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

(incorporated in Bermuda with limited liability)
Stock Code: 1091

DAMENG

* For identification purpose only

Annual Report **2019**

Contents

Corporate Information

Board of Directors

Executive Directors

Mr. Yin Bo (Chairman and Chief Executive Officer)
(resigned on 26 September 2019)
Mr. Guo Aimin (Chairman and Chief Executive Officer)
(appointed on 26 September 2019)
Mr. Li Weijian (Vice Chairman)

Non-executive Directors

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

Independent Non-executive Directors

Mr. Lin Zhijun
Mr. Tan Zhuzhong
Mr. Wang Chunxin (resigned on 28 February 2019)
Mr. Wang Zhihong (appointed on 1 March 2019)

Audit Committee

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

Remuneration Committee

Mr. Wang Chunxin (Chairman)
(ceased to be chairman on 28 February 2019)
Mr. Wang Zhihong (Chairman)
(appointed as chairman on 1 March 2019)
Mr. Yin Bo
(ceased to be member on 26 September 2019)
Mr. Guo Aimin (appointed on 26 September 2019)
Mr. Li Weijian
Mr. Lin Zhijun
Mr. Tan Zhuzhong

Nomination Committee

Mr. Tan Zhuzhong (Chairman)
Mr. Yin Bo
(ceased to be member on 26 September 2019)
Mr. Guo Aimin (appointed on 26 September 2019)
Mr. Li Weijian
Mr. Lin Zhijun
Mr. Wang Chunxin
(ceased to be member on 28 February 2019)
Mr. Wang Zhihong (appointed on 1 March 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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Facsimile : (852) 2537 0168
E-mail : ir@citicdameng.com.hk

Principal Place of Business in the PRC

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

Bermuda Principal Share Registrar and Transfer Office

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

Hong Kong Branch Share Registrar and Transfer Office

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

Auditor

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

Authorised Representatives

Mr. Yin Bo
(ceased to be an authorised representative on 26 September 2019)
Mr. Guo Aimin
(appointed as an authorised representative on 26 September 2019)
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

Five Year Financial Summary

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

Results

	Year ended 31 December				
	2019	**2018**	**2017**	**2016**	**2015**
	HK$'000	**HK$'000**	**HK$'000**	**HK$'000**	**HK$'000**
Revenue	**5,802,457**	6,736,228	5,991,436	3,248,108	2,517,000
(Loss)/profit before tax	**(217,166)**	343,985	146,622	(131,309)	(942,226)
Income tax (expense)/credit	**(16,832)**	(7,130)	(5,240)	2,888	(33,751)
(Loss)/profit for the year	**(233,998)**	336,855	141,382	(128,421)	(975,977)
(Loss)/profit attributable to:					
Owners of the parent	**(202,338)**	330,931	140,851	(87,913)	(956,007)
Non-controlling interests	**(31,660)**	5,924	531	(40,508)	(19,970)
	(233,998)	336,855	141,382	(128,421)	(975,977)

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

	31 December				
	2019	**2018**	**2017**	**2016**	**2015**
	HK$'000	**HK$'000**	**HK$'000**	**HK$'000**	**HK$'000**
Non-current assets	**4,950,793**	5,023,157	5,413,627	5,168,425	5,527,883
Current assets	**3,816,612**	4,595,222	3,338,535	3,757,878	3,809,453
Total assets	**8,767,405**	9,618,379	8,752,162	8,926,303	9,337,336
Current liabilities	**4,989,809**	4,966,860	4,732,153	4,681,008	4,512,938
Non-current liabilities	**939,170**	1,485,036	1,052,910	1,571,423	1,824,755
Total liabilities	**5,928,979**	6,451,896	5,785,063	6,252,431	6,337,693
Net Assets	**2,838,426**	3,166,483	2,967,099	2,673,872	2,999,643
Equity attributable to owners of the parent	**2,803,739**	3,099,910	2,897,755	2,605,209	2,890,431
Non-controlling interests	**34,687**	66,573	69,344	68,663	109,212
	2,838,426	3,166,483	2,967,099	2,673,872	2,999,643

Chairman's Statement

Chairman's Statement

Dear Valued Shareholders,

In 2019, due to the tension of Sino-US trade relations, the international political and economic situation became complicated and intense, and the domestic economic growth in the PRC slowed down. During the year, affected by the surge in the import volume of manganese ores, the average selling price of manganese ores and manganese products in the PRC fluctuated with a downward trend, which caused significant adverse impacts on the operation of the manganese industry. During the year, our EMM business, as one of the Group's main core businesses, was affected by the more stringent national environmental protection policies and the increasingly prominent contradiction between the supply and demand, especially the continued weakness close to the end of the year.

Confronting the complex and ever changing domestic and international environment, the Group insisted on implementing cost reduction and efficiency improvement strategies to steadily optimise resource allocation and product structure, shifting its focus on more competitive products, i.e. battery materials and international manganese ores, strengthened our reforms and innovation driving forces, and adopted new innovation to explore the development plan. The Group enhanced its competitiveness and market value with talent construction and scientific innovation, so as to promote the steady and high-quality development of the Group.

Control Costs and Optimised Performance

During the year, the Group implemented the management concept of cost saving and efficiency throughout each business segment and continuously strengthened refined management, strictly controlled various operating expenses, strengthened budget management, fully utilised technical management methods, and optimised operating costs during the implementation process, so as to further improve its overall competitiveness. As compared with previous years, the unit production cost of the Group's main products in 2019 recorded a decrease.

At the same time, we have maintained close communication with the industry's leading raw material suppliers and major customers, establishing strategic alliances, complementing each other's strengths, deepening our cooperation, and continuing to enhance and broaden cooperation areas, thereby establishing mutually beneficial situation and maintaining the Group's market share in the manganese industry, so as to consolidate the Group's leading position in the industry.

Optimised Rearrangement and New Innovation

In view of the oversupply situation in the international manganese ore market, the Group closely monitored on the market demand, flexibly adjusted its production plan, and cautiously planned and adjusted the Group's operating strategy. The Group continued to reorganise its manganese products portfolio in order to increase the proportion of products with higher profit margin, thereby achieving profitability and positive cash flow operations. At the same time, the Group adhered to innovation as the primary driving force for development, actively studied in diversified development areas, explored new development opportunities, and strived to achieve diversified development of the Group's business. As a result of the past few years' efforts, the Group's industrial structure adjustment effect has been remarkable. It has increased the battery materials business and trade logistics business from the traditional single monopoly exploration and metallurgy business.

In 2019, the revenue of battery materials products increased significantly, and it has become an industry leader. It will continue to be an important source of revenue besides our EMM business in the future. During the year, we also continued to carry out technical transformation and upgrade of Huiyuan Manganese and increased its EMD production capacity from a cost-effective perspective. In addition, the Chongzuo Phase II lithium manganese oxide plant was completed and put into operation in the first half of 2019. After the project was completed, the Group's lithium manganese oxide annual production capacity was nearly doubled. The Group expects to accelerate its capture of this high-growth battery materials market and begin to focus on the market development of lithium manganese oxide. At the same time, the Group actively expanded the production of ferroalloys by leasing of production plants, and continued to prudently develop the production and trade business of ore, manganese alloys and related raw materials, which brought a further source of income to the Group.

Strengthen Risk Control and Improve Strategy

The management of the Group adhered to a prudent approach in assessing risks and opportunities brought by changes in market conditions. The Group continued to make efforts in the construction of safety production, implemented the concept of green mine construction, laid down the foundation of the physical mechanism, implemented strict supervision, safety and environmental risk management and control, and continuously improved and optimised its internal control system and risk early-warning mechanism to strengthen safety and environmental protection. The legal and compliance risk prevention mechanism has promoted the stable and healthy development of the Group.

Care for People and Safety is Top Priority

At the end of 2019, an earthquake struck Jingxi City, Guangxi Zhuang Autonomous Region. CITIC Dameng Mining, located nearby Jingxi City, was affected by the earthquake. Some buildings, roads and related facilities in its production area were damaged, and Daxin mine and its production were therefore temporarily suspended. Immediately after the earthquake, CITIC Dameng Mining sent personnel to the disaster area to assist the local government to take appropriate measures. The main roads of Daxin mine were reopened that night and its power supply was also restored soon. Meanwhile, CITIC Dameng Mining worked with the government to carry out disaster monitoring and emergency recovery works and resumed full production shortly. The Company also initiated a fundraising event to raise money for the affected employees.

The outbreak of the novel coronavirus (COVID-19) in early 2020 has spread across mainland China and beyond. The Group has established a staff health monitoring system and ensure the safety of working environments by strictly cleaning and disinfecting workplaces in accordance with national and regional public health authorities' hygiene management requirements for periods of major infectious diseases. The Group also strengthened epidemic safety education, establish fact-based employee self-protection guidelines, and increase awareness of safety and risk prevention.

Promote Tradition and Contribute to Society

The Group always adheres to the philosophy of sustainable development, adopts advanced and reasonable effective measures towards scientific design for mining, orderly, and rationally develops and utilises mining resources in a scientific manner to enlarge and strengthen its own industry, while maintaining the human and natural harmony which reflected a good and responsible new image of the mining industry. In 2019, in addition to continuing our long-term goal of providing high-quality products to our valuable customers and monitoring the environmental impact of our operations in a responsible manner, the Group is also committed to establishing excellent operating systems to protect the safety and health of our employees, and the surrounding communities, contribute to the society around our business.

Sincere Gratitude and Building the Future Together

I, on behalf of the board of directors, would like to express my sincere gratitude to all the directors, management and staff who have worked hard, united and worked with unremitting endeavors in the current difficult economic situation and challenging business environment. I would also like to express my sincere gratitude to all shareholders, customers and business partners for the consistent trust and support of the Group this year!

The Group also sincerely hopes to continue to receive the trust and support from all of you and work together to create a better future!

Guo Aimin
Chairman

23 March 2020

Report of the Directors

The Directors are pleased to present their report and the audited financial statements for the year ended 31 December 2019.

Principal Activities

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

Business Review

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

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

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

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

Results and Dividends

The Group's loss for the year ended 31 December 2019 and the Group's financial position at that date are set out in the financial statements on pages 103 to 194.

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

Property, Plant and Equipment and Investment Properties

Details of movements in the property, plant and equipment, and investment properties of the Group during the year are set out in notes 14 and 15 to the financial statements respectively.

Share Capital and Share Options

Details of the Company's share capital and share options during the year are set out in notes 33 and 34 to the financial statements.

Pre-emptive Rights

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

Purchase, Redemption or Sale of Listed Securities of the Company

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

Reserves

Details of movements in the reserves of the Group during the year are set out in note 35 to the financial statements and in the consolidated statement of changes in equity, respectively.

Borrowings

Details of borrowings (inclusive of interest-bearing bank and other borrowings) of the Group as at 31 December 2019 are set out in notes 29 and 30 to the financial statements.

Management Contracts

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the year ended 31 December 2019.

Distributable Reserves

The Company's reserves available for distribution is its contributed surplus amounting to HK$2,618,617,000 as at 31 December 2019 and such sum is available to be applied by the Company including but not limited to, elimination of accumulated losses of the Company which amounted to HK$215,887,000 as at 31 December 2019 and payment of dividends to Shareholders.

Charitable Donations

During the year, the Group made charitable and other donations totalling HK$626,000 (2018: HK$688,000).

Major Customers and Suppliers

During the year, sales to the Group's five largest customers accounted for 40.0% of the total sales for the year and sales to the largest customer included therein amounted to 15.0%. Purchases from the Group's five largest suppliers, amounted to 35.0% of the total purchases for the year and purchase from the largest supplier included therein amounted to 13.0%.

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

Directors

The Directors of the Company during the year ended 31 December 2019 and up to the date of this annual report are:

Executive Directors:

Mr. Yin Bo (Chairman and Chief Executive Officer) (resigned on 26 September 2019)
Mr. Guo Aimin (Chairman and Chief Executive Officer) (appointed on 26 September 2019)
Mr. Li Weijian (Vice Chairman)

Non-executive Directors:

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

Independent non-executive Directors:

Mr. Lin Zhijun
Mr. Tan Zhuzhong
Mr. Wang Chunxin (resigned on 28 February 2019)
Mr. Wang Zhihong (appointed on 1 March 2019)

Directors' and Senior Management's Biographies

The biographical details of the Directors of the Company and the senior management of the Company are set out on pages 54 to 56 of this annual report.

Change of Information of Directors

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

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 a 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 a 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.
26 September 2019	Mr. Yin Bo resigned as the Chairman, Chief Executive Officer, Executive Director and authorized representative of the Company and a member of Remuneration Committee and Nomination Committee.
26 September 2019	Mr. Guo Aimin was appointed as the Chairman, Chief Executive Officer, Executive Director and authorized representative of the Company and a member of Remuneration Committee and Nomination Committee.

Directors' Service Contracts

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

Directors' Remuneration

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

Details of the remuneration of the Directors are set out in note 9 to the financial statements.

Directors' Interests in Contracts

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

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

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

Mr. Cheng is the Chairman of Guangxi Dameng and Ms. Cui is a deputy general manager and Chief Financial Officer of Guangxi Dameng. Guangxi Dameng is a state-owned company with manganese ore mining and processing, battery producing, machinery engineering, accessories manufacturing, investment operation and export and import trade. In the event that there are transactions between Guangxi Dameng (for its subsidiaries) and the Group, Mr. Cheng and Ms. Cui will abstain from voting.

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

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

Save as disclosed herein and so far as is known to the Directors, as at 31 December 2019, none of the Directors or their respective associates was materially interested in any contract or arrangement which is significant in relation to the businesses of the Group taken as a whole.

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

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

Interests in the Shares and Underlying Shares of the Company

Name of Director/ chief executive	Shares/equity derivatives	Capacity	Number of equity derivatives held	Approximate percentage of the issued share capital of the Company
Mr. Li Weijian	Share options	Directly beneficially owned	15,000,000	0.44%
Mr. Tan Zhuzhong	Share options	Directly beneficially owned	1,000,000	0.03%

Directors' Rights to Acquire Interests or Debentures

Save as disclosed in this annual report, at no time during the year ended 31 December 2019 was the Company or any of its subsidiaries or its holding company or any of the subsidiaries of the Company's holding company a party to any arrangement to enable the Directors or their associates (as defined in the Listing Rules) to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

Share Option Scheme

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

The subscription price for Shares under the Share Option Scheme shall be determined by the Board in its absolute discretion but in any event shall not be less than the highest of:

(1) the closing price of the Shares as stated in the daily quotations sheet issued by the Stock Exchange on the date of grant which must be a business day;

(2) the average closing price of the Shares as stated in the daily quotations sheets issued by the Stock Exchange for the five business days immediately preceding the date of grant; and

(3) the nominal value of the Shares.

The maximum number of Shares which may be issued upon exercise of all options to be granted under the Share Option Scheme and options under any other share option schemes of the Company shall not, in the absence of Shareholders' approval, in aggregate exceed 10% in nominal amount of the aggregate of Shares in issue on the listing date.

The maximum number of Shares issued and to be issued upon exercise of the Options granted to each Grantee under the Share Option Scheme (including both exercised and outstanding Options) in any 12 month period shall not (when aggregated with any Shares subject to options granted during such period under any other share option schemes of the Company other than those options granted pursuant to specific approval by the Shareholders in general meeting) exceed 1% of the Shares in issue for the time being. There is no requirement that an option must be held for any minimum period before it can be exercised.

On 11 January 2011, the Company granted share options to Directors and certain employees of the Group under the share option scheme. Further details of the share options are disclosed in note 34 to the financial statements.

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

	Number of share options								
Name and category of participant	At 1 January 2019	Granted during the year	Exercised during the year	Cancelled during the year	Lapsed during the year	At 31 December 2019	Date of grant	Exercise period Note (1)	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 Note (2)	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	–	–	9,000,000	–	16,000,000			
Non-directors	19,500,000	–	–	–	–	19,500,000	11.1.2011	11.1.2012 to 10.1.2021	2.81
	44,500,000	–	–	9,000,000	–	35,500,000			

Note:

(1) 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.

(2) Mr. Chen Jiqiu resigned as a non-executive Director with effect from 1 July 2019.

Save as disclosed herein and in the section headed "Substantial Shareholders and Other Person's Interests and Short Position in Shares and Underlying Shares" below and so far as is known to the Directors, as at 31 December 2019:

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

(ii) none of the Directors was a director or employee of a company which had an interest or a short position in Shares or underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO.

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

As at 31 December 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		Directly beneficially interested	776,250,000 (L)	22.64	–
Gaoling Fund, L.P.	(f)	Through a controlled corporation	225,794,000 (L)	6.59	–
Hillhouse Capital Management, Ltd.	(f)	Directly beneficially interested	225,794,000 (L)	6.59	–

Notes:

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

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

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

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

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

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

Save as disclosed above, as at 31 December 2019, the Company has not been notified by any persons who had interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO.

Non-compete Undertaking by the Controlling Shareholder

The Company has received an annual confirmation from CITIC Resources, the controlling shareholder of the Company, in respect of its compliance with the Non-compete Undertaking for the year ended 31 December 2019.

The independent non-executive Directors have reviewed the said undertaking and we are of the view that CITIC Resources has complied with the Non-compete Undertaking for the year ended 31 December 2019.

Continuing Connected Transactions

(1) Continuing connected transactions with Guangxi Dameng and/or its subsidiaries

On 21 June 2018, the Company entered into Guangxi Dameng Ore Agreement, Guangxi Dameng EMM Agreement and Guangxi Dameng Raw Materials Agreement with Guangxi Dameng and/or its subsidiaries for the period from 26 July 2018 to 31 December 2020 and Integrated Services Framework Agreement, Guangxi Liuzhou Agreement and Nanning Battery Plant Agreement with Guangxi Dameng and/or its subsidiaries for the three years ending 31 December 2021 (collectively, the "**Guangxi Dameng Agreements**"). Details of the Guangxi Dameng Agreements were disclosed in the circular of the Company dated 29 June 2018.

(2) Continuing connected transactions with CITIC Pacific Steel Co., Ltd. ("**CITIC Special Steel**")

On 21 June 2018, the Company entered into the 2018 CITIC Special Steel Agreement with CITIC Special Steel to revise the annual caps under the 2017 CITIC Special Steel Agreement. Details of the 2018 CITIC Special Steel Agreement were disclosed in the circular of the Company dated 29 June 2018.

(3) Continuing connected transactions with Guangxi Xishan Mining Limited Company ("**Guangxi Xishan**")

On 25 January 2019, CITIC Dameng Mining entered into 2019 Guangxi Xishan Agreement with Guangxi Xishan, pursuant to which Guangxi Xishan agreed to provide underground mining service and underground infrastructure construction service to CITIC Dameng Mining while CITIC Dameng Mining agreed to provide electricity and auxiliary materials to Guangxi Xishan in its course of provision of underground mining service and underground infrastructure construction service at Daxin Mine for the three years ending 31 December 2021. Details of the 2019 Guangxi Xishan Agreement were disclosed in the announcement of the Company dated 25 January 2019.

During the year 2019, the amounts of transactions under the 2019 Guangxi Xishan Agreement are as follows:

	HK$'000
• Provision of underground mining service by Guangxi Xishan	163,867
• Provision of underground infrastructure construction service by Guangxi Xishan	8,631
• Provision of electricity and auxiliary materials to Guangxi Xishan	12,042

Other amounts of the above-mentioned continuing connected transactions are disclosed in note 39(a) to the financial statements.

Save for note 39(a)(ii), (ix) and (xi), all other related party transactions set out in the note 39(a) are continuing connected transactions or connected transactions in accordance with Chapter 14A of the Listing Rules.

The transactions mentioned in note 39(a)(v), (vi), (vii), (viii) and (x) are fully exempted under Chapter 14A of the Listing Rules. The transaction mentioned in note 39(a)(iii) is exempted from the independent shareholders' approval under Chapter 14A of the Listing Rules.

The Group has followed the policies and guidelines regarding the continuing connected transactions in accordance with the Listing Rules when determining the price and terms of the transactions conducted during the year.

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

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

Connected Transactions

(1) Connected transaction with CITIC Bank

On 18 November 2015, CITIC Bank agreed to grant a loan facility of RMB800,000,000 (equivalent to approximately HK$895,200,000) to Dushan Jinmeng. The loan was secured by, inter alia, a corporate guarantee by CITIC Dameng Mining in proportion to our equity interest held in Dushan Jinmeng on a several basis. Details of the corporate guarantee were disclosed in the circular of the Company dated 31 December 2015 and note 37(a) to the financial statements.

(2) Connected transaction with CITIC Jinzhou

On 2 December 2019, CITIC Dameng Mining entered into the Manganese Ores Sale and Purchase Agreement with CITIC Jinzhou. Pursuant to the Manganese Ores Sale and Purchase Agreement, CITIC Dameng Mining agreed to sell and CITIC Jinzhou agreed to purchase the Manganese Ores at an ex-tax price of RMB30,073,000 (approximately HK$34,085,000). Details of the Manganese Ores Sale and Purchase Agreement were disclosed in the announcement of the Company dated 2 December 2019 and note 39 (a)(iii) to the financial statements.

The Company has complied with the applicable requirements under the Listing Rules in respect of connected transactions and continuing connected transactions engaged in by the Group during the year 2019.

Sufficiency of Public Float

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

Auditor

Ernst & Young shall retire and a resolution for their reappointment as auditor of the Company will be proposed at the forthcoming 2020 AGM.

ON BEHALF OF THE BOARD

Guo Aimin
Chairman

Hong Kong
23 March 2020

Management Discussion and Analysis

Management Discussion and Analysis

Financial Review

	2019 HK$'000	2018 HK$'000	Increase/(decrease) HK$'000	%
Revenue	**5,802,457**	6,736,228	(933,771)	(13.9)
Gross profit	**614,916**	852,373	(237,457)	(27.9)
Gross profit margin	**10.6%**	12.7%	–	(2.1)
Operating profits	**86,988**	357,375	(270,387)	(75.7)
Impairment losses on property, plant and equipment and mining rights	**(95,381)**	(34,069)	(61,312)	(180.0)
Impairment losses on financial assets, net	**(140,462)**	(14,662)	(125,800)	(858.0)
Share of profits and losses of				
–Associates	**(67,548)**	(18,439)	(49,109)	(266.3)
–A joint venture	**(763)**	53,780	(54,543)	(101.4)
(Loss)/profit before tax	**(217,166)**	343,985	(561,151)	(163.1)
Income tax expense	**(16,832)**	(7,130)	(9,702)	(136.1)
(Loss)/profit for the year	**(233,998)**	336,855	(570,853)	(169.5)
(Loss)/profit attributable to owners of the parent	**(202,338)**	330,931	(533,269)	(161.1)
(Loss)/profit attributable to non-controlling interests	**(31,660)**	5,924	(37,584)	(634.4)
	(233,998)	336,855	(570,853)	(169.5)

Financial Highlights

- Revenue amounted to HK$5,802.5 million in 2019, representing a decrease of 13.9% from HK$6,736.2 million in 2018.

- Gross profit amounted to HK$614.9 million in 2019, representing a decrease of 27.9% from HK$852.4 million in 2018. Gross profit margin was 10.6% in 2019, representing a decrease of 2.1% from 12.7% in 2018.

- Loss attributable to owners of the parent was HK$202.3 million in 2019, representing an adverse turnaround from a profit of HK$330.9 million in 2018.

- As at 31 December 2019, net gearing ratio increased to 107.7% (2018: 96.0%).

Overview

Throughout the year 2019, the global economy was deeply shadowed by the US-China trade war experienced in 2018 and carried into the year 2019. In 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 by the escalation of the US-China trade war in 2H 2019 before a deal was made in December 2019. This depressed the investment intentions of corporates and further dampened the economies in both the US and China. The downside risk of global economy strengthened during the year.

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; and however has been deepened in 2H 2019. The rapidly cooling down of economies in the fourth quarter of 2019 adversely affected the sales of automobiles and investments from manufacturing sectors in the PRC, which in turn constrained the demand and price of steels. In 2019, the performance of EMM market was generally in line with the steel market. More specifically, (a) substantial drop in selling price of import manganese ore during the year 2019 leads to increase in market production and supply of other manganese alloy products which competed with our EMM products; (b) increased use of scrap steels in the market to produce stainless steels weakened the demand of our EMM's downstream products; and (c) as expected, the extremely advantageous business conditions of our EMM products in 2H 2018 due to squeezed supply in China did not repeat in 2019. As a result, the average selling price of our EMM products for 2019 decreased by 13.2% to HK$12,680 per tonne (2018: HK$14,613 per tonne), the gross profit ratio decreased by 4.6% to 17.5% in 2019 (2018: 22.1%) and the gross profit contribution of EMM products decreased by 36.4% to HK$380.2 million (2018: HK$598.0 million).

On the contrary, in 2019, despite increasing market competition, the market demand of battery materials especially EMD continues to grow. The average selling price of EMD for 2019 slightly increased by 3.1% to HK$10,084 per tonne (2018: HK$9,778 per tonne), the gross profit ratio increased by 8.0% to 32.6% in 2019 (2018: 24.6%) and the gross profit contribution of EMD recorded an increase of 40.4% to HK$90.6 million (2018: HK$64.5 million). In response to this strong demand for battery materials, we continue to follow our strategy to cautiously expand our production capacity of battery material products during the year:

(a) in May 2019, construction of the second phase of our Chongzuo lithium manganese oxide production plant was completed and approximately two-thirds of the production capacity has gradually commenced production. The remaining is scheduled to be completed by June 2020 with an additional production capacity of approximately 1,500 to 3,000 tonnes per annum depending on the EMD product type.

(b) we completed technological innovations and upgrades in our joint venture Huiyuan Manganese to increase its EMD production capacity by nearly double to 90,000 tonnes per annum in December 2019. Huiyuan Manganese is now one of the largest EMD manufacturers in China.

(c) we continue to carry out technical research and development to upgrade the quality of our battery material products including EMD and lithium manganese oxide to increase their added value by further extending the applications in electric vehicles and other electric tools and equipment.

During the year 2019, the Group recorded the following major non-cash items:

(a) Impairment losses on financial assets of HK$140.5 million was recognised, representing an increase of HK$125.8 million compared with 2018.

    Due to the rapidly cooling down in market demand of manganese ores and significant decrease in market ores price since the fourth quarter of the year 2019, the operating environment and hence liquidity risk for a large number of alloy and manganese ores traders in China significantly worsened including one of our major customers, including its subsidiaries. In order to contain the increasing credit risk with this customer, the Group had instantly implemented the following measures:

    (i) significantly slowed down the trading business with it since 2H 2019;

    (ii) renegotiated and implemented a repayment schedule with it;

    (iii) obtained credit enhancements from it including an undertaking to pledge its certain assets to the Group as the security for repayment of outstanding trade and notes receivables.

    Amidst the above measures to safeguard the repayment of the outstanding trade and notes receivables, certain payments were delayed and resulted in overdue trade receivable balances as at 31 December 2019 and therefore significant increase in expected credit loss as determined in accordance with current accounting practice. Therefore, an impairment of trade and notes receivables of HK$77.2 million has been recorded. The expected credit loss at 31 December 2019 was determined mainly with reference to the worsened credit rating of this customer taking into account of its increased probability of default under the current economic environment.

(b) Impairment losses on property, plant and equipment and mining rights increased by HK$61.3 million to HK$95.4 million (2018: HK$34.1 million) mainly due to (i) further suspension of our expansion plan of Changgou Manganese mine owned by our 64% owned subsidiary Hui Xing Group led to an adjustment to its value-in-use and corresponding impairment in value of the mining right; and (ii) impairment on certain plant and machinery during the course of our modifications in accordance with our overall strategy to restructure product mix shifting to more manganese-related battery materials production.

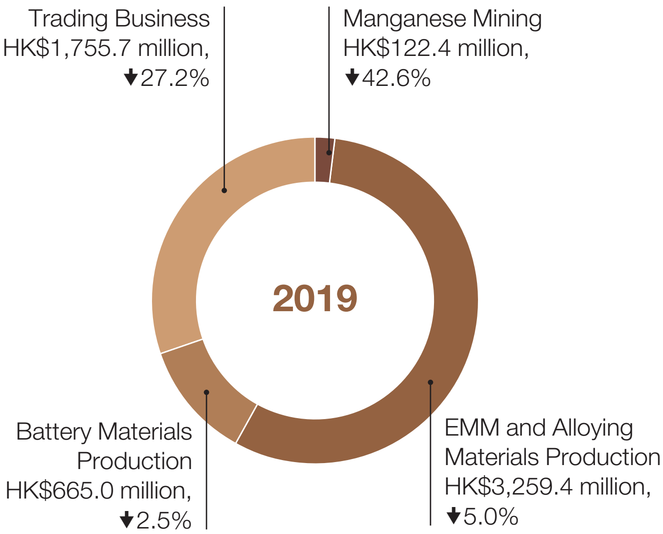
(c) Share of loss of our 34.93% owned joint venture Ningbo Dameng Group amounted to HK$0.8 million representing a turnaround from a profit of HK$53.8 million in 2018. This is mainly attributable to (a) a one-off gain on bargain purchase of HK$42.1 million upon Ningbo Dameng Group's acquisition of 100% equity interest in Huiyuan Manganese in the year 2018 did not repeat in the year 2019; (b) increase in research and maintenance expenses during the course of technological innovations and upgrades of its wholly owned subsidiary Huiyuan Manganese during the year 2019.

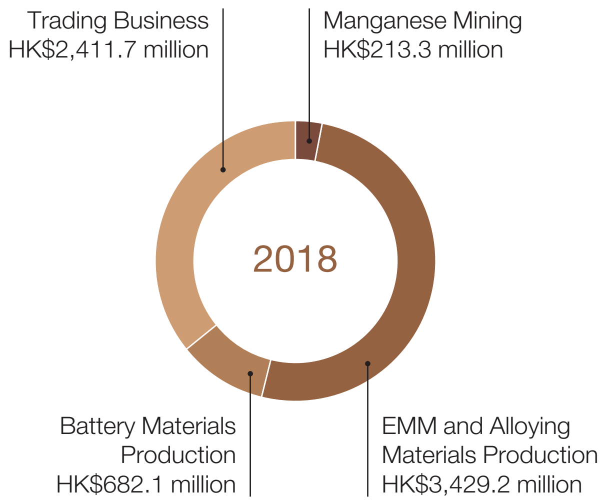
(d) Share of losses of associates increased by HK$49.1 million to HK$67.5 million (2018: HK$18.4 million) mainly attributable to (i) increase in share of loss of GMG by HK$24.6 million to HK$47.6 million (2018: HK$23.0 million) due to its impairment of non-current assets and decrease in average selling price of its products during the year 2019; and (ii) a turnaround from our share of profit of HK$4.6 million in 2018 to a loss of HK$19.9 million in 2019 from our 33.0% owned associate Dushan Jinmeng due to decrease in average selling price of its products.

In summary, as a result of decrease in average selling price of EMM products and the above non-cash items, the earnings before interest, taxes, depreciation and amortisation ("**EBITDA**") for the year ended 31 December 2019 decreased by 60.8% to HK$359.1 million (2018: HK$914.9 million) and the loss attributable to owners of the parent of the Group was HK$202.3 million (2018: profit of HK$330.9 million).

Comparison with 2018

Revenue by segment





In 2019, the Group's revenue was HK$5,802.5 million (2018: HK$6,736.2 million), representing a decrease of 13.9% as compared with 2018. The decrease was mainly due to the net effect of (a) decrease in average selling prices of EMM products; (b) decrease in sales volume of EMM products; (c) decrease in sales revenue from trading business; and (d) substantial increase in sales volume of silicomanganese alloy.

In 2019, the revenue of our major products EMM products accounted for 37.4% (2018: 40.1%) of our total revenue.

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 (HK$'000)	Gross Profit Margin (%)
Year 2019							
Gabon ore (note)	**–**	**–**	**–**	**–**	**–**	**–**	**–**
Manganese concentrate	**279,350**	**383**	**106,961**	**273**	**76,135**	**30,826**	**28.8**
Natural discharging manganese powder and sand	**5,174**	**2,977**	**15,405**	**325**	**1,681**	**13,724**	**89.1**
Total	**284,524**	**430**	**122,366**	**273**	**77,816**	**44,550**	**36.4**
Year 2018							
Gabon ore (note)	98,767	543	53,631	384	37,907	15,724	29.3
Manganese concentrate	414,177	312	129,420	308	127,382	2,038	1.6
Natural discharging manganese powder and sand	11,363	2,662	30,246	893	10,144	20,102	66.5
Total	524,307	407	213,297	335	175,433	37,864	17.8

In 2019, revenue of manganese mining segment decreased by 42.6% to HK$122.4 million (2018: HK$213.3 million) mainly due to the followings: (a) In 2018, sales of our Gabon ores from Bembélé Manganese Mine represented the remaining inventories already mined by the Group before the subcontracting arrangement coming into effect in March 2017. Starting from April 2017, revenue from subcontracting arrangement was recognised under "Other income and gains" in the consolidated statement of profit or loss, details of which have been set out in the following note. As the remaining inventories were all sold in 2018, there were no more sales of Gabon ores recorded as revenue in 2019 (2018: HK$53.6 million). (b) In the year 2018, Changgou Manganese Mine sold all its entire ores being inventories when the market price and demand were strong particularly in 2H 2018. After that, its sales volume of manganese concentrate returned to normal in the year 2019.

The gross profit of manganese mining segment increased by 17.7% to HK$44.6 million (2018: HK$37.9 million) mainly due to the significant improvement of the subsegment of manganese concentrate for its increase in average selling price and drop in unit cost of sales.

Results of Gabon Mine

	Year 2019 HK$'000	Year 2018 HK$'000	Increase/(Decrease) HK$'000	%
Gross profit from sales of Gabon ore	–	15,724	(15,724)	(100.0)
Subcontracting income (note)	**103,092**	116,000	(12,908)	(11.1)
Total	**103,092**	131,724	(28,632)	(21.7)

Note: The Group entered into a subcontracting agreement with a subcontractor, which is also the major shareholder of an associate of the Group, entrusting it 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$29,468,000) per annum plus a variable income upon sales of ores mined by the subcontractor and determined with reference to the ore's selling price. The revenue and cost of sales from the ores of Bembélé Manganese Mine 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.

Due to transportation bottleneck caused by several rail accidents in Gabon in 1H 2019, certain shipments of manganese ore from Gabon were hindered and hence the sales volume and corresponding subcontracting income from Bembélé Manganese Mine decreased by 11.1% to HK$103.1 million (2018: HK$116.0 million).

As a result of impairment losses of HK$89.1 million (2018: HK$18.5 million) recognised mainly on (i) mining rights of HK$41.8 million and (ii) write off of unused obsolete spare parts and consumables in aggregate of HK$25.8 million, the results of manganese mining segment were profits of HK$26.4 million (2018: HK$119.9 million), recorded a decrease of 78.0%.

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 (%)
Year 2019							
EMM	**137,295**	**12,576**	**1,726,592**	**10,287**	**1,412,306**	**314,286**	**18.2**
Manganese briquette	**33,831**	**13,102**	**443,240**	**11,152**	**377,294**	**65,946**	**14.9**
	171,126	**12,680**	**2,169,832**	**10,458**	**1,789,600**	**380,232**	**17.5**
Silicomanganese alloy	**145,004**	**7,236**	**1,049,179**	**7,097**	**1,029,053**	**20,126**	**1.9**
Others	**6,977**	**5,787**	**40,373**	**4,592**	**32,038**	**8,335**	**20.6**
Total	**323,107**	**10,088**	**3,259,384**	**8,823**	**2,850,691**	**408,693**	**12.5**
Year 2018							
EMM	140,531	14,461	2,032,149	11,115	1,561,942	470,207	23.1
Manganese briquette	44,434	15,095	670,745	12,219	542,942	127,803	19.1
	184,965	14,613	2,702,894	11,380	2,104,884	598,010	22.1
Silicomanganese alloy	78,158	8,755	684,296	8,082	631,649	52,647	7.7
Others	9,600	4,374	41,991	3,851	36,974	5,017	11.9
Total	272,723	12,574	3,429,181	10,170	2,773,507	655,674	19.1

Revenue of EMM and alloying materials production segment decreased by 5.0% to HK$3,259.4 million in 2019 (2018: HK$3,429.2 million) mainly attributable to the followings:

(a) EMM products continued to be our major products in terms of revenue but its average selling price recorded a decrease of 13.2% to HK$12,680 per tonne (2018: HK$14,613 per tonne).

(b) The sales volume of EMM products decreased by 7.5% to 171,126 tonnes in 2019 (2018: 184,965 tonnes) mainly because the export sales of manganese briquette decreased in 2019.

The above factors are partially offset by the following:

(c) The revenue of silicomanganese alloy increased by 53.3% to HK$1,049.2 million (2018: HK$684.3 million) mainly attributable to the net effect of (i) sales volume increased by 85.5% to 145,004 tonnes (2018: 78,158 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 17.4% to HK$7,236 per tonne in 2019 (2018: HK$8,755 per tonne).

As a result of decrease in average selling prices of EMM products and silicomanganese alloy, the gross profit contribution of EMM and alloying materials production segment decreased by 37.7% to HK$408.7 million (2018: HK$655.7 million) and EMM and alloying materials production segment recorded a profit of HK$144.9 million (2018: HK$405.9 million), a decrease of 64.3%.

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/ (Loss) (HK$'000)	Gross Profit/ (Loss) Margin (%)
Year 2019							
EMD	**27,594**	**10,084**	**278,264**	**6,801**	**187,671**	**90,593**	**32.6**
Manganese sulfate	**31,191**	**3,534**	**110,237**	**2,875**	**89,671**	**20,566**	**18.7**
Lithium manganese oxide	**4,577**	**35,185**	**161,043**	**31,908**	**146,045**	**14,998**	**9.3**
NCM	**921**	**125,331**	**115,430**	**127,075**	**117,036**	**(1,606)**	**(1.4)**
Total	**64,283**	**10,344**	**664,974**	**8,407**	**540,423**	**124,551**	**18.7**
Year 2018							
EMD	26,814	9,778	262,189	7,372	197,666	64,523	24.6
Manganese sulfate	22,843	3,748	85,618	2,949	67,359	18,259	21.3
Lithium manganese oxide	2,772	53,009	146,941	46,955	130,158	16,783	11.4
NCM	1,036	180,802	187,311	188,828	195,626	(8,315)	(4.4)
Total	53,465	12,757	682,059	11,050	590,809	91,250	13.4

Revenue of battery materials production segment slightly decreased by 2.5% to HK$665.0 million (2018: HK$682.1 million) and gross profit of this segment increased by 36.5% to HK$124.6 million (2018: HK$91.3 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 2019. The average selling price of EMD increased by 3.1% to HK$10,084 per tonne (2018: HK$9,778 per tonne) and its gross profit margin increase by 8.0% to 32.6% in 2019 (2018: 24.6%), contributing to an increase in gross profit contribution in 2019.

(b) The gross profit margin of lithium manganese oxide decreased by 2.1% to 9.3% (2018: 11.4%) mainly attributable to the Group's pricing strategy including shift of focus to ramp up the production and seize market share of lithium manganese oxide upon completion of expansion of lithium manganese oxide production plant in Chongzuo. Furthermore, in 2019, the PRC government tightened the subsidies of new energy automobiles and this led to a downside pressure on the price of lithium manganese oxide.

(c) The revenue of NCM decreased by 38.4% to HK$115.4 million (2018: HK$187.3 million) mainly attributable to the decrease in average selling price of NCM by 30.7% to HK$125,331 per tonne (2018: HK$180,802 per tonne). Since April 2018 through the end of year 2019, although the market price of lithium carbonate, NCM's major raw materials decreased persistently, the average selling price of NCM was dragged down though to a less extent. Therefore, NCM contained to record a gross loss.

The increase in the gross profit contribution in the year 2019 was offset by the turnaround from a profit to loss of our 34.93% owned joint venture Ningbo Dameng Group, therefore, the results of battery materials production segment recorded a profit of HK$70.4 million (2018: HK$104.9 million), a decrease of 32.9%.

Other business segment

	Revenue (HK$'000)	Cost of Sales (HK$'000)	Gross Profit (HK$'000)	Gross Profit Margin (%)
Year 2019				
Trading	**1,755,733**	**1,718,611**	**37,122**	**2.1**
Year 2018				
Trading	2,411,691	2,344,106	67,585	2.8

Revenue of other business segment decreased by 27.2% to HK$1,755.7 million (2018: HK$2,411.7 million) mainly attributable to the followings: (a) the Group slowed down its trading business owing to drop in the market ore price and unfavorable market conditions in 2H 2019; (b) the Group became more cautions in monitoring customers' credit risk and (c) the Group became more selective in its trading business since 2H 2018 to shift its focus to manganese related products.

As a results of increase in expected credit loss of a major customer including its subsidiaries and increase in share of loss of an associate GMG, the results of this business segment recorded a loss of HK$119.8 million (2018: profit of HK$19.0 million).

Cost of Sales

Total cost of sales decreased by 11.8%, to HK$5,187.5 million in 2019 (2018: HK$5,883.9 million). The decrease related primarily due to the revenue and also the cost of sales from trading business as the Group tightened the scale of its trading business.

Gross Profit

In 2019, the Group recorded a gross profit of HK$614.9 million (2018: HK$852.4 million), which represented a decrease of HK$237.5 million from 2018, or 27.9%. The Group's overall gross profit margin was 10.6%, representing a decrease of 2.1% from 12.7% in 2018. Decrease in overall gross profit and gross profit margin was mainly attributable to decrease in average selling prices of EMM products.

Other Income and Gains

Our 64% owned Hui Xing Group received a non-recurring relocation compensation in cash amounting to HK$93.0 million in 2018 but not 2019. Therefore, other income and gains decreased by 24.2% to HK$244.3 million (2018: HK$322.4 million).

Selling and Distribution Expenses

The Group's selling and distribution expenses in 2019 decreased by 17.0% to HK$92.2 million (2018: HK$111.1 million) mainly attributable to decrease in export sales volume of EMM products and therefore the freight charges decreased.

Administrative Expenses

Administrative expenses decreased by 11.7% to HK$396.4 million in 2019 (2018: HK$449.1 million) mainly attributable to (a) more production halt expenses in 2018 as Daxin EMD Plant, Changgou Manganese Mine and Guinan sulfuric acid plant carried out major maintenance and technological upgrades; and (b) decrease in staff costs due to less performance related compensations.

Impairment Losses on Property, Plant and Equipment and Mining Rights

The amount represents:

(a) Impairment loss on mining rights

At 31 December 2019, the Group recognised an impairment loss of HK$41.8 million in respect of Changgou Manganese Mine owned by our 64% owned subsidiary Hui Xing Group to write down to the mining right's recoverable amount of HK$388.3 million. As for the year 2018, there were local initiatives to relocate some processing plants including our potential ore users to further away from Changgou Manganese Mine, which possibly leads to decrease in future demand of ore in that area. Therefore, the Group remained hesitant about the expansion plan of Changgou Manganese Mine originally intended to cope with expected increase in future demand for its ore. Further suspension of our expansion plan of Changgou Manganese Mine led to an adjustments to its value-in-use and therefore a corresponding impairment in value of the mining right.

The Group has assessed the value-in-use of Changgou Manganese Mine by discounting the future cash flows generated from the continuous use of the mine and its related infrastructure and plant and machinery. The major assumptions used in the discounted cash flows include discount rate, future production volume, estimated selling prices, capital expenditure and operating expenditure. The most critical assumptions are production volume, future selling prices and discount rate as follow:

	31 December 2019	31 December 2018
(i) Production volume of ore ('000 tonnes)		
i) First year of production	**200**	200
ii) Second to third year of production	**400**	400
iii) Fourth to last year of production	**15,537**	15,712
	16,137	16,312
(ii) Average selling price (HK$/tonnes)	**450**	451
(iii) Pre-tax discount rate	**8.8%**	7.7%

For valuation as at 31 December 2019, the production volume was determined based on estimated ore reserves which was assessed by the local Bureau of Geology and Mineral Exploration in accordance with the relevant rules governing the exploration of geology and mineral resources and future production plan as expanded starting from the year 2021.

The assumed average ore selling price of HK$450 per tonne (equivalent to RMB397 per tonne) (2018: HK$451 per tonne, equivalent to RMB380 per tonne) over the remaining useful life of the mining rights was estimated with reference to historic average market price of ore and current market condition in accordance with Guiding Opinions on Determination of Mining Rights Evaluation Parameters (or "礦業權評估參數確定指導意見" in Chinese).

The discount rate was determined using weighted average cost of capital calculation taking into account of the specific risk factor for the business operation.

(b) Impairment loss on property, plant and equipment

Impairment loss of property, plant and equipment of HK$53.6 million was recognised, of which HK$33.6 million was arising in the course of our major modifications and HK$20.0 million was arising from scraping existing obsolete production facilities in accordance with our overall strategy to restructure product mix shifting to more manganese-related battery materials production.

At 31 December 2019, the Group recognised an impairment loss of HK$33.6 million in respect of plant and machinery in relation to a production plant in Tiandong to write down to its recoverable amount of HK$101.0 million. The recoverable amount was determined by calculating its value-in-use through discounting its future cash flows generating from its continuous use.

The production plant in Tiandong was originally designed for EMM production and the project was ceased before production commenced due to constraints in local supply of manganese ores because of disputes between local villagers and mine suppliers over the mining operations. In order to resume the project in Tiandong, the Group had carried out feasibility study and intended to transform the production plant to produce high purity manganese sulfate. The Group is under the process of modifying the plan to address certain practical issues including local logistic operations and supplies of raw materials. Further delays in resuming the production of this project led to an adjustments to its value-in-use and therefore a corresponding impairment in value.

The major assumptions used in the discounted cash flows include discount rate, future production volume, estimated selling prices, capital expenditure and operating expenditure. The most critical assumptions are production volume, future selling prices and discount rate as follow:

	31 December 2019	31 December 2018
(i) Production volume of high purity manganese sulfate ('000 tonnes)	**348**	348
(ii) Average selling price (HK/tonnes)	**6,420**	7,004
(iii) Pre-tax discount rate	**10.1%**	10.7%

For valuation as at 31 December 2019, the production volume was estimated based on the design production capacity and management's expectation that the production will be gradually commenced by the end of the year 2020.

The average selling price was estimated with reference to the project feasibility study and current market condition.

The discount rate was determined using weighted average cost of capital calculation taking into account of the specific risk factor for the business operation.

Impairment losses on financial assets, net

The amount mainly represents (a) impairment loss on trade and notes receivables due from one of our major customers including its subsidiaries of HK$77.2 million; (b) impairment losses on other current assets of HK$33.0 million in respect of construction costs incurred for a project development led by local government in Beihai, Guangxi which had been ceased by it; and (c) impairment losses on other long aged receivables.

Finance Costs

For 2019, the Group's finance costs were HK$225.9 million (2018: HK$237.7 million), representing a decrease of 4.9% which was mainly due to the Group's effort to control finance costs and in particular less notes receivable were discounted in 2019 due to improvement in operating cash flow.

Other Expenses

Other expenses of HK$57.8 million (2018: HK$19.5 million) mainly represents (a) write-off of obsolete spare parts and consumables in aggregate of HK$25.8 million unusable in the production process subsequent to the subcontracting arrangement in Gabon; (b) impairment of prepayments for value-added tax of HK$11.0 million which are in dispute with tax bureau in Gabon for several years; and (c) foreign exchange losses.

Share of Profits and Losses of Associates

Share of losses of associates of HK$67.5 million (2018: HK$18.4 million) represents:

(a) share of loss of GMG, a 29.99% associate of the Group, of HK$47.6 million (2018: HK$23.0 million), due to its impairment of non-current assets and decrease in average selling price of its products during the year 2019; and

(b) share of loss of Dushan Jinmeng, a 33.0% associate of the Group, of HK$19.9 million (2018: profit of HK$4.6 million).

GMG is one of the largest lead-sliver polymetallic mining companies in Myanmar and owns and operates lead-zinc-silver polymetallic mines in Yunnan Province, the PRC. According to the 2019 annual report of GMG, its independent auditor emphasised without modifying its audit opinion, that the financial statements of GMG for the year ended 31 December 2019 indicates the existence of a material uncertainty which may cast significant doubt about GMG's ability to continue as a going concern. The directors of the Company have assessed the impact on the impairment of investment in GMG and considered that no impairment provision was needed as at 31 December 2019. Further details of GMG can be found in its latest annual report.

Dushan Jinmeng is a manganese ferroalloy producer in Guizhou, the PRC. Since 2013, Dushan Jinmeng, engaged in the building of a ferromanganese alloy plant with a designed annual capacity of 500,000 tonnes and two self-use 150 MW power generators in Dushan County, Guizhou, the PRC. During the year 2019, four furnaces were being in alloy production and it also engages in manganese ore trading business.

Share of Profit and Loss of a Joint Venture

The amount represents share of loss of HK$0.8 million of our 34.93% owned Ningbo Dameng Group (2018: profit of HK$53.8 million).

The turnaround from profit in 2018 to loss in 2019 mainly attributable to: (a) a one-off gain on bargain purchase of HK$42.1 million recognised upon Ningbo Dameng Group's acquisition of 100% equity interest in Huiyuan Manganese in the year 2018 did not repeat in 2019; (b) increase in research and maintenance expenses during the course of technological innovations and upgrades of Huiyuan Manganese in 2019. Upon completion of technological innovations and upgrades in 2019, the production capacity of Huiyuan Manganese increased to 90,000 tonnes per annum at the end of the year 2019.

Income Tax Expense

In 2019, the effective tax rate is -7.8% (2018: 2.1%) because certain subsidiaries in the PRC recording losses in the year 2019 did not recognise deferred tax arising from such losses for prudence. Comparing to the year 2018, the income tax expense increased because unutilised tax losses were available in 2018 to offset taxable profits for 2018. Such tax losses were fully utilised in 2018 and no longer available for offsetting taxable profits in the year 2019. A reconciliation of the income tax expense at the statutory rate to that at the effective tax rate has been set out in note 11 to the financial statements.

Loss Attributable to Owners of the Parent

For 2019, the Group's loss attributable to owners of the parent was HK$202.3 million (2018: profit of HK$330.9 million).

Loss per Share

For 2019, loss per share attributable to ordinary equity holders of the Company was HK$0.0590 (2018: earnings per share HK$0.0965).

Final Dividend

The Board does not recommend the payment of any dividend for the year ended 31 December 2019 (2018: final dividend of HK$0.01 per share).

Events after the end of the reporting period

(a) On 24 February 2020, GMG raised approximately HK$49.2 million by way of rights issue. As the Group did not participate in the rights issue, immediately after the completion of the rights issue, the Group's percentage holding in GMG was reduced from 29.99% to approximately 23.99%. Nevertheless, the Group continues to be the single largest shareholder of GMG which continues to be equity accounted for as an associate. As the subscription price of GMG per share is lower than the book value of the net assets of GMG per share, it is estimated that a one-off extraordinary non-cash loss of approximately HK$100.0 million arising from the deemed disposal of equity interests of the Group in GMG will be recognised in the consolidated income statement of the Company for the year ending 31 December 2020.

(b) The outbreak of the novel coronavirus (COVID-19) in early 2020 has spread across mainland China and beyond, causing disruptions to businesses and economic activities. The Group considers this outbreak to be a non-adjusting event after the reporting period. The Group has closely monitored its impact on our operations. Up to the date of this report, the impact of epidemic on our production was relatively moderate with suspension of certain of our local logistic operations and our products delivery until mid-February 2020. As the epidemic is fluid and rapidly evolving, the related impact on the Group's consolidated results of operations, cash flows and financial condition for the year 2020 could not be reasonably estimated at this stage and will be reflected in the Group's 2020 interim and annual financial statements.

Use of Proceeds from IPO

Up to 31 December 2019, we utilised the net proceeds raised from the IPO in accordance with the designated uses set out in the Prospectus as follows:

	Description	Amount designated in Prospectus (HK$ Million)	Amount utilised up to 31.12.2019 (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 rights	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%

As at 31 December 2019, proceeds from IPO designated for acquisition of mines and mining rights 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 31 December 2019, the currency denomination of the Group's cash and bank balances including pledged deposits were as follows:

Currency Denomination	2019 HK$ million	2018 HK$ million
Denominated in:		
RMB	**1,064.7**	1,175.6
HKD	**13.9**	5.0
USD	**42.5**	192.7
XAF	**18.1**	15.4
	1,139.2	1,388.7

As at 31 December 2019, our cash and bank balances including pledged deposits were HK$1,139.2 million (2018: HK$1,388.7 million) while the Group's borrowings amounted to HK$4,158.1 million (2018: HK$4,363.3 million). The Group's borrowings net of cash and bank balances amounted to HK$3,018.9 million (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) Trade and notes receivables of the Group as at 31 December 2019 decreased by 11.8% to HK$1,697.3 million (2018: HK$1,923.8 million) mainly attributable to decrease in revenue for the year 2019.

(b) At 31 December 2019, inventories decreased by 24.3% to HK$518.4 million (2018: HK$685.0 million) and prepayments, other receivables and other assets classified under current assets decreased by 27.8% to HK$386.3 million (2018: HK$534.9 million) mainly attributable to the Group's effort to improve cash flows by containing inventories level especially raw materials for alloy products in response to the worsened market condition in 2H 2019.

Net current liabilities

As at 31 December 2019, certain long-term outstanding bank loans repayable in 2020 have been reclassified from long-term to current liabilities, accordingly, the Group's net current liabilities increased to HK$1,173.2 million (2018: HK$371.6 million) as at 31 December 2019.

Bank and other Borrowings

As at 31 December 2019, the Group's borrowing structure and maturity profile were as follows:

Borrowing structure	2019 HK$ million	2018 HK$ million
Secured borrowings (including lease liabilities/finance lease payables)	**164.2**	297.9
Unsecured borrowings	**3,993.9**	4,065.4
	4,158.1	4,363.3

Maturity profile	2019 HK$ million	2018 HK$ million
Repayable:		
On demand or within one year	**3,511.9**	3,171.0
After one year and within two years	**547.2**	675.6
After two years and within five years	**99.0**	516.7
	4,158.1	4,363.3

Currency denomination	2019 HK$ million	2018 HK$ million
Denominated in:		
RMB	**3,280.4**	3,807.5
USD	**877.7**	555.8
	4,158.1	4,363.3

As at 31 December 2019, borrowings as to the amounts of HK$2,287.0 million (2018: HK$2,415.9 million) and HK$1,871.1 million (2018: HK$1,947.4 million), carry fixed and floating rate interest respectively. The fixed rate borrowings carry interest at rates ranging from 3.09% to 8.70%. The floating rate borrowings mainly carry interest at a premium up to 10% above the China Loan Prime Rate, except the USD loans which carry interest at rates of LIBOR plus a margin of 1.00% to 2.30%.

Overall, aggregate borrowings decreased to HK$4,158.1 million (2018: HK$4,363.3 million). The Group is continuing to explore various means including short-term or medium-term notes to improve borrowing structure in terms of interest rate level and repayment terms.

Charge on group assets

As at 31 December 2019, (a) right-of-use assets of HK$170.8 million related to property, plant and equipment were held under leases (2018: HK$155.1 million held under finance lease); (b) bank balances of HK$35.6 million (2018: HK$119.1 million) and notes receivables of HK$62.1 million (2018: HK$27.3 million) were pledged to secure certain of the Group's bank acceptance notes payable; and (c) trade receivables of HK$62.9 million (2018: HK$45.8 million) were pledged to secure certain of the Group's bank borrowings.

Guarantees

(a) As at 31 December 2019, the outstanding bank loan of an associate, in which the Group has a 33.0% equity interests, was secured by the associate's lands and property, plant and equipment and guaranteed by the Group and the associate's holding company, according to their respective shareholding percentage on a several basis.

As at 31 December 2019, the associate's banking facilities guaranteed by the Group and the associate's holding company amounted to RMB800.0 million (equivalent to HK$895.2 million) and were utilised to the extent of RMB615.0 million (equivalent to HK$688.2 million) as at 31 December 2019 (2018: RMB665.0 million, equivalent to HK$756.8 million).

(b) As at 31 December 2019, the loan facilities provided by Guangxi Dameng to a company (the "borrower"), in which the Group has a 10% equity interests, were guaranteed by the Group and the major shareholder of the borrower according to the shareholding percentage on a several basis.

As at 31 December 2019, the loan facilities guaranteed by the Group and the holding company of the borrower amounted to RMB100.0 million (equivalent to HK$111.9 million) (2018: RMB100.0 million, equivalent to HK$113.8 million) and were utilised to the extent of RMB95.0 million (equivalent to HK$106.3 million) (2018: RMB80.0 million, equivalent to HK$91.0 million) by the borrower.

(c) As at 31 December 2019, the outstanding banking facilities of Huiyuan Manganese, a wholly owned subsidiary of our 34.93% owned joint venture was guaranteed by the Group. Certain of Huiyuan Manganese's property, plant and equipment were pledged to the Group as counter guarantee.

As at 31 December 2019, Huiyuan Manganese's banking facilities guaranteed by the Group amounted to RMB150.0 million (equivalent to HK$167.9 million) (2018: Nil) and were fully utilised.

Key Financial Ratios of the Group

	2019	2018
Current ratio	**0.76**	0.93
Quick ratio	**0.66**	0.79
Net gearing ratio	**107.7%**	96.0%

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

At 31 December 2019, current ratio and quick ratio deteriorated from 2018 because certain long-term outstanding bank loans and other borrowings repayable in 2020 have been reclassified from long term to current as at 31 December 2019. Net gearing ratio also deteriorated mainly due to capital expenditure and the loss incurred during the year.

Liquidity risk and going concern basis

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

In view of the Group's net current liabilities of HK$1,173.2 million at 31 December 2019 (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 31 December 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$2,639.3 million upon repayment when due, subject to the condition that the Group will be able to pay the total interest due on the respective repayment dates. Based on the above-mentioned agreements and past experience, the directors consider it highly probable that the Group can extend adequate amount of short-term bank loans for a further year when fall due to maintain sufficient working capital of the Group.

(d) The Group is actively following up with its debtors on outstanding receivables with an aim of speeding up collection.

The directors of the Company have prepared a cash flow forecast for the Group which covers a period of twelve months from the end of the reporting period. They are of the opinion that taking into account the above-mentioned plans and measures, the Group will have sufficient working capital to finance its operations and meet its financial obligations as and when they fall due in the foreseeable future. Accordingly, the directors are of the opinion that it is appropriate to prepare the consolidated financial statements of the Group for the year ended 31 December 2019 on a going concern basis.

Credit risk

The Group endeavoured to maintain strict control over its outstanding receivables to minimise credit risk. 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 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 described below. The Group did not hold any collateral or other credit enhancements over its trade and notes receivable balances except for those detailed in this section of credit risk.

As at 31 December 2019, the customer with the largest balance of trade and notes receivables of the Group was a customer together with its subsidiaries ("Customer A") principally engaged in manganese ferroalloy production and manganese ore trading in the PRC and manganese mining in Gabon and the PRC. Customer A maintains close business relationship with major steel plants in the PRC. The Group supplies manganese ores to Customer A, which is also our subcontractor of Gabon Bembélé Manganese Mine.

In 2019, revenue from sales to Customer A is HK$557.3 million (2018: HK$684.6 million), which accounted for 9.6% (2018: 10.2%) of the Group's total revenue. As at 31 December 2019, trade receivables and notes receivables from Customer A was HK$362.9 million (2018: HK$297.3 million) and HK$66.6 million (2018: HK$54.2 million) and represented 34.2% (2018: 26.5%) and 8.7% (2018: 6.4%) of the Group's total trade receivables and notes receivables respectively. At 31 December 2019, an impairment provision of HK$77.2 million (2018: Nil) was recognised on trade and notes receivables due from it.

Sales to Customer A are on open account with a normal credit period ranging from about 75 days to 100 days from the date of receipt of goods, which can be extended for a further period of 60 days subject to the Company's approval of conversion of the relevant trade receivables to commercial acceptance notes.

Due to rapidly cooling down in market demand of manganese ores and significant decrease in market ore price since the fourth quarter of the year 2019, liquidity risk for a large number of alloy and manganese ore suppliers in China including Customer A significantly increased. Certain payments from Customer A were delayed and resulted in overdue trade receivable balances of HK$266.0 million as at 31 December 2019. In order to contain the increasing credit risk with this customer, the Group had instantly implemented the following measures to safeguard the repayment of the outstanding receivables:

(i) significantly slowed down the trading business with it since 2H 2019;

(ii) renegotiated and implemented a repayment schedule with it;

(iii) obtained credit enhancements from it including an undertaking to pledge its certain assets to the Group as the security for repayment of outstanding trade and notes receivables.

Subsequent to the year end of 2019 and up to the date of approval of financial statements, the above measures were implemented as planned except for the payments from Customer A were delayed starting from 1 January 2020 due to the outbreak of the novel coronavirus (COVID-19) which has initially spread across Mainland China then some two months later to over most of the rest of the world, causing disruptions to business and economic activities. The Group had revised the repayment schedule to speed up the collection and has considered the above factor in determining the impairment losses on trade and notes receivables as at 31 December 2019.

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 interest rate changes in the China Loan Prime Rate as well as movements in LIBOR. If the China Loan Prime Rate increases 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. In the year 2019, United States Federal Reserve rate was adjusted three times downward of 0.25% each as opposed to four times upward of 0.25% each in 2018. 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 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 our 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. Our PRC operations face minimal foreign exchange risks except for the followings:

The Group imported manganese ores for self-use from oversea suppliers which are denominated in United States dollars to cope with its production of alloy materials. In addition, certain of our purchases was financed by bank borrowings denominated in United States dollars. In order to contain the foreign currency risk in association with such purchases, the Group entered into forward currency contracts for selected major purchases at the time of entering into the relevant purchase contracts or loan contracts to secure against exchange rate movements.

(c) In respect of our Gabon operation which is under the subcontracting arrangement, our subcontracting income is substantially denominated in RMB and United States dollars 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 from subcontracting income.

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

- Upon the completion of technological innovations and upgrades in Huiyuan Manganese in December 2019, Huiyuan Manganese is now one of the largest EMD manufacturers in China. The Group will continue to strengthen the competitiveness in EMD market by consolidating our internal talents and experts and emphasising the research and development on EMD. 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 gradually commenced production in 2019. Upon its completion, our production capacity of lithium manganese oxide was nearly doubled. The Group will continue to focus on marketing of lithium manganese oxide under this competitive product market.

- Our efforts spent on marketing of the Gabon ore provide an encouraging result, the demand of Gabon ore kept growing in 2019. However, the logistics operation for ores mined from our Bembélé Manganese Mine in Gabon sees bottlenecks in local transportation infrastructure in 1H 2019. To sustain and increase the ore production in Gabon, 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.

- Amidst the downturn of alloy market in 2019, the production of Dushan Jinmeng became more stable. With the gradual commencement of steel plants in the nearby region of Dushan Jinmeng, its alloy produced will be more competitive in terms of production cost. It is expected that around the year 2021, 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 the year 2022. 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 was stable in 2019. Riding on our expertise and experience in manganese from mining to downstream processing, we continue to strictly control our costs of production to strengthen our profitability amidst of current market condition.
- 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 escalation in 2019 of the U.S.-China trade war has been threatening the economic growth of China and globally and exaggerating volatility to the currency markets.
- The outbreak of the novel coronavirus (COVID-19) recently spread over not only in the PRC but also into Europe and the USA. The World Health Organization has declared a global pandemic as the coronavirus spreads rapidly across the world. Worldwide economic situation is severely damaged and therefore various policies have recently been introduced by countries and regions around the world. Some industries are experiencing a cliff-edge fall in business with some others too facing ruptures in the capital chain, while staff are forced to take unpaid leave or a pay cut, or even face dismissal. As such, we anticipate that at least in the short term say the year 2020 will be very challenging and presenting threats to our business operation.

Five Year Financial Summary

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

Mineral and Mining Report

Mineral and Mining Report

Resources and Reserves

Below is the information on our mineral resources and ore reserves in accordance with JORC Code as of 31 December 2019:

Summary of our manganese mineral resources

Mines	Ownership Percentage	JORC Resource Category	Million tonnes 31.12.2019	Average Manganese Grade (%) 31.12.2019	Million tonnes 31.12.2018	Average Manganese Grade (%) 31.12.2018
Daxin Mine	100%	Measured	**3.35**	**26.03**	3.53	25.82
		Indicated	**59.52**	**21.67**	60.98	21.52
		Subtotal	**62.87**	**21.90**	64.51	21.76
		Inferred	**0.43**	**21.23**	0.43	21.23
		Total	**63.30**	**21.89**	64.94	21.76
Tiandeng Mine	100%	Measured	**0.55**	**18.26**	0.56	18.26
		Indicated	**2.76**	**16.76**	2.76	16.76
		Subtotal	**3.31**	**17.01**	3.32	17.01
		Inferred	**3.51**	**14.28**	3.51	14.24
		Total	**6.82**	**15.63**	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	**2.33**	**20.45**	2.53	20.45
		Indicated	**14.67**	**20.32**	14.67	20.32
		Subtotal	**17.00**	**20.34**	17.20	20.34
		Inferred	**4.22**	**20.50**	4.22	20.50
		Total	**21.22**	**20.37**	21.42	20.37
Bembélé Manganese Mine	51%	Measured	**–**	**–**	–	–
		Indicated	**12.14**	**32.49**	13.72	31.70
		Subtotal	**12.14**	**32.49**	13.72	31.70
		Inferred	**12.37**	**32.74**	12.37	32.74
		Total	**24.51**	**32.61**	26.09	32.19
Total			**117.39**		120.82	

Summary of our manganese ore reserves

Mines	Ownership Percentage	JORC Resource Category	Million tonnes (31.12.2019)	Average Manganese Grade (%) (31.12.2019)	Million tonnes (31.12.2018)	Average Manganese Grade (%) (31.12.2018)
Daxin Mine	100%	Proved	**3.13**	**20.75**	3.31	20.81
		Probable	**56.99**	**19.05**	58.45	18.96
		Total	**60.12**	**19.14**	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	**2.33**	**20.45**	2.53	20.45
		Probable	**14.67**	**20.32**	14.67	20.32
		Total	**17.00**	**20.34**	17.20	20.34
Bembélé Manganese Mine	51%	Proved	**–**	**–**	–	–
		Probable	**12.13**	**31.21**	13.71	31.36
		Total	**12.13**	**31.21**	13.71	31.36
Total			**92.40**		95.83	

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

Assumptions:

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

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

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

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

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

Exploration, Development and Mining Activities

I) Exploration

Overview

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

Daxin Mine

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

Tiandeng Mine

During the year, the mining geological experts have completed the review 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 and we are now making the relevant amendments to the detailed exploration report according to the expert opinions in order to continue the recordal of the accreditation process in the next step.

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

Waifu Manganese Mine

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

Changgou Manganese Mine

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

Bembélé Manganese Mine

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

II) Development

Daxin Mine

During the year, our outsourced contractor, 廣西錫山礦業有限公司 (Guangxi Xishan Mining Limited Company) has commenced the 1,000,000 tonnes/year expansion project for the underground mining at southern mining zone of Daxin Mine. As at 31 December 2019, the tunnel construction works amounted to 730.7 metres in length.

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

Tiandeng Mine

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

Waifu Manganese Mine

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

Changgou Manganese Mine

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

Bembélé Manganese Mine

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

III) Mining activities

(1) Mining operations

Daxin Mine

	2019	2018
Open pit mining		
Mining production volume (thousand tonnes)	**205**	407
Underground mining		
Mining production volume (thousand tonnes)	**1,441**	1,468
Total mining production (thousand tonnes)	**1,646**	1,875
Average manganese grade		
Manganese carbonate ore	**14.2%**	14.8%
Manganese oxide ore	**26.8%**	28.6%

Tiandeng Mine

	2019	2018
Open pit mining		
Mining production volume (thousand tonnes)	**319**	233
Average manganese grade		
Manganese carbonate ore	**12.8%**	11.1%
Manganese oxide	**13.3%**	–

Waifu Manganese Mine

During the year, there were no mining production.

Changgou Manganese Mine

	2019	2018
Underground mining		
Mining production volume (thousand tonnes)	**202**	153
Average manganese carbonate grade	**16.5%**	16.6%

Bembélé Manganese Mine

	2019	2018
Open pit mining		
Mining production volume (thousand tonnes)	**1,574**	1,276
Average manganese oxide grade	**29.9%**	29.2%

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

(2) Ore processing operations

- Concentrating

Production volume (thousand tonnes)	2019	2018
Daxin Concentration Plant		
Manganese carbonate concentrate	**948**	1,024
Manganese oxide concentrate	**–**	26
Total	**948**	1,050
Average manganese grade of concentrate		
Manganese carbonate concentrate	**20.6%**	20.1%
Manganese oxide concentrate	**–**	25.1%
Tiandeng Concentration Plant		
Manganese carbonate concentrate	**399**	352
Manganese oxide concentrate	**63**	10
Total	**462**	362
Average manganese grade of concentrate		
Manganese carbonate concentrate	**11.9%**	10.5%
Manganese oxide concentrate	**20.5%**	–
Bembélé Concentration Plant		
Manganese oxide concentrate	**921**	812
Average manganese grade of concentrate	**36.5%**	36.3%

- Grinding

Production volume (thousand tonnes)	2019	2018
Daxin Grinding Plant		
Powder produced	**997**	1,075
Tiandeng Grinding Plant		
Powder produced	**367**	399

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, DXML EMM Plant, Tiandeng EMM Plant and Guangxi Start EMM Plant. Details of EMM production are set out below:

Production (thousand tonnes)	2019	2018
Daxin EMM Plant	93.5	103.6
DXML EMM Plant	26.3	22.7
Tiandeng EMM Plant	34.9	37.6
Guangxi Start EMM Plant	17.9	20.1
Total	172.6	184.0

- Manganese briquette

Production (thousand tonnes)	2019	2018
Chongzuo Branch	19.2	43.8
Daxin Branch	12.9	2.6
Total	32.1	46.4

- Silicomanganese alloy

Production (thousand tonnes)	2019	2018
Qinzhou Ferroalloy Plant	67.7	64.7
Xingyi Ferroalloy Plant	87.0	17.8
Total	154.7	82.5

(2) Battery materials

- EMD

Production (thousand tonnes)	2019	2018
Daxin EMD Plant	28.9	30.0

- Lithium manganese oxide

Production (thousand tonnes)	2019	2018
Chongzuo Branch	4.6	3.2

- NCM

Production (thousand tonnes)	2019	2018
Chongzuo Branch	0.98	0.90

- Manganese sulfate

Production (thousand tonnes)	2019	2018
Daxin Manganese Sulfate Plant	24.7	25.1

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

V) Exploration, Development and Mining Cost of the Group

Expenses of exploration, development and mining activities of the Group for the year ended 31 December 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	–	–	–	12,924	–	12,924
Construction of mines, tunnels and roads	–	–	–	–	–	–
Staff cost	–	–	–	–	–	–
Others	5	–	–	–	–	5
	5	–	–	12,924	–	12,929
Mining activities*						
Staff cost	3,973	5,631	–	11,847	–	21,451
Consumables	2,121	5,334	–	5,616	–	13,071
Fuel, electricity, water and other services	5,260	4,723	–	4,387	–	14,370
Transportation	6,517	–	–	–	–	6,517
Sub-contracting fee	218,897	6,487	–	40,808	–	266,192
Depreciation	42,482	3,195	–	2,882	–	48,559
Others	10,301	7,393	–	4,884	–	22,578
	289,551	32,763	–	70,424	–	392,738

(* Concentrating not included)

Directors and Senior Management Profiles

Directors and Senior Management Profiles

Executive Directors

Mr. Guo Aimin (郭愛民), aged 54, joined in 2019 as the Chairman and Chief Executive Officer. He is also the chairman of CITIC Dameng Mining and a director of several subsidiaries of the Group. He is currently the deputy general manager and chief engineer of CITIC Metal Co., Ltd. Mr. Guo is a professorate senior engineer and an expert being entitled to the special government allowance of the State Council of the People's Republic of China. He is also the vice chairman of the Materials Committee of China Society of Automotive Engineers and the vice chairman of the China Steel Structure Association (Bridge Steel Structure Branch). He obtained a Bachelor's degree (Steel Metallurgy) from University of Science and Technology Beijing in 1987 and the Master of Engineering (Materials Science) from Wuhan University of Science and Technology in 1999. He obtained the Doctor of Engineering (Materials Physics and Chemistry) from University of Science and Technology Beijing in 2008. He attended the University of Louisiana at Lafayette in 2009 as a visiting scholar for one year. He was the assistant engineer of the steel research institute in Wuyang Steel and Iron Co., Ltd. and the deputy director of the scientific research department of the research center, deputy director of the technology center, associate dean of the research institute in Wuhan Iron and Steel (Group) Company, and joined CITIC Metal in 2012. Mr. Guo has extensive experience in corporate management and scientific research.

Mr. Li Weijian (李維健), aged 57, joined in 2010 as an Executive Director and Vice Chairman of the Company and has been the Vice Chairman and general manager of CITIC Dameng Mining since 2005. He is also a director of several subsidiaries of the Group, He graduated from Shenyang Gold Vocational Training College (瀋陽黃金專科學校) with professional qualifications in mining mechanics in 1982. He obtained a Master of Business Administration degree for senior management from Huazhong University of Science and Technology (華中科技大學) in 2008 and was granted the title of the senior engineer at professor grade in mechanical engineering in 2013 by China Iron and Steel Association and received the special subsidy from the State Council. He was granted "the excellent specialist of Guangxi Zhuang Autonomous Region" by the Guangxi Government. He is a member of the International Manganese Institute, the Chairman of its electrolytic products division, the Chairman of the China Committee of the International Manganese Institute, and the honorary Chairman of the National Manganese Technology Committee. He is also a tutor of the master degree students and a part time professor of various universities. Mr. Li has 34 years of experience in manganese mining and manganese related business, at both the management and operational level and has assumed a wide spectrum of roles in different mining companies.

Non-Executive Directors

Mr. Suo Zhengang (索振剛), aged 57, joined in 2014 as a non-executive Director of the Company. He is the Vice Chairman, Chief Executive Officer and executive director of CITIC Resources. He is also a Director of CITIC Metal Group Limited. He also holds directorships in several other subsidiaries of CITIC Metal Group Limited. Mr. Suo has over 29 years' experience in business operations and development, project investment and has extensive experience in natural resources industry. Mr. Suo obtained a Bachelor of Science in Mechanical Engineering from North China University of Technology in 1984 and was granted the title of senior economist in 2016 by CITIC Senior Specialised Technique Qualification Evaluation Committee.

Mr. Lyu Yanzheng (呂衍蒸), aged 52, joined in 2016 as a non-executive Director of the Company. He is the vice president of CITIC Metal Group Limited, a director of CITIC Kazakhstan Limited Liability Partnership and an independent director of JSC Karazhanbasmunai (all these companies are subsidiaries of CITIC Limited (Stock Code: 267)(an indirect controlling shareholder of the Company and a subsidiary of CITIC Group. He is also a director and Vice Chairman of CITIC Jinzhou Metal Co., Ltd. and a director and Vice Chairman of CITIC Titanium Industry Co., Ltd. (all these companies are subsidiaries of CITIC Group). Mr. Lyu holds a Master Degree in Economics at Capital University of Economics and Business. He has held various positions in CITIC Group and his last position was a division director and assistant general manager of Strategic and Development Department of CITIC Group. Mr. Lyu has extensive experience in management.

Mr. Cheng Zhiwei (程智偉), aged 56, joined in 2019 as a non-executive director of the Company. He is also the chairman of Guangxi Dameng and a director of certain of its several subsidiaries. Mr. Cheng was a deputy director and then a director of the supervisory board of State-owned Assets Supervision and Administration Commission of the People's Government of Guangxi Zhuang Autonomous Region ("**SASAC of Guangxi**") (the indirect controlling shareholder of Guangxi Dameng) and a supervisor of various subsidiaries of SASAC of Guangxi (including but not limited to Guangxi Liuzhou Iron and Steel Group Co., Ltd. (formerly known as Guangxi Liuzhou Iron and Steel (Group) Company), Guangxi Liugong Group Co., Ltd., and Guangxi Automobile Group Co., Ltd. (formerly known as Liuzhou Wuling Motors Co., Ltd.)) from 2008 to 2013. He was also a director and general manager of Guangxi Guowei Asset Management Co., Ltd. (a subsidiary of SASAC of Guangxi) from 2013 to 2014. He has been a director and general manager of Guangxi Dameng since September 2014 and was re-designated as its chairman in August 2017. Mr. Cheng graduated from Central South University with a bachelor degree in laws and obtained a postgraduate certificate in philosophy of science and technology (economic development and social management focus) from Guangxi University. He has the senior economist and lawyer professional qualifications in the People's Republic of China.

Ms. Cui Ling (崔凌), aged 44, joined in 2019 as a non-executive director of the Company. She is currently a deputy general manager and chief financial officer of Guangxi Dameng. Ms. Cui was the head of financial department of Linan Railway Co., Ltd. (an associate company of Guangxi Railway Investment Group Co., Ltd. ("**Guangxi Railway**") (the direct controlling shareholder of Guangxi Dameng)) from 2011 to 2012. She has held many positions in Guangxi Railway and certain of its subsidiaries since May 2012 including the deputy head of finance and planning department of Guangxi Railway from 2014 to 2018. She was re-designated as the deputy general manager and chief financial officer of Guangxi Dameng in July 2018. Ms. Cui graduated from Beijing Jiaotong University with a bachelor degree in accounting and has the certified senior accountant qualification in the People's Republic of China.

Independent non-executive Directors

Dr. Lin Zhijun (林志軍), aged 65, joined in 2016 as an independent non-executive Director of the Company. Mr. Lin is the Dean of the School of Business and Vice President in Macau University of Science and Technology. He is also an independent non-executive Director of China Everbright Limited (Stock Code: HK 0165), Springland International Limited (Stock Code: HK 1700), Dali Foods Group Company Limited (Stock Code: HK 3799), Sinotruk (Hong Kong) Limited (Stock Code: HK 3808) and Bocom International Holdings Company Limited (Stock Code: HK 3329). Dr. Lin holds a Master's degree in Science in Accounting from University of Saskatchewan in Canada and a Doctorate's degree in Economics (Accounting) from Xiamen University. Dr. Lin is also a member of the American Institute of Certified Public Accountants, the Chinese Institute of Certified Public Accountants and the Australian Institute of Certified Management Accountants. He is a member of various educational accounting associations including the American Accounting Association, the International Association for Accounting Education and Research and the Hong Kong Association for Accounting Education.

Mr. Tan Zhuzhong (譚柱中), aged 80, joined in 2010 as an independent non-executive Director of the Company. Mr. Tan has more than 48 years of experience in the field of mining and metallurgical research. He was employed by the Changsha Metallurgical Research Institute of the Metallurgical Ministry (冶金部長沙礦冶研究院) from 1963 to 1986, and was in charge of various metallurgical research studies. He also has extensive experience in the manganese industry. Mr. Tan is well recognised for his professional knowledge in the field of metallurgical technologies and has received a number of awards for various research projects that he led. He is also actively involved in several industry associations and has published articles in a number of professional journals.

Mr. Wang Zhihong (王志紅), aged 61, joined in 2019 as an independent non-executive Director of the company. He is currently a senior technical consultant in Non-ferrous Metals Resource Geological Survey of the State-owned Assets Supervision and Administration Commission of the State Council of the People's Republic of China, a member of the Mineral Resources Reserves Sub Technical Committee of the National Land Resources Standardization Technical Committee of the People's Republic of China, the vice chairman of the Professional Committee on Mineral Exploration of Geological Society of the People's Republic of China and a member of the Professional Committee on Tectonic Geology and Geodynamics of Geological Society of the People's Republic of China. He has held various positions in various departments in the State Council and Ministry of Geology and Mineral Resources of the People's Republic of China regarding mineral resources and geology in the People's Republic of China and his last position was the inspector in charge of geological and mineral affairs of Non-ferrous Metals Resource Geological Survey of the State-owned Assets Supervision and Administration Commission of the State Council of the People's Republic of China. Mr. Wang holds a Bachelor's Degree in Engineering, major in mineral geology and exploration at the Department of Geology of Changchun College (now known as Jilin University). He also holds registered qualification certificate of valuer of mineral reserves, the People's Republic of China and the professor grade senior engineer of the Geological and Mineral Resources of the People's Republic of China. Mr. Wang has extensive experience in geological exploration, mining economics and appraisal of mineral resource reserve matters.

Senior Management

Mr. Lau Wai Yip (劉偉業), aged 57, joined in 2010 as the Chief Financial Officer and Company Secretary of the Company. He is also a director of CITIC Dameng Mining. Mr. Lau is responsible for the financial management and company secretarial matters of the Group. He holds a degree of Master of Business Administration from the Hong Kong University of Science and Technology. He is a member of the Chartered Association of Certified Accountants, a member of the Hong Kong Institute of Certified Public Accountants, and also a member of the American Institute of Certified Public Accountants. He has extensive experience in auditing, financial management and company secretarial management.

Mr. Sui Chen (隋琛), aged 37, joined CITIC Dameng Mining in 2019 as the Vice Chairman and general manager. Mr. Sui graduated from Renmin University of China in Economics (Environment and Economics) in 2005 and obtained a Master of Economics (Monetary and Banking) degree from the Graduate School of the People's Bank of China in 2008. Mr. Sui has held various positions in the investment banking department of CITIC Securities Co., Ltd. and the industrial investment department of CITIC Metal Group Co., Ltd., and his last position was general manager of the investment department of CITIC Metal Group Co., Ltd. Mr. Sui has extensive experience in financial management.

Corporate Governance Report

Corporate Governance Report

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

Compliance with the Code on Corporate Governance Practices

The Board is of the view that the Company has, for the year ended 31 December 2019, save for the deviation from the code provision A.2.1 applied the principles and complied with the applicable code provisions, and also complied with certain recommended best practices, of the Code on Corporate Governance Practices (the "**CG Code**") as set out in Appendix 14 to the Listing Rules.

Code Provision A.2.1

Chairman and Chief Executive Officer

As detailed in the Corporate Governance Report of our 2018 Annual Report, since 30 September 2016, the posts of Chairman and Chief Executive Officer were combined and Mr. Yin Bo, the Chairman of the Board assumed the role of the Chief Executive Officer until his resignation from the Company on 26 September 2019. This arrangement deviates from the code provision A.2.1 of the CG Code. Mr. Yin had considerable knowledge of the Company's assets and his experience was highly valued by the Board. The Board decided that Mr. Yin was the then 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 were made in consultation with the Board members, appropriate Board committees or senior management of the Group. During the period before his resignation, the three independent non-executive Directors of the Company offered strong and independent advice. All major decisions reflected the consensus of the Board.

Immediately after Mr. Yin's resignation coming into effect, Mr. Guo Aimin was appointed as both the Chairman and the Chief Executive Officer of the Company with effect from 26 September 2019 and such practice deviates from code provision A.2.1 of the CG Code as set forth in Appendix 14 to Listing Rules. The Board believes that vesting the roles of both the Chairman and the Chief Executive Officer in the same person can facilitate the execution of the Group's business strategies and boost effectiveness of its operation. The Board further believes that the balance of power and authority for the present arrangement will not be impaired and is adequately ensured by the current Board which comprises experienced and high caliber individuals with sufficient number thereof being independent non-executive Directors, which can provide sufficient checks to protect the interests of the Company and the Shareholders. The Board is keeping this situation under review and will separate the role of Chairman and Chief Executive Officer when it is in the Company's best interests to do so.

Board of Directors

As at 31 December 2019, the Board comprises a total of nine members, with two executive Directors, four non-executive Directors and three independent non-executive Directors:

Executive Directors:

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

Non-executive Directors:

Mr. Suo Zhengang
Mr. Lyu Yanzheng
Mr. Cheng Zhiwei
Ms. Cui Ling

Independent non-executive Directors:

Mr. Lin Zhijun
Mr. Tan Zhuzhong
Mr. Wang Zhihong

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

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

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

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

The biographies of the Directors and senior management are set out on pages 54 to 56 of this annual report.

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

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

Appointment, Retirement and Re-election of Directors

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

Accordingly, in accordance with the Bye-Laws, Mr. Guo Aimin, Mr. Li Weijian, Mr. Cheng Zhiwei, Ms. Cui Ling and Mr. Tan Zhuzhong will retire by rotation and, being eligible, offer themselves for re-election at the 2020 AGM.

Board Diversity Policy

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

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

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

Non-executive Directors and Independent Non-executive Directors

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

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

Our non-executive Directors, Mr. Suo Zhengang and Mr. Lyu Yanzheng have entered into service agreement with the Company for a fixed term of three years commencing from 3 December 2017 and 30 November 2017 respectively. Our non-executive Directors, Mr. Cheng Zhiwei and Ms. Cui Ling has entered into a service agreement with the Company for a fixed term of three years commencing from 1 July 2019.

Our independent non-executive Directors Mr. Lin Zhijun and Mr. Tan Zhuzhong have entered into service agreement with the Company for a fixed term of two years commencing from 26 October 2018. Our independent non-executive Director, Mr. Wang Zhihong has entered into a service agreement with the Company for a fixed term of two years commencing from 1 March 2019.

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

Independence of Independent Non-executive Directors

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

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

Directors' Commitments

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

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

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

Responsibilities of Directors

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

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

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

Directors' Interests

To the best of the knowledge of the Company, there is no financial, business, family or other material or relevant relationship among members of the Board or between the Chairman and the Chief Executive Officer.

Model Code for Securities Transactions by Directors

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

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

Handling and Dissemination of Inside Information

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

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

Supply of and Access to Information

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

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

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

Continuous Professional Development

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

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

A summary of trainings attended by the Directors during the year is set out below:

DIRECTORS	**TYPES OF CONTINUOUS PROFESSIONAL DEVELOPMENT** (NOTES)
Executive Directors	
Mr. Guo Aimin	(1), (2)
Mr. Li Weijian	(2)
Non-executive Directors	
Mr. Suo Zhengang	(2)
Mr. Lyu Yanzheng	(2)
Mr. Cheng Zhiwei	(1), (2)
Ms. Cui Ling	(1), (2)
Independent Non-executive Directors	
Mr. Lin Zhijun	(1), (2)
Mr. Tan Zhuzhong	(2)
Mr. Wang Zhihong	(2)

Notes:

(1) Attending seminars and/or conferences and/or forums and/or in-house trainings

(2) Reading materials in relation to the roles, functions and duties of a listed company Director and the latest developments in the relevant rules and regulations

2019 Directors' Attendance Records at Board Meetings, Committee Meetings and Annual General Meeting

Attendance records of the Directors at board meetings, audit committee meetings, remuneration committee meetings, nomination committee meetings, chairman's meeting with independent and other non-executive directors and annual general meeting held in 2019 are as follows:

	Number of meetings held during the year Attended / Eligible to attend						
	Board meeting	Chairman's meeting with independent non-executive Directors	Independent non-executive Directors' meeting	Nomination committee	Remuneration committee	Audit committee	2019 AGM
Executive Directors							
Mr. Yin Bo *(Chairman and Chief Executive Officer)* (resigned on 26 September 2019)	4/4	1/1	N/A	2/2	2/2	N/A	1/1
Mr. Guo Aimin *(Chairman and Chief Executive Officer)* (appointed on 26 September 2019)	1/1	N/A	N/A	N/A	N/A	N/A	N/A
Mr. Li Weijian *(Vice Chairman)*	5/5	N/A	N/A	2/2	2/2	N/A	1/1
Non-executive Directors							
Mr. Suo Zhengang	5/5	N/A	N/A	N/A	N/A	N/A	1/1
Mr. Lyu Yanzheng	5/5	N/A	N/A	N/A	N/A	N/A	1/1
Mr. Chen Jiqiu (resigned on 1 July 2019)	2/2	N/A	N/A	N/A	N/A	N/A	1/1
Mr. Cheng Zhiwei (appointed on 1 July 2019)	3/3	N/A	N/A	N/A	N/A	N/A	N/A
Ms. Cui Ling (appointed on 1 July 2019)	3/3	N/A	N/A	N/A	N/A	2/2	N/A
Independent non-executive Directors							
Mr. Lin Zhijun	5/5	1/1	1/1	2/2	2/2	4/4	1/1
Mr. Tan Zhuzhong	5/5	1/1	1/1	2/2	2/2	4/4	1/1
Mr. Wang Chunxin (resigned on 28 February 2019)	1/1	1/1	1/1	1/1	1/1	1/1	N/A
Mr. Wang Zhihong (appointed on 1 March 2019)	4/4	N/A	N/A	1/1	1/1	3/3	1/1
Average attendance rate	100%	100%	100%	100%	100%	100%	100%

Board Meetings

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

A total of five board meetings were held in 2019 to discuss and review, inter alia, the following matters:

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

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

3) the Group's financial and operational performance;

4) the annual and interim results of the Group;

5) the Group's cost control measures;

6) the dividend proposals;

7) the auditor's fees;

8) the Group's internal control matters;

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

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

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

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

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

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

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

Delegation by the Board

1. Board Committees

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

A. Nomination Committee

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

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

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

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

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

Members of the nomination committee are:

Mr. Tan Zhuzhong
(Independent non-executive Director)
(Committee Chairman)
Mr. Lin Zhijun
(Independent non-executive Director)
Mr. Wang Zhihong
(Independent non-executive Director)
Mr. Guo Aimin (Executive Director)
Mr. Li Weijian (Executive Director)

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

1. On 28 February 2019, Mr. Wang Chunxin resigned as a member of the nomination committee of the Company.

2. On 1 March 2019, Mr. Wang Zhihong was appointed as a member of the nomination committee of the Company.

3. On 26 September 2019, Mr. Yin Bo resigned as a member of the nomination committee of the Company.

4. On 26 September 2019, Mr. Guo Aimin was appointed as a member of the nomination committee of the Company.

The number of meetings held by the nomination committee and the attendance of individual members at such meetings in 2019 is recorded on page 63.

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

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

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

3) the rotation of the directors at the 2019 AGM; and

4) combination of the posts of Chairman and Chief Executive Officer.

B. Remuneration Committee

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

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

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

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

Members of the remuneration committee are:

Mr. Wang Zhihong
(Independent non-executive Director)
(Committee Chairman)
Mr. Lin Zhijun
(Independent non-executive Director)
Mr. Tan Zhuzhong
(Independent non-executive Director)
Mr. Guo Aimin (Executive Director)
Mr. Li Weijian (Executive Director)

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

1. On 28 February 2019, Mr. Wang Chunxin resigned as the chairman of remuneration committee.
2. On 1 March 2019, Mr. Wang Zhihong was appointed as the chairman of the remuneration committee.
3. On 26 September 2019, Mr. Yin Bo resigned as a member of the remuneration committee.
4. On 26 September 2019, Mr. Guo Aimin was appointed as a member of the remuneration committee.

The number of meetings held by the remuneration committee and the attendance of individual members at such meetings in 2019 was recorded on page 63.

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

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

No director was involved in deciding his own remuneration.

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

The remuneration of senior management, by band, for the year ended 31 December 2019 is set out below.

Total Remuneration Bands	**Number of Executives**
HK$1,000,001 – HK$1,500,000	1
HK$5,000,001 – HK$5,500,000	1
	2

C. Audit Committee

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

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

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

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

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

1. On 28 February 2019, Mr. Wang Chunxin resigned as the member of audit committee.

2. On 1 March 2019, Mr. Wang Zhihong was appointed as a member of the audit committee.

3. On 1 July 2019, Ms. Cui Ling was appointed as a member of Audit Committee.

Members of the committee as at the date of this annual report are:

Mr. Lin Zhijun
(Independent non-executive Director)
(Committee Chairman)
Mr. Wang Zhihong
(Independent non-executive Director)
Mr. Tan Zhuzhong
(Independent non-executive Director)
Ms. Cui Ling
(non-executive Director)

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

The audit committee meets as and when required to discharge its responsibilities, and at least twice in each financial year. The number of meetings held by the audit committee and the attendance of individual members at audit committee meetings in 2019 is recorded on page 63.

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

1) the financial statements for the year ended 31 December 2018 and the six months ended 30 June 2019;

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

3) the major findings on review of internal control system and the management's response;

4) the accounting principles and practices adopted by the Company, statutory compliance and other financial reporting matters.

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

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

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

2. Management Functions

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

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

Corporate Governance Functions

The Board has the following responsibilities:

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

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

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

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

Constitutional Documents

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

Shareholders' Rights

Procedures for shareholders to convene a special general meeting

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

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

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

Procedures for putting forward proposals at general meetings

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

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

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

Procedures for directing shareholders' enquiries to the Board

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

Financial Reporting

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

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

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

A statement by the auditor about their reporting responsibilities is included in the Independent Auditor's Report on pages 100 to 102.

Risk Management and Internal Controls

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Independent Auditor

The Company's independent auditor is Ernst & Young. For the year ended 31 December 2019, the remuneration payable by the Group to Ernst & Young is set out below:

Services provided by the auditor for the year ended 31 December 2019	
	HK$
Annual audit services	3,457,000
Taxation services	177,000
Total	3,634,000

Communications with Shareholders

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

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

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

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

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

2019 AGM

All Directors (including the Chairman, all members of nomination committee, remuneration committee and audit committee) together with our auditor Ernst & Young and our senior managements attended the 2019 AGM.

The Company has provided detailed information on the Company's 2019 AGM in a circular to shareholders which included, inter-alia, a notice of the AGM and information on the retiring Directors who were eligible for re-election at the 2019 AGM. At the 2019 AGM, the Company continued its practice of proposing separate resolutions on each substantially separate issue. Matters resolved at the 2019 AGM are set out as follows:

Matters resolved at the 2019 AGM

1. To receive and consider the audited financial statements and the report of the directors and the independent auditor's report for the year ended 31 December 2018.

2. To declare a final dividend of HK1.0 cent per share of the Company for the year ended 31 December 2018.

3.(a) To re-elect Mr. Yin Bo as an executive director of the Company

3.(b) To re-elect Mr. Lyn Yanzheng as a non-executive Director of the Company

3.(c) To re-elect Mr. Lin Zhijun as an independent non-executive Director of the Company

3.(d) To re-elect Mr. Wang Zhihong as an independent non-executive Director of the Company

4. To authorise the board of directors to fix the Directors' remuneration.

5. To re-appoint Ernst & Young as auditor of the Company and authorise the board of directors to fix the auditor's remuneration.

6A. To grant a general mandate to the Directors to issue new shares of the Company.

6B. To grant a general mandate to the Directors to repurchase shares of the Company.

6C. To increase the general mandate to be given to the Directors to issue new shares of the Company.

All the resolutions proposed at the 2019 AGM were voted by poll and approved by the shareholders of the Company. The Company has engaged its share registrar, Computershare Hong Kong Investor Services Limited to act as the scrutineer for the poll voting. The results of the poll voting were posted on the websites of the Stock Exchange and the Company on the respective dates of meetings.

2020 AGM

The Company's 2020 AGM is tentatively scheduled to be held on Friday, 29 May 2020, the notice of which will be sent to shareholders at least 20 clear business days before the meeting. The circular to shareholders for the 2020 AGM is tentatively scheduled to be despatched to the shareholders before 30 April 2020.

Investor Relations

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

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

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

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

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

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

Human Resources Report

Human Resources Report

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

Our Employees

As of the end of December 2019, we have a total of 7,422 employees including management and administration staffs (2018: 7,569), which is mainly located in the Mainland China, representing 99% (2018: 99%). We have a total of 2,351 female employees, accounting for 32% of the total number of employees. Therefore, we have a relatively young and equal workforce structure. It is contemplated in the future number of years, our workforce composition will remain relatively the same.

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

Headcount by Location	2019			2018		
	Male	Female	Total	Male	Female	Total
Hong Kong	**9**	**8**	**17**	8	6	14
Mainland China	**5,056**	**2,343**	**7,399**	5,168	2,379	7,547
Gabon	**6**	**0**	**6**	7	1	8
Total	**5,071**	**2,351**	**7,422**	5,183	2,386	7,569

Headcount by Age	Hong Kong		Mainland China		Gabon		Group	
	2019	2018	2019	2018	2019	2018	2019	2018
60 and above	**1**	1	**30**	23	**0**	0	**31**	24
51-59	**4**	4	**1,415**	1,132	**1**	1	**1,420**	1,137
41-50	**3**	3	**3,421**	3,436	**1**	1	**3,425**	3,440
31-40	**5**	4	**1,827**	1,935	**4**	5	**1,836**	1,944
30 and below	**4**	2	**706**	1,021	**0**	1	**710**	1,024
Total	**17**	14	**7,399**	7,547	**6**	8	**7,422**	7,569

Headcount by Employment Category	Hong Kong		Mainland China		Gabon		Group	
	2019	**2018**	**2019**	**2018**	**2019**	**2018**	**2019**	**2018**
Senior	**2**	2	**8**	6	**2**	3	**12**	11
Middle	**4**	3	**97**	96	**2**	3	**103**	102
Professional	**4**	3	**879**	853	**0**	0	**883**	856
General	**7**	6	**6,415**	6,592	**2**	2	**6,424**	6,600
Total	**17**	14	**7,399**	7,547	**6**	8	**7,422**	7,569

Employees Remuneration

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

The Group operates the following retirement schemes for its employees:

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

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

(3) a defined scheme under the Hong Kong Mandatory Provident Fund Schemes Ordinance for those employees in Hong Kong who are eligible to participate.

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

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

Employee Turnover

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

	Hong Kong			Mainland China			Gabon			Group		
	2019	2018		2019	2018		2019	2018		2019	2018	
		Male	Female		Male	Female		Male	Female		Male	Female
Employee Turnover Number	3	2	2	321	312	151	1	2	0	325	316	153
Total	3	4		321	463		1	2		325	469	
Employee Turnover Rate	17.65%	28.57%		4.34%	6.13%		16.67%	25.00%		4.38%	6.20%	

Employee Turnover Number by Age	Hong Kong		Mainland China		Gabon		Group	
	2019	2018	2019	2018	2019	2018	2019	2018
60 and above	0	0	5	3	0	0	5	3
51-59	1	1	37	25	0	0	38	26
41-50	0	0	61	125	0	1	61	126
31-40	0	3	129	192	0	1	129	196
30 and below	2	0	89	118	1	0	92	118
Total	3	4	321	463	1	2	325	469

Development and Training

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

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

Percentage of Employees Trained by Employment Category	Hong Kong		Mainland China		Gabon		Group	
	2019	**2018**	**2019**	**2018**	**2019**	**2018**	**2019**	**2018**
Senior	**100**	100	**100**	100	**0**	80	**83**	96
Middle	**50**	85	**83**	85	**50**	80	**80**	85
Professional	**100**	100	**91**	90	**0**	0	**91**	90
General	**43**	85	**88**	89	**0**	80	**88**	88

Average Training Hours per Employee by Employment Category	Hong Kong		Mainland China		Gabon		Group	
	2019	**2018**	**2019**	**2018**	**2019**	**2018**	**2019**	**2018**
Senior	**101**	44	**65**	72	**0**	12	**83**	72
Middle	**14**	12	**61**	64	**24**	12	**37**	63
Professional	**26**	24	**31**	29	**0**	0	**29**	29
General	**35**	4	**23**	25	**0**	12	**29**	23

Environmental, Social and Governance Report

Environmental, Social and Governance Report

We are committed to ensure long-term sustainability of our businesses. 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

The Group has been publishing the Environmental, Social and Governance (ESG) report in its interim report and annual report since 2017. This Report approved by the Board and set out in the Company's annual report, is the fifth ESG report issued by us. As part of the preparation for compiling this report, we undertake a preliminary review of the material topics that have affected and continue to affect our business, and our actions to address them. This process focuses our reporting on the sustainability topics which we consider of interest to our key stakeholders, which include national and regional government, community members, our workforce and business partners.

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

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

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

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

The Group attaches great importance to ESG management and incorporates it into the Company's management process. The Board assumes full responsibility for the Group's ESG strategy and reporting and is responsible for assessing and determining the Group's ESG-related risks and ensuring appropriate and effective ESG risk management and proper implementation of the internal monitoring system.

The Group attaches great importance to the communication with stakeholders, by disseminating the Company's ESG concepts and practices through raises channels, understanding the concerns of stakeholders and taking action to meet their reasonable expectations and demands.

Basis of preparation

Unless otherwise stated, the basis for preparation of this report is same as the past years. The data in this report, covers companies (including but not limited to CDM, Daxin Branch, Tiandeng Branch, Chongzuo Branch, Daxin Manganese, Guangxi Start, Qinzhou New Material, Guinan Huagong and Hui Xing Ferroalloy, etc), 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.

Basis of preparation (continued)

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

Critical Areas	Key performance indicators	2019	2018	2017
Safety Production and Labour Protection	Number of Fatalities (Note 1)	**1**	1	0
	Number of Injuries	**7**	17	35
	Number of Lost Days Caused by Injuries (Note 2)	**455**	873	2,082
Energy Savings and Environmental Protection	Electricity Consumption (MWh) (Note 3)	**1,769,239**	1,759,112	1,403,555
	Electricity Intensity of EMM (kWh per tonne) (Note 4)	**6,649**	6,701	6,790
	Electricity Intensity of EMD (kWh per tonne) (Note 5)	**2,104**	2,097	1,997
	Electricity Intensity of silicon-manganese alloy (kWh per tonne) (Note 6)	**3,600**	3,779	3,826
	Water Consumption (Tonnes) (Note 7)	**5,220,427**	4,340,911	3,265,768
	Water Intensity of EMM (m^3 per tonne) (Note 8)	**2.98**	1.45	N/A
	Water Intensity of EMD (m^3 per tonne) (Note 9)	**1.62**	1.35	N/A
	Water Intensity of silicon-manganese alloy (m^3 per tonne) (Note 10)	**0.52**	0.98	N/A
	Greenhouse Gas Emission (Tonnes) (Note 11)	**49**	38	16
	Waste Slag Volume (Tonnes)	**1,312,558**	1,038,163	1,044,341
	Non-hazardous Waste Produced (Tonnes) (Note 12)	**961,680**	740,279	521,536
	Total Packaging Material Used for Finished Products Number	**739,505**	765,387	815,755
Quality Operation System Establishment, Employment Training and Growth	Number of Suppliers	**409**	360	208
	Number of Complaint against our Products	**4**	7	14
	Number of Complaints and/or Legal Cases regarding Corrupt Practices	**0**	0	0
	Number of Employees	**7,422**	7,569	7,717
	Female Ratio (percentage)	**31.7**	31.5	31.4
Social Contribution, Living Environment and Culture Development	Donation (HKD)	**626,000**	688,000	304,000

Basis of preparation (continued)

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 silicon-manganese alloy processing plants during the year.

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 average electricity usage (kWh) per EMD (tonne) for EMD production by Daxin EMD plant for the year.

6. The figures include the average electricity usage (kWh) per silicon-manganese alloy (tonne) for our silicon-manganese alloy production by Qinzhou Ferroalloy Plant for the year.

7. The figures include the total water consumption for the all the EMM, EMD and silicon-manganese alloy processing plants during the year.

8. The figures include the consolidated average water 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 for the year ended 31 December 2019 and the year ended 31 December 2018. But no such figures were collected for the year ended 31 December 2017.

9. The figures include the average water usage (m^3) per EMD (tonne) for our EMD production by Daxin EMD plant for the year ended 31 December 2019 and the year ended 31 December 2018. But no such figures were collected for the year ended 31 December 2017.

10. The figures include the average water usage (m^3) per silicon-manganese alloy (tonne) for our silicon-manganese alloy production by Qinzhou Ferroalloy Plant for the year ended 31 December 2019 and the year ended 31 December 2018. But no such figures were collected for the year ended 31 December 2017.

11. The figures include the greenhouse gas emission for Qinzhou Ferroalloy Plant during the year.

12. The figures include the tailings produced by Daxin Mine, Tiandeng Mine, Changgou Manganese Mine and Bembélé Manganese Mine during the year 2019. Since Waifu Manganese Mine has not come into formal mining production, therefore no tailings were produced in Waifu Manganese Mine during the year.

1. Safety Production and Labour Protection

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

During the year, our major measures are as follows:

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

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

(2) Strict Implementation of Safety Production Responsibility System:

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

(3) Establishment of Safety Production Standardisation System:

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

(i) Daxin Branch 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) Further improve and perfect the safety and environmental protection management system:

(i) Completion and printing of 48 safety management systems including the "Safety Production and Environmental Protection Responsibility System and Assessment Methods", "Safety Production Responsibility System", and "Safety Production Conference Management System"; and

(ii) Complete the 2019 safety and environmental management goals, assessment methods and sign the safety and environmental responsibility certificates of various branches and subsidiaries.

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

In China, we continued to reinforce the production safety concept and self-protection awareness 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, fire knowledge trainings safety knowledge competition and first aid rescue etc. series of activities regarding safety production.

1. Safety Production and Labor Protection (continued)

(6) 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 year, we did not identify any operation or supplier as having significant risk of child labour, young workers exposed to hazardous work, or forced or compulsory labour.

(7) Continuous Investment to the Safety Measures:

We committed to invest in our safety measures for labor protection, including protection accessories, dust prevention and noise removal facilities. During the year, 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 the number of fatalities and injuries in respect of our employees at a relatively low level. Set out below is a summary of the number of fatalities and injuries, fatality rate and loss of days caused by injuries during the year:

Number of Fatalities (by Location)	2019	2018	2017
Hong Kong	**0**	0	0
Mainland China	**1**	1	0
Gabon	**0**	0	0
Total	**1**	1	0

Number of Injuries (by Location)	2019	2018	2017
Hong Kong	**0**	0	0
Mainland China	**7**	17	35
Gabon	**0**	0	0
Total	**7**	17	35

Fatality Rate (%) (by Location)	2019	2018	2017
Hong Kong	**0**	0	0
Mainland China	**0.01**	0.01	0
Gabon	**0**	0	0
Total	**0.01**	0.01	0

1. Safety Production and Labor Protection (continued)

Number of Lost Days Caused by Injuries (by Location)	2019	2018	2017
Hong Kong	**0**	0	0
Mainland China	**455**	873	2,082
Gabon	**0**	0	0
Total	**455**	873	2,082

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

Compliance with Safety Production Rules and Regulations and Labour Standards

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

2. Energy Savings and Environmental Protection

Strict Supervision of Resource Consumption

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 take effective measures to increase energy efficiency. The electricity consumption (including intensity) and water consumption are our top priorities. During the year, we collected the figures for total electricity consumption and water consumption for all the EMM, EMD and ferroalloy processing plants. Details are set out in the following table:

	2019	2018	2017
Electricity Consumption (MWh)	**1,769,239**	1,759,112	1,403,555
Electricity Intensity of EMM (kWh per tonne)	**6,649**	6,701	6,790
Electricity Intensity of EMD (kWh per tonne)	**2,104**	2,097	1,997
Electricity Intensity of silicon-manganese alloy (kWh per tonne)	**3,600**	3,779	3,826
Water Consumption (Tonnes)	**5,220,427**	4,340,911	3,265,768
Water Intensity of EMM (m^3 per tonne)	**2.98**	1.45	N/A
Water Intensity of EMD (m^3 per tonne)	**1.62**	1.35	N/A
Water Intensity of silicon-manganese alloy (m^3 per tonne)	**0.52**	0.98	N/A

During the year, the increase in our electricity and water consumption was mainly due to the increase in our production of ferroalloy and manganese ores produced by Bembélé Manganese Mine as compared with last year.

2. Energy Savings and Environmental Protection (continued)

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. We are committed to reducing our various kinds of waste production through technical innovation, so as to reduce their impact on the natural environment.

(1) Greenhouse Gas Emissions

The greenhouse gas (including nitrogen oxides, sulphur dioxide and dust particles) emissions is mainly caused during the ferroalloy production by Qinzhou Ferroalloy Plant. Beyond that, the greenhouse gas emissions by our other segment of business is relatively not significant and therefore we have not taken into account. We are committed to reducing our greenhouse gas emissions by improving the production technology, reducing energy consumption and continuously and regularly detecting 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:

	2019	**2018**	**2017**
Greenhouse Gas Emission (Tonnes)	**49**	38	16

(2) Waste Water

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

(3) Waste Slag

Waste slags are by products of our various downstream productions. We are committed to reducing our waste slag emissions by strict monitoring and management to ensure such waste slags be processed with proper treatments before disposal. Details of our waste slags are set out as follows:

	2019	**2018**	**2017**
Waste Slags Volumes (Tonnes)	**1,312,558**	1,038,163	1,044,341

During the year, the increase in our waste slags was mainly due to the increase in our production of ferroalloy as compared with last year.

2. Energy Savings and Environmental Protection (continued)

Reduction of Waste Production (continued)

(4) Non-hazardous Wastes-Tailings

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

	2019	2018	2017
Tailings Production (Tonnes)	**961,680**	740,279	521,536

The increase in tailings production during the year was mainly due to the increase in production of the Bembélé Manganese Mine during the year.

(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:

	2019	2018	2017
Packaging bags (Number)	**739,505**	765,387	815,755

The decrease of our packaging bags used during the year was mainly due to the increase of the need for a larger size of packaging bags resulting in less number of the packaging bags needed.

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

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 upgrading and reform of 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 year, 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 year, 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.

(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.

(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.

2. Energy Savings and Environmental Protection (continued)

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

(2) (continued)

(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. When selecting suppliers, we will encourage them to use as many environmentally friendly products and services as possible, and we have made relevant green procurement policies. Details of the number of our suppliers are set out as follows:

Number of our suppliers	2019	2018	2017
Hong Kong	**1**	1	1
Mainland China	**402**	352	196
Gabon	**6**	7	11
Total	**409**	360	208

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 year, the complaints we received in respect of our products and/or recalled are as follows:

	2019	**2018**	**2017**
Number of products related complaints received and/or recalled	**4**	7	14

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.

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

(1) Quality Operation System Establishment (continued)

(iii) Probity Operating System Establishment

We continued to establish probity operating system, including, inter alia, establishment of anti bribery regulation, inclusion of probity system as annual object responsibility audit and execution of probity agreement with our suppliers, etc. 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 year, we have not received any complaints and/or any legal cases regarding corruption, details are as follows:

	2019	**2018**	**2017**
Number of Complaints and/or Legal Cases regarding Corrupt Practices	**0**	0	0

(iv) Our Code of Conduct and Personal Privacy Protection

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

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

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

(2) Employment Training and Growth

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

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

(i) "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) "The eighth "geological prospecting" special training course held by personnel exchange and training center of China-ASEAN Mining";

(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.

(b) 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.

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

(1) (continued)

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

(a) We 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.

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

We treasure serving our community and therefore, we spent money into the community where our businesses are situated. During the year, our cash donations to charities reached HK$626,000. Details are as follows:

	2019	**2018**	**2017**
Donation (HKD)	**626,000**	688,000	304,000

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

Shareholding Analysis and Information for Shareholders

Shareholding Analysis and Information for Shareholders

Our Share Information and Our Shareholding Structure

As at 31 December 2019, a summary of our share information is set out below:

Our Share Information as at 31 December 2019	
Authorised Share Capital	HK$1,000,000,000
Issued Share Capital	HK$342,845,900
Board Lot	1,000 shares
Market Capitalisation	HK$1,217,102,945
Number of Issued Shares	3,428,459,000
Closing Price	HK$0.365

As at 31 December 2019, a summary of our shareholding structure is set out below:

Our shareholding structure as at 31 December 2019				
Size of Registered Shareholdings	No. of Shareholders	% of Shareholders	No. of Shares	% of Issued Share Capital
0 – 1,000	1,262	49.90	1,202,170	0.04
1,001 – 5,000	1,187	46.94	3,126,607	0.09
5,001 – 10,000	40	1.58	308,281	0.01
10,001 – 100,000	35	1.38	814,647	0.02
More than 100,001	5	0.20	3,423,007,295	99.84
Total	2,529	100.00	3,428,459,000	100.00

As at 31 December 2019, the Company has over 2,500 registered shareholders. The actual number of investors in the Company's shares is much greater when taking into account the people and organisations that have indirect interest in the Company's shares through intermediaries such as nominees, investment funds and the Central Clearing and Settlement System (CCASS) of Hong Kong.

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

The Major Events and Tentative Dates of the Company in 2020

Set out below are the major events and tentative dates of the Company in 2020 in which shareholders or investors need to pay attention to:

Date	Event
23 March 2020	Announcement of 2019 final results
29 May 2020	2020 AGM
22 July 2020	Announcement of 2020 interim results

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

Independent Auditor's Report

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

Opinion

We have audited the consolidated financial statements of CITIC Dameng Holdings Limited (the "Company") and its subsidiaries (the "Group") set out on pages 103 to 194, which comprise the consolidated statement of financial position as at 31 December 2019, and the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2019, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

Basis for opinion

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

Key audit matters

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

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

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

Key audit matters (continued)

Key audit matter	How our audit addressed the key audit matter
Impairment of long-term assets	
As at 31 December 2019, the market capitalisation of the Group accounted for 44% of the carrying amount of its net assets. The fluctuation in the selling prices of manganese products in the past few years, and the suspension or reduction in production of certain subsidiaries are factors which heighten the risk of impairment associated with the Group's long-term assets, including property, plant and equipment, right-of-use assets, intangible assets and long-term prepayments. Besides, an associate recorded loss and net current liabilities in 2018 and 2019, which also increases the risk of impairment regarding the Group's investment in the associate. Management measured the recoverable amount which is the higher of the fair value of the corresponding cash-generating unit's ("CGU") less costs of disposal and its value in use with the assistance from the independent third party specialists. Recoverability of these CGUs is dependent on macro-economic assumptions about future prices of manganese, lead and zinc products, market demand and discount rate as well as internal assumptions related to future production capacity and volume and operating costs. The assessment of impairment involves significant estimation uncertainty, subjective assumptions and the application of significant judgement. Relevant disclosures are made in notes 3, 4, 14, 16, 17, 18, 19 and 23 to the consolidated financial statements.	• Evaluated the management's impairment assessment of these CGUs by comparing the carrying value of long-lived assets and their recoverable amounts, and assessed the assumptions and methodologies, including long-term growth rate and forecasted prices based on market trend and forecasted sales quantity based on the existing production capacity adopted by the management; • Compared the future revenues and operating results included in the forecasts with the historic performance of the respective CGU and the business development plan; • Evaluated the discount rate and the methodology used in the calculation of the recoverable amounts of the CGUs, with assistance of our internal valuation specialists; and, • Assessed the adequacy of impairment related disclosures in the consolidated financial statements.

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

Key audit matters (continued)

Key audit matter	How our audit addressed the key audit matter
Impairment provision on trade and notes receivables and other receivables	
As at 31 December 2019, the balance of trade and notes receivables amounted to HK$1,697 million which was material to the Group, among which a balance of HK$430 million with an impairment provision of HK$77 million was due from a single customer and its subsidiaries, and furthermore an impairment provision of HK$74 million has been provided for other receivables, details of which are set out in note 22 and note 23 to the consolidated financial statements. The calculation of the expected credit losses ("ECLs") for trade and notes receivables and other receivables, including the assessment of the historical observed default rates and forecast economic conditions, involves significant management judgements and estimates. Specific factors which management would consider include the ageing of the balances, existence of disputes, past collection history and other available information related to the forecast economic conditions. The amount of ECLs is sensitive to changes in circumstances and forecast economic conditions. Related disclosures are included in notes 3, 4, 22 and 23 to the consolidated financial statements.	• Evaluated the Group's credit control policy and tested controls over the Group's receivable collection processes; • Obtained direct external confirmations from counterparties for a sample of selected receivable balances; • Evaluated the Group's assessment of ECLs at the end of reporting period by checking the correctness of the ageing of trade and notes receivables and other receivables, the repayment history of the debtors, and the information related to the forecast economic conditions; and, • Checked bank receipts for the settlements of trade and notes receivables and other receivables made subsequent to the year end.

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

Other information included in the Annual Report

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

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

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

Responsibilities of the directors for the consolidated financial statements

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

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

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

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

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

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

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

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

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

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

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

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

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

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

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

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

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

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

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

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

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

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

23 March 2020

Consolidated Statement of Profit or Loss and Other Comprehensive Income

Year ended 31 December 2019

	Notes	2019 HK$'000	2018 HK$'000
REVENUE	6	**5,802,457**	6,736,228
Cost of sales		**(5,187,541)**	(5,883,855)
Gross profit		**614,916**	852,373
Other income and gains	6	**244,342**	322,351
Selling and distribution expenses		**(92,220)**	(111,069)
Administrative expenses		**(396,386)**	(449,085)
Impairment losses on property, plant and equipment and mining rights	14, 17	**(95,381)**	(34,069)
Impairment losses on financial assets, net		**(140,462)**	(14,662)
Finance costs	7	**(225,894)**	(237,654)
Other expenses		**(57,770)**	(19,541)
Share of profits and losses of:			
– Associates		**(67,548)**	(18,439)
– A joint venture		**(763)**	53,780
(LOSS)/PROFIT BEFORE TAX	8	**(217,166)**	343,985
Income tax expense	11	**(16,832)**	(7,130)
(LOSS)/PROFIT FOR THE YEAR		**(233,998)**	336,855
OTHER COMPREHENSIVE (LOSS)/INCOME:			
Other comprehensive (loss)/income that may be reclassified to profit or loss in subsequent periods:			
– Changes in fair value of financial assets at fair value through other comprehensive income		**(5,332)**	–
– Exchange differences on translation of foreign operations		**(53,844)**	(135,694)
– Share of other comprehensive income of an associate		**1,602**	–
– Cash flow hedges, net of tax	28	**(2,200)**	(1,777)
TOTAL COMPREHENSIVE (LOSS)/INCOME FOR THE YEAR		**(293,772)**	199,384
(Loss)/profit attributable to:			
Owners of the parent		**(202,338)**	330,931
Non-controlling interests		**(31,660)**	5,924
		(233,998)	336,855
Total comprehensive (loss)/income attributable to:			
Owners of the parent		**(261,886)**	202,155
Non-controlling interests		**(31,886)**	(2,771)
		(293,772)	199,384
(LOSS)/EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	12		
Basic		**HK$(0.0590)**	HK$0.0965
Diluted		**HK$(0.0590)**	HK$0.0965

The Board does not recommend the payment of any dividend for the year 2019. Details of the dividends proposed for the year 2018 are disclosed in note 13 to the financial statements.

Consolidated Statement of Financial Position

31 December 2019

	Notes	2019 HK$'000	2018 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment	14	**2,670,964**	2,726,320
Investment properties	15	**94,931**	96,552
Prepaid land lease payments	16(a)	**–**	440,975
Right-of-use assets	16(b)	**612,486**	–
Intangible assets	17	**464,093**	529,358
Investments in associates	18	**812,456**	886,382
Investment in a joint venture	19	**122,919**	125,534
Due from an associate	18	**34,766**	–
Deferred tax assets	20	**30,251**	34,037
Prepayments and other assets	23	**107,927**	183,999
Total non-current assets		**4,950,793**	5,023,157
CURRENT ASSETS			
Inventories	21	**518,396**	685,029
Trade and notes receivables	22	**1,697,341**	1,923,819
Prepayments, other receivables and other assets	23	**386,304**	534,875
Due from related companies	39	**17,356**	35,064
Due from associates	18	**–**	17,854
Due from a joint venture	19	**43,779**	1,412
Tax recoverable		**488**	496
Financial assets at fair value through profit or loss	24	**–**	7,931
Derivative financial instruments	28	**13,726**	–
Pledged deposits	25	**35,616**	119,074
Cash and cash equivalents	25	**1,103,606**	1,269,668
Total current assets		**3,816,612**	4,595,222
CURRENT LIABILITIES			
Trade and notes payables	26	**690,498**	778,706
Other payables and accruals	27	**771,767**	993,005
Derivative financial instruments	28	**4,835**	699
Interest-bearing bank and other borrowings	29	**3,511,908**	3,171,060
Due to related companies	39	**3,971**	8,575
Tax payable		**6,830**	14,815
Total current liabilities		**4,989,809**	4,966,860
NET CURRENT LIABILITIES		**(1,173,197)**	(371,638)
TOTAL ASSETS LESS CURRENT LIABILITIES		**3,777,596**	4,651,519
NON-CURRENT LIABILITIES			
Interest-bearing bank and other borrowings	29	**646,199**	1,192,235
Derivative financial instruments	28	**1,580**	1,232
Deferred tax liabilities	20	**191,741**	186,463
Other long-term liabilities	31	**42,572**	28,118
Deferred income	32	**57,078**	76,988
Total non-current liabilities		**939,170**	1,485,036
Net assets		**2,838,426**	3,166,483

	Notes	2019 HK$'000	2018 HK$'000
EQUITY			
Equity attributable to owners of the parent			
Issued capital	33	**342,846**	342,846
Reserves	35	**2,460,893**	2,757,064
		2,803,739	3,099,910
Non-controlling interests		**34,687**	66,573
Total equity		**2,838,426**	3,166,483

Guo Aimin
Director

Li Weijian
Director

Consolidated Statement of Changes in Equity

Year ended 31 December 2019

		Attributable to owners of the parent													
	Notes	Issued capital HK$'000	Share premium HK$'000	Contributed surplus HK$'000	Hedging reserve HK$'000	Share option reserve HK$'000	Fair value reserve of financial assets at fair value through other comprehensive income HK$'000	Reserve funds HK$'000	Exchange fluctuation reserve HK$'000	Capital redemption reserve HK$'000	Investment related reserve HK$'000	(Accumulated losses)/ retained profits HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total equity HK$'000
At 1 January 2018		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 year		–	–	–	–	–	–	–	–	–	–	330,931	330,931	5,924	336,855
Other comprehensive loss for the year:															
Exchange differences on translation of foreign operations		–	–	–	–	–	–	–	(126,999)	–	–	–	(126,999)	(8,695)	(135,694)
Cash flow hedges, net of tax		–	–	–	(1,777)	–	–	–	–	–	–	–	(1,777)	–	(1,777)
Total comprehensive income/(loss) for the year		–	–	–	(1,777)	–	–	–	(126,999)	–	–	330,931	202,155	(2,771)	199,384
Provision for special reserve	35(a)	–	–	–	–	–	–	48,772	–	–	–	(48,772)	–	–	–
Utilisation of special reserve	35(a)	–	–	–	–	–	–	(52,467)	–	–	–	52,467	–	–	–
Reduction of share premium		–	(3,352,902)	2,652,902	–	–	–	–	–	–	–	700,000	–	–	–
Transfer of share option reserve upon forfeiture of share options		–	–	–	–	(1,217)	–	–	–	–	–	1,217	–	–	–
Transfer from retained profits	35(a)	–	–	–	–	–	–	2,483	–	–	–	(2,483)	–	–	–
At 31 December 2018 and 1 January 2019		342,846	–	2,487,348	(1,777)	52,760	–	144,025	14,285	312	–	60,111	3,099,910	66,573	3,166,483
Loss for the year		**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(202,338)**	**(202,338)**	**(31,660)**	**(233,998)**
Other comprehensive income/(loss) for the year:															
Changes in fair value of financial assets at fair value through other comprehensive income, net of tax		**-**	**-**	**-**	**-**	**-**	**(5,332)**	**-**	**-**	**-**	**-**	**-**	**(5,332)**	**-**	**(5,332)**
Exchange differences on translation of foreign operations		**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(53,618)**	**-**	**-**	**-**	**(53,618)**	**(226)**	**(53,844)**
Share of other comprehensive income of an associate		**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**1,602**	**-**	**1,602**	**-**	**1,602**
Cash flow hedges, net of tax		**-**	**-**	**-**	**(2,200)**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(2,200)**	**-**	**(2,200)**
Total comprehensive income/(loss) for the year		**-**	**-**	**-**	**(2,200)**	**-**	**(5,332)**	**-**	**(53,618)**	**-**	**1,602**	**(202,338)**	**(261,886)**	**(31,886)**	**(293,772)**
Provision for special reserve	35(a)	**-**	**-**	**-**	**-**	**-**	**-**	**47,968**	**-**	**-**	**-**	**(47,968)**	**-**	**-**	**-**
Utilisation of special reserve	35(a)	**-**	**-**	**-**	**-**	**-**	**-**	**(53,089)**	**-**	**-**	**-**	**53,089**	**-**	**-**	**-**
Transfer of share option reserve upon forfeiture of share options		**-**	**-**	**-**	**-**	**(10,956)**	**-**	**-**	**-**	**-**	**-**	**10,956**	**-**	**-**	**-**
Transfer from retained profits	35(a)	**-**	**-**	**-**	**-**	**-**	**-**	**30,438**	**-**	**-**	**-**	**(30,438)**	**-**	**-**	**-**
Final dividend declared and paid	13	**-**	**-**	**(34,285)**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(34,285)**	**-**	**(34,285)**
At 31 December 2019		**342,846**	**-***	**2,453,063***	**(3,977)***	**41,804***	**(5,332)***	**169,342***	**(39,333)***	**312***	**1,602***	**(156,588)***	**2,803,739**	**34,687**	**2,838,426**

* These reserve accounts comprise the consolidated reserves of HK$2,460,893,000 (2018: HK$2,757,064,000) in the consolidated statement of financial position.

Consolidated Statement of Cash Flows

Year ended 31 December 2019

	Notes	2019 HK$'000	2018 HK$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
(Loss)/profit before tax		**(217,166)**	343,985
Adjustments for:			
Finance costs	7	**225,894**	237,654
Bank and other interest income	6	**(36,644)**	(30,618)
(Gain)/loss on disposal of items of property, plant and equipment	8	**(12,216)**	5,919
Loss on disposal of financial assets at fair value through profit or loss	8	**98**	–
Government grants	32	**(19,260)**	(9,957)
Fair value loss on financial assets at fair value through profit or loss	8	**–**	256
Depreciation of property, plant and equipment	8	**309,997**	329,603
Depreciation of right-of-use assets/amortisation of prepaid land lease payments	8	**59,307**	15,454
Amortisation of intangible assets	8	**17,715**	18,850
Provision for rehabilitation	31	**15,118**	4,270
Write-down of inventories to net realisable value, net	8	**49,692**	10,770
Loss on stocktake	8	**4,722**	3,884
Impairment of trade and notes receivables, net	8	**80,358**	6,652
Impairment of financial assets included in prepayments, other receivables and other assets	8	**53,175**	8,010
Impairment of an amount due from an associate	8	**6,929**	–
Impairment of non-financial assets included in prepayments, other receivables and other assets	8	**13,671**	–
Share of losses of associates		**67,548**	18,439
Share of loss/(profit) of a joint venture		**763**	(53,780)
Impairment loss on property, plant and equipment	8	**53,559**	17,114
Impairment loss on mining rights	8	**41,822**	16,955
		715,082	943,460
Decrease in inventories		**103,540**	176,304
Decrease/(increase) in trade and notes receivables		**119,144**	(829,228)
Decrease/(increase) in prepayments, other receivables and other assets		**56,969**	(84,806)
Decrease/(increase) in amounts due from related companies		**17,708**	(8,471)
Increase in an amount due from a joint venture		**(42,367)**	(1,412)
(Decrease)/increase in trade and notes payables		**(80,875)**	63,073
(Decrease)/increase in other payables and accruals		**(211,582)**	190,851
Decrease in amounts due to related companies		**(4,604)**	(10,881)
Cash generated from operations		**673,015**	438,890
Tax (paid)/received		**(13,216)**	11,156
Net cash flows from operating activities		**659,799**	450,046

Consolidated Statement of Cash Flows

Year ended 31 December 2019

	Notes	2019 HK$'000	2018 HK$'000
Net cash flows from operating activities		**659,799**	450,046
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest received		**36,767**	38,954
Receipt of government grants for property, plant and equipment	32	**403**	8,891
Purchases of items of property, plant and equipment		**(480,061)**	(329,073)
Proceeds from disposal of items of property, plant and equipment		**44,529**	51,517
Additions to leasehold land		**(28,143)**	(12,588)
Additions to intangible assets	17	**(2,382)**	(3,889)
Advance to associates		**(24,935)**	(6,801)
Capital contribution to a joint venture		**–**	(77,049)
Proceed from redemption of listed bond investments		**7,932**	–
Decrease in time deposits with original maturity of three months or more when acquired		**–**	74,129
Net cash flows used in investing activities		**(445,890)**	(255,909)
CASH FLOWS FROM FINANCING ACTIVITIES			
Decrease in pledged deposits		**83,458**	69,128
Proceeds from sales and leaseback arrangements		**–**	186,811
Principal portion of lease payments/sales and leaseback arrangements		**(194,548)**	(157,996)
Drawdown of bank and other borrowings		**3,891,131**	4,804,666
Repayment of bank and other borrowings		**(3,885,497)**	(4,028,951)
Interest paid		**(225,894)**	(234,576)
Dividends paid		**(34,285)**	–
Repayment of loan from a related company		**–**	(118,610)
Net cash flows (used in)/from financing activities		**(365,635)**	520,472
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS		**(151,726)**	714,609
Cash and cash equivalents at beginning of year		**1,269,668**	597,033
Effect of foreign exchange rate changes, net		**(14,336)**	(41,974)
CASH AND CASH EQUIVALENTS AT END OF YEAR		**1,103,606**	1,269,668
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances	25	**1,139,222**	1,388,742
Less: Pledged deposits	25	**(35,616)**	(119,074)
Cash and cash equivalents at end of year		**1,103,606**	1,269,668

1. Corporate and Group information

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

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

Information about subsidiaries

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

Name of company	Place and date of incorporation/ establishment	Issued ordinary share/ registered capital	Percentage of equity interests attributable to the Company		Principal activities
			Direct	Indirect	
CITIC Dameng Investments	BVI 18 May 2005	US$1	100.00	–	Investment holding and trading of manganese ore
CITIC Dameng (HK) Limited (中信大錳(香港)有限公司)	Hong Kong 28 August 2008	HK$1.00	–	100.00	Investment holding
CITIC Dameng Trading Limited	Hong Kong 28 October 2005	HK$10,000	–	51.00	Trading of manganese ore
Opulent Sea Limited	BVI 28 October 2011	US$50,000	–	51.00	Provision of trading related services
Huazhou Mining Investment Limited ("Huazhou BVI") (華州礦業投資有限公司)	BVI 6 July 2007	US$5,820,000	–	60.00	Investment holding
Compagnie Industrielle et Commerciale des Mines de Huazhou (Gabon) ("CICMHZ")	Gabon 24 August 2005	XAF100 million	–	51.00	Mining and sale of manganese ore
CITIC Dameng Mining Industries Co., Limited ("CITIC Dameng Mining") (中信大錳礦業有限責任公司)^#	PRC/Mainland China 19 August 2005	RMB1,539,710,100	–	100.00	Mining, processing and sale of manganese related products
Guangxi Start Manganese Materials Co., Ltd. ("Guangxi Start") (廣西斯達特錳材料有限公司)^	PRC/Mainland China 18 April 2001	RMB24,280,000	–	71.17	Processing and sale of manganese related products
CITIC Dameng (Tiandeng) Manganese Materials Co., Ltd. ("Tiandeng Dameng") (中信大錳(天等)錳材料有限公司)^	PRC/Mainland China 27 March 2003	RMB50,000,000	–	60.00	Manufacture and sale of manganese related products
Guangxi Daxin Dabao Ferroalloy Co., Ltd. ("Guangxi Dabao") (廣西大新縣大寶鐵合金有限公司)^	PRC/Mainland China 28 April 2002	RMB2,680,000	–	60.00	Manufacture and sale of manganese related products
CITIC Dameng (Qinzhou) New Materials Co., Ltd. ("Qinzhou New Materials") (中信大錳(欽州)新材料有限公司)^	PRC/Mainland China 26 November 2003	RMB30,000,000	–	70.00	Manufacture and sale of manganese related products
CITIC Dameng (Guangxi) Mining Investment Limited (中信大錳(廣西)礦業投資有限責任公司)^	PRC/Mainland China 1 February 2008	RMB50,000,000	–	100.00	Investment holding, sale of manganese related products and trading of metals

1. Corporate and Group information (continued)

Information about subsidiaries (continued)

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

Name of company	Place and date of incorporation/ establishment	Issued ordinary share/ registered capital	Percentage of equity interests attributable to the Company		Principal activities
			Direct	Indirect	
CITIC Dameng (Chongzuo) New Materials Co., Limited ("Chongzuo New Materials") (中信大錳(崇左)新材料有限公司)^	PRC/Mainland China 21 May 2008	RMB20,000,000	–	100.00	Processing and sale of manganese related products
CITIC Dameng Beibuwan (Guangxi) New Materials Co., Ltd. ("Beibuwan New Materials") (中信大錳北部灣(廣西)新材料有限公司)^	PRC/Mainland China 30 July 2008	RMB20,000,000	–	100.00	Processing and sale of manganese related products
CITIC Dameng Tiandong New Materials Co., Ltd. ("Tiandong New Materials") (中信大錳田東新材料有限公司)^	PRC/Mainland China 15 April 2008	RMB20,000,000	–	100.00	Processing and sale of manganese related products
Guizhou Zunyi Hui Xing Ferroalloy Co., Ltd. ("Hui Xing Company") (貴州遵義匯興鐵合金有限公司)^	PRC/Mainland China 20 December 2007	RMB500,000,000	–	64.00	Mining, processing and sale of manganese related products
Zunyi CITIC Dameng Equipment Manufacture and Installation Co., Ltd. ("Zunyi Manufacture") (遵義中信大錳設備製造安裝有限公司)^	PRC/Mainland China 7 September 2011	RMB5,000,000	–	64.00	Manufacture and sale of equipment
Guizhou Zunyi Longmai Real Estate Co., Ltd. ("Longmai Real Estate") (貴州遵義龍麥置業有限責任公司)^	PRC/Mainland China 20 October 2011	RMB50,000,000	–	64.00	Property development, investment and management
CITIC Dameng Daxin Manganese Limited Company ("Daxin Manganese") (中信大錳大新錳業有限公司)^	PRC/Mainland China 7 October 2004	RMB11,800,000	–	100.00	Mining, processing and sale of manganese related products
Guangxi Nanning Lingshui Mining Industries Co, Ltd. ("Nanning Lingshui") (廣西南寧市靈水礦業有限責任公司)^	PRC/Mainland China 16 April 2012	RMB5,000,000	–	100.00	Mining, processing and sale of manganese related products
Daxin Guinan Huagong Limited Company ("Guinan Huagong") (大新桂南化工有限責任公司)^	PRC/Mainland China 22 June 2005	RMB30,307,059	–	90.10	Production of sulphuric acid and steam
CITIC Dameng Mining Logistic Company Limited	Hong Kong 18 January 2012	HK$10,000	–	100.00	Trading of manganese ore
CITIC Dameng Qinzhou Mining Co., Ltd ("Qinzhou Mining") (中信大錳欽州礦業有限公司)^	PRC/Mainland China 16 December 2014	RMB10,000,000	–	100.00	Manufacture and sale of manganese related products
Shenzhen Blue Ocean Strategy Trading Co., Ltd. ("Blue Ocean Strategy") (深圳藍海策略貿易有限公司)^#	PRC/Mainland China 17 May 2016	RMB100,000,000	–	100.00	Trading of manganese ore, manganese alloy and related raw materials

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

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

Foreign investment enterprises incorporated under the Law of the PRC on Sino-foreign equity joint ventures

^ Limited liability companies under the Company Law of the PRC

2.1 Basis of preparation

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

During the year ended 31 December 2019, the Company and its subsidiaries (collectively referred to as the "Group") recorded a consolidated net loss of HK$233,998,000 (2018: profit of HK$336,855,000) and had net cash inflows from operating activities of HK$659,799,000 (2018: HK$450,046,000). As at 31 December 2019, the Group had net current liabilities of HK$1,173,197,000 (2018: HK$371,638,000).

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

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

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

(c) At 31 December 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$2,639.3 million on repayment when due, subject to the condition that the Group will be able to repay the total interest due upon the respective repayment dates. Based on the above-mentioned agreements and past experience, the directors consider it is highly probable that the Group can extend an adequate amount of short-term bank loans for a further year when fall due to maintain sufficient working capital of the Group.

(d) The Group is actively following up with its debtors on outstanding receivables with an aim of speeding up collection.

The directors of the Company have prepared a cash flow forecast for the Group which covers a period of twelve months from the end of the reporting period. They are of the opinion that, taking into account the above-mentioned plans and measures, the Group will have sufficient working capital to finance its operations and meet its financial obligations as and when they fall due in the foreseeable future. Accordingly, the directors are of the opinion that it is appropriate to prepare the consolidated financial statements of the Group for the year ended 31 December 2019 on a going concern basis.

2.1 Basis of preparation (continued)

Basis of consolidation

The consolidated financial statements include the financial statements of the Group for the year ended 31 December 2019. A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e. existing rights that give the Group the current ability to direct the relevant activities of the investee).

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

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

(b) rights arising from other contractual arrangements; and

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

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

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

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

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

2.2 Changes in accounting policies and disclosures

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

Amendments to HKFRS 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 to HKFRSs 2015-2017 Cycle	Amendments to HKFRS 3, HKFRS 11, HKAS 12 and HKAS 23

2.2 Changes in accounting policies and disclosures (continued)

Except for the amendments to HKFRS 9 and HKAS 19, and *Annual Improvements to HKFRSs 2015-2017 Cycle*, which are not relevant to the preparation of the Group's financial statements, the nature and the 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 to recognise and measure right-of-use assets and lease liabilities, except for certain recognition exemptions. Lessor accounting under HKFRS 16 is substantially unchanged from HKAS 17. Lessors continue to classify leases as either operating or finance leases using similar principles as in HKAS 17.

HKFRS 16 did not have any significant impact on leases where the Group is the lessor.

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

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.

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 leases with a lease term of 12 months or less ("short-term leases") (elected by class of underlying asset). Instead of recognising rental expenses under operating leases on a straight-line basis over the lease term commencing from 1 January 2019, the Group recognises depreciation (and impairment, if any) of the right-of-use assets and interest accrued on the outstanding lease liabilities (as finance costs).

Impact 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 interest-bearing bank and other borrowings. 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. This includes the lease assets recognised previously under finance leases of HK$155,121,000 that were reclassified from property, plant and equipment and land lease payments in aggregate of HK$452,680,000 that were reclassified from prepaid land lease payments and prepayments, other receivables and other assets.

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.

2.2 Changes in accounting policies and disclosures (continued)

(a) (continued)

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

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

- Applying the short-term lease exemptions to leases with a lease term that ends within 12 months from the date of initial application
- Using hindsight in determining the lease term where the contract contains options to extend/terminate the lease
- Applying a single discount rate to a portfolio of leases with reasonably similar characteristics when measuring the lease liabilities at 1 January 2019
- Relying on the entity's assessment of whether leases were onerous by applying HKAS 37 immediately before 1 January 2019 as an alternative to performing an impairment review
- Excluding initial direct costs from the measurement of the right-of-use assets at the date of initial application when applying HKFRS 16.C8(b)(i).

As a lessee – Leases previously classified as finance leases

The Group did not change the initial carrying amounts of recognised assets and liabilities at the date of initial application for leases previously classified as finance leases. Accordingly, the carrying amounts of the right-of-use assets and the lease liabilities at 1 January 2019 were the carrying amounts of the recognised assets and liabilities (i.e. finance lease payables) measured under HKAS 17.

Financial impact at 1 January 2019

The impact arising from the adoption of HKFRS 16 at 1 January 2019 was as follows:

	Increase/(decrease) HK$'000
Assets	
Increase in right-of-use assets	649,300
Decrease in property, plant and equipment	(155,121)
Decrease in prepaid land lease payments	(440,975)
Decrease in prepayments, other receivables and other assets	(11,705)
Increase in total assets	41,499
Liabilities	
Increase in interest-bearing bank and other borrowings	41,499
Increase in total liabilities	41,499

The lease liabilities as at 1 January 2019 reconciled to the operating lease commitments as at 31 December 2018 are 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 as at 1 January 2019	41,499
Add: Finance lease liabilities recognised as at 31 December 2018	252,074
Lease liabilities as at 1 January 2019	293,573

2.2 Changes in accounting policies and disclosures (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 continued to be measured at amortised cost in accordance with HKFRS 9. Accordingly, the amendments did not have any impact on the financial position or performance of the Group.

(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 impact on the financial position or performance of the Group.

2.3 Issued but not yet effective Hong Kong Financial Reporting Standards

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

Amendments to HKFRS 3	*Definition of a Business*[1]
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	*Interest Rate Benchmark Reform*[1]
Amendments to HKFRS 10 and HKAS 28 (2011)	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[3]
HKFRS 17	*Insurance Contracts*[2]
Amendments to HKAS 1 and HKAS 8	*Definition of Material*[1]

1 Effective for annual periods beginning on or after 1 January 2020
2 Effective for annual periods beginning on or after 1 January 2021
3 No mandatory effective date yet determined but available for adoption

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

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

Amendments to HKFRS 3 clarify and provide additional guidance on the definition of a business. The amendments clarify that for an integrated set of activities and assets to be considered a business, it must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create output. A business can exist without including all of the inputs and processes needed to create outputs. The amendments remove the assessment of whether market participants are capable of acquiring the business and continue to produce outputs. Instead, the focus is on whether acquired inputs and acquired substantive processes together significantly contribute to the ability to create outputs. The amendments have also narrowed the definition of outputs to focus on goods or services provided to customers, investment income or other income from ordinary activities. Furthermore, the amendments provide guidance to assess whether an acquired process is substantive and introduce an optional fair value concentration test to permit a simplified assessment of whether an acquired set of activities and assets is not a business. The Group expects to adopt the amendments prospectively from 1 January 2020. Since the amendments apply prospectively to transactions or other events that occur on or after the date of first application, the Group will not be affected by these amendments on the date of transition.

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

Amendments to HKFRS 9, HKAS 39 and HKFRS 7 address the effects of interbank offered rate reform on financial reporting. The amendments provide temporary reliefs which enable hedge accounting to continue during the period of uncertainty before the replacement of an existing interest rate benchmark. In addition, the amendments require companies to provide additional information to investors about their hedging relationships which are directly affected by these uncertainties. The amendments are effective for annual periods beginning on or after 1 January 2020. Early application is permitted. The amendments are not expected to have any significant impact on the Group's financial statements.

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

Amendments to HKAS 1 and HKAS 8 provide a new definition of material. The new definition states that information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. The amendments clarify that materiality will depend on the nature or magnitude of information. A misstatement of information is material if it could reasonably be expected to influence decisions made by the primary users. The Group expects to adopt the amendments prospectively from 1 January 2020. The amendments are not expected to have any significant impact on the Group's financial statements.

3. Summary of significant accounting policies

Business combinations and goodwill

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

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

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

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

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

3. Summary of significant accounting policies (continued)

Business combinations and goodwill (continued)

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

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

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

Investments in associates and a joint venture

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

A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control.

The Group's investments in associates and a joint venture are stated in the consolidated statement of financial position at the Group's share of net assets under the equity method of accounting, less any impairment losses. Adjustments are made to bring into line any dissimilar accounting policies that may exist. The Group's share of the post-acquisition results and other comprehensive income of associates and a joint venture is included in the consolidated statement of profit or loss and other comprehensive income. In addition, when there has been a change recognised directly in the equity of the associate or joint venture, the Group recognises its share of any changes, when applicable, in the consolidated statement of changes in equity. Unrealised gains and losses resulting from transactions between the Group and its associates or joint venture are eliminated to the extent of the Group's investments in the associates or joint venture, except where unrealised losses provide evidence of an impairment of the assets transferred. Goodwill arising from the acquisition of associates or a joint venture is included as part of the Group's investments in associates or a joint venture.

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

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

3. Summary of significant accounting policies (continued)

Fair value measurement

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

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

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

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

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

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

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

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

Impairment of non-financial assets

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

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

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

3. Summary of significant accounting policies (continued)

Related parties

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

(a) the party is a person or a close member of that person's family and that person

- (i) has control or joint control over the Group;
- (ii) has significant influence over the Group; or
- (iii) is a member of the key management personnel of the Group or of a parent of the Group;

or

(b) the party is an entity where any of the following conditions applies:

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

Property, plant and equipment and depreciation

Property, plant and equipment, other than construction in progress, are stated at cost less accumulated depreciation and any impairment losses. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

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

3. Summary of significant accounting policies (continued)

Property, plant and equipment and depreciation (continued)

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

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

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

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

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

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

Exploration and evaluation assets

Exploration and evaluation assets are stated at cost less any impairment losses. Exploration and evaluation assets include costs that are directly attributable to conducting topographical and geological surveys, exploratory drilling, sampling and trenching, and activities in relation to commercial and technical feasibility studies, and expenditure incurred to secure further mineralisation in existing ore bodies and to expand the capacity of a mine. Exploration expenditure incurred prior to acquiring legal rights to explore an area is written off as incurred. When the technical feasibility and commercial viability of extracting the ore are demonstrable, exploration and evaluation assets are amortised using the unit-of-production method.

If any project is abandoned during the evaluation stage, the total expenditures thereon are written off when the event occurs. If an indication of impairment arises, the recoverable amount is estimated and an impairment loss is recognised to the extent that the recoverable amount is lower than the carrying amount.

Investment properties

Investment properties are interests in land and buildings (including the leasehold property held as a right-of-use assets (2018: leasehold property under an operating lease) which would otherwise meet the definition of an investment property) held to earn rental income and for capital appreciation, rather than for use in the production or supply of goods or services or for administrative purposes; or for sale in the ordinary course of business. Such properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are stated at fair value, which reflects market conditions at the end of the reporting period.

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

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

3. Summary of significant accounting policies (continued)

Mining rights

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

Intangible assets (other than goodwill)

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

Computer software

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

Research and development costs

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

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

Leases (applicable from 1 January 2019)

The Group assesses at contract inception whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Group as a lessee

The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

(a) Right-of-use assets

Right-of-use assets are recognised at the commencement date of the lease (that is the date the underlying asset is available for use). 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. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease terms and the estimated useful lives of the assets as follows:

Leasehold land	20 to 30 years
Plant and machinery	2 to 10 years
Motor vehicles	5 to 10 years

If ownership of the leased asset transfers to the Group by the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset.

3. Summary of significant accounting policies (continued)

Leases (applicable from 1 January 2019) (continued)

Group as a lessee (continued)

(b) 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 its incremental borrowing rate at the lease commencement date because 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 the lease term, a change in lease payments (e.g. a change to future lease payments resulting from a change in an index or rate) or a change in assessment of an option to purchase the underlying asset.

The Group's lease liabilities are included in interest-bearing bank and other borrowings.

(c) Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to its short-term leases of machinery and equipment (that is those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the recognition exemption for leases of low-value assets to leases of office equipment and laptop computers that are considered to be of low value. When the Group enters into a lease in respect of a low-value asset, the Group decides whether to capitalise the lease on a lease-by-lease basis. Lease payments on short-term leases and leases of low-value assets are recognised as an expense on a straight-line basis over the lease term.

Group as a lessor

When the Group acts as a lessor, it classifies at lease inception (or when there is a lease modification) each of its leases as either an operating lease or a finance lease.

Leases in which the Group does not transfer substantially all the risks and rewards incidental to ownership of an asset are classified as operating leases. When a contract contains lease and non-lease components, the Group allocates the consideration in the contract to each component on a relative stand-alone selling price basis. Rental income is accounted for on a straight-line basis over the lease terms and is included in revenue in the statement of profit or loss due to its operating nature. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. Contingent rents are recognised as revenue in the period in which they are earned.

Leases that transfer substantially all the risks and rewards incidental to ownership of an underlying assets to the lessee, are accounted for as finance leases.

3. Summary of significant accounting policies (continued)

Leases (applicable before 1 January 2019)

Group as a lessor (continued)

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

If a sale and leaseback transaction results in a finance lease, any excess of sales proceeds over the carrying amount should not be recognised immediately as income by the Group. Instead, the excess is deferred and amortised over the lease term. It is inappropriate to show a profit on disposal of an asset which has, in substance, been reacquired by the Group under a finance lease. The lessor is providing finance to the Group with the asset as security. The asset will be restated to its fair value (or the present value of the minimum lease payments, if lower) in exactly the same way as any other asset acquired under a finance lease.

An alternative treatment is to deal with the transaction of a sale and leaseback transaction as having the form but not the substance of leases whereby the lessor provides finance to the Group, with the asset as security. The previous carrying value is left unchanged, with the sales proceeds being shown as a liability.

Both methods of accounting for sale and leaseback transactions are acceptable. The Group has selected the latter treatment as a matter of accounting policy and applied it consistently.

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

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

Investments and other financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income, and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient of not adjusting the effect of a significant financing component, the Group initially measures a financial asset at its fair value, plus in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient are measured at the transaction price determined under HKFRS 15 in accordance with the policies set out for "Revenue recognition" below.

In order for a financial asset to be classified and measured at amortised cost or fair value through other comprehensive income, it needs to give rise to cash flows that are solely payments of principal and interest ("SPPI") on the principal amount outstanding. Financial assets with cash flows that are not SPPI are classified and measured at fair value through profit or loss, irrespective of the business model.

The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both. Financial assets classified and measured at amortised cost are held within a business model with the objective to hold financial assets in order to collect contractual cash flows, while financial assets classified and measured at fair value through other comprehensive income are held within a business model with the objective of both holding to collect contractual cash flows and selling. Financial assets which are not held within the aforementioned business models are classified and measured at fair value through profit or loss.

3. Summary of significant accounting policies (continued)

Investments and other financial assets (continued)

Initial recognition and measurement (continued)

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

Subsequent measurement

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

Financial assets at amortised cost (debt instruments)

Financial assets at amortised cost are subsequently measured using the effective interest method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

Financial assets at fair value through other comprehensive income (debt instruments)

For debt investments at fair value through other comprehensive income, interest income, foreign exchange revaluation and impairment losses or reversals are recognised in the statement of profit or loss and computed in the same manner as for financial assets measured at amortised cost. The remaining fair value changes are recognised in other comprehensive income. Upon derecognition, the cumulative fair value change recognised in other comprehensive income is recycled to the statement of profit or loss.

Financial assets designated at fair value through other comprehensive income (equity investments)

Upon initial recognition, the Group can elect to classify irrevocably its equity investments as equity investments designated at fair value through other comprehensive income when they meet the definition of equity under HKAS 32 *Financial Instruments: Presentation* and are not held for trading. The classification is determined on an instrument-by-instrument basis.

Gains and losses on these financial assets are never recycled to the statement of profit or loss. Dividends are recognised as other income in the statement of profit or loss when the right of payment has been established, it is probable that the economic benefits associated with the dividend will flow to the Group and the amount of the dividend can be measured reliably, except when the Group benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in other comprehensive income. Equity investments designated at fair value through other comprehensive income are not subject to impairment assessment.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognised in the statement of profit or loss.

This category includes derivative instruments and equity investments which the Group had not irrevocably elected to classify at fair value through other comprehensive income. Dividends on equity investments classified as financial assets at fair value through profit or loss are also recognised as other income in the statement of profit or loss when the right of payment has been established, it is probable that the economic benefits associated with the dividend will flow to the Group and the amount of the dividend can be measured reliably.

3. Summary of significant accounting policies (continued)

Derecognition of financial assets

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

- the rights to receive cash flows from the asset have expired; or

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

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

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

Impairment of financial assets

The Group recognises an allowance for expected credit losses ("ECLs") for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

General approach

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12 months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

At each reporting date, the Group assesses whether the credit risk on a financial instrument has increased significantly since initial recognition. When making the assessment, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition and considers reasonable and supportable information that is available without undue cost or effort, including historical and forward-looking information.

For debt investments at fair value through other comprehensive income, the Group applies the low credit risk simplification. At each reporting date, the Group evaluates whether the debt investments are considered to have low credit risk using all reasonable and supportable information that is available without undue cost or effort. In making that evaluation, the Group reassesses the external credit ratings of the debt investments. In addition, the Group considers that there has been a significant increase in credit risk when contractual payments are more than 30 days past due.

3. Summary of significant accounting policies (continued)

Impairment of financial assets (continued)

General approach (continued)

The Group considers a financial asset in default when contractual payments are 90 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

Debt investments at fair value through other comprehensive income and financial assets at amortised cost are subject to impairment under the general approach and they are classified within the following stages for measurement of ECLs except for trade receivables which apply the simplified approach as detailed below.

Stage 1 – Financial instruments for which credit risk has not increased significantly since initial recognition and for which the loss allowance is measured at an amount equal to 12-month ECLs

Stage 2 – Financial instruments for which credit risk has increased significantly since initial recognition but that are not credit-impaired financial assets and for which the loss allowance is measured at an amount equal to lifetime ECLs

Stage 3 – Financial assets that are credit-impaired at the reporting date (but that are not purchased or originated credit-impaired) and for which the loss allowance is measured at an amount equal to lifetime ECLs

Simplified approach

For trade receivables that do not contain a significant financing component or when the Group applies the practical expedient of not adjusting the effect of a significant financing component, the Group applies the simplified approach in calculating ECLs. Under the simplified approach, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

Financial liabilities

Initial recognition and measurement

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

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

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

Subsequent measurement

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

Financial liabilities at amortised cost (loans and borrowings)

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

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

3. Summary of significant accounting policies (continued)

Financial liabilities (continued)

Subsequent measurement (continued)

Financial guarantee contracts

Financial guarantee contracts issued by the Group are those contracts that require a payment to be made to reimburse the holder for a loss it incurs because the specified debtor fails to make a payment when due in accordance with the terms of a debt instrument. A financial guarantee contract is recognised initially as a liability at its fair value, adjusted for transaction costs that are directly attributable to the issuance of the guarantee. Subsequent to initial recognition, the Group measures the financial guarantee contracts at the higher of: (i) the ECL allowance determined in accordance with the policy as set out in "Impairment of financial assets"; and (ii) the amount initially recognised less, when appropriate, the cumulative amount of income recognised.

Derecognition of financial liabilities

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

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

Offsetting of financial instruments

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

Derivative financial instruments and hedge accounting

Initial recognition and subsequent measurement

The Group uses derivative financial instruments, such as forward currency contracts, interest rate swap and cross currency interest rate swaps to hedge its foreign currency risks and interest rate risks. Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative.

Any gains or losses arising from changes in fair value of derivatives are taken directly to profit or loss, except for the effective portion of cash flow hedges, which is recognised in other comprehensive income and later reclassified to profit or loss when the hedged item affects profit or loss.

For the purpose of hedge accounting, hedges are classified as:

- fair value hedges when hedging the exposure to changes in the fair value of a recognised asset or liability or an unrecognised firm commitment; or

- cash flow hedges when hedging the exposure to variability in cash flows that is either attributable to a particular risk associated with a recognised asset or liability or a highly probable forecast transaction, or a foreign currency risk in an unrecognised firm commitment.

At the inception of a hedge relationship, the Group formally designates and documents the hedge relationship to which the Group wishes to apply hedge accounting, the risk management objective and its strategy for undertaking the hedge.

3. Summary of significant accounting policies (continued)

Derivative financial instruments and hedge accounting (continued)

Initial recognition and subsequent measurement (continued)

The documentation includes identification of the hedging instrument, the hedged item, the nature of the risk being hedged and how the Group will assess whether the hedging relationship meets the hedge effectiveness requirements (including the analysis of sources of hedge ineffectiveness and how the hedge ratio is determined). A hedging relationship qualifies for hedge accounting if it meets all of the following effectiveness requirements:

- There is "an economic relationship" between the hedged item and the hedging instrument.
- The effect of credit risk does not "dominate the value changes" that result from that economic relationship.
- The hedge ratio of the hedging relationship is the same as that resulting from the quantity of the hedged item that the Group actually hedges and the quantity of the hedging instrument that the Group actually uses to hedge that quantity of hedged item.

Hedges which meet the qualifying criteria for hedge accounting are accounted for as follows:

Cash flow hedges

The effective portion of the gain or loss on the hedging instrument is recognised directly in other comprehensive income in the cash flow hedge reserve, while any ineffective portion is recognised immediately in the statement of profit or loss. The cash flow hedge reserve is adjusted to the lower of the cumulative gain or loss on the hedging instrument and the cumulative change in fair value of the hedged item.

The amounts accumulated in other comprehensive income are accounted for, depending on the nature of the underlying hedged transaction. If the hedged transaction subsequently results in the recognition of a non-financial item, the amount accumulated in equity is removed from the separate component of equity and included in the initial cost or other carrying amount of the hedged asset or liability. This is not a reclassification adjustment and will not be recognised in other comprehensive income for the period. This also applies where the hedged forecast transaction of a non-financial asset or non-financial liability subsequently becomes a firm commitment to which fair value hedge accounting is applied.

For any other cash flow hedges, the amount accumulated in other comprehensive income is reclassified to the statement of profit or loss as a reclassification adjustment in the same period or periods during which the hedged cash flows affect the statement of profit or loss.

If cash flow hedge accounting is discontinued, the amount that has been accumulated in other comprehensive income must remain in accumulated other comprehensive income if the hedged future cash flows are still expected to occur. Otherwise, the amount will be immediately reclassified to the statement of profit or loss as a reclassification adjustment. After the discontinuation, once the hedged cash flow occurs, any amount remaining in accumulated other comprehensive income is accounted for depending on the nature of the underlying transaction as described above.

Fair value hedges

The change in the fair value of a hedging instrument is recognised in the statement of profit or loss as other expenses. The change in the fair value of the hedged item attributable to the risk hedged is recorded as a part of the carrying amount of the hedged item and is also recognised in the statement of profit or loss as other expenses.

For fair value hedges relating to items carried at amortised cost, the adjustment to carrying value is amortised through the statement of profit or loss over the remaining term of the hedge using the effective interest rate method. Effective interest rate amortisation may begin as soon as an adjustment exists and shall begin no later than when the hedged item ceases to be adjusted for changes in its fair value attributable to the risk being hedged. If the hedged item is derecognised, the unamortised fair value is recognised immediately in the statement of profit or loss.

When an unrecognised firm commitment is designated as a hedged item, the subsequent cumulative change in the fair value of the firm commitment attributable to the hedged risk is recognised as an asset or liability with a corresponding gain or loss recognised in the statement of profit or loss. The changes in the fair value of the hedging instrument are also recognised in the statement of profit or loss.

3. Summary of significant accounting policies (continued)

Derivative financial instruments and hedge accounting (continued)

Initial recognition and subsequent measurement (continued)

Current versus non-current classification

Derivative instruments that are not designated as effective hedging instruments are classified as current or noncurrent or separated into current and non-current portions based on an assessment of the facts and circumstances (i.e., the underlying contracted cash flows).

- Where the Group expects to hold a derivative as an economic hedge (and does not apply hedge accounting) for a period beyond 12 months after the end of the reporting period, the derivative is classified as non-current (or separated into current and non-current portions) consistently with the classification of the underlying item.

- Embedded derivatives that are not closely related to the host contract are classified consistently with the cash flows of the host contract.

- Derivative instruments that are designated as, and are effective hedging instruments, are classified consistently with the classification of the underlying hedged item. The derivative instruments are separated into current portions and non-current portions only if a reliable allocation can be made.

Inventories

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

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

Cash and cash equivalents

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

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

Provisions

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

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

3. Summary of significant accounting policies (continued)

Provisions (continued)

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

Income tax

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

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

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

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

- when the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of taxable temporary differences associated with investments in subsidiaries, associates and joint ventures, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

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

- when the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of deductible temporary differences associated with investments in subsidiaries, associates and joint ventures, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

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

3. Summary of significant accounting policies (continued)

Income tax (continued)

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

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

Government grants

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

Where the Group receives grants of non-monetary assets, the grants are recorded at the fair value of the non-monetary assets and released to the statement of profit or loss over the expected useful lives of the relevant assets by equal annual instalments.

When the grant relates to an asset, the fair value is credited to a deferred income account and is released to the statement of profit or loss over the expected useful life of the relevant asset by equal annual instalments or deducted from the carrying amount of the asset and released to the statement of profit or loss by way of a reduced depreciation charge.

Revenue recognition

Revenue from contracts with customers

Revenue from contracts with customers is recognised when control of goods or services is transferred to the customers at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services.

When the contract contains a financing component which provides the customer with a significant benefit of financing the transfer of goods or services to the customer for more than one year, revenue is measured at the present value of the amount receivable, discounted using the discount rate that would be reflected in a separate financing transaction between the Group and the customer at contract inception. When the contract contains a financing component which provides the Group a significant financial benefit for more than one year, revenue recognised under the contract includes the interest expense accreted on the contract liability under the effective interest method. For a contract where the period between the payment by the customer and the transfer of the promised goods or services is one year or less, the transaction price is not adjusted for the effects of a significant financing component, using the practical expedient in HKFRS 15.

<u>Sale of goods</u>

Revenue from the sale of goods is recognised at the point in time when control of the asset is transferred to the customer, generally on delivery of the goods.

Revenue from other sources

Rental income is recognised on a time proportion basis over the lease terms. Variable lease payments that do not depend on an index or a rate are recognised as income in the accounting period in which they are incurred.

Other income

Interest income is recognised on an accrual basis using the effective interest method by applying the rate that exactly discounts the estimated future cash receipts over the expected life of the financial instrument or a shorter period, when appropriate, to the net carrying amount of the financial asset.

3. Summary of significant accounting policies (continued)

Contract liabilities

A contract liability is recognised when a payment is received or a payment is due (whichever is earlier) from a customer before the Group transfers the related goods or services. Contract liabilities are recognised as revenue when the Group performs under the contract (i.e., transfers control of the related goods or services to the customer).

Share-based payments

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

The cost of equity-settled transactions with employees for grants after 7 November 2002 is measured by reference to the fair value at the date at which they are granted. The fair value is determined by an external valuer using a binomial model, further details of which are given in note 34 to the financial statements.

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

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

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

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

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

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

3. Summary of significant accounting policies (continued)

Other employee benefits

Pension scheme

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

Borrowing costs

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

Dividends

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

Foreign currencies

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

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

In determining the exchange rate on initial recognition of the related asset, expense or income on the derecognition of a non-monetary asset or non-monetary liability relating to an advance consideration, the date of initial transaction is the date on which the Group initially recognises the non-monetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, the Group determines the transaction date for each payment or receipt of the advance consideration.

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

3. Summary of significant accounting policies (continued)

Foreign currencies (continued)

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

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

4. Significant accounting judgements and estimates

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

Judgements

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

Property lease classification – Group as lessor

The Group has entered into commercial property leases on its investment property portfolio. The Group has determined, based on an evaluation of the terms and conditions of the arrangements, such as the lease term not constituting a major part of the economic life of the commercial property and the present value of the minimum lease payments not amounting to substantially all the fair value of the commercial property, that it retains substantially all the significant risks and rewards incidental to ownership of these properties which are leased out and accounts for the contracts as operating leases.

Tax

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

Estimation uncertainty

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

Provision for expected credit losses on trade and notes receivables

The Group uses a provision matrix to calculate ECLs for trade and notes receivables. The provision rates are based on days past due for groupings of various customer segments that have similar loss patterns (i.e., by geography, product type, customer type and rating, and coverage by letters of credit and other forms of credit insurance).

The provision matrix is initially based on the Group's historical observed default rates. The Group will calibrate the matrix to adjust the historical credit loss experience with forward-looking information. For instance, if forecast economic conditions (i.e., gross domestic products) are expected to deteriorate over the next year which can lead to an increased number of defaults in the manufacturing sector, the historical default rates are adjusted. At each reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analysed.

4. Significant accounting judgements and estimates (continued)

Estimation uncertainty (continued)

Provision for expected credit losses on trade and notes receivables (continued)

The assessment of the correlation among historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and forecast economic conditions. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of a customer's actual default in the future. The information about the ECLs on the Group's trade and notes receivables is disclosed in note 22 to the financial statements.

Leases – Estimating the incremental borrowing rate

The Group cannot readily determine the interest rate implicit in a lease, and therefore, it uses an incremental borrowing rate ("IBR") to measure lease liabilities. The IBR is the rate of interest that the Group would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects what the Group "would have to pay", which requires estimation when no observable rates are available (such as for subsidiaries that do not enter into financing transactions) or when it needs to be adjusted to reflect the terms and conditions of the lease (for example, when leases are not in the subsidiary's functional currency). The Group estimates the IBR using observable inputs (such as market interest rates) when available and is required to make certain entity-specific estimates (such as the subsidiary's stand-alone credit rating).

Estimation of fair value of investment properties

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

(a) current prices in an active market for properties of a different nature, condition or location, adjusted to reflect those differences;

(b) recent prices of similar properties on less active markets, with adjustments to reflect any changes in economic conditions since the date of the transactions that occurred at those prices; and

(c) discounted cash flow projections based on reliable estimates of future cash flows, supported by the terms of any existing lease and other contracts and (when possible) by external evidence such as current market rents for similar properties in the same location and condition, and using discount rates that reflect current market assessments of the uncertainty in the amount and timing of the cash flows.

The carrying amount of investment properties at 31 December 2019 was HK$94,931,000 (2018: HK$96,552,000). Further details, including the key assumptions used for fair value measurement and a sensitivity analysis, are given in note 15 to the financial statements.

Mineral reserves

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

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

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

4. Significant accounting judgements and estimates (continued)

Estimation uncertainty (continued)

Provision for rehabilitation

The provision for rehabilitation costs has been determined by the directors based on their best estimates. The directors estimated this liability for final restoration and mine closure based upon detailed calculations of the amount and timing of future cash flows to be incurred in performing the required work. Spending estimates are escalated for inflation, then discounted at a discount rate that reflects current market assessments of the time value of money and the risks specific to the liability such that the amount of provision reflects the present value of the expenditures expected to be required to settle the obligation. However, in so far as the effect on the land and environment from current mining activities becomes apparent in future periods, the estimate of the associated costs may be subject to revision in the future. The provision is reviewed at least annually to verify that it properly reflects the present value of the obligation arising from the current and past mining activities. Further details are included in note 31 to the financial statements.

Useful lives of property, plant and equipment

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

Impairment of non-financial assets

The Group assesses whether there are any indicators of impairment for all non-financial assets (including the right-of-use assets) at the end of each reporting period. Non-financial assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable. An impairment exists when the carrying value of an asset or a cash-generating unit exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The calculation of the fair value less costs of disposal is based on available data from binding sales transactions in an arm's length transaction of similar assets or observable market prices less incremental costs for disposing of the asset. When value in use calculations are undertaken, management must estimate the expected future cash flows from the asset or cash-generating unit and choose a suitable discount rate in order to calculate the present value of those cash flows. Further details are given in notes 14, 16, 17, 18, 19 and 23 to the financial statements.

Deferred tax assets

Deferred tax assets are recognised for unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies. No deferred tax assets were recognised relating to tax losses at 31 December 2019 and 2018. The amount of unrecognised tax losses at 31 December 2019 was HK$706,616,000 (2018: HK$708,831,000). Further details are contained in note 20 to the financial statements.

5. Operating segment information

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

(a) Manganese mining 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.

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, non-lease-related finance costs, fair value gain/loss from the Group's financial instruments as well as head office and corporate expenses are excluded from such measurement.

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

Segment liabilities exclude derivative financial instruments, interest-bearing bank and other borrowings (other than lease liabilities), deferred tax liabilities, tax payable and other unallocated head office and corporate liabilities as these liabilities are managed on a group basis.

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

5. Operating segment information (continued)

	Manganese mining 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 and HK HK$'000	Total HK$'000
Year ended 31 December 2019						
Segment revenue (note 6)						
Sales to external customers	122,366	–	3,259,384	664,974	1,755,733	5,802,457
Intersegment sales	–	–	–	–	482,217	482,217
Other revenue	753	104,331	42,263	5,090	55,261	207,698
	123,119	104,331	3,301,647	670,064	2,293,211	6,492,372
Reconciliation:						
Elimination of intersegment sales						(482,217)
Revenue from operations						6,010,155
Segment results	(35,830)	62,183	144,896	70,363	(119,806)	121,806
Reconciliation:						
Interest income						36,644
Corporate and other unallocated expenses						(157,685)
Finance costs (other than interest on lease liabilities)						(217,931)
Loss before tax						(217,166)
Income tax expense						(16,832)
Loss for the year						(233,998)
Assets and liabilities						
Segment assets	982,234	144,907	4,156,207	969,035	1,264,364	7,516,747
Reconciliation:						
Corporate and other unallocated assets						1,250,658
Total assets						8,767,405
Segment liabilities	412,522	17,062	1,047,069	137,005	20,726	1,634,384
Reconciliation:						
Corporate and other unallocated liabilities						4,294,595
Total liabilities						5,928,979
Other segment information:						
Depreciation and amortisation	23,351	10,258	305,626	38,796	5,294	383,325
Unallocated depreciation and amortisation						3,694
Total depreciation and amortisation						387,019
Capital expenditure*	96,783	–	388,108	86,805	1,003	572,699
Unallocated capital expenditure						2,586
Total capital expenditure						575,285
Impairment losses recognised in profit or loss	44,291	44,808	82,978	18,966	108,163	299,206
(Loss)/gain on disposal of items of property, plant and equipment	(329)	–	14,198	(1,223)	(430)	12,216
Investments in associates	–	–	292,767	–	519,689	812,456
Investment in a joint venture	–	–	–	122,919	–	122,919
Share of losses of associates	–	–	(19,947)	–	(47,601)	(67,548)
Share of losses of a joint venture	–	–	–	(763)	–	(763)

* Capital expenditure consists of additions to property, plant and equipment, investment properties, right-of-use assets and intangible assets.

5. 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 and HK HK$'000	Total HK$'000
Year ended 31 December 2018						
Segment revenue: (note 6)						
Sales to external customers	159,666	53,631	3,429,181	682,059	2,411,691	6,736,228
Intersegment sales	–	–	–	–	245,234	245,234
Other revenue	94,058	118,302	25,068	2,542	51,763	291,733
	253,724	171,933	3,454,249	684,601	2,708,688	7,273,195
Reconciliation:						
Elimination of intersegment sales						(245,234)
Revenue from operations						7,027,961
Segment results	8,426	111,445	405,914	104,904	18,953	649,642
Reconciliation:						
Interest income						30,618
Corporate and other unallocated expenses						(98,621)
Finance costs						(237,654)
Profit before tax						343,985
Income tax expense						(7,130)
Profit for the year						336,855
Assets and liabilities						
Segment assets	1,033,507	280,483	4,186,026	942,199	1,654,869	8,097,084
Reconciliation:						
Corporate and other unallocated assets						1,521,295
Total assets						9,618,379
Segment liabilities	434,286	61,088	900,925	171,691	234,909	1,802,899
Reconciliation:						
Corporate and other unallocated liabilities						4,648,997
Total liabilities						6,451,896
Other segment information:						
Depreciation and amortisation	33,771	10,387	279,700	35,181	499	359,538
Unallocated depreciation and amortisation						4,369
Total depreciation and amortisation						363,907
Capital expenditure	14,989	–	227,630	73,533	1,094	317,246
Unallocated capital expenditure						4,007
Total capital expenditure						321,253
Impairment losses recognised in profit or loss	18,450	–	27,615	12,077	1,359	59,501
Loss on disposal of items of property, plant and equipment	100	–	5,081	728	10	5,919
Investments in associates	–	–	304,719	–	581,663	886,382
Investment in a joint venture	–	–	–	125,534	–	125,534
Share of profits/(losses) of associates	–	–	4,603	–	(23,042)	(18,439)
Share of profit of a joint venture	–	–	–	53,780	–	53,780

5. Operating segment information (continued)

Geographical information

(a) Revenue from external customers

	2019 HK$'000	2018 HK$'000
Mainland China	**5,480,772**	5,969,451
Asia (excluding Mainland China)	**267,361**	543,289
Europe	**43,084**	118,463
North America	**11,240**	77,301
Other countries	**–**	27,724
	5,802,457	6,736,228

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

(b) Non-current assets

	2019 HK$'000	2018 HK$'000
Segment assets		
Mainland China	**4,862,924**	4,894,306
Africa	**57,618**	94,814
	4,920,542	4,989,120

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

Information about a major customer

Revenue of approximately HK$870,551,000 (2018: approximately HK$782,565,000) was derived from sales by the EMM and alloying materials production segment and trading sales to a single customer.

6. Revenue, other income and gains

An analysis of revenue is as follows:

	2019 HK$'000	2018 HK$'000
Revenue from contracts with customers	**5,802,457**	6,736,228

6. Revenue, other income and gains (continued)

Revenue from contracts with customers

(a) Disaggregated revenue information

For the year ended 31 December 2019

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	**122,366**	**3,259,384**	**664,974**	**1,755,733**	**5,802,457**
Geographical markets					
Mainland China	**122,366**	**2,950,270**	**655,498**	**1,752,638**	**5,480,772**
Asia (excluding Mainland China)	**–**	**260,013**	**4,253**	**3,095**	**267,361**
Europe	**–**	**37,861**	**5,223**	**–**	**43,084**
North America	**–**	**11,240**	**–**	**–**	**11,240**
Total revenue from contracts with customers	**122,366**	**3,259,384**	**664,974**	**1,755,733**	**5,802,457**
Timing of revenue recognition					
Goods transferred at a point in time with customers	**122,366**	**3,259,384**	**664,974**	**1,755,733**	**5,802,457**

For the year ended 31 December 2018

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	213,297	3,429,181	682,059	2,411,691	6,736,228
Geographical markets					
Mainland China	191,698	2,711,020	664,422	2,402,311	5,969,451
Asia (excluding Mainland China)	21,599	506,765	5,545	9,380	543,289
Europe	–	113,768	4,695	–	118,463
North America	–	70,100	7,201	–	77,301
Other countries	–	27,528	196	–	27,724
Total revenue from contracts with customers	213,297	3,429,181	682,059	2,411,691	6,736,228
Timing of revenue recognition					
Goods transferred at a point in time with customers	213,297	3,429,181	682,059	2,411,691	6,736,228

6. Revenue, other income and gains (continued)

Revenue from contracts with customers (continued)

(a) Disaggregated revenue information (continued)

Set out below is the reconciliation of the revenue from contracts with customers to the amounts disclosed in the segment information:

For the year ended 31 December 2019

Segments	Manganese mining HK$'000	EMM and alloying materials production HK$'000	Battery materials production HK$'000	Other business HK$'000	Total HK$'000
Revenue from contracts with customers					
Sales to external customers	**122,366**	**3,259,384**	**664,974**	**1,755,733**	**5,802,457**

For the year ended 31 December 2018

Segments	Manganese mining HK$'000	EMM and alloying materials production HK$'000	Battery materials production HK$'000	Other business HK$'000	Total HK$'000
Revenue from contracts with customers					
Sales to external customers	213,297	3,429,181	682,059	2,411,691	6,736,228

The following table shows the amounts of revenue recognised in the current reporting period that were included in the contract liabilities at the beginning of the reporting period and recognised from performance obligations satisfied in previous periods:

	2019 HK$'000	2018 HK$'000
Revenue recognised that was included in contract liabilities at the beginning of the reporting period:		
Sale of goods	**52,841**	53,720

(b) Performance obligations

Information about the Group's performance obligations is summarised below:

Sale of goods

The performance obligation is satisfied upon delivery of the commodities and payment is generally due within one to three months from the invoice date, except for new customers, where payment in advance is normally required.

The amounts of transaction prices allocated to the remaining performance obligations (unsatisfied or partially unsatisfied) as at 31 December are as follows:

	2019 HK$'000	2018 HK$'000
Amounts expected to be recognised as revenue:		
Within one year	**44,305**	52,841

All the amounts of transaction prices allocated to the remaining performance obligations are expected to be recognised as revenue within one year.

6. Revenue, other income and gains (continued)

	2019 HK$'000	2018 HK$'000
Other income and gains		
Bank and other interest income	**36,644**	30,618
Gain on disposal of items of property, plant and equipment	**12,216**	–
Subsidy income*	**32,423**	122,355
Subcontracting income#	**103,092**	116,000
Sale of scraps	**13,179**	12,844
Gross rental income from investment property operating leases:		
Lease payments, including fixed payments	**26,491**	28,391
Others	**20,297**	12,143
	244,342	322,351

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

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

7. Finance costs

An analysis of finance costs is as follows:

	2019 HK$'000	2018 HK$'000
Interest on loans wholly repayable within five years	**208,025**	212,534
Finance costs for discounted notes receivable	**7,946**	21,835
Interest on lease liabilities	**7,963**	–
Other finance costs	**1,960**	3,285
	225,894	237,654

8. Profit/(loss) before tax

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

	Notes	2019 HK$'000	2018 HK$'000
Cost of inventories sold#		**5,166,810**	5,873,085
Depreciation of property, plant and equipment	14	**309,997**	329,603
Depreciation of right-of-use assets (2018: amortisation of land lease payments)	16(a), 16(b)	**59,307**	15,454
Amortisation of intangible assets	17	**17,715**	18,850
Research and development costs		**24,939**	17,612
Minimum lease payments under operating leases, land and buildings		**–**	18,724
Lease payments not included in the measurement of lease liabilities	16(d)	**7,587**	–
Auditor's remuneration		**3,457**	3,309
Employee benefit expense (excluding directors' and chief executive's remuneration (note 9)):			
Wages and salaries		**447,859**	500,238
Pension scheme contributions		**79,482**	75,544
Other employee welfare		**62,536**	44,433
		589,877	620,215
(Gain)/loss on disposal of items of property, plant and equipment*		**(12,216)**	5,919
Loss on disposal of financial assets at fair value through profit or loss*		**98**	–
Loss on stocktake&		**4,722**	3,884
Foreign exchange differences, net*		**10,084**	4,869
Write-down of inventories to net realisable value, net#		**49,692**	10,770
Impairment of financial assets, net:			
Impairment of trade and notes receivables, net	22	**80,358**	6,652
Impairment of financial assets included in prepayments, other receivables and other assets		**53,175**	8,010
Impairment of an amount due from an associate		**6,929**	–
		140,462	14,662
Impairment loss on property, plant and equipment	14	**53,559**	17,114
Impairment loss on mining rights	17	**41,822**	16,955
Impairment loss on non-financial assets included in prepayments, other receivables and other assets*		**13,671**	–
Fair value loss on financial assets at fair value through profit or loss*		**–**	256

HK$5,187,541,000 (2018: HK$5,883,855,000) included in "Cost of sales" and HK$28,961,000 (2018: Nil) included in "Other expenses" in the consolidated statement of profit or loss and other comprehensive income

* HK$12,216,000 (2018: Nil) included in "Other income and gains" (note 6) and HK$23,853,000 (2018: HK$11,044,000) included in "Other expenses" in the consolidated statement of profit or loss and other comprehensive income

& HK$4,722,000 (2018: Nil) included in "Administrative expenses" and Nil (2018: HK$3,884,000) included in "Cost of sales" in the consolidated statement of profit or loss and other comprehensive income

9. Directors' and chief executive's remuneration

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

	2019 HK$'000	2018 HK$'000
Fees	**1,954**	2,326
Other emoluments		
Salaries, allowances and benefits in kind	**13,205**	10,250
Performance related bonuses	**1,686**	5,400
Pension scheme contributions	**418**	365
	15,309	16,015
	17,263	18,341

(a) Independent non-executive directors

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

Fees	2019 HK$'000	2018 HK$'000
Mr. Tan Zhuzhong	**300**	300
Mr. Lin Zhijun	**300**	300
Mr. Wang Chunxin (resigned on 28 February 2019)	**50**	59
Mr. Wang Zhihong (appointed on 1 March 2019)	**250**	–
Mr. Mo Shijian (resigned on 21 July 2018)	**–**	167
	900	826

There were no other emoluments payable to the independent non-executive directors during the year (2018: Nil).

9. Directors' and chief executive's remuneration (continued)

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

	Fees HK$'000	Salaries, allowances and benefits in kind HK$'000	Performance related bonuses HK$'000	Pension scheme contributions HK$'000	Total remuneration HK$'000
2019					
Executive director:					
Mr. Li Weijian	**300**	**4,191**	**609**	**92**	**5,192**
	300	**4,191**	**609**	**92**	**5,192**
Non-executive directors:					
Mr. Suo Zhengang (note)	**–**	**–**	**–**	**–**	**–**
Mr. Lyu Yanzheng	**300**	**–**	**–**	**–**	**300**
Mr. Chen Jiqiu (resigned on 1 July 2019)	**150**	**1,351**	**–**	**83**	**1,584**
Mr. Cheng Zhiwei (appointed on 1 July 2019)	**–**	**–**	**–**	**–**	**–**
Ms. Cui Ling (appointed on 1 July 2019)	**–**	**–**	**–**	**–**	**–**
	450	**1,351**	**–**	**83**	**1,884**
Chief executive and executive director:					
Mr. Yin Bo (resigned on 26 September 2019)	**225**	**6,809**	**539**	**162**	**7,735**
Mr. Guo Aimin (appointed on 26 September 2019)	**79**	**854**	**538**	**81**	**1,552**
	304	**7,663**	**1,077**	**243**	**9,287**
	1,054	**13,205**	**1,686**	**418**	**16,363**
2018					
Executive director:					
Mr. Li Weijian	300	4,030	2,600	101	7,031
	300	4,030	2,600	101	7,031
Non-executive directors:					
Mr. Suo Zhengang	300	–	–	–	300
Mr. Lyu Yanzheng	300	–	–	–	300
Mr. Chen Jiqiu	300	1,518	–	101	1,919
	900	1,518	–	101	2,519
Chief executive and executive director:					
Mr. Yin Bo	300	4,702	2,800	163	7,965
	300	4,702	2,800	163	7,965
	1,500	10,250	5,400	365	17,515

Note: During the year 2019, Mr. Suo Zhenggang waived the remuneration of HK$300,000 for the year ended 31 December 2018.

Except the above, there was no other arrangement under which a director or the chief executive waived or agreed to waive any remuneration during the year.

10. Five highest paid employees

The five highest paid employees for the year ended 31 December 2019 include four directors including the chief executive of the Company (2018: three directors including the chief executive), details of whose remuneration are set out in note 9. Details of the remuneration for the year of the remaining one (2018: two) highest paid employees who are neither a director nor chief executive of the Company, are as follows:

Group

	2019 HK$'000	2018 HK$'000
Salaries, allowances and benefits in kind	**3,285**	4,851
Performance related bonuses	**1,806**	2,000
Pension scheme contributions	**18**	30
	5,109	6,881

The number of non-director and non-chief executive highest paid employees whose remuneration fell within the following bands is as follows:

	2019	2018
Number of employees by remuneration band:		
HK$1,500,001 – HK$2,000,000	**–**	1
HK$5,000,001 – HK$5,500,000	**1**	1
	1	2

11. Income tax expense

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

	Note	2019 HK$'000	2018 HK$'000
Current – PRC			
Charge for the year		**5,175**	12,212
Current – Gabon			
Charge for the year		**64**	598
Deferred	20	**11,593**	(5,680)
Total tax expense for the year		**16,832**	7,130

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 year's taxable profits.

PRC corporate income tax ("CIT")

Pursuant to the PRC Income Tax Law and the respective regulations, except for the preferential tax treatment available to CITIC Dameng Mining which is recognised as a High and New Technology Enterprise and was entitled to a preferential CIT rate of 15% in 2019, and Guangxi Start, which was entitled to a preferential CIT rate of 15% for Developing Western China for which the policy will end in 2020 and the related benefit will be subject to review by tax authorities every year thereafter, other companies of the Group which operate in Mainland China are subject to CIT at a rate of 25% on their respective taxable income.

11. Income tax expense (continued)

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.

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

	2019 HK$'000	2018 HK$'000
(Loss)/profit before tax	**(217,166)**	343,985
Tax at the statutory PRC corporate income tax rate	**(54,292)**	85,996
Different tax rates for specific provinces or enacted by local authority	**(15,651)**	(46,692)
Profits and losses attributable to associates and a joint venture	**13,032**	(10,794)
Income not subject to tax	**(871)**	(3,188)
Expenses not deductible for tax	**26,608**	10,910
Tax losses not recognised	**52,087**	7,422
Tax losses utilised from previous periods	**(4,081)**	(36,524)
Tax charge reported in profit or loss	**16,832**	7,130
Effective income tax rate	**(7.8%)**	2.1%

The share of tax expense attributable to associates amounting to HK$6,521,000 (2018: HK$3,247,000) and of tax credit attributable to a joint venture amounting to HK$648,000 (2018: HK$282,000), respectively, is included in "Share of profits and losses of associates and a joint venture" in profit or loss.

12. (Loss)/earnings per share attributable to ordinary equity holders of the parent

The calculation of the basic (loss)/earnings per share amounts is based on the (loss)/profit for the year attributable to ordinary equity holders of the parent and the weighted average number of ordinary shares of 3,428,459,000 (2018: 3,428,459,000) in issue during the year.

No adjustment has been made to the basic (loss)/earnings per share amounts presented for the years ended 31 December 2019 and 2018 in respect of a dilution as the impact of the share options outstanding had an anti-dilutive effect on the basic (loss)/earnings per share amounts presented.

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

	2019 HK$'000	2018 HK$'000
(Loss)/profit		
(Loss)/profit attributable to ordinary equity holders of the parent, used in the basic (loss)/earnings per share calculation	**(202,338)**	330,931
	Number of shares	
Shares		
Weighted average number of ordinary shares in issue during the year used in the basic (loss)/earnings per share calculation	**3,428,459,000**	3,428,459,000

13. Dividends

The board does not recommend the payment of any dividend for the year ended 31 December 2019. A final dividend of HK$0.01 per share, totalling HK$34,285,000 for the year ended 31 December 2018 was approved by the Company's shareholders in the annual general meeting of the Company on 24 May 2019 and was paid during the year ended 31 December 2019.

14. Property, plant and equipment

31 December 2019	Note	Buildings and mining structures HK$'000	Motor vehicles, plant, machinery, tools and equipment HK$'000	Furniture and fixtures HK$'000	Leasehold improvements and exploration and evaluation assets HK$'000	Construction in progress HK$'000	Total HK$'000
At 1 January 2019 (restated):							
Cost		2,867,690	1,592,679	63,523	60,439	144,374	4,728,705
Accumulated depreciation and impairment		(1,105,547)	(968,699)	(47,246)	(30,672)	(5,342)	(2,157,506)
Net carrying amount		1,762,143	623,980	16,277	29,767	139,032	2,571,199
At 31 December 2018, net of accumulated depreciation and impairment		1,762,143	779,101	16,277	29,767	139,032	2,726,320
Effect of adoption of HKFRS 16		–	(155,121)	–	–	–	(155,121)
At 1 January 2019 (restated)		1,762,143	623,980	16,277	29,767	139,032	2,571,199
Additions		44,184	126,467	1,443	58,723	309,095	539,912
Depreciation provided during the year	8	(131,167)	(142,319)	(1,362)	(35,149)	–	(309,997)
Impairment	8	(47,721)	(5,103)	(90)	–	(645)	(53,559)
Disposals		(13,830)	(17,370)	(81)	–	(1,032)	(32,313)
Transfers		102,170	83,767	382	–	(186,319)	–
Exchange realignment		(28,873)	(10,620)	(127)	(796)	(3,862)	(44,278)
At 31 December 2019, net of accumulated depreciation and impairment		1,686,906	658,802	16,442	52,545	256,269	2,670,964
At 31 December 2019:							
Cost		2,925,820	1,637,015	63,819	117,427	262,162	5,006,243
Accumulated depreciation and impairment		(1,238,914)	(978,213)	(47,377)	(64,882)	(5,893)	(2,335,279)
Net carrying amount		1,686,906	658,802	16,442	52,545	256,269	2,670,964
31 December 2018							
At 1 January 2018:							
Cost		2,724,473	2,107,385	65,379	61,383	484,105	5,442,725
Accumulated depreciation and impairment		(1,030,516)	(1,266,120)	(48,084)	(31,662)	(5,636)	(2,382,018)
Net carrying amount		1,693,957	841,265	17,295	29,721	478,469	3,060,707
At 1 January 2018, net of accumulated depreciation and impairment		1,693,957	841,265	17,295	29,721	478,469	3,060,707
Additions		1,430	95,539	1,212	14,091	192,504	304,776
Depreciation provided during the year	8	(131,260)	(195,594)	(2,122)	(627)	–	(329,603)
Impairment	8	–	(17,114)	–	–	–	(17,114)
Disposals		(14,712)	(25,021)	(155)	(11,825)	(93,768)	(145,481)
Transfers		306,605	120,452	438	–	(427,495)	–
Exchange realignment		(93,877)	(40,426)	(391)	(1,593)	(10,678)	(146,965)
At 31 December 2018, net of accumulated depreciation and impairment		1,762,143	779,101	16,277	29,767	139,032	2,726,320
At 31 December 2018:							
Cost		2,867,690	2,011,230	63,523	60,439	144,374	5,147,256
Accumulated depreciation and impairment		(1,105,547)	(1,232,129)	(47,246)	(30,672)	(5,342)	(2,420,936)
Net carrying amount		1,762,143	779,101	16,277	29,767	139,032	2,726,320

14. Property, plant and equipment (continued)

As at 31 December 2018, the net carrying amount of the Group's fixed assets held under finance leases included in the total amounts of plant and machinery was HK$155,121,000.

At 31 December 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$175,328,000 (2018: HK$251,872,000). The directors are of the opinion that the aforesaid matter will not have any significant impact on the Group's financial position as at 31 December 2019.

During the course of the Group's major modifications in accordance with the Group's overall strategy to adjust the product mix and shift more to manganese-related battery materials production in the year 2019, certain items of equipment and machinery became idle and an impairment of HK$53,559,000 (2018: HK$17,114,000) was recognised to write down to their recoverable amounts. The recoverable amount of HK$100,981,000 (2018: HK$147,714,000) of the cash-generating unit for this business operation is determined by discounting its future cash flows generated from continuous use at a pre-tax discount rate of 10.1% (2018: 10.7%).

15. Investment properties

	2019 HK$'000	**2018 HK$'000**
Carrying amount at 1 January	**96,552**	101,203
Exchange realignment	**(1,621)**	(4,651)
Carrying amount at 31 December	**94,931**	96,552

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

The Group's investment properties with carrying amounts of HK$82,008,000 and HK$12,923,000 as at 31 December 2019 were stated at the 2019 valuation performed by management.

15. Investment properties (continued)

Fair value hierarchy

The investment properties are leased to a related party and third parties under operating leases, further summary details of which are included in note 16 to the financial statements.

The following table illustrates the fair value measurement hierarchy of the Group's investment properties:

Recurring fair value measurement for:	Fair value measurement as at 31 December 2019 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
Commercial properties	**–**	**–**	**94,931**	**94,931**

Recurring fair value measurement for:	Fair value measurement as at 31 December 2018 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
Commercial properties	–	–	96,552	96,552

During the year, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 (2018: Nil).

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

	Commercial properties HK$'000
Carrying amount at 1 January 2018	101,203
Exchange realignment	(4,651)
Carrying amount at 31 December 2018 and 1 January 2019	**96,552**
Exchange realignment	**(1,621)**
Carrying amount at 31 December 2019	**94,931**

15. Investment properties (continued)

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

	Valuation technique	Significant unobservable inputs	Range or weighted average	
			2019	**2018**
Commercial properties with a carrying amount of HK$82,008,000 (2018: HK$83,408,000)	Discounted cash flow method	Estimated rental value (per sq.m. and per month)	**RMB70 to RMB154**	RMB70 to RMB154
		Rent growth (p.a.)	**5%**	5%
		Long term vacancy rate	**2%**	2%
		Discount rate	**8.5%**	8.5%
Commercial properties with a carrying amount of HK$12,923,000 (2018: HK$13,144,000)	Discounted cash flow method	Estimated rental value (per sq.m. and per month)	**RMB11 to RMB15**	RMB7 to RMB11
		Rent growth (p.a.)	**0%**	0%
		Long term vacancy rate	**2%**	2%
		Discount rate	**5%-5.5%**	5%-5.5%

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

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

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

16. Leases

The Group as a lessee

The Group has lease contracts for various items of plant and machinery, motor vehicles and other equipment used in its operations. Lump sum payments were made upfront to acquire the leased land from the owners with lease periods of 30 to 69 years, and no ongoing payments will be made under the terms of these land leases. Leases of plant and machinery generally have lease terms between 2 and 10 years, while motor vehicles generally have lease terms between 5 and 10 years. Other equipment generally has lease terms of 12 months or less and/or is individually of low value. Generally, the Group is restricted from assigning and subleasing the leased assets outside the Group. There are several lease contracts that include variable lease payments, which are further discussed below.

(a) Prepaid land lease payments (before 1 January 2019)

	Note	HK$'000
Carrying amount at 1 January 2018		480,480
Additions		12,588
Recognised in profit or loss during the year	8	(15,454)
Exchange realignment		(24,934)
Carrying amount at 31 December 2018		452,680
Current portion included in prepayments, deposits and other receivables		(11,705)
Non-current portion		440,975

(b) Right-of-use assets

The carrying amounts of the Group's right-of-use assets and the movements during the year are as follows:

	Note	**Prepaid land lease payments HK$'000**	**Motor vehicles, plant machinery, tools and equipment HK$'000**	**Total HK$'000**
As at 1 January 2019		452,680	196,620	649,300
Additions		9,354	23,637	32,991
Depreciation	8	(12,749)	(46,558)	(59,307)
Exchange realignment		(7,555)	(2,943)	(10,498)
At 31 December 2019		441,730	170,756	612,486

16. Leases (continued)

The Group as a lessee (continued)

(c) Lease liabilities

The carrying amount of lease liabilities (included under interest-bearing bank and other borrowings) and the movements during the year are as follows:

	Note	2019 Lease liabilities HK$'000	2018 Finance lease payables HK$'000
Carrying amount at 1 January		**293,573**	227,337
New leases		**4,848**	186,811
Accretion of interest recognised during the year	7	**7,963**	–
Payments		**(202,511)**	(148,679)
Exchange realignment		**(2,511)**	(13,395)
Carrying amount at 31 December		**101,362**	252,074
Analysed into:			
Current portion		**74,097**	167,559
Non-current portion		**27,265**	84,515

The maturity analysis of lease liabilities (2018: finance lease payables) is disclosed in note 29 to the financial statements.

(d) The amounts recognised in profit or loss in relation to leases are as follows:

	2019 HK$'000
Interest on lease liabilities	**7,963**
Depreciation charge of right-of-use assets	**59,307**
Expense relating to short-term leases and other leases with remaining lease terms ended on or before 31 December 2019 (included in cost of sales)	**35**
Expense relating to leases of low-value assets (included in administrative expenses)	**935**
Variable lease payments not included in the measurement of lease liabilities (included in cost of sales)	**6,617**
Total amount recognised in profit or loss	**74,857**

16. Leases (continued)

The Group as a lessee (continued)

(e) Variable lease payments

The Group has lease contracts for power transformers that contains variable payments based on the actual volume of electricity consumed. These terms are negotiated by management without steady customer demand. Management's objective is to align the lease expense with the volume of electricity consumed and revenue earned. The following provides information on the Group's variable lease payments, including the magnitude in relation to fixed payments:

	Fixed payments HK$'000	Variable payments HK$'000	Total HK$'000
Fixed rent	117	–	117
Variable rent only	–	6,660	6,660
	117	6,660	6,777

A 10% increase in volume of electricity consumed for the relevant products would increase the total lease payments by 10%.

(f) The total cash outflow for leases and future cash outflows relating to leases that have not yet commenced are disclosed in notes 40(b) and 38, respectively, to the financial statements.

The Group as a lessor

The Group leases its investment properties (note 15) under operating lease arrangements. The terms of the leases generally require the tenants to pay security deposits and provide for periodic rent adjustments according to the then prevailing market conditions. Rental income recognised by the Group during the year was HK$26,491,000 (2018: HK$28,391,000), details of which are included in note 6 to the financial statements.

At 31 December 2019, the total undiscounted minimum lease payments receivables by the Group in future periods under non-cancellable operating leases with its tenants are as follows:

	2019 HK$'000	2018 HK$'000
Within one year	**21,950**	32,380
After one year but within two years	**9,726**	22,072
After two years but within three years	**5,084**	6,561
After three years but within four years	**113**	2,571
After four years but within five years	**476**	74
After five years	**–**	261
	37,349	63,919

17. Intangible assets

31 December 2019	Note	Mining rights HK$'000	Other intangible assets HK$'000	Total HK$'000
Cost at 1 January 2019, net of accumulated amortisation and impairment		**521,685**	**7,673**	**529,358**
Additions		**–**	**2,382**	**2,382**
Amortisation provided during the year	8	**(17,063)**	**(652)**	**(17,715)**
Impairment during the year	8	**(41,822)**	**–**	**(41,822)**
Exchange realignment		**(7,959)**	**(151)**	**(8,110)**
At 31 December 2019		**454,841**	**9,252**	**464,093**
At 31 December 2019:				
Cost		**846,285**	**15,430**	**861,715**
Accumulated amortisation and impairment		**(391,444)**	**(6,178)**	**(397,622)**
Net carrying amount		**454,841**	**9,252**	**464,093**
31 December 2018				
At 1 January 2018:				
Cost		906,403	10,068	916,471
Accumulated amortisation and impairment		(320,630)	(5,329)	(325,959)
Net carrying amount		585,773	4,739	590,512
Cost at 1 January 2018, net of accumulated amortisation and impairment		585,773	4,739	590,512
Additions		–	3,889	3,889
Amortisation provided during the year	8	(18,277)	(573)	(18,850)
Impairment during the year	8	(16,955)	–	(16,955)
Exchange realignment		(28,856)	(382)	(29,238)
At 31 December 2018		521,685	7,673	529,358
At 31 December 2018 and at 1 January 2019:				
Cost		860,350	13,297	873,647
Accumulated amortisation and impairment		(338,665)	(5,624)	(344,289)
Net carrying amount		521,685	7,673	529,358

On 27 October 2016, the Group entered into an agreement with a subcontractor, which is also the major shareholder of an associate of the Group, entrusting it with certain rights to operate the Group's Bembélé Manganese Mine in Gabon under the supervision of the Group and subject to certain conditions for a period of five years commencing from 1 March 2017. During this period, the Group continues to control the strategy and significant matters of the mine's operation and the Group receives a fixed income of RMB26,000,000 (equivalent to HK$29,094,000) per annum plus a variable income upon sale of ore mined by the subcontractor, which is determined with reference to the ore's selling price. As at 31 December 2019, the net book value of this mining right after amortisation and impairment amounted to HK$599,000.

As at 31 December 2019, due to temporary suspension of the Group's expansion plan of Changgou Manganese Mine owned by Hui Xing Group, an impairment of HK$41,822,000 (2018: HK$16,955,000) on its mining rights was recognised to write down to its recoverable amount of HK$388,340,000 (2018: HK$442,586,000). The recoverable amount is determined by discounting the future cash flows generated from the continuous use of the mine and its related infrastructure and plant and machinery ("the CGU"). The future cash flows of the CGU are estimated mainly based on an average ore selling price of HK$450 per tonne (equivalent to RMB397 per tonne) (2018: HK$451 per tonne, equivalent to RMB380 per tonne) over the remaining useful life of the mining right discounting at a pre-tax discount rate of 8.8% (2018: 7.7%).

18. Investments in associates and amounts due from associates

	Notes	2019 HK$'000	2018 HK$'000
Share of net assets		**812,339**	886,265
Loan to an associate	(a)	**117**	117
		812,456	886,382
Amounts due from associates	(b)	**34,766**	17,854

Notes:

(a) The loan to an associate is unsecured, interest-free and repayable on demand. In the opinion of the directors, this loan is unlikely to be repaid in the foreseeable future and is considered as part of the Company's net investments in associates. There was no recent history of default and past due amounts for loans to associates. As at 31 December 2019 and 2018, the loss allowance was assessed to be minimal.

(b) At 31 December 2019, included in amounts due from associates was a loan to a subsidiary of Greenway Mining Group Limited ("GMG") of HK$34,766,000 (2018: HK$9,318,000) which carries interest at 8% (2018: 10%) per annum and is repayable on 20 April 2021. The remaining balances at 31 December 2019 and 2018 represented other receivable due from Dushan Jinmeng Manganese Limited Company ("Dushan Jinmeng"). As at 31 December 2019, an expected credit loss allowance of HK$6,841,000 was recognised in respect of the other receivable balance due from Dushan Jinmeng.

The Group's trade and notes receivables due from associates are disclosed in note 39 to the financial statements.

Particulars of the associates as at 31 December 2019 are as follows:

Company name	Place and date of incorporation/ establishment	Issued ordinary share/ registered capital	Percentage of equity interests attributable to the Group		Principal activities
			Direct	Indirect	
GMG	Cayman Islands 30 November 2009	HK$35,798	–	29.99%	Mining, ore processing and sale of lead-silver concentrates and zinc-silver concentrates
Dushan Jinmeng	PRC 19 July 2001	RMB758,657,900	–	33.00%	Manganese ferroalloy production and processing and trading of manganese ferroalloy and related raw materials

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

18. Investments in associates and amounts due from associates (continued)

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

	GMG (Note (a))		Dushan Jinmeng	
	2019 HK$'000	2018 HK$'000	**2019 HK$'000**	2018 HK$'000
Current assets	**36,420**	83,963	**588,108**	571,663
Non-current assets	**2,562,633**	2,966,893	**1,772,966**	1,775,662
Current liabilities	**(218,416)**	(397,066)	**(841,665)**	(837,812)
Non-current liabilities	**(419,841)**	(445,420)	**(632,235)**	(586,122)
Net assets	**1,960,796**	2,208,370	**887,174**	923,391
Non-controlling interests	**(228,312)**	(269,237)	**–**	–
	1,732,484	1,939,133	**887,174**	923,391
Reconciliation to the Group's interests in the associates:				
Proportion of the Group's ownership	**29.99%**	29.99%	**33.00%**	33.00%
Group's share of net assets of the associates	**519,572**	581,546	**292,767**	304,719
Carrying amount of the investments	**519,572**	581,546	**292,767**	304,719
Fair value of the Group's investment	**55,826**	85,886	**–**	–
Revenue	**124,088**	231,304	**1,428,983**	1,122,621
(Loss)/profit for the year attributable to:				
Shareholders	**(154,393)**	(76,834)	**(60,445)**	13,950
Non-controlling interests	**(12,049)**	(8,925)	**–**	–
Other comprehensive income/(loss) attributable to:				
Shareholders	**5,341**	(2,906)	**–**	–
Non-controlling interests	**–**	(831)	**–**	–

Note:

(a) According to the announcement of GMG dated 22 March 2020, its independent auditor emphasised without modifying its audit opinion, that the financial statements of GMG for the year ended 31 December 2019 indicate the existence of a material uncertainty which may cast significant doubt on GMG ability to continue as a going concern. The directors of the Company have assessed the impact on the impairment of the investment in GMG and considered that no further impairment provision was needed as at 31 December 2019.

19. Investment in a joint venture and an amount due from a joint venture

	Note	**2019 HK$'000**	**2018 HK$'000**
Share of net assets		**122,919**	125,534
Amount due from a joint venture	(a)	**43,779**	1,412

Note:

(a) The balance as at 31 December 2019 and 2018 represented trade and other receivable due from Ningbo Dameng. The Group's trade and other receivables due from a joint venture are disclosed in note 39 to the financial statements. There was no recent history of default and past due amounts for balance due from the joint venture. As at 31 December 2019 and 2018, the loss allowance was assessed to be minimal.

19. Investment in a joint venture and an amount due from a joint venture (continued)

Particulars of the joint venture are as follows:

Name	Registered capital/ paid-up capital	Place of registration and business	Percentage of Ownership interest	Percentage of Voting power	Percentage of Profit sharing	Principal activities
Ningbo Dameng Management Partnership (Limited Partnership) ("Ningbo Dameng")	RMB501,000,000/ RMB186,600,000	PRC/Mainland China	34.93	33.33	34.93	Manufacture and sale of manganese related products

The above investment is indirectly held by the Company.

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

	2019 HK$'000	2018 HK$'000
Cash and cash equivalents	**15,332**	2,195
Other current assets	**209,939**	120,357
Current assets	**225,271**	122,552
Non-current assets	**542,059**	386,638
Current liabilities	**(393,830)**	(125,603)
Non-current liabilities	**(21,598)**	(24,200)
Net assets	**351,902**	359,387
Reconciliation to the Group's interest in the joint venture:		
Proportion of the Group's ownership	**34.93%**	34.93%
Group's share of net assets of the joint venture	**122,919**	125,534
Carrying amount of the investment	**122,919**	125,534
Revenue	**531,955**	203,375
Interest income	**49**	41
Depreciation and amortisation	**(55,867)**	(8,533)
Interest expenses	**(5,463)**	–
Gain on bargain purchase	**–**	120,484
Tax credit	**1,856**	809
(Loss)/profit for the year	**(2,184)**	153,965

20. Deferred tax

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

Deferred tax assets

	Note	Deductible temporary differences HK$'000
At 1 January 2018		34,456
Deferred tax credited to profit or loss during the year	11	1,435
Exchange realignment		(1,854)
At 31 December 2018 and 1 January 2019		34,037
Deferred tax charged to profit or loss during the year	11	(3,256)
Exchange realignment		(530)
At 31 December 2019		30,251

20. Deferred tax (continued)

Deferred tax liabilities

	Note	Fair value adjustments arising from acquisition of subsidiaries HK$'000	Withholding taxes HK$'000	Fair value adjustments on investment properties HK$'000	Deprecation allowance in excess of related depreciation and others HK$'000	Total HK$'000
At 1 January 2018		167,507	12,692	8,863	11,359	200,421
Deferred tax charged/(credited) to profit or loss during the year	11	(7,105)	–	–	2,860	(4,245)
Exchange realignment		(8,542)	–	(463)	(708)	(9,713)
At 31 December 2018 and 1 January 2019		**151,860**	**12,692**	**8,400**	**13,511**	**186,463**
Deferred tax charged/(credited) to profit or loss during the year	11	**(13,291)**	**–**	**(1,081)**	**22,709**	**8,337**
Exchange realignment		**(2,416)**	**–**	**(127)**	**(516)**	**(3,059)**
At 31 December 2019		**136,153**	**12,692**	**7,192**	**35,704**	**191,741**

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

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

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

	2019 HK$'000	2018 HK$'000
Tax losses	**706,616**	708,831
Deductible temporary differences	**61,777**	39,657
	768,393	748,488

The Group has tax losses arising in Hong Kong of HK$231,040,000 (2018: HK$208,840,000) that are available indefinitely for offsetting against future taxable profits of the respective companies the losses related to.

The Group also has tax losses arising in Mainland China of HK$475,576,000 (2018: HK$499,991,000) that will expire in one to five years for offsetting against future taxable profits of the respective companies the losses related to.

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

21. Inventories

	2019 HK$'000	2018 HK$'000
Raw materials	**343,083**	282,998
Work in progress	**7,000**	9,947
Finished goods	**243,982**	436,898
	594,065	729,843
Less: Inventory provision	**(75,669)**	(44,814)
	518,396	685,029

22. Trade and notes receivables

	2019 HK$'000	2018 HK$'000
Trade receivables	**1,059,624**	1,122,374
Notes receivable	**763,936**	848,130
	1,823,560	1,970,504
Less: Impairment	**(126,219)**	(46,685)
	1,697,341	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 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.

Included in trade and notes receivables, balance of HK$280,355,000 (2018: HK$132,885,000) was due from an associate (note 39).

Except for trade receivables of HK$362,884,000 (2018: HK$297,282,000) and notes receivable of HK$66,627,000 (2018: HK$54,183,000) with an impairment provision of HK$77,211,000 (2018: Nil) due from a single customer and its subsidiaries including Dushan Jinmeng ("Customer A"), mainly relating to sales from the trading business and subcontracting income, the remaining trade and notes receivables relate to a large number of diversified customers.

As at 31 December 2019, the Group has obtained credit enhancements from Customer A including an undertaking to pledge its certain assets, including inventories, property, plant and equipment and other assets with a carrying amount of HK$215,228,000, to the Group as the security for payments of the outstanding receivables. Except for the above, the Group does not hold any collateral or other credit enhancements over its trade receivable balances. Trade receivables are non-interest-bearing except overdue trade receivables balances due from Customer A are interest-bearing at 9.5% per annum.

As at 31 December 2019, trade receivables of approximately HK$62,855,000 (2018: HK$45,793,000) were pledged to secure bank loans of HK$62,855,000 (2018: HK$45,793,000) granted by banks to the Group and notes receivables of approximately HK$62,105,000 (2018: HK$27,314,000) were pledged to issue certain bank acceptance notes of HK$62,105,000 (2018: HK$27,314,000).

22. 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:

	2019 HK$'000	2018 HK$'000
Within one month	**487,130**	557,161
One to two months	**95,661**	162,234
Two to three months	**36,888**	241,536
Over three months	**317,057**	114,758
	936,736	1,075,689

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

Notes receivable represent: (a) bank acceptance notes of HK$697,309,000 (2018: HK$769,119,000) issued by banks in Mainland China maturing before 30 June 2020 and (b) commercial acceptance notes of HK$66,627,000 (2018: HK$79,011,000) maturing before 31 January 2020. 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 and net of loss allowance, is as follows:

	2019 HK$'000	2018 HK$'000
Within one month	**255,102**	369,460
One to two months	**199,675**	113,710
Two to three months	**153,468**	132,673
Over three months	**152,360**	232,287
	760,605	848,130

Transferred financial assets that are derecognised in their entirety

At 31 December 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 RMB606,599,000 (equivalent to HK$678,784,000) (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 are equal to their carrying amounts. In the opinion of the directors, the fair values of the Group's Continuing Involvement in the Derecognised Notes are not significant.

During the year ended 31 December 2019, the Group has not recognised any gain or loss on the date of transfer of the Derecognised Notes. No gains or losses were recognised from the Continuing Involvement, both during the year or cumulatively. The endorsement has been made evenly throughout the year.

22. Trade and notes receivables (continued)

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

	Note	2019 HK$'000	2018 HK$'000
At beginning of year		**46,685**	42,809
Impairment losses, net	8	**80,358**	6,652
Amount written off as uncollectible		**–**	(288)
Exchange realignment		**(824)**	(2,488)
At end of year		**126,219**	46,685

Increase in the loss allowance of HK$80,358,000 (2018: HK$6,652,000) was as a result of an increase in trade and notes receivables which were past due.

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 and notes receivables using a provision matrix:

As at 31 December 2019

	Ageing				
	Less than 1 year	**1 to 2 years**	**2 to 3 years**	**Over 3 years**	**Total**
Expected credit loss rate	**4.7%**	**73.4%**	**77.1%**	**100.0%**	**6.9%**
Gross carrying amount (HK$'000)	**1,778,985**	**6,748**	**205**	**37,622**	**1,823,560**
Expected credit losses (HK$'000)	**83,489**	**4,950**	**158**	**37,622**	**126,219**

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	0.5%	8.6%	84.2%	100.0%	2.4%
Gross carrying amount (HK$'000)	1,930,113	394	12,955	27,042	1,970,504
Expected credit losses (HK$'000)	8,706	34	10,903	27,042	46,685

23. Prepayments, other receivables and other assets

Non-current portion

	2019 HK$'000	2018 HK$'000
Prepayments	**52**	33,334
Deposits	**107,875**	150,665
	107,927	183,999

Current portion

	2019 HK$'000	2018 HK$'000
Prepayments	**217,016**	250,830
Deposits and other receivables	**242,926**	305,699
	459,942	556,529
Impairment allowance	**(73,638)**	(21,654)
	386,304	534,875

Deposits and other receivables mainly represent rental deposits and deposits with suppliers. An impairment analysis is performed at each reporting date by considering the probability of default. Expected credit losses are estimated by applying a loss rate approach with reference to the historical loss record of the Group. The loss rate is adjusted to reflect the current conditions and forecasts of future economic conditions, as appropriate. Except for certain receivables for which the counterparty failed to make demanded repayment within the credit term and the Group has made provision ("default receivables") of HK$73,638,000, the other balances are normally settled within the credit term with no historical default and past due amounts. The financial assets included in the above balance were categorised in stage 1 as at 31 December 2019 and 2018. Except for the default receivables, the Group estimated that the expected credit loss rate for the other receivables is minimal.

24. Financial assets at fair value through profit or loss

	2019 HK$'000	2018 HK$'000
Listed bond investments, at fair value	**–**	7,931

The above bond investments were classified as financial assets at fair value through profit or loss as they were held for trading, which have been repaid upon redemption during the year.

25. Cash and cash equivalents and pledged deposits

	2019 HK$'000	2018 HK$'000
Cash and bank balances	**1,139,222**	1,388,742
Less: Pledged deposits		
– Pledged for bank acceptance notes	**(35,616)**	(119,074)
Cash and cash equivalents as stated in the consolidated statement of financial position	**1,103,606**	1,269,668
Cash and cash equivalents as stated in the consolidated statement of cash flows	**1,103,606**	1,269,668

As at 31 December 2019, cash and bank balances of the Group denominated in RMB amounting to HK$1,064,600,000 (2018: HK$1,175,540,000) were deposited in Mainland China. The 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 and pledged deposits are deposited with creditworthy banks with no recent history of default.

26. Trade and notes payables

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

	2019 HK$'000	2018 HK$'000
Within one month	**456,254**	375,830
One to two months	**74,051**	138,883
Two to three months	**55,885**	73,557
Over three months	**104,308**	190,436
	690,498	778,706

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

27. Other payables and accruals

	Notes	2019 HK$'000	2018 HK$'000
Contract liabilities	(a)	**44,305**	52,841
Other payables	(b)	**385,635**	587,771
Accruals		**319,957**	342,478
Financial guarantee contracts	(c)	**21,870**	9,915
		771,767	993,005

Notes:

(a) Details of contract liabilities are as follows:

	31 December 2019 HK$'000	31 December 2018 HK$'000	1 January 2018 HK$'000
Short-term advances received from customers			
Sale of goods	**44,305**	52,841	53,720

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

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

(c) The financial guarantee contracts represent guarantees given (i) to a bank in connection with banking facilities granted to an associate, (ii) to a bank in connection with banking facilities granted to Guangxi Huiyuan Manganese Industry Co., Ltd ("Huiyuan Manganese"), a wholly owned subsidiary of a joint venture of the Group and (iii) to Guangxi Dameng in connection with loan facilities granted to a company (the "borrower") in which the Group holds 10% equity interest.

(i) The associate's banking facilities granted by the bank amounted to HK$895.2 million (2018: HK$910.5 million), of which HK$688.2 million (2018: HK$756.8 million) was utilised by the associate. The associate's banking facilities were secured by the associate's lands and property, plant and equipment and guaranteed by the Group and the holding company of the associate, according to the shareholding percentage on a several basis. During the year ended 31 December 2019, an additional ECL allowance of HK$12,773,000 was provided as a result of modification to the guaranteed period resulting in a balance of HK$18,644,000 (2018: HK$5,871,000) as at 31 December 2019.

(ii) Huiyuan Manganese's banking facilities granted by the bank amounted to HK$167.9 million (2018: Nil), of which HK$167.9 million (2018: Nil) was utilised by Huiyuan Manganese. Huiyuan Manganese's banking facilities were guaranteed by the Group and certain of Huiyuan Manganese's property, plant and equipment were pledged to the Group as counter guarantee. In addition, the Group is entitled to receive a guarantee fee income of HK$1,476,000 from Huiyuan Manganese. Accordingly, an ECL allowance of HK$244,000 (2018: Nil) was recorded as at 31 December 2019.

(iii) The loan facilities granted by Guangxi Dameng amounted to HK$111.9 million (2018: HK$113.8 million), of which HK$106.3 million (2018: HK$91.0 million) was utilised by the borrower. The loan facilities were guaranteed by the Group and the major shareholder of the borrower according to the shareholding percentage on a several basis. Accordingly, an ECL allowance of HK$2,982,000 (2018: HK$4,044,000) was recorded as at 31 December 2019.

The Group does not provide financial guarantees except for the above limited circumstances.

The financial guarantee contracts are measured at the higher of the ECL allowance and the amount initially recognised less the cumulative amount of income recognised. The ECL allowance is measured by estimating the cash shortfalls, which are based on the expected payments to reimburse the holders for a credit loss that it incurs less any amounts that the Group expects to receive from the debtors. The amount initially recognised representing the fair value at initial recognition of the financial guarantees was not significant.

The credit exposure of the financial guarantee contracts is classified as stage 1. During the year, there were no transfers between stages (2018: Nil).

28. Derivative financial instruments

	2019 Assets HK$'000	2019 Liabilities HK$'000	2018 Liabilities HK$'000
Interest rate swap	**–**	**3,977**	1,777
Cross currency interest rate swaps	**13,090**	**371**	–
Forward currency contracts	**636**	**2,067**	154
	13,726	**6,415**	1,931
Portion classified as non-current:			
Interest rate swap	**–**	**(1,580)**	(1,232)
Current portion	**13,726**	**4,835**	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.

Cash flow hedge – Interest rate swap and cross currency interest rate swaps

As at 31 December 2019, the Group had interest rate swap and cross currency interest rate swaps with financial institutions with notional amounts of US$27 million, US$27 million and US$19 million, respectively, whereby it receives floating rates of interest on the US$ notional amount at the one-month London Interbank Offered Rate ("LIBOR") monthly, on the US$ notional amount at the three-month LIBOR+1.0% quarterly, and on the US$ notional amount at the three-month LIBOR quarterly, respectively, and pays fixed rates of interest on the US$ notional amount at 2.79%, on the RMB notional amount at 3.99% and on the RMB notional amount at 3.10%. These swaps are being used to hedge the interest rate risk and foreign currency risk in relation to the US$ denominated floating rate bank borrowings with principals of US$27 million, US$27 million and US$19 million, respectively.

There is an economic relationship between the hedged items and the hedging instruments as the terms of the interest rate swap and cross currency interest rate swaps match the interest payments and the principal payments of the US$ loans. The Group has established a hedge ratio of 1:1 for the hedging relationships as the underlying risk of the interest rate swap and cross currency interest rate swaps are identical to the hedged risk components. To measure the hedge effectiveness, the Group uses the hypothetical derivative method and compares the changes in the fair value of the hedging instruments against the changes in fair value of the hedged items attributable to the hedged risk.

Hedge ineffectiveness can arise from:

- Differences in the timing of the cash flows of the interest for the bank loans and the hedging instruments
- Different interest rate curves applied to discount the hedged items and hedging instruments
- The counterparties' credit risks differently impacting the fair value movements of the hedging instruments and hedged items
- Changes to the forecasted amounts of cash flows of hedged items and hedging instruments

28. Derivative financial instruments (continued)

The Group holds the following interest rate swap contract:

	Maturity Within 3 months	3 to 12 months	1 to 2 years	Total
As at 31 December 2019				
Interest rate swaps				
(2.3% plus one-month LIBOR US$27 million bank loan)				
Notional amount (in HK$'000)	–	23,538	188,309	211,847
Interest rate swaps				
(1.0% plus three-month LIBOR US$27 million bank loan)				
Notional amount (in HK$'000)	207,798	–	–	207,798
Interest rate swaps				
(1.2% plus three-month LIBOR US$19 million bank loan)				
Notional amount (in HK$'000)	148,010	–	–	148,010

The impacts of the hedging instruments on the statement of financial position are as follows:

	Notional amount HK$'000	Carrying amount HK$'000	Line item in the statement of financial position	Change in fair value used for measuring hedge ineffectiveness for the year HK$'000
As at 31 December 2019				
Receive one-month LIBOR plus 2.3% and pay 2.79%	211,847	(3,977)	Derivative financial instrument (liability)	–
Receive three-month LIBOR plus 1.0% and pay 3.99%	207,798	7,652	Derivative financial instrument (asset)	–
Receive three-month LIBOR plus 1.2% and pay 3.10%	148,010	5,067	Derivative financial instrument asset	–

The impacts of the hedged items on the statement of financial position are as follows:

	Change in fair value used for measuring hedge ineffectiveness for the year HK$'000	Cash flow hedge reserve HK$'000
As at 31 December 2019		
2.3% plus one-month LIBOR US$27 million bank loan	–	(3,977)
1.0% plus three-month LIBOR US$27 million bank loan	–	–
1.2% plus three-month LIBOR US$19 million bank loan	–	–

28. Derivative financial instruments (continued)

The effects of the cash flow hedge on the statement of profit or loss and other comprehensive income are as follows:

	Total hedging loss recognised in other comprehensive income					Amount reclassified from other comprehensive income to profit or loss			
	Gross amount HK$'000	Tax effect HK$'000	Total HK$'000	Hedge in the statement of profit or loss HK$'000	Line item in the statement of profit or loss	Gross amount HK$'000	Tax effect HK$'000	Total HK$'000	Line item (gross amount) in the statement of profit or loss
As at 31 December 2019									
2.3% plus one-month LIBOR US$27 million bank loan	(1,150)	–	(1,150)	–	N/A	(1,050)	–	(1,050)	Finance cost
1.0% plus three-month LIBOR US$27 million bank loan	8,506	–	8,506	–	N/A	(8,506)	–	(8,506)	Finance cost and other expense
1.2% plus three-month LIBOR US$19 million bank loan	6,027	–	6,027	–	N/A	(6,027)	–	(6,027)	Finance cost and other expense

Fair value hedge – forward currency contracts

At 31 December 2019, the Group had certain forward currency contracts in place with notional amounts of RMB64,974,000 and US$9,129,000 which will be exercised at a rate range from 7.0830 to 7.1530 (USD/RMB). The forward currency contracts are used to hedge the exposure to changes in the fair value of its payables of US$9,129,000.

There is an economic relationship between the hedged items and the hedging instruments as the terms of the forward currency contracts match the terms of payment of the outstanding RMB balance (i.e., notional amount and expected payment date). The Group has established a hedge ratio of 1:1 for the hedging relationships as the underlying risks of the forward currency contracts are identical to the hedged risk components. To measure the hedge effectiveness, the Group uses the hypothetical derivative method and compares the changes in the fair value of the hedging instruments against the changes in fair value of the hedged items attributable to the hedged risks.

The hedge ineffectiveness can arise from:

- differences in the timing of cash flows of the hedged item and the hedging instrument
- the counterparties' credit risks differently impacting the fair value movements of the hedging instrument and the hedged item

The impacts of the hedging instruments on the statement of financial position are as follows:

	Notional amount HK$'000	Carrying amount HK$'000	Line item in the statement of financial position	Change in fair value used for measuring hedge ineffectiveness for the year HK$'000
As at 31 December 2019				
Foreign currency contracts	72,706	(1,431)	Derivative financial instrument (assets/liability)	–

28. Derivative financial instruments (continued)

Fair value hedge – forward currency contracts (continued)

The impacts of the hedged items on the statement of financial position are as follows:

	Carrying amount HK$'000	Accumulated fair value adjustments HK$'000	Line item in the statement of financial position	Change in fair value used for measuring hedge ineffectiveness for the year HK$'000
As at 31 December 2019				
Foreign currency contracts	72,706	(1,431)	Trade payables	–

29. Interest-bearing bank and other borrowings

	31 December 2019 Effective Interest rate (%)	Maturity	HK$'000	1 January 2019 HK$'000	31 December 2018 Effective Interest rate (%)	Maturity	HK$'000
Current							
Lease liabilities (notes 16 (c), 30)	**5.20-8.70**	**2020**	**74,097**	174,859	6.32-8.70	2019	167,559
Bank loans – secured (note (a))	**3.09-3.19**	**2020**	**62,855**	45,793	3.80-3.92	2019	45,793
Bank loans – unsecured	**4.35-5.22, LIBOR+1.00, LIBOR+1.20**	**2020**	**2,685,565**	2,644,944	4.57-5.89	2019	2,644,944
Current portion of long-term bank loans – unsecured	**4.75-5.46, LIBOR+2.30**	**2020**	**689,391**	312,764	4.75-5.23, LIBOR+2.30	2019	312,764
			3,511,908	3,178,360			3,171,060
Non-current							
Lease liabilities (notes 16 (c), 30)	**5.20-8.70**	**2021**	**27,265**	118,714	6.32-8.70	2020-2021	84,515
Bank loans – unsecured	**4.75-5.46, LIBOR+2.30**	**2021-2023**	**618,934**	1,107,720	4.75-5.46, LIBOR+2.30	2020-2021	1,107,720
			646,199	1,226,434			1,192,235
			4,158,107	4,404,794			4,363,295

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

	2019 HK$'000	2018 HK$'000
Analysed into:		
Bank loans repayable:		
Within one year or on demand	**3,437,811**	3,003,501
In the second year	**519,902**	618,842
In the third to fifth years, inclusive	**99,032**	488,878
	4,056,745	4,111,221
Other loans and lease liabilities:		
Within one year or on demand	**74,097**	167,559
In the second year	**27,265**	56,723
In the third to fifth years, inclusive	**–**	27,792
	101,362	252,074
	4,158,107	4,363,295

Notes:

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

	2019 HK$'000	2018 HK$'000
Trade receivables	**62,855**	45,793

(b) As at 31 December 2019, except for bank and other borrowings of HK$877,666,000 (2018: HK$555,796,000) which were denominated in United States dollars, all borrowings were denominated in Renminbi.

30. Finance lease payables

The Group leases certain of its plant and machinery of its EMM and alloying materials production business. These leases were classified as finance leases prior to HKFRS 16 becoming effective on 1 January 2019 and had remaining lease terms ranging from 1 to 2 years. If no default occurs during the lease terms, the ownership of these assets shall automatically be transferred to the lessee at a price of RMB700.

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

a) an original principal of RMB157,500,000 (equivalent to HK$176,243,000) 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$123,000) to the lessor and a cash deposit of RMB7,875,000 (equivalent to HK$8,812,000) paid to the lessor as security, where the arrangement 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$335,700,000) 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$7,842,000) to the lessor and a cash deposit of RMB24,000,000 (equivalent to HK$26,856,000) paid to the lessor as security, where the arrangement was entered into between the Group and the Lessor on 5 August 2015. The maturity date of the loan is 5 August 2020; and

c) an original principal of RMB50,000,000 (equivalent to HK$55,950,000) 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$1,881,000) to the lessor and a cash deposit of RMB21,500,000 (equivalent to HK$24,059,000) paid to the lessor as security, where the arrangement was entered into between the Group and the Lessor on 14 December 2016. The loan was repaid on 14 December 2019.

30. Finance lease payables (continued)

As at 31 December 2018, the total future minimum lease payments under finance leases and their present values were as follows:

	Minimum lease payments HK$'000	Present value of minimum lease payments HK$'000
Amounts payable:		
Within one year	172,017	167,559
In the second year	59,945	56,723
In the third to fifth years, inclusive	32,287	27,792
Total minimum finance lease payments	264,249	252,074
Future finance charges	(12,175)	
Total net finance lease payables	252,074	
Portion classified as current liabilities (note 29)	(167,559)	
Non-current portion (note 29)	84,515	

31. Other long-term liabilities

	2019 HK$'000	2018 HK$'000
At beginning of year	**28,118**	25,342
Additional provision	**15,118**	4,270
Exchange realignment	**(664)**	(1,494)
At end of year	**42,572**	28,118

The balance represents provision for rehabilitation estimated by management of the restoration costs to be incurred on mine closure. The estimation basis is reviewed on an ongoing basis and revised where appropriate.

32. Deferred income

	2019 HK$'000	2018 HK$'000
At beginning of year	**76,988**	82,302
Addition	**403**	8,891
Amortised during the year	**(19,260)**	(9,957)
Exchange realignment	**(1,053)**	(4,248)
At end of year	**57,078**	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 consolidated statement of financial position. Such deferred income is amortised on the straight-line basis to profit or loss over the expected useful lives of the relevant assets acquired.

33. Issued capital

Shares

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

There was no movement in the Company's issued capital during 2019.

34. Share option scheme

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

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

34. Share option scheme (continued)

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

	2019 Weighted average exercise price HK$ per share	2019 Number of options '000	2018 Weighted average exercise price HK$ per share	2018 Number of options '000
At 1 January	**2.81**	**44,500**	2.81	45,500
Forfeited during the year	**2.81**	**(9,000)**	2.81	(1,000)
At 31 December	**2.81**	**35,500**	2.81	44,500

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

2019:

Number of share options outstanding '000	Exercise price HK$ per share	Exercise period
8,875	2.81	11 January 2012 to 10 January 2021
8,875	2.81	11 January 2013 to 10 January 2021
17,750	2.81	11 January 2014 to 10 January 2021
35,500		

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, at HK$42,245,000 (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 year as all share options have been vested in 2014.

35. Reserves

The amounts of the Group's reserves and the movements therein are presented in the consolidated statement of changes in equity on page 106 of the financial statements.

	Note	2019 HK$'000	2018 HK$'000
Contributed surplus		**2,453,063**	2,487,348
Hedging reserve		**(3,977)**	(1,777)
Reserve funds	(a)	**169,342**	144,025
Fair value reserve of financial assets at fair value through other comprehensive income		**(5,332)**	–
Share option reserve		**41,804**	52,760
Investment related reserve		**1,602**	–
Exchange fluctuation reserve		**(39,333)**	14,285
Capital redemption reserve		**312**	312
(Accumulated losses)/retained profits		**(156,588)**	60,111
		2,460,893	2,757,064

Note:

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

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

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

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

	2019	2018
Percentage of equity interest held by non-controlling interests:		
Hui Xing Group	**36%**	36%
Qinzhou New Materials	**30%**	30%
Tiandeng Dameng	**40%**	40%

	2019	2018
Loss for the year allocated to non-controlling interests:		
Hui Xing Group	**(28,756)**	(3,011)
Qinzhou New Materials	**(3,960)**	4,216
Tiandeng Dameng	**(2,243)**	(7)
Accumulated balances of non-controlling interests at the reporting dates:		
Hui Xing Group	**158,721**	187,477
Qinzhou New Materials	**(46,995)**	(43,035)
Tiandeng Dameng	**(42,215)**	(39,972)

36. Partly-owned subsidiaries with material non-controlling interests (continued)

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

	Hui Xing Group		Qinzhou New Materials		Tiandeng Dameng	
	2019 HK$'000	2018 HK$'000	**2019 HK$'000**	2018 HK$'000	**2019 HK$'000**	2018 HK$'000
Revenue, other income and gains	**102,897**	213,008	**791,037**	861,570	**119**	155
Total expenses	**182,776**	221,371	**804,235**	847,516	**5,725**	173
(Loss)/profit for the year	**(79,879)**	(8,363)	**(13,198)**	14,054	**(5,606)**	(18)
Total comprehensive (loss)/profit for the year	**(87,929)**	(13,722)	**(8,564)**	17,981	**(1,608)**	3,337
Current assets	**117,866**	171,757	**164,417**	271,049	**13,571**	19,085
Non-current assets	**764,501**	824,659	**29,719**	34,046	**1,649**	1,681
Current liabilities	**330,493**	318,132	**334,839**	434,834	**110,762**	112,309
Non-current liabilities	**133,345**	172,402	**501**	622	**–**	–
Net cash flows (used in)/from operating activities	**(27,256)**	43,521	**32,889**	(15,457)	**(29)**	(129)
Net cash flows used in investing activities	**(12,170)**	(10,247)	**(619)**	(1,547)	**–**	–
Net cash flows from/(used in) financing activities	**10,584**	(116)	**(32,237)**	14,653	**–**	–
Net (decrease)/increase in cash and cash equivalents	**(28,842)**	33,158	**33**	(2,351)	**(29)**	(129)

37. Contingent liabilities

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

	Notes	2019 HK$'000	2018 HK$'000
Guarantees given to a bank in connection with facilities granted to an associate	(a)	**295,416**	300,458
Guarantees given to Guangxi Dameng Manganese Industry Group Co., Ltd. ("Guangxi Dameng") in connection with facilities provided to an investee	(b)	**11,190**	11,381
Guarantees given to a bank in connection with facilities granted to a subsidiary of a joint venture	(c)	**167,850**	–

Notes:

(a) As at 31 December 2019, the outstanding banking facilities of an associate, in which the Group has a 33% equity interests, was secured by the associate's lands and property, plant and equipment and guaranteed by the Group and the holding company of the associate according to the shareholding percentage on a several basis.

As at 31 December 2019 the associate's banking facilities guaranteed by the Group and the holding company of the associate amounted to RMB800,000,000 (equivalent to HK$895,200,000) (2018: RMB800,000,000, equivalent to HK$910,480,000) and were utilised to the extent of RMB615,000,000 (equivalent to HK$688,185,000) (2018: RMB665,000,000, equivalent to HK$756,837,000) by the associate.

(b) As at 31 December 2019, the loan facilities provided by Guangxi Dameng to a company (the "borrower"), in which the Group has a 10% equity interests, were guaranteed by the Group and the major shareholder of the borrower according to the shareholding percentage on a several basis.

As at 31 December 2019, the loan facilities guaranteed by the Group and the holding company of the borrower amounted to RMB100,000,000 (equivalent to HK$111,900,000) (2018: RMB100,000,000, equivalent to HK$113,810,000) and were utilised to the extent of RMB95,000,000 (equivalent to HK$106,305,000) (2018: RMB80,000,000, equivalent to HK$91,048,000) by the borrower.

(c) As at 31 December 2019, the outstanding banking facilities of Huiyuan Manganese, a subsidiary of the joint venture of the Group, in which the Group has a 34.93% equity interest, was guaranteed by the Group. Certain of Huiyuan Manganese's property, plant and equipment were pledged to the Group as counter guarantee. The Group is entitled to receive a guarantee fee income of HK$1,476,000 from Huiyuan Manganese for the year ended 31 December 2019.

As at 31 December 2019, Huiyuan Manganese's banking facilities guaranteed by the Group amounted to RMB150,000,000 (equivalent to HK$167,850,000) (2018: Nil) and were utilised to the extent of RMB150,000,000 (equivalent to HK$167,850,000) (2018: Nil) by the company.

(d) As at 31 December 2019, these contingent liabilities have been provided for as financial guarantee contracts in the financial statements (note 27).

38. Commitments

(a) The Group had the following capital commitments at the end of the reporting period:

	2019 HK$'000	2018 HK$'000
Capital expenditure in respect of acquisitions of items of property, plant and equipment	**368,491**	113,531

In addition, the Group's share of the joint venture's own capital commitments, which are not included in the above, is as follows:

	2019 HK$'000	2018 HK$'000
Contracted, but not provided for:		
Plant and machinery	**2,482**	143

(b) Operating lease commitments as at 31 December 2018

The Group leased certain of its plant and machinery under operating lease arrangements. Leases for plant and machinery were negotiated for terms ranging from 1 to 7 years.

As at 31 December 2018, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	2018 HK$'000
Within one year	19,276
In the second to fifth years, inclusive	26,946
	46,222

39. Related party transactions

CITIC Group is a Controlling Shareholder of the Company, and therefore, its subsidiaries are considered to be related parties of the Group. Guangxi Dameng, a shareholder of the Company, exercises significant influence over the Group. Therefore, Guangxi Dameng and its subsidiaries are considered to be related parties of the Group.

(a) In addition to the transactions detailed elsewhere in these financial statements, the Group had the following transactions with related parties during the year:

	Notes	2019 HK$'000	2018 HK$'000
Sales of finished goods to related companies	(i)	**134,777**	125,381
Sales of finished goods to an associate	(ii)	**469,737**	162,370
Sales of finished goods to a joint venture	(ii)	**113,757**	–
Sales of finished goods to a related company	(iii)	**34,085**	–
Purchase of finished goods from Guangxi Dameng	(i)	**3,765**	52,203
Purchase of finished goods from an associate	(ii)	**16,188**	40,655
Purchase of raw materials from subsidiaries of Guangxi Dameng	(i)	**3,163**	5,827
Purchase of property, plant and equipment from a subsidiary of Guangxi Dameng	(i)	**7,038**	–
Mining drawing service provided by Guangxi Dameng	(iv)	**–**	671
Provision of water and electricity to Guangxi Dameng	(v)	**12**	59
Provision of integrated service by Guangxi Dameng	(iv)	**–**	3,985
Rental income received from Guangxi Dameng	(vi)	**77**	948
Rental income received from a related company	(vii)	**1,419**	–
Maximum balance of bank deposits with related companies during the year	(viii)	**400**	425
Interest income on deposits placed with related companies	(viii)	**1**	1
Maximum balance of loans to an associate	(ix)	**33,570**	23,722
Interest income on loans provided to an associate	(ix)	**1,689**	222
Maximum balance of loans from a fellow subsidiary of Guangxi Dameng	(x)	**–**	100,425
Interest expense on the loans from a fellow subsidiary of Guangxi Dameng	(x)	**–**	8,563
Receipt of guarantee fee from a joint venture	(xi)	**1,476**	–

39. Related party transactions (continued)

(a) (continued)

Notes:

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

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

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

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

(v) Reimbursement of electricity and water was based on the actual costs incurred plus mark-up.

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

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

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

(ix) The loan to an associate carries interest at 8% (2018: 10%) per annum and is repayable on 20 April 2021.

(x) A loan provided by a fellow subsidiary of Guangxi Dameng carried interest at a rate of 7% per annum and was fully repaid during the year 2018.

(xi) The Group is entitled to receive a guarantee fee income of HK$1,476,000 from the joint venture (note 37(c)).

The related party transactions above, save for notes (ii), (ix) and (xi), also constitute connected transactions or continuing connected transactions as defined in Chapter 14A of the Listing Rules. Transactions in notes (v), (vi), (vii), (viii) and (x) above are fully exempted under Chapter 14A of the Listing Rules. Sales of finished goods to CITIC Jinzhou Ferroalloy Co., Ltd. in note (iii) above is a connected transaction as detailed in the Company's announcement of 2 December 2019.

(b) Outstanding balances with related parties

		2019 HK$'000	2018 HK$'000
(i)	Due from related companies		
	Trade receivables	**17,126**	18,077
	Prepayments and other receivables	**230**	16,987
		17,356	35,064
(ii)	Due to related companies		
	Trade payables	**578**	1,822
	Other payables	**3,393**	6,753
		3,971	8,575
(iii)	Bank balances with related companies	**384**	392
(iv)	Due from associates		
	Trade and notes receivables (note 22)	**280,355**	132,885
	Other receivables	**–**	8,536
	Loan to an associate (note 18)	**34,766**	9,318
		315,121	150,739
(v)	Due from a joint venture		
	Trade receivables	**42,391**	–
	Other receivables	**1,388**	1,412
		43,779	1,412

39. Related party transactions (continued)

(b) Outstanding balances with related parties (continued)

Trade receivables from the Group's related companies and a joint venture are unsecured, non-interest-bearing and repayable on similar credit terms to those offered to independent third party customers of the Group. Trade receivables from an associate within the credit period are non-interest-bearing while overdue trade receivables balances are interest-bearing at 9.5% per annum. The Group's prepayments and other receivables from related companies, associates and a joint venture at 31 December 2019 and 2018 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.

(c) Compensation of key management personnel of the Group

	2019 HK$'000	2018 HK$'000
Salaries, allowances and benefits in kind	**6,981**	8,236
Bonuses	**2,189**	2,000
Pension scheme contributions	**380**	333
Total compensation paid to key management personnel	**9,550**	10,569

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

(d) The Group has guaranteed banking facilities granted to an associate amounting to HK$295,416,000 (2018: HK$300,458,000) as at the end of the reporting period, as further detailed in note 27(c) to the financial statements.

(e) The Group has guaranteed banking facilities granted to a subsidiary of a joint venture amounting to HK$167,850,000 (2018: Nil) as at the end of the reporting period, as further detailed in note 27(c) to the financial statements.

40. Notes to the consolidated statement of cash flows

(a) During the year, the Group had non-cash additions to right-of-use assets and lease liabilities of HK$4,848,000 and HK$4,848,000, respectively, in respect of lease arrangements for plant and equipment (2018: Nil).

(b) Changes in liabilities arising from financing activities

2019

	Dividend payables HK$'000	Interest payables HK$'000	Bank and other loans HK$'000	Finance lease payables/ Lease liabilities HK$'000
At 31 December 2018	**–**	**2,092**	**4,111,221**	**252,074**
Effect of adoption of HKFRS 16	**–**	**–**	**–**	**41,499**
At 1 January 2019 (restated)	**–**	**2,092**	**4,111,221**	**293,573**
Changes from financing cash flows	**(34,285)**	**(217,931)**	**5,634**	**(202,511)**
New leases	**–**	**–**	**–**	**4,848**
Foreign exchange movement	**–**	**(53)**	**(60,110)**	**(2,511)**
Final dividend declared	**34,285**	**–**	**–**	**–**
Interest expense	**–**	**217,931**	**–**	**7,963**
At 31 December 2019	**–**	**2,039**	**4,056,745**	**101,362**

2018

	Due to a related party HK$'000	Interest payables HK$'000	Bank and other loans HK$'000	Finance lease payables HK$'000
At 1 January 2018	100,425	1,558	3,520,860	227,337
Changes from financing cash flows	(118,610)	(234,576)	775,715	28,815
Foreign exchange movement	(1,221)	(93)	(185,354)	(4,078)
Interest expense	2,451	235,203	–	–
Reclassified	16,955	–	–	–
At 31 December 2018	–	2,092	4,111,221	252,074

(c) Total cash outflow for leases

The total cash outflow for leases included in the statement of cash flows is as follows:

	2019 HK$'000
Within operating activities	**(7,587)**
Within investing activities	**(28,143)**
Within financing activities	**(202,511)**
	(238,241)

41. Financial instruments by category

The carrying amounts of each of the categories of financial instruments as at the end of the reporting period are as follows:

2019

Financial assets

	Financial assets at fair value through profit or loss HK$'000	Financial assets at fair value through other comprehensive income HK$'000	Financial assets at amortised costs HK$'000	Total HK$'000
Trade and notes receivables	–	760,605	936,736	1,697,341
Financial assets included in prepayments, other receivables and other assets	–	–	250,276	250,276
Due from related companies	–	–	17,356	17,356
Due from associates	–	–	34,766	34,766
Due from a joint venture	–	–	43,779	43,779
Derivative financial instruments	636	13,090	–	13,726
Pledged deposits	–	–	35,616	35,616
Cash and cash equivalents	–	–	1,103,606	1,103,606
	636	773,695	2,422,135	3,196,466

Financial liabilities

	Financial liabilities at fair value through profit or loss HK$'000	Financial liabilities at fair value through other comprehensive income HK$'000	Financial liabilities at amortised costs HK$'000	Total HK$'000
Trade and notes payables	–	–	690,498	690,498
Financial liabilities included in other payables and accruals	–	–	407,507	407,507
Derivative financial instruments	2,067	4,348	–	6,415
Interest-bearing bank and other borrowings	–	–	4,158,107	4,158,107
Due to related companies	–	–	3,971	3,971
	2,067	4,348	5,260,083	5,266,498

41. Financial instruments by category (continued)

The carrying amounts of each of the categories of financial instruments as at the end of the reporting period are as follows: (continued)

2018

Financial assets

	Financial assets at fair value through profit or loss HK$'000	Financial assets at fair value through other comprehensive income HK$'000	Financial assets at amortised costs HK$'000	Total HK$'000
Trade and notes receivables	–	848,130	1,075,689	1,923,819
Financial assets included in prepayments, other receivables and other assets	–	–	309,068	309,068
Due from related companies	–	–	35,064	35,064
Due from associates	–	–	17,854	17,854
Due from a joint venture	–	–	1,412	1,412
Financial assets at fair value through profit or loss	7,931	–	–	7,931
Pledged deposits	–	–	119,074	119,074
Cash and cash equivalents	–	–	1,269,668	1,269,668
	7,931	848,130	2,827,829	3,683,890

Financial liabilities

	Financial liabilities at fair value through profit or loss HK$'000	Financial liabilities at fair value through other comprehensive income HK$'000	Financial liabilities at amortised costs HK$'000	Total HK$'000
Trade and notes payables	–	–	778,706	778,706
Financial liabilities included in other payables and accruals	–	–	648,879	648,879
Derivative financial instruments	154	1,777	–	1,931
Interest-bearing bank and other borrowings	–	–	4,363,295	4,363,295
Due to related companies	–	–	8,575	8,575
	154	1,777	5,799,455	5,801,386

42. Fair value and fair value hierarchy of financial instruments

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

Financial assets

	Carrying amounts		Fair values	
	2019 HK$'000	**2018 HK$'000**	**2019 HK$'000**	**2018 HK$'000**
Notes receivable	**760,605**	848,130	**760,605**	848,130
Financial assets at fair value through profit or loss	**–**	7,931	**–**	7,931
Derivative financial instruments	**13,726**	–	**13,726**	–
	774,331	856,061	**774,331**	856,061

Financial liabilities

	Carrying amounts		Fair values	
	2019 HK$'000	**2018 HK$'000**	**2019 HK$'000**	**2018 HK$'000**
Interest-bearing bank borrowings (other than lease liabilities)	**4,056,745**	4,111,221	**4,056,745**	4,111,221
Derivative financial instruments	**6,415**	1,931	**6,415**	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, loans to associates, financial liabilities included in other payables and accruals, amounts due from associates, amounts due from/to related companies, an amount due from a joint venture and the guarantees given to banks in connection with facilities granted to an associate, a joint venture and the borrower 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, 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 and 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 changes in fair value as a result of the Group's own non-performance risk for notes receivable and interest-bearing bank and other borrowings as at 31 December 2019 were 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, interest rate swap and cross currency 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.

42. Fair value and fair value hierarchy of financial instruments (continued)

Fair value hierarchy

The following tables illustrate the fair value measurement hierarchy of the Group's financial instruments.

Assets 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
As at 31 December 2019				
Assets:				
Notes receivable	**–**	**760,605**	**–**	**760,605**
Derivative financial instruments	**–**	**13,726**	**–**	**13,726**
Liabilities:				
Derivative financial instruments	**–**	**6,415**	**–**	**6,415**
As at 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 year, 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 (2018: Nil).

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
2019				
Interest-bearing bank borrowings (other than lease liabilities)	**–**	**4,056,745**	**–**	**4,056,745**
2018				
Interest-bearing bank and other borrowings	–	4,363,295	–	4,363,295

43. Financial risk management objectives and policies

The Group's principal financial instruments, other than derivatives, comprise financial liabilities which are mainly interest-bearing bank and other borrowings; and financial assets which are mainly cash and short-term bank deposits. The main purpose of these financial instruments is to raise finance for the Group's operations. The Group has various other financial assets and liabilities, such as trade and notes receivables and trade and notes payables, which arise directly from its operations.

The Group also enters into derivative transactions, including principally interest rate swap, cross currency interest rate swaps and forward currency contracts. The purpose is to manage the interest rate and currency risks arising form the Group's operations and its sources of finance.

The main risks arising from the Group's financial instruments are interest rate risk, foreign currency risk, credit risk and liquidity risk. The board of directors reviews and agrees policies for managing each of these risks and they are summarised below. The Group's accounting policies in relation to derivatives are set out in note 3 to the financial statements.

Interest rate risk

The Group's income and operating cash flows are not substantially affected by changes in market interest rates. In addition, the Group has no significant interest-bearing assets and liabilities except for cash and cash equivalents, financial assets at fair value through profit or loss and interest-bearing bank and other borrowings. Borrowings carried at floating rates expose the Group to cash flow interest rate risk whereas those carried at fixed rates expose the Group to fair value interest rate risk.

The Group's policy is to manage its interest expenses using a mix of fixed and floating rate debts. To manage this mix in a cost-effective manner, the Group enters into an interest rate swap contract, in which the Group agrees to exchange, at specified intervals, the difference between fixed and floating rate interest amounts calculated by reference to an agreed-upon notional principal amount. The swap contract is designated to hedge against the interest rate exposure of the underlying debt obligations.

The effective interest rates and terms of repayment of the bank loans of the Group are set out in note 29.

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

	Increase/ (decrease) in basis points	Decrease/ (increase) in profit before tax HK$'000	Decrease/ (increase) in equity* HK$'000
Year ended 31 December 2019			
RMB	**100**	**4,861**	**–**
RMB	**(100)**	**(4,861)**	**–**
US$	**100**	**5,398**	**–**
US$	**(100)**	**(5,398)**	**–**
Year ended 31 December 2018			
RMB	100	11,138	–
RMB	(100)	(11,138)	–
US$	100	5,100	–
US$	(100)	(5,100)	–

* Excluding retained profits

43. Financial risk management objectives and policies (continued)

Foreign currency risk

Foreign currency risk is the risk that the value of a financial instrument fluctuates because of the changes in foreign exchange rates.

The Group's monetary assets, loans and transactions are principally denominated in RMB, US$ and HK$. The Group is exposed to foreign currency risk mainly arising from the exposure of HK$ against RMB.

The Group will constantly review the economic situation and its foreign exchange risk profile, and will consider appropriate hedging measures in future as may be necessary.

The Group has transactional currency exposures. Such exposures arise from the sales or purchases by operating units in currencies other than the units' functional currencies. The Group assesses the respective exposures of each of its operating units and enters into forward currency contracts of appropriate amounts to hedge those exposures.

The forward currency contracts must be in the same currency as the hedged item. It is the Group's policy not to enter into forward contracts until a firm commitment is in place.

It is the Group's policy to negotiate the terms of hedge derivatives to match the terms of the hedged item to maximise the effectiveness of the hedge.

The following table demonstrates the sensitivity at the end of the reporting period to a reasonably determined possible change in the RMB exchange rate, with all other variables held constant, of the Group's profit/(loss) before tax (due to changes in the fair value of monetary assets and liabilities).

	Increase/ (decrease) in exchange rate %	Increase/ (decrease) in profit before tax HK$'000	Increase/ (decrease) in equity* HK$'000
31 December 2019			
If HK$ weakens against RMB	**1**	**195**	**–**
If HK$ strengthens against RMB	**(1)**	**(195)**	**–**
31 December 2018			
If HK$ weakens against RMB	1	294	–
If HK$ strengthens against RMB	(1)	(294)	–

* Excluding retained profits

Credit risk

The Group trades only with recognised and creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis and the Group will request credit enhancements from customers and implement other necessary measures to contain the risk if payments were default.

43. Financial risk management objectives and policies (continued)

Maximum exposure and year-end staging

The tables below show the credit quality and the maximum exposure to credit risk based on the Group's credit policy, which is mainly based on past due information unless other information is available without undue cost or effort, and year-end staging classification as at 31 December.

For listed debt investments, the Group also monitors them by using external credit ratings. The amounts presented are gross carrying amounts for financial assets and the exposure to credit risk for the financial guarantee contracts.

As at 31 December 2019

	12-month ECLs	Lifetime ECLs			
	Stage 1 HK$'000	**Stage 2 HK$'000**	**Stage 3 HK$'000**	**Simplified approach HK$'000**	**HK$'000**
Trade and notes receivables*	–	–	–	1,697,341	1,697,341
Financial assets included in prepayments, other receivables and other assets**	250,276	–	–	–	250,276
Due from related companies	17,356	–	–	–	17,356
Due from associates	34,766	–	–	–	34,766
Due from a joint venture	43,779	–	–	–	43,779
Pledged deposits	35,616	–	–	–	35,616
Cash and cash equivalents	1,103,606	–	–	–	1,103,606
Guarantees given to a bank/a related party in connection with facilities granted to an associate/a joint venture/an investee					
– Facilities not yet drawn	68,874	–	–	–	68,874
– Facilities drawn					
– Not yet past due	405,582	–	–	–	405,582
	1,959,855	**–**	**–**	**1,697,341**	**3,657,196**

43. Financial risk management objectives and policies (continued)

Maximum exposure and year-end staging (continued)

As at 31 December 2018

	12-month ECLs	Lifetime ECLs			
	Stage 1 HK$'000	Stage 2 HK$'000	Stage 3 HK$'000	Simplified approach HK$'000	HK$'000
Trade and notes receivables*	–	–	–	1,923,819	1,923,819
Financial assets included in prepayments, other receivables and other assets**	309,068	–	–	–	309,068
Due from related companies	35,064	–	–	–	35,064
Due from associates	17,854	–	–	–	17,854
Due from a joint venture	1,412	–	–	–	1,412
Financial assets at fair value through profit or loss	7,931	–	–	–	7,931
Pledged deposits	119,074	–	–	–	119,074
Cash and cash equivalents	1,269,668	–	–	–	1,269,668
Guarantees given to a bank/a related party in connection with facilities granted to an associate/an investee					
– Facilities not yet drawn	52,978	–	–	–	52,978
– Facilities drawn					
– Not yet past due	258,861	–	–	–	258,861
	2,071,910	–	–	1,923,819	3,995,729

* For trade and notes receivables to which the Group applies the simplified approach for impairment, information based on the provision matrix is disclosed in note 22 to the financial statements.

** The credit quality of the financial assets included in prepayments, other receivables and other assets is considered to be "normal" when they are not past due and there is no information indicating that the financial assets had a significant increase in credit risk since initial recognition. Otherwise, the credit quality of the financial assets is considered to be "doubtful".

The Group determines the concentration of credit risk by monitoring the locations of its customers. The table below shows an analysis of credit risk exposures of trade and notes receivables which constituted approximately 53% of the Group's total financial assets as at 31 December 2019 (2018: 52%):

	2019 HK$'000	2018 HK$'000
By location:		
Mainland China	**1,677,077**	1,807,858
Asia (excluding Mainland China)	**17,441**	81,571
Europe	**1,305**	25,187
North America	**1,518**	9,203
	1,697,341	1,923,819

In addition, approximately 23% of the Group's trade and notes receivables were due from the Group's five largest customers as at 31 December 2019 (2018: approximately 28%).

43. Financial risk management objectives and policies (continued)

Liquidity risk

The Group's policy is to maintain sufficient cash and cash equivalents and have available funding through bank and other borrowings to meet its working capital requirements and capital expenditure.

The maturity profile of the Group's financial liabilities at the end of the reporting period, based on the contractual undiscounted payments, is as follows:

	2019				
	On demand HK$'000	Less than 3 months HK$'000	3 to less than 12 months HK$'000	1 to 5 years HK$'000	Total HK$'000
Trade and notes payables	–	690,498	–	–	690,498
Financial liabilities included in other payables and accruals	–	407,507	–	–	407,507
Derivative financial instruments	–	4,835	–	1,580	6,415
Interest-bearing bank and other borrowings (excluding lease liabilities)	–	1,839,672	1,750,589	667,650	4,257,911
Lease liabilities	–	5,565	75,389	27,298	108,252
Due to related companies	3,971	–	–	–	3,971
Guarantees given to a bank/a related party in connection with facilities granted to an associate/a joint venture/an investee	405,582	–	–	–	405,582
	409,553	2,948,077	1,825,978	696,528	5,880,136

	2018				
	On demand HK$'000	Less than 3 months HK$'000	3 to less than 12 months HK$'000	1 to 5 years HK$'000	Total HK$'000
Trade and notes payables	–	778,706	–	–	778,706
Financial liabilities included in other payables and accruals	–	648,879	–	–	648,879
Derivative financial instruments	–	699	–	1,232	1,931
Interest-bearing bank and other borrowings	–	1,012,851	2,294,985	1,235,631	4,543,467
Due to related companies	8,575	–	–	–	8,575
Guarantees given to a bank/a related party in connection with facilities granted to an associate/an investee	258,861	–	–	–	258,861
	267,436	2,441,135	2,294,985	1,236,863	6,240,419

Capital management

The primary objectives of the Group's capital management are to safeguard the Group's ability to continue as a going concern and to maintain healthy capital ratios in order to support its business and maximise shareholders' value.

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes for managing capital during the years ended 31 December 2019 and 31 December 2018.

43. Financial risk management objectives and policies (continued)

Capital management (continued)

The Group monitors capital using a net gearing ratio, which is net debt divided by equity attributable to owners of the parent. Net debt is calculated as the sum of interest-bearing bank and other borrowings less cash and cash equivalents and pledged deposits. The net gearing ratios at the end of the reporting periods were as follows:

	31 December 2019 HK$'000	**1 January 2019 HK$'000 (note)**	**31 December 2018 HK$'000**
Interest-bearing bank and other borrowings (note 29)	**4,158,107**	4,404,794	4,363,295
Less: Cash and cash equivalents	**(1,103,606)**	(1,269,668)	(1,269,668)
Less: Pledged deposits	**(35,616)**	(119,074)	(119,074)
Net debt	**3,018,885**	3,016,052	2,974,553
Equity attributable to owners of the parent	**2,803,739**	3,099,910	3,099,910
Net gearing ratio	**107.7%**	97.3%	96.0%

Note: The Group has adopted HKFRS 16 using the modified retrospective approach and the effect of the initial adoption is adjusted against the opening balances as at 1 January 2019 with no adjustments to the comparative amounts as at 31 December 2018. This resulted in an increase in the Group's net debt and hence the Group's gearing ratio increased from 96.0% to 97.3% on 1 January 2019 when compared with the position as at 31 December 2018.

Dividend policy

The Company adopts a dividend policy pursuant to which the Board at its discretion regularly proposes to shareholders for approval of a distribution of dividend, if any, on a semi-annual basis taking into consideration of the following factors: (a) the Company's overall results of operation; (b) the Company's financial position; (c) the Company's capital requirements; (d) the Company's shareholders' interests; (e) the Company's future prospects; and (f) other factors that the Board deems relevant. Any declaration and payment as well as the amount of dividends will be subject to the Company's constitutional documents and the Companies Act, including, inter alia, the approval of the Company's shareholders. In addition, subject to shareholders' approval at general meeting, the Company may also declare special distributions.

44. Comparative amounts

As further explained in note 2.2 to the financial statements, the Group adopted HKFRS 16 on 1 January 2019 using the modified retrospective approach. Under this approach, the comparative amounts in the financial statements were not restated and continued to be reported under the requirements of the previous standard, HKAS 17, and related interpretations.

45. Events after the reporting period

(a) On 24 February 2020, GMG raised approximately HK$49.2 million by way of rights issue. As the Group did not participate in the rights issue, immediately after the completion of the rights issue, the Group's percentage holding in GMG will be reduced from 29.99% to approximately 23.99%. Nevertheless, the Group continues to be the single largest shareholder of GMG which continues to be equity accounted for as an associate. As the subscription price of GMG per share is lower than the book value of the net assets of GMG per share, it is estimated that a one-off extraordinary non-cash loss of approximately HK$100.0 million arising from the deemed disposal of equity interests of the Group in GMG will be recognised in the consolidated income statement of the Company for the year ending 31 December 2020.

45. Events after the reporting period (continued)

(b) The outbreak of the novel coronavirus (COVID-19) in early 2020 has spread across mainland China and beyond, causing disruptions to businesses and economic activities. The Group considers this outbreak to be a non-adjusting event after the reporting period. The Group has closely monitored its impact on our operations. Up to the date of this report, the impact of epidemic on our production was relatively moderate with suspension of certain of our local logistic operations and our products delivery until mid-February 2020. As the epidemic is fluid and rapidly evolving, the related impact on the Group's consolidated results of operations, cash flows and financial condition for the year 2020 could not be reasonably estimated at this stage and will be reflected in the Group's 2020 interim and annual financial statements.

46. Statement of financial position of the Company

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

	2019 HK$'000	2018 HK$'000
NON-CURRENT ASSET		
Investment in a subsidiary	**16,048**	26,183
CURRENT ASSETS		
Other receivables	**686**	686
Amounts due from subsidiaries	**2,787,081**	3,005,231
Cash and cash equivalents	**1,628**	2,925
	2,789,395	3,008,842
CURRENT LIABILITIES		
Other payables and accruals	**17,751**	27,850
	17,751	27,850
NET CURRENT ASSETS	**2,771,644**	2,980,992
NET ASSETS	**2,787,692**	3,007,175
EQUITY		
Issued capital	**342,846**	342,846
Reserves (note)	**2,444,846**	2,664,329
TOTAL EQUITY	**2,787,692**	3,007,175

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

Note:

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

	Share premium account HK$'000	Contributed surplus HK$'000	Share option reserve HK$'000	Capital Redemption reserve HK$'000	Accumulated losses HK$'000	Total HK$'000
At 1 January 2018	3,352,902	–	53,977	312	(738,191)	2,669,000
Loss for the year	–	–	–	–	(4,671)	(4,671)
Reduction of share premium	(3,352,902)	2,652,902	–	–	700,000	–
Transfer of share option reserve upon forfeiture of share options	–	–	(1,217)	–	1,217	–
At 31 December 2018 and at 1 January 2019	**–**	**2,652,902**	**52,760**	**312**	**(41,645)**	**2,664,329**
Loss for the year	**–**	**–**	**–**	**–**	**(185,198)**	**(185,198)**
Final 2018 dividend declared	**–**	**(34,285)**	**–**	**–**	**–**	**(34,285)**
Transfer of share option reserve upon forfeiture of share options	**–**	**–**	**(10,956)**	**–**	**10,956**	**–**
At 31 December 2019	**–**	**2,618,617**	**41,804**	**312**	**(215,887)**	**2,444,846**

The share option reserve comprises the fair value of share options granted which are yet to be exercised, as further explained in the accounting policy for share-based payments in note 3 to the financial statements. The amount will either be transferred to issued capital when the related options are exercised, or be transferred to retained profits should the related options expire or be forfeited.

47. Approval of the financial statements

The financial statements were approved and authorised for issue by the board of directors on 23 March 2020.

Past Performance and Forward Looking Statements

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

Glossary of Terms

2019 AGM	the annual general meeting of the Company held on 24 May 2019 (Friday) at 2:30 pm at Room 2, United Conference Centre, 10/F, United Centre, 95 Queensway, Hong Kong
2020 AGM	the annual general meeting of the Company which is tentatively scheduled to be held on 29 May 2020 (Friday)
Apexhill	Apexhill Investments Limited, a company incorporated in the British Virgin Islands with limited liability on 3 November 2004, which is wholly-owned by CITIC Metal Group Limited. Apexhill is a shareholder of our Company
Bembélé Concentration Plant	the concentration plant associated with Bembélé Manganese Mine
Bembélé Manganese Mine	a manganese mine located in Bembélé, Moyen-Ogooue Province, Gabon, the exploration rights and mining rights of which are owned by Compagnie Industrielle et Commerciale des Mines de Huazhou (Gabon) (華州礦業(加蓬)工貿有限公司), a company in which we indirectly hold 51% equity interest
Board or Board of Directors	our board of directors
BVI	the British Virgin Islands
Bye-laws	the bye-laws of our Company, as amended from time to time
Changgou Manganese Mine	貴州遵義匯興鐵合金有限責任公司長溝錳礦 (Guizhou Zunyi Hui Xing Ferroalloy Limited Company Changgou Manganese Mine)
China or PRC	the People's Republic of China, but for the purpose of this annual report, excluding the Hong Kong Special Administrative Region, Macau Special Administrative Region and Taiwan

Chongzuo Branch	中信大錳礦業有限責任公司崇左分公司 (CITIC Dameng Mining Industries Co., Limited Chongzuo Branch)
CITIC Dameng Investments	CITIC Dameng Investments Limited（中信大錳投資有限公司）
CITIC Dameng Mining or CDM	中信大錳礦業有限責任公司 (CITIC Dameng Mining Industries Co., Limited)
CITIC Group	中國中信集團有限公司 (CITIC Group Corporation), a company incorporated under the laws of the PRC on 4 October 1979, and, except where the context may otherwise require, all of its subsidiaries, which is a Controlling Shareholder of our Company
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 Mine	中信大錳礦業有限責任公司大新錳礦 (CITIC Dameng Mining Industries Co., Limited Daxin Manganese Mine)
Director(s)	the director(s) of our Company
Dushan Jinmeng	獨山金孟錳業有限公司 (Dushan Jinmeng Manganese Limited Company)
DXML	中信大錳大新錳業有限公司 (CITIC Dameng Daxin Manganese Limited Company)
EMD	electrolytic manganese dioxide
EMM	electrolytic manganese metal
EMM products	EMM and manganese briquette
Gabon	the Gabonese Republic

GMG	Greenway Mining Group Limited (信盛礦業集團有限公司) (Stock Code:2133), formerly known as China Polymetallic Mining Limited (中國多金屬礦業有限公司), a limited liability company incorporated under the laws of the Cayman Islands on 30 November 2009
Group, we or us	the Company and its subsidiaries
Guangxi	Guangxi Zhuang Autonomous Region, the PRC
Guangxi Dameng	廣西大錳錳業集團有限公司 (Guangxi Dameng Manganese Industry Group Co., Ltd.)), a state-owned limited liability company established under the laws of the PRC on 30 July 2001. Guangxi Dameng is wholly-owned by the government of Guangxi, PRC
Guangxi Start	廣西斯達特錳材料有限公司 (Guangxi Start Manganese Materials Co., Ltd.)
Highkeen	Highkeen Resources Limited, a company incorporated in the British Virgin Islands on 28 January 2005 with limited liability, which is indirectly wholly-owned by CITIC Resources. Highkeen is an immediate Controlling Shareholder of our Company
Hong Kong or HK	the Hong Kong Special Administrative Region of the PRC
Huazhou BVI Group	Huazhou Mining Investment Limited together with its subsidiaries (including Compagnie Industrielle et Commerciale des Mines de Huazhou)
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 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
Non-compete Undertaking	the non-compete undertaking given by CITIC Resources in favour of our Company under the deed of non-competition dated 3 November 2010
Prospectus	the prospectus of the Company dated 8 November 2010
Qinzhou Ferroalloy Plant	the ferroalloy production plant located near Qinzhou port 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

Glossary of Terms

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	a ferroalloy production plant 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.