                                   | 1,870,234   | 62,155                             | 29,394                             | 773,423                              | 4,973,866         |
| Accumulated depreciation and impairment                             |      | (845,147)                                   | (1,064,221)   | (44,002)                           | (24,593)                           | (5,247)                              | (1,983,210)       |
| Net carrying amount   |      | 1,393,513                                   | 806,013   | 18,153                             | 4,801                              | 768,176                              | 2,990,656         |

## 15. Property, plant and equipment (continued)

The net carrying amounts of the Group's property, plant and equipment held under finance leases included in the total amounts of buildings and plant, and machinery as at 31 December 2017 were HK\$20,000 (2016: HK\$53,000) and HK\$143,418,000 (2016: HK\$177,616,000), respectively.

Except for the above, none of the Group's interest-bearing bank and other borrowings were secured by the Group's property, plant and equipment as at 31 December 2017 and 2016.

At 31 December 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\$235,263,000 (2016: HK\$238,004,000) and the Group also had buildings and construction in progress with an aggregate net carrying amount of approximately HK\$92,888,000 (2016: HK\$86,482,000) situated on certain land parcels of which the Group was in the process of applying for the land use rights certificates. The directors are of the opinion that the aforesaid matter will not have any significant impact on the Group's financial position as at 31 December 2017.

## 16. Investment properties

|                                       | Notes | 2017<br>HK\$'000 | 2016<br>HK\$'000 |
|---------------------------------------|-------|------------------|------------------|
| Carrying amount at beginning of year  |       | 81,927           | 87,343           |
| Additions                             |       | 9,570            | –                |
| Net gain from a fair value adjustment | 6, 9  | 3,113            | 129              |
| Exchange realignment                  |       | 6,593            | (5,545)          |
| Carrying amount at end of year        |       | <b>101,203</b>   | 81,927           |

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

The Group's investment properties with a carrying amount of HK\$87,995,000 and HK\$13,208,000 as at 31 December 2017 were stated at the 2016 valuation performed by Guangxi Wushuang Real Estate Appraisal Company Limited and the 2017 valuation performed by Guizhou Guoxin Real Estate Appraisal Company Limited, respectively, both of which are independent professionally qualified valuers. In respect of the investment properties with the carrying amount of HK\$87,995,000, in the opinion of the directors, there were no material differences between the carrying amount and the open market value of the Group's investment properties as at 31 December 2017 by reference to market rental fees of similar properties at similar locations, no valuation has been performed by external valuers as at this date. Management have discussed with the valuer on the valuation assumptions and valuation results when the valuation is performed for annual financial reporting.

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### 16. Investment properties (continued)

The investment properties are leased to a related party and third parties under operating leases, further summary details of which are included in note 37(a) to the financial statements.

| Recurring fair value measurement for: | Fair value measurement as at<br>31 December 2017 using         |  |  | Total<br>HK\$'000 |
|---------------------------------------|--|--|--|-------------------|
|                                       | Quoted<br>prices in<br>active markets<br>(Level 1)<br>HK\$'000 | Significant<br>observable<br>inputs<br>(Level 2)<br>HK\$'000 | Significant<br>unobservable<br>inputs<br>(Level 3)<br>HK\$'000 |                   |
| Commercial properties                 | –  | –  | 101,203  | 101,203           |

| Recurring fair value measurement for: | Fair value measurement as at<br>31 December 2016 using         |  |  | Total<br>HK\$'000 |
|---------------------------------------|--|--|--|-------------------|
|                                       | Quoted<br>prices in<br>active markets<br>(Level 1)<br>HK\$'000 | Significant<br>observable<br>inputs<br>(Level 2)<br>HK\$'000 | Significant<br>unobservable<br>inputs<br>(Level 3)<br>HK\$'000 |                   |
| Commercial properties                 | –  | –  | 81,927   | 81,927            |

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

|  | Commercial<br>properties<br>HK\$'000 |
|--|--------------------------------------|
| Carrying amount at 1 January 2016                      | 87,343                               |
| Net gain from a fair value adjustment                  | 129                                  |
| Exchange realignment                                   | (5,545)                              |
| Carrying amount at 31 December 2016 and 1 January 2017 | 81,927                               |
| Additions  | 9,570                                |
| Net gain from a fair value adjustment                  | 3,113                                |
| Exchange realignment                                   | 6,593                                |
| Carrying amount at 31 December 2017                    | 101,203                              |

All of the fair value measurements of the Group's investment properties as at 31 December 2017 and 2016 were using significant unobservable inputs (Level 3).

**16. Investment properties (continued)**

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

| Valuation technique   |                             | Significant unobservable inputs                  | Range or weighted average |                 |
|---|-----------------------------|--|---------------------------|-----------------|
|   |                             |  | 2017                      | 2016            |
| Commercial properties with a carrying amount of HK\$87,995,000 (2016: HK\$87,927,000) | Discounted cash flow method | Estimated rental value (per sq.m. and per month) | <b>RMB47 to RMB145</b>    | RMB47 to RMB145 |
|   |                             | Rent growth (p.a.)                               | <b>3.6%</b>               | 3.6%            |
|   |                             | Long term vacancy rate                           | <b>2%</b>                 | 2%              |
|   |                             | Discount rate                                    | <b>7.0%</b>               | 7.0%            |
| Commercial properties with a carrying amount of HK\$13,208,000 (2016: Nil)            | Discounted cash flow method | Estimated rental value (per sq.m. and per month) | <b>RMB7 to RMB15</b>      | –               |
|   |                             | Rent growth (p.a.)                               | <b>0%</b>                 | –               |
|   |                             | Long term vacancy rate                           | <b>2%</b>                 | –               |
|   |                             | Discount rate                                    | <b>5%-5.5%</b>            | –               |

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

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

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



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### 17. Prepaid land lease payments

|   | Note | 2017<br>HK\$'000 | 2016<br>HK\$'000 |
|---|------|------------------|------------------|
| Carrying amount at 1 January  |      | 454,564          | 506,199          |
| Additions   |      | 4,624            | –                |
| Disposal  |      | –                | (8,343)          |
| Amortisation provided during the year                                   | 9    | (12,069)         | (12,091)         |
| Exchange realignment  |      | 33,361           | (31,201)         |
| Carrying amount at 31 December  |      | 480,480          | 454,564          |
| Current portion included in prepayments, deposits and other receivables |      | (12,521)         | (11,541)         |
| Non-current portion   |      | 467,959          | 443,023          |

At 31 December 2017, the Group leases certain of its leasehold lands with a net carrying amount of HK\$110,482,000 (31 December 2016: HK\$94,504,000) under operating lease arrangements with leases negotiated for terms from 1 to 3 years.

### 18. Intangible assets

| 2017   | Note | Mining<br>rights<br>HK\$'000 | Other<br>intangible<br>assets<br>HK\$'000 | Total<br>HK\$'000 |
|--|------|------------------------------|---|-------------------|
| Cost at 1 January 2017, net of accumulated amortisation and impairment |      | 562,983                      | 6,834                                     | 569,817           |
| Additions  |      | 999                          | 2,628                                     | 3,627             |
| Amortisation provided during the year                                  | 9    | (18,678)                     | (408)                                     | (19,086)          |
| Disposal   |      | –                            | (4,718)                                   | (4,718)           |
| Exchange realignment   |      | 40,469                       | 403                                       | 40,872            |
| At 31 December 2017  |      | 585,773                      | 4,739                                     | 590,512           |
| <b>At 31 December 2017:</b>  |      |                              |   |                   |
| Cost   |      | 906,403                      | 10,068                                    | 916,471           |
| Accumulated amortisation and impairment                                |      | (320,630)                    | (5,329)                                   | (325,959)         |
| Net carrying amount  |      | 585,773                      | 4,739                                     | 590,512           |
| <b>2016</b>  |      |                              |   |                   |
| At 1 January 2016:   |      |                              |   |                   |
| Cost   |      | 897,289                      | 12,410                                    | 909,699           |
| Accumulated amortisation and impairment                                |      | (280,796)                    | (4,453)                                   | (285,249)         |
| Net carrying amount  |      | 616,493                      | 7,957                                     | 624,450           |
| Cost at 1 January 2016, net of accumulated amortisation                |      | 616,493                      | 7,957                                     | 624,450           |
| Additions  |      | –                            | 177                                       | 177               |
| Amortisation provided during the year                                  | 9    | (15,993)                     | (446)                                     | (16,439)          |
| Exchange realignment   |      | (37,517)                     | (854)                                     | (38,371)          |
| At 31 December 2016  |      | 562,983                      | 6,834                                     | 569,817           |
| <b>At 31 December 2016:</b>  |      |                              |   |                   |
| Cost   |      | 841,733                      | 11,424                                    | 853,157           |
| Accumulated amortisation and impairment                                |      | (278,750)                    | (4,590)                                   | (283,340)         |
| Net carrying amount  |      | 562,983                      | 6,834                                     | 569,817           |

**18. Intangible assets (continued)**

On 27 October 2016, the Group entered into an agreement with Guangxi Jinmeng Manganese Co., Ltd. (“Guangxi Jinmeng”), a shareholder of an associate of the Group, entrusting Guangxi Jinmeng with certain rights to operate the Group’s Bembélé Manganese Mine in Gabon under the supervision of the Group and subject to certain conditions for a period of five years commencing from 1 March 2017. During this period, the Group continues to control the strategy and significant matters of the mine’s operation and the Group receives a fixed income of RMB26,000,000 (equivalent to HK\$31,218,000) per annum plus a variable income upon sale of ore mined by Guangxi Jinmeng and determined with reference to the ore’s selling price. At 31 December 2017, the net book value of this mining right after amortisation and impairment amounted to nil.

**19. Investments in associates and amounts due from associates**

|                                       | <b>2017</b><br><b>HK\$'000</b> | <b>2016</b><br><b>HK\$'000</b> |
|---------------------------------------|--------------------------------|--------------------------------|
| Share of net assets                   | <b>915,261</b>                 | 826,347                        |
| Loan to an associate (note i)         | <b>118</b>                     | 119                            |
|                                       | <b>915,379</b>                 | 826,466                        |
| Amounts due from associates (note ii) | <b>11,053</b>                  | 26,187                         |

Notes:

- (i) 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.
- (ii) At 31 December 2016, included in the amounts due from associates was a loan to a subsidiary of CPM of HK\$15,896,000 which carried interest at 7% per annum and was repaid during 2017. The remaining balances at 31 December 2017 and 2016 represented other receivable from Dushan Jinmeng Manganese Limited Company (“Dushan Jinmeng”).

The Group’s trade receivables of HK\$11,053,000 (2016: HK\$10,291,000) due from associates are disclosed in note 39 to the financial statements.

Particulars of the associates as at 31 December 2017 are as follows:

| Name of company | Place and date of incorporation/ establishment | Issued ordinary share/ registered capital | Percentage of ownership interest contribution to the Group |          | Principal activities   |
|-----------------|--|---|--|----------|--|
|                 |  |   | Direct   | Indirect |  |
| CPM             | Cayman Islands<br>30 November 2009             | HK\$19,888                                | –  | 29.99%*  | Mining, ore processing and sale of lead-silver concentrates and zinc-silver concentrates                     |
| Dushan Jinmeng  | PRC<br>19 July 2001                            | RMB758,657,900                            | –  | 33.00%   | Manganese ferroalloy production and processing and trading of manganese ferroalloy and related raw materials |

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

\* Please refer to note 8 for the details of change in equity interest in CPM.

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

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

|  | CPM (Note (i))   |                  | Dushan Jinmeng   |                  |
|--|------------------|------------------|------------------|------------------|
|  | 2017<br>HK\$'000 | 2016<br>HK\$'000 | 2017<br>HK\$'000 | 2016<br>HK\$'000 |
| Current assets   | 177,060          | 77,777           | 735,135          | 529,601          |
| Non-current assets   | 3,117,652        | 2,672,063        | 1,516,541        | 1,245,851        |
| Current liabilities  | 863,560          | 869,672          | 451,742          | 136,234          |
| Non-current liabilities                                    | 114,948          | 37,920           | 858,501          | 799,299          |
| Net assets   | 2,316,204        | 1,842,248        | 941,433          | 839,919          |
| Reconciliation to the Group's interests in the associates: |                  |                  |                  |                  |
| Proportion of the Group's ownership                        | 29.99%           | 29.81%           | 33.00%           | 33.00%           |
| Group's share of net assets of the associates              | 604,589          | 549,174          | 310,672          | 277,173          |
| Carrying amount of the investments                         | 604,589          | 549,174          | 310,672          | 277,173          |
| Revenue  | 130,639          | 26,669           | 800,096          | –                |
| Profit/(loss) for the year                                 | (52,933)         | (154,321)        | 37,746           | (1,694)          |
| Other comprehensive loss                                   | 666              | –                | –                | –                |

Note:

- (i) According to the announcement of CPM dated 12 February 2018, its independent auditor emphasised without modifying its audit opinion, that the financial statements of CPM for the year ended 31 December 2017 indicates the existence of a material uncertainty which may cast significant doubt about CPM's ability to continue as a going concern. The directors of the Company has assessed the impact on the impairment of investment in CPM and considered that no impairment provision was needed as at 31 December 2017.

### 20. Deferred tax

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

#### Deferred tax assets

|   | Note | Deductible temporary differences<br>HK\$'000 |
|---|------|--|
| At 1 January 2016                                       |      | 33,122                                       |
| Deferred tax credited to profit or loss during the year | 12   | 2,001  |
| Exchange realignment                                    |      | (2,190)                                      |
| At 31 December 2016 and 1 January 2017                  |      | 32,933                                       |
| Deferred tax charged to profit or loss during the year  | 12   | (879)  |
| Exchange realignment                                    |      | 2,402  |
| At 31 December 2017                                     |      | 34,456                                       |

**20. Deferred tax (continued)**

## Deferred tax liabilities

|   | Note | Fair value adjustments arising from acquisition of subsidiaries<br>HK\$'000 | Withholding taxes<br>HK\$'000 | Fair value adjustments on investment properties<br>HK\$'000 | Total<br>HK\$'000 |
|---|------|---|-------------------------------|---|-------------------|
| At 1 January 2016   |      | 172,422   | 11,246                        | 20,717  | 204,385           |
| Deferred tax (credited)/charged to profit or loss during the year | 12   | (2,670)   | 1,446                         | 180   | (1,044)           |
| Exchange realignment  |      | (10,884)  | –                             | (1,323)   | (12,207)          |
| At 31 December 2016 and 1 January 2017                            |      | <b>158,868</b>  | <b>12,692</b>                 | <b>19,574</b>   | <b>191,134</b>    |
| Deferred tax credited to profit or loss during the year           | 12   | <b>(3,100)</b>  | –                             | <b>(771)</b>  | <b>(3,871)</b>    |
| Exchange realignment  |      | <b>11,739</b>   | –                             | <b>1,419</b>  | <b>13,158</b>     |
| At 31 December 2017   |      | <b>167,507</b>  | <b>12,692</b>                 | <b>20,222</b>   | <b>200,421</b>    |

The Group has tax losses arising in Hong Kong of HK\$10,766,000 (2016: HK\$47,333,000) that are available indefinitely for offsetting against future taxable profits of the companies in which the losses arose.

The Group also has tax losses arising in Mainland China of HK\$736,270,000 (2016: HK\$990,648,000) that will expire in one to five years for offsetting against future taxable profits.

Deferred tax assets have not been recognised in respect of these losses as they have arisen in subsidiaries that have been loss-making for some time and it is not considered probable that taxable profits will be available against which the tax losses can be utilised.

Deferred tax assets have not been recognised in respect of the following items:

|                                  | 2017<br>HK\$'000 | 2016<br>HK\$'000 |
|----------------------------------|------------------|------------------|
| Tax losses                       | <b>747,036</b>   | 1,037,981        |
| Deductible temporary differences | <b>50,780</b>    | 73,691           |
|                                  | <b>797,816</b>   | 1,111,672        |

The above tax losses are available indefinitely for offsetting against future taxable profits of the companies in which the losses arose. Deferred tax assets have not been recognised in respect of the above items as it is not considered probable that taxable profits will be available against which the above items can be utilised.

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

As at 31 December 2017, the Group has not recognised deferred tax liabilities of HK\$53,285,000 (2016: HK\$33,666,000) in respect of temporary differences relating to the unremitted profits of subsidiaries, amounting to HK\$532,854,000 (2016: HK\$336,661,000), that would be payable on the distribution of these retained profits as the Company controls the dividend policy of these subsidiaries and it is probable that these profits will not be distributed in the foreseeable future.

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

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### 21. Inventories

|                           | 2017<br>HK\$'000 | 2016<br>HK\$'000 |
|---------------------------|------------------|------------------|
| Raw materials             | 602,600          | 675,695          |
| Work in progress          | 5,369            | 13,518           |
| Finished goods            | 384,591          | 205,313          |
|                           | <b>992,560</b>   | 894,526          |
| Less: Inventory provision | <b>(83,493)</b>  | (101,689)        |
|                           | <b>909,067</b>   | 792,837          |

### 22. Trade and notes receivables

|                   | 2017<br>HK\$'000 | 2016<br>HK\$'000 |
|-------------------|------------------|------------------|
| Trade receivables | 837,632          | 738,934          |
| Notes receivable  | 380,776          | 151,944          |
|                   | <b>1,218,408</b> | 890,878          |
| Less: Impairment  | <b>(42,809)</b>  | (53,286)         |
|                   | <b>1,175,599</b> | 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. Except for trade receivables of HK\$209,452,000 (2016: HK\$317,953,000) due from a single customer, Guangxi Jinmeng and its subsidiaries ("Guangxi Jinmeng Group"), mainly related to sales from trading business and subcontracting income, the remaining trade and notes receivables relate to a large number of diversified customers.

The Group does not hold any collateral or other credit enhancements over its trade receivable balances. Trade receivables are non-interest-bearing.

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:

|                     | 2017<br>HK\$'000 | 2016<br>HK\$'000 |
|---------------------|------------------|------------------|
| Within one month    | 385,568          | 210,994          |
| One to two months   | 140,090          | 182,779          |
| Two to three months | 147,712          | 161,725          |
| Over three months   | 121,453          | 130,150          |
|                     | <b>794,823</b>   | 685,648          |

The Group normally offers credit terms of one month to three months to its established customers.

**22. Trade and notes receivables (continued)**

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:

|                     | <b>2017</b><br><b>HK\$'000</b> | <b>2016</b><br><b>HK\$'000</b> |
|---------------------|--------------------------------|--------------------------------|
| Within one month    | <b>216,750</b>                 | 81,781                         |
| One to two months   | <b>71,161</b>                  | 27,177                         |
| Two to three months | <b>36,964</b>                  | 11,433                         |
| Over three months   | <b>55,901</b>                  | 31,553                         |
|                     | <b>380,776</b>                 | 151,944                        |

**Transferred financial assets that are derecognised in their entirety**

At 31 December 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 RMB559,590,000 (equivalent to HK\$671,899,000) (2016: RMB400,558,000, equivalent to HK\$447,784,000). The Derecognised Notes had a maturity of one to twelve months at the end of the reporting period. In accordance with the Law of Negotiable Instruments in the PRC, the holders of the Derecognised Notes have a right of recourse against the Group if the PRC banks default (the "Continuing Involvement"). In the opinion of the directors, the Group has transferred substantially all risks and rewards relating to the Derecognised Notes. Accordingly, it has derecognised the full carrying amounts of the Derecognised Notes and the associated trade payables. The maximum exposure to loss from the Group's Continuing Involvement in the Derecognised Notes and the undiscounted cash flows to repurchase these Derecognised Notes are equal to their carrying amounts. In the opinion of the directors, the fair values of the Group's Continuing Involvement in the Derecognised Notes are not significant.

During the year ended 31 December 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 year or cumulatively. The endorsement has been made evenly throughout the year.

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

|                                     | <b>2017</b><br><b>HK\$'000</b> | <b>2016</b><br><b>HK\$'000</b> |
|-------------------------------------|--------------------------------|--------------------------------|
| At beginning of year                | <b>53,286</b>                  | 48,972                         |
| Impairment losses recognised        | <b>3,443</b>                   | 13,502                         |
| Impairment losses reversed          | <b>(16,890)</b>                | (5,483)                        |
| Amount written off as uncollectible | <b>(406)</b>                   | (71)                           |
| Exchange realignment                | <b>3,376</b>                   | (3,634)                        |
| At end of year                      | <b>42,809</b>                  | 53,286                         |

Included in the above provision for impairment of trade and notes receivables are provisions for individually impaired trade receivables of HK\$42,809,000 (2016: HK\$53,286,000) with a carrying amount before provision of approximately HK\$42,955,000 (2016: HK\$62,004,000) as at 31 December 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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### 22. Trade and notes receivables (continued)

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

|                               | 2017<br>HK\$'000 | 2016<br>HK\$'000 |
|-------------------------------|------------------|------------------|
| Neither past due nor impaired | 998,245          | 675,890          |
| One to three months past due  | 159,244          | 146,371          |
| Over three months past due    | 17,964           | 15,331           |
|                               | <b>1,175,453</b> | 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.

### 23. Prepayments, deposits and other receivables

#### Non-current portion

|             | 2017<br>HK\$'000 | 2016<br>HK\$'000 |
|-------------|------------------|------------------|
| Prepayments | 42,870           | 58,756           |
| Deposits    | 200,541          | 164,847          |
|             | <b>243,411</b>   | 223,603          |

#### Current portion

|                                | 2017<br>HK\$'000 | 2016<br>HK\$'000 |
|--------------------------------|------------------|------------------|
| Prepayments                    | 90,078           | 153,374          |
| Deposits and other receivables | 265,889          | 365,402          |
|                                | <b>355,967</b>   | 518,776          |

The above assets were after the provision of HK\$14,736,000 (2016: HK\$13,206,000), which were past due and impaired.

### 24. Financial assets at fair value through profit or loss

|  | 2017<br>HK\$'000 | 2016<br>HK\$'000 |
|--|------------------|------------------|
| Listed bond investments, at market value | 8,154            | 24,295           |

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

**25. Cash and cash equivalents and pledged deposits**

|  | Note  | 2017<br>HK\$'000 | 2016<br>HK\$'000 |
|--|-------|------------------|------------------|
| Cash and bank balances   |       | 857,302          | 1,534,859        |
| Less: Pledged deposits   |       |                  |                  |
| – Pledged for bank loans   | 28(a) | –                | (242,889)        |
| – Pledged for bank acceptance notes  |       | (188,202)        | (302,460)        |
| Cash and cash equivalents as stated in the consolidated statement of financial position      |       | 669,100          | 989,510          |
| Less: Non-pledged time deposits with original maturity of three months or more when acquired |       | (72,067)         | –                |
| Cash and cash equivalents as stated in the consolidated statement of cash flows              |       | 597,033          | 989,510          |

As at 31 December 2017, cash and bank balances of the Group denominated in RMB amounting to HK\$620,417,000 (2016: HK\$856,395,000) were deposited in Mainland China. The RMB is not freely convertible in PRC into other currencies, however, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

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

**26. Trade and notes payables**

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

|                     | 2017<br>HK\$'000 | 2016<br>HK\$'000 |
|---------------------|------------------|------------------|
| Within one month    | 306,243          | 295,936          |
| One to two months   | 162,738          | 274,327          |
| Two to three months | 108,902          | 72,802           |
| Over three months   | 158,854          | 306,971          |
|                     | <b>736,737</b>   | 950,036          |

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

**27. Other payables and accruals**

|                         | 2017<br>HK\$'000 | 2016<br>HK\$'000 |
|-------------------------|------------------|------------------|
| Advances from customers | 53,720           | 72,089           |
| Other payables          | 589,948          | 694,724          |
| Accruals                | 227,628          | 242,787          |
|                         | <b>871,296</b>   | 1,009,600        |

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



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### 28. Interest-bearing bank and other borrowings

|  | 2017                        |           |           | 2016                        |           |           |
|--|-----------------------------|-----------|-----------|-----------------------------|-----------|-----------|
|  | Effective interest rate (%) | Maturity  | HK\$'000  | Effective interest rate (%) | Maturity  | HK\$'000  |
| <b>Current</b>   |                             |           |           |                             |           |           |
| Finance lease payables (note 29)                             | 6.32-7.51                   | 2018      | 89,488    | 6.32-7.51                   | 2017      | 86,752    |
| Bank loans – secured (note (a))                              | -                           | -         | -         | 4.35                        | 2017      | 63,225    |
| Bank loans – unsecured                                       | 2.83-5.29                   | 2018      | 2,404,561 | 2.15-4.83                   | 2017      | 1,773,490 |
| Current portion of long-term bank loans – secured (note (a)) | -                           | -         | -         | LIBOR+2.15                  | 2017      | 231,968   |
| Current portion of long-term bank loans – unsecured          | 3.83-4.99, LIBOR+2.60       | 2018      | 393,270   | 4.75-6.46, LIBOR+2.60       | 2017      | 342,458   |
| Other loans – unsecured (note (b))                           | 4.73                        | 2018      | 116,033   | 4.56                        | 2017      | 109,140   |
|  |                             |           | 3,003,352 |                             |           | 2,607,033 |
| <b>Non-current</b>   |                             |           |           |                             |           |           |
| Finance lease payables (note 29)                             | 6.32-7.51                   | 2019-2020 | 137,849   | 6.32-7.51                   | 2018-2020 | 208,389   |
| Bank loans – secured (note (a))                              | -                           | -         | -         | 4.00                        | 2018      | 318,602   |
| Bank loans – unsecured                                       | 3.83-5.23, LIBOR+2.60       | 2019      | 606,996   | 4.75-4.99, LIBOR+2.60       | 2018-2019 | 752,877   |
|  |                             |           | 744,845   |                             |           | 1,279,868 |
|  |                             |           | 3,748,197 |                             |           | 3,886,901 |

|   | 2017<br>HK\$'000 | 2016<br>HK\$'000 |
|---|------------------|------------------|
| <b>Analysed into:</b>                     |                  |                  |
| Bank loans repayable:                     |                  |                  |
| Within one year or on demand              | 2,797,831        | 2,411,141        |
| In the second year                        | 528,625          | 683,064          |
| In the third to fifth years, inclusive    | 78,371           | 388,415          |
|   | 3,404,827        | 3,482,620        |
| Other loans and finance leases repayable: |                  |                  |
| Within one year or on demand              | 205,521          | 195,892          |
| In the second year                        | 109,525          | 80,046           |
| In the third to fifth years, inclusive    | 28,324           | 128,343          |
|   | 343,370          | 404,281          |
|   | 3,748,197        | 3,886,901        |

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

Notes:

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

|                  | Note | 2017<br>HK\$'000 | 2016<br>HK\$'000 |
|------------------|------|------------------|------------------|
| Pledged deposits | 25   | –                | 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.

The balance as at 31 December 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\$116,033,000) and bearing interest at a fixed rate of 4.73% per annum. The loan is repayable on 8 June 2018.

- (c) At 31 December 2017, except for bank and other borrowings of HK\$728,466,000 (2016: HK\$844,536,000) which were denominated in United States dollars, all borrowings were denominated in Renminbi.

**29. Finance lease payables**

The Group leases certain of its plant and machinery of its manganese downstream processing business. These leases are classified as finance leases with remaining lease terms ranging from 1 to 3 years.

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

- 1) a principal of RMB300,000,000 (equivalent to HK\$360,210,000) 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\$8,415,000) payable to the lessor and being secured by a cash deposit of RMB24,000,000 (equivalent to HK\$28,817,000). The loan is repayable on 5 August 2020; and
- 2) a principal of RMB50,000,000 (equivalent to HK\$60,035,000) 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\$2,018,000) to the lessor and being secured by a cash deposit of RMB21,500,000 (equivalent to HK\$25,815,000). The loan is repayable on 14 December 2019.

As at 31 December 2017, the Group's property, plant and equipment of its manganese downstream processing segment with a net carrying amount of HK\$143,438,000 (2016: HK\$177,669,000) were held under the above finance leases. If no default occurs during the lease term, the ownership of the plant and machinery shall automatically be transferred to the lessee at a price of RMB100.

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### 29. Finance lease payables (continued)

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

|   | <b>Minimum<br/>lease<br/>payments<br/>2017<br/>HK\$'000</b> | <b>Present<br/>value of<br/>minimum<br/>lease<br/>payments<br/>2017<br/>HK\$'000</b> | <b>Minimum<br/>lease<br/>payments<br/>2016<br/>HK\$'000</b> | <b>Present<br/>value of<br/>minimum<br/>lease<br/>payments<br/>2016<br/>HK\$'000</b> |
|---|---|--|---|--|
| Amounts payable:                                    |   |  |   |  |
| Within one year                                     | <b>94,114</b>   | <b>89,488</b>  | 92,915  | 86,752   |
| In the second year                                  | <b>114,265</b>  | <b>109,525</b>   | 87,624  | 80,046   |
| In the third to fifth years, inclusive              | <b>29,635</b>   | <b>28,324</b>  | 133,978   | 128,343  |
| Total minimum finance lease payments                | <b>238,014</b>  | <b>227,337</b>   | 314,517   | 295,141  |
| Future finance charges                              | <b>(10,677)</b>   |  | (19,376)  |  |
| Total net finance lease payables                    | <b>227,337</b>  |  | 295,141   |  |
| Portion classified as current liabilities (note 28) | <b>(89,488)</b>   |  | (86,752)  |  |
| Non-current portion (note 28)                       | <b>137,849</b>  |  | 208,389   |  |

### 30. Other long-term liabilities

|                      | <b>2017<br/>HK\$'000</b> | <b>2016<br/>HK\$'000</b> |
|----------------------|--------------------------|--------------------------|
| At beginning of year | <b>19,570</b>            | 16,407                   |
| Additional provision | <b>4,151</b>             | 4,398                    |
| Exchange realignment | <b>1,621</b>             | (1,235)                  |
| At end of year       | <b>25,342</b>            | 19,570                   |

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

**31. Deferred income**

|                           | <b>2017</b><br><b>HK\$'000</b> | <b>2016</b><br><b>HK\$'000</b> |
|---------------------------|--------------------------------|--------------------------------|
| At beginning of year      | <b>80,851</b>                  | 98,974                         |
| Addition                  | <b>4,106</b>                   | 7,907                          |
| Amortised during the year | <b>(8,464)</b>                 | (20,301)                       |
| Exchange realignment      | <b>5,809</b>                   | (5,729)                        |
| At end of year            | <b>82,302</b>                  | 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 consolidated statement of financial position. Such deferred income is amortised on the straight-line basis to profit or loss over the expected useful lives of the relevant assets acquired.

**32. Share capital****Shares**

|  | <b>2017</b><br><b>HK\$'000</b> | <b>2016</b><br><b>HK\$'000</b> |
|--|--------------------------------|--------------------------------|
| Issued and fully paid:<br>3,428,459,000 (2016: 3,428,459,000) ordinary shares of HK\$0.10 each | <b>342,846</b>                 | 342,846                        |

There is no movement in the Company's issued share capital during 2017.

**33. Share option scheme**

The Company operates a share option scheme (the "Scheme") for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. On 11 January 2011, the Company granted 103,000,000 share options to the directors and other employees of the Group under the Scheme upon payment of a nominal consideration of HK\$1 by each of the grantee. The share options became effective on 11 January 2011 and, unless otherwise cancelled or amended, will remain in force for 10 years from that date.

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

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### 33. Share option scheme (continued)

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

|                           | 2017   |                        | 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              | 2.81   | 45,500                 | 2.81   | 92,500                 |
| Forfeited during the year | –  | –                      | 2.81   | (47,000)               |
| At 31 December            | 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 year are as follows:

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 |
| <b>45,500</b>                            |                               |                                    |

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 |
| <b>45,500</b>                            |                               |                                    |

The fair value of the outstanding share options at the time of grant was estimated, using a binomial model, at HK\$54,145,000 (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 year as all share options have been vested in 2014.

### 34. Reserves

The amounts of the Group's reserves and the movements therein are presented in the consolidated statement of changes in equity on page 105 of the financial statements.

|                              | Notes | 2017<br>HK\$'000 | 2016<br>HK\$'000 |
|------------------------------|-------|------------------|------------------|
| Share premium                | (a)   | <b>3,352,902</b> | 3,352,902        |
| Contributed surplus          |       | <b>(165,554)</b> | (171,679)        |
| Reserve funds                | (b)   | <b>145,237</b>   | 141,697          |
| Share option reserve         |       | <b>53,977</b>    | 53,977           |
| Exchange fluctuation reserve |       | <b>141,284</b>   | (4,286)          |
| Capital redemption reserve   |       | <b>312</b>       | 312              |
| Accumulated losses           |       | <b>(973,249)</b> | (1,110,560)      |
|                              |       | <b>2,554,909</b> | 2,262,363        |

Notes:

- (a) The 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 that was registered in the PRC is required to appropriate 10% of the annual statutory profit after tax (after offsetting any prior years' losses), determined in accordance with PRC GAAP, to the statutory reserve until the balance of the reserve funds reaches 50% of the entity's registered capital. The statutory reserve can be utilised to offset prior years' losses, or to increase capital, provided the remaining balance of the statutory reserve is not less than 25% of the registered capital.

Pursuant to the relevant regulation in the PRC, the Group is required to provide for the safety fund based on the volume of ore excavated and turnover of ferroalloy in prior years.

### 35. Partly-owned subsidiaries with material non-controlling interests

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

|   | 2017             | 2016             |
|---|------------------|------------------|
| Percentage of equity interest held by non-controlling interests:          |                  |                  |
| Huazhou BVI Group   | <b>40%</b>       | 40%              |
| Hui Xing Group  | <b>36%</b>       | 36%              |
| CDT Group   | <b>49%</b>       | 49%              |
|   |                  |                  |
|   | 2017<br>HK\$'000 | 2016<br>HK\$'000 |
| Profit/(loss) for the year allocated to non-controlling interests:        |                  |                  |
| Huazhou BVI Group   | <b>12,953</b>    | (35,364)         |
| Hui Xing Group  | <b>(11,120)</b>  | (6,517)          |
| CDT Group   | <b>87</b>        | (680)            |
|   |                  |                  |
| Accumulated balances of non-controlling interests at the reporting dates: |                  |                  |
| Huazhou BVI Group   | <b>(22,411)</b>  | (35,364)         |
| Hui Xing Group  | <b>190,488</b>   | 201,608          |
| CDT Group   | <b>(593)</b>     | (680)            |

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### 35. Partly-owned subsidiaries with material non-controlling interests (continued)

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

|  | Huazhou BVI Group |                  | Hui Xing Group   |                  | CDT Group        |                  |
|--|-------------------|------------------|------------------|------------------|------------------|------------------|
|  | 2017<br>HK\$'000  | 2016<br>HK\$'000 | 2017<br>HK\$'000 | 2016<br>HK\$'000 | 2017<br>HK\$'000 | 2016<br>HK\$'000 |
| Revenue, other income and gains                      | 319,530           | 2,142            | 160,689          | 143,599          | 268,169          | 53               |
| Total expenses                                       | 293,043           | 74,419           | 191,578          | 161,701          | 267,992          | 1,442            |
| Profit/(loss) for the year                           | 26,487            | (72,277)         | (30,889)         | (18,102)         | 177              | (1,389)          |
| Total comprehensive income/(loss) for the year       | 23,947            | (72,405)         | (23,151)         | (15,790)         | 177              | (1,389)          |
| Current assets                                       | 357,463           | 280,415          | 176,796          | 170,462          | 116,245          | 474              |
| Non-current assets                                   | 88,070            | 105,017          | 901,757          | 868,127          | -                | -                |
| Current liabilities                                  | 927,348           | 891,168          | 343,141          | 306,470          | 204,360          | 88,766           |
| Non-current liabilities                              | -                 | -                | 184,785          | 178,517          | -                | -                |
| Net cash flows (used in)/from operating activities   | (14,386)          | (41,256)         | (36,927)         | (16,252)         | 15,466           | 74,472           |
| Net cash flows from investing activities             | 1                 | 25,819           | 36,090           | 11,281           | 1,700            | -                |
| Net cash flows from/(used in) financing activities   | 18,031            | 15,746           | (441)            | -                | (115)            | (85,405)         |
| Net increase/(decrease) in cash and cash equivalents | 3,646             | 309              | (1,278)          | (4,971)          | 17,051           | (10,933)         |

### 36. Contingent liabilities

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

|   | Notes | 2017<br>HK\$'000 | 2016<br>HK\$'000 |
|---|-------|------------------|------------------|
| Guarantees given to a bank in connection with facilities granted to an associate  | (i)   | 316,985          | 295,126          |
| Guarantees given to Guangxi Dameng Manganese Industry Group Co., Ltd. ("Guangxi Dameng") in connection with loans provided to an investee | (ii)  | 24,014           | -                |

(i) As at 31 December 2017, the outstanding bank loan of an associate, in which the Group has a 33% equity interest, was secured by the associate's lands and property, plant and equipment and guaranteed by the Group and the holding company of the associate, Guangxi Jinqing, according to the shareholding percentage on a several basis.

As at 31 December 2017, the associate's banking facilities guaranteed by the Group and Guangxi Jinqing amounted to RMB800,000,000 (equivalent to HK\$960,560,000) and were utilised to the extent of RMB715,000,000 (equivalent to HK\$858,501,000) (2016: RMB715,000,000, equivalent to HK\$799,299,000) by the associate.

(ii) As at 31 December 2017, loans amounting to RMB20,000,000 (equivalent to HK\$24,014,000) provided by Guangxi Dameng to a company which the Group owns 10% equity interest is guaranteed by the Group in proportion to the equity interest held by the Group.

(b) A subsidiary of the Group is currently a defendant in a lawsuit brought by a party claiming that the subsidiary is liable for the losses owing to the termination of a subcontracting arrangement. Details are set out in the announcement issued by the Group on 11 December 2015. In 2017, the first trial was concluded and the subsidiary had successfully defended against the claim. The lawsuit is currently under appeal by the claimant. The directors, based on the advice from the Group's PRC legal counsel, believe that the subsidiary has a valid defence against the claim under appeal and, accordingly, have not provided for any claim arising from the litigation, other than legal and other costs.

**37. Operating lease arrangements****(a) As lessor**

The Group leases its investment properties (note 16) and leasehold lands (note 17) under operating lease arrangements, with leases negotiated for terms ranging from 1 to 10 years (2016: 1 to 10 years).

As at 31 December 2017 and 2016, the Group had total future minimum lease receivables under non-cancellable operating leases with its tenants falling due as follows:

|   | <b>2017</b><br><b>HK\$'000</b> | <b>2016</b><br><b>HK\$'000</b> |
|---|--------------------------------|--------------------------------|
| Within one year                         | <b>25,329</b>                  | 14,153                         |
| In the second to fifth years, inclusive | <b>55,222</b>                  | 39,395                         |
| After the fifth year                    | <b>145</b>                     | –                              |
|   | <b>80,696</b>                  | 53,548                         |

During the year, the Group has not recognised any contingent rentals receivable (2016: Nil).

**(b) As lessee**

The Group leases certain of its office and housing properties under operating lease arrangements. Leases for properties are negotiated for terms ranging from 1 to 12 years (2016: 1 to 12 years).

As at 31 December 2017 and 2016, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

|   | <b>2017</b><br><b>HK\$'000</b> | <b>2016</b><br><b>HK\$'000</b> |
|---|--------------------------------|--------------------------------|
| Within one year                         | <b>9,570</b>                   | 8,165                          |
| In the second to third years, inclusive | <b>8,950</b>                   | 17,761                         |
|   | <b>18,520</b>                  | 25,926                         |

**38. Commitments**

In addition to the operating lease arrangements detailed in note 37(b) above, the Group had the following capital commitments at the end of the reporting period:

|                                    | <b>2017</b><br><b>HK\$'000</b> | <b>2016</b><br><b>HK\$'000</b> |
|------------------------------------|--------------------------------|--------------------------------|
| Contracted, but not provided for:  |                                |                                |
| Acquisition of land and buildings  | <b>160,637</b>                 | 124,113                        |
| Acquisition of plant and machinery | <b>13,081</b>                  | 27,571                         |
|                                    | <b>173,718</b>                 | 151,684                        |



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### 39. Related party transactions

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

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

|  | Notes  | 2017<br>HK\$'000 | 2016<br>HK\$'000 |
|--|--------|------------------|------------------|
| Sales of finished goods to a subsidiary of Guangxi Dameng                            | (i)    | –                | 326              |
| Sales of finished goods to a related company   | (i)    | 81,628           | 47,632           |
| Sales of finished goods to an associate  | (ii)   | 394,895          | –                |
| Purchase of raw materials from subsidiaries of Guangxi Dameng                        | (i)    | 5,710            | 17,586           |
| Mining drawing service provided by Guangxi Dameng                                    | (iii)  | 653              | 702              |
| Provision of water and electricity to Guangxi Dameng                                 | (iv)   | 48               | 42               |
| Provision of integrated service by Guangxi Dameng                                    | (v)    | 3,736            | 3,649            |
| Rental income received from Guangxi Dameng   | (vi)   | 891              | 895              |
| Maximum balance of bank deposits with related companies during the year              | (vii)  | 5,892            | 59,950           |
| Interest income on deposits placed with related companies                            | (vii)  | 5                | 6                |
| Maximum balance of loans from Guangxi Dameng   | (viii) | 35,746           | 210,528          |
| Interest expense on the borrowings provided by Guangxi Dameng                        | (viii) | 6                | 322              |
| Maximum balance of loans to an associate   | (ix)   | 16,004           | 15,896           |
| Interest income on loans provided to an associate                                    | (ix)   | 430              | 1,307            |
| Maximum balance of loans from a fellow subsidiary of Guangxi Dameng                  | (x)    | 100,425          | 324,917          |
| Interest expense on the borrowings provided by a fellow subsidiary of Guangxi Dameng | (x)    | 8,347            | 11,761           |

**39. Related party transactions (continued)**

## (a) (continued)

Notes:

- (i) These sales and purchases were made at prices based on the mutual agreements between the parties.
- (ii) The sales were made at prices based on the mutual agreements between the parties.
- (iii) The service was provided at prices based on the mutual agreements between the parties.
- (iv) Reimbursement of electricity and water was based on the actual costs incurred plus mark up.
- (v) Service fees were charged at a monthly amount of RMB270,000 (equivalent to HK\$311,000) (2016: RMB260,000, equivalent to HK\$304,000) as mutually agreed by the parties.
- (vi) The rental income was earned at rent based on the mutual agreement between the parties.
- (vii) Maximum bank deposits with related companies during the year and the related interest income received were in the usual and ordinary course of business of the Group.
- (viii) Loans provided by Guangxi Dameng carried interest at 6.36% per annum and were fully repaid during the year.
- (ix) The loan to an associate carries interest at 7% per annum and was fully repaid during the year.
- (x) During 2017, a loan provided by a fellow subsidiary of Guangxi Dameng carries interest at a rate of 7% per annum and is repayable on demand.

During 2016, loans provided by the fellow subsidiary of Guangxi Dameng included: (i) an amount of RMB200,000,000 (equivalent to HK\$233,920,000) was the entrusted loan through China Merchants Bank with a tenor of six months and an interest rate of 5% per annum, which was repaid during the year 2016; and (ii) an amount of RMB81,400,000 (equivalent to HK\$90,997,000) and an interest rate of 5% per annum, which is repayable on demand.

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

## (b) Outstanding balances with related parties

|  | <b>2017</b>     | <b>2016</b>     |
|--|-----------------|-----------------|
|  | <b>HK\$'000</b> | <b>HK\$'000</b> |
| (i) Due from related companies             |                 |                 |
| Trade receivables                          | <b>9,512</b>    | 10,266          |
| Prepayments and other receivables          | <b>126</b>      | 6               |
|  | <b>9,638</b>    | 10,272          |
| (ii) Due to related companies              |                 |                 |
| Trade payables                             | <b>2,132</b>    | 2,873           |
| Other payables                             | <b>116,528</b>  | 111,454         |
|  | <b>118,660</b>  | 114,327         |
| (iii) Bank balances with related companies | <b>412</b>      | 1,376           |
| (iv) Due from associates                   |                 |                 |
| Trade receivables (note)                   | <b>149,614</b>  | –               |
| Other receivables                          | <b>11,053</b>   | 10,291          |
| Loan to an associate                       | <b>–</b>        | 15,896          |
|  | <b>160,667</b>  | 26,187          |

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### 39. Related party transactions (continued)

(b) Outstanding balances with related parties (continued)

Trade receivables from the Group's related companies and an associate 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 at 31 December 2016 amounting to HK\$15,896,000, which carried interest at 7% per annum, was unsecured and repaid during the year, the Group's prepayments and other receivables from related companies and associates at 31 December 2017 and 2016 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 loan included in other payables to related companies carries interest at 7% per annum 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 31 December 2017, included in trade receivables of HK\$837,632,000 (2016: HK\$ 738,934,000) (see note 22), there is a trade receivable due from an associate, Dushan Jinmeng, of HK\$149,614,000 (2016: Nil).

(c) Compensation of key management personnel of the Group

|  | 2017<br>HK\$'000 | 2016<br>HK\$'000 |
|--|------------------|------------------|
| Salaries, allowances and benefits in kind                  | 7,063            | 7,334            |
| Bonuses  | 4,310            | 3,436            |
| Pension scheme contributions                               | 182              | 367              |
| <b>Total compensation paid to key management personnel</b> | <b>11,555</b>    | 11,137           |

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

### 40. Notes to the consolidated statement of cash flows

#### Changes in liabilities arising from financing activities

|                                   | Loan from<br>a third party<br>HK\$'000 | Due to<br>related<br>parties<br>HK\$'000 | Interest<br>payables<br>HK\$'000 | Bank and<br>other loans<br>HK\$'000 | Finance<br>lease<br>payables<br>HK\$'000 |
|-----------------------------------|--|--|----------------------------------|-------------------------------------|--|
| At 1 January 2017                 | 33,740                                 | 114,327                                  | 1,461                            | 3,592,760                           | 295,141                                  |
| Changes from financing cash flows | (33,740)                               | –  | (218,077)                        | (277,912)                           | (86,109)                                 |
| Changes from operating cash flows | –                                      | (5,095)                                  | –                                | –                                   | –  |
| Foreign exchange movement         | –                                      | 6,846                                    | 97                               | 206,012                             | 18,305                                   |
| Interest expense                  | –                                      | 2,582                                    | 218,077                          | –                                   | –  |
| <b>At 31 December 2017</b>        | <b>–</b>                               | <b>118,660</b>                           | <b>1,558</b>                     | <b>3,520,860</b>                    | <b>227,337</b>                           |

#### 41. Financial instruments by category

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

##### Financial assets

The Group's financial assets classified as loans and receivables are as follows:

|   | <b>2017</b><br><b>HK\$'000</b> | <b>2016</b><br><b>HK\$'000</b> |
|---|--------------------------------|--------------------------------|
| Trade and notes receivables   | <b>1,175,599</b>               | 837,592                        |
| Financial assets included in prepayments,<br>deposits and other receivables | <b>115,978</b>                 | 109,289                        |
| Due from related companies  | <b>9,638</b>                   | 10,272                         |
| Due from associates   | <b>11,053</b>                  | 26,187                         |
| Pledged deposits  | <b>188,202</b>                 | 545,349                        |
| Cash and cash equivalents   | <b>669,100</b>                 | 989,510                        |
|   | <b>2,169,570</b>               | 2,518,199                      |

The Group's financial assets classified as financial assets at fair value through profit or loss are as follows:

|   | <b>2017</b><br><b>HK\$'000</b> | <b>2016</b><br><b>HK\$'000</b> |
|---|--------------------------------|--------------------------------|
| Financial assets at fair value through profit or loss | <b>8,154</b>                   | 24,295                         |

##### Financial liabilities

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

|   | <b>2017</b><br><b>HK\$'000</b> | <b>2016</b><br><b>HK\$'000</b> |
|---|--------------------------------|--------------------------------|
| Trade and notes payables                                      | <b>736,737</b>                 | 950,036                        |
| Financial liabilities included in other payables and accruals | <b>817,576</b>                 | 696,185                        |
| Interest-bearing bank and other borrowings                    | <b>3,748,197</b>               | 3,886,901                      |
| Due to related companies                                      | <b>118,660</b>                 | 114,327                        |
|   | <b>5,421,170</b>               | 5,647,449                      |

## Notes to Financial Statements

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### 42. Fair value and fair value hierarchy 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:

The fair value of listed bond investments are based on quoted market price.

#### Financial liabilities

|  | Carrying amounts |                  | Fair values      |                  |
|--|------------------|------------------|------------------|------------------|
|  | 2017<br>HK\$'000 | 2016<br>HK\$'000 | 2017<br>HK\$'000 | 2016<br>HK\$'000 |
| Interest-bearing bank and other borrowings | <b>3,748,197</b> | 3,886,901        | <b>3,748,197</b> | 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 31 December 2017 was assessed to be insignificant.

**42. Fair value and fair value hierarchy of financial instruments (continued)**

## Fair value hierarchy

The following tables illustrate the fair value measurement hierarchy of the Group's Financial instruments.

Assets measured at fair value:

|   | Fair value measurement using                                   |  |  | Total<br>HK\$'000 |
|---|--|--|--|-------------------|
|   | quoted<br>prices in<br>active markets<br>(Level 1)<br>HK\$'000 | significant<br>observable<br>inputs<br>(Level 2)<br>HK\$'000 | significant<br>unobservable<br>inputs<br>(Level 3)<br>HK\$'000 |                   |
| 2017  |  |  |  |                   |
| Financial assets at fair value through profit or loss | 8,154  | –  | –  | 8,154             |
| 2016  |  |  |  |                   |
| Financial assets at fair value through profit or loss | 24,295   | –  | –  | 24,295            |

Liabilities for which fair values are disclosed:

|  | Fair value measurement using                                   |  |  | Total<br>HK\$'000 |
|--|--|--|--|-------------------|
|  | quoted<br>prices in<br>active markets<br>(Level 1)<br>HK\$'000 | significant<br>observable<br>inputs<br>(Level 2)<br>HK\$'000 | significant<br>unobservable<br>inputs<br>(Level 3)<br>HK\$'000 |                   |
| 2017                                       |  |  |  |                   |
| Interest-bearing bank and other borrowings | –  | 3,748,197  | –  | 3,748,197         |
| 2016                                       |  |  |  |                   |
| Interest-bearing bank and other borrowings | –  | 3,886,901  | –  | 3,886,901         |

## Notes to Financial Statements

31 December 2017

### 43. Financial risk management objectives and policies

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

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

#### Interest rate risk

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

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

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

|                             | Increase/<br>(decrease) in<br>basis points | Decrease/<br>(increase)<br>in profit/<br>loss<br>before tax<br>HK\$'000 | Decrease/<br>(increase)<br>in equity*<br>HK\$'000 |
|-----------------------------|--|---|---|
| Year ended 31 December 2017 |  |   |   |
| RMB                         | 100  | 7,141   | -   |
| RMB                         | (100)                                      | (7,141)   | -   |
| US\$                        | 100  | 3,711   | -   |
| US\$                        | (100)                                      | (3,711)   | -   |
| Year ended 31 December 2016 |  |   |   |
| RMB                         | 100  | 9,325   | -   |
| RMB                         | (100)                                      | (9,325)   | -   |
| US\$                        | 100  | 5,968   | -   |
| US\$                        | (100)                                      | (5,968)   | -   |

\* Excluding retained profits

#### 43. Financial risk management objectives and policies (continued)

##### Foreign currency risk

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

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

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

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

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

|                                 | Increase/<br>(decrease)<br>in exchange<br>rate<br>% | Increase/<br>(decrease)<br>in profit/<br>loss<br>before tax<br>HK\$'000 | Increase/<br>(decrease)<br>in equity*<br>HK\$'000 |
|---------------------------------|---|---|---|
| 31 December 2017                |   |   |   |
| If HK\$ weakens against RMB     | 1   | 344   | –   |
| If HK\$ strengthens against RMB | (1)   | (344)   | –   |
| 31 December 2016                |   |   |   |
| If HK\$ weakens against RMB     | 1   | 2   | –   |
| If HK\$ strengthens against RMB | (1)   | (2)   | –   |

\* Excluding retained profits

##### Credit risk

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

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



## Notes to Financial Statements

31 December 2017

### 43. Financial risk management objectives and policies (continued)

#### Credit risk (continued)

The Group determines the concentration of credit risk by monitoring the locations of its customers. The table below shows an analysis of credit risk exposures of trade and notes receivables which constituted approximately 54% of the Group's total financial assets as at 31 December 2017 (2016: 33%):

|                                 | <b>2017</b><br><b>HK\$'000</b> | <b>2016</b><br><b>HK\$'000</b> |
|---------------------------------|--------------------------------|--------------------------------|
| By location:                    |                                |                                |
| Mainland China                  | <b>1,144,492</b>               | 780,933                        |
| Asia (excluding Mainland China) | <b>20,155</b>                  | 48,464                         |
| Europe                          | <b>3,334</b>                   | 3,617                          |
| North America                   | <b>7,618</b>                   | 4,578                          |
|                                 | <b>1,175,599</b>               | 837,592                        |

In addition, approximately 27% of the Group's trade and notes receivables were due from the Group's five largest customers as at 31 December 2017 (2016: approximately 42%).

#### Liquidity risk

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

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

|  | <b>On demand</b><br><b>HK\$'000</b> | <b>Less than</b><br><b>3 months</b><br><b>HK\$'000</b> | <b>2017</b><br><b>3 to less than</b><br><b>12 months</b><br><b>HK\$'000</b> | <b>1 to 5</b><br><b>years</b><br><b>HK\$'000</b> | <b>Total</b><br><b>HK\$'000</b> |
|--|-------------------------------------|--|---|--|---------------------------------|
| Trade and notes payables   | -                                   | 736,737  | -   | -  | 736,737                         |
| Financial liabilities included in<br>other payables and accruals   | -                                   | 591,506  | -   | -  | 591,506                         |
| Interest-bearing bank and<br>other borrowings  | -                                   | 1,149,221  | 1,955,975   | 779,323  | 3,884,519                       |
| Due to related companies   | 118,660                             | -  | -   | -  | 118,660                         |
| Guarantees given to a bank/a related party<br>in connection with facilities granted to an<br>associate/an investee | 340,999                             | -  | -   | -  | 340,999                         |
|  | <b>459,659</b>                      | <b>2,477,464</b>                                       | <b>1,955,975</b>  | <b>779,323</b>                                   | <b>5,672,421</b>                |

**43. Financial risk management objectives and policies (continued)**

## Liquidity risk (continued)

|   | 2016                  |                                   |   |                             | Total<br>HK\$'000 |
|---|-----------------------|-----------------------------------|---|-----------------------------|-------------------|
|   | On demand<br>HK\$'000 | Less than<br>3 months<br>HK\$'000 | 3 to less than<br>12 months<br>HK\$'000 | 1 to 5<br>years<br>HK\$'000 |                   |
| Trade and notes payables  | -                     | 950,036                           | -                                       | -                           | 950,036           |
| Financial liabilities included in<br>other payables and accruals                    | -                     | 696,185                           | -                                       | -                           | 696,185           |
| Interest-bearing bank and<br>other borrowings                                       | -                     | 577,875                           | 2,159,718                               | 1,364,551                   | 4,102,144         |
| Due to related companies  | 114,327               | -                                 | -                                       | -                           | 114,327           |
| Guarantees given to a bank in connection<br>with facilities granted to an associate | 295,126               | -                                 | -                                       | -                           | 295,126           |
|   | 409,453               | 2,224,096                         | 2,159,718                               | 1,364,551                   | 6,157,818         |

## Capital management

The primary objectives of the Group's capital management are to safeguard the Group's ability to continue as a going concern and to maintain healthy capital ratios in order to support its business and maximise shareholders' value. The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes for managing capital during the years ended 31 December 2017 and 31 December 2016.

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

|   | 2017<br>HK\$'000 | 2016<br>HK\$'000 |
|---|------------------|------------------|
| Interest-bearing bank and other borrowings  | <b>3,748,197</b> | 3,886,901        |
| Less: Cash and cash equivalents             | <b>(669,100)</b> | (989,510)        |
| Less: Pledged deposits                      | <b>(188,202)</b> | (545,349)        |
| Net debt                                    | <b>2,890,895</b> | 2,352,042        |
| Equity attributable to owners of the parent | <b>2,897,755</b> | 2,605,209        |
| Net gearing ratio                           | <b>99.8%</b>     | 90.3%            |

## Notes to Financial Statements

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### 44. Statement of financial position of the Company

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

|                               | 2017<br>HK\$'000 | 2016<br>HK\$'000 |
|-------------------------------|------------------|------------------|
| <b>NON-CURRENT ASSET</b>      |                  |                  |
| Investment in a subsidiary    | –                | –                |
| <b>CURRENT ASSETS</b>         |                  |                  |
| Other receivables             | 766              | 781              |
| Amounts due from subsidiaries | 3,003,429        | 2,922,310        |
| Cash and cash equivalents     | 9,433            | 103,924          |
|                               | <b>3,013,628</b> | 3,027,015        |
| <b>CURRENT LIABILITIES</b>    |                  |                  |
| Other payables and accruals   | 1,782            | 3,683            |
|                               | <b>1,782</b>     | 3,683            |
| <b>NET CURRENT ASSETS</b>     | <b>3,011,846</b> | 3,023,332        |
| <b>NET ASSETS</b>             | <b>3,011,846</b> | 3,023,332        |
| <b>EQUITY</b>                 |                  |                  |
| Issued capital                | 342,846          | 342,846          |
| Reserves (note)               | 2,669,000        | 2,680,486        |
| <b>TOTAL EQUITY</b>           | <b>3,011,846</b> | 3,023,332        |

**Yin Bo**  
Director

**Li Weijian**  
Director

**44. Statement of financial position of the Company (continued)**

Note:

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

|  | Share<br>premium<br>account<br>HK\$'000 | Share<br>option<br>reserve<br>HK\$'000 | Capital<br>redemption<br>reserve<br>HK\$'000 | Accumulated<br>losses<br>HK\$'000 | Total<br>HK\$'000 |
|--|---|--|--|-----------------------------------|-------------------|
| At 1 January 2016  | 3,352,902                               | 110,540                                | 312  | (142,581)                         | 3,321,173         |
| Transfer of share option reserve upon<br>forfeiture of share options | –                                       | (56,563)                               | –  | 56,563                            | –                 |
| Loss for the year  | –                                       | –                                      | –  | (640,687)                         | (640,687)         |
| At 31 December 2016<br>and at 1 January 2017                         | <b>3,352,902</b>                        | <b>53,977</b>                          | <b>312</b>                                   | <b>(726,705)</b>                  | <b>2,680,486</b>  |
| Loss for the year  | –                                       | –                                      | –  | <b>(11,486)</b>                   | <b>(11,486)</b>   |
| <b>At 31 December 2017</b>   | <b>3,352,902</b>                        | <b>53,977</b>                          | <b>312</b>                                   | <b>(738,191)</b>                  | <b>2,669,000</b>  |

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

**45. Approval of the financial statements**

The financial statements were approved and authorised for issue by the board of directors on 27 February 2018.



## Past Performance and Forward Looking Statements

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

# Glossary of Terms

|                             |   |
|-----------------------------|---|
| 2017 AGM                    | the annual general meeting of the Company held on 21 June 2017 (Wednesday) at 3:00 pm at Room 1, United Conference Centre, 10/F, United Centre, 95 Queensway, Hong Kong   |
| 2018 AGM                    | the annual general meeting of the Company which is tentatively scheduled to be held on 25 May 2018 (Friday)   |
| Apexhill                    | Apexhill Investments Limited, a company incorporated in the British Virgin Islands with limited liability on 3 November 2004, which is wholly-owned by CITIC United Asia Limited. Apexhill is a shareholder of our Company  |
| 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  |
| BVI                         | the British Virgin Islands  |
| Bye-laws                    | the bye-laws of our Company, as amended from time to time   |
| Changgou Manganese Mine     | 貴州遵義匯興鐵合金有限責任公司長溝錳礦 (Guizhou Zunyi Hui Xing Ferroalloy Limited Company Changgou Manganese Mine)   |
| China or PRC                | the People's Republic of China, but for the purpose of this annual report, excluding the Hong Kong Special Administrative Region, Macau Special Administrative Region and Taiwan  |
| CDT Group                   | CITIC Dameng Trading Limited together with its subsidiary, Opulent Sea Limited  |
| Chongzuo Branch             | 中信大錳礦業有限責任公司崇左分公司 (CITIC Dameng Mining Industries Co., Limited Chongzuo Branch)   |
| CITIC Dameng Investments    | CITIC Dameng Investments Limited (中信大錳投資有限公司)   |
| CITIC Dameng Mining or CDM  | 中信大錳礦業有限責任公司 (CITIC Dameng Mining Industries Co., Limited)  |
| CITIC Group                 | 中國中信集團有限公司 (CITIC Group Corporation), a company incorporated under the laws of the PRC on 4 October 1979, and, except where the context may otherwise require, all of its subsidiaries, which is a Controlling Shareholder of our Company   |

## Glossary of Terms

|                         |  |
|-------------------------|--|
| 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  |
| Company or our Company  | CITIC Dameng Holdings Limited  |
| Controlling Shareholder | has the meaning ascribed to it in the Listing Rules  |
| CPM                     | China Polymetallic Mining Limited, a company incorporated in Cayman Islands with limited liability on 30 November 2009 and listed on the Stock Exchange (Stock Code: 2133)   |
| Daxin Mine              | 中信大錳礦業有限責任公司大新錳礦 (CITIC Dameng Mining Industries Co., Limited Daxin Manganese Mine)  |
| Director(s)             | the director(s) of our Company   |
| Dushan Jinmeng          | 獨山金孟錳業有限公司 (Dushan Jinmeng Manganese Limited Company)  |
| DXML                    | 中信大錳大新錳業有限公司 (CITIC Dameng Daxin Manganese Limited Company), formerly known as 廣西三錳龍礦業有限公司 (Guangxi Sanmenglong Mining Limited Company)  |
| EMD                     | electrolytic manganese dioxide   |
| EMM                     | electrolytic manganese metal   |
| Gabon                   | the Gabonese Republic  |
| Group, we or us         | the Company and its subsidiaries   |
| Guangxi                 | Guangxi Zhuang Autonomous Region, the PRC  |
| Guangxi Dameng          | 廣西大錳錳業集團有限公司 (Guangxi Dameng Manganese Industry Group Co., Ltd.) formerly known as 廣西大錳錳業有限公司 (Guangxi Dameng Manganese Industrial Co., Ltd.), a state-owned limited liability company established under the laws of the PRC on 30 July 2001. Guangxi Dameng is wholly-owned by the government of Guangxi, PRC |
| Guangxi Jinmeng         | 廣西金孟錳業有限公司 (Guangxi Jinmeng Manganese Limited Company), a company established under the laws of the PRC, which holds approximately 67.0% equity interest in Dushan Jinmeng   |
| Guangxi Jinmeng Group   | Guangxi Jinmeng together with its subsidiaries (including Dushan Jinmeng)  |

## Glossary of Terms

|   |  |
|---|--|
| Guangxi Start                           | 廣西斯達特錳材料有限公司 (Guangxi Start Manganese Materials Co., Ltd.)   |
| Highkeen                                | Highkeen Resources Limited, a company incorporated in the British Virgin Islands on 28 January 2005 with limited liability, which is indirectly wholly-owned by CITIC Resources. Highkeen is an immediate Controlling Shareholder of our Company   |
| Hong Kong or HK                         | the Hong Kong Special Administrative Region of the PRC   |
| Hui Xing Company                        | 貴州遵義匯興鐵合金有限責任公司 (Guizhou Zunyi Hui Xing Ferroalloy Limited Company)  |
| Hui Xing Group                          | Hui Xing Company together with its subsidiaries (including 遵義中信大錳設備製造安裝有限公司 (Zunyi CITIC Dameng Equipment Manufacture and Installation Co., Ltd.))   |
| Huazhou BVI Group                       | Huazhou Mining Investment Limited together with its subsidiaries (including Compagnie Industrielle et Commerciale des Mines de Huazhou)  |
| IPO                                     | the initial public offering and listing of Shares of the Company on the main board of the Stock Exchange on 18 November 2010   |
| JORC                                    | the Joint Ore Reserves Committee of the Australian Institute of Mining and Metallurgy  |
| JORC Code                               | the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves 2012 edition, which is used to determine resources and reserves, and is published by JORC of the Australasian Institute of Mining and Metallurgy, the Australian Institute of Geoscientists and the Minerals Council of Australia |
| Listing Rules                           | the Rules Governing the Listing of Securities on the Stock Exchange (as amended from time to time)   |
| Non-compete Undertaking                 | the non-compete undertaking given by CITIC Resources in favour of our Company under the deed of non-competition dated 3 November 2010  |
| Prospectus                              | the prospectus of the Company dated 8 November 2010  |
| Qinzhou Ferroalloy Plant                | the ferroalloy production plant located near Qinzhou Harbour and owned and operated by 中信大錳(欽州)新材料有限公司 (CITIC Dameng (Qinzhou) New Materials Co., Ltd.), a company in which we indirectly hold 70% equity interest   |
| Securities and Futures Ordinance or SFO | the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)  |



## Glossary of Terms

|                         |   |
|-------------------------|---|
| 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.

