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

(incorporated in Bermuda with limited liability)

Stock Code: 1091

INTERIM REPORT 2019

* For identification purpose only

Contents

Corporate Information

Board of Directors

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

Non-executive Directors
Mr. Suo Zhengang
Mr. Lyu Yanzheng
Mr. Cheng Zhiwei (appointed on 1 July 2019)
Ms. Cui Ling (appointed on 1 July 2019)
Mr. Chen Jiqiu (resigned on 1 July 2019)

Independent Non-executive Directors
Mr. Lin Zhijun
Mr. Tan Zhuzhong
Mr. Wang Zhihong (appointed on 1 March 2019)
Mr. Wang Chunxin (resigned on 28 February 2019)

Audit Committee

Mr. Lin Zhijun (Chairman)
Mr. Tan Zhuzhong
Mr. Wang Zhihong (appointed on 1 March 2019)
Ms. Cui Ling (appointed on 1 July 2019)
Mr. Wang Chunxin (resigned on 28 February 2019)

Remuneration Committee

Mr. Wang Zhihong (Chairman)
(appointed as chairman on 1 March 2019)
Mr. Yin Bo
Mr. Li Weijian
Mr. Lin Zhijun
Mr. Tan Zhuzhong
Mr. Wang Chunxin
(resigned and ceased to be chairman on 28 February 2019)

Nomination Committee

Mr. Tan Zhuzhong (Chairman)
Mr. Yin Bo
Mr. Li Weijian
Mr. Lin Zhijun
Mr. Wang Zhihong (appointed on 1 March 2019)
Mr. Wang Chunxin (resigned on 28 February 2019)

Company Secretary

Mr. Lau Wai Yip

Registered Office

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

Headquarters in Hong Kong

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

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Principal Place of Business in the PRC

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

Bermuda Principal Share Registrar and Transfer Office

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

Hong Kong Branch Share Registrar and Transfer Office

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

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

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

Six months ended 30 June 2019

	Notes	Six months ended 30 June **2019** **HK$'000** **(Unaudited)**	 2018 HK$'000 (Unaudited)
REVENUE	4	**3,140,900**	3,263,124
Cost of sales		**(2,777,780)**	(2,985,143)
Gross profit		**363,120**	277,981
Other income and gains	4	**95,970**	203,118
Selling and distribution expenses		**(44,905)**	(52,276)
Administrative expenses		**(200,209)**	(181,953)
Finance costs	5	**(111,681)**	(128,469)
Other expenses		**(3,522)**	(6,647)
Share of profits and losses of:			
– Associates		**(10,573)**	(1,526)
– A joint venture		**2,721**	–
PROFIT BEFORE TAX	6	**90,921**	110,228
Income tax (expense)/credit	7	**(24,501)**	3,791
PROFIT FOR THE PERIOD		**66,420**	114,019
OTHER COMPREHENSIVE INCOME/(LOSS)			
Other comprehensive income/(loss) that may be reclassified to profit or loss in subsequent periods:			
– Exchange differences on translation of foreign operations		**1,126**	(36,998)
– Cash flow hedges, net of tax		**(3,002)**	–
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		**64,544**	77,021
Profit/(loss) attributable to:			
Owners of the parent		**86,261**	85,884
Non-controlling interests		**(19,841)**	28,135
		66,420	114,019
Total comprehensive income/(loss) attributable to:			
Owners of the parent		**84,610**	52,222
Non-controlling interests		**(20,066)**	24,799
		64,544	77,021
Earnings per share attributable to ordinary equity holders of the parent:	8		
– Basic		**HK$0.0252**	HK$0.0251
– Diluted		**HK$0.0252**	HK$0.0251

Interim Condensed Consolidated Statement of Financial Position

30 June 2019

	Notes	30 June 2019 HK$'000 (Unaudited)	31 December 2018 HK$'000 (Audited)
NON-CURRENT ASSETS			
Property, plant and equipment	10	**2,715,426**	2,726,320
Investment properties		**96,492**	96,552
Prepaid land lease payments		**–**	440,975
Right-of-use assets	11	**501,284**	–
Intangible assets	12	**521,384**	529,358
Investments in associates	13	**875,576**	886,382
Investment in a joint venture	14	**128,216**	125,534
Deferred tax assets	15	**33,967**	34,037
Prepayments and other assets	18	**143,223**	183,999
Total non-current assets		**5,015,568**	5,023,157
CURRENT ASSETS			
Inventories	16	**748,235**	685,029
Trade and notes receivables	17	**1,815,230**	1,923,819
Prepayments, other receivables and other assets	18	**617,525**	534,875
Derivative financial instruments	23	**636**	–
Due from related companies	31	**35,237**	35,064
Due from associates	13	**18,304**	17,854
Due from a joint venture	14	**17,983**	1,412
Tax recoverable		**496**	496
Financial assets at fair value through profit or loss	19	**7,944**	7,931
Pledged deposits	20	**65,227**	119,074
Cash and cash equivalents	20	**1,520,703**	1,269,668
Total current assets		**4,847,520**	4,595,222
CURRENT LIABILITIES			
Trade and notes payables	21	**838,885**	778,706
Other payables and accruals	22	**871,431**	993,005
Derivative financial instruments	23	**1,915**	699
Interest-bearing bank and other borrowings	24	**3,734,909**	3,171,060
Due to related companies	31	**2,976**	8,575
Tax payable		**25,043**	14,815
Total current liabilities		**5,475,159**	4,966,860
NET CURRENT LIABILITIES		**(627,639)**	(371,638)
TOTAL ASSETS LESS CURRENT LIABILITIES		**4,387,929**	4,651,519
NON-CURRENT LIABILITIES			
Interest-bearing bank and other borrowings	24	**899,213**	1,192,235
Derivative financial instruments	23	**2,864**	1,232
Deferred tax liabilities	15	**185,141**	186,463
Other long-term liabilities		**30,148**	28,118
Deferred income	26	**73,821**	76,988
Total non-current liabilities		**1,191,187**	1,485,036
Net assets		**3,196,742**	3,166,483

Interim Condensed Consolidated Statement of Financial Position

30 June 2019

	Notes	**30 June 2019 HK$'000 (Unaudited)**	31 December 2018 HK$'000 (Audited)
EQUITY			
Equity attributable to owners of the parent			
Issued capital	27	**342,846**	342,846
Reserves	28	**2,807,389**	2,757,064
		3,150,235	3,099,910
Non-controlling interests		**46,507**	66,573
Total equity		**3,196,742**	3,166,483

Yin Bo
Director

Li Weijian
Director

Interim Condensed Consolidated Statement of Changes in Equity

Six months ended 30 June 2019

	Attributable to owners of the parent											
	Issued capital HK$'000	Share premium HK$'000	Contributed surplus HK$'000	Hedging reserve HK$'000	Share option reserve HK$'000	Reserve funds HK$'000	Exchange fluctuation reserve HK$'000	Capital redemption reserve HK$'000	Retained profits HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total equity HK$'000
At 31 December 2018 and 1 January 2019 (audited)	342,846	–	2,487,348	(1,777)	52,760	144,025	14,285	312	60,111	3,099,910	66,573	3,166,483
Profit/(loss) for the period	–	–	–	–	–	–	–	–	86,261	86,261	(19,841)	66,420
Other comprehensive income/(loss) for the period:												
Exchange differences on translation of foreign operations	–	–	–	–	–	–	1,351	–	–	1,351	(225)	1,126
Cash flow hedges, net of tax	–	–	–	(3,002)	–	–	–	–	–	(3,002)	–	(3,002)
Total comprehensive income/(loss) for the period	–	–	–	(3,002)	–	–	1,351	–	86,261	84,610	(20,066)	64,544
Provision for special reserve	–	–	–	–	–	24,128	–	–	(24,128)	–	–	–
Utilisation of special reserve	–	–	–	–	–	(28,252)	–	–	28,252	–	–	–
Transfer from retained profits (note 28(a))	–	–	–	–	–	22,081	–	–	(22,081)	–	–	–
Final dividend declared and paid (note 9(b))	–	–	(34,285)	–	–	–	–	–	–	(34,285)	–	(34,285)
At 30 June 2019 (Unaudited)	**342,846**	**–***	**2,453,063***	**(4,779)***	**52,760***	**161,982***	**15,636***	**312***	**128,415***	**3,150,235**	**46,507**	**3,196,742**

Interim Condensed Consolidated Statement of Changes in Equity

Six months ended 30 June 2019

	Attributable to owners of the parent											
	Issued capital HK$'000	Share premium HK$'000	Contributed surplus HK$'000	Hedging reserve HK$'000	Share option reserve HK$'000	Reserve funds HK$'000	Exchange fluctuation reserve HK$'000	Capital redemption reserve HK$'000	Accumulated losses HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total equity HK$'000
At 31 December 2017 and 1 January 2018 (audited)	342,846	3,352,902	(165,554)	–	53,977	145,237	141,284	312	(973,249)	2,897,755	69,344	2,967,099
Profit for the period	–	–	–	–	–	–	–	–	85,884	85,884	28,135	114,019
Other comprehensive loss for the period:												
Exchange differences on translation of foreign operations	–	–	–	–	–	–	(33,662)	–	–	(33,662)	(3,336)	(36,998)
Total comprehensive income/(loss) for the period	–	–	–	–	–	–	(33,662)	–	85,884	52,222	24,799	77,021
Provision for special reserve	–	–	–	–	–	24,515	–	–	(24,515)	–	–	–
Utilisation of special reserve	–	–	–	–	–	(24,203)	–	–	24,203	–	–	–
Transfer from accumulated losses	–	–	–	–	–	1,504	–	–	(1,504)	–	–	–
At 30 June 2018 (Unaudited)	**342,846**	**3,352,902**	**(165,554)**	**-**	**53,977**	**147,053**	**107,622**	**312**	**(889,181)**	**2,949,977**	**94,143**	**3,044,120**

* These reserve accounts comprise the consolidated reserves of HK$2,807,389,000 in the interim condensed consolidated statement of financial position (31 December 2018: HK$2,757,064,000).

Interim Condensed Consolidated Statement of Cash Flows

Six months ended 30 June 2019

	Note	Six months ended 30 June	
		2019	2018
		HK$'000	HK$'000
		(Unaudited)	(Unaudited)
Net cash flows generated from/(used in) operating activities		**203,782**	(118,958)
Net cash flows used in investing activities		**(140,589)**	(179,896)
Net cash flows generated from financing activities		**188,489**	741,292
NET INCREASE IN CASH AND CASH EQUIVALENTS		**251,682**	442,438
Cash and cash equivalents at beginning of period		**1,269,668**	669,100
Effect of exchange rate changes, net		**(647)**	(4,822)
CASH AND CASH EQUIVALENTS AT END OF PERIOD		**1,520,703**	1,106,716
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances	20	**1,585,930**	1,274,544
Less: Pledged deposits	20	**(65,227)**	(167,828)
Cash and cash equivalents at end of period		**1,520,703**	1,106,716

Notes to Interim Condensed Consolidated Financial Statements

30 June 2019

1. Corporate information

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

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

2. Basis of preparation and changes to accounting policies

2.1 Basis of preparation

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

As at 30 June 2019, the Company and its subsidiaries (collectively referred to as the "**Group**") had net current liabilities of HK$627.6 million (31 December 2018: HK$371.6 million). In view of these circumstances, the directors of the Company have given consideration to the future liquidity and performance of the Group and its available sources of finance in assessing whether the Group will have sufficient financial resources to continue as a going concern. In order to improve the Group's liquidity and cash flows to sustain the Group as a going concern, the Group implemented or is in the process of implementing the following measures:

(a) The Group continues to restructure the mix of manganese products with the aim to increase the portion of products with higher margin so as to attain profitable and positive cash flow operations. In particular, the Group 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 30 June 2019, 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$1,134.6 million upon repayment when due, subject to the condition that the Group will be able to repay the total interest due upon the respective repayment dates. Based on the abovementioned agreements and past experience, the directors consider it is highly probable that the Group can extend adequate amount of short-term bank loans for another year when fall due to maintain sufficient working capital of the Group.

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

The directors of the Company have prepared a cash flow forecast for the Group which covers a period of twelve months from the end of the reporting period. They are of the opinion that, taking into account the abovementioned plans and measures and profitability of the Group in the first half of the year 2019, 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 six months ended 30 June 2019 on a going concern basis.

Notes to Interim Condensed Consolidated Financial Statements

30 June 2019

2. Basis of preparation and changes to accounting policies (continued)

2.2 New standards, interpretations and amendments adopted by the Group

The accounting policies adopted in the preparation of the interim condensed consolidated financial information are consistent with those applied in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2018, except for the adoption of the new and revised Hong Kong Financial Reporting Standards ("HKFRSs") effective as of 1 January 2019.

Amendments to HKFRS 9	Prepayment Features with Negative Compensation
HKFRS 16	Leases
Amendments to HKAS 19	Plan Amendment, Curtailment or Settlement
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures
HK(IFRIC)-Int 23	Uncertainty over Income Tax Treatments
Annual Improvements 2015-2017 Cycle	Amendments to HKFRS 3, HKFRS 11, HKAS 12 and HKAS 23

Other than as explained below regarding the impact of HKFRS 16 Leases, Amendments to HKAS 28 Long-term Interests in Associates and Joint Ventures and HK(IFRIC)-Int 23 Uncertainty over Income Tax Treatments, the new and revised standards are not relevant to the preparation of the Group's interim condensed consolidated financial information. The nature and impact of the new and revised HKFRSs are described below:

(a) HKFRS 16 replaces HKAS 17 Leases, HK(IFRIC)-Int 4 Determining whether an Arrangement contains a Lease, HK(SIC)-Int 15 Operating Leases - Incentives and HK(SIC)-Int 27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model. Lessor accounting under HKFRS 16 is substantially unchanged from HKAS 17. Lessors will continue to classify leases as either operating or finance leases using similar principles as in HKAS 17. Therefore, HKFRS 16 did not have any financial impact on leases where the Group is the lessor.

The Group adopted HKFRS 16 using the modified retrospective method of adoption with the date of initial application of 1 January 2019. Under this method, the standard is applied retrospectively with the cumulative effect of initial adoption as an adjustment to the opening balance of retained earnings at 1 January 2019, if any, and the comparative information for 2018 was not restated and continues to be reported under HKAS 17.

New definition of a lease

Under HKFRS 16, a contract is, or contains a lease if the contract conveys a right to control the use of an identified asset for a period of time in exchange for consideration. Control is conveyed where the customer has both the right to obtain substantially all of the economic benefits from use of the identified asset and the right to direct the use of the identified asset. The Group elected to use the transition practical expedient allowing the standard to be applied only to contracts that were previously identified as leases applying HKAS 17 and HK(IFRIC)-Int 4 at the date of initial application. Contracts that were not identified as leases under HKAS 17 and HK(IFRIC)-Int 4 were not reassessed. Therefore, the definition of a lease under HKFRS 16 has been applied only to contracts entered into or changed on or after 1 January 2019.

At inception or on reassessment of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease and non-lease component on the basis of their stand-alone prices. A practical expedient is available to a lessee, which the Group has adopted, not to separate non-lease components and to account for the lease and the associated non-lease components (e.g., property management services for leases of properties) as a single lease component.

2. Basis of preparation and changes to accounting policies (continued)

2.2 New standards, interpretations and amendments adopted by the Group (continued)

(a) (continued)

As a lessee – Leases previously classified as operating leases

Nature of the effect of adoption of HKFRS 16

The Group has lease contracts for various items of prepaid land lease payments and property, plant and equipment. As a lessee, the Group previously classified leases as either finance leases or operating leases based on the assessment of whether the lease transferred substantially all the rewards and risks of ownership of assets to the Group. Under HKFRS 16, the Group applies a single approach to recognise and measure right-of-use assets and lease liabilities for all leases, except for two elective exemptions for leases of low value assets (elected on a lease by lease basis) and short-term leases (elected by class of underlying asset). The Group has elected not to recognise right-of-use assets and lease liabilities for (i) leases of low-value assets (e.g., laptop computers and telephones); and (ii) leases, that at the commencement date, have a lease term of 12 months or less. Instead, the Group recognises the lease payments associated with those leases as an expense on a straight-line basis over the lease term.

Impacts on transition

Lease liabilities at 1 January 2019 were recognised based on the present value of the remaining lease payments, discounted using the incremental borrowing rate at 1 January 2019 and included in "Other payables and accruals".

The right-of-use assets were measured at the amount of the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to the lease recognised in the statement of financial position immediately before 1 January 2019. All these assets were assessed for any impairment based on HKAS 36 on that date. The Group elected to present the right-of-use assets separately in the statement of financial position.

For the leasehold land and buildings (that were held to earn rental income and/or for capital appreciation) previously included in investment properties and measured at fair value, the Group has continued to include them as investment properties at 1 January 2019. They continue to be measured at fair value applying HKAS 40.

The Group has used the following elective practical expedients when applying HKFRS 16 at 1 January 2019:

- Applied a single discount rate to a portfolio of leases with reasonably similar characteristics (such as leases with a similar remaining lease term for a similar class of underlying asset in a similar economic environment);

- Elected not to recognise a lease liability and a right-of-use asset for leases for which the lease term ends within 12 months of the date of initial application. In this case, a lessee:

    (i) accounts for those leases in the same way as short-term leases; and

    (ii) includes the cost associated with those leases within the disclosure of short-term lease expense in the annual reporting period that includes the date of initial application;

- Used hindsight in determining the lease term where the contract contains options to extend/terminate the lease

Notes to Interim Condensed Consolidated Financial Statements
30 June 2019

2. Basis of preparation and changes to accounting policies (continued)

2.2 New standards, interpretations and amendments adopted by the Group (continued)

(a) (continued)

As a lessee – Leases previously classified as operating leases (continued)

Impacts on transition (continued)

The impacts arising from the adoption of HKFRS 16 as at 1 January 2019 are as follows:

	HK'000
Assets	
Right-of-use assets	494,179
Prepaid land lease payments	(452,680)
Total assets	41,499
Liabilities	
Other payables and accruals	41,499
Total liabilities	41,499

The lease liabilities as at 1 January 2019 can be reconciled to the operating lease commitments as of 31 December 2018 as follows:

	HK'000
Operating lease commitments as at 31 December 2018	46,222
Weighted average incremental borrowing rate as at 1 January 2019	5.2%
Discounted operating lease commitments at 1 January 2019	41,499
Lease liabilities as at 1 January 2019	41,499

Summary of new accounting policies

The accounting policy for leases as disclosed in the annual financial statements for the year ended 31 December 2018 is replaced with the following new accounting policies upon adoption of HKFRS 16 from 1 January 2019:

Right-of-use assets

Right-of-use assets are recognised at the commencement date of the lease. Right-of-use assets are measured at cost, less any accumulated depreciation and any impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Unless the Group is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognised right-of-use assets are depreciated on a straight-line basis over the shorter of the estimated useful life and the lease term. When a right-of-use asset meets the definition of investment property, it is included in investment properties. The corresponding right-of-use asset is initially measured at cost, and subsequently measured at fair value, in accordance with the Group's policy for 'investment properties'.

2. Basis of preparation and changes to accounting policies (continued)

2.2 New standards, interpretations and amendments adopted by the Group (continued)

(a) (continued)

Summary of new accounting policies (continued)

Lease liabilities

Lease liabilities are recognised at the commencement date of the lease at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for termination of a lease, if the lease term reflects the Group exercising the option to terminate. The variable lease payments that do not depend on an index or a rate are recognised as an expense in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in future lease payments arising from change in an index or rate, a change in the lease term, a change in the in-substance fixed lease payments or a change in assessment to purchase the underlying asset.

Amounts recognised in the interim condensed consolidated statement of financial position and profit or loss

The carrying amounts of the Group's right-of-use assets and lease liabilities (included within "Other payables and accruals"), and the movement during the period are as follow:

	Right-of-use assets				
	Land use rights HK$'000	**Buildings** HK$'000	**Motor vehicles, plant, machinery, tools and equipment** HK$'000	**Total** HK$'000	**Lease liabilities** HK$'000
As at 1 January 2019	**452,680**	**8,189**	**33,310**	**494,179**	**41,499**
Additions	2,857	–	18,944	21,801	4,493
Depreciation expense	(6,151)	(2,421)	(5,675)	(14,247)	–
Interest expense	–	–	–	–	500
Payments	–	–	–	–	(30,895)
Exchange realignment	(228)	6	(227)	(449)	(24)
As at 30 June 2019	**449,158**	**5,774**	**46,352**	**501,284**	**15,573**

The Group recognised variable lease payments of HK$4,946,000 for the six months ended 30 June 2019.

2. Basis of preparation and changes to accounting policies (continued)

2.2 New standards, interpretations and amendments adopted by the Group (continued)

(b) Amendments to HKAS 28 clarify that the scope exclusion of HKFRS 9 only includes interests in an associate or joint venture to which the equity method is applied and does not include long-term interests that in substance form part of the net investment in the associate or joint venture, to which the equity method has not been applied. Therefore, an entity applies HKFRS 9, rather than HKAS 28, including the impairment requirements under HKFRS 9, in accounting for such long-term interests. HKAS 28 is then applied to the net investment, which includes the long-term interests, only in the context of recognising losses of an associate or joint venture and impairment of the net investment in the associate or joint venture. The Group assessed its business model for its long-term interests in associates and joint ventures upon adoption of the amendments on 1 January 2019 and concluded that the long-term interests in associates and joint ventures continue to be measured at amortised cost in accordance with HKFRS 9. Accordingly, the amendments did not have any impact on the Group's interim condensed consolidated financial information.

(c) HK(IFRIC)-Int 23 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. Upon adoption of the interpretation, the Group considered whether it has any uncertain tax positions arising from the transfer pricing on its intergroup sales. Based on the Group's tax compliance and transfer pricing study, the Group determined that it is probable that its transfer pricing policy will be accepted by the tax authorities. Accordingly, the interpretation did not have any significant impact on the Group's interim condensed consolidated financial information.

3. Operating segment information

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

(a) Manganese mining 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) EMM and alloying materials production segment (PRC)

The EMM and alloying materials production segment comprises mining and processing ores used in hydrometallurgical processing for/and production of Electrolytic Manganese Metal ("**EMM**") and manganese briquette, and pyrometallurgical processing for production of silicomanganese alloys;

(c) Battery materials production segment (PRC)

The battery materials production segment engages in the manufacture and sale of battery materials products, including Electrolytic Manganese Dioxide ("**EMD**"), manganese sulfate, lithium manganese oxide and lithium nickel cobalt manganese oxide; and

(d) Other business segment (PRC and HK)

The other business segment comprises, principally, the trading of various commodities such as manganese ores, EMM, manganese alloys and non-manganese metals, sales of scraps and rental of investment properties and leasehold lands.

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3. Operating segment information (continued)

For the six months ended 30 June 2019, with increasing significance of the Group's battery materials production in terms of revenue and total assets relative to EMM and alloying materials production, the Group has splitted up the previous "Manganese downstream processing (PRC)" segment into "EMM and alloying materials production (PRC)" and "Battery materials production (PRC)" segments. Segment information for the six months ended 30 June 2018 has been restated to conform with the current period's presentation.

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, production halt expenses as well as head office and corporate expenses are excluded from such measurement.

Segment assets exclude derivative financial instruments, 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 derivative financial instruments, 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 between group companies are transacted with reference to the selling prices used for sales made to third parties at the then prevailing market prices; intersegment sales and transfers within a company are transacted at cost.

	Manganese mining		EMM and alloying materials production	Battery materials production	Other business	
	PRC HK$'000	Gabon HK$'000	PRC HK$'000	PRC HK$'000	PRC & HK HK$'000	Total HK$'000
Six months ended 30 June 2019 (Unaudited)						
Segment revenue:						
Sales to external customers	61,254	–	1,566,290	331,093	1,182,263	3,140,900
Intersegment sales	–	–	–	–	328,663	328,663
Other revenue	14	49,037	24,463	1,532	13,114	88,160
	61,268	49,037	1,590,753	332,625	1,524,040	3,557,723
Reconciliation:						
Elimination of inter segment sales						(328,663)
Revenue from operations						3,229,060
Segment results	(8,393)	45,705	166,640	55,659	5,503	265,114
Reconciliations:						
Interest income						7,810
Corporate and other unallocated expenses						(70,322)
Finance costs						(111,681)
Profit before tax						90,921
Income tax expense						(24,501)
Profit for the period						66,420
Assets and liabilities						
Segment assets	922,238	255,036	4,454,671	1,056,156	1,403,752	8,091,853
Reconciliations:						
Corporate and other unallocated assets						1,771,235
Total assets						9,863,088
Segment liabilities	337,928	24,882	972,080	137,817	289,074	1,761,781
Reconciliations:						
Corporate and other unallocated liabilities						4,904,565
Total liabilities						6,666,346

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3. Operating segment information (continued)

	Manganese mining PRC HK$'000	Manganese mining Gabon HK$'000	EMM and alloying materials production PRC HK$'000	Battery materials production PRC HK$'000	Other business PRC & HK HK$'000	Total HK$'000
Six months ended 30 June 2018 (Unaudited)						
Segment revenue:						
Sales to external customers	77,090	4,317	1,481,426	316,417	1,383,874	3,263,124
Intersegment sales	–	–	–	–	149,110	149,110
Other revenue	89,575	52,319	30,642	–	16,390	188,926
	166,665	56,636	1,512,068	316,417	1,549,374	3,601,160
Reconciliation:						
Elimination of inter segment sales						(149,110)
Revenue from operations						3,452,050
Segment results	48,278	53,566	148,866	35,302	4,631	290,643
Reconciliations:						
Interest income						14,192
Corporate and other unallocated expenses						(66,138)
Finance costs						(128,469)
Profit before tax						110,228
Income tax credit						3,791
Profit for the period						114,019
Assets and liabilities						
Segment assets	891,149	299,201	3,942,210	846,702	1,524,824	7,504,086
Reconciliations:						
Corporate and other unallocated assets						2,199,597
Total assets						9,703,683
Segment liabilities	420,707	30,101	1,231,058	102,369	220,200	2,004,435
Reconciliations:						
Corporate and other unallocated liabilities						4,655,128
Total liabilities						6,659,563

4. Revenue, other income and gains

An analysis of revenue is as follows:

	Six months ended 30 June 2019 HK$'000 (Unaudited)	2018 HK$'000 (Unaudited)
Revenue from contracts with customers		
Sale of goods:		
Manganese mining	**61,254**	81,407
EMM and alloying materials production	**1,566,290**	1,481,426
Battery materials production	**331,093**	316,417
Other business	**1,182,263**	1,383,874
	3,140,900	3,263,124

4. Revenue, other income and gains (continued)

Revenue from contracts with customers

(a) Disaggregated revenue information

For the six months ended 30 June 2019 (Unaudited)

Segments	Manganese mining HK$'000	EMM and alloying materials production HK$'000	Battery materials production HK$'000	Other business HK$'000	Total HK$'000
Sale of goods	**61,254**	**1,566,290**	**331,093**	**1,182,263**	**3,140,900**
Geographical markets					
Mainland China	**59,338**	**1,379,360**	**317,207**	**1,182,263**	**2,938,168**
Asia (excluding Mainland China)	**1,916**	**147,733**	**11,990**	**–**	**161,639**
Europe	**–**	**28,997**	**1,896**	**–**	**30,893**
North America	**–**	**10,200**	**–**	**–**	**10,200**
Other countries	**–**	**–**	**–**	**–**	**–**
Total revenue from contracts with customers	**61,254**	**1,566,290**	**331,093**	**1,182,263**	**3,140,900**
Timing of revenue recognition					
Goods transferred at a point in time with customers	**61,254**	**1,566,290**	**331,093**	**1,182,263**	**3,140,900**

For the six months ended 30 June 2018 (Unaudited)

Segments	Manganese mining HK$'000	EMM and alloying materials production HK$'000	Battery materials production HK$'000	Other business HK$'000	Total HK$'000
Sale of goods	81,407	1,481,426	316,417	1,383,874	3,263,214
Geographical markets					
Mainland China	81,264	1,214,956	298,807	1,383,874	2,978,901
Asia (excluding Mainland China)	143	211,171	15,327	–	226,641
Europe	–	40,108	1,612	–	41,720
North America	–	15,191	468	–	15,659
Other countries	–	–	203	–	203
Total revenue from contracts with customers	81,407	1,481,426	316,417	1,383,874	3,263,214
Timing of revenue recognition					
Goods transferred at a point in time with customers	81,407	1,481,426	316,417	1,383,874	3,263,214

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4. Revenue, other income and gains (continued)

An analysis of other income and gains is as follows:

	Six months ended 30 June	
	2019	2018
	HK$'000	HK$'000
	(Unaudited)	(Unaudited)
Other income and gains		
Interest income	**7,810**	14,192
Gain on disposal of items of property, plant and equipment	**5,092**	8,361
Subsidy income	**4,958**	9,342
Subcontracting income	**48,487**	52,319
Sale of scraps	**11,155**	14,093
Rental income	**13,003**	14,090
Reversal of impairment loss of trade receivables, net	**511**	–
Fair value gain on financial asset at fair value through profit or loss	**12**	–
Compensation income	**–**	84,204
Foreign exchange gain, net	**–**	4,787
Others	**4,942**	1,730
	95,970	203,118

5. Finance costs

	Six months ended 30 June	
	2019	2018
	HK$'000	HK$'000
	(Unaudited)	(Unaudited)
Interest on loans wholly repayable within five years	**106,026**	107,164
Finance costs for discounted notes receivable	**3,153**	12,013
Interest expenses on lease liabilities	**500**	–
Other finance costs	**2,002**	9,292
	111,681	128,469

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6. Profit before tax

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

	Notes	Six months ended 30 June **2019** **HK$'000** **(Unaudited)**	2018 HK$'000 (Unaudited)
Cost of inventories sold#		**2,777,458**	2,981,685
Write-down of inventories to net realisable value, net#		**322**	3,458
Depreciation of property, plant and equipment	10	**160,391**	174,279
Depreciation of right-of-use assets	11	**14,247**	–
Amortisation of prepaid land lease payments		**–**	6,547
Amortisation of intangible assets	12	**8,488**	11,770
Auditor's remuneration		**1,843**	2,006
Minimum lease payments under operating leases, land and buildings		**–**	8,688
Employee benefit expense		**284,709**	281,176
Compensation income*		**–**	(84,204)
Gain on disposal of items of property, plant and equipment*		**(5,092)**	(8,361)
Foreign exchange differences, net*		**585**	(4,787)
Impairment of financial assets, net:			
Impairment of trade receivables*	17	**(511)**	4,720
Impairment of financial assets included in prepayments, other receivables, and other assets*		**–**	519
Fair value (gain)/loss on financial assets at fair value through profit or loss*		**(12)**	224

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

* Included in "Other income and gains" (note 4) or "Other expenses" in the interim condensed consolidated statement of profit or loss and other comprehensive income.

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7. 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.

The major components of income tax (expense)/credit for the reporting period are as follows:

	Six months ended 30 June	
	2019	2018
	HK$'000	HK$'000
	(Unaudited)	(Unaudited)
Current – PRC		
Charge for the period	**(25,617)**	(2,605)
Current – Gabon		
Charge for the period	**(64)**	(45)
Deferred (note 15)	**1,180**	6,441
Total tax (charge)/credit for the period	**(24,501)**	3,791

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 the current period'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 Industries Co., Limited which is recognised as a High and New Technology Enterprise and is entitled to a preferential CIT rate of 15% up to November 2019, and Guangxi Start Manganese Materials Co., Ltd., which is entitled to a preferential CIT rate of 15% for Developing Western China for which the policy will end in 2020 and related benefit will subject to review by tax authorities each year, other companies of the Group which operate in Mainland China are subject to CIT at a rate of 25% on their respective taxable income.

Gabon corporate income tax

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

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8. Earnings per share attributable to ordinary equity holders of the parent

	Six months ended 30 June	
	2019	2018
	HK$'000	HK$'000
	(Unaudited)	(Unaudited)
The calculation of basic and diluted earnings per share are based on:		
Profit		
Profit attributable to ordinary equity holders of the parent, used in the basic earnings per share calculation	**86,261**	85,884

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

The Group had no potentially dilutive ordinary shares in issue during the six months ended 30 June 2019 nor the six months ended 30 June 2018. No adjustment has been made to the basic earnings per share amounts presented for the six months ended 30 June 2019 nor the six months ended 30 June 2018 in respect of dilution as the share options outstanding had an anti-dilutive effect on the basic earnings per share amounts presented.

9. Dividend

(a) The Board does not recommend the payment of any interim dividend for the six months ended 30 June 2019 (2018: Nil).

(b) The proposed final dividend for the year 2018 was approved by the annual general meeting of the Company on 24 May 2019 and was paid on 24 June 2019:

	30 June 2019	31 December 2018
	HK$'000	HK$'000
	(Unaudited)	(Audited)
2018 final dividend of HK$0.01 per share on 3,428,459,000 Shares	**34,285**	–

10. Property, plant and equipment

	30 June 2019	31 December 2018
	HK$'000	HK$'000
	(Unaudited)	(Audited)
At 1 January 2019/1 January 2018	**2,726,320**	3,060,707
Additions	**170,300**	304,776
Depreciation (note 6)	**(160,391)**	(329,603)
Impairment	**–**	(17,114)
Disposals	**(20,396)**	(145,481)
Exchange realignment	**(407)**	(146,965)
At 30 June 2019/31 December 2018	**2,715,426**	2,726,320

As at 30 June 2019, the net carrying amounts of the Group's property, plant and equipment included amounts of plant, and machinery held under finance leases was HK$149,894,000 (31 December 2018: HK$220,354,000).

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10. Property, plant and equipment (continued)

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 30 June 2019 and 31 December 2018.

At 30 June 2019, 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$222,930,000 (31 December 2018: HK$251,872,000). The Directors are of the opinion that the aforesaid matter does not have any significant impact on the Group's financial position as at 30 June 2019.

11. Right-of-use assets

	30 June 2019 HK$'000 (Unaudited)
At 1 January 2019	**494,179**
Additions	**21,801**
Depreciation (note 6)	**(14,247)**
Exchange realignment	**(449)**
At 30 June 2019	**501,284**

12. Intangible assets

	30 June 2019 HK$'000 (Unaudited)	31 December 2018 HK$'000 (Audited)
Mining rights and other intangible assets:		
At 1 January 2019/1 January 2018	**529,358**	590,512
Additions	**730**	3,889
Amortisation (note 6)	**(8,488)**	(18,850)
Disposals	**–**	(16,955)
Exchange realignment	**(216)**	(29,238)
At 30 June 2019/31 December 2018	**521,384**	529,358

13. Investments in associates and due from associates

	30 June 2019 HK$'000 (Unaudited)	31 December 2018 HK$'000 (Audited)
Share of net assets	**875,459**	886,265
Loan to an associate	**117**	117
At 30 June 2019/31 December 2018	**875,576**	886,382
Amounts due from associates	**18,304**	17,854

14. Investment in a joint venture and amount due from a joint venture

	30 June 2019 HK$'000 (Unaudited)	31 December 2018 HK$'000 (Audited)
Share of net assets	**128,216**	125,534
Amount due from a joint venture	**17,983**	1,412

15. Deferred tax assets and liabilities

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

Deferred tax assets

	Deductible temporary differences HK$'000
At 1 January 2019 (Audited)	**34,037**
Deferred tax charged to profit or loss during the period (note 7)	**(50)**
Exchange realignment	**(20)**
At 30 June 2019 (Unaudited)	**33,967**

Deferred tax liabilities

	Fair value adjustments arising from acquisition of subsidiaries HK$'000	Withholding taxes HK$'000	Fair value adjustments on investment properties HK$'000	Total HK$'000
At 1 January 2019 (Audited)	**151,860**	**12,692**	**21,911**	**186,463**
Deferred tax charged/(credited) to profit or loss during the period (note 7)	**(1,410)**	**–**	**180**	**(1,230)**
Exchange realignment	**(76)**	**–**	**(16)**	**(92)**
At 30 June 2019 (Unaudited)	**150,374**	**12,692**	**22,075**	**185,141**

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16. Inventories

	30 June 2019 HK$'000 (Unaudited)	31 December 2018 HK$'000 (Audited)
Raw materials	**358,222**	282,998
Work in progress	**8,432**	9,947
Finished goods	**427,013**	436,898
	793,667	729,843
Less: Inventory provision	**(45,432)**	(44,814)
	748,235	685,029

17. Trade and notes receivables

	30 June 2019 HK$'000 (Unaudited)	31 December 2018 HK$'000 (Audited)
Trade receivables	**1,023,245**	1,122,374
Notes receivable	**838,136**	848,130
	1,861,381	1,970,504
Less: Impairment	**(46,151)**	(46,685)
	1,815,230	1,923,819

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 to three months from the invoice date and cash realisation may be further extended by three to six months for those customers paying by bank acceptance notes. 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.

At 30 June 2019, except for trade receivables of HK$357,764,000 (31 December 2018: trade receivables of HK$297,282,000 and notes receivable of HK$54,183,000) due from a single customer, Guangxi Jinmeng Manganese Limited Company ("Guangxi Jinmeng") and its subsidiaries (collectively referred to as "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.

At 30 June 2019, trade receivables of approximately HK$155,402,000 (31 December 2018: HK$45,793,000) were pledged to secure bank loans of HK$155,402,000 (31 December 2018: HK$45,793,000) granted by banks to the Group.

17. Trade and notes receivables (continued)

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 loss allowance, is as follows:

	30 June 2019 HK$'000 (Unaudited)	31 December 2018 HK$'000 (Audited)
Within one month	**461,812**	557,161
One to two months	**294,964**	162,234
Two to three months	**38,192**	241,536
Over three months	**182,126**	114,758
	977,094	1,075,689

Notes receivable represents: (a) bank acceptance notes of HK$830,153,000 (31 December 2018: HK$769,119,000) issued by banks in Mainland China maturing within six months from the end of the reporting period and (b) commercial acceptance notes of HK$7,983,000 (31 December 2018: HK$79,011,000) maturing within six months from the end of the reporting period.

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

	30 June 2019 HK$'000 (Unaudited)	31 December 2018 HK$'000 (Audited)
Within one month	**348,960**	369,460
One to two months	**212,256**	113,710
Two to three months	**126,459**	132,673
Over three months and less than six months	**150,461**	232,287
	838,136	848,130

Transferred financial assets that are derecognised in their entirety

At 30 June 2019, 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 RMB1,076,697,000 (equivalent to HK$1,224,635,000) (31 December 2018: RMB889,035,000, equivalent to HK$1,011,810,000). The Derecognised Notes had a maturity of one to six months at the end of the reporting period. In accordance with the Law of Negotiable Instruments in the PRC, the holders of the Derecognised Notes have a right of recourse against the Group if the PRC banks default (the "**Continuing Involvement**"). In the opinion of the Directors, the Group has transferred substantially all risks and rewards relating to the Derecognised Notes. Accordingly, it has derecognised the full carrying amounts of the Derecognised Notes and the associated trade payables. The maximum exposure to loss from the Group's Continuing Involvement in the Derecognised Notes and the undiscounted cash flows to repurchase these Derecognised Notes equal to their carrying amounts. In the opinion of the Directors, the fair values of the Group's Continuing Involvement in the Derecognised Notes are not significant.

During the six months ended 30 June 2019 and 30 June 2018, the Group has not recognised any gain or loss on the date of transfer of the Derecognised Notes. No gains or losses were recognised from the Continuing Involvement, both during the period or cumulatively. The endorsement has been made evenly throughout the period.

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17. Trade and notes receivables (continued)

The movements in the loss allowances for impairment of trade receivables are as follows:

	Note	**30 June 2019 HK$'000 (Unaudited)**	31 December 2018 HK$'000 (Audited)
At 1 January 2019/1 January 2018		**46,685**	42,809
Impairment losses, net	6	**(511)**	6,652
Amount written off as uncollectible		**–**	(288)
Exchange realignment		**(23)**	(2,488)
At 30 June 2019/31 December 2018		**46,151**	46,685

Impairment under HKFRS 9

An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses. The provision rates are based on ageing information for groupings of various customer segments with similar loss patterns (i.e., by geographical region, product type, customer type and rating, and coverage by letters of credit or other forms of credit insurance). The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions. Generally, trade receivables are written off if past due for more than one year and are not subject to enforcement activity.

Set out below is the information about the credit risk exposure on the Group's trade receivables using a provision matrix:

As at 30 June 2019

	Ageing				
	Less than 1 year	**1 to 2 years**	**2 to 3 years**	**Over 3 years**	**Total**
Expected credit loss rate	**0.7%**	**12.5%**	**95.4%**	**100.0%**	**4.5%**
Gross carrying amount (HK$'000)	**983,894**	**288**	**194**	**38,869**	**1,023,245**
Expected credit losses (HK$'000)	**7,061**	**36**	**185**	**38,869**	**46,151**

As at 31 December 2018

	Ageing				
	Less than 1 year	1 to 2 years	2 to 3 years	Over 3 years	Total
Expected credit loss rate	0.8%	8.6%	84.2%	100.0%	4.2%
Gross carrying amount (HK$'000)	1,081,983	394	12,955	27,042	1,122,374
Expected credit losses (HK$'000)	8,706	34	10,903	27,042	46,685

18. Prepayments, other receivables and other assets

Non-current portion

	30 June 2019 HK$'000 (Unaudited)	31 December 2018 HK$'000 (Audited)
Prepayments	**33,390**	33,334
Deposits	**109,833**	150,665
	143,223	183,999

Current portion

	30 June 2019 HK$'000 (Unaudited)	31 December 2018 HK$'000 (Audited)
Prepayments	**249,933**	250,830
Deposits and other receivables	**388,144**	305,699
	638,077	556,529
Impairment allowance	**(20,552)**	(21,654)
	617,525	534,875

19. Financial assets at fair value through profit or loss

	30 June 2019 HK$'000 (Unaudited)	31 December 2018 HK$'000 (Audited)
Listed bonds investment, at market value	**7,944**	7,931

The above bonds investment as at 30 June 2019 and 31 December 2018 were classified as financial assets at fair value through profit or loss as they were held for trading.

20. Cash and cash equivalents and pledged deposits

	30 June 2019 HK$'000 (Unaudited)	31 December 2018 HK$'000 (Audited)
Cash and bank balances	**1,585,930**	1,388,742
Less: Pledged deposits for bank acceptance notes	**(65,227)**	(119,074)
Cash and cash equivalents as stated in the consolidated statements of financial position and cash flows	**1,520,703**	1,269,668

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20. Cash and cash equivalents and pledged deposits (continued)

As at 30 June 2019, cash and bank balances of the Group denominated in RMB amounting to HK$1,336,585,000 (31 December 2018: HK$1,175,540,000) were deposited with banks in Mainland China. RMB is not freely convertible in the PRC into other currencies, however, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

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

21. 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 of trade payables and the issue date of notes, is as follows:

	30 June 2019 HK$'000 (Unaudited)	31 December 2018 HK$'000 (Audited)
Within one month	**403,588**	375,830
One to two months	**226,829**	138,883
Two to three months	**36,440**	73,557
Over three months	**172,028**	190,436
	838,885	778,706

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

22. Other payables and accruals

	30 June 2019 HK$'000 (Unaudited)	31 December 2018 HK$'000 (Audited)
Contract liabilities	**21,545**	52,841
Other payables	**558,918**	638,962
Accruals	**265,486**	291,287
Lease liabilities	**15,573**	–
Financial guarantee contracts	**9,909**	9,915
	871,431	993,005

Contract liabilities represent short-term advances received to deliver products.

Other payables are non-interest-bearing and have an average term of three months.

23. Derivative financial instruments

	30 June 2019		31 December 2018	
	Assets HK$'000 (Unaudited)	Liabilities HK$'000 (Audited)	Assets HK$'000 (Unaudited)	Liabilities HK$'000 (Audited)
Interest rate swaps	–	4,779	–	1,777
Forward currency contracts	636	–	–	154
	636	4,779	–	1,931
Portion classified as non-current:				
Interest rate swaps	–	(2,864)	–	(1,232)
Current portion	636	1,915	–	699

Certain subsidiaries of the Group enter into derivative financial instruments in the normal course of business in order to hedge their exposure to fluctuations in interest rate and foreign exchange rate.

24. Interest-bearing bank and other borrowings

	30 June 2019			31 December 2018		
	Effective interest rate (%)	Maturity	HK$'000 (Unaudited)	Effective interest rate (%)	Maturity	HK$'000 (Audited)
Current						
Finance lease payables (note 25)	6.32-8.70	2019-2020	130,408	6.32-8.70	2019	167,559
Bank loans – secured (note (a))	3.78-3.81	2019-2020	155,402	3.80-3.92	2019	45,793
Bank loans – unsecured	4.35-5.22, LIBOR+1.0-LIBOR+1.2	2019-2020	2,772,529	4.57-5.89	2019	2,644,944
Current portion of long-term bank loans – unsecured	4.75-5.46, LIBOR+2.30	2019-2020	676,570	4.75-5.23, LIBOR+2.30	2019	312,764
			3,734,909			3,171,060
Non-current						
Finance lease payables (note 25)	6.32-8.70	2020-2021	54,063	6.32-8.70	2020-2021	84,515
Bank loans – unsecured	4.75, LIBOR+2.30	2020-2023	845,150	4.75-5.46, LIBOR+2.30	2020-2021	1,107,720
			899,213			1,192,235
			4,634,122			4,363,295

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

	30 June 2019 HK$'000 (Unaudited)	31 December 2018 HK$'000 (Audited)
Analysed into:		
Bank loans repayable:		
Within one year or on demand	**3,604,501**	3,003,501
In the second year	**335,050**	618,842
In the third to fifth years, inclusive	**510,100**	488,878
	4,449,651	4,111,221
Other loans and finance leases repayable:		
Within one year or on demand	**130,408**	167,559
In the second year	**54,063**	56,723
In the third to fifth years, inclusive	**–**	27,792
	184,471	252,074
	4,634,122	4,363,295

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

	30 June 2019 HK$'000 (Unaudited)	31 December 2018 HK$'000 (Audited)
Trade receivables	**155,402**	45,793

(b) At 30 June 2019, except for bank and other borrowings of HK$1,014,135,000 (31 December 2018: HK$555,796,000) which were denominated in United States dollars, all borrowings were in Renminbi.

25. Finance lease payables

The Group leases certain of its plant and machinery of its EMM and alloying materials production business with a net carrying amount of HK$149,894,000 as at 30 June 2019 (31 December 2018: HK$220,354,000). These leases are classified as finance leases with remaining lease terms ranging from 1 to 3 years. If no default occurs during the lease term, the ownership of these assets shall automatically be transferred to the lessee at a price of RMB700.

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

a) an original principal of RMB157,500,000 (equivalent to HK$179,141,000) carrying effective interest at a rate of approximately 8.70% per annum having taken into account a one-off service fee of RMB110,000 (equivalent to HK$125,000) to the lessor and a cash deposit of RMB7,875,000 (equivalent to HK$8,957,000) paid to the lessor as security, which was entered into between the Group and the Lessor on 15 January 2018. The maturity date of the loan is 15 January 2021.

b) an original principal of RMB300,000,000 (equivalent to HK$341,220,000) carrying effective interest at a fixed rate of 7.51% per annum having taken into account a one-off service fee of RMB7,008,000 (equivalent to HK$7,971,000) to the lessor and a cash deposit of RMB24,000,000 (equivalent to HK$27,298,000) paid to the lessor as security, which was entered into between the Group and the Lessor on 5 August 2015. The maturity date of the loan is 5 August 2020; and

25. Finance lease payables (continued)

c) an original principal of RMB50,000,000 (equivalent to HK$56,870,000) carrying effective interest at a fixed rate of 6.32% per annum having taken into account a one-off service fee of RMB1,681,000 (equivalent to HK$1,912,000) to the lessor and a cash deposit of RMB21,500,000 (equivalent to HK$24,454,000) paid to the lessor as security, which was entered into between the Group and the Lessor on 14 December 2016. The maturity date of the loan is 14 December 2019.

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

	Minimum lease payments 30 June 2019 HK$'000 (Unaudited)	**Present value of minimum lease payments 30 June 2019 HK$'000 (Unaudited)**	Minimum lease payments 31 December 2018 HK$'000 (Audited)	Present value of minimum lease payments 31 December 2018 HK$'000 (Audited)
Amounts payable:				
Within one year	**132,924**	**130,408**	172,017	167,559
In the second year	**59,908**	**54,063**	59,945	56,723
In the third to fifth years, inclusive	**–**	**–**	32,287	27,792
Total minimum finance lease payments	**192,832**	**184,471**	264,249	252,074
Future finance charge	**(8,361)**		(12,175)	
Total net finance lease payables	**184,471**		252,074	
Portion classified as current liabilities (note 24)	**(130,408)**		(167,559)	
Non-current portion (note 24)	**54,063**		84,515	

26. Deferred income

	30 June 2019 HK$'000 (Unaudited)	31 December 2018 HK$'000 (Audited)
At 1 January 2019/1 January 2018	**76,988**	82,302
Additions	**–**	8,891
Amortisation	**(3,168)**	(9,957)
Exchange realignment	**1**	(4,248)
At 30 June 2019/31 December 2018	**73,821**	76,988

Deferred income represents the receipt of government grants for the construction of certain equipment, which has been credited as a non-current liability on the interim condensed consolidated statement of financial position. Such deferred income is amortised on the straight-line basis to profit or loss over the expected useful lives of the relevant assets acquired.

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27. Share capital

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

	30 June 2019 HK$'000 (Unaudited)	31 December 2018 HK$'000 (Audited)
Issued and fully paid:		
3,428,459,000 (31 December 2018: 3,428,459,000) ordinary shares of HK$0.10 each	**342,846**	342,846

28. Reserves

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

	Note	**30 June 2019 HK$'000 (Unaudited)**	31 December 2018 HK$'000 (Audited)
Contributed surplus		**2,453,063**	2,487,348
Hedging reserve		**(4,779)**	(1,777)
Reserve funds	(a)	**161,982**	144,025
Share option reserve		**52,760**	52,760
Exchange fluctuation reserve		**15,636**	14,285
Capital redemption reserve		**312**	312
Retained profits		**128,415**	60,111
		2,807,389	2,757,064

(a) In accordance with the Company Law of the PRC, each of the subsidiaries of the Company registered in the PRC is required to appropriate 10% of the annual statutory profit after tax (after offsetting any prior years' losses), determined in accordance with PRC GAAP, to the statutory reserve until the balance of the reserve funds reaches 50% of the entity's registered capital. The statutory reserve can be utilised to offset prior years' losses, or to increase capital, provided that the remaining balance of the statutory reserve is not less than 25% of the registered capital.

Pursuant to the relevant regulation in the PRC, the Group is required to provide for safety fund based on the volume of ore excavated and turnover of ferroalloy in prior year.

29. Share option scheme

The Company operates a share option scheme (the "**Scheme**") for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. On 11 January 2011, the Company granted 103,000,000 share options to the directors and other employees of the Group under the Scheme upon payment of a nominal consideration of HK$1 by each of the grantees. The share options became effective on 11 January 2011 and, unless otherwise cancelled or amended, will remain in force for 10 years from that date.

Share options do not confer rights on the holders to dividends or to vote at shareholders' meetings.

The following share options were granted on 11 January 2011 and outstanding under the Scheme during the period:

	Six months ended 30 June 2019		Year ended 31 December 2018	
	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 2019/1 January 2018	**2.81**	**44,500**	2.81	45,500
Forfeited during the period/year	**–**	**–**	2.81	(1,000)
At 30 June 2019 /31 December 2018	**2.81**	**44,500**	2.81	44,500

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

At 30 June 2019:

Number of share options outstanding '000	**Exercise price HK$ per share**	**Exercise period**
11,125	**2.81**	**11 January 2012 to 10 January 2021**
11,125	**2.81**	**11 January 2013 to 10 January 2021**
22,250	**2.81**	**11 January 2014 to 10 January 2021**
44,500		

Notes to Interim Condensed Consolidated Financial Statements

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29. Share option scheme (continued)

At 31 December 2018:

Number of share options outstanding '000	Exercise price HK$ per share	Exercise period
11,125	2.81	11 January 2012 to 10 January 2021
11,125	2.81	11 January 2013 to 10 January 2021
22,250	2.81	11 January 2014 to 10 January 2021
44,500		

The fair value of the outstanding share options at the time of grant was estimated, using a binomial model, as HK$52,955,000 (31 December 2018: HK$52,955,000) (weighted average fair value of HK$1.19 each). No share option expense has been recognised by the Group during the six months ended 30 June 2019 and 2018 as all share options have been vested in 2014.

30. Commitments and contingencies

a) Operating lease commitments

i) As Lessor

The Group leases its investment properties and leasehold lands under operating lease arrangements, with lease negotiated for terms ranging from 1 to 10 years (31 December 2018: 1 to 10 years).

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

	30 June 2019 HK$'000 (Unaudited)	31 December 2018 HK$'000 (Audited)
Within one year	**28,153**	32,380
In the second to fifth years, inclusive	**18,945**	31,278
After the fifth year	**224**	261
	47,322	63,919

During the six months ended 30 June 2019 and 2018, the Group has not recognised any contingent rentals receivable.

30. Commitments and contingencies (continued)

a) Operating lease commitments (continued)

ii) As Lessee

The Group leases certain of its offices and housing properties under operating lease arrangements. Leases for properties are negotiated for terms ranging from 1 to 12 years (31 December 2018: 1 to 12 years).

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

	30 June 2019 HK$'000 (Unaudited)	31 December 2018 HK$'000 (Audited)
Within one year	**10,793**	19,276
In the second to third years, inclusive	**6,500**	26,946
	17,293	46,222

b) Capital commitments of the Group

	30 June 2019 HK$'000 (Unaudited)	31 December 2018 HK$'000 (Audited)
Contracted, but not provided for:		
Acquisition of land and buildings	**57,282**	73,060
Acquisition of mining structures	**218,337**	–
Acquisition of plant and machinery	**92,013**	40,471
Total	**367,632**	113,531

c) The Group's share of capital commitments of the joint venture

	30 June 2019 HK$'000	31 December 2018 HK$'000
Contracted, but not provided for:		
Plant and machinery	**–**	143

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30 June 2019

30. Commitments and contingencies (continued)

d) Contingent liabilities

At the end of reporting period, contingent liabilities were as follows:

	Notes	**30 June 2019 HK$'000 (Unaudited)**	31 December 2018 HK$'000 (Audited)
Guarantees given to banks in connection with facilities granted to an associate	(i)	**303,307**	300,458
Guarantees given to Guangxi Dameng Manganese Industry Group Co., Ltd. ("Guangxi Dameng") in connection with loans provided to an investee	(ii)	**11,374**	11,381
Guarantee given to a bank in connection with loans provided to a joint venture	(iii)	**56,870**	–

(i) As at 30 June 2019, 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 Jinmeng, according to the shareholding percentage on a several basis.

As at 30 June 2019, the associate's banking facilities guaranteed by the Group and Guangxi Jinmeng amounted to RMB800,000,000 (equivalent to HK$909,920,000) and were utilised to the extent of RMB603,456,000 (equivalent to HK$686,371,000) (31 December 2018: RMB665,000,000, equivalent to HK$756,837,000) by the associate.

(ii) As at 30 June 2019, the loan facilities provided by Guangxi Dameng to a company (the "borrower"), in which the Group has a 10% equity interest, was guaranteed by the Group and the major shareholder of the borrower according to the shareholding percentage on a several basis.

As at 30 June 2019, the loan facilities guaranteed by the Group and the holding company of the borrower amounted to RMB100,000,000 (equivalent to HK$113,740,000) and were utilised to the extent of RMB80,000,000 (equivalent to HK$90,992,000) (31 December 2018: RMB80,000,000, equivalent to HK$91,048,000) by the borrower.

(iii) As at 30 June 2019, the Group has provided a guarantee to a bank in respect of an outstanding bank loan of RMB50,000,000 (equivalent to HK$56,870,000) (31 December 2018: Nil) borrowed by a joint venture of the Group.

(iv) As at 30 June 2019 and 31 December 2018, the above contingent liabilities have been provided for in the financial statements.

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31. Related party balances and transactions

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

	Notes	Six months ended 30 June 2019 HK$'000 (Unaudited)	2018 HK$'000 (Unaudited)
Sale of finished goods to a related company	(i)	**67,012**	55,674
Sale of finished goods to an associate	(i)	**396,957**	153,757
Sale of finished goods to a joint venture	(i)	**43,312**	–
Sale of raw materials to subsidiaries of Guangxi Dameng	(i)	**2,823**	–
Purchase of raw materials from Guangxi Dameng and its subsidiaries	(i)	**2,557**	3,768
Purchase of equipment from subsidiaries of Guangxi Dameng	(i)	**7,158**	–
Purchase of raw materials from a related company	(i)	**1,761**	6,412
Purchase of finished goods from an associate	(i)	**1,162**	2,332
Purchase of raw materials from a joint venture	(i)	**15,555**	–
Mining drawing service provided by Guangxi Dameng	(ii)	**–**	348
Provision of water and electricity to Guangxi Dameng	(iii)	**6**	34
Provision of integrated service by Guangxi Dameng	(iv)	**–**	2,067
Rental income received from Guangxi Dameng	(v)	**78**	483
Rental income received from a related company	(v)	**723**	–
Maximum balance of bank deposits with related companies during the period	(vi)	**397**	426
Interest income on deposits placed with related companies	(vi)	**1**	–
Maximum balance of loans to an associate	(vii)	**9,244**	–
Interest income on loan provided to an associate	(vii)	**465**	–
Maximum balance of loans from a fellow subsidiary of Guangxi Dameng	(viii)	**–**	100,286
Interest expense on the borrowings provided by a fellow subsidiary of Guangxi Dameng	(ix)	**–**	4,381

Notes:

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

(ii) These services were provided at prices based on the mutual agreements between the parties.

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

(iv) For the six months ended 30 June 2018, service fees were charged at a monthly amount of HK$344,000 as mutually agreed by the parties.

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

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

(vii) For the six months ended 30 June 2019, a loan to an associate carried interest at 10% per annum and is repayable on demand.

(viii) For the six months ended 30 June 2018, a loan provided by a fellow subsidiary of Guangxi Dameng carries interest at a rate of 7% per annum and was fully repaid in December 2018.

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

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31. Related party balances and transactions (continued)

(b) Other transactions with related parties

(i) The Group has provided a guarantee to a bank in connection with facilities granted to the associate, Dushan Jinmeng Manganese Limited Company ("Dushan Jinmeng"), according to the shareholding structure on a several basis. At 30 June 2019, the banking facilities utilised by Dushan Jinmeng amounted to HK$686,371,000 (31 December 2018: HK$756,837,000), as detailed in note 30(d)(i) to the financial statements.

(ii) As at 30 June 2019, the Group provided a guarantee to a bank in respect of an outstanding bank loan of HK$56,870,000 (31 December 2018: Nil) borrowed by a joint venture of the Group.

(c) Outstanding balances with related parties

		30 June 2019 HK$'000 (Unaudited)	31 December 2018 HK$'000 (Audited)
i)	Due from related companies		
	Trade receivables	**16,207**	18,077
	Prepayments and other receivables	**19,030**	16,987
		35,237	35,064
ii)	Due to related companies		
	Trade payables	**815**	1,822
	Other payables	**2,161**	6,753
		2,976	8,575
iii)	Bank balances with related companies	**390**	392
iv)	Due from associates		
	Trade receivables (note)	**265,656**	132,885
	Other receivables	**9,205**	8,536
	Loan to an associate	**9,099**	9,318
		283,960	150,739
v)	Due from a joint venture		
	Trade receivables	**17,983**	–
	Other receivables	**–**	1,412

Trade receivables from the Group's related companies, an associate and a joint venture are unsecured, non-interest-bearing and repayable on similar credit terms to those offered to the customers of the Group. The Group's prepayments and other receivables from related companies, associates and a joint venture are unsecured, non-interest-bearing and have no fixed terms of repayment.

Trade payables and other payables to the Group's related companies are non-interest-bearing and have no fixed terms of repayment.

Note: As at 30 June 2019, the trade receivables due from an associate has been included in trade receivables of HK$1,023,245,000 (31 December 2018: HK$1,122,374,000).

(d) Compensation of key management personnel of the Group

	Six months ended 30 June	
	2019 HK$'000 (Unaudited)	2018 HK$'000 (Unaudited)
Salaries, director fees, allowances and benefits in kind	**7,290**	8,204
Pension scheme contributions	**182**	128
Total compensation paid to key management personnel	**7,472**	8,332

32. 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:

Financial assets

	Carrying amounts		Fair values	
	30 June 2019 HK$'000 (Unaudited)	31 December 2018 HK$'000 (Audited)	**30 June 2019 HK$'000 (Unaudited)**	31 December 2018 HK$'000 (Audited)
Notes receivable	**838,136**	848,130	**838,136**	848,130
Derivative financial instruments	**636**	–	**636**	–
Financial assets at fair value through profit or loss	**7,944**	7,931	**7,944**	7,931

Financial liabilities

	Carrying amounts		Fair values	
	30 June 2019 HK$'000 (Unaudited)	31 December 2018 HK$'000 (Audited)	**30 June 2019 HK$'000 (Unaudited)**	31 December 2018 HK$'000 (Audited)
Interest-bearing bank and other borrowings	**4,634,122**	4,363,295	**4,634,122**	4,363,295
Derivative financial instruments	**4,779**	1,931	**4,779**	1,931

Management has assessed that the fair values of cash and cash equivalents, pledged deposits, trade receivables, trade and notes payables, financial assets included in prepayments, other receivables and other assets, financial liabilities included in other payables and accruals, amounts due from associates, an amount due from a joint venture 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 notes receivables measured at fair value through other comprehensive income 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 fair values of interest-bearing bank and other borrowings have been calculated by discounting the expected future cash flows using rates currently available for instruments with similar terms, credit risk and remaining maturities. The Group's own non-performance risk for interest-bearing bank and other borrowings as at 30 June 2019 was assessed to be insignificant.

The Group enters into derivative financial instruments with various counterparties, principally financial institutions with Aa1 credit rating. Derivative financial instruments, including forward currency contracts and interest rate swaps, are measured using valuation techniques similar to forward pricing and swap models, using present value calculations. The models incorporate various market observable inputs including the credit quality of counterparties, foreign exchange spot and forward rates and interest rate curves. The carrying amounts of forward currency contracts and interest rate swaps are the same as their fair values.

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32. 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 and liabilities measured at fair value:

	Fair value measurement using			
	quoted prices in active markets (Level 1) HK$'000	significant observable inputs (Level 2) HK$'000	significant unobservable inputs (Level 3) HK$'000	Total HK$'000
30 June 2019				
Assets:				
Notes receivable	**–**	**838,136**	**–**	**838,136**
Derivative financial instruments	**–**	**636**	**–**	**636**
Financial assets at fair value through profit or loss	**7,944**	**–**	**–**	**7,944**
Liabilities:				
Derivative financial instruments	**–**	**4,779**	**–**	**4,779**
31 December 2018				
Assets:				
Financial assets at fair value through profit or loss	7,931	–	–	7,931
Notes receivable	–	848,130	–	848,130
Liabilities:				
Derivative financial instruments	–	1,931	–	1,931

During the six months ended 30 June 2019 and 2018, there were no transfers of fair value measurement between Level 1 and Level 2 and no transfers into or out of Level 3 for both financial assets and financial liabilities.

Liabilities for which fair values are disclosed:

	Fair value measurement using			
	quoted prices in active markets (Level 1) HK$'000	significant observable inputs (Level 2) HK$'000	significant unobservable inputs (Level 3) HK$'000	Total HK$'000
30 June 2019				
Interest-bearing bank and other borrowings	**–**	**4,634,122**	**–**	**4,634,122**
31 December 2018				
Interest-bearing bank and other borrowings	–	4,363,295	–	4,363,295

33. Approval of the interim condensed consolidated financial statements

These interim condensed consolidated financial statements were approved and authorised for issue by the Board of Directors on 24 July 2019.

Financial Review

	1H 2019 HK$'000	1H2018 HK$'000	Increase/(decrease) HK$'000	%
Revenue	**3,140,900**	3,263,124	(122,224)	(3.7)
Gross profit	**363,120**	277,981	85,139	30.6
Gross profit margin	**11.6%**	8.5%	–	3.1
Profit before tax	**90,921**	110,228	(19,307)	(17.5)
Income tax (expense)/credit	**(24,501)**	3,791	(28,292)	(746.3)
Profit for the period	**66,420**	114,019	(47,599)	(41.7)
Profit attributable to owners of the parent	**86,261**	85,884	377	0.4
Profit/(loss) attributable to non-controlling interests	**(19,841)**	28,135	(47,976)	(170.5)
	66,420	114,019	(47,599)	(41.7)

Financial Highlights

- Revenue amounted to HK$3,140.9 million for 1H 2019, representing a decrease of 3.7% from HK$3,263.1 million of 1H 2018.

- Gross profit amounted to HK$363.1 million for 1H 2019, representing an increase of 30.6% from HK$278.0 million of 1H 2018. Gross profit margin was 11.6% for 1H 2019, representing an increase of 3.1% from 8.5% for 1H 2018.

- Profit attributable to owners of the parent amounted to HK$86.3 million for 1H 2019 representing an increase of 0.4% from HK$85.9 million in 1H 2018.

Overview

In 1H 2019, the global economy was deeply shadowed by the US-China trade war experienced in 2018 carried into the year 2019. In 1H 2019, the PRC government carried out tax reforms and expansionary fiscal policy to stimulate the market demand in China. The impact of the above measures had been eliminated due to the escalation of the US-China trade war in the recent months, which depressed the investment intentions of corporates and further dampened the economies in both the US and China. The downsize risk of global economy continues to increase.

The steel sector is our major downstream industry, its demand for our products was largely arising from consumptions within China, the negative impact of the US-China trade war on steel sector was relatively moderate in 1H 2019. In 1H 2019, the investments from property sector records an increase compared with 1H 2018 and together with the growth of demand from government-led infrastructures, the demand for steels recorded a moderate growth and the steel price remained steady in 1H 2019.

Management Discussion and Analysis

In 1H 2019, the EMM market demand and supply was relatively stable. While the market price of EMM products recorded a year-on-year increase, the market price of EMM products has been dropped back to a more reasonable level and remained steady in 1H 2019 after having stayed at an exceptionally high level for a few months not long before the year end of 2018 due to squeezed supply in China. All in all, the average selling price of our EMM products for 1H 2019 increased by 4.6% to HK$13,550 per tonne (1H 2018: HK$12,952 per tonne) and the gross profit contribution of EMM products recorded an increase of 38.3% to HK$234.5 million (1H 2018: HK$169.6 million).

In 1H 2019, the market demand of battery materials especially EMD continues to grow rapidly. The average selling price of EMD for 1H 2019 increased by 5.8% to HK$10,226 per tonne (1H 2018: HK$9,668 per tonne) and the gross profit contribution of EMD recorded an increase of 54.1% to HK$52.2 million (1H 2018: HK$33.9 million). In response to this strong demand for battery materials, we continue to cautiously expand our production capacity of battery material products. Construction of the second phase of our Chongzuo lithium manganese oxide production plant was completed in May 2019 and commercial production gradually commenced in June 2019. In addition, we continue to carry out technological innovations and upgrades in our joint venture Huiyuan Manganese to expand its production capacity of EMD and expect the project will be completed by the end of the year 2019.

Amidst of the above, the increase in selling price of our major products EMM products and EMD in 1H 2019 led to the increase of gross profit margin by 3.1% to 11.6% (1H 2018: 8.5%) and gross profit of the Group by 30.6% to HK$363.1 million (1H2018: HK$278.0 million).

Positive contributions from the above factors were partially offset by the following events:

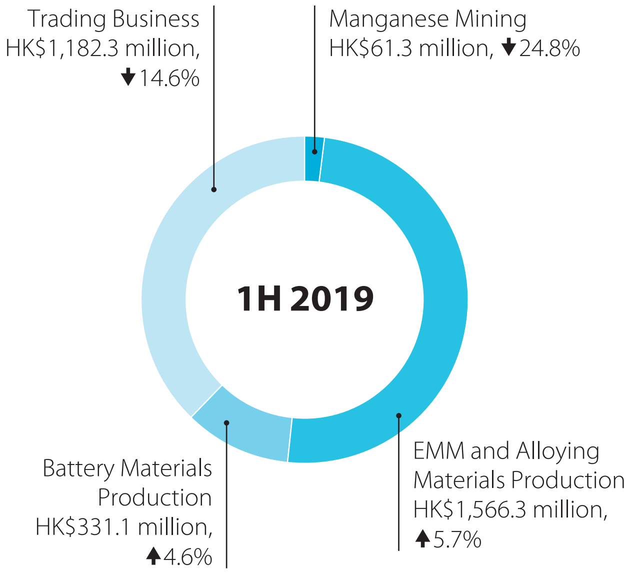
(a) during 1H 2018, our 64%-owned subsidiary Hui Xing Group received a non-recurring relocation compensation in cash amounting to HK$84.2 million (equivalent to RMB68.4 million) from the government. The amount received was recognised as compensation income under "Other income and gains" in 1H 2018.

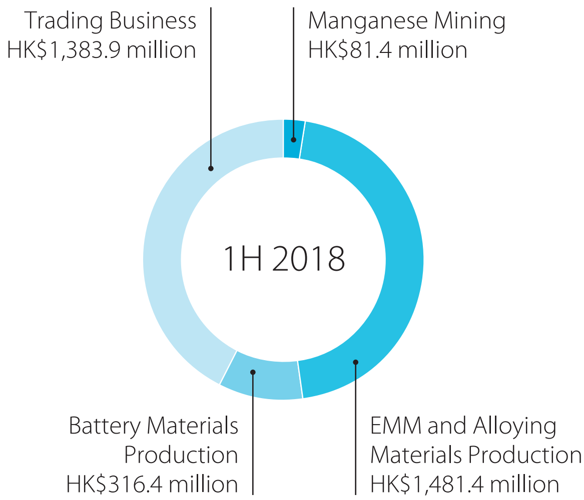
(b) The gross profit margin of silicomanganese alloy decreased by 6.3% to 0.9% in 1H 2019 (1H 2018: 7.2%). As opposed to 1H 2018, the relatively advantageous market environment of silicomanganese alloy did not repeat in 1H 2019 mainly because the elimination of outdated capacity of ferroalloy carried out in recent years was almost completed in the year 2018 and such capacity was replaced by newly commenced projects in China gradually. This leads to a relatively abundant supply condition in the market. Despite this factor, the Group believes our expertise and experience in the industry will bring us a competitive advantage in the market. We limited our costs of investments by adopting asset-light strategy to cautiously expand our production capacity of silicomanganese alloy through leasing of additional ferroalloy furnaces with an annual capacity of 90,000 tonnes in 1H 2019. We expect the production of these furnaces will gradually become stable in 2H 2019 after their initial phase of start-up. We will continue to strictly control our costs of production to maximise our profitability amidst of current market condition. Furthermore, with the support of the growing production of silicomanganese alloy from our newly leased ferroalloy furnaces and an associate Dushan Jinmeng, we continue to cautiously develop our trading business of manganese ore, manganese ferroalloy and its related raw materials to increase our market influence and strengthen our competitiveness.

As a result, consolidated net profit attributable to owners of the parent in 1H2019 improved by 0.4% to HK$86.3 million (1H2018: HK$85.9 million).

Comparison with six months ended 30 June 2018

Revenue by segment





In 1H 2019, the Group's revenue was HK$3,140.9 million (1H 2018: HK$3,263.1 million), representing a decrease of 3.7% as compared with 1H 2018. The decrease was mainly due to the net effect of (a) increase in average selling prices of EMM products; (b) decrease in sales volume of EMM products; (c) substantial increase in sales volume of silicomanganese alloy; and (d) decrease in sales revenue from trading business.

In 1H 2019, the revenue of our major products EMM products accounted for 36.1% (1H 2018: 37.2%) of our total revenue.

Management Discussion and Analysis

Manganese mining segment

	Sales Volume (tonnes)	Average Selling Price (HK$/tonne)	Revenue (HK$'000)	Unit Cost of Sales (HK$/tonne)	Cost of Sales (HK$'000)	Gross Profit/ (Loss) (HK$'000)	Gross Profit/ (Loss) Margin (%)
Six months ended 30 June 2019							
Gabon ore (note)	**–**	**–**	**–**	**–**	**–**	**–**	**–**
Manganese concentrate	**124,117**	**432**	**53,559**	**376**	**46,608**	**6,951**	**13.0**
Natural discharging manganese powder and sand	**2,646**	**2,908**	**7,695**	**385**	**1,019**	**6,676**	**86.8**
Total	**126,763**	**483**	**61,254**	**375**	**47,627**	**13,627**	**22.2**
Six months ended 30 June 2018							
Gabon ore (note)	9,101	474	4,317	704	6,408	(2,091)	(48.4)
Manganese concentrate	210,530	292	61,572	327	68,928	(7,356)	(11.9)
Natural discharging manganese powder and sand	5,623	2,760	15,518	572	3,215	12,303	79.3
Total	225,254	361	81,407	349	78,551	2,856	3.5

Results of Gabon Mine

	Six months ended 30 June		**Increase/(Decrease)**	
	2019 HK$'000	2018 HK$'000	**HK$'000**	**%**
Gross loss from sales of Gabon ore	**–**	(2,091)	(2,091)	(100.0)
Subcontracting income (note)	**48,487**	52,319	(3,832)	(7.3)
Total	**48,487**	50,228	(1,741)	(3.5)

Note: The Group entered into a subcontracting agreement with Guangxi Jinmeng, the major 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 receives a fixed income of RMB26,000,000 (equivalent to HK$30,043,000) per annum plus a variable income upon sales of ores mined and determined with reference to the ore's selling price. The revenue and cost of sales from the ores of Bembélé Manganese Mine mined by the subcontractor were not recognised in the Group's consolidated statement of profit or loss. Instead, the aggregate of fixed income and variable income above-mentioned is recognised as subcontracting income under "Other income and gains" in the consolidated statement of profit or loss.

In 2018, sales of Gabon ores from Bembélé Manganese Mine represented all the remaining inventories already mined by the Group before the subcontracting arrangement came into effect in March 2017.

In 1H 2019, revenue of manganese mining segment decreased by 24.8% to HK$61.3 million (1H2018: HK$81.4 million) mainly due to the decrease in production and also sales volume of natural discharging manganese powder and sand as Daxin Mine entered into almost all underground mining operations in 1H 2019 and therefore, the production of natural discharging manganese powder continued to decrease.

The gross profit of manganese mining segment increased by 377.1% to HK$13.6 million (1H 2018: HK$2.9 million) mainly due to the net effect of (a) increase in average selling price of manganese carbonate ores produced by Changgou Manganese Mine, therefore, the gross profit contributed from manganese carbonate turned from a loss of HK$7.4 million in 1H2018 to a profit of HK$7.0 million in 1H2019 and; (b) decrease in gross profit contribution from natural discharging manganese powder and sand due to decrease in their sales volume.

In 1H 2018, our 64% owned subsidiary Hui Xing Group received a non-recurring relocation compensation in cash amounting to HK$84.2 million from the government and recognised as compensation income, therefore, the manganese mining segment recorded a profit of HK$37.3 million (1H 2018: HK$101.8 million), a decrease of 63.4%.

EMM and alloying materials production segment

	Sales Volume (tonnes)	Average Selling Price (HK$/tonne)	Revenue (HK$'000)	Unit Cost of Sales (HK$/tonne)	Cost of Sales (HK$'000)	Gross Profit (HK$'000)	Gross Profit Margin (%)
Six months ended 30 June 2019							
EMM	**62,831**	**13,508**	**848,736**	**10,639**	**668,468**	**180,268**	**21.2**
Manganese briquette	**20,832**	**13,678**	**284,939**	**11,076**	**230,739**	**54,200**	**19.0**
	83,663	**13,550**	**1,133,675**	**10,748**	**899,207**	**234,468**	**20.7**
Silicomanganese alloy	**51,584**	**7,697**	**397,042**	**7,628**	**393,457**	**3,585**	**0.9**
Others	**5,486**	**6,484**	**35,573**	**5,923**	**32,495**	**3,078**	**8.7**
Total	**140,733**	**11,130**	**1,566,290**	**9,416**	**1,325,159**	**241,131**	**15.4**
Six months ended 30 June 2018							
EMM	71,341	12,896	919,989	10,976	783,038	136,951	14.9
Manganese briquette	22,401	13,129	294,111	11,674	261,504	32,607	11.1
	93,742	12,952	1,214,100	11,143	1,044,542	169,558	14.0
Silicomanganese alloy	28,738	8,627	247,937	8,008	230,128	17,809	7.2
Others	5,872	3,302	19,389	2,935	17,232	2,157	11.1
Total	128,352	11,542	1,481,426	10,065	1,291,902	189,524	12.8

Management Discussion and Analysis

Revenue of EMM and alloying materials production segment increased by 5.7% to HK$1,566.3 million in 1H 2019 (1H 2018: HK$1,481.4 million) mainly attributable to the followings:

(a) EMM products continued to be our major products in terms of revenue and the average selling price of EMM products recorded an increase of 4.6% to HK$13,550 per tonne (1H 2018: HK$12,952 per tonne).

(b) The revenue of silicomanganese alloy increased by 60.1% to HK$397.0 million in 1H 2019 (1H 2018: HK$247.9 million) mainly attributable to the net effect of (i) sales volume increased by 79.5% to 51,584 tonnes in 1H 2019 (1H 2018: 28,738 tonnes) attributable to production from newly leased alloy production furnaces in Xingyi, Guizhou; and (ii) the decrease in average selling price of silicomanganese alloy by 10.8% to HK$7,697 per tonne in 1H 2019 (1H 2018: HK$8,627 per tonne).

The above factors are partially offset by the following:

(c) The sales volume of EMM products decreased by 10.8% to 83,663 tonnes in 1H2019 (1H2018: 93,742 tonnes) mainly because our major downstream customers became more conservative as opposed to 1H 2018 and therefore our delivery of EMM products slightly slowed down.

As a result of increase in average selling prices of EMM products, the gross profit contribution of EMM and alloying materials production segment increased by 27.2% to HK$241.1 million (1H 2018: HK$189.5 million) and EMM and alloying materials production segment recorded a profit of HK$166.6 million (1H 2018: HK$148.9 million), an increase of 11.9%.

Battery materials production segment

	Sales Volume (tonnes)	Average Selling Price (HK$/Tonne)	Revenue (HK$'000)	Unit Cost of Sales (HK$/Tonne)	Cost of Sales (HK$'000)	Gross Profit (HK$'000)	Gross Profit Margin (%)
Six month period ended 2019							
EMD	**15,501**	**10,226**	**158,514**	**6,857**	**106,288**	**52,226**	**32.9**
Manganese sulfate	**12,620**	**3,544**	**44,728**	**2,776**	**35,039**	**9,689**	**21.7**
Lithium manganese oxide	**1,611**	**40,109**	**64,616**	**36,453**	**58,725**	**5,891**	**9.1**
NCM	**467**	**135,407**	**63,235**	**125,319**	**58,524**	**4,711**	**7.4**
Total	**30,199**	**10,964**	**331,093**	**8,562**	**258,576**	**72,517**	**21.9**
Six months period ended 2018							
EMD	14,563	9,668	140,788	7,340	106,893	33,895	24.1
Manganese sulfate	10,066	3,846	38,709	2,946	29,658	9,051	23.4
Lithium manganese oxide	1,145	63,929	73,199	53,759	61,554	11,645	15.9
NCM	291	218,973	63,721	201,148	58,534	5,187	8.1
Total	26,065	12,140	316,417	9,846	256,639	59,778	18.9

Management Discussion and Analysis

Revenue of battery materials production segment slightly increased by 4.6% to HK$331.1 million (1H 2018: HK$316.4 million) and gross profit of this segment increased by 21.3% to HK$72.5 million (1H 2018: HK$59.8 million) mainly attributable to the net effect of the followings:

(a) EMD continued to be our major battery material product and its market demand kept growing in 1H 2019. Therefore, the average selling price of EMD increased by 5.8% to HK$10,226 per tonne (1H 2018: HK$9,668 per tonne), contributing to an increase in revenue and gross profit contribution in 1H 2019;

(b) The gross profit margin of lithium manganese oxide decreased by 6.8% to 9.1% (1H 2018: 15.9%) mainly attributable to (i) the Group shifted its focus to ramp up the production and seize market share of lithium manganese oxide upon completion of the first phase of expansion of lithium manganese oxide production plant in Chongzuo and therefore, setting the selling price at a lower level at the initial stage and (ii) in 1H 2019, the PRC government implemented a more stringent policy towards the subsidies of new energy automobiles and this led to a downside pressure on the price of lithium manganese oxide.

As a result of increase in average selling price of EMD, the results of battery materials production segment recorded a profit of HK$55.7 million (1H 2018: HK$35.3 million), an increase of 57.7%.

Other business segment

	Revenue (HK$'000)	Cost of Sales (HK$'000)	Gross Profit (HK$'000)	Gross Profit Margin (%)
Six months period ended 30 June 2019				
Trading	**1,182,263**	**1,146,418**	**35,845**	**3.0**
Six months period ended 30 June 2018				
Trading	1,383,874	1,358,051	25,823	1.9

Revenue of other business segment decreased by 14.6% to HK$1,182.3 million (1H 2018: HK$1,383.9 million). The gross profit contribution and gross profit margin from trading business improved as the Group underwent a selection process and since 2H2018 shifted its focus to manganese related products which is more profitable and the Group has more experience in.

The results of this business segment recorded a profit of HK$5.5 million (1H 2018: HK$4.6 million), an increase of 18.8%.

Cost of Sales

Total cost of sales decreased by 6.9%, to HK$2,777.8 million in 1H 2019 (1H 2018: HK$2,985.1 million). The cost decrease was primarily due to the revenue and also the cost of sales from trading business decreased as a result of the Group's effort to contain the scale of trading business by focusing more on manganese related products.

Gross Profit

In 1H 2019, the Group recorded a gross profit of HK$363.1 million (1H 2018: HK$278.0 million), which represented an increase of HK$85.1 million from 1H 2018, or 30.6%. The Group's overall gross profit margin was 11.6%, representing an increase of 3.1% from 8.5% in 1H 2018. Improved overall gross profit and gross profit margin was mainly attributable to increase in average selling prices of EMM products and EMD.

Other Income and Gains

Other income and gains decreased by 52.8% to HK$96.0 million (1H 2018: HK$203.1 million) mainly because (a) our 64%-owned Hui Xing Group received a non-recurring relocation compensation in cash amounting to HK$84.2 million in 1H 2018; and (b) overdue interest income from trade receivables decreased.

Selling and Distribution Expenses

The Group's selling and distribution expenses in 1H 2019 have decreased by 14.1% to HK$44.9 million (1H 2018: HK$52.3 million) mainly attributable to decrease in export sales volume of EMM products and therefore the freight charges decreased.

Administrative Expenses

Administrative expenses increased by 10.0% to HK$200.2 million in 1H 2019 (1H 2018: HK$182.0 million) mainly attributable to (a) increase in research and development expenses for products and technological upgrades; and (b) increase in staff costs including annual adjustments and increase in social insurance contributions in the PRC.

Finance Costs

For 1H 2019, the Group's finance costs were HK$111.7 million (1H 2018: HK$128.5 million), representing a decrease of 13.1% which was mainly due to the Group's effort to control finance costs and in particular less notes receivable were discounted in 1H 2019.

Other Expenses

Other expenses of HK$3.5 million (1H 2018: HK$6.6 million) mainly include foreign exchange losses, donations and other non-operating expenses.

Share of Profits and Losses of Associates

Share of losses of associates of HK$10.6 million (1H 2018: HK$1.5 million) represents:

(a) share of loss of Greenway Mining, an 29.99% associate of the Group of HK$8.3 million (1H 2018: HK$4.6 million), mainly due to decrease in average selling price of its products during the period; and

(b) share of loss of Dushan Jinmeng, a 33.0% associate of the Group, of HK$2.3 million (1H 2018: profit of HK$3.1 million).

Share of Profit of a Joint Venture

The amount represents share of profit of HK$2.7 million of our 34.93% owned Ningbo Dameng Group established in June 2018.

Income Tax (Expense)/Credit

In 1H 2019, the effective tax rate is 26.9% (1H 2018: -3.4%). In 1H 2019, the effective tax rate was higher than the statutory tax rate of our major subsidiaries in the PRC because certain subsidiaries recording losses in the period did not recognise deferred tax arising from such losses for prudence. Comparing to the same period 2018, the effective tax rate was much higher because unutilised tax losses were available in 2018 to offset taxable profits for 1H2018. Such tax losses were fully utilised in 2018 and no longer available for offsetting taxable profits in 1H2019.

Profit Attributable to Owners of the Parent

For 1H 2019, the Group's profit attributable to owners of the parent was HK$86.3 million (1H 2018: HK$85.9 million).

Earnings per Share

For 1H 2019, earnings per share attributable to ordinary equity holders of the Company was HK$0.0252 (1H 2018: HK$0.0251).

Interim Dividend

The Board does not recommend the payment of any interim dividend for the six months ended 30 June 2019 (1H 2018: Nil).

Use of Proceeds from IPO

Up to 30 June 2019, we utilised the net proceeds raised from IPO in accordance with the designated uses set out in the Prospectus as follows:

	Description	Amount designated in Prospectus (HK$ Million)	Amount utilised up to 30.06.2019 (HK$ Million)	% utilised	Amount utilised up to 31.12.2018 (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%	59	100.0%
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%	1,868	94.2%

Management Discussion and Analysis

As at 30 June 2019, proceeds from IPO designated for acquisition of mines and mining right to the extent of HK$115.0 million was not yet utilised. According to the Prospectus, the proceeds shall be used for the acquisition of mines, mining rights in relation to mines with identified mining resources or related production facilities. Since IPO, the Group has been continuously studying potential acquisition opportunities of various mining projects introduced by investment banks, mine owners and other sources from time to time. However, the Group has not yet identified new projects which meet our investment strategy including risk return requirements. Currently the Group does not have a timetable for the utilisation of the remaining proceeds. Such timetable will only be available when the Group can identify project targets with a reasonable chance of acquisition completion. In the meantime, the unutilised portion of IPO proceeds continues to be maintained in deposits with licensed banks.

Liquidity and Financial Resources

Cash and Bank Balances

As at 30 June 2019, the currency denomination of the Group's cash and bank balances including pledged deposits are as follows:

Currency denomination	30 June 2019 HK$ million	31 December 2018 HK$ million
Denominated in:		
RMB	**1,336.6**	1,175.6
HKD	**8.0**	5.0
USD	**223.9**	192.7
XAF	**17.4**	15.4
	1,585.9	1,388.7

As at 30 June 2019, our cash and bank balances including pledged deposits were HK$1,585.9 million (31 December 2018: HK$1,388.7 million) while the Group's borrowings amounted to HK$4,634.1 million (31 December 2018: HK$4,363.3 million). The Group's borrowings net of cash and bank balances amounted to HK$3,048.2 million (31 December 2018: HK$2,974.6 million).

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

Other major changes in working capital

(a) Current prepayments, other receivables and other assets increased by HK$82.6 million to HK$617.5 million at 30 June 2019 (31 December 2018 : HK$534.9 million) mainly due to increase in prepayments and deposits for purchase of manganese ores and other raw materials due to our expansion of silicomanganese alloy production.

(b) At 30 June 2019, inventories increased by HK$63.2 million to HK$748.2 million (31 December 2018: HK$685.0 million) mainly attributable to increase in stock of manganese ores and other raw materials for silicomanganese alloy production.

The above impacts were net off by the followings:

(c) Trade and notes receivables of the Group as at 30 June 2019 decreased by HK$108.6 million to HK$1,815.2 million from HK$1,923.8 million as at 31 December 2018 mainly attributable to (i) average selling price and hence revenue from EMM products restored to a more reasonable level in 1H 2019 as apposed to a relatively high level in 2H 2018; and (ii) trade receivables balance from our trading business decreased.

Net Current Liabilities

As at 30 June 2019, the Group had net current liabilities of HK$627.6 million (31 December 2018: HK$371.6 million). The increase in net current liabilities was mainly because certain long-term bank loans and other borrowings repayable in 1H 2020 have been reclassified from long term to current as at 30 June 2019.

Bank and Other Borrowings

As at 30 June 2019, the Group's borrowing structure and maturity profile are as follows:

Borrowing structure	**30 June 2019 HK$ million**	31 December 2018 HK$ million
Secured borrowings (including finance lease payables)	**339.9**	297.9
Unsecured borrowings	**4,294.2**	4,065.4
	4,634.1	4,363.3

Maturity profile	**30 June 2019 HK$ million**	31 December 2018 HK$ million
Repayable:		
On demand or within one year	**3,734.9**	3,171.0
After one year and within two years	**389.1**	675.6
After two years and within five years	**510.1**	516.7
	4,634.1	4,363.3

Currency denomination	**30 June 2019 HK$ million**	31 December 2018 HK$ million
Denominated in:		
RMB	**3,620.0**	3,807.5
USD	**1,014.1**	555.8
	4,634.1	4,363.3

As at 30 June 2019, borrowings as to the amounts of HK$1,895.8 million (31 December 2018: HK$2,415.9 million) and HK$2,738.3 million (31 December 2018: HK$1,947.4 million), carry fixed and floating rate interest respectively. The fixed rate borrowings carry interest at rates ranging from 3.78% to 8.70%. The floating rate borrowings carry interest up to a premium of 5% to 10% above the Benchmark Borrowing Rates of the People's Bank of China ("**PBOC**"), except the USD loans which carry interest at LIBOR plus a margin ranging from 1.00% to 2.30%.

Overall, aggregate borrowings slightly increased to HK$4,634.1 million (31 December 2018: HK$4,363.3 million). The Group is now exploring various means including short-term or medium-term notes and more long-term bank loans to improve borrowing structure in terms of interest rate level and repayment terms.

Charge on Group Assets

As at 30 June 2019, (a) property, plant and equipment of HK$149.9 million (31 December 2018: HK$220.4 million) were held under finance lease; (b) none else of the Group's property, plant and equipment (31 December 2018: Nil) were pledged to secure the Group's interest-bearing bank borrowings; (c) bank balances of HK$65.2 million (31 December 2018: HK$119.1 million) were pledged to secure certain of the Group's bank acceptance notes payable; and (d) trade receivables of HK$155.4 million (31 December 2018: HK$45.8 million) were pledged to secure certain of the Group's bank borrowings.

Management Discussion and Analysis

Guarantees

(a) As at 30 June 2019, the outstanding bank loan of an associate, in which the Group has a 33.0% 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 Jinmeng according to their respective shareholding percentage on a several basis.

As at 30 June 2019, the associate's banking facilities guaranteed by the Group and Guangxi Jinmeng amounted to RMB800.0 million (equivalent to HK$909.9 million) and were utilised to the extent of RMB603.5 million (equivalent to HK$686.4 million) (31 December 2018: RMB665.0 million, equivalent to HK$756.8 million) by the associate.

(b) As at 30 June 2019, loans amounting to RMB80.0 million (equivalent to HK$91.0 million) (31 December 2018: RMB80.0 million, equivalent to HK$91.0 million) provided by Guangxi Dameng to a company in which the Group owns 10% equity interest (the "borrower") is guaranteed by the Group and the major shareholder of the borrower according to the shareholding percentage on a several basis.

(c) As at 30 June 2019, the Group provided a guarantee to a bank in respect of an outstanding bank loan of RMB50.0 million (equivalent to HK$56.9 million) (31 December 2018: Nil) borrowed by a joint venture of the Group.

Key Financial Ratios of the Group

	30 June 2019	31 December 2018
Current ratio	**0.89**	0.93
Quick ratio	**0.75**	0.79
Net Gearing ratio	**96.8%**	96.0%

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

At 30 June 2019, current ratio and quick ratio deteriorated because certain long-term outstanding bank loans and other borrowings repayable in 1H 2020 have been reclassified from long term to current as at 30 June 2019. Net gearing ratio slightly increased mainly due to capital expenditure incurred during the period.

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$627.6 million at 30 June 2019 (31 December 2018: HK$371.6 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 30 June 2019, 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$1,134.6 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 and 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 six months ended 30 June 2019 on a going concern basis.

Credit Risk

The Group endeavoured to maintain strict control over its outstanding receivables to minimise credit risk. Credit periods allowed are determined according to relevant business practice and the relevant type of goods and generally are in the range of one to three months from the invoice date and cash realisation may be further extended by three to six months for those customers paying by bank acceptance notes. 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 Group described below. The Group did not hold any collateral or other credit enhancements over its trade and notes receivable balances.

As at 30 June 2019, the customer with the largest balance of trade and notes receivables of the Group was Guangxi Jinmeng Group which is principally engaged in manganese ferroalloy production and manganese ore trading in the PRC and manganese mining in Gabon. It maintains close business relationship with major steel plants in the PRC. The Group supplies manganese ores to Guangxi Jinmeng Group which is also our subcontractor in Gabon Bembélé Manganese Mine.

In 1H 2019, revenue of HK$500.7 million (1H 2018: HK$465.9 million) was derived from trading of manganese ores to Guangxi Jinmeng Group, which accounted for 15.9% (1H 2018: 14.3%) of the Group's total revenue. As at 30 June 2019, trade and notes receivables from Guangxi Jinmeng Group was HK$357.8 million (31 December 2018: HK$351.5 million) and represents 19.7% (31 December 2018: 18.3%) of the Group's total.

Sales to Guangxi Jinmeng Group are on open account with a 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 60 days subject to the Company's approval. As at 30 June 2019, the remaining unsettled balances due from Guangxi Jinmeng Group are within their credit period. The directors of the Company consider that the related credit risk is acceptable to the Group.

Management Discussion and Analysis

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 costs 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 costs of new debt obligations. The Group secures interest rate swap contracts to effectively lock up certain United States dollars floating rate loan to fixed rate loan to contain interest rate risk since 2H 2018.

Foreign exchange risk

The Group's operations are primarily in Hong Kong, the PRC and Gabon. Foreign exchange risks for operations in each location are set out below. Except for certain PRC operation mentioned in (b) below, we have not entered into any foreign exchange contracts or derivative transactions to hedge against foreign exchange risks.

(a) In respect of our trading operations in Hong Kong, our sales and purchases are both denominated in United States dollars. In addition, Hong Kong dollars is pegged to United States dollars and hence foreign exchange risk is minimal.

(b) In respect of our mining and downstream 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 denominated in RMB except for the followings.

Since the year 2018, the Group increased its import of manganese ores from oversea suppliers which are denominated in United States dollars to cope with its increased production of alloy materials. In order to contain the foreign currency risk in association with such overseas purchase of manganese ores for alloy production, the Group entered into forward currency contracts for selected major purchases at the time of entering into the relevant purchase contracts, to secure against exchange rate movements.

(c) In respect of our Gabon operation which is under subcontracting arrangement, our subcontracting income is substantially denominated in RMB and all major expenses are borne by the subcontractor.

Investment in 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 RMB.

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:

(a) expand and upgrade our manganese resources and reserves through exploration and enhance our strategic control of manganese resources and reserves through mergers and acquisitions;

(b) enhance our operational efficiency and profitability; and

(c) establish and consolidate our strategic relationships with selected major customers and industry leading partners.

Future Development and Outlook

- Riding on our existing expertise in manganese industry and talents from Huiyuan Manganese, we continue to carry out technological innovations and upgrades in Huiyuan Manganese so as to enlarge its production capacity of EMD in a cost efficient manner and at the same time strictly control our costs of investment so as to maximise our profitability. We expect the expansion project will be completed by the end of the year 2019 and upon completion, Huiyuan Manganese will become one of the largest EMD manufacturers in China. In addition, we continue to monitor its financial performance and consider investment alternatives including increases in equity interests in Ningbo Dameng and/or Huiyuan Manganese.

- The second phase of lithium manganese oxide plant in Chongzuo Base was completed and commenced production in 1H 2019. Upon its completion, our production capacity of lithium manganese oxide was nearly doubled. The Group will be able to speed up participating in this fast growing battery materials market and start to shift our focus on marketing of lithium manganese oxide.

- Our efforts spent on marketing of the Gabon ore provide an encouraging result, the demand of the Gabon ore kept growing in 1H 2019. However, the logistics operation for ores mined from our Bembélé Manganese Mine in Gabon sees bottlenecks in local transportation infrastructure. We started to carry out research and study on the methodology and planning for the next phase of our mining operation of Bembélé Manganese Mine in order to increase and sustain our Gabon ore production.

- Amidst the slight downturn of ferroalloy market in 1H 2019, the production of Dushan Jinmeng became more stable and it is expected that by the end of the year 2019, half of the ferromanganese production and power generating capacity will have been put into production, and the remaining half of the project capacity will be put into production around mid-2020. Upon full production, Dushan Jinmeng will be 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.

- The production of our newly leased furnaces will become stable in 2H 2019. Riding on our expertise and experience in manganese from mining to downstream processing, we continue to strictly control our costs of production to maximise our profitability amidst of current market condition. On the other hand, with the support of the growing production of ferroalloy from our newly leased ferroalloy furnaces and Dushan Jinmeng, we continue to cautiously develop our trading business of manganese ore, manganese ferroalloy and its related raw materials to increase our market influence and strengthen our competitiveness.

- 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.

- The recent escalation of the U.S.-China trade war is threatening the growth of China and global economies and exaggerating volatility to the currency markets. In addition, the volatility of the U.S. interest rate increases the uncertainty to finance costs of corporates. These factors increase the risks and costs of our business operations. The Group uses certain derivative financial instruments to hedge the interest rate and currency risks from time to time and will continue to closely monitor the market conditions and if necessary may adjust the paces of our development and business strategy to balance these risks.

Human Resources Report

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

Our Employees

As at 30 June 2019, we have a total of 7,407 employees (30 June 2018: 7,671), mainly in Mainland China, representing 99.69% (30 June 2018: 99.70%). Over 35.64% 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 coming years, our workforce composition will remain relatively the same. We have also maintained a workforce with stable turnover for a number of years. For the six months ended 30 June 2019, our overall turnover rate was 2.85% (30 June 2018: 2.53%). The headcount in Gabon as at 30 June 2019 set out below excludes the 273 (at 30 June 2018: 277) employees who worked for a subcontractor.

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

	As at 30 June					
	2019			2018		
Headcount by Location	**Male**	**Female**	**Total**	Male	Female	Total
Hong Kong	**8**	**8**	**16**	9	7	16
Mainland China	**5,051**	**2,333**	**7,384**	5,229	2,419	7,648
Gabon	**6**	**1**	**7**	6	1	7
Total:	**5,065**	**2,342**	**7,407**	5,244	2,427	7,671

Headcount by Age	**Hong Kong**		**Mainland China**		**Gabon**		**Group**	
	As at 30 June							
	2019	2018	**2019**	2018	**2019**	2018	**2019**	2018
60 and above	**1**	1	**26**	31	**0**	0	**27**	32
51-59	**4**	4	**1,276**	1,208	**1**	0	**1,281**	1,212
41-50	**3**	3	**3,456**	3,533	**0**	1	**3,459**	3,537
31-40	**5**	6	**1,878**	1,957	**5**	5	**1,888**	1,968
30 and below	**3**	2	**748**	919	**1**	1	**752**	922
Total:	**16**	16	**7,384**	7,648	**7**	7	**7,407**	7,671

Headcount by Employment Category	**Hong Kong**		**Mainland China**		**Gabon**		**Group**	
	As at 30 June							
	2019	2018	**2019**	2018	**2019**	2018	**2019**	2018
Senior	**2**	3	**7**	6	**2**	2	**11**	11
Middle	**4**	3	**99**	87	**3**	3	**106**	93
Professional	**4**	4	**900**	809	**0**	0	**904**	813
General	**6**	6	**6,378**	6,746	**2**	2	**6,386**	6,754
Total:	**16**	16	**7,384**	7,648	**7**	7	**7,407**	7,671

Our Employees (continued)

Employee Turnover

	Hong Kong		Mainland China		Gabon		Group	
	For the six months ended 30 June							
	2019	2018	**2019**	2018	**2019**	2018	**2019**	2018
Employee Turnover Number	**2**	0	**208**	192	**1**	2	**211**	194
Employee Turnover Rate	**12.50%**	0.00%	**2.82%**	2.50%	**14.29%**	28.57%	**2.85%**	2.53%

Employee Turnover Number by Location	For the six months ended 30 June **2019**	2018
Hong Kong	**2**	0
Mainland China	**208**	192
Gabon	**1**	2
Total:	**211**	194

Employee Turnover Number by Age	Hong Kong		Mainland China		Gabon		Group	
	For the six months ended 30 June							
	2019	2018	**2019**	2018	**2019**	2018	**2019**	2018
60 and above	**0**	0	**2**	2	**0**	0	**2**	2
51-59	**0**	0	**20**	5	**0**	0	**20**	5
41-50	**0**	0	**44**	48	**0**	1	**44**	49
31-40	**1**	0	**86**	82	**0**	1	**87**	83
30 and below	**1**	0	**56**	55	**1**	0	**58**	55
Total:	**2**	0	**208**	192	**1**	2	**211**	194

Human Resources Report

Development and Training

We place high importance on the training and development of our employees, so as to elevate their performance in their existing positions and to better prepare for their promotion in the future. All our employees are encouraged to participate sufficient degree of professional training in order to help to maximise their performance and realize their full potential. The importance we place on employee development and training is demonstrated by the significant amount of training our employees undertook during the six months ended 30 June 2019.

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

Percentage of Employees Trained by Employment Category	Hong Kong		Mainland China		Gabon		Group	
	For the six months ended 30 June							
	2019	2018	**2019**	2018	**2019**	2018	**2019**	2018
Senior	**100**	67	**86**	100	**100**	100	**91**	91
Middle	**50**	67	**42**	65	**100**	100	**44**	66
Professional	**75**	75	**45**	70	**0**	0	**45**	70
General	**33**	100	**73**	87	**50**	50	**73**	87

Average Training Hours per Employee by Employment Category	Hong Kong		Mainland China		Gabon		Group	
	For the six months ended 30 June							
	2019	2018	**2019**	2018	**2019**	2018	**2019**	2018
Senior	**74**	16	**14**	16	**12**	16	**33**	16
Middle	**8**	8	**12**	17	**12**	8	**11**	17
Professional	**5**	10	**19**	25	**0**	0	**8**	25
General	**6**	1	**20**	23	**12**	5	**13**	23
Total:	**93**	35	**65**	81	**36**	29	**65**	81

Environmental, Social and Governance Report

We always adhere to the concept of sustainable development including using scientific design and taking advanced, reasonable and effective measures to exploit mine resources scientifically, orderly, and reasonably. While becoming bigger and stronger in the industry, we always maintain the harmony between man and nature, demonstrate a new image of a good and responsible mining company.

Now we have over 7,400 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 report concentrated 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 nor joint venture.

Environmental, Social and Governance Report

Basis of preparation (continued)

A summary of our key performance indicators in the aforesaid four critical areas during the six months ended 30 June 2019 is set out in the following table:

Critical Areas	Key performance indicators	Six months ended 30 June 2019	2018
Safety Production and Labour Protection	Number of Fatalities (Note 1)	**1**	0
	Number of Injuries	**4**	11
	Number of Lost Days Caused by Injuries (Note 2)	**241**	619
Energy Savings and Environmental Protection	Electricity Consumption (MWh) (Note 3)	**891,935**	819,072
	Electricity Intensity (kWh per EMM (tonne)) (Note 4)	**6,636**	6,710
	Water Consumption (Tonnes) (Note 5)	**2,222,289**	1,727,067
	Water Intensity (m^3 per EMM (tonne)) (Note 6)	**2.87**	N/A
	Total Greenhouse Gas Emission (Tonnes) (Note 7)	**16**	18
	Waste Slag Volume (Tonnes)	**632,106**	545,382
	Non-hazardous Waste Produced (Tonnes) (Note 8)	**439,078**	278,458
	Total Packaging Material Used for Finished Products Number	**699,608**	573,841
Quality Operation System Establishment, Employment Training and Growth	Number of Suppliers	**377**	214
	Number of Complaint against our Products	**4**	3
	Number of Complaints and/or Legal Cases regarding Corrupt Practices	**0**	0
	Number of Employees	**7,407**	7,671
	Female Ratio (percentage)	**31.6**	31.7
Social Contribution, Living Environment and Culture Development	Donation (HKD)	**523,355**	190,074

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 all the EMM, EMD and ferroalloy processing plants during the six months ended 30 June 2019.

4. The figures include the consolidated average electricity usage (kWh) per EMM (tonne) for our EMM production by Daxin EMM Plant, Daxin Manganese EMM Plant, Tiandeng EMM Plant and Guangxi Start EMM Plant for the year.

5. The figures include the total water consumption for all the EMM, EMD and ferroalloy processing plants during the six months ended 30 June 2019.

6. The figures include the consolidated average electricity usage (m^3) per EMM (tonne) for our EMM production by Daxin EMM Plant, Daxin Manganese EMM Plant, Tiandeng EMM Plant and Guangxi Start EMM Plant during the six months ended 30 June 2019. But no such figures were collected for the six months ended 30 June 2018.

7. The figures include the greenhouse gas emission for Qinzhou Ferroalloy Plant during the six months ended 30 June 2019.

8. The figures include the tailings produced by Daxin Mine, Tiandeng Mine, Changgou Manganese Mine and Bembélé Manganese Mine during the six months ended 30 June 2019. Since Waifu Manganese Mine has not come into formal mining production, therefore no tailings were produced in Waifu Manganese Mine during the six months ended 30 June 2019.

1. Safety Production and Labour Protection

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

During the six months ended 30 June 2019, 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 maintained the qualification for second level safety standardization enterprise in respect of EMM plants and EMD plants;

(ii) Chongzuo Branch maintained the qualification for second level safety standardization enterprise; and

(iii) Qinzhou Ferroalloy Plant maintained the qualification for the second level safety standardization enterprise.

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

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

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

(ii) We commenced 2019 "Safety Production Month" activities, safety knowledge trainings, safety knowledge competition and first aid rescue etc. series of activities regarding safety production.

We held an emergency drill of 2019 for roof falling accident at central auxiliary shaft of Daxin Branch.

(5) Strict Compliance with Labour Standards:

Our employment policies strictly followed the prevailing laws and regulations regarding the compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare.

We prohibited the employment of child, forced or compulsory labour in any of our operations. During the six months ended 30 June 2019, 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.

1. Safety Production and Labor Protection (continued)

(6) Continuous Investment to the Safety Measures:

We committed to invest in our safety measures for labor protection, including protection accessories, dust prevention and noise removal facilities. During the six months ended 30 June 2019, 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 relatively low fatalities and the number of injuries in respect of our employees continued to remain at a relatively low level. In the 1H 2019, we were granted an excellent grade in the 2018 Guangxi for safety production evaluation.

Set out below is a summary of the fatalities, number of injuries and loss of days caused by injuries during the six months ended 30 June 2019:

	Six months ended 30 June	
Number of Fatalities (by Location)	**2019**	2018
Hong Kong	**0**	0
Mainland China	**1**	0
Gabon	**0**	0
Total	**1**	0

	Six months ended 30 June	
Number of Injuries (by Location)	**2019**	2018
Hong Kong	**0**	0
Mainland China	**4**	11
Gabon	**0**	0
Total	**4**	11

	Six months ended 30 June	
Number of Lost Days Caused by Injuries (by Location)	**2019**	2018
Hong Kong	**0**	0
Mainland China	**241**	619
Gabon	**0**	0
Total	**241**	619

The fatality was due to a traffic accident caused by the loose road surface in a section of Daxin Mine resulting from continuous torrential rain during the tropical season in 1H 2019. We had subsequently reviewed the whole logistic system within the Daxin Mine and formulated various hidden safety prevention measurements and follow up works to prevent the reoccurrence of the accident.

Apart from that, the number of lost days caused by injuries during the six months ended 30 June 2019 recorded a substantial decrease due to our efforts in the enhancement of safety production measures.

We will continue to the training towards our workers and actively implemented and reinforced our production safety measures, in order to protect the safety and health of our employees.

Compliance with Safety Production Rules and Regulations and Labour Standards

During the six months ended 30 June 2019, we continued to strictly follow all the prevailing laws and regulations regarding safety production and labour standards in Hong Kong, Mainland China and Gabon. To the best of our information and knowledge, there are no material non-compliance with the prevailing laws and regulations regarding safety production and labour standards by the Group during the six months ended 30 June 2019.

2. Energy Savings and Environmental Protection

Strict Supervision of Resource Consumption

Our electricity are provided by the local electricity companies or generated by our electricity generators. Our water are either extracted from the rivers or provided by the water supplies authority of the local regions which we operate. The supply of electricity and water are fit for our operation or production purposes and are provided in a stable and effective manner.

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 six months ended 30 June 2019, 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:

	Six months ended 30 June	
	2019	2018
Electricity Consumption (MWh)	**891,935**	819,072
Electricity Intensity (kWh per EMM (Tonne))	**6,636**	6,710
Water Consumption (Tonnes)	**2,222,289**	1,727,067
Water Intensity (m^3 per EMM (Tonne))	**2.87**	N/A

During the six months ended 30 June 2019, the increase in our electricity and water consumption was mainly due to increase in our production of ferroalloy and manganese ores produced by Bembélé Manganese Mine as compared with the corresponding period of 2018.

Reduction of Waste Production

Waste is a by-product during the process of our production operation. Due to the different operation processes in our mining and downstream production, 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 (mainly including carbon dioxide, methane, nitrous oxide, hydrofluorocarbons, perfluorocarbons and sulphur hexafluoride) emissions are 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. We improved the production technology, reduced energy consumption and continuously and regularly detected greenhouse gas emissions, so as to reduce the total amount of greenhouse gas emissions and its impact on the natural environment, and meet the environmental impact assessment implementation standards. Details of our greenhouse gas emissions are set out as follows:

	Six months ended 30 June	
	2019	2018
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.

2. Energy Savings and Environmental Protection (continued)

Reduction of Waste Production (continued)

(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:

	Six months ended 30 June	
	2019	2018
Waste Slags Volumes (Tonnes)	**632,106**	545,382

The increase in waste slag during the six months ended 30 June 2019 was mainly due to the increase in our production of EMD and lithium cobalt oxide as compared with the corresponding period of 2018.

(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:

	Six months ended 30 June	
	2019	2018
Tailings Production (Tonnes)	**439,078**	278,458

The increase in tailings production during the six months ended 30 June 2019 was mainly due to the diminishing ore grade of Daxin Mine as compared with the corresponding period of 2018 and the increase in production of the Bembélé Manganese Mine during the six months ended 30 June 2019.

(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:

	Six months ended 30 June	
	2019	2018
Packaging bags	**699,608**	573,841

The increase in our packaging bags consumption during the six months ended 30 June 2019 was mainly due to the increase in need of smaller size of packaging bags by our clients resulting in more 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.

Environmental Regulation: Compliance and Beyond

In China, the implementation of rules and regulations such as 2008-2015 National Mineral Resources Plan, Guangxi Zhuang Autonomous Region Green and Harmonious Mines Construction Management Rules (Trial Version), Guangxi Zhuang Autonomous Region Green and Harmonious Mines Construction Implementation Program and National Land Remediation Plan (2016-2020), have enhanced the green mine constructions regulations and requirements regarding the legal operation, comprehensive utilization, environmental protection, land reclamation, etc. for the mining companies including the Group.

In Gabon, the local government also enhanced the rules and requirements regarding the environmental protection matters.

2. Energy Savings and Environmental Protection (continued)

Environmental Regulation: Compliance and Beyond (continued)

Notwithstanding that, during the six months ended 30 June 2019, we continued our investment in environmental protection measures in compliance with the relevant rules and regulations. We have not breached any environmental rules or regulations which resulted in material 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.

Energy Savings and Reduction: Continuous Research and Implementation

By strengthening our management method, improving our production facilities and streamlining our production process, we continued our research upon and implement various energy savings and reduction measures. During the six months ended 30 June 2019, we have implemented the following measures:

(1) Our upstream mining business:

(i) we continued to increase the mining scale and optimised the mining methods for the underground mining in Daxin Mine and open pit mining in Tiandeng Mine, thereby reducing the mining costs;

(ii) we optimised the mining methodology along the mining boundary according to the geological variation of the mineral veins thereby, increasing the mineral resource recovery rate; and

(iii) we continued to strengthened the safety management of underground mining, thereby improving production efficiency.

CITIC Dameng Mining was awarded as the "Top 10 Mining Enterprises in Guangxi". Furthremore, Daxin Mine and Tiandeng Mine completed the task of establishing green mines, and were identified as "green mines" in Guangxi autonomous region.

(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; and

(c) we carried out the construction of automatic feeding system for manganese powder, thereby achieving precise feeding and reducing production costs.

During the six months ended 30 June 2019, the Group's "Key Technology Integration and Application of Energy Saving and Emission Reduction Production of Electrolytic Manganese Products" project was awarded the "Second Prize of Metallurgical Mine Science and Technology Award" issued by China Metallurgical Mining Enterprise Association.

2. Energy Savings and Environmental Protection (continued)

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

(2) Our downstream business: (continued)

(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; and

(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; and

(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.

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:

	Six months ended 30 June	
Number of our suppliers	**2019**	2018
Hong Kong	**1**	1
Mainland China	**371**	208
Gabon	**5**	5
Total	**377**	214

During the six months ended 30 June 2019, the number of our suppliers increase mainly was due to that we wanted to increase competitions between suppliers in order to our costs.

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 ISO9001:2015 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 (including but not limited to our product advertisements and labels) 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 and safety 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 six months ended 30 June 2019, the complaints we received in respect of our products and/or recalled are as follows:

	Six months ended 30 June	
	2019	2018
Number of products related complaints received and/or recalled	**4**	3

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

(iii) Probity Operating System Establishment

We continued to establish probity operating system, including, inter alia, establishment of anti bribery regulation, inclusion of probity system as annual object responsibility audit and execution of probity agreement with our suppliers, etc. We enhanced the responsibility assessment of the department heads and established rational and effective management mechanism to prevent our employees from being engaged in illegal activities such as bribery, extortion, fraud and money laundering, etc.

During the six months ended 30 June 2019, we have not received any complaints or any legal cases regarding corruption, details are as follows:

	Six months ended 30 June	
	2019	2018
Number of Complaints and/or Legal Cases regarding Corrupt Practices	**0**	0

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

(1) Quality Operation System Establishment (continued)

(iv) Our Code of 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 six months ended 30 June 2019.

(2) Employment Training and Growth

We arranged trainings at all levels of our employees through multi-channels, multi-formats and multi-levels. The key statistics in respect of our training for our employees are set out in the Human Resources Report. In summary, various different training courses were held during the six months ended 30 June 2019, effectively improving the quality of staff, and promoting development of our employees.

During the six months ended 30 June 2019, our major training activities and projects are as follows:

(i) "Certified safety engineer training course";

(ii) Training for "Break through the strategic implementation bottleneck - Strategic goal decomposition and making annual business plan";

(iii) "Human resource digitalization and informatization seminar";

(iv) "Innovative entrepreneurship and talent service advanced seminar";

(v) "The Second CITIC Dameng Youth Development Forum";

(vi) 2019 "Safety Production Month" and safety production, environmental protection management knowledge training;

(vii) "Middle and senior management training course";

(viii) "Training course of dual prevention mechanism for safety production";

(ix) "Electrical safety production training course";

(x) "Interpretation and practical operation of tax reduction training course";

(xi) "Cost reduction and efficiency-lean production improvement training course";

(xii) "Business etiquette training programme";

(xiii) "Training course of enterprise technology positioning and transformation of innovation achievements"; and

(xiv) "Training course for updating engineering knowledge and improving ability of the chief accountant of finance department".

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 actively recruited the poor labor force of Xialei Town, Daxin County, Guangxi, China, effectively promoted local poverty alleviation work, and won the Guangxi Provincial Government Poverty Alleviation Award in 2019;

(b) We organised the "Dameng Cup" football match with the Guangxi Provincial Government and donated all the prizes to schools in poverty-stricken areas in Guangxi Province for the improvement of teaching facilities and cultural and sports facilities; and

(c) Our subsidiaries organized our employees to actively visit nursing centres and orphanages and carry out various charity poverty alleviation activities.

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

(a) We have established a file of employees with difficulties and carried out "one-on-one" precision poverty alleviation, that is, each company's management personnel corresponded to a poor employee of the company, and visited it regularly to help;

(b) We are determined to carry out "send warmth" event and we always understand and pay attention to the employees in difficulty, so as assist them to solve their problems;

(c) We mobilised all employees to donate and give blood donation to employees who have suffered serious illness in their families; and

(d) We contacted the local education bureau to implement the enrollment of the employees of the company's employees.

In addition, we provided cooking oil, rice and other welfare materials as well as red banners to our employees during Chinese New Year festival and we offered our condolence to the patients, employees in need and elderly.

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

(a) We held a "Joyful Dumpling Party" during the Lantern Festival;

(b) We held racing events at Daxin Branch;

(c) We held the "Thank you Mom, Love in Dameng" themed event during the Mother's Day; and

(d) We built cinema, soccer field and purchased treadmills for our employees, so as to enrich the life of the employees.

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

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

We treasure serving our community and therefore, we spent money into the community where our businesses are situated. During the six months ended 30 June 2019, our cash donations to charities reached HK$523,355. Details are as follows:

	Six months ended 30 June	
	2019	2018
Donation (HKD)	**523,355**	190,074

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

Summary of Our Manganese Mineral Resources and Our Manganese Ore Reserves

Below is the information on our mineral resources and ore reserves as of 30 June 2019:

Summary of our manganese mineral resources

Mining Block	Ownership Percentage	JORC Resource Category	Million Tonnes	Average Manganese Grade (%)	Million Tonnes	Average Manganese Grade (%)
			As of 30.6.2019		As of 31.12.2018	
Daxin Mine	100%	Measured	3.41	25.98	3.53	25.82
		Indicated	60.23	21.60	60.98	21.52
		Subtotal	63.64	21.83	64.51	21.76
		Inferred	0.43	21.23	0.43	21.23
		Total	64.07	21.83	64.94	21.76
Tiandeng Mine	100%	Measured	0.55	18.33	0.56	18.26
		Indicated	2.76	16.76	2.76	16.76
		Subtotal	3.31	17.02	3.32	17.01
		Inferred	3.51	14.24	3.51	14.24
		Total	6.82	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	2.45	20.45	2.53	20.45
		Indicated	14.67	20.32	14.67	20.32
		Subtotal	17.12	20.34	17.20	20.34
		Inferred	4.22	20.50	4.22	20.50
		Total	21.34	20.37	21.42	20.37
Bembélé Manganese Mine	51%	Measured	–	–	–	–
		Indicated	12.96	32.28	13.72	31.70
		Subtotal	12.96	32.28	13.72	31.70
		Inferred	12.37	32.74	12.37	32.74
		Total	25.33	32.51	26.09	32.19
Total			119.10		120.82	

Summary of Our Manganese Mineral Resources and Our Manganese Ore Reserves

Summary of our manganese ore reserves

Mine	Ownership Percentage	JORC Resource Category	Million tonnes	Average Manganese Grade (%)	Million tonnes	Average Manganese Grade (%)
			As of 30.6.2019		As of 31.12.2018	
Daxin Mine	**100%**	**Proved**	**3.19**	**20.80**	3.31	20.81
		Probable	**57.70**	**19.01**	58.45	18.96
		Total	**60.89**	**19.10**	61.76	19.06
Tiandeng Mine	**100%**	**Proved**	**0.51**	**15.78**	0.52	15.74
		Probable	**2.64**	**15.61**	2.64	15.61
		Total	**3.15**	**15.64**	3.16	15.64
Waifu Manganese Mine	**100%**	**Proved**	**–**	**–**	–	–
		Probable	**–**	**–**	–	–
		Total	**–**	**–**	–	–
Changgou Manganese Mine	**64%**	**Proved**	**2.45**	**20.45**	2.53	20.45
		Probable	**14.67**	**20.32**	14.67	20.32
		Total	**17.12**	**20.34**	17.20	20.34
Bembélé Manganese Mine	**51%**	**Proved**	**–**	**–**	–	–
		Probable	**13.70**	**32.32**	13.71	31.36
		Total	**13.70**	**32.32**	13.71	31.36
Total			**94.86**		95.83	

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

Assumptions:

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

(1) (a) The manganese resources and manganese ore reserves for Daxin Mine, Tiandeng Mine and Bembélé Manganese Mine were based on the estimates per the independent technical review report as shown in the Company's Prospectus. The decreases of the amounts of manganese resources and manganese ore reserves during the period were largely due to mining activity. The period end amounts have been confirmed by internal experts.

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

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

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

Summary of Our Manganese Mineral Resources and Our Manganese Ore Reserves

Exploration, Development, and Mining Activities

I) Exploration

Overview

During the six months ended 30 June 2019, 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) the completion of the exploration works in Daxin Mine and Changgou Mine; (2) Waifu Manganese Mine still has not come into formal production; and (3) the exploration works in respect of the Bembélé Manganese Mine are still under preparation. During the period, our main focus was to continue the subsequent recordal for accreditation follow up in respect of the exploration works at Tiandeng Mine.

Daxin Mine

During the six months ended 30 June 2019, we have not entered into any contracts or commitments in respect of exploration work or conducted any exploration work at Daxin Mine.

Tiandeng Mine

During the six months ended 30 June 2019, the recordal of the accreditation process of the detailed exploration report in respect of the exploration area located at 440 meters depth below the mining block of Tiandeng Mine which we submitted to the Department of Land and Resources of Guangxi Zhuang Autonomous Region, the PRC has been completed and we are now preparing the application for mining license.

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

Waifu Manganese Mine

During the six months ended 30 June 2019, we have not entered into any contracts or commitments in respect of exploration work or conducted any exploration work at Waifu Manganese Mine.

Changgou Manganese Mine

During the six months ended 30 June 2019, we have not entered into any contracts or commitments in respect of exploration work or conducted any exploration work at Changgou Manganese Mine.

Bembélé Manganese Mine

During the six months ended 30 June 2019, we have not entered into any contracts or commitments in respect of exploration work or conducted any exploration work at Bembélé Manganese Mine.

Summary of Our Manganese Mineral Resources and Our Manganese Ore Reserves

Exploration, Development, and Mining Activities (continued)

II) Development

Daxin Mine

During the six months ended 30 June 2019, we have not entered into any contracts or commitments in respect of the infrastructure development (including infrastructure construction, subcontracting arrangements or purchases of equipment) or conducted any infrastructure or development work at Daxin Mine.

Tiandeng Mine

During the six months ended 30 June 2019, we have not entered into any contracts or commitments in respect of the infrastructure development (including infrastructure construction, subcontracting arrangements or purchases of equipment) or conducted any infrastructure or development work at Tiandeng Mine.

Waifu Manganese Mine

During the six months ended 30 June 2019, we have not entered into any contracts or commitments in respect of the infrastructure development (including infrastructure constructions, subcontracting arrangements or purchases of equipment) or conducted any infrastructure or development work at Waifu Manganese Mine.

Changgou Manganese Mine

During the six months ended 30 June 2019, we have not entered into any contracts or commitments in respect of the infrastructure development (including infrastructure constructions, subcontracting arrangements or purchases of equipment) or conducted any infrastructure or development work at Changgou Manganese Mine.

Bembélé Manganese Mine

During the six months ended 30 June 2019, under the subcontracting arrangement, our contractor continued to carry out the construction of No. 3 production line of the processing plant, second phase tailings pond and the staff housing expansion construction works.

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

Summary of Our Manganese Mineral Resources and Our Manganese Ore Reserves

Exploration, Development, and Mining Activities (continued)

III) Mining activities

(1) Mining Operations

Daxin Mine

	1.1.2019-30.6.2019	1.1.2018-30.6.2018
Open pit mining		
Mine production (thousand tonnes)	**146**	229
Underground mining		
Mine production (thousand tonnes)	**708**	645
Total mine production (thousand tonnes)	**854**	874
Average manganese grade		
Manganese carbonate ore	**14.3%**	15.1%
Manganese oxide ore	**27.7%**	29.0%

Tiandeng Mine

	1.1.2019-30.6.2019	1.1.2018-30.6.2018
Open pit mining		
Mine production (thousand tonnes)	**60**	100
Average manganese grade		
Manganese carbonate ore	**11.6%**	11.2%
Manganese oxide	**13.4%**	–

Waifu Manganese Mine

During the six months ended 30 June 2019, there was no mining production.

Changgou Manganese Mine

	1.1.2019-30.6.2019	1.1.2018-30.6.2018
Underground mining		
Mine production (thousand tonnes)	**84**	97
Average manganese carbonate grade	**16.7%**	16.7%

Bembélé Manganese Mine

	1.1.2019-30.6.2019	1.1.2018-30.6.2018
Open pit mining		
Mine production (thousand tonnes)	**795**	505
Average manganese oxide grade	**30.6%**	28.8%

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.

Summary of Our Manganese Mineral Resources and Our Manganese Ore Reserves

Exploration, Development, and Mining Activities (continued)

III) Mining activities (continued)

(2) Ore processing operations

- Concentrating

Production (thousand tonnes)	1.1.2019-30.6.2019	1.1.2018-30.6.2018
Daxin Concentration Plant		
Concentrate production		
Manganese carbonate ore	**555**	559
Manganese oxide ore	**61**	6
Total	**616**	565
Average manganese grade of concentrate		
Manganese carbonate ore	**20.3%**	20.0%
Manganese oxide ore	**27.5%**	25.1%
Tiandeng Concentration Plant		
Manganese oxide ore	**14**	0
Average manganese grade of concentrate	**19.6%**	–
Bembélé Concentration Plant		
Concentrate production	**206**	326
Average manganese grade of concentrate	**35.0%**	34.7%

- Grinding

Production (thousand tonnes)	1.1.2019-30.6.2019	1.1.2018-30.6.2018
Daxin Grinding Plant		
Powder produced	**533**	546

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) EMM and alloying materials

- EMM

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

Production (thousand tonnes)	1.1.2019-30.6.2019	1.1.2018-30.6.2018
Daxin EMM Plant	**49.9**	49.9
Daxin Manganese EMM Plant	**13.2**	10.5
Tiandeng EMM Plant	**16.1**	19.0
Start EMM Plant	**9.6**	9.8
Total	**88.8**	89.2

Summary of Our Manganese Mineral Resources and Our Manganese Ore Reserves

Exploration, Development, and Mining Activities (continued)

IV) Downstream processing operations (continued)

(1) EMM and alloying materials (continued)

- Manganese briquette

Production (thousand tonnes)	1.1.2019-30.6.2019	1.1.2018-30.6.2018
Daxin Branch	**6.0**	0
Chongzuo Branch	**15.4**	22.1
Total	**21.4**	22.1

- Silicomanganese alloy

Production (thousand tonnes)	1.1.2019-30.6.2019	1.1.2018-30.6.2018
Qinzhou Ferroalloy Plant	**26.9**	28.9
Xingyi Ferroalloy Plant	**25.0**	0
Total	**51.9**	28.9

(2) Battery materials

- EMD

Production (thousand tonnes)	1.1.2019-30.6.2019	1.1.2018-30.6.2018
Daxin EMD Plant	**16.8**	15.7
Huiyuan Manganese	**24.0**	0
Total	**40.8**	15.7

- Lithium manganese oxide

Production (thousand tonnes)	1.1.2019-30.6.2019	1.1.2018-30.6.2018
Chongzuo Branch	**1.56**	1.20

- Lithium cobalt nickel manganese oxide

Production (thousand tonnes)	1.1.2019-30.6.2019	1.1.2018-30.6.2018
Chongzuo Branch	**0.50**	0.36

- Manganese sulfate

Production (thousand tonnes)	1.1.2019-30.6.2019	1.1.2018-30.6.2018
Daxin Manganese Sulfate Plant	**10.1**	12.0

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

Summary of Our Manganese Mineral Resources and Our Manganese Ore Reserves

Exploration, Development, and Mining Activities (continued)

V) Exploration, development and mining cost of the Group

Expenses of exploration, development, and mining activities of the Group for the six months ended 30 June 2019 are set out below:

(HK$'000)

	Daxin Mine	Tiandeng Mine	Waifu Manganese Mine	Changgou Manganese Mine	Bembélé Manganese Mine	Total
Exploration activities						
Drilling and analysis	–	–	–	–	–	–
Transportation	–	–	–	–	–	–
Others	–	–	–	–	–	–
	–	–	–	–	–	–
Development activities (including mine construction)						
Purchases of assets and equipment	–	–	–	380	–	380
Construction of mines, tunnels and roads	–	–	–	–	–	–
Staff cost	–	–	–	–	–	–
Sub-contracting fee	–	–	–	–	–	–
Others	5	–	–	–	–	5
	5	–	–	380	–	385
Mining activities*						
Staff cost	2,453	1,920	–	2,602	–	6,975
Consumables	665	1,892	–	5,365	–	7,922
Fuel, electricity, water and other services	5,060	1,643	–	1,733	–	8,436
Transportation	2,522	–	–	–	–	2,522
Sub-contracting fee	110,263	2,925	–	15,437	–	128,625
Depreciation	25,470	1,502	–	1,161	–	28,133
Others	2,456	2,204	–	6,180	–	10,840
	148,889	12,086	–	32,478	–	193,453

(*Concentrating not included)

Code on Corporate Governance Practices

Throughout the six months ended 30 June 2019, save for the deviation from the code provision A.2.1, the Company has applied the principles, complied with the applicable code provisions, and also complied with certain recommended best practices, of the Code on Corporate Governance Practices (the "**CG Code**") as set out in Appendix 14 to the Listing Rules.

Code provision A.2.1

Chairman and Chief Executive Officer

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 is in contravention of code provision A.2.1 of the CG Code. Mr. Yin has considerable knowledge of the Company's assets and his experience is very highly valued by the Board. At a challenging time for the Company, the Board decided that Mr. Yin was the best person to lead and oversee the implementation of the Company's long and short term plans in accordance with its strategy which is determined by the Board. All major decisions are made in consultation with the Board members, appropriate Board committees or senior management of the Group. Mr. Yin promotes a culture of openness and encourages the Directors to make a full and active contribution to the Board's affairs. During the six months ended 30 June 2019, the three Independent non-executive Directors of the Company offered strong and independent advice. All decisions have reflected the consensus of the Board. The Board is keeping this situation under review and will separate the role of Chairman and Chief Executive Officer when it is in the Company's best interests to do so.

Model Code for Securities Transactions by Directors

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

All Directors confirmed, following specific enquiry by the Company, that they have complied with the required standards set out in the Securities Dealings Code throughout the six months ended 30 June 2019.

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

As at 30 June 2019, the interests and short positions of the Directors and chief executive of the Company in the shares, underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) which are required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are deemed or taken to have under such provisions of the SFO) or which are required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein or pursuant to the Model Code and which have been notified to the Company and the Stock Exchange are as follows:

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

Share Option Scheme

The Company operates a share option scheme for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Details of the Company's share options are set out as follows:

	Number of share options								
Name and category of participant	At 1 January 2019	Granted during the period	Exercised during the period	Cancelled during the period	Lapsed during the period	At 30 June 2019	Date of grant	Exercise period (Note)	Exercise price per share HK$
Directors of the Company									
Mr. Li Weijian	15,000,000	–	–	–	–	15,000,000	11.1.2011	11.1.2012 to 10.1.2021	2.81
Mr. Chen Jiqiu	9,000,000	–	–	–	–	9,000,000	11.1.2011	11.1.2012 to 10.1.2021	2.81
Mr. Tan Zhuzhong	1,000,000	–	–	–	–	1,000,000	11.1.2011	11.1.2012 to 10.1.2021	2.81
	25,000,000	–	–	–	–	25,000,000			
Non-directors	19,500,000	–	–	–	–	19,500,000	11.1.2011	11.1.2012 to 10.1.2021	2.81
	44,500,000	–	–	–	–	44,500,000			

Note:

The vesting period of the share options is from the date of grant until the respective dates of commencement of the exercise periods. The exercise period is divided into three tranches, i.e. 25% after 10 January 2012, an additional 25% after 10 January 2013 and the remaining 50% after 10 January 2014.

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

As at 30 June 2019, 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	(e)	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 Advisors, Ltd.	(f)	Directly beneficially interested	225,794,000 (L)	6.59	–

Notes:

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

(b) CITIC Projects Management (HK) Limited ("**CITIC Projects**") is wholly owned by CITIC Corporation Limited ("**CITIC Corporation**"). CITIC Corporation is wholly owned by CITIC Limited (Stock Code: 267), which is owned as to 25.60% by CITIC Glory Limited and as to 32.53% by CITIC Polaris Limited. CITIC Glory Limited and CITIC Polaris Limited are wholly owned by CITIC Group Corporation. CITIC Group Corporation is a company established in the PRC.

(c) Highkeen Resources Limited is wholly owned by Group Smart Resources Limited ("**Group Smart**"), which is in turn wholly owned by Starbest Venture Limited ("**Starbest Venture**"). Starbest Venture is wholly owned by CITIC Resources, which is in turn owned as to 49.57% by Keentech Group Limited ("**Keentech**"). Keentech is wholly owned by CITIC Projects.

(d) Apexhill Investments Limited ("**Apexhill**") is wholly owned by CITIC Metal Group Limited ("**CITIC Metal**"), which is in turn wholly owned by Metal and Mining Link Limited ("**MML**"). MML is wholly owned by CITIC Corporation.

(e) Guinan Dameng International Resources Limited is wholly owned by Huanan Dameng Investments Limited ("**Huanan Dameng**"), which is in turn wholly owned by Guangxi Dameng.

(f) Hillhouse Capital Management, Ltd. is wholly owned by Gaoling Fund, L.P. Gaoling Fund, L.P. is a company incorporated under the laws of Cayman Islands.

Save as disclosed above, as at 30 June 2019, the Company has not been notified by any persons (other than the Directors and chief executive of the Company, whose interests are set out in the section "Directors' and chief executive's interests in shares and underlying shares" above), who had interests or short positions in the shares or underlying shares of the Company which would fall to be discloseable to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO.

Purchase, Redemption or Sale of Listed Securities of The Company

During the six months ended 30 June 2019, neither the Company nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities during the six months ended 30 June 2019.

Review of Accounts

The audit committee has reviewed, with no disagreement, the unaudited interim results for the six months ended 30 June 2019 with the management of the Company.

Change of Directors

Date	Details
28 February 2019	Mr. Wang Chunxin resigned as an independent non-executive Director of the Company and the Chairman of Remuneration Committee and member of Audit Committee and Nomination Committee.
1 March 2019	Mr. Wang Zhihong was appointed as an independent non-executive Director of the Company and the Chairman of Remuneration Committee and member of Audit Committee and Nomination Committee.
1 July 2019	Mr. Chen Jiqiu resigned as a non-executive Director of the Company.
1 July 2019	Mr. Cheng Zhiwei was appointed as a non-executive Director of the Company.
1 July 2019	Ms. Cui Ling was appointed as a non-executive Director of the Company and a member of Audit Committee.

Forward Looking Statements

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

On behalf of the Board

Yin Bo
Chairman

Hong Kong, 24 July 2019

Glossary of Terms

Bembélé Concentration Plant	the concentration plant associated with Bembélé Manganese Mine
Bembélé Manganese Mine	a manganese mine located in Bembélé, Moyen-Ogooue Province, Gabon, the exploration rights and mining rights of which are owned by La Compagnie Industrielle et Commerciale des Mines de Huazhou (Gabon) (華州礦業(加蓬)工貿有限公司), a company in which we indirectly hold 51% equity interest
Board or Board of Directors	our board of Directors
Changgou Manganese Mine	貴州遵義匯興鐵合金有限責任公司長溝錳礦 (Guizhou Zunyi Hui Xing Ferroalloy Limited Company Changgou Manganese Mine)
China or PRC	the People's Republic of China, but for the purpose of this interim report, excluding Hong Kong Special Administrative Region, Macau Special Administrative Region and Taiwan
Chongzuo Branch	中信大錳礦業有限責任公司崇左分公司 (CITIC Dameng Mining Industries Co., Limited Chongzuo Branch)
CITIC Dameng Mining	中信大錳礦業有限責任公司 (CITIC Dameng Mining Industries Co., Limited)
CITIC Group	中國中信集團有限公司 (CITIC Group Corporation), a company incorporated under the laws of the PRC on 4 October 1979, and, except where the context may otherwise require, all of its subsidiaries, which is a Controlling Shareholder of our Company
CITIC Resources	CITIC Resources Holdings Limited, a company incorporated in Bermuda with limited liability on 18 July 1997 and listed on the Stock Exchange (Stock Code: 1205), which is a Controlling Shareholder of our Company
Company or our Company	CITIC Dameng Holdings Limited
Controlling Shareholder	has the meaning ascribed to it in the Listing Rules
Daxin Manganese	中信大錳大新錳業有限公司 (CITIC Dameng Daxin Manganese Limited Company), formerly known as 廣西三錳龍礦業有限公司 (Guangxi Sanmenglong Mining Limited Company)
Daxin Mine	中信大錳礦業有限責任公司大新錳礦 (CITIC Dameng Mining Industries Co., Limited Daxin Manganese Mine)
Director(s)	the director(s) of our Company
Dushan Jinmeng	獨山金孟錳業有限公司 (Dushan Jinmeng Manganese Limited Company)
EMD	electrolytic manganese dioxide
EMM	electrolytic manganese metal
EMM Products	EMM and manganese briquette
Gabon	the Gabonese Republic
Greenway Mining	Greenway Mining Group Limited (formerly know as "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)
Group, we or us	the Company and its subsidiaries
Guangxi	Guangxi Zhuang Autonomous Region, the PRC
Guangxi Dameng	廣西大錳錳業有限公司 (Guangxi Dameng Manganese Industrial Co., Ltd.), a state-owned limited liability company established under the laws of the PRC on 30 July 2001. Guangxi Dameng is wholly-owned by the government of Guangxi, PRC

Glossary of Terms

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
Guangxi Start	廣西斯達特錳材料有限公司 (Guangxi Start Manganese Materials Co., Ltd.)
Hong Kong or HK	the Hong Kong Special Administrative Region of the PRC
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.))
Huiyuan Manganese	廣西滙元錳業有限公司 (Guangxi Huiyuan Manganese Industry Co., Ltd)
IPO	the initial public offering and listing of Shares of the Company on the main board of the Stock Exchange on 18 November 2010
JORC	the Joint Ore Reserves Committee of the Australian Institute of Mining and Metallurgy
JORC Code	the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves 2012 edition, which is used to determine resources and reserves, and is published by JORC of the Australasian Institute of Mining and Metallurgy, the Australian Institute of Geoscientists and the Minerals Council of Australia
Listing	the listing of the Shares on the Main Board of the Stock Exchange
Listing Rules	the Rules Governing the Listing of Securities on the Stock Exchange (as amended from time to time)
NCM	Lithium Nickel Cobalt Manganese Oxide
Ningbo Dameng	寧波大錳投資管理合伙企業(有限合伙) (Ningbo Dameng Management Partnership (Limited Partnership))
Ningbo Dameng Group	Ningbo Dameng together with its subsidiary Huiyuan Manganese
Prospectus	the prospectus of the Company dated 8 November 2010
Qinzhou Ferroalloy Plant	the ferroalloy production plant located near Qinzhou Harbour and owned and operated by 中信大錳(欽州)新材料有限公司 (CITIC Dameng (Qinzhou) New Materials Co., Ltd.), a company in which we indirectly hold 70% equity interest
Securities and Futures Ordinance or SFO	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
Shares	ordinary shares in the share capital of the Company, with a nominal value of HK$0.10 each
Stock Exchange	the Stock Exchange of Hong Kong Limited
substantial shareholder	has the meaning ascribed to it under the Listing Rules
Tiandeng Mine	中信大錳礦業有限責任公司天等錳礦 (CITIC Dameng Mining Industries Co., Limited Tiandeng Manganese Mine)
tonne	metric tonne
Waifu Manganese Mine	中信大錳大新錳業有限公司靖西縣湖潤外伏錳礦 (CITIC Dameng Daxin Manganese Limited Company Jingxi Hu Run Waifu Manganese Mine)
XAF	Central African CFA franc
Xingyi Ferroalloy Plant	ferroalloy production plants located in Xingyi, Guizhou, leased and operated by a wholly owned subsidiary of the Group

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.